



Balance of Payments Statistics

A NEWSLETTER FROM THE BALANCE OF PAYMENTS AND EXTERNAL DEBT DIVISIONS • STATISTICS DEPARTMENT • IMF

Finance Statistics—Some Lessons from the Asian Financial Crisis¹

It is probably not a surprise to those who have observed the development of official statistics to note that, once again, an economic crisis has led to a re-examination of the availability of relevant data. This article first provides an overview of the implications for statistics that are flowing from the East Asian financial crisis, then focuses on data on international reserves and external debt, and finally looks briefly forward.

Overview: The Asian Financial Crisis and Implications for Statistics

The Financial Crisis

By now, there are numerous accounts of the financial crisis that began last summer in East Asia, including its contagion effects in other parts of the world. Accounts appeared recently, for example, in the *Economic Survey for Europe* and in the publications of the Bank for International Settlements (BIS) and the Organization for Economic Cooperation and Development (OECD). The IMF's most recent *World Economic Outlook* also contained such an account, from which the following highlights were taken.

That the East Asian region might become embroiled in one of the worst financial crises in the postwar period was hardly ever considered a realistic possibility. Currency values plummeted and stock markets collapsed, beginning in Thailand and spreading to several other countries. Several factors—mainly domestic but also external—seem to have contributed to the dramatic deterioration in sentiment by foreign and domestic investors. These factors, of course, operated to different degrees in different countries.

The key domestic factors appear to have been the following:

- Overheating pressures, which had manifested themselves in large external deficits and inflated property and stock market values.
- The maintenance for too long of pegged exchange rate regimes, which complicated the design of monetary policy and which came to



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official views of the IMF. Draft submissions are welcome and should be addressed to Anne Y. Kester, Editor, IMF Balance of Payments Statistics Newsletter, Balance of Payments and External Debt Division II, Statistics Department, Room IS5-300, International Monetary Fund, Washington, D.C. 20431, U.S.A. Telephone: (202) 623-7922 • Fax: (202) 623-8017. Graphic design for this newsletter is provided by Isabelle Grohol.

be viewed as implicit guarantees of exchange value. The implicit guarantees encouraged external borrowing—often at short maturities—and led to excessive exposure to foreign exchange risk in both the financial and corporate sectors.

- The poor control of risks in financial systems, lax enforcement of prudential rules, and associated lending practices that had led to a sharp deterioration in the quality of banks' loan portfolios.
- The problems of data availability and lack of transparency, which hindered market participants in making a realistic assessment of economic fundamentals and added to uncertainty.

Further, problems of governance and political uncertainties exacerbated the crisis of confidence, increased the reluctance of foreign creditors to roll over short-term loans, and exerted downward pressure on currencies and stock markets.

External factors also played a role. Two key factors were the following:

- The underestimation of risks by international investors appears to have been a factor in large private capital flows to emerging markets.
- With the exchange rate pegged to the U.S. dollar in several cases, the U.S. dollar's appreciation against the Japanese yen after mid-1995 contributed to an export slow-down by a number of countries in the region.

Also, international investors—mainly commercial and investment banks—may in some cases have contributed significantly to the downward pressure on the currencies in crisis, alongside domestic investors and residents seeking to hedge their foreign currency exposures.

In this account, reference is made to a number of financial variables—including external deficits (that is, deficits in current accounts of the balance of payments); large capital flows, especially private and short term; and asset valuations. Looking back, there is general agreement that data on these and related variables, such as the official international reserves used to cover balance of payments needs and exchange market intervention—were not sufficiently reliable, comprehensive, and/or timely in some key cases. For example, in Thailand, the reserves held by the central bank were encumbered through forward contracts made to support the baht prior to its float; and in Korea, a large portion of the reserves were invested in overseas branches of Korean banks to provide support in meeting their external debt obligations. Neither situation was apparent in the reserve figures that were published in the early days of the crisis; both Thailand and Korea had significantly lower levels of usable official reserves than suggested by the official data. For Indonesia, the available data on external debt did not take into account the large amounts of rupiah-denominated corporate debt held by foreigners, who, subsequently, were not prepared to roll over this debt in the face of the falling exchange rate.

*Domestic as well
as external factors
gave rise to the
financial crisis*

The crisis confirmed that good data are essential for sound decision making

Lessons of the Crisis for Statistics

The search for lessons to be learned from the Asian crisis is well underway, with a view to enhancing the prospects that such crisis will be less likely to happen in the future or will be less severe. Prominent among the lessons cited are two that relate to statistics. The first lesson for statistics is the confirmation that data are important. The provision of timely, reliable, and comprehensive data is essential for sound policy-making and effective decision-making by markets. The increase in the breadth, depth, and complexity of financial markets has increased the need for high-quality data. (It was also confirmed that data are necessary but not sufficient; good analysis is critical.)

The second lesson for statistics is that more timely, more reliable, and more comprehensive data are needed in several key areas. Private data users, national policy makers, and international organizations have drawn up their lists of needed data improvements. For example, Mr. Strauss-Kahn, the Minister of Economy, Finance, and Industry in France, in an interview with the *Financial Times*, on April 16, spoke of the fact that we have known for a long time that markets do not work well when the information is scarce or biased. But, he said “financial information on, for example, the external liabilities of the private sector and the off-balance-sheet commitments of the central bank remains insufficient, and even misleading.” He further mentioned three types of measures to move forward: borrowing countries should meet standards for the dissemination of data, international institutions should enhance the collection and provision of comprehensive financial data, and ways to aggregate risk exposure information maintained by financial institutions should be developed and that information should be made public.

