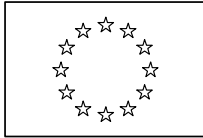


**Sixteenth Meeting of the
IMF Committee on Balance of Payments Statistics
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**Report on Eurostat Activities
Balance of Payments Unit**

Prepared by Eurostat



EUROPEAN COMMISSION
EUROSTAT

Directorate C: Economic and monetary statistics
Unit C-4: Balance of payments



REPORT ON EUROSTAT ACTIVITIES BALANCE OF PAYMENTS UNIT

1. DRAFT REGULATION ON COMMUNITY STATISTICS CONCERNING BALANCE OF PAYMENTS, INTERNATIONAL TRADE IN SERVICES AND FOREIGN DIRECT INVESTMENT (BOP REGULATION)

1 The draft text of the Regulation was approved by the European Commission in August 2003. The text is now under discussion by the European Parliament and the Council and is expected to be adopted during the first half of 2004. It concerns a framework regulation concentrating on output requirements. In the regulation, the establishment of the Balance of Payments' Committee is laid down. The Committee assists the European Commission by assessing the need for changes in the data requirements occurring after the adoption of the Regulation (e.g. the level of detail, geographical breakdown).

2 The Regulation stipulates that Member States (MSs) shall take all measures necessary to ensure the quality of the data transmitted according to common quality standards. To that end, they shall transmit quality reports to the European Commission (Eurostat). The Balance of Payments' Committee will assess the quality of the data transmitted on the basis of the quality reports.

3 In Eurostat's opinion the adoption of the Regulation is a major step ahead. It warrants a fully harmonised level of detail and geographical breakdown in the data transmitted by the MSs. The level of annual detail for services and foreign direct investment requested by the regulation is that included in the recently published Manual on Statistics of International Trade in Services. The views of major users in the European Commission, especially DG Trade, have been taken into account, e.g. regarding the geographical breakdown. Consistency between requirements of the European Commission and the ECB (e.g. on timeliness, quality, geographical breakdown) was furthermore sought to the greatest extent possible.

4 In our view, the regulation holds a balanced position between the level of detail needed by the main users and the increased burden on respondents and data compilers. To that end, it includes an article allowing for the transmission of best estimates. Finally, the stipulations regarding MSs' quality reports represent a very useful means to assess and further enhance the quality of EU b.o.p. statistics. The joint work of Eurostat and the IMF on data quality and the joint task force of Eurostat and ECB/DG-S on Quality indicators will provide important input for the set-up of the quality reports.

2. DRAFT REGULATION ON COMMUNITY FOREIGN AFFILIATE TRADE IN SERVICES STATISTICS (FATS)

5 There is strong pressure for Community statistics on foreign affiliates to be compiled urgently, in particular for the purpose of the European Commission's negotiations on GATS. The adoption of the Regulation on FATS will strongly enhance these efforts. The CMFB meeting of January 2003 was informed through a progress report of the work in this field of the Working Group FATS. At their June 2003 meeting the CMFB has approved the draft proposal with slight amendments.

6 At the meeting of the Statistical Programming Committee of the EU in September 2003, objections were made concerning the foreseen burden and costs for reporting agents, as well as data collectors. This related especially to outward FATS. The SPC concluded that further analysis on the costs and benefits of the collection of these statistics was needed.

7 After the SPC meeting Eurostat has prepared a new proposal in which the data for outward FATS are no longer qualified as compulsory. Instead, MSs are requested to include these data in their pilot studies. Pilot studies are to be undertaken voluntarily by MSs in the framework of the Regulation. After consultation of the Member States, a new proposal will be presented to the SPC in spring 2004.

8 In the field of the FATS methodology, progress can be reported as regards the co-operation with the OECD in drafting the relevant chapter of the forthcoming Manual on Economic Globalisation Indicators. Furthermore, publication of outward FATS variables has been improved with regard to the coverage of the nine MSs that provide these data.

3. THRESHOLD FOR THE COLLECTION OF CROSS-BORDER PAYMENTS

9 Within the framework of Regulation 2560/2001 concerning cross-border payments in euro, the European Commission will have to write a report by July 2004 on the advisability of raising the threshold for b.o.p. reporting from € 12,500 to € 50,000 in 2006. The CMFB will issue its position early next year. At the request of the Executive Body, the CMFB (in January 2003) agreed to conduct a quantitative exercise on the possible effects of this raise. The exercise, also involving Candidate Countries, was conducted in the framework of the Technical Group Asymmetries and Codification (TGA).

