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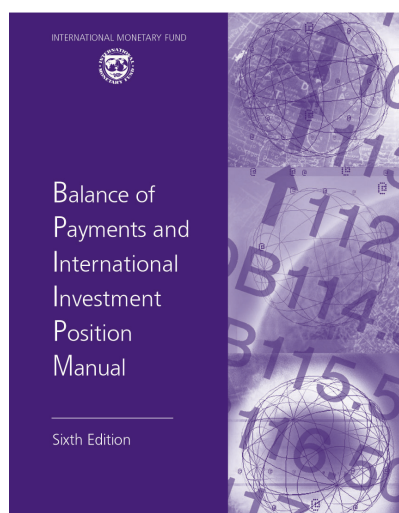
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## BPM6 Posted on the Fund's Website

The draft update of the IMF's Balance of Payments and International Investment Position Manual (BPM6) was posted for comment on the Fund's external website in March 2007 (<http://www.imf.org/external/np/sta/bop/bopman5.htm>). This posting was the culmination of a number of years of work involving the IMF's Committee on Balance of Payments Statistics (Committee), and its subgroups, and took account of the worldwide consultation on the Annotated Outline in 2004.

Specific questions and comments on this draft version of the BPM6 are welcome and should be sent, using the form available on the website, by June 15, 2007 to [bpm5update@imf.org](mailto:bpm5update@imf.org). These comments will then be submitted to the members of the Committee and discussed at its meeting of October 2007. A revised version of BPM6 will subsequently be posted on the website, and a final version is to be produced in 2008.

Against this background, this article provides an overview of the manual and of the update process.



The final version of the revised Manual is expected to be published in 2008

### Introduction

The edition of the *Balance of Payments Manual* being updated is the fifth edition (BPM5), which was released in 1993 and which marked the harmonization of balance of payments statistics with national accounts, with the publication, also in 1993, of the *System of National Accounts (SNA 93)*. To maintain the harmonization, the BPM5 update has been closely aligned with the revision of the SNA 93, which is taking place in parallel. Many of the major issues that have emerged or have become more important in international transactions and positions also arise in the SNA revision process. The Committee nominated about twenty issues for the current review of the SNA.<sup>1</sup> The update also takes into account the methodological progress made in recent years on international reserves, international trade in services, and external debt.<sup>2</sup>

Detailed listings of changes from BPM5 are provided at the end of each chapter of the draft manual. Abstracting for specific issues, three main themes can be identified in the update: globalization, the increased emphasis on balance sheet issues, and financial innovation.

### Driving Themes and Major Issues

**Globalization** has brought several issues to greater prominence. An increasing number of individuals and companies have connections to two or more economies, so that additional guidance is to be provided on the residence concept. In particular, there has been increasing interest in information on migrant workers and their associated remittances flows. As well, globalized production processes have become more important, so treatments have been developed to provide a fuller and more coherent picture of outsourced physical processes (goods for processing) and sales or management of manufacturing that are separated from physical possession (merchandising). Guidance is also provided on the residence and activities of

<sup>1</sup> Information on the issues and decisions taken in the SNA review are available at <http://unstats.un.org/unsd/sna1993/issues.asp>

<sup>2</sup> The work incorporated *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (2001), *Manual on Statistics on International Trade in Services* (2002), and *External Debt Statistics: Guide for Compilers and Users* (2003), respectively.

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special purpose entities and other legal structures that are used for holding assets and that have little or no physical presence. For the first time, there is specific guidance on the treatment of currency unions, which is covered in a separate appendix.

The new manual reflects increased interest in **balance sheet** analysis for understanding international economic developments in terms of vulnerability and sustainability. The new manual provides considerably more detailed guidance on the international investment position, which is a country's balance sheet of external financial assets and liabilities. It also provides much greater discussion of revaluations and other volume changes and their impact on assets and liabilities. Specific publications have been developed over the last decade on international investment position, external debt, financial derivatives, and reserve assets. The results of this detailed work are incorporated into the new manual. In recognition of the emphasis on balance sheet aspects, the new edition is entitled *Balance of Payments and International Investment Position Manual*, although the acronym *BPM6* will be adopted.

**Financial innovation** includes the growth of new financial instruments and arrangements among institutional units. Examples of instruments include financial derivatives, index-linked securities, and gold accounts, and examples of institutional arrangements include special purposes entities. While the basic concepts of direct investment remain essentially unchanged, with

growth of complex cross-border company structures, there is a need to provide guidelines on identifying direct investment in cases of long and complex chains of ownership. The direct investment treatments are being revised in conjunction with the OECD, which is also revising its *Benchmark Definition of Foreign Direct Investment* at the same time.

## The Update Process

The preparatory work for the update of the Manual included several rounds of input from compilers and users. Technical expert groups were established to deal with specific areas, namely, currency unions, direct investment, and other issues (all in 2003) and reserves (in 2005). The groups made recommendations that were taken to the Committee. The issues and proposals for dealing with them were spelled out in an annotated outline, which was sent to all member countries for comment in April 2004 and published on the IMF's website at the same time. Comments are again invited on the new draft of the manual, with a final version to be produced in 2008.

This target date fits well with the proposal to complete the review of the SNA 93 by 2008; it is important that the two systems remain consistent to the maximum extent possible. Information on the revision of the SNA 93 is available on the UN Website at <http://unstats.un.org/unsd/nationalaccount/snarev1.asp>.

*Contributor: Rob Dippelsman*

### Box 1: IMF Committee on Balance of Payments Statistics

The nineteenth meeting of the IMF Committee on Balance of Payments Statistics (the Committee) met at the European Central Bank in Frankfurt in October 2006. The primary focus of the meeting was on resolving the remaining issues for the update of *BPM5*. In addition, the Committee:

- Reviewed progress on the Luxembourg Group on remittances (see article on page 4 of this newsletter)
- Discussed the modalities for a Coordinated Direct Investment Survey (CDIS) (see article on page 23 of the newsletter)
- Reviewed a report on the CPIS seminar held at the Bank of Spain in March 2006 (see article on page 7 of the newsletter)

## The Work of the Reserve Assets Technical Expert Group

*The IMF Committee on Balance of Payments Statistics (the Committee) established the Reserve Assets Technical Expert Group (RESTEG) in June 2005 to advise the Committee on reserve assets in the process of revising the fifth edition of the Balance of Payments Manual (BPM5). RESTEG comprises 25 members representing monetary authorities involved in the compilation of balance of payments statistics and international reserves, as well as participants from other international agencies, and other departments of the IMF involved in the analysis of international reserves.*

As a starting point for discussions within RESTEG, the IMF presented a paper on reserve issues for the update of BPM5 to the Committee in June 2005 (BOPCOM 05/70). Drawing on this paper, eleven issues papers were presented for the consideration of RESTEG members in December 2005, and from the comments received through electronic correspondence, a discussion meeting was held during May 11–12, 2006 at IMF headquarters in Washington, D.C. Eleven RESTEG members from IMF member countries attended the meeting in Washington.

RESTEG members reached conclusions on seven issues: clarification of pledged assets; clarification of foreign currency; clarification on currency of denomination; marketability (liquidity); investment funds; and treatment of pooled assets, and gold swaps and deposits. On four issues, RESTEG summarized the outcomes of the discussions and sought the views of the Committee in its report (BOPCOM 06/28). These issues were: reserve related liabilities; resident bank deposits; reverse transactions; and SDRs allocations. The issue of reserve-related liabilities was the subject of a separate paper prepared by RESTEG's Secretariat, (BOPCOM 06/29).

The Committee, at its meeting of October 2006, reviewed the outcome of the RESTEG discussions and considered the issues put forward.