Focus on International Reserves and External Debt

Against the background of the Asian crisis, it seems appropriate to focus on two areas of statistics in which improvement is being sought: official international reserves and external debt, especially short-term debt of the private sector. Alan Greenspan, Chairman of the U.S. Federal Reserve Board, provided an additional rationale for this focus: he said that, while improving data on fundamentals is necessary but scarcely sufficient, the largest payoff in effort relative to cost is if we can significantly improve the timeliness of data on central banks' reserve positions and on short-term cross-border debt.

Official International Reserves

(1) *The current situation*

Currently, the most widely disseminated measure of official international reserves is gross reserve assets of the monetary authorities. The fifth edition of the *Balance of Payments Manual (BPM5)* defines reserve assets as follows:

Reserve assets consist of those external assets that are **readily available** to and **controlled** by the monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in the exchange markets to affect the currency exchange rate, and/or other purposes. (Emphasis added.)

It may be noted that the two key terms—control and availability—are subject, at least in part, to the exercise of judgment.

A measure of net reserves—that is, reserves assets less liabilities—is recognized as useful in many cases in facilitating a more comprehensive view of balance of payments financing. Reserve-related liabilities are not defined in *BPM5*, although they are explained in the IMF's *Balance of Payments Textbook*. They are often regarded as short-term liabilities of the monetary authorities (including nonresidents' deposits, loans, short-term securities, and other short-term claims). At present, relatively few countries comprehensively identify data on reserve-related liabilities.

Supplementary information, as is advocated by the *BPM5* but not explicitly identified, serves analytical purposes. Such information includes, for example, gross forward commitments of the monetary authorities to buy and to sell foreign currency. Even fewer countries make such information available, much less make it available on a close-to real time basis. There is substantial interest in fuller information on central bank positions in forwards, swaps, and other financial derivatives.

(2) *The issues*

Even setting aside the issues of implementing the concepts of effective control and availability for use for gross reserve assets, there are issues about reserves that would have to be addressed in moving ahead on dissemination of fuller information. First, reserve-related liabilities is not a well-defined term in statistical methodology. It is not well defined mainly because, in implementing the concept statistically, judgmental considerations must be taken into account that can only be determined on a case-by-case basis. Second, financial innovation continues to provide challenges to measurement. At the present time, international statistical guidelines do not specify how derivative transactions or positions are to be included in the measurement of reserves or reserve-related liabilities. However, recently a consensus was reached on the treatment of derivatives within the scope of the *1993 Systems of National Accounts (1993 SNA)* and the *BPM5*. This consensus should encourage countries to develop systematic procedures for the collection and publication of information on transactions and positions in derivatives. As has become apparent, a number of central banks use derivatives in implementing exchange rate policy and managing reserves, but typically these positions are not recorded in their balance sheet nor are they reported publicly.

Third, and more a matter of statistical policy, it can be argued that disclosure, such as that of a central bank's forward positions, can have a detrimental effect if the disclosed information contains a significant "negative surprise." Such problems may occur particularly while disclosure is being phased in and before market participants have been able to form a view on how to interpret the central bank's forward positions. Fourth, once regular disclosure is established, there will be an issue of the appropriate timeliness and periodicity of reporting in relation to other external sector indicators.

External Debt

(1) *The current situation*

Data on external debt are widely recognized as among the most challenging sets of data to collect and use. This is apparent even from the definition of exter-

*Sound
measurement
official international
reserves is
important*

nal debt. The so-called core definition agreed by the international organizations that collect debt data is as follows:

Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to nonresidents to repay principal, with or without interest, or to pay interest, with or without principal.

This wording was carefully chosen. For example, the term “gross external debt” makes explicit the exclusion of any corresponding offsetting assets or claims. The term “contractual liabilities” is intended to cover a broad range of obligations, but to exclude equity participations, which do not involve a requirement to make principal or interest payments. However, it was recognized that new interpretations might be needed given the pace of innovations in financial markets, and currently there is a question whether financial derivative instruments are covered.

Several systems exist for the collection of data on external debt, each having originated to serve specific analytical purposes. They differ in several ways: in the coverage of countries, sectors, and instruments; in whether the collections systems are debtor- or creditor-based and whether they are residence- or nationality- (or ownership-) based; in technical aspects such as the method of conversion to a common currency; and in the extent to which supplemental information is provided. The thumbnail sketches of these systems below are drawn from the collective effort of the international organizations, published in 1994, in *Debt Stocks, Debt Flows, and the Balance of Payments*.

The OECD system: The OECD focuses on a comprehensive measurement of official and private resource flows to developing and transition countries. To this end, the OECD provides data it receives through its Creditor Reporting System and its Development Assistance Committee (DAC) systems.

The OECD collects debt statistics through the Creditor Reporting System, which has existed since 1967 and is sponsored jointly by the OECD and World Bank. By design, the Creditor Reporting System and the World Bank's Debtor Reporting System are complementary to the extent possible. For example, their coverage is, in principle, identical for debt owed by public sector borrowers or private sector borrowers with public sector guarantees to OECD member countries reporting to the Creditor Reporting System. The member countries of the DAC that report to the Creditor Reporting System supply data (1) on official development assistance and its equivalent in the case of the transition countries, (2) on officially supported lending with the same recipient coverage (including both official lending, and officially guaranteed private lending); and (3) on the corresponding debt. The Creditor Reporting System obtains detailed information on individual transactions.