10 Most of the Member States and the Candidate Countries currently running settlement based systems participated in the exercise. In June 2003, the results of the exercise were provided to the Executive Body. The Executive Body is presently preparing a document concerning the possible raise of the threshold, including the quantitative exercise in its analysis and argumentation. Moreover, Eurostat will further discuss this matter with the relevant European Commission Services, and the ECB will associate the payments systems departments in the discussion.

4. DRAFT ANNOTATED OUTLINE FOR THE BPM5 REVISION

11 Eurostat feels very committed to fully co-operate in the revision of BPM5 and welcomes the large amount of work that has already been achieved in the Annotated Outline. Eurostat will consult the Interagency Task Force on International Trade in Services to adopt a cost effective manner to participate on this issue. In Eurostat's BoP WG, we will assess the opinion of the MSs in Eurostat's fields of competence, i.e. goods, services and FDI transactions/positions, on issues to be included in the revision of BPM5.

5. UN MANUAL ON TRADE IN SERVICES AND STOCK-TAKING OF METHODOLOGICAL SOUNDNESS

12 During the meeting of the Interagency Task Force on Services in April 2003, Eurostat presented the outline of the Compilation Guide for Travel. In its annual questionnaire for Services, Eurostat has incorporated the Extended Balance of Payments Classification. MSs will report the newly requested items on a voluntary basis and Eurostat will disseminate them in its New Cronos database. These requests are expected to be further implemented as from 2006 via the BOP Regulation,

13 The Joint Eurostat-OECD questionnaire on Methodology of International Trade in Services was sent to the MSs and the Acceding Countries in June 2003. It examines conceptual compliance, coverage and quality of the annual trade and services data. The deadline for receiving the replies was October 31. Replies have been received so far from around 2/3 of the 25 countries included in the exercise. Eurostat has started the elaboration of the replies. At the meeting of Eurostat's BoP WG in March 2004, a first assessment of the outcome of the exercise will be presented.

6. AD HOC COMMITTEE ON ASYMMETRIES

14 In June 2003 the final report of the Ad Hoc Committee on Asymmetries was approved by the CMFB. The Committee was established in 1999 with a mandate to stimulate work in order to resolve EU asymmetries in foreign trade and b.o.p. statistics, to indicate what changes MSs could make to improve the quality of their national figures and to produce experimental datasets of asymmetry-free EU aggregates for the years 1995-97. The Committee followed two approaches for resolving the asymmetries. It assessed the methodological improvements that MSs can make (bottom-up approach), as well as the use of statistical modelling tools that could be used to resolve the asymmetries at an aggregate level (top-down approach).

15 The bottom-up approach consists of bilaterally analysing the differences between the data of the MSs to assess if the asymmetries can be solved at source. The bilateral comparisons may lead to the identification of areas where there is still a need to harmonise concepts, definitions and compilation methods. In addition, reporting gaps and weaknesses, detected in the different reporting systems, and the solutions implemented may enable the spread of 'good practices'. This approach is gradual and requires a significant investment in time and resources. The main advantage is that the results affect and improve directly the quality of national b.o.p. data. Overall, the

bottom-up approach has contributed to improve the comparability between several MSs for items such as “travel” and “compensation of employees” through bilateral/multilateral studies undertaken between them. Also, various task forces and technical groups, such as those on Portfolio Investment Income, Travel, Transportation and Direct Reporting are all trying to improve the quality of EU and euro area b.o.p. statistics.

16 In the top-down approach asymmetries are eliminated on the basis of statistical modelling tools. The Committee considered two different modelling approaches that could be applied to MSs’ reported data, one specifically for trade in goods (the Trade model) and the other for all b.o.p. current account items (the Global Method model). The models are based on standard optimisation techniques and methodology already used in national accounts¹. The models derive asymmetry-free aggregates from reported MSs’ data and take into account MSs’ perceptions of the strengths and weaknesses of their data. Most MSs have been able to supply this subjective information. The perceptions can change over time, as bilateral investigations improve methodology and as new data collection systems are introduced. The adjustments made by the models will decrease in line with reduced asymmetries in the reported data. The Global Method model runs only on the aggregated, main current account items of the EU-b.o.p. Therefore, the resulting asymmetry-free figures cannot substitute for the b.o.p. data that are officially published by Eurostat.