The Committee accepted the proposal that SDRs allocations be classified as debt; agreement was reached in consultations after the Committee meeting on reverse transactions, and the Committee agreed the rest of RESTEG proposals (except the issue relating to gold) without discussion. On deposits with resident banks, there was overwhelming support among Committee members to exclude such assets from reserve assets. On reserve related liabilities, there were split views on whether these liabilities should be included in a standard component or identified as a memorandum item, with a small majority favoring a memorandum item. A need for further consultation was considered necessary on gold. Following the Committee meeting, a further round of consultations was conducted on these three issues with the Committee and RESTEG members, and as a consequence, the draft BPM6 includes proposals for each of these issues. Due to the range of views expressed, the draft BPM6 contains a specific request for comments from reviewers on the issues of resident bank deposits, reserve-related liabilities, and monetary gold.

Also at its meeting, the Committee agreed for RESTEG to continue its work, and expressed its preference to finalize the work on reserves in the new draft manual first, and then proceed with the revision to the Guidelines pertaining to the Data Template on International Reserves and Foreign Currency Liquidity. RESTEG is to report back to the Committee meeting in 2007.

The Issues Papers, the papers setting out the issues for discussion, and the Outcome Papers are posted on RESTEG's home page on the IMF's website: <http://www.imf.org/external/np/sta/bop/resteg.htm>

*Contributor: Antonio Galicia-Escotto*



# Remittances: Update on Progress with Definitions and Compilation Guidance

## Background

The importance of remittances, and improved statistical data on them, was emphasized by the G8 Heads of State meeting at Sea Island in 2004. Subsequently, the G7 Finance Ministers called for the establishment of an international working group, to be led by the World Bank, for improving remittance data.

In January 2005, the World Bank hosted an international meeting on the issue of statistics on remittances, with the objective of clarifying the needs of data users and agreeing a strategy towards improving the availability and accuracy of data on remittances.

The meeting, jointly organized with the IMF, was attended by almost 60 participants comprising data users and compilers from various countries and international organizations. The G8 governments were represented by an official from the US Treasury.<sup>3</sup>

At the meeting it was agreed that balance of payments statistics are the appropriate framework for collecting, reporting and improving official statistics on remittances; that balance of payments concepts and definitions relating to remittances should be reviewed; and that improved guidance for collecting and compiling remittance statistics is needed.

The following paragraphs review the progress made in these areas since the 2005 meeting of the IMF's Balance of Payments Committee (the Committee) and work currently in progress.

## Concepts and definitions

At the 2005 meeting of the Committee, a paper was presented outlining the progress that had been made in improving methodology and compilation guidance. The Committee decided to adopt the proposal that migrants transfers and any reference to "migration" be removed from the balance of payments framework and that residence remain the only reference concept.

At the 2006 meeting of the Committee, two further papers were presented: one updated the Committee members on further progress of the remittances project, the other contained the final

recommendations of the UN Technical Sub-group on the Movement of Natural Persons (set up under the aegis of the Task Force on International Trade in Services) for new definitions of remittances. In summary, the papers recommended, and the Committee agreed, subject to some clarifications, the replacement of "workers' remittances" with "personal transfers" as well as the adoption of "personal remittances", "total remittances", and "total remittances and transfers to NPISHs"<sup>4</sup> as new, supplementary items. The outcome is incorporated in the draft *BPM6*.

## Compilation guidance and the Luxembourg Group

At the January 2005 meeting, compilers agreed that it would be useful to develop detailed guidance for compiling remittances data. The proposed format was a "City Group", a voluntary group of compilers with relevant experience that would develop a set of good practices guidelines. Eurostat subsequently hosted the first meeting on June 26–27, 2006, thereby creating the Luxembourg Group. The Group agreed to collect material that will allow the publication of a compilation guide for remittance data. The Group will also collectively draft substantive parts of the guide. The IMF, together with the World Bank, has offered to edit and publish the guide.

At its second meeting in Frankfurt on December 4–5, 2006, the Group agreed an outline for the compilation guide, identified relevant material for its chapters from the papers that members produced, and agreed to continue drafting during the first half of 2007. The diverse composition of the Group ensures that contributions on all topics, as well as a variety of experiences and perspectives, are incorporated in the guide. A full first draft is expected to be circulated within the Group prior to its third and final meeting on June 26–27, 2007.

As a first step towards identifying good compilation practices, the Luxembourg Group reviewed the in-

<sup>3</sup> Further information on the meeting, including all papers and presentations, is available at <http://www.worldbank.org/data/remittances.html>.

<sup>4</sup> NPISH: Non-Profit Institution Serving Households



Seminar on remittances at the Center of Excellence in Finance  
Ljubljana, Slovenia, February 26 - March 2, 2007

ventory of successful compilation methods. The Group identified as the main compilation methods those that are based on international transactions reporting systems, direct reporting, household surveys, and various approaches using models.

The Group agreed that no single source is likely to yield sufficient data for the improvement of remittance data in the longer term, as each has different advantages and drawbacks. Instead, the Group considered that innovative combinations of sources hold the promise of more significant improvements in remittance data. Compilers need to take account of the circumstances of their countries, such as institutional, legal and practical considerations. Further, they need to establish compilation methods that result in complete and consistent estimates of remittances drawn from sometimes inconsistent or overlapping data sources. These issues will be addressed in the compilation guide.

An additional useful forum for reviewing compilation practices is the Center for Latin America Monetary Studies (CEMLA) project to improve central bank remittance reporting and procedures. Technical advice for this work is being provided by an International Advisory Council, including the IMF and World Bank. CEMLA is also represented in the Luxembourg Group.

## Training

Seminars on the compilation of remittance data are planned to take place following the publication of the compilation guide. A pilot seminar was held in February – March 2007 at the Center of Excellence in Finance in Ljubljana, Slovenia, with participants from eight Eastern European countries. The seminar conclusions strongly endorsed the pending improvements in concepts and definitions and the approach to compilation guidance taken by the Luxembourg Group. Remittances will also continue to play a more prominent role in the IMF's technical assistance program.

## Reporting to G7 Finance Ministers

The international meeting in January 2005 agreed that the World Bank, IMF and a few partner countries, in collaboration with UN Statistics Division, would prepare regular reports for G7 Finance Ministers. The final report, which is currently being finalized, will describe the results of the conceptual work (now completed) in the context of the revision of the *Balance of Payments and International Investment Position Manual (BPM6)* and outline progress made in the ongoing work of the Luxembourg Group on the compilation guide. An interim report was prepared in late 2005.

*Contributor: Jens Reinke*

## Revision of the Manual on Statistics of International Trade in Services

*The relevant chapter of the draft BPM6 emphasizes consistency with the basic concepts of the updated SNA and the revised Manual on Statistics of International Trade in Services (MSITS), and, to the extent possible, reinforces consistency with the statistical guidelines contained in the International Recommendations on Tourism Statistics (IRTS) and the Tourism Satellite Account (TSA).*

The Inter-agency Task Force on Statistics of International Trade in Services (IATFSITS)<sup>5</sup> has begun to update MSITS, building on the responses to the consultation document and questionnaire that were agreed by the international agencies and distributed worldwide. The process of drafting a first annotated outline of an updated MSITS has been launched. The IMF's Statistics Department (STA) is committed to produce a draft annotated outline for Chapter III of the revised MSITS and to draft the revised chapter; to participate in the development of new material on the modes of supply of services; and to work with IATFSITS partners in updating the various appendices to MSITS, including one showing links between the extended classification of services (EBOPS) and the Central Product Classification (CPC v.2). After discussions within various expert groups, the revised MSITS is to be drafted in 2007, and in 2008 a program of broad consultation and review of the draft chapters will take place. It is expected that the revised manual will be submitted to the UN Statistical Commission in 2009.