The DAC Reporting System is designed to measure flows from DAC members and deals only with annual resource flows. It contains detailed breakdowns of flows by sector of lender and borrower. Commitments, gross flows, and net flows (disbursements less repayments) are reported. The main categories are official development assistance, other official loans and grants, official export credits, private export credits, private portfolio investment, and foreign direct investment.

The World Bank system: The World Bank, as a major creditor, maintains a record of the external debt of its member countries. It also compiles data on the total flow of external capital to developing economies.

The World Bank's Debtor Reporting System, which was set up in 1951 and has expanded considerably over time, contains data derived from reports on the long-term external indebtedness of countries that borrow from the World Bank. Data for 138 countries (that is, all low- and middle-income countries) for 1996 are reported in the *1998 Global Development Finance (formerly World Debt Tables)*.

The reporting countries prepare two kinds of reports: loan-by-loan data on long-term debt of the public sector and debts guaranteed by the public sector, and summary reports on long-term debt of the private sector that is not publicly guaranteed. The World Bank has three main methods of improving the quality of reported data, which it often employs in combination. First, the Debtor Reporting System itself has an internal system of cross-checks. Secondly, the World Bank supplements reported data with its own information base on the loans it makes to member countries and data collected by staff during visits to individual countries. The third method is to draw on information collected by other organizations and cross-check it with the World Bank's own database.

The World Bank uses staff estimates to fill some of the gaps in the Debtor Reporting System's coverage of a given country's external debt position. In fact, this method is used for all countries in the case of short-term debt (debt with an original maturity of one year or less), since the Debtor Reporting System reporting requirements cover long-term debt only. The preferred source of short-term data is the debtor country. When direct debtor country information is not available, however, the World Bank assembles creditor source data, which give an order-of magnitude indication of short-term debt outstanding. For private, non-guaranteed debt that is not reported to the World Bank by the reporting country, the standard estimation approach starts from a calculation of the outstanding debt stock, using available creditor source data. The World Bank supplements the figures it obtains from the Creditor Reporting System on guaranteed export credits with loan-by-loan information on official lending and private borrowers and information on non-insured commercial bank lending to the private sector. Balance of payments flow data provide useful guidelines in the process of building a time series.

The BIS system: The BIS aggregates data collected by official monetary institutions on the international assets and liabilities of commercial banks. (It also collects data on international bonds, Euronote issues, and certain derivative issues.)

The BIS administers two separate reporting systems for international banking activity. National banking authorities from 18 countries and 6 territories supply data based on the balance sheets of the reporting banks that cover over 90 percent of the cross-border positions of their banking sectors.

Quarterly reporting system. This system contains unconsolidated data on bank assets and liabilities according to the location of the banking office and according to the ownership, or 'nationality,' of the bank. The concept of residence used in the data based on the location of the banking office is

The OECD, World Bank, BIS, and the IMF already collect information on external debt, but major gaps remain

analogous to that employed in the balance of payments statistics. The BIS uses the quarterly reporting system to prepare three separate sets of data. The first, which is based on a concept of residence similar to that used in the balance of payments, provides a detailed breakdown of external assets and liabilities by individual country, by currency, and by sector. The second set of data, the nationality statistics, shows external positions according to the country of the parent bank by currency and sector, but without a country-by-country listing of assets and liabilities. In the third publication, issued jointly with the OECD, data on banks' claims are pooled with statistics on officially supported export credits to obtain stock and flow figures on countries' external debt.

Semi-annual system. This system focuses only on the assets side of balance sheets, mainly on consolidated claims of banks. It also contains breakdowns by maturity and sector as well as information on unused credit commitments and facilities. Most of the data are from the consolidated accounts of banks with head offices in 18 industrial countries, but the system supplements these data with unconsolidated data on the business of branches and affiliates in the BIS reporting area of banks that have head offices outside the reporting area. The data in this reporting system therefore deviate from the balance of payments concept of residence.

The IMF system: Strictly speaking, the IMF has no systematic procedure for collecting data on external debt as such. However, it collects a great deal of information that relates to external debt—notably the data for publication in the IMF's compilation of national and global balance of payments accounts and, more specifically, for statements of international investment positions (IIP).

International standards for the IIP were introduced in 1993 (in *BPM5*). At present, 37 countries report publishable annual IIP data for the *Balance of Payments Statistics Yearbook*. Some countries have maintained position data to accompany their balance of payments for many years. The IIP statement shows, at a point in time, the stock of the economy's external financial assets and liabilities. In this residency-based system, external financial assets consist of claims on nonresidents and of monetary gold and SDRs held by monetary authorities, and external liabilities consist of liabilities to nonresidents.

In concept, an IIP statement is similar to a balance sheet, which shows assets, liabilities, and net worth of an economic unit at a point in time. However, unlike a balance sheet, the IIP excludes holdings of nonfinancial assets. The perhaps more familiar balance of payments shows, in its financial account, an economy's transactions in external financial assets and liabilities, and these transactions, together with other factors (such as price changes) cause changes in stock values; these other factors are also reflected in the IIP. Thus, the IIP allows for the full reconciliation of the opening and closing positions.