17 In June 2002 the CMFB agreed that the Committee should continue for a year to bring the modelling work to a conclusion and make recommendations on its use. In its final report the Committee recommends continuing bilateral comparisons and methodological improvements in each MS. It further recommends using the proposed models for b.o.p. and external trade to produce experimental results, in order to gather user feedback and ensure that the exercise remains user-responsive. These may also be useful in the development of Quarterly EU / euro area Accounts by Institutional Sector (QSA). In each MS, estimates from the national accounts will include intra- and extra-EU transactions for each item and for each domestic sector. When these data are added across MSs, the EU figures for each domestic sector will, therefore, include indistinguishably the Intra-EU asymmetries. The EU RoW sector, on the other hand, will be based on Extra-EU figures, summed across all MSs. Therefore, the European QSA will not balance, unless the Intra-EU asymmetries are resolved and appropriate adjustments are distributed across the domestic sectors. The analytical usefulness of the QSA is likely to depend on a balanced set of accounts available within T+90 days. Given the compilation time of all MSs, it is clear that an automatic and quick way of resolving the asymmetries would be helpful.

18 The CMFB welcomed the report and emphasised the need to apply the proposed tools. On publication, the CMFB recommended to provide for a test period during which the results would be circulated solely to a restricted circle of users.

¹ More information about the model and its results are presented in the Eurostat working paper ‘Asymmetries of Current account in the intra-EU balance of payments’, which can be found on Eurostat’s website.

(link: <http://europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat&theme=2-Economy%20and%20Finance&product=KS-AO-02-004--N-EN>).

7. JOINT ECB/COMMISSION (EUROSTAT) TASK FORCE ON THE REST-OF-THE-WORLD ACCOUNT

19 In 2000, the European Commission (Eurostat) and the ECB/DG-S jointly prepared the EMU Action Plan that was supported by the ECOFIN Council. It requires the development of quarterly accounts by institutional sectors (QSA) for the EU and euro area. A joint DG-S/Eurostat task force (the Task Force on Quarterly European Accounts by Institutional Sectors / TF-QSA) was set up to pave the way for the compilation of these new aggregates. Following its initial work, the task force has proposed to use the b.o.p. for the euro area/EU as the reference framework for the Rest-of-the-World (RoW) account within this new set of accounts.

20 In January 2003, the CMFB in principle welcomed the proposal. It was agreed to mandate a joint Eurostat and ECB/DG-S task force to assess its feasibility from the b.o.p. compilers' side (the Task Force on the Rest-of-the-World Account). The task force worked within a tight time-frame, as its first meeting took place on 19 March 2003, whereas its final report to Eurostat's BOP WG and the ECB's WG-BP&ER was due by October 2003.

21 A sub-group of the TF-QSA composed a bridging table to identify the items required for the QSA, but not available in the b.o.p. In order to keep the additional b.o.p. requirements at an appropriate level, the data for which contributions of all MSs are expected are limited to those items that represent more than 1% of the GDP in at least one MSs, ('priority items'). It is acknowledged that for some of these items a certain degree of estimation will be needed. The remaining items should be supplied if possible, but may reflect a greater reliance on estimation. From a stock-taking exercise among the MSs, the TF RoW concluded that most of the priority items will be available in 2005. As regards non-priority items, most MSs should be able to report at least estimates. Also the geographical breakdown in euro area/other EU/extra EU would be available for most data.

22 In the EMU Action Plan it is further laid down that the QSA for the EU and the euro area must be available within 90 days. This implies that the b.o.p. data, presently available after 90 days, will have to be delivered at T+80, or the latest at T+85 to be used for the RoW account. The stock-taking exercise showed that the situation as regards both the availability and quality of data prior to T+90, much differs among the MSs. Consequently, the task force proposes that a step-wise approach be followed under which the requested quarterly data will be made available to the euro area/EU b.o.p. compilers at T+85 from 2005, and possibly earlier (T+80) at a later stage². In practice, the current requirements for the delivery of b.o.p. data at T+90 will remain valid in 2005. The above-mentioned additional requirements will be delivered at T+85. MSs may, hence, choose in 2005 to send all items in one shot at T+85 or in two transmissions at T+85 (new detailed data) and T+90 (more aggregated data)³.

