

**Nineteenth Meeting of the
IMF Committee on Balance of Payments Statistics
Frankfurt, October 23-26, 2006**

Overview of the Work on the Update of *Balance of Payments Manual*, Fifth Edition

**Prepared by the Statistics Department
International Monetary Fund**

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I. TIMETABLE

The work on the update of the BPM5 remains close to the timetable reported at the 2005 Committee meeting (BOPCOM-05/17)—see Appendix 1. During the past year, draft versions of chapters 3-12 were prepared, circulated to expert group members, revised, and were then sent to the Committee members at the end of August 2006. In addition, specialized expert groups on reserves and currency unions deliberated and made proposals. The parallel work on the update of the OECD *Benchmark Definition of Foreign Direct Investment (BD)* will be discussed at another session at this meeting.

Following comments by Committee members and by IMF departments, and discussion at the October 2006 Committee meeting, it is planned that the first set of chapters will be posted on the Fund's external website in the early part of 2007. Over the next year, the remaining chapters and selected appendices will be prepared, and chapters 3-12 will be revised in the light of comments received, before a complete draft of the *Manual* is presented to the Committee for its meeting in October 2007. During 2007, the Fund will begin planning regional seminars for a phase of consultation and information in the first half of 2008 (see ahead). The intention remains to publish a final version, subject to editing, on the Fund's external website by end-2008 and a hardcopy version thereafter.

The work of the *BPM5* update is coordinated with that of the *SNA*. Any slippage in the *SNA* drafting process would cause delay, as the final version of the international accounts manual will need to follow the final version of the *SNA* by a few months to allow consistency in treatments and wording.

Looking ahead, in the light of resource availability and the need to maintain the timetable, the drafting of the ambitious list of appendices to be included in the *Annotated Outline* (see attached) [See Appendix 2] may not be achievable.

- *Views are welcome on the timetable for further work on the Manual.*
- *Views are welcome on the list of appendices and in particular on those that Committee members consider to be the highest priorities for the new Manual.*

II. PREPARATION OF DRAFTS

A. Drafting process

The draft chapters were circulated to Committee members at the end of August 2006. These drafts were prepared after input from BOPTEG members and some Committee members. The drafts include some items that are still unresolved. Some issues on financial instruments, institutional sectors, and leases have been further resolved by the AEG since the draft was prepared. (AEG recommendations are posted on: <http://unstats.un.org/unsd/sna1993/issues.asp>). The next version of the draft will take into account these subsequent developments.

In a number of cases, text from the 1993 *SNA* or AEG papers and the draft *Benchmark Definition* has been used in the draft *Manual*. These will be replaced in the *Manual* by the final text in the revised *SNA* and *Benchmark Definition*, when available. To facilitate updating, the sources for the draft text are identified, but will not be shown in the final version.

B. Title of *Manual*

The title of the new *Manual* has not been confirmed to date. The general approach of having a broader term for the title, but leaving balance of payments in the subtitle was favored by a large majority during previous Committee discussions, with strong support for either of “external accounts” or “international accounts” as the title. *International Accounts Manual: Balance of Payments and International Investment Position Statistics* or *IAM 2008* for short, is commonly being used for the title of the revised *Manual*. International accounts manual is being commonly used, was supported by a slight majority of the Committee, was used in *BPM5*, and is consistent with the use in “international investment position” as well as United Nations’ *International Merchandise Trade Statistics* and *Manual on Statistics on International Trade in Services*. It was recognized that in some languages other than English, “international” may have other connotations, which should be considered in the translation of title.

- *Do Committee members agree with the title proposed?*

C. Style and layout of the *Manual*

The structure and layout of the manual were discussed by the Committee at its 2002 meeting (BOPCOM/02-26 available at <http://www.imf.org/external/pubs/ft/bop/2002/02-26.pdf>) and implemented in the *Annotated Outline*

(<http://www.imf.org/external/np/sta/bop/bopman5.htm>). Some of the important features were:

- To incorporate important developments since 1993, such as financial derivatives, direct investment, the *SNA Update*, and much more work on international trade in services.
- To highlight the importance of the IIP by having it first in the sequence of accounts. (The *BPM5* presentation made it seem like an addendum, as the last chapter.)
- To provide a more comprehensive, interlinked discussion of financial account positions and transactions and the associated income flows, and more substantive discussion of sectors and instruments.
- To link to the *SNA* in a more fundamental way, by showing how detailed treatments were harmonized, rather than just an overview chapter as in *BPM5*.