The classification system distinguishes between assets and liabilities at the first level, and then by functional type of investment, by instrument of investment, by sector (monetary authorities, general government, banks, and other sectors), and by original maturity (short-term and long-term). Thus, external debt is a subset of all IIP liabilities; because all equity positions are separately classified in the IIP, external debt can be derived by summing the

remaining liability items. Further, short-term external debt, based on original maturity, can be derived by summing relevant components of the IIP.

(2) *The issues*

The issues to be addressed in improving external debt data are long-standing ones. In particular, the challenges of improving private nonbank debt data, especially debt with short-term maturities, are substantial. Data on private nonbank debt are difficult to collect except on the basis of surveys of enterprises, and they are typically resource-intensive for both respondents and compilers. Accurate data on short-term debt are not widely available from debtors. By its nature, short-term debt is difficult to monitor; loan-by-loan registration is usually impractical. Further creative efforts to use counterparty data and sampling techniques may be needed, especially if timeliness is to be improved.

Next Steps

There are at least two kinds of efforts underway, in response to the calls such as those mentioned above in the overview section, that will work their way back to the national statistical agencies, central banks, and ministries and, in turn, to respondents in their data collection exercises. One effort relates to the need for better external debt data—for example, more timely data, data with fewer gaps in coverage, and data more consistently reported following updated international guidelines. Exploratory work is underway, and the Inter-agency Task Force on Finance Statistics, a task force comprising representatives of the IMF, BIS, Eurostat, EMI, World Bank, OECD, and the United Nations, would seem to have a natural role as an umbrella for coordination among organizations collecting and publishing data on external debt. Another effort focuses on the dissemination of data, specifically on the IMF's Special Data Dissemination Standard (SDDS). The IMF is preparing proposals to strengthen the SDDS specifications for data coverage, starting with official international reserves and external debt. A proposal for discussion dealing with official international reserves has been circulated, and proposals for external debt, including more specificity for the IIP than is now in the SDDS, can be expected later in the year. (See box.)□

*Efforts are now
under way to
improve data
coverage and
dissemination
practices*

¹This article is an excerpt from a paper written by Mrs. Carol Carson, Director of the IMF Statistics Department, and presented at the 1998 Conference of European Statisticians in Paris, May 16-18, 1998.

Invitation for Comments on Proposals to Incorporate Monetary Authorities' Reserve-Related Liabilities, Positions in Financial Derivatives and Contingent Liabilities into the Special Data Dissemination Standard¹

Introduction

1. In establishing the Special Data Dissemination Standard (SDDS) in consultation with member countries in April 1996, the Fund noted that the objective of the SDDS was to guide member countries in the provision to the public of comprehensive, timely, accessible and reliable economic and financial statistics in a world of increasing economic and financial integration. At that time, the SDDS specified data categories, with associated requirements of periodicity, timeliness and coverage, that were believed to be important in ensuring comprehensive coverage of the macroeconomic statistical systems. For the external sector, gross official reserves, denominated in U.S. dollars, were included as a prescribed component to be provided on a monthly basis with a one week lag, with reserve-related liabilities as an encouraged component, indicating that while the provision of such information would be welcome, there is no obligation on the part of subscribers to the SDDS to provide this information.

2. In concluding its first review of the SDDS in December 1997, the Executive Board of the Fund agreed that consideration should be given to modifying the coverage of the data category for international reserves to include reserve-related liabilities and net commitments under financial derivative positions. This view was echoed by the Interim Committee of the Board of Governors of the International Monetary Fund at its meeting in April of this year, where the Committee called upon the Fund to expedite its efforts to broaden and strengthen the SDDS by modifying the international reserves category to incorporate the additional data requirements noted above.

3. Gross international reserves, or reserve assets, remain a central indicator of a country's ability to meet its foreign exchange obligations. Recent events in Asian financial markets have, however, highlighted the importance of adherence to the established definition of gross international reserves when providing this information. The *Balance of Payments Manual* (fifth edition) defines international reserves as consisting of "those external assets that are readily available to and controlled by the monetary authorities for the direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes" (paragraph 424).

4. The recent developments in Asian financial markets have also led to a growing recognition of the need to supplement information on gross reserves with information on other indicators of a country's foreign exchange position, such as reserve-related liabilities, monetary authority positions in financial derivatives, and other foreign currency claims on the monetary authority. Reserve-related liabilities are generally referred to as short-term liabilities of the monetary authority to nonresidents that may include items such as deposits, loans, short-term securities, and other short-term claims. Other financial instruments that may be relevant to an assessment of a country's external financial position include those that arise from transactions in financial derivatives, such as forward and option contracts, and off-balance-sheet items such as loan guarantees.