Also, work is being undertaken to improve data provision and the scope and coverage of the reported data on the international trade in services

<sup>5</sup> The members of the IATFSITS are the UN, Eurostat, the IMF, the OECD, UNCTAD, and the WTO.

within the balance of payments conceptual framework. STA is to contribute expertise (i) to the UN Statistical Division Services Database Development Project on developing a worldwide database on trade in services statistics detailed by partner country, type of services, and mode of supply; and (ii) to the OECD work on bilateral asymmetries and model of world flows of trade in services. Work with the World Tourism Organization to develop compilation guidance to be used both for the compilation of the travel and passenger transportation components of the balance of payments statistics and for the compilation of tourism statistics is also envisaged.

Further, STA will conduct at least one specialized training activity in the trade in services statistics in 2007; this is to be a joint course with other members of the IATFSITS at the Joint African Institute in Tunis. The course will be based on the standard IMF course on international trade in services statistics and the training module on trade in services coordinated by the World Trade Organization and the World Bank.

Finally, the Interagency Coordinating Group on Tourism Statistics and its Technical Sub-group is undertaking a comprehensive comparison of the concepts and definitions pertaining to travel- and tourism-related activities in the IRTS, the TSA, and the international migration statistics. This work has triggered several changes and clarifications in the draft BPM6 related to the definition and classification of the balance of payments travel component, the measurement of the activity of travel agencies and tour operators services, and the measurement and recording of activity related to time-share activities.

*Contributor: Nataliya Ivanik*

# Coordinated Portfolio Investment Survey Conference in Madrid

*Users discuss statistics on global portfolio allocation at international conference in Madrid*

On March 1 and 2, 2006, the Bank of Spain hosted an international conference on the Coordinated Portfolio Investment Survey (CPIS), an international survey conducted under the auspices of the IMF. The purpose of the conference was to demonstrate how the survey can and has been used. Keynote speakers from the Bank of Spain and the European Central Bank cited the CPIS as a model for international cooperation to improve statistical reporting, as well as a valuable statistical source to address financial stability and globalization issues. Despite this, with the growth and volatility of international transactions, they noted that challenges remain to further enhance the data. The proceedings of the meeting are available at the following address: [http://www.bde.es/doctrab/confere/confee\\_7.htm](http://www.bde.es/doctrab/confere/confee_7.htm).

sector of holder and currency of issue is also provided by several participating jurisdictions. A similar breakdown of the securities held in reserve assets of many of the major reserve asset holding economies, and securities of international organizations, is also collected (but these data are released only in aggregate). The data and metadata are available on the IMF's website at <http://www.imf.org/external/np/sta/pi/cpis.htm>.

Papers were presented by both compilers and users. Papers from the European Central Bank, the Bank of Japan, the Bank of Spain, and the Federal Reserve Board of the United States showed how the CPIS database is used by compilers, among other things, for improving data quality of (derived) liabilities (especially by residence of counterparty for holders of bearer instruments), increasing information breakdown on sector of holder, and verifying (and/or improving) transactions data in the balance of payments. In this latter

**Table 1: Summary Results of the Coordinated Portfolio Investment Surveys end period positions 2001–2005**

(In trillions of U.S. dollars)

	Equities	Long-term debt	Short-term debt	Total
2001	5.2	6.4	1.1	12.7
2002	4.8	8.0	1.3	14.1
2003	6.9	10.5	1.5	19.0
2004	8.7	12.7	1.9	23.3
2005	10.4	13.4	1.9	25.7

The CPIS is (primarily) an asset survey of the outstanding (year-end) cross-border holdings of securities (equities, long-term and short-term debt) of approximately 70 jurisdictions, by counterpart jurisdiction of issuer. The data are valued at market prices and are provided annually for 2001–2005 (for some jurisdictions, data are also available for 1997, when an earlier survey of 29 jurisdictions was conducted). Most of the major investing countries and many offshore financial centers participate in the CPIS. Additional information on

regard, not only is there better coverage and detail for the CPIS in some instances than other data sources, but also, where the data are collected on a security-by-security basis, interpretative variables (such as price and exchange rate changes, as well as transactions) are used to explain changes in end of year positions, thereby serving as an additional quality check.

Papers by users of the CPIS data were presented by the Federal Reserve Board of the United States,

the European Central Bank, and the IMF. The focus of much of their presentations was on “home bias”, that is, investors in all countries hold securities issued in their home markets in a larger pro-

Nonetheless, although the CPIS represents a major step tool for increasing understanding of portfolio allocation, many speakers suggested further improvements, in the light of the increasing complex-



CPIS conference in Madrid — From left to right: Javier Santiso, OECD Development Centre, Steven Keuning, European Central Bank, José Viñals, Banco de España (Chair), Philippe Mesny, Bank for International Settlements, Duncan McKenzie, International Financial Services London

portion than theory would indicate in a frictional-less, perfect knowledge environment. In view of this, given that nonresidents are underweight in their holdings of securities issued in the United States, there would appear to be capacity to continue to finance the current account deficit of the United States. A similar tendency was also demonstrated for local regional bias, that is, investors seem more inclined to invest in their own regions than elsewhere. It was suggested that common language, legal origin, and common currency (in a currency union) are all major factors influencing investment bias. This was particularly noticeable within the euro area, where there has been a heightened degree of integration of securities markets since the inception of the euro. Furthermore, it was noted that the inclusion of data of many offshore financial centers in the CPIS has assisted in understanding their role in international securities markets.

ity of securities markets. Among the proposed improvements were: better timeliness; filling gaps; and measurement of repurchase agreements. The data were released by the IMF's Statistics Department with a lag of about 14 months after the reference date at the time of the Conference; it is now reduced to one year. Among the gaps in coverage, it was suggested that China, P.R., and the major exporting countries in the Middle East should be brought into

the exercise at the earliest possible date. It was also proposed that another way through which gaps might be filled is to obtain data on “third party holdings,” that is, securities that are held by custodians in a jurisdiction other than that of the owners. This issue is particularly important for households as they are not directly surveyed by any jurisdiction in the CPIS. Repurchase agreements (and related transactions) are a major measurement problem as the international statistical standards treatment is that they should be regarded as collateralized loans, and so the underlying transaction in the security is not recognized. The Statistics Department recognized that these are all areas where improvement can be made, though in some instances, progress will be slower than in others.

*Contributors: Messrs. Neil Patterson and John Joice*



# High Frequency External Sector Data Can Help Complete Balance Sheet Analysis

"If (the IMF) is to be able to meet its remit then surveillance should focus at least as much on balance sheets as on exchange rates." Mervyn King, Governor, Bank of England (2006).

Recent improvements in statistical methodologies and data availability are enabling high frequency, timely analysis of currency and maturity mismatches in sectoral financial balance sheets. Nevertheless, some gaps remain, particularly with respect to the detail, frequency, and timely dissemination of relevant external sector data. Thus, there is scope for external sector data compilers working in national statistical agencies and central banks to contribute to the operationalization of Balance Sheet Analysis (BSA), an additional tool increasingly viewed as a required element in the IMF's macroeconomic surveillance toolkit.

The analysis of financial stock variables that characterizes BSA complements the more standard flow analysis of macroeconomic variables. It permits a point in time assessment of a country's main balance sheets, by gauging currency, maturity, and capital structure mismatches and individual sector's exposure to liquidity and solvency risks and, more generally a country's vulnerability to shocks transmitted through changes in exchange rates, interest rates and prices of other financial assets. Many of the emerging market crises since the 1990's have been rooted in balance sheet mismatches in certain sectors of the economy, reducing foreign investor confidence, triggering capital account crises, or spilling over to other sectors through balance sheets linkages creating a full-fledged macroeconomic crisis.

