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For discussion

B.7 Arrears in the International Investment Position: Outcome of the Public Consultation

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The public consultation widely acknowledged that the data on arrears are important from the perspective of external sector statistics and thus require separate treatment in the international accounts. A slight majority of respondents supported Alternative I (i.e., maintaining status quo) relative to Alternative II (i.e., separately identifying arrears for each debt instrument in the international investment position via “of which” items). Most of the respondents supporting Alternative I recognized the potential usefulness of the additional data on arrears proposed in Alternative II, although they underscored that the costs of data compilation will be burdensome and thus outweigh the benefits. Although implementation of Alternative II requires additional efforts for data collection, supportive respondents emphasized its analytical usefulness. Further, a slight majority of respondents supported the methodological concerns and issues raised in this Guidance Note and pleaded for further elaboration in a separate Guidance Note.

The Guidance Note is proposed to be considered by the Committee for final decision. A summary of the survey responses is presented below.

- 1. Most of the respondents agreed that arrears are important from the perspective of external sector statistics and its users, and, therefore, require separate treatment in the international accounts.** They consider that the data on arrears are important for varied reasons such as for gauging external debt sustainability of a country as well as identifying risks of default, the vulnerability of the public and private sectors and assessing an economy's credit worthiness in terms of the quality of its external debt. Respondents not in favor of additional data on arrears within the balance of payments and the international investment position (IIP) noted that efforts should be made to strengthen other data collection frameworks (e.g., external debt) without imposing additional reporting burden.
- 2. A slight majority of respondents supported Alternative I (i.e., maintaining status quo) relative to Alternative II (i.e., separately identifying arrears for each debt instrument in the IIP via “of which” items by providing memorandum information).** Only one respondent supported Alternative III. While most of the respondents who supported Alternative I recognized the potential usefulness of the additional data on arrears proposed in Alternative II, they underscored that the costs of data compilation will be burdensome and thus outweigh the benefits. Some considered that countries with limited resources may not be able to comply with the additional breakdowns proposed in Alternative II, as they multiply requirements across balance of payments/IIP sectors and instruments. One of the respondents noted that the inclusion of arrears in exceptional financing indicators as memorandum items in balance of payments already serves the purpose of monitoring arrears adequately.
- 3. Those supporting Alternative II considered that the proposed identification of arrears for each debt instrument in the IIP via “of which” items is analytically useful.** Although implementation of Alternative II requires additional efforts for data collection, it will indicate which debt instrument have more impact on the debt dynamics of a country and will allow close monitoring of external insolvency.
- 4. A slight majority of respondents supported the methodological concerns and issues raised in this Guidance Note, supporting them to be treated in a separate GN.**

¹ Prepared by Venkat Josyula and Padma S. Hurree-Gobin (IMF), both BPTT Secretariat. Twenty-four respondents participated in the public consultation survey.