5. In light of the foregoing, the purpose of this note is to initiate a consultative process with subscribers to the SDDS, other interested national authorities, and users of data on the modification of the data category for the reserves in the SDDS. A series of questions is provided below that might open the consultative process, but comments need not be limited to those questions. Information from the responses will be used to formulate the modified reserves category. We envisage placing summaries of the responses on the DSBB to stimulate further discussion. Responses should be made by e-mail to SDDSRESERVES@IMF.ORG. Questions regarding this consultation process may be directed to the same address. We hope to be able to complete this process by the end of June 1998, and we would appreciate your response by mid-June. Copies of this note in Arabic, French, Russian and Spanish are available on request from

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Statistics Department
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Issues for Discussion

A. Gross International Reserves

6. Gross international reserves are currently a prescribed category of the SDDS. In light of recent experience, is the definition of these reserves noted above adequately specified to ensure that information on reserves provides an acceptable indicator of foreign exchange available for use by the monetary authorities, or should more information be provided, such as on the quality of investments, currency and instrument composition of reserves and any limitations on the investment of reserves?

B. Reserve-Related Liabilities

7. As indicated above, reserve-related liabilities generally include such items as nonresident deposits with the monetary authority, short-term loans to the monetary authority (including loans from the Fund), and short-term securities issued by the monetary authority. Please indicate your views as to what should and/or should not be included in reserve-related liabilities and why. Please also indicate how soon this information could be disseminated to the public.

C. Financial Derivatives

8. Should information on the financial derivative activities of the monetary authority also be a prescribed category on the SDDS? Please indicate those transactions in financial derivatives (e.g., forwards and options) that you would consider to be important in an assessment of the external exposure of the monetary authority. It would also be appreciated if you would indicate the basis on which you think the information should be provided (e.g., gross commitments of forward contracts, market value of forward contracts, open position of options booked), the time period to be covered by the data (e.g., three months, six months) and how quickly this information could be made available publicly.

D. Other Foreign Exchange Liabilities

9. Contingent or other foreign exchange liabilities of the monetary authority include government guarantees of public/private external debt, liabilities resulting from foreign-exchange swap transactions, foreign-currency-denominated liabilities of the monetary authority to residents, and domestic-currency-denominated liabilities of the monetary authority that are indexed to a foreign currency. Exceptional financing, in the form of payments arrears or general purpose official borrowing, for balance of payments support also gives rise to other liabilities that have a bearing on the availability of a country's reserves assets. Please indicate whether the above and/or any other contingent liabilities would be additional important information in assessing official foreign exchange exposure, whether such information could be made available and how soon it could be made available for public dissemination.

E. Other Considerations

10. There are also a number of other considerations associated with the issues under discussion. In particular, there is the question of whether consideration should be given to the means by which the validity of the data under review could be established. There is also the question of the time frame in which the information should be disseminated, the periodicity of the data (weekly, monthly, etc.), the application of valuation standards, and issues of confidentiality. Your views on these and other considerations would be appreciated.

¹This Invitation for Comments can be accessed under <http://dsbb.imf.org/>

IMF's Training Seminars on Statistical Compilation Yield Payoffs

Since the early 1990s, the Fund's Statistics Department (STA) has made extensive use of training seminars as one of the means to deliver technical assistance to member countries in various areas of statistical compilation. Such seminars have contributed to "institution building" in many transition countries. These seminars also have been useful in training country compilers on new methodologies set forth in the IMF statistical manuals. The seminars have had a positive influence on countries' compilation practices, adherence to methodological standards, and their data reporting to the Fund.

*The Statistical Department's training effort is likely to expand in the foreseeable future. This is especially the case because the availability of sound economic and financial data represents a *sine qua non* for ensuring the strength and resilience of the architecture of the international monetary system. In these circumstances, STA is likely to be called upon increasingly to train compilers on the "best practices" in the field of data compilation and dissemination.*

The IMF Statistics Department's Training Seminars

Accurate, timely, and comprehensive statistics are essential to countries if they are to formulate sound economic policies. Countries' timely publication of comprehensive data makes their economic policies more transparent. Such data also enable the Fund to meet its responsibilities for surveillance of members' macroeconomic policies as they relate to the stability of the international monetary system. To this end, the IMF has been providing technical assistance to members to improve their ability to compile and disseminate economic and financial data. Over the years, in addition to other forms of technical assistance (including STA staff statistical missions and the placements of experts and technical advisors in countries), STA has incorporated training seminars as an integral part of the technical assistance it provides to countries.

The importance of the training seminars in STA's technical assistance program is reflected in part in their numbers. Between 1993 and 1997, STA conducted 56 seminars at the IMF Institute in Washington, the Joint Vienna Institute (JVI) in Austria, and various regional sites, including seminars in Africa, Asia, Australia, and Russia. An additional six seminars are being staged in 1998, including one to be held in the newly created IMF-Singapore Regional Training Institute.¹ The frequency of seminar offerings has increased, particularly in response to the needs of the countries of the former Soviet Union and the Baltic countries.

STA seminars in recent years have dealt with statistical issues related to compilation of balance of payments statistics, money and banking statistics, and government finance statistics, as well as national accounts and price indexes. Recently, with the establishment of the IMF's Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS), training seminars also have been organized to familiarize participants with these data standards. Seminars have been conducted in French, Spanish, and Russian, as well as in English. Seminars

STA training seminars key element in overall technical assistance effort

held at the IMF Institute in Washington generally last six weeks; those at the JVI and regional sites about three weeks. Targeted participants in STA training seminars have been government officials responsible for compiling economic and financial statistics in their home countries. Seminars have attracted participants from virtually throughout the world.

