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Updating *BPM5*: A Proposal on How to Proceed

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UPDATING *BPM5*: A PROPOSAL ON HOW TO PROCEED

Introduction

1. At its meeting in October 2000, the Committee agreed that it was time to begin to plan for updating the fifth edition of the IMF's *Balance of Payments Manual (BPM5)*, particularly given the changes in the world's economy since the publication of *BPM5*, and also the time that will be needed to write and review an updated manual. It was agreed that the work should move forward on two fronts. First, the IMF would keep a compendium of issues that will be updated on an ongoing basis. Second, a paper would be prepared for the 2001 meeting that would include proposals for the process of updating *BPM5*, as well as proposals to put this work into the public domain.
2. In planning the updating of *BPM5*, it is important to bear in mind that the *BPM5* framework is a part of the broader macroeconomic statistics framework that is described in the *1993 System of National Accounts (1993 SNA)* and elaborated and extended in various related statistical manuals.¹ Updating of *BPM5* must be carried out in conjunction with the updating of these other manuals.
3. This paper identifies several issues relevant to the processes of updating *BPM5*, as well as of disseminating information on updates. It addresses the questions of process raised by the Committee last year, including those of the timing and frequency of changes to the framework and those of publication and dissemination of updates. A proposal on how to proceed, based on the agreed process for updating the *1993 SNA*, is made.
4. A separate paper, BOPCOM-01/32, provides a compendium of issues that have been identified to date for consideration in any future updating of *BPM5*.

What are the issues to be considered in updating *BPM5*?

Bringing the change process into the public domain

5. *What are the most appropriate ways to bring this process of updating into the public domain?* It is important to inform compilers and users that there are/will be updates to the existing framework. In addition, a description of the process of producing these updates

¹ These manuals on macroeconomic statistics are enumerated in the paper *Manuals on Macroeconomic Statistics: A Stocktaking to Guide Future Work* submitted by the IMF to the 49th plenary session of the Conference of European Statisticians in Geneva June 11-13, 2001. This paper may be found on the website of the United Nations Economic Commission for Europe at www.unece.org/unece/stats/documents/2001.06.ces.htm.

should be provided to compilers and users. At present, the *Balance of Payments Statistics* newsletters and the IMF website are used to publicize the results of work carried out in particular areas; these vehicles could be used to provide compilers with information on the updating process. Another alternative is to write periodically to all balance of payments correspondents providing information on the work being done in this area.

Timing of the introduction of updates to BPM5

6. *Is it better to introduce updates incrementally (that is, as soon as they are agreed), or to have discrete updates at regular intervals, say every two or three years, or to wait until a new manual is produced and introduce all updates at that time (as in BPM5)?* On the one hand, it is important to have one common standard that all countries can move towards within a reasonable period of time (thereby assisting in international comparability). On the other hand, it is also important to endeavor to keep the statistical framework, and the statistics, as relevant as possible in a world that is ever-changing.

7. At last year's meeting, the general view of the Committee was that the incremental approach was appropriate, so that updates to the framework would be introduced as soon as they are agreed. However, a number of participants did not agree with this, in particular because updates to the framework may require new data collection systems to be set up and the different time frames for doing this in different countries may lead to difficulties with regional and international data comparisons. An alternative to consider is that, using the typology proposed below, editorial amendments, clarifications, and interpretations would all be introduced immediately, as these should not require major changes to data collection and compilation systems. The Committee would make decisions on the introduction of changes to the framework, also defined below, on a case-by-case basis, weighing up the importance of immediate introduction, the importance of the availability of comparable data across countries, and the importance of consistency with other macroeconomic statistics frameworks.

Formal approval process for moving this work forward

8. *What formal procedures are needed for identifying work to be carried out in agreeing updates to BPM5 and in putting the results into the public domain?* There is a set of procedures in place for the continuous updating of the 1993 SNA; the proposal for the updating of BPM5, below, follows closely the 1993 SNA procedures, as the two systems are closely linked and any updates should likewise be closely coordinated.

Publication and dissemination of updates to BPM5

9. *What would be the most appropriate format for the publication of updates to BPM5, including a revised Balance of Payments Manual (BPM)?* There are a number of alternatives

available: (i) hardcopy (either as a bound document or in a more easily updateable format such as a loose leaf binder); (ii) the IMF website; (iii) the newsletters; and (iv) other electronic formats (such as CD-ROM). Last year, a number of participants at the Committee meeting indicated that a hard copy of the *BPM* in a ring binder format would be very useful. Additionally, there was a view that the *BPM* should be available on CD-ROM.

A proposal for a formal process for updating *BPM5*

10. The Inter-Secretariat Working Group on National Accounts (ISWGNA) in 1999 introduced a mechanism for updating the *1993 SNA*. Attached to this paper is the *Report of the Task Force on National Accounts* that was presented to the United Nations Statistical Commission (the Commission) at its meeting in March 1999. Section II of this report addresses the issue of keeping the national accounts relevant. It proposes a continuous updating mechanism in paragraphs 4-7 and in Table 1. These proposals were accepted by the Commission, with one change: the period that the 24 member states of the Commission are given for final approval of an amendment of the type was extended from 30 to 60 days.

11. A similar mechanism is proposed for updating the balance of payments framework. Updates to *BPM5* can be divided into four types: editorial amendments; clarifications beyond dispute; interpretations; and changes. Each of these types of amendment has a different set of steps that are to be followed in the approval process.