The decision was made in 2002 on the philosophy behind the organization of the *Manual* that there would first be chapters on cross-cutting issues (Chapters 2-5), then chapters on each individual account (Chapters 6-12).¹ This approach has the advantages that general principles and overviews are highlighted, but means that particular aspects of a single topic are dealt with at different places. For example, nominal valuation of loan positions is discussed in contrast to other valuation principles in Chapter 3 and again in the context of how it is used in position data in Chapter 6. Another example is guarantees, which are discussed under instruments, positions, financial transactions, and capital transfers. Similarly, in relation to instruments, Chapters 5, 6, and 7 cover different aspects, with the distinction being that Chapter 5 provides the definition and classification of financial instruments, Chapter 6 covers how positions are recorded in the IIP (e.g., valuation of positions in specific instruments), and Chapter 7 discusses how they are recorded in the financial account (e.g., netting, valuation, and timing).

There is a difficult balance between appropriate amplification of a concept in each of its different contexts and avoiding unnecessary repetition. The draft has reduced repetition by extensive cross-referencing, but duplication remains. One possibility being considered is for appendices of topical summaries on cross-cutting topics such as leases, guarantees, and insurance. These summaries of one or two pages would bring together the main elements and cross-reference the several other places where specific aspects appear.

¹ *BPM5* generally took the same approach, except that there is not a one-to-one relationship between accounts and chapters and cross-cutting functional classification issues were combined with the discussion of the financial account. The *1993 SNA* also took a similar approach to the new *Manual*, but with a higher priority for chapters being read on a stand-alone basis, by having more repetition and less cross-referencing than is the case in the draft *Manual*. For example, the *1993 SNA* covers the distinction between current and capital transfers at equal length, but from opposite angles, under both current transfers and the income account chapters, while the draft *Manual* covers the distinction only under current transfers, with a cross-reference to the issue under the capital account.

The order of, and the coverage in, the draft chapters is consistent with the *Annotated Outline*. The outcome is that some chapters are considerably longer than others. In this regard, both chapters 5 (financial instruments and functional categories) and 9 (goods and services) could be separated into two chapters. The basis for the existing structure is that the functional categories are built on and related to financial instruments (in the case of Chapter 5), and that there is one chapter per account and that the goods-services borderline is somewhat blurry.

- *What are the Committee member's views on the handling of cross-cutting issues in the drafts and degree of repetition?*
- *What are Committee member's views on the chapters 5 and 9? Should they be separated into two chapters each or left as presently set out?*

III. LIST OF STANDARD COMPONENTS

It is planned to produce a listing of standard components and memorandum items to be included with the release of draft *Manual* in the first part of 2007. The appearance and content will be similar to the list in *BPM5* pages 132-144.

The possible additional standard components and memorandum items² identified so far are:

- 1) fair value/nonperforming loans (memorandum items);
- 2) investment fund shares/units in instruments data;
- 3) additional splits of investment income to provide detail compatible with positions;
- 4) currency and maturity splits for IIP (proposed, see BOPCOM-06/06);
- 5) reserve related liabilities (proposed, see BOPCOM-06/29); and
- 6) split of other sectors into financial and nonfinancial, and any other subsectors within the financial sector (see BOPCOM-06/22B).

A list of standard components and memorandum items can be drawn up after the decisions on (4)-(6) above. The draft list will be circulated to Committee members for their comments.

There will be no comprehensive list of supplementary items, as these are intended to be considered on a case-by-case basis in the context of a particular issue.

- *Do Committee members have any views on the contents and presentation of the standard components, memorandum items, and supplementary items?*

² As stated in the *Annotated Outline* paragraph 1.22, memorandum items are standard items, but not components. Hence additional items outside the normal accounting structure such as fair value of loans are considered to be memorandum items, rather than standard components.