² The draft regulation on QSA foresees an initial data transmission at T+90 days, which may be shortened at a later stage by 'comitology' procedure.

³ From 2006 onwards, subject to the outcome of the 'comitology' procedure, the data sending will be required at T+85 (consistently for Eurostat and DG-S).

23 The delivery of the requested breakdowns will imply significant efforts by the MSs to comply with the new reporting requirements. In some particular cases, transitional solutions for the reporting by one or several MSs may be needed. B.o.p. compilers also point out that the provision of b.o.p. data at an earlier point in time entails some deterioration of data quality. Considering that quality assurance is an ongoing, iterative process whereby data are revised and improved over time, and that this process is in the essence of national accounts, the TF-RoW, nevertheless, deems the provision of the requested items at T+85 days feasible, and the trade-off between timeliness and quality that this implies, acceptable.

24 The task force sees a clear need for a stronger co-operation between b.o.p., government finance and national accounts compilers. It further recommends that compilers of the euro area/EU aggregates build on the pioneering work carried out by the Ad Hoc Committee on Asymmetries; the top-down approach should allow for a consistent balancing of the remaining asymmetries in the EU/euro area b.o.p. and QSA. Further developments in this area are required before the first QSA can be delivered.

25 The draft final report of the task force has been presented to the members of the ECB's WG on BOP & ER on 22 October 2003 and has been submitted in written form to all the members of Eurostat's WG BoP on 3 November 2003. The final version of this report will be discussed at the next CMFB meeting in January 2004. Eurostat is now defining the codes that should be used for the newly required b.o.p. items.

8. TECHNICAL GROUP DIRECT REPORTING

26 During Eurostat's BoP WG meeting in October 1999, the Technical Group Direct Reporting (TGDR) was mandated to investigate a number of issues related to direct reporting. The aim of this activity was to provide background information to MSs that consider converting to partial or full direct reporting systems. The work of the TGDR elaborated on the so-called matrix-approach, adopted by the CMFB in 1999. Starting point of the matrix approach is that for the compilation of the b.o.p. a diverse set of data sources is generally available in MSs. The 'matrix' gives a summary of the potential sources, including partial settlement data that may be used in direct reporting systems.

27 The work of the TGDR focused on a wide range of specific circumstances and problems encountered in direct reporting systems. It included the use of registers, the extension of the quantitative analysis⁴ to all b.o.p. items (i.e. current, financial account and capital account) and the selection process (sampling) of direct reporting companies. An inquiry was done into the consistency of the different sources available and the management of the interim period in which the transition from a settlement to a survey system is made. Also the technical group conceived common reporting forms for multinationals in conjunction with the Steering Group Multinationals.

⁴ The quantitative analysis tests the measure of concentration in the population, which indicates the relative size of the samples needed.

28 At the CMFB meeting in June 2003, the final report of the TGDR was presented. It comprises an extended set of best practices and recommendations on the issues included in the mandate. The CMFB welcomed the report, acknowledged that the TGDR had fulfilled the mandate and requested the technical group to continue providing expert guidance on the implementation of the proposed solutions. The final report of the TGDR and its annexes can be found on Eurostat's website, CIRCA.

9. STEERING GROUP MULTINATIONALS

29 In mid-2000, the European Round Table of Industrialists (ERT) sent a request to the President of the ECB to investigate the possibilities for harmonised b.o.p. reporting in the EU / euro area. This initiative instigated the establishment of the European Steering Group on Multinationals (SGM), a joint initiative of the ECB /DG-S and the European Commission (Eurostat). The SGM has been commissioned to assess the costs and benefits of the idea of harmonised reporting rules for multinational companies.

30 The SGM and the TGDR defined a harmonised direct reporting model for multinationals (the so-called new approach). From November 2001 onwards, the nineteen multinational enterprises participating in the project were visited and asked to complete the so-called Feasibility questionnaire and to fill out the draft report forms for a test period. The progress report presented to the CMFB meeting this summer indicates that the proposed uniform reporting model appears to be feasible for the enterprises contacted up to now, despite some critical notes (especially concerning the more detailed information compared to the current obligations, e.g. s-b-s reporting).