In terms of the composition of seminars, from the beginning of 1993 through 1998, STA will have sponsored 18 training seminars on balance of payments statistics, 16 on money and banking statistics, 14 on government finance data, and 13 on national accounts and price indexes. Of the 61 training sessions to be held, 22 will have been at regional sites, 20 at the IMF Institute, 19 at JVI, and one at the Singapore Training Institute.

Uses of STA Training Seminars

The advantage of STA training seminars are several. The approach benefits a large number of participants—generally 30 to 40 at a time, often obviating the need for more costly individualized training in situ. Specific topics can be addressed in a focused manner in a setting away from the job site and conducive to learning. During the seminars, experts in various fields provide training and respond to questions. The seminars bring together participants of varied backgrounds, affording them an opportunity to share ideas on technical issues and to learn from one another.

Because of the acknowledged strengths of the seminar approach, STA seminars often have been organized to deliver technical assistance with the aim of accomplishing the following:

- To introduce participants to concepts and methods contained in revised manuals published by the IMF in order to increase their understanding of how best to compile various economic and financial statistics.
- To train a great number of compilers in countries that span a large geographical area, as is the case with regional seminars held in Russia and China.
- To contribute, in effect, to statistical “institution building” in many transition countries where staffs may require extensive training, as is frequently provided at seminars held at the JVI, on conceptual and practical issues before these countries can in practice develop and sustain viable compilation systems.

Effectiveness of STA Training Seminars

The effectiveness of STA training seminars has been reflected in evaluations participants have provided and the volume of requests received for places at each of the seminars. Participants have noted that, as a result of their participation, they are better able to perform their data compilation work and have a better appreciation of the IMF’s use of the statistics they produce. Among specific benefits of the seminars they cite are these:

*Seminars serving
broad range of
purposes, widely
seen as successful*

Training

STA updating seminars to include such timely topics as data dissemination standards

- Enabling them to solve specific work-related compilation problems, particularly ones that require special attention or have only recently come to the fore.
- Familiarizing them with important concepts and theories in one or more statistical fields.
- Permitting a valuable exchange of ideas and sharing of experiences among seminar participants.
- Explaining statistical methodologies and compilation guidance as set forth in various IMF manuals.

The impact of STA training seminars have also been manifested indirectly in the improved compilation procedures many countries have adopted and in the improved quality of data, which countries submit to the IMF. For example, there appears to be a strong positive correlation between seminar participation and data improvements in cases, such as that of China, where those trained remain at their posts and are afforded opportunities to apply what they have learned on the job. (See also article on pp. 16-20.)

STA training seminars also have complemented other forms of STA technical assistance by better preparing seminar participants to receive more country-specific types of technical assistance and by reinforcing lessons participants learned as a result of previous STA technical assistance missions.

Increased Demand for STA Training Seminars

Since 1996, the Fund has taken additional steps to enhance the quality of countries' official statistics, including the establishment of standards to guide countries in publishing a regular and timely flow of comprehensive economic and financial data. The need for these standards, first highlighted by the Mexican financial crisis in 1994/95, was underscored by the recent financial crisis in Asia. The SDDS, complete with an electronic bulletin board (the Dissemination Standards Bulletin Board (DSBB) — and, in a growing number of cases, electronic links that enable users to move between the bulletin board and the actual data — has been in place since March 1996; the GDDS was established in December 1997.

To enable countries to subscribe to and participate in the SDDS and GDDS, STA has been conducting regional seminars to familiarize country compilers these data standards. The aim is to improve the quality of data in terms of coverage, methodology, and consistency. For example, beginning in mid-1998 and ending in the third quarter of 1999, eight regional seminars/workshops are planned to train compilers on the GDDS from 120 member countries.

In addition, when the Fund's revised manuals on monetary and financial statistics and government finance statistics are finalized, STA will provide technical training to member countries on ways to implement the guidelines set forth in the manuals on the compilation of such statistics.

In its ongoing efforts to enhance the effectiveness of its training seminars, STA strives to ensure that the seminars are continually refined to reflect the

evolving requirements of the IMF and member countries for timely and reliable data in the world's dynamic financial environment.□

¹ The IMF and the Singapore government inaugurated the Singapore Training Institute on May 4, 1998. The new Institute allows the IMF to expand the training it offers in Asia. In its first year of operation, the Institute plans to offer 12 training courses aimed at officials from the Asia-Pacific region.

Training

The General Data Dissemination System (GDDS), like the SDDS, was developed by the IMF in close collaboration with a wide range of producers and users of statistics. It is aimed at member countries that do not subscribe to the SDDS. The primary focus of the GDDS is on improving data quality, while providing (i) a framework for evaluating the need for data improvements and prioritizing such improvements and (ii) guidance on data dissemination. This framework takes into account, across the broad range of countries likely to participate, the diversity of their economies and developmental requirements of many of their statistical systems.

The focus on data quality is a recognition of the fact that for many countries improvements in data quality are a necessary precursor to enhanced dissemination of data to the public. Against this background, the GDDS is one of the most important strategic projects for the improvement of data and statistical practices among the membership. The GDDS recognizes that improvements in data production and dissemination practices may only be achieved in the long run.

How the GDDS Will Work

Participation in the GDDS, which is voluntary, consists of three steps:

- commitment to using the GDDS as a framework for statistical development.
- designation of a country coordinator; and
- preparation of descriptions of current statistical production and dissemination practices, and plans for short- and long-term improvements in these practices, that could be disseminated by the IMF on the Internet.