IV. COORDINATION WITH OTHER PROJECTS

There is continuing good communication between the editor of the *SNA* update (Mrs. Anne Harrison) and the international accounts manual update team. Mrs. Harrison has reviewed draft international accounts manual chapters and provided very useful comments. IMF staff will assist in the detailed review of the draft *SNA* chapters and revised *SNA* text will be incorporated into the draft international accounts manual as available.

A Fund staff member participates in the *BD* Advisory Group that is responsible for drafting the new *BD*. International accounts manual text is being incorporated in the draft *BD* and vice versa.

The Inter-Agency Task Force on Finance Statistics is being kept informed on issues relating to external debt. The Services Task Force, Mode 4 Task Force, and Luxembourg City Group are also being kept informed and consulted.

- *Do Committee members have any views on the on-going coordination of the update of the Manual with the work on the national accounts, or on the coordination with other interested groups and task forces?*

V. SEMINARS

As noted in the section above on the timetable, regional seminars are planned for the first part of 2008. Based on the experience on the preparation of *External Debt Statistics*, seminars would be proposed for each of:

- Africa—in English;
- Africa—in French;
- Asia;
- Pacific;
- European Union and other Western Europe;
- Eastern Europe;
- Middle East;
- Western Hemisphere—in English; and
- Western Hemisphere—in Spanish.

It is proposed that each seminar would last four and a half days. Based on each country sending two participants, the average attendance per meeting would be about 40. However, some seminars may involve only one participant per country. The ability to hold the seminars would be dependent on finding suitable host organizations for each region and getting funding to facilitate the attendance of participants from developing countries. Potential host

organizations could include United Nations Regional Commissions, IMF regional training institutes, currency union central banks and monetary organizations, and national agencies responsible for balance of payments statistics. Although seminars are shown in the timetable as occurring in February-June 2008, it is likely that they will be spread over a longer period.

- *Does the Committee have comments on the proposed seminars?*

VI. RESEARCH AGENDA

While the preparation of the *Manual* is far from complete, we have begun considering the long-term research agenda to be taken up as the *Manual* is being finalized. Below is a draft list of topics that will not be completely resolved during the present *Manual* revision process. These are nominated for inclusion on the long-term research agenda:

- Concessional interest;
- Wider use of fair values for loan positions;
- Income; and
- Repos.

At next year's Committee meeting we anticipate providing a firmer list of topics for the long-term research program and proposals for moving ahead.

- *What are the Committee's members views on the topics identified as candidates for the research agenda? Are there any other topics to consider?*

**Timetable for Work on the Manual Update
Since June 2005 Committee meeting**

Future actions in bold.

	IMF	Committee	TEGs	National accounts/WIIS
July 2005	Revised papers (for 3 rd AEG meeting) to AEG in light of Committee's decisions at June 2005 meeting			Third AEG meeting
October 2005				First draft of new BD prepared
November 2005	Drafting of first chapters of new manual started			BAG to consider first draft of new BD
January 2006				Fourth AEG meeting
January – June 2006			Electronic discussion with TEGs, considered draft chapters, as available, and any outstanding technical issues	
February 2006				Revised draft of new BD for circulation to WIIS
April 2006				Consolidated recommendations for changes to the <i>SNA</i> . (No further changes in substance.) WIIS to consider draft new BD. BAG to review draft of new BD in light of comments by WIIS.
May 2006			RESTEG meeting discussed issues identified in electronic discussion	
August 2006	Distributed first set of			

	IMF	Committee	TEGs	National accounts/WIIS
	chapters to Committee (taking comments of TEGs into account) for consideration at the annual meeting in October 2006.			
October 2006		Annual Meeting. Consider first set of chapters and text for SNA; identify omitted issues.		WIIS to provide comments on 3rd draft of new BD
Early part of 2007	Post first set of chapters on IMF's web site (following comments at Committee meeting in October 2006). Seek feedback.			4th (and final) draft of new BD for approval by WIIS
January – June 2007			Electronic discussion (as necessary) with TEGs, to consider draft chapters, as available, and any outstanding technical issues.	
March 2007				UNSC signs off on changes. Final AEG meeting to review draft text of new SNA.
April 2007	Prepare summary of input on comments from posting of first set of chapters on the IMF's web site.			
End-April 2007				Approval of new draft BD by WIIS's senior body (OECD's Investment Committee)
May 2007				First completed draft of revisions to the SNA sent to countries for comment.
June 2007	Remaining draft chapters, revisions to			