While the IMF has been using insights from BSA in its surveillance work for some time, application of BSA across the entire membership has been hindered by a lack of data. This situation is changing as recent statistical initiatives are starting to bear fruit. In a recent IMF Working Paper, Mathisen and Pellechio<sup>6</sup> offer practical guidance on how the BSA framework proposed in 2002 by Allen et al<sup>7</sup> can be operationalized, taking advantage of recent improvements in statistical methodologies and data availability. In particular, use can be made of sectoral financial balance sheet data derived from standardized reporting forms (SRFs) on which IMF member countries report monthly monetary and financial statistics to the IMF's

Statistics Department for redissemination in the *International Financial Statistics (IFS)* and the quarterly *IFS Supplement on Monetary and Financial Statistics*, introduced in September 2006.

Sectoral balance sheet information derived from SRFs are particularly attractive for BSA given their high frequency and timely availability, as well as the fact that they draw on a single, consistent data source. SRF monetary and financial statistics produced by member countries are based on a common statistical methodology, the IMF's *Monetary and Financial Statistics Manual (MFSM)*, which in turn, is linked to the *International Financial Reporting Standards (IFRSs)*. Mathisen and Pellechio indicate that SRFs can provide about 75 percent of the data required to conduct BSA, permitting the evolution of balance sheet vulnerabilities to be tracked on a regular and timely basis (monthly with a delay of only one month). Box 2 lists the economies included in the March 2007 edition of the *IFS Supplement on Monetary and Financial Statistics*, for which SRF data can be used to generate monthly sectoral financial balance sheet data required for BSA.

A comprehensive high frequency balance sheet analysis, however, requires detailed information on the size, maturity and currency composition of the assets and liabilities in all sectoral balance sheets, including data on debt among residents and non-residents. Many of the ongoing efforts in improving data provision to the Fund aim at balance sheet data, and particularly the Rest of the World elements of Figure 1. Over the past several years IMF member countries have been encouraged:

- to compile the International Investment Position (IIP), in line with the fifth edition of the *Balance of Payments Manual (BPM5)*;
- to participate in the Coordinated Portfolio Investment Survey (CPIS);

<sup>6</sup> Mathisen, Johan, and Anthony Pellechio, "Using the Balance Sheet Approach in Surveillance: Framework, Data Sources, and Data Availability," IMF Working Paper 06/100 (Washington: International Monetary Fund)

<sup>7</sup> Allen, Mark, Christoph Rosenberg, Christian Keller, Brad Setser and Nouriel Roubini, 2002, "A Balance Sheet Approach to Financial Crisis," IMF Working Paper 02/210 (Washington: International Monetary Fund).



- to present debt data consistent with the new *External Debt Statistics Guide (Debt Guide)*; and
- to move towards the preparation of the general government's balance sheet according to the new *Government Finance Statistics Manual (GFSM 2001)*,

Together, these elements would characterize a country's external assets and liabilities by sector,

maturity and instrument. External data compilers can make a valuable contribution by working to provide the above mentioned data at the highest feasible frequency with minimal delay. Once effectively in place, such data provision will significantly improve the IMF's capacity to use the balance sheet approach in surveillance work.

*Contributor: John Cady*

### Box 2: Economies Reporting Monthly Monetary and Financial Statistics to the IMF Statistics Department via Standardized Report Forms – IFS supplement, March 2007

Albania	St. Vincent & the Grenadines	Lesotho
Armenia	Ecuador	Malaysia
Azerbaijan	Egypt	Mauritius
Belarus	El Salvador	Mexico
Belize	Eritrea	Moldova
Bhutan	Euro Area	Mozambique
Bolivia	Austria	Namibia
Botswana	Belgium	Nicaragua
Brazil	Finland	Papua New Guinea
Bulgaria	France	Paraguay
Cambodia	Germany	Romania
Canada	Greece	Serbia
Chile	Ireland	Seychelles
Croatia	Italy	Slovak Republic
Czech Republic	Luxembourg	South Africa
Denmark	Netherlands	Suriname
Eastern Caribbean Currency Union	Portugal	Swaziland
Anguilla	Spain	Sweden
Antigua and Barbuda	Georgia	Thailand
Dominica	Guatemala	Turkey
Grenada	Guyana	Ukraine
Montserrat	Indonesia	United States
St. Kitts & Nevis	Japan	Zambia
St. Lucia	Kazakhstan	

Source: IMF Statistics Department.

**Figure 1. Intersectoral Asset and Liability Positions for BSA**

Issuer of Liability (Debtor)	Holder of Liability (Creditor)			
	Public sector	Financial private sector	Nonfinancial private sector	Rest of the world
Public sector (including central bank)	■			
Monetary base				
Total other liabilities				
Short-term				
Domestic currency				
Foreign currency				
Financial private sector		■		
Total liabilities				
Short-term				
Domestic currency				
Foreign currency				
Medium- and long-term				
Domestic currency				
Foreign currency				
Equity				
Nonfinancial private sector			■	
Total liabilities				
Short-term				
Domestic currency				
Foreign currency				
Medium- and long-term				
Domestic currency				
Foreign currency				
Equity				
Rest of the world				■
Total liabilities				
Currency and short-term				
Medium- and long-term				
Equity				

Source: Adapted from Rosenberg, Christoph, Ioannis Halikias, Brett House, Christian Keller, Jens Nystedt, Alexander Pitt, and Brad Setser, 2005, Debt-Related Vulnerabilities and Financial Crises: An Application of the Balance Sheet Approach to Emerging Market Countries, IMF Occasional Paper No. 240 (Washington: International Monetary Fund).

# International Investment Position and External Debt Comparison Project

The IMF's Statistics Department developed a new initiative to assess the consistency of external debt data reported by countries that participate in the World Bank's Quarterly External Debt Statistics (QEDS) database and corresponding data series in the international investment position (IIP) reported to the IMF. This project is geared towards improving countries' external debt and IIP data for effective use in economic surveillance work. In 2006, comparator tables were produced for countries that reported both external debt data to QEDS and IIP data to the IMF. The comparator tables with end-2004 data were sent to countries for verification of the discrepancies particularly in sector, maturity, and instrument classification. Main differences were reviewed, and for some countries, specific actions for closing the gaps were identified. The exercise is being repeated for end-2005 data.

## Objective

In 2006, the IMF's Statistics Department implemented a new project to assess the consistency of

## Background

Technical assistance missions on balance of payments and IIP statistics conducted by the Statistics Department in 2005 identified large differences between IIP and external debt data disseminated by some SDDS countries. This led the Statistics Department to assess the extent to which other SDDS countries were facing a similar situation.

Currently, all SDDS subscriber countries (but two) report IIP data to the Statistics Department for publication in the IMF's *Balance of Payments Statistics Yearbook (BOPSY)* and the *International Finance Statistics*. As of December 2006, 39 SDDS subscriber countries reported annual data and 23 subscribers reported quarterly data. IIP data for end-2005 were sent for publication in *BOPSY* 2006 around September 2006.<sup>8</sup>

As of February 2007, 58 SDDS subscribers agreed to participate in the QEDS database<sup>9</sup>, out of which 57 countries reported data on their gross external debt position for September 2006.