31 In May 2003, a follow-up meeting has been held between the SGM, a group of software houses and representatives of three multinationals taking part in the project. The main objective of this meeting was to broaden awareness and increase support for the project among the most important parties. During the next months, the completion of the questionnaires and test reports by multinationals will be finalised. It is expected that by the end of March 2004, a revised reporting model for multinationals can be presented, incorporating all the information and experience that was obtained by the SGM. After the finalisation of its report, it is envisaged that the SGM will present the results to the multinationals involved in the project at the premises of the ECB.

10. CODIFICATION

32 The CMFB mandated the Technical Group Asymmetries and Codification (TGA) in 2000 to draft a harmonised b.o.p. code list. In January 2002, the CMFB precised, moreover, that the codification should be useful for all data collection systems (i.e. survey, settlement and mixed systems). The aim of this work is to help reporting agents and compilers to avoid misclassifications and thus reduce asymmetries in EU / euro area b.o.p. aggregates.

33 The heterogeneity of the collection systems led to a two-step approach. The TGA first developed a common nomenclature and, secondly, translated this into a common code structure, especially for settlement systems. Three generic systems were developed, using the agreed nomenclature as a reference. The TGA choose to apply the common

nomenclature and recommended the use of one of the generic systems. It is left upon the MSs to define and manage the codification for additional breakdowns they might wish to make, albeit within the common framework. This approach offers the highest level of flexibility for the compilation of the national data, as well as the EU / euro area aggregates.

34 At the March 2003 meeting of Eurostat's BoP WG, the TGA's interim report on harmonised codification was presented. The TGA meanwhile has finalised its report, which is expected to be endorsed by the BoP WG in its March 2004 meeting. Presently, two Candidate Countries have already adopted the harmonised codification in their settlement systems. Moreover, the definitions of trade-in-services items provided by the TGA were included in the BOP Regulation. This is expected to further harmonise the compilation of these data and thus improve the overall quality of the b.o.p. aggregates.

35 After the presentation of the final report at the forthcoming BoP WG in 2004, the CMFB will be asked to commission a technical group mandated to develop a harmonised code system for other data collection systems than settlement systems.

11. TF FDI AND SIMSDI

36 The joint Eurostat and ECB/DG-S Task Force on Foreign Direct Investment (TF-FDI) was set up in 2001. It was mandated to identify 'best practices' with a view to minimise inconsistent compilation methods in the MSs that lead to asymmetries in euro area / EU b.o.p. aggregates. The task force paid particular attention to the accuracy of the geographical allocation of the relevant transactions and positions.

37 The TF FDI presented its final report by written procedure to the members of Eurostat's BoP WG and in the meeting of the ECB's WG BoP & ER in October 2003. The findings and recommendations of the task force are elaborated in a contribution to this meeting of the IMF BOP Committee by the ECB's DG/S. In January 2004, the final report will be circulated to the CMFB for approval by written procedure.

38 As regards the joint IMF / OECD Survey on Implementation of Methodology for Statistics on Direct Investment (SIMSDI), ECB's DG/S and Eurostat intend to reinforce their role so as to ensure consistency and avoid duplication of work. An electronic group set up by the IMF and OECD, including Eurostat and the ECB, has concluded a new version of the SIMSDI questionnaire that has been approved. This co-ordinated approach is in line with the general Eurostat/OECD co-ordination regarding all statistical questionnaires, which is an important means to ensure quality (including consistency) and avoid duplication of work.

12. TG TRAVEL

39 The TG Travel was set up in 1998 by the Eurostat's BoP WG to give a follow-up to the work done by the TF Travel (1995-1997). The original mandate was to improve the the circulation of information on MSs' experiences in setting up new collection systems for Travel, as the introduction of the euro would make an end to the sources used by a majority of MSs until then.