The GDDS will be implemented in two phases. The first will focus on education and training, and the second on direct country work.

- The training phase will include eight regional seminars/workshops, beginning in mid 1998 and ending in the fall of 1999, for up to 120 member countries.
- Following the training phase, IMF staff will work directly with member countries to assist them in assessing their practices against those of the GDDS and developing plans for improvement.

To date, some 25 countries have indicated preliminary interest in the GDDS by appointing a country coordinator. Formal invitations to participate will be sent to all member countries that have not subscribed to the SDDS following completion of guidance materials on the GDDS.

China's New Balance of Payments Compilation System in Operation

After reviewing the compilation systems in a number of advanced economies and with the IMF's technical assistance, China recently established a new balance of payments system to compile its external accounts on a regular basis. The system is comprised of an international transactions reporting system (ITRS) and a number of periodic surveys. Beginning with data for 1997, China's balance of payments accounts have been compiled under the new system, as opposed to relying on data provided by various government agencies, as was previously the case. The new system has improved the coverage and timeliness of China's balance of payments accounts. China's State Administration for Foreign Exchange (SAFE) is the agency responsible for the compilation of such data.

China's balance of payments compilation system draws data from all of the country's 32 provinces and, within them, hundreds of local offices. To compile timely, accurate, and comprehensive data, SAFE has been enhancing computerization of the system. It has also been actively training compilers in various regions of the country, with a view to familiarizing them with up-to-date concepts and methods of balance of payments compilation, as well as encouraging them to keep abreast of the "best practices" adopted by other countries. In addition, SAFE has taken steps to train its staff in data compilation.

Major Developments in China's Balance of Payments Compilation

Since 1990, the IMF's Statistics Department (STA) has provided various forms of technical assistance on balance of payments statistics to China. In part because of STA training seminars and missions, the Chinese authorities have gained considerable understanding of the concepts and methods of balance of payments compilation. Specifically, after reviewing the different compilation systems in a number of industrial countries through study tours and with STA technical assistance, China introduced the ITRS in January 1996. The ITRS utilizes information on foreign exchange transactions conducted by banks to derive data on China's international transactions. Specifically, the ITRS records payments of foreign exchange by residents to nonresidents via domestic banks. It also captures receipts of foreign exchange by residents from nonresidents via these financial institutions.

Since the foreign exchange records used by banks in China were designed years ago for settlement of transactions, and not for balance of payments data collection, SAFE has designed four separate forms to collect data on such transactions for balance of payments purposes. Banks are required to ask transactors to complete and return the forms to them for transmission to SAFE. Two of the forms are to be filed by individuals separately for transactions involving receipts of foreign exchange and those involving payments of foreign exchange. The other two forms are to be filed by enterprises for corresponding transactions. Currently, transactions under \$300.00 are exempt from statistical reporting. To

ITRS serving as backbone of new system . . .

classify the transactions for balance of payments compilation purposes, SAFE has developed a coding scheme. To assist transactors in identifying the nature and purpose of the transactions. SAFE collects the ITRS data primarily through banks at the local and provincial levels.

To supplement the ITRS, SAFE since early 1997 has developed four periodic surveys. One of these surveys is designed to collect information on travel. Another is to gather balance sheet information from financial institutions for deriving estimates of such institutions' international transactions in the form of loans and deposits, investment in foreign securities, and related income and services. Another survey is intended to obtain data from stock exchanges, as well as enterprises with foreign investment in their equity ownership, on nonresidents' investment in Chinese securities. Such data are to be collected on a security-by-security basis, including Chinese securities listed in the domestic stock exchanges in Shanghai and Shenzhen and those listed abroad. One other survey seeks to collect data from enterprises on foreign direct investment in China, as well as China's direct investment abroad.

According to SAFE, although China has been collecting data on external trade and other international transactions for quite some time, the existing system comprised of the five components (ITRS and the four periodic surveys) is the first formal system for compiling balance of payments statistics established in China. SAFE plans to add a sixth component to the system when it designs a periodic survey to secure information on China's portfolio and other investment abroad in late 1998.

Progress Made In Improving the Existing Compilation System

SAFE has taken a number of steps to refine the ITRS. With the assistance of its Information Technology Department, SAFE has developed software that enables commercial banks to submit the reported data electronically (either on diskettes or via computer on line, depending on the extent of the computerization of the commercial banks) to local and provincial offices of SAFE. Meanwhile, a computer network has been established that permits SAFE offices in the 32 provinces to transmit reported data electronically to SAFE's headquarters in Beijing. SAFE is currently working to enhance the capability of its computer architecture.

With the introduction of the computerized ITRS, SAFE has improved both the accuracy and the timeliness of China's balance of payments data. Previously, SAFE compiled China's balance of payments accounts relying primarily on information from various government agencies. Such information was limited in scope. In addition, the balance of payments accounts were compiled on an annual basis with a lag of six to eight months. Since the introduction of the ITRS, SAFE has compiled China's balance of payments accounts on a semi-annual basis, beginning with accounts covering the first half of 1997, which SAFE published in November 1997. SAFE completed compiling China's balance of payments accounts for the second half of 1997 in May 1998.