**Table 2 : SDDS Countries Reporting IIP and External Debt Data**

SDDS countries	IIP reporters to the Statistics Department	External Debt reporters to QEDS
Annual reporters	39	
Quarterly reporters	23	58 <sup>10</sup>
Nonreporters	2	6
Total	64	64

external debt data reported to the World Bank's Quarterly External Debt Statistics (QEDS) database by Special Data Dissemination Standard (SDDS) subscribers and corresponding data series in the international investment position (IIP) reported for publication to the IMF. This project was executed with the view of improving countries' external debt and IIP data for effective use in economic surveillance work, and is being repeated during the first semester of 2007.

<sup>8</sup> The SDDS prescribes the dissemination of annual IIP data within nine-month lag, provided that quarterly external debt data are disseminated within one-quarter lag. The IMF data dissemination initiatives are available at <http://www.imf.org/external/np/sta/dsbb/list.htm>

<sup>9</sup> Online database launched jointly by the World Bank and the IMF in November 2004 that contains quarterly data series updated within three-to-four months lag. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/DATAS-TATISTICS/EXTDECQEDS/0,,menuPK:1805431~pagePK:64168427~piPK:64168435~theSitePK:1805415,00.html>

<sup>10</sup> One non-SDDS country initiated its participation in QEDS in mid-2006.

## Methodological Framework

The methodological guidelines for IIP and external debt data compilation are set forth in the fifth edition of the *Balance of Payments Manual (BPM5)*<sup>11</sup> and the *External Debt Statistics: Guide for Compilers and Users (Debt Guide)*<sup>12</sup>, respectively. Both frameworks are consistent with the *System of National Accounts 1993*.

### International investment position

The IIP is the balance sheet of the stock of external financial assets and liabilities for an economy. The net IIP combined with an economy's stock of nonfinancial assets comprises the net worth of that economy. The financial items that comprise the IIP are classified into assets and liabilities, both of which are further classified by function.<sup>13</sup> The liabilities are divided into direct investment, portfolio investment, financial derivatives, and other investment. Assets are divided the same way but with one additional component (reserve assets).

The IIP functional categories are further classified by instrument, comprising equity capital and reinvested earnings, other capital, equity securities, debt securities (bonds and notes, money market instruments), financial derivatives, and other investment (trade credits, loans, currency and deposits, and other assets/liabilities). A summary IIP statement that presents assets and liabilities classified by functional category and instrument is provided in Table 3.

<sup>11</sup> See chapter XIV. Further guidance is provided at *International Investment Position: A Guide to Data Sources*.

<sup>12</sup> *External Debt Statistics: Guide for Compilers and Users (Debt Guide)* available at <http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm>

<sup>13</sup> See BPM5 (pages 108-111) and *Financial Derivatives: A supplement to BPM5* (pages 43-47).

**Table 3 : Summary Presentation of the International Investment Position**

Assets	Liabilities
1. Direct Investment	1. Direct Investment
1.1. Equity capital and reinvested earnings	1.1. Equity capital and reinvested earnings
1.1.1. Claims on affiliated enterprises	1.1.1. Claims on direct investors
1.1.2. Liabilities to affiliated enterprises	1.1.2. Liabilities to direct investors
1.2. Other capital	1.2. Other capital
1.2.1. Claims on affiliated enterprises	1.2.1. Claims on direct investors
1.2.2. <i>Liabilities to affiliated enterprises (*)</i>	1.2.2. <i>Liabilities to direct investors (*)</i>
2. Portfolio Investment <sup>a/</sup>	2. Portfolio Investment <sup>a/</sup>
2.1. Equity securities	2.1. Equity securities
2.2. Debt securities	2.2. <i>Debt securities (*)</i>
3. Financial derivatives <sup>a/</sup>	3. Financial derivatives <sup>a/</sup>
4. Other Investment <sup>a/</sup>	4. <i>Other Investment<sup>a/</sup> (*)</i>
4.1. Trade credits	4.1. <i>Trade credits (*)</i>
4.2. Loans	4.2. <i>Loans (*)</i>
4.3. Currency and deposits	4.3. <i>Currency and deposits (*)</i>
4.4. Other assets	4.4. <i>Other liabilities (*)</i>
5. Reserve assets	

<sup>a/</sup> Portfolio investment, financial derivatives, and other investment are classified by institutional sector (monetary authorities, general government, banks, and other sectors). Debt securities and other investment are also classified by maturity (short- and long-term on an original maturity basis).

## Gross external debt position

The gross external debt position, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy.<sup>14</sup>

The IIP instruments identified in *italics* (\*) in Table 3 are debt liabilities to be included in the external debt position. Therefore, the gross external debt position data should be consistent with the correspondent components of IIP data reported to the IMF. Table 1 of the QEDS database presents quarterly external debt position data broken down by institutional sector and further classified by maturity and instrument. This table is consistent with the presentation of the external debt data position by sector recommended in the *Debt Guide*<sup>15</sup>, but differs from the BPM5 presentation above.

## Main Results

Comparator tables were produced for all SDDS countries that reported external debt data to the World Bank for QEDS and IIP data to the IMF for BOPSY (47 countries for end-2004 data and 48 countries for end-2005 data).<sup>16</sup> For a number of countries, minor adjustments based on information available in QEDS were needed due to lack of disaggregation of available IIP data. These adjustments implied the estimation of (a) the short/long term maturity attribution for some debt instruments, and (b) the equity/debt attribution of other capital liabilities of direct investment.

When appropriate, the comparator tables were sent to countries' authorities responsible for the IIP and external debt data compilation for verification of the main discrepancies and comments. In general, external debt data reported by SDDS countries to QEDS were broadly consistent with IIP data submitted to the IMF for publication (Table 4).

Twenty one countries presented minor differences in the total external debt position for end-2004 data, and two countries had no differences in the total or its components.

On the other extreme, ten countries had large discrepancies in the total debt stock and/or its components. Differences were mainly due to:

- Scope (e.g., in either IIP or external debt, insufficient coverage of private sector and/or short-term debt, inclusion of securities issued abroad and held by residents, exclusion of securities issued domestically and held by nonresidents, inclusion of financial derivatives).
- Basis for recording (e.g., market valuation in IIP data and nominal valuation in QEDS data,

<sup>14</sup> *Debt Guide*, paragraph 2.3.

<sup>15</sup> *Debt Guide*, Table 4.1, pages 34-35. Table 4.1 further disaggregates other sectors into three subsectors (nonbank financial corporations, nonfinancial corporations, and households and nonprofit institutions serving households) and identifies arrears within short-term other debt liabilities and direct investment-intercompany lending.

<sup>16</sup> As mentioned, six SDDS countries are not yet reporting external debt data for QEDS and 11 countries did not report IIP data timely for publication in BOPSY 2006

**Table 4: SDDS Countries Reporting IIP and External Debt Data for End-2004**

Differences between total external debt data reported to QEDS and external debt derived from IIP data

Difference in total	Countries	In percent
None	2	4%
Small (>0 and <= 1%)	19	41%
Moderate (>1 and <= 5%)	16	34%
Large (>5 and <=10%)	6	13%
Very large (>10%)	4	8%
Total	47	100%

interest costs accrued and not yet due not included either in IIP or external debt data).

- Classification (e.g., in either IIP or external debt, inadequate sector attribution of debt liabilities to the IMF, different attribution of debt to loans or currency and deposits, different maturity attribution of trade credits and other debt liabilities, and different sector attribution of direct investment-intercompany lending).
- Dissemination issues (e.g. reporting data revisions). Some countries were not aware that the QEDS database could accept revisions of historical data.