40 The activities of the technical group are largely concentrated on monitoring the implementation of the collection systems for travel. The group also acts as a multilateral forum of experts in order to analyse bilateral travel figures. In the June 2003 meeting of the group, a further round of consultations on national collection systems was carried out and bilateral MSs' data on physical indicators (e.g. total number of visitors, overnight stays) were analysed for the first time. The TG has agreed to support Eurostat in compiling the chapter on Travel for the Compilation Guide of the Manual on International Trade in Services. It was further decided that the TG will be extended with representatives from the current EU Acceding Countries in 2004.

41 The group will report on further progress at the next meeting of Eurostat's BoP WG meeting in March 2004.

13. TG MERCHANDISE TRANSPORT

42 The Technical Group Merchandise Transport (TGMT) was created by the CMFB in 1997 with a mandate 'to propose a uniform method for the estimation of merchandise transport on a fob-fob basis and on an ex-works (i.e. out-of-the-factory) basis'. The TGMT presented an extended interim report in the meeting of Eurostat's BoP WG in March 2000. At that stage, no full agreement could be reached on a common solution, although the so-called modified invoice based approach seemed to be the most promising to the group.

43 In more recent years, the group has quantitatively tested this method, in which fob values for merchandise transport are derived from foreign trade statistics. It implies the calculation of the ratios between invoice and statistical values for imports (arrivals) and exports (dispatches) of goods, on a country-by-country basis. At present, empirical data are collected from MSs and Acceding Countries, to verify the feasibility of this approach.

44 In the same field, Eurostat has launched a project to study the possible 'reconciliation of Trade and b.o.p. statistics'. TGMT will be informed on the progress and consulted on the work undertaken under this project.

14. EUROSTAT'S QUALITY INITIATIVES

45 As regards quality, Eurostat applies the ISO 8402-1986 definition, according to which quality is 'the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs'. This definition implies that Eurostat's approach concentrates mainly on the quality characteristics of the statistical products or output. However, given that statistical outputs result from specific processes, the assessment of the quality of the output constitutes to a certain degree an indirect evaluation of the methods and practices used for producing statistical information. Eurostat's quality assessment approach consists of the following six main components: relevance, accuracy, timeliness, accessibility and clarity, comparability across MSs and coherence.

46 In preparation of a number of ongoing activities, Eurostat has completed an internal document on the quality of EU b.o.p. statistics. The paper tests the measure in which each of the six criteria for quality assessment is met by these statistics. The tests have both a qualitative and, where possible, quantitative nature. It covers a broad field of subjects, including asymmetries, extent of harmonisation, geographical comparability between MSs, relative size of estimates, revisions policy and the quantitative impact of updated data and the comparison with external trade statistics. As mentioned before, the document is used as a point of reference for several ongoing activities, including the joint Eurostat ECB/DG-S TF on Quality indicators, the development of quality reports by MSs, as laid down in the BOP Regulation, and the IMF initiative for a Data Quality Assessment Framework (DQAF).

47 Concerning the DQAF, the IMF and Eurostat undertook to review their respective quality approaches in response to concerns expressed by MSs about differences in the frameworks used by both institutions. An important outcome of the analysis is that the main focus of Eurostat is on output-oriented indicators resulting, if possible, in quantitative measurements, whereas the IMF approach focuses on process-oriented indicators, measured qualitatively. Given the differences in orientation, it appeared not possible to fully harmonise both approaches. So each institution may keep its own framework. At the same time, both approaches proved to be useful complements that contain areas of commonalities. Eurostat and the IMF modified their frameworks to further harmonise these overlapping areas. Still, it must be acknowledged that we need both output- and process-oriented indicators to measure and assess quality. The work done by the Eurostat / ECB's DG-S Task Force Quality Indicators for the b.o.p. is a concrete example of a selection of relevant indicators for this area.

14.1. Joint Eurostat / DG-S Task Force Quality Indicators

48 The 4th progress report of the Economic and Financial Committee on statistical requirements in the EMU requested the SPC, in close co-operation with the CMFB, to reflect on indicators to measure quality. For this purpose, the CMFB set up the Task Force Quality Indicators (TFQ) in January 2002, with the mandate to define a limited set of indicators to assess the various dimensions of quality, and to provide guidance to users when interpreting statistical data.

49 The TFQ used the IMF's Data Quality Assessment Framework (DQAF) and Eurostat's definitions as the reference framework for its work. A pilot study and a supplementary feasibility study were conducted. Several key indicators which may be relevant for public dissemination and 'supporting' indicators for internal analysis were conceived.