Under the ITRS, the coverage of the data has improved. According to SAFE, the ITRS reporting rate, expressed as a percentage of the number of

China

*... together with
four periodic
surveys*

China

*Computerization
bringing more
timely and
accurate data*

*Training and other
initiatives also
essential*

transactions shown on exchange records, has increased both for receipts and payments. In particular, the reporting rate on receipts has significantly improved. It was approximately 80 percent at the end of 1997, as compared with about 40 percent a year earlier. The reporting rate on payments has also increased, rising from about 90 percent to nearly 100 percent during the same period. On the payments side, the reporting rate has been much higher because payment orders are not carried out by banks when the statistical forms are not filed by the transactors. To enforce reporting of receipts, local SAFE offices in major cities (such as Beijing) are implementing similar procedures whereby banks are required not to accept the foreign exchange receipts for customers who have failed to file the statistical forms. Nearly 4 million ITRS forms were filed by transactors in 1997, up from about 3 million in 1996. Most were filed by enterprises. According to local and provincial SAFE officials and their counterparts in commercial banks, the improvement in reporting rates could be attributed to the greater effort local and provincial SAFE officials have made to enforce the reporting requirements, as well as the greater familiarity of the staffs of commercial banks and enterprises with the balance of payments reporting requirements.

The ITRS thus far has allowed SAFE to compile data in greater detail and present them in accordance with the guidelines of the fifth edition of the IMF *Balance of Payments Manual (BPM5)*. Notably, SAFE has refined the classification of the various services components.

In addition, SAFE is bolstering its human resources to strengthen the balance of payments system. The number of professional staff members at SAFE headquarters was increased to nine by early 1998, up from seven a year earlier. All but two have attended balance of payments methodology seminars organized by the IMF. Each staff member is charged with the specific responsibility of implementing the ITRS and the four periodic surveys. SAFE management encourages its headquarters staff to keep abreast of developments in balance of payments methodology and compilation practices in industrial countries and to emulate those with the "best practices." It also encourages its headquarters staff to seek technical assistance from counterparts in other countries, as well as the academic community in China. This is especially the case as regards sampling techniques and efforts to refine the periodic surveys.

SAFE has taken a number of steps to increase the cohesiveness of a data collection system that spans many localities and 32 provinces. Since 1997, SAFE has held annual meetings with its provincial offices to discuss their performance and recognize those who have excelled in their work with cash awards. In addition, SAFE has conducted a number of training courses throughout the country to familiarize its local and provincial staff members with various aspects of the balance of payments concepts and reporting requirements.

SAFE is currently pilot-testing questionnaires for the several periodic surveys. It plans to review results of the testing in late 1998. SAFE believes that conducting the direct investment surveys, especially of the inward direct investment flows, will be difficult. There are approximately 216,000 foreign-funded enterprises (FFE) in China; collecting data from even the major ones has posed a formidable task to the limited local and provincial SAFE staff

members, who also are responsible for collecting data associated with the ITRS and the other periodic surveys. In addition, compared to the other periodic surveys, the direct investment forms are much more complex. In view of the difficulties encountered, SAFE has obtained the assistance of Wuhan University to study the feasibility of employing a sampling approach to the collection of data on foreign direct investment in China. The pilot-testing of such a survey has begun.

China

Additional Steps are Planned to Improve the System

To increase the accuracy, timeliness, and cost-effectiveness of the newly established compilation system for balance of payments, SAFE plans to take additional steps in the near term in a number of areas. These include

- Intensifying efforts to implement the periodic surveys to derive estimates of portfolio and other investment flows, which is likely to reduce the net errors and omissions of the balance of payments accounts. Reference will also be made to international databases and partner country statistics. Among the international databases are the International Banking Statistics of the Bank for International Settlements (BIS), the Debtor Reporting System of the World Bank, and the Creditor Reporting System of the Organization for Economic Cooperation and Development (OECD). These data sources could be used, especially to augment estimates of loans and deposits, and external indebtedness.
- Determining the best method to implement periodic surveys to measure inward and outward direct investment for use in balance of payments compilation, as well as for other purposes.
- Introducing unified forms both for settlement of foreign exchange transactions and for ITRS reporting purposes; this would streamline the data validation process local and provincial SAFE offices have to follow; it currently requires considerable time and effort to cross-check existing forms used for the two different purposes. In developing the unified forms, SAFE plans to coordinate closely with the leadership of the banking sector and gain its support, so that the forms can be quickly put into use.
- Establishing reporting, production, and data dissemination schedules and deadlines for the ITRS and the periodic surveys; doing so would help to ensure the timely availability of the various data for balance of payments compilation purposes. It would also be an essential step to move the system toward compiling China's balance of payments accounts on a quarterly basis.
- Including an estimate to cover transactions under the threshold level of reporting. Given the population of China and the size of its economy, such transactions could be of significant value in the aggregate.
- In training local and provincial SAFE staffs and their counterparts in commercial banks, in addition to familiarizing them with the con-

*But SAFE not
resting on its
laurels*

China

cepts and methods of balance of payments compilation, they will be informed of how the various data collected are used for public policy-making purposes. They also will be reminded of the importance of their contribution to the development of sound macroeconomic data.

- Publicizing the methods and procedures used to collect, process, and ensure the confidentiality of data; such openness would encourage the cooperation of data filers, who hold the key to timely and accurate reporting of data. The dissemination of such information could accompany the various statistical reporting forms and be made part of SAFE's publicity campaign on balance of payments reporting requirements. □