## Way Forward

Preliminary results from the exercise being conducted for end-2005 data revealed that the differences between both datasets were reduced significantly. Several countries have already overcome the different treatment of debt instruments in both set of statistics. Other countries indicated that they would resolve the differences in the next data submissions to QEDS and the IMF, and others have identified next steps for closing the gaps. The Statistics Department is to take stock of this exercise after the end-2005 data are analyzed, but intends to continue such crosschecking as part of its external debt quality work program.

*Contributor: Eduardo Valdivia-Velarde*



## Training

### Training on External Debt Statistics Provided by TFFS Agencies:

#### May 2002–March 2007

In the past five years, agencies participating in the Inter-Agency Task Force on Finance Statistics (TFFS)<sup>17</sup> have made a significant contribution in disseminating international best practices in the compilation of external debt statistics through joint capacity building training activities. These training activities have used the *External Debt Statistics: Guide for Compilers and Users*, produced by the TFFS in 2003 (available at <http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm>).

In May 2002, the IMF began a new series of external debt training courses directed at mid-level compilers, in collaboration with representatives of other TFFS agencies. Since mid 2005, training activities on external debt statistics have included the use of the Data Quality Assessment Framework (DQAF) for external debt statistics produced by

the IMF in consultation with the TFFS (available at <http://dsbb.imf.org/Applications/web/dqrs/dqrsdqaff/>). COMSEC and UNCTAD have also organized regional training seminars/workshops in collaboration with TFFS agencies and regional training institutions (MEFMI and WAIFEM).

In total, during the period May 2002-March 2007, twenty courses/seminars have provided training to over 600 mid-level compilers from 147 countries (see table 5).

*Contributor: Eduardo Valdivia-Velarde*

<sup>17</sup> The Inter-Agency Task Force on Finance Statistics (TFFS) was created in 1992 under the auspices of the United Nations Statistical Commission. Its current members are the Bank for International Settlements, the Commonwealth Secretariat, the European Central Bank, Eurostat, the IMF, the Paris Club Secretariat, the Organization for Economic Cooperation and Development, the UN Conference on Trade and Development, and the World Bank.



East AFRITAC – External Debt Statistics Regional Workshop Held at Kenya School of Monetary Studies, Nairobi  
February 19 – March 2, 2007



**Table 5: Training on External Debt Statistics Provided by TFFS Agencies:  
May 2002-March 2007**

	Seminar and Venue	Lead Agency	Collaborating agencies	Countries	Number trained
1.	Joint Vienna Institute (Vienna), May 6-17, 2002.	IMF	BIS, ECB, Paris Club Secretariat, and UNCTAD	21	30
2.	ECCB Regional Debt Workshop (Basseterre), July 2002	COMSEC	IMF, World Bank	15	47
3.	Inter-Regional Debt Workshop (London), March 2003	COMSEC	IMF, World Bank	14	23
4.	Brazil Training Center (Brasilia), May 12-23, 2003.	IMF	BIS, Paris Club Secretariat, and UNCTAD	16	34
5.	Singapore Training Center (Singapore), September 22-October 3, 2003.	IMF	BIS and COMSEC	16	29
6.	Joint Africa Institute (Yaoundé), November 17-28, 2003	IMF	BIS and Paris Club Secretariat	17	28
7.	Joint Vienna Institute (Vienna), July 12-23, 2004.	IMF	BIS, ECB, Paris Club Secretariat, and UNCTAD	21	29
8.	IMF Headquarters, (Washington D.C.), July 11-29, 2005.	IMF	World Bank, UNCTAD, and Paris Club Secretariat	39	39
9.	China Training Center (Dalian), August 8-19, 2005	IMF	BIS	1	55
10.	Joint Vienna Institute (Vienna), September 5-16, 2005.	IMF	BIS, ECB, COMSEC, and UNCTAD	28	30
11.	Joint Africa Institute (Tunis), November 7-18, 2005	IMF	BIS, COMSEC, Paris Club Secretariat, and UNCTAD	17	26
12.	Eastern & Southern Africa (Kampala), November 21-25, 2005.	COMSEC MEFMI	IMF and UNCTAD	11	29
13.	Arab Monetary Fund (Abu Dhabi), January 15-26, 2006.	IMF	BIS and UNCTAD	16	34
14.	Brazil Training Center (Brasilia), March 20-31, 2006.	IMF	BIS, Paris Club Secretariat, and UNCTAD	18	31
15.	Argentina Regional Workshop (Buenos Aires), April 27-28, 2006.	UNCTAD	IMF	6	22
16.	Eastern & Southern Africa (Kampala), July 10-11, 2006.	UNCTAD MEFMI	IMF	3	19
17.	West Africa Regional Course (Freetown), August 8-10, 2006.	COMSEC WAIFEM	IMF	5	32
18.	CARTAC Course (Barbados) September 18-29, 2006.	IMF	COMSEC	17	26
19.	West AFRITAC (Dakar) February 5-8, 2007	IMF	West AFRITAC, WAEMU and BCEAO	10	31
20.	East AFRITAC Course (Nairobi) February 19-March 2, 2007	IMF	East AFRITAC	7	22
	TOTAL (*)				616

(\*) 616 external debt compilers from 147 countries have received training in external debt statistics conducted by TFFS agencies during May 2002 - March 2007.

## A New Website for the Joint BIS-IMF-OECD-World Bank Statistics on External Debt: the Joint External Debt Hub

*A one-stop source for comprehensive external debt statistics is now on the web—a product of the joint efforts of the IMF, the Bank for International Settlements (BIS), the Organization for Economic Cooperation and Development (OECD), and the World Bank. Rob Edwards, the Director of the IMF Statistics Department, called the creation of the Joint External Debt Hub (JEDH - [www.jedh.org](http://www.jedh.org)) an important milestone “in using technological innovation to bring timely and high quality external debt statistics to global users.”*

*The new website—which replaces the Joint BIS-IMF-OECD-World Bank Statistics on External Debt (JDS) launched on the OECD website in 1999—provides timely access to quarterly external debt statistics. The information is expected to be particularly useful for macroeconomic analysis and for cross-country and data source comparisons.*



Shaida Badiie (World Bank) and Rob Edwards (IMF) sign the Service Level Agreement defining the responsibilities of the four Agencies involved in the JEDH

### What's on the site

The new hub offers comprehensive national external debt data provided by 58 subscribers to the IMF's Special Data Dissemination Standard (SDDS); data from creditor and market sources for external debt and selected foreign assets for over 200 countries/territories; and information describ-

ing the data provided (metadata). The new website—through its national and creditor and market series—also allows users to compare individual country data for three broad categories: loans and deposits, debt securities, and trade credits. The website collects information from two sources. National data are drawn from the SDDS reports re-disseminated on the World Bank's Quarterly External Debt database (QEDS). The BIS, the IMF, the OECD, and the World Bank provide creditor and market data, including loans and other credits, debt securities, international reserves, cross-border deposits with foreign banks, and portfolio investment assets (drawn from the IMF's Coordinated Portfolio Investment Survey). While creditor and market sources offer incomplete coverage of external debt, they do cover a wider range of countries than national sources.

### Continuing pursuit of better data

The Joint External Debt Hub builds on a number of initiatives that the Inter-Agency Task Force on Finance Statistics has taken to make comprehensive and consistent external debt statistics more available. In addition to the JDS website created in 1999, the task force's work led to the publication in 2003 of *External Debt Statistics: Guide for Compilers and Users*; the dissemination, since September 2003, of quarterly data on national external debt positions (with a one-quarter lag) by SDDS subscribers; the launch of the QEDS website in 2004; and the IMF's recently developed framework for assessing the quality of external debt statistics.