50 In the light of the pilot exercise and the preliminary feasibility assessment, the CMFB agreed in January 2003 that all MSs and the European Institutions should perform an empirical exercise covering three months (from February to April 2003). The aim was to further fine-tune the indicators and to identify the indicators relevant for public dissemination and for internal analysis, respectively. In addition, the relevance of indicators was clarified and their calculation standardised.

51 The TFQ presented a draft final report to the CMFB meeting of June 2003, concentrating on b.o.p. statistics. The report was generally supported. The CMFB

considered that additional testing and empirical work were needed. It recommended that the final report would focus on methodology only. Once approved, the final report of the TFQ will be published on the CMFB website as a provisional working document. In January 2004, Candidate Countries will be invited to attend a workshop on the work of the TFQ at the premises of the ECB.

52 Apart from finalising the proposals for an operational set of b.o.p. quality indicators, the TFQ has now turned to quarterly national accounts statistics (QNA). The task force was reconfigured, renamed in Task Force on Quarterly National accounts (TF QNA) and b.o.p. experts were partly replaced with QNA experts. Overall, it is planned to closely co-ordinate the work of the two areas in order to ensure consistency of approaches and efficiency of activities. In November 2003, during its first meeting, the TF QNA took stock of the work already done by NCBs and NSIs, and assessed the applicability of findings in the field of the b.o.p. In June 2004, the final report should be provided to the CMFB with a finalised set of indicators, a feasibility assessment and a draft proposal for implementing indicators in the Member States.

15. REVISION POLICY

53 Eurostat welcomes the IMF's initiative to work towards an internationally accepted set of best practises regarding revisions policy, as conveyed in the document 'Revisions Policy for Official Statistics: a Matter of Governance'. As is rightly stated in the paper, this issue does not only concern individual countries, but is also of high importance for regional unions like the European Union. Moreover, the President of the CMFB considered the subject as one of the main challenges for the Committee for the next two years. We are therefore very willing to co-operate in this field.

54 Recently, progress on this issue has been achieved for EU / euro area b.o.p. aggregates. The CMFB in July 2002 concluded that the b.o.p. data for the EU / euro area would much benefit from more harmonised revision practices and called for initiatives in this field. As a result, Eurostat and ECB/DG-S in close co-operation with the MSs have recently adopted a common periodicity for the transmission of revised b.o.p. and direct-investment data by the MSs (Eurostat, ECB/DG-S will make the paper available after its publication). The common timetable for reporting revised quarterly data will become effective for the data covering the third quarter of 2003. This can be considered as an important step towards a broader common revisions policy in the EU and the euro area. Further developments are expected in the area of national accounts.

55 The IMF paper offers a comprehensive framework to continue and extent this work. Eurostat will present the IMF document in its BoP Working Party in 2004. We will inform you of the reactions.

16. INTERNATIONAL ACCOUNTING STANDARDS

56 In 2000, Eurostat started to investigate the relationships between business accounting and statistics. A joint Eurostat/ECB task force on International Accounting Standards (IAS) was constituted with representatives from MSs (NSIs and NCBs), DG Internal Market of the EU, the Fédération des Experts Comptables Européens (FEE) and

the European Committee of Central Balance Sheet Offices (CBSO). The Eurostat website on [Accounting and Statistics](#) was set up to serve as an information clearing house for the TF IAS and other interested parties.

57 In June 2002, the EU Regulation IAS was adopted, which requires *listed* companies to apply IAS for their *consolidated* accounts, at the latest by 2005. The impact of the Regulation on b.o.p. and i.i.p. statistics will increase over time because, more and more, MSs are making the transition to survey systems in which the data are directly collected from companies' business accounts. Eurostat and the TF IAS have launched several exercises in order to assess the potential impact of the Regulation, which indeed offers both opportunities and risks. Detailed technical inquiries were made as regards the influence on National Accounts, Money and Banking and b.o.p. statistics. In October 2003, a comparison study of the IAS Regulation and the Structural Business Statistics Regulation was started at Eurostat. The risks that the Regulation entails, largely relate to the practical implementation in the MSs, for which the Regulation offers the following options.