12. ***Editorial amendments*** refer to wording errors, apparent contradictions, and, for non-English versions of *BPM5*, translation errors. These corrections affect neither concepts nor the structure of the system. IMF staff will draft these amendments, which will be brought to the Committee for approval. After this approval, an errata sheet will be produced, and the amendments will also be publicized through the website and the newsletters.

13. A ***clarification beyond dispute*** would arise when a new economic situation emerges or when a situation that was negligible when *BPM5* was produced has become considerably more important; however the *BPM5* guidelines leave no doubt as to the appropriate treatment and an unambiguous clarification can be made. IMF staff will draft these clarifications, based on existing *BPM5* recommendations, and after approval by the Committee, they will be publicized through the website and the newsletters.

14. An ***interpretation*** would arise when an economic situation arises for which the treatment under *BPM5* may not be clear. Several solutions on how to treat the situation may be proposed because it is possible to have different interpretations of the *BPM5* recommendations. In this case, IMF staff, in consultation with the Committee, will draft preliminary text that will be sent to working parties, regional panels of experts, and the ISWGNA. IMF staff, with guidance from the Committee, will propose a final decision, to be approved by the Committee. Interpretations will be publicized through the website and the newsletters.

15. A **change** to the balance of payments framework would arise when an economic situation arises in which it becomes apparent that the concepts and definitions of the framework are not relevant, or are misleading and will require change. In such a situation, parts of *BPM5* may need to be substantially rewritten to reflect the needed changes. In such a case, IMF staff, in consultation with the Committee, will prepare proposals that will be disseminated widely, to working groups and regional panels of experts, to the ISWGNA, and to all IMF member countries. The Committee will decide whether such changes should be incorporated into the framework and promulgated immediately, or whether they should be held until a new *BPM* is issued. Once it is agreed that a change is to be promulgated, a booklet detailing the amendments to *BPM5* will be produced and provided to all countries. Additionally, changes will be publicized through the website and the newsletters.

16. This proposal is shown schematically in Table 1.

17. While discussions on proposals will occur at the meetings of the Committee, it may be that final approval for particular amendments is requested at other times of the year.

A plan for developing and disseminating updates

18. Independent of the answers to the questions posed above, it is important to give consideration now to devising a plan and a timetable for the development work that will be needed for updating *BPM5* and for producing a new *BPM*. When considering this plan and timetable, there are a number of factors to consider, including (1) the urgency with which the changes are needed, in particular, changes to the theoretical framework; (2) the need to coordinate the timing with those of updates to other international statistical frameworks, such as the *1993 SNA*; and (3) the resources available to carry out the work.

19. There is a need for a “checkpoint” at some future date, to gather together the various editorial amendments, clarifications, and interpretations (that will have been introduced immediately), along with changes to the framework that may have been approved by the Committee for immediate incorporation into the framework and other changes to the framework. This “checkpoint” would be the production of a new hard copy *BPM*, and would be coordinated with updates to the other macroeconomic statistics frameworks. Taking into consideration the factors described in the previous paragraph, and various informal discussions that have occurred on this topic, including in relation to the revision of the *1993 SNA*, the IMF proposes at this stage to aim for the publication of a new hard copy manual in 2007. If the Committee agrees, the IMF will bring a proposed annotated timetable to its 2002 meeting, incorporating items from the compendium of issues. This timetable would then be reflected in the forward work program of the Committee.

Questions for the Committee

1. Does the Committee agree that it would be appropriate to bring this process into the public domain through a note in the next newsletter? Is it appropriate and useful to set up a separate IMF web page containing information on activities related to updating *BPM5*?
2. What is the Committee's view of the typology (editorial amendments, clarifications, interpretations, and changes to the framework) that is proposed?
3. What is the Committee's view of the proposals made in this paper for handling the various types of amendments to the balance of payments framework? Does the Committee agree that, once approved by the Committee, editorial amendments, clarifications, and interpretations should be introduced immediately, while decisions on introducing changes to the framework would be made on a case-by-case basis?
4. Does the Committee agree that 2007 is an appropriate target date for producing a hard copy revised *BPM*?
5. Does the Committee agree that the IMF should bring a draft timetable for updating *BPM5* to the next meeting, and do members wish to provide any suggestions for the content of the timetable?
6. Are there other issues that should be considered?

Table 1: Proposed Procedure for Updating *BPM5*

	<i>type of amendment</i>			
	<i>editorial amendment</i>	<i>clarification beyond dispute</i>	<i>interpretation</i>	<i>change to the framework</i>
stage of handling				
Proposal	Committee reviews the proposed amendment and classifies it			
preliminary drafting	IMF staff	IMF staff	IMF staff in consultation with the Committee	IMF staff in consultation with the Committee
first discussion	-	-	working parties or regional panels of experts	working parties or regional panels of experts
second discussion	-	-	-	discussion with ISWGNA
third discussion	-	-	-	all member countries
final drafting	-	-	IMF staff, with guidance from the Committee	IMF staff, in consultation with the Committee
approval	Committee	Committee	Committee	Committee
decision on promulgation ²	-	-	-	Committee
publication	errata sheet (also publicized through the newsletter and the website)	newsletter, website	newsletter, website	newsletter, website, possibly promulgated immediately in booklet form, and ultimately included in a revised <i>BPM</i>

² There is no equivalent to this step in the *1993 SNA* process.