The new website also reflects a determination to apply technological innovation to generate efficiencies—in this case by converging data flows into a common framework. The hub is a pilot project of the Statistical Data and Metadata Exchange, which, under the sponsorship of the BIS, the European Central Bank, Eurostat, the IMF, the OECD, the UN, and the World Bank, is fostering standards for the exchange of statistical information. The participating agencies see the new website as a mechanism to enhance the transparency, timeliness, and availability of external debt statistics for a global user community.

*Contributors: Paul Austin and Jean Galand*

## An Interview with Neil Patterson, Former Assistant Director, Balance of Payments and External Debt Statistics, Statistics Department

*Neil Patterson retired from his position of Assistant Director at end-August 2006. Neil had a long association with balance of payments data and was well-known among the international statistical community. Neil had overseen the development and implementation of many of the initiatives seen in external statistics in recent years. Just before his retirement, he was interviewed by the Newsletter editor, Jean Galand.*

*Neil, you will soon be on retirement. Thank you for setting aside some time for this interview in your busy agenda. Can you outline for us the highlights of your time working on external statistics in the Fund?*

There were several. The first was working for the Fund's International Working Party on the Measurement of International Capital Flows and contributing to its report (the "Godeaux Report") that, together with the earlier "Esteva Report" on the world current account discrepancy, set much of the agenda for improvements in external sector statistics over the following decade or so. I joined the Fund in 1990 to work on this project. The Godeaux report, published in 1992, emphasized the importance, in an increasingly deregulated and globalized world economy in which measurement was becoming more complex, of adopting international statistical guidelines, enhancing compilation methods, and sharing data and expertise across countries. International cooperation was crucial and the Working Party recommended the creation of a committee of senior international experts to advise on the implementation of its report's recommendations. This became the IMF Committee on Balance of Payments Statistics (the Committee).

After several years working on government finance statistics, I returned to external sector statistics in 1997 as Chief of the Balance of Payments and External Debt Division I. Subsequent highlights involved working with the international community of external sector statisticians to follow through on the Godeaux and Esteva recommendations and to implement the fifth edition of the *Balance of Payments Manual* (1993). A particular success was that most countries report balance of payments statistics to the Fund, for publication


in the *Balance of Payments Statistics Yearbook* and the monthly *International Financial Statistics* in the BPM5 format and use it for national publication purposes. Others were the establishment of the internationally Coordinated Portfolio Investment Survey, and the survey on the implementation of



Neil Patterson

methodological standards for direct investment, development of new statistical guidelines for the measurement of financial derivatives, and research work that increased understanding of other complex financial instruments, and collaboration with other agencies on the development of international guidelines for the measurement of international trade in services and working with them on the implementation of these guidelines.

The international financial crises of 1997 and 1998 reinforced the importance of sound economic data, and detected areas in which the coverage and accuracy of external sector statistics needed to be further enhanced. Needs for improved data on reserves, foreign currency liquidity, external debt, and international investment positions were identified. Highlights that followed were, after considerable international consultations and deliberations, decisions by the Fund's Executive Board to strengthen the Special Data Dissemination Standard to more adequately cover the above-mentioned data, intensive work, in collaboration with other relevant agencies and with countries, to develop new or enhanced statistical guidelines for re-



serves and foreign currency liquidity, and external debt, and to promote the improved reporting of external position data more generally. This has borne fruit in new international databases on reserves and external debt, and greatly expanded reporting of international investment position data to the Fund. This has been encouraged and supported by an extensive program of technical assistance and external training covering the balance of payments and international investment position, trade in services, Coordinated Portfolio Investment Survey, direct investment, reserves and foreign currency liquidity, and external debt.

Several years ago, it became increasingly evident that, in the light of the increased focus on positions data, economic globalization, and the statistical initiatives that the balance of payments manual required updating. Another highlight has been the worldwide process of discussions and consultations that has led to international agreements, that were reviewed and endorsed by the Committee, on the needed methodological changes, and the preparation of the first draft of the updated manual that will soon be posted on the Fund's external website.

*We all know that you have been a major driving force behind the work of the Committee. From your perspective, what are the major changes that have been implemented by the Committee?*

The Committee played a fundamental role in almost all of the initiatives described above. Its particular achievements have included the Coordinated Portfolio Investment Survey, progress on the implementation and updating of balance of payments statistical guidelines, and contributions to and review of research into cutting edge methodological and compilation issues. This work has been described in the Committee's Annual Report and numerous papers that are published on the Committee's external website.

*Neil, what are the main challenges that you see remain to face in the field of external statistics? What are the statistical issues arising from globalization?*

There will always be challenges in this work. Keeping up with the changes in the international economy and the needs of users, while seeking to maintain coherence within and across systems, will always be demanding. Some of the most important challenges are being addressed by the initiatives already underway. Issues related to economic globalization, including the activities of

multinational corporations and international migration, will be at the forefront. Some of these are being addressed in the revision of the balance of payments manual. Also, in consultation with countries and other international agencies, we have completed a study of the feasibility of conducting an internationally-coordinated survey on direct investment positions and this survey seems likely to be initiated. Also, we have taken a leading role, in cooperation with other agencies and country experts, to identify best international practices in measuring "personal remittances" that are most usually associated with the movement of persons between countries.

*More generally, what do you consider to be the key issues emerging for those involved in compiling macroeconomic statistics?*

As for external statistics, there are many. One important issue is to ensure harmonization of the various macroeconomic statistical systems that are presently under review in line with the revision of the balance of payments manual. These include the *System of National Accounts*, the IMF/OECD's foreign direct investment guidelines, and the inter-agency guidelines on statistics of international trade in services. There is recognition by all agencies involved that harmonization is critical to promote inter-system analysis and to avoid duplication of collection efforts.

The increased focus on balance sheets for the analysis of global economic stability has been facilitated by the advances in external sector position data. Extending this work within and beyond the external sector—to the financial corporations and public sectors, for example—is underway and important. For the analysis of globalization, data on direct investment within the balance of payments framework, trade in goods and services, and remittances are very important, but also identified by users as important are data on the impact on the domestic economy of foreign-affiliated enterprises, as foreshadowed in the manual on statistics of international trade in services and described in the OECD's manual of globalization indicators. The analysis of offshoring and outsourcing activities requires statistics that include but also go beyond the scope of external sector statistics. These additional statistics may not lie within the Fund's mandate to support, but we need to be engaged to ensure harmony and consistency with our systems, and to support Fund analytic work. Another challenge will be to find the capacity to keep up with these

developments in the Fund's constrained budgetary environment.

*Neil, would you care telling us of your projects for the future?*

I may undertake the occasional short-term statistical consultancy project, but in the main I will be seeking challenges in non-statistical fields. While

undertook so many challenging projects. I will miss my other colleagues in the Statistics Department and elsewhere in the Fund for their dedication to the Fund's mission, and I will miss working with the Committee members, and with the dedicated statistical professionals in many countries and international agencies. I will miss the country counterparts that I worked with in



The skyline of Perth, Neil Patterson's hometown

I cannot think of a more rewarding area than the one I have had so far in statistical work in Australia, at the United Nations, and at the Fund, I retired early to find time to branch out in new directions. The first challenge will be to get reestablished in Australia. I am looking forward to it.

*Back in Australia, what will you miss most from when you lived in Washington?*

I will miss the collegiality, professionalism, and dedication of my colleagues in the two balance of payments divisions of the Fund who successfully

many ROSC, technical assistance, and training missions and in various technical expert groups over the years. I will not miss the long working hours, or the administrative trivia. But I will miss living in Washington, except for the winters.