- Only for the consolidated accounts of listed companies (compulsory).
- Also for the individual companies of listed companies (optional).
- Also for unlisted companies (optional).

Also the IAS Regulation allows MSs to use different timetables for the implementation.

58 In accordance with the IAS Regulation, the European Commission has prepared a draft Regulation on the implementation of IAS. Within the framework of the task force, Eurostat is aiming at an extension of the explanatory memorandum of this Regulation, which should stress the need for further harmonisation of the implementation. Given the different impact that the implementation of IAS may have in the different MSs, the task force, furthermore, has adopted a strategy of decentralisation and co-ordination, in which the MSs assess the impact in their countries under the umbrella of a joint Steering Committee of Eurostat and the ECB.

59 At Eurostat, the Technical Group Direct Reporting has also investigated IAS. In a Workshop on Accountancy and BOP held in 2002 in Luxembourg, a session was devoted to XBRL. This language is designed for financial reporting, but can also be used to gain statistical information. It offers the opportunity to 'describe' the meaning of data through the use of specific tags (mark-up language). This characteristic could be useful for the collection of b.o.p. and i.i.p. data, although it should be noted that the annual business accounting data will not suffice, given the statistical requirements that transactions/positions must be allocated geographically to non-residents and broken down by the sector of the institutional unit involved. Eurostat plans to evaluate further the extent in which 'micro' accounting data can be used for statistical purposes, with the support of an adequate IT language.

60 The TF IAS plans to present a comprehensive status report at the CMFB meeting in January 2004. It will furthermore investigate how the involvement of the EU in the drafting of future IAS can be improved.

17. CANDIDATE COUNTRIES

61 During the March 2003 meeting of Eurostat's BoP WG, Candidate Countries were informed of the CMFB decision that the EC Regulation on cross-border payments in euro will apply to them as soon as they become members of the EU. This implies that the reporting requirements no longer will apply to settlements below € 12,500. For this reason it is urgent that Candidate Countries using settlement systems, quickly adapt their data collection systems where needed. Eurostat also announced its approach for integrating the Candidate Countries' data in the EU-data-production framework, in preparation of the presentation of the EU-bop aggregates for the future 25 MSs.

62 Candidate countries have been alerted to the importance of attaining the same data quality and timeliness requirements as the current EU MSs, an issue dealt with in the so-called Phare projects. During the March 2003 meeting, the Candidate Countries were informed on the new Phare II project. Phare II is complementary to the work already done on FDI in Phare I.

63 Eurostat, furthermore, presented the Review of Methodology for the compilation of FDI and, insofar as available, FATS in the Candidate Countries. The Review contains a description of the main deviations from the international standards of direct-investment statistics in the Candidate Countries. The metadata obtained in the review will be disseminated in New Cronos.

64 As foreseen, the FDI component of the Phare I Programme was concluded in August 2003. The project included two workshops (in November 2002 and June 2003) in which all Candidate Countries participated. The objectives of the project were fully attained, thanks to the valuable contributions of the experts and the Candidate Countries' representatives. The experts also supported the Candidate Countries during the two-day missions in the respective countries, in the period November 2002-May 2003.

18. EU BOP PUBLICATIONS AND NEW CRONOS

65 The quarterly EU b.o.p. data are published regularly in co-ordination with the ECB. The quarterly news releases include both data sources and are simultaneously (the same day) published by both institutions. The coverage of the press release has been widened to include details for the main posts of the current account for the EU and the euro area and some aggregate figures for Accessing Countries.

66 Candidate Countries' quarterly b.o.p. data are available in New Cronos and released simultaneously with MSs' and EU data.

67 Detailed annual results for the EU current account 2001 were analysed in the publication 'European Union International Transactions'. In 2003, issues of 'Statistics in Focus' on Construction Services and Transactions with EFTA countries were released. In June 2003, preliminary annual results for the EU current account of 2002 were published in New Cronos and a 'Statistics in Focus' analysing them was published in August 2003.

68 Also in June 2003, preliminary results for extra-EU FDI in 2002 were published in a Press release and 'Statistics in Focus' (issue 36/2003), together with revisions for 2001.

69 As regards outward FATS, an issue of 'Statistics in Focus' (21/2003) was released in July 2003, covering data for seven countries for 1999.

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