	IMF	Committee	TEGs	National accounts/WIIS
	previous chapters (taking TEGs' comments into account), and some appendices, sent to Committee for consideration at meeting in October 2007.			
October 2007		Annual meeting. Discuss first complete draft of new manual. Identify omitted issues.		Revisions to <i>SNA</i> submitted to ISWGNA for approval.
December 2007	Prepare second complete draft of chapters of new manual, in light of Committee's comments at October 2007 annual meeting and post on IMF's web site Mail/e-mail to member countries, ISWGNA and other groups, and IMF Departments for written comments in three months. ⁽²⁾ Translations to be made.			New BD published
February 2008 through June 2008	Regional seminars. ⁽³⁾			
March 2008	Produce summary of comments received on complete document			Revised <i>SNA</i> submitted to Statistical Commission for approval.
April through July 2008	Revise draft manual (all chapters and appendices) after taking into account summary of comments and input from regional seminars.			
End-July 2008	Post near final draft			

	IMF	Committee	TEGs	National accounts/WIIS
	on IMF website, and send to BOPCOM, international agencies, and other IMF Departments.			
October 2008		Annual Meeting. Discuss and endorse proposed changes to the draft.		
December 2008	Final draft, subject only to editing, posted on IMF website.			
Beginning December 2008	Prepare hardcopy publication, index, translations, begin update of <i>Textbook and Compilation Guide</i>.			

⁽¹⁾ Using IMF List of BOP Correspondents and correspondents for IMF's *International Financial Statistics* (including national statistical offices and central banks), almost all of whom now have e-mail addresses.

⁽²⁾ Changes to the draft after end-2007/beginning of 2008 would be limited to those resulting from ISWGNA decisions, comments from member countries and relevant groups on issues of consistency and readability, any urgent new issues, and editing.

⁽³⁾ The 2008 regional seminars would emphasize explaining the proposed changes.

LIST OF (POSSIBLE) APPENDICES
(as listed in the *Annotated Outline* in 2004)

(Other topics that relate to a single chapter will be dealt with in appendices to the relevant specific chapter.)

Changes from *BPM5*

—more detailed than overview in Chapter 1 or Preface

Reconciliation with *1993 SNA*

—similar to *BPM5* Appendix I

Process for amending *IASM 200X*

—as per BOPCOM newsletter

Issues specific to monetary/currency/economic unions

—to be completed by ECB/others

Risk issues

—links to Financial Soundness Indicators

Exceptional financing

—based on *BPM5* Appendix IV

Insurance

—as per *1993 SNA* Appendix IV

Financial services

—FISIM, interest, and service elements

Finance leasing

—bring together relevant general merchandise, service, interest, and financial entries

Foreign Affiliates Trade Statistics

—describes the statistics, as in *MSITS*

Listing of standard components

—as per Tables 7-9 in *BPM5* Appendix I

—new coding system, perhaps more closely integrated to the *1993 SNA* and *ESA95*

Nonpermanent workers

—bring together relevant service, compensation of employees, workers’ remittances, and migrants’ transfers elements

Debt reorganization

—bring together transfers, financial transactions, debt; include HIPC examples

Reverse transactions (repos, securities lending, gold swaps, and gold loans)

—explain basic principles, bring together cross-cutting issues; numerical example

Financial derivatives

—example of transactions and positions for derivatives with multiple payments

Other appendices that may be considered

Tourism

—possibly largely relevant to Chapter 9 Goods and Services, so may be placed after that chapter, but direct investment dimension also of interest

Direct investment, possibly other functional categories

—could bring together classification, positions, financial flows, and income issues in a single appendix; possibly also affiliate trade in goods and services

Data dissemination standards, Data Quality Assessment Framework

Research agenda

—issues that are under discussion and that require further work.

Payments for use of assets

—borderlines between service, property income, and sale of an intangible asset (right to use)

Treatments of transactions and positions with IMF

—with examples

Globalization

—The manual could usefully describe the contribution of BOP/IIP statistics and highlight the conceptual implications for national BOP, for example toll processing, transfer pricing, provision of group-wide IT services.