*Neil, thank you very much for your time and your insight in past and future developments in external statistics. On behalf of my colleagues in both divisions, I wish you a successful resettlement in your home country.*

*Contributors: Neil Patterson and Jean Galand*

## Regional Focus

### The ANDESTAD Project

*The ANDESTAD project of the Andean Community (member states: Bolivia, Ecuador, Colombia, and Peru) was launched in June 2005, materializing a convention of technical cooperation between the Andean Community and the European Union.*

The principal objectives of the project include harmonizing statistical concepts and procedures based on international statistical guidelines, and strengthening the capacities of the institutions responsible for the collection, processing, and dissemination of official statistics.

cooperation as well as the active participation of international organizations, such as the IMF's Statistics Department. Other activities of the project include research studies, direct technical assistance, and training.

What makes the project different from other technical cooperation projects that contemplate the improvement of statistics, are the legal instruments that facilitate the harmonization of statistical concepts and procedures. Through the project, the Working Groups and Secretariat of the Andean Community prepare Decisions and Resolutions



First meeting of the ANDESTAD Working Group on Balance of Payments Statistics in Caracas, Venezuela

The beneficiaries of the project include all institutions that form the national statistical systems (including National Statistics Offices, Central Banks, Ministries, Superintendencies, among others) and the Secretariat of the Andean Community.

The project oversees the work of 20 Working Groups covering a wide variety of statistics areas, among them National Accounts, Balance of Payments, Foreign Direct Investment, Public Finance, and Monetary and Financial Statistics. The Working Groups, formed by statistics experts from each member state, benefit from the technical assistance provided by the European technical

that, after approval by the Commission of the Andes Community and the Secretary General of the Secretariat respectively, constitute binding legislation in each member state.

The project, with a budget of eight million Euros, has a duration of four years and is based in Lima, Peru, where the Secretariat of the Andean Community is based. More information about the project is available on the project's website: <http://secgen.comunidadandina.org/andestad>.

*Contributor: Jesper Venema, Comunidad Andina, Lima*

# IMF Plans to Launch a Coordinated Direct Investment Survey

*The IMF plans to launch a Coordinated Direct Investment Survey (CDIS) for reference to end-2009. This article explains the background to the planned launch and the modalities of the initiative.*

A discussion paper prepared for an informal IMF Executive Board seminar on foreign direct investment (FDI) statistics held in November 2003 highlighted a range of deficiencies in the available statistics on FDI capital. Problem areas included discrepancies in global balance of payments statistics on FDI, asymmetries in data on bilateral FDI positions, and, notwithstanding improvements in recent years, uneven implementation of international guidelines for the recording of FDI statistics promulgated by the IMF and the OECD. The discussion paper proposed a feasibility study on the conduct of a CDIS. Such a survey could help meet the growing data requirements for more comprehensive and comparable data on direct investment. It could be modeled along the lines of the IMF-sponsored Coordinated Portfolio Investment Survey (CPIS), which is now conducted annually (see the article on page 7 of this Newsletter). The Board supported the need for improved FDI statistics and endorsed the proposal for the IMF's Statistics Department (STA) to undertake the feasibility study.

The feasibility study was undertaken in collaboration with several of STA's interagency partners.<sup>18</sup> The views of the Fund's membership were also sought. The study concluded that it would be feasible and beneficial to national compilers and users of FDI statistics for STA and its interagency partners to undertake a CDIS involving inward and outward FDI in respect of an end-2009 reference year<sup>19</sup> and that there was strong support for such an initiative across the Fund's membership. The IMF Committee on Balance of Payments Statistics en-

dorsed the findings and conclusions of the study at its annual meeting last year.

## Major features

The intention is for the survey to have the following major features:

- data to be collected on positions (both equity and debt) by immediate counterpart country.
- equity to be valued at "own funds at book value"; for those investments that are listed, market valuations will be encouraged.
- an international task force to be set up to prepare a compilation guide.

Similar to the CPIS, the bilateral data requested will provide "mirror" information on direct investment into all economies, both those participating and those not participating in the survey.

Also, a CDIS can be expected to improve international investment position (IIP) data and data availability. In addition to monitoring an important aspect of globalization, IIP statistics are a means of understanding the impact of international capital flows and global external sector imbalances. Position data are also increasingly needed for Fund surveillance. A global database on the geographical distribution of the stock of FDI capital will augment the bilateral data available from the CPIS and other data in the Joint External Debt Hub, further developing the database for regional and multilateral surveillance.

## Overview of modalities

The main elements of a work program for the conduct of an end-2009 CDIS include:

*Development phase:* with the involvement of STA's interagency partners, to create a task force of national compilers to write a survey guide to assist compilers to prepare for their participation in a CDIS.

*Implementation phase:* convening selected regional workshops of national compilers, to review the state of preparation for participation in a CDIS as well as to provide technical and other assistance in support of their participation in a CDIS.

<sup>18</sup> The interagency task force that prepared the study included the ECB, Eurostat, OECD, UNCTAD, and the World Bank.

<sup>19</sup> This reference date coincides with the benchmark survey of U.S. direct investment abroad to be conducted by the Bureau of Economic Analysis of the U.S. Department of Commerce.



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(<http://www.imf.org/external/pubs/ft/bop/news/index.htm>)

The IMF Balance of Payments Statistics newsletter is published by the Statistics Department of the International Monetary Fund. The purpose of the newsletter is to inform balance of payments data compilers and users about national and international developments in the collection of such data. Editions are published in Chinese, English, French, Russian, and Spanish. The opinions and material contained in this newsletter do not necessarily reflect the official views of the IMF. Draft submissions are welcome and should be addressed to Jean Galand, Editor, IMF Balance of Payments Statistics Newsletter, Balance of Payments and External Debt Division II, Statistics Department, HQ2-10B259 International Monetary Fund, Washington, D.C. 20431, U.S.A. Telephone: (202) 623-7363 Fax: (202) 623-8017. Graphic design for this newsletter is provided by Kathy Tilmans.

*Collection phase:* STA and its interagency partners to collect data compiled from national FDI surveys and the associated metadata.

*Dissemination phase:* to develop a system to process the results of national surveys and associated metadata. A report on the results of the CDIS will be prepared for the Committee with a view to posting the compiled data on the IMF's public website.

## Recent Publications

### Balance of Payments Statistics Yearbook 2006

The IMF has released Volume 57 of the *Balance of Payments Statistics Yearbook (BOPSY)*. Issued in three parts, this annual publication contains balance of payments and international investment position data. Part 1 of the 2006 BOPSY provides detailed tables on balance of payments statistics for approximately 175 countries and international investment position data for 105 countries. Part 2 presents tables of regional and world totals of major balance of payments components. Part 3 contains description of methodologies, compilation practices, and data sources used by reporting countries.

Statistics published in Parts 1 and 2 of the *Yearbook* are also available on CD-ROM. The monthly CD-ROM provides updates and revisions of Part 1 data as they become available.

**Inquiries about these publications should be addressed to:**

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Telefax: (202) 623-7201  
E-mail: [Publications@imf.org](mailto:Publications@imf.org)  
Internet: <http://www.imf.org>**

## Upcoming Events

The six-week course on balance of payments statistics will be held in Washington during May 14 – June 22, 2007. This course is designed for officials whose main responsibility is compiling balance of payments statistics.

A three-week course on external debt statistics will also be held in Washington, during September 10–28, 2007, for external debt statistics compilers.

The annual meeting of the Balance of Payments Committee will be held in Washington in the last week of October 2007.

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## What's on the Web

The results of the 2005 Coordinated Portfolio Investment Survey (CPIS) are posted on the IMF's external website (<http://www.imf.org/external/np/sta/pi/datarst.htm>).

Papers from the nineteenth meeting (October 23–26, 2006) of the IMF Balance of Payments Committee are posted on the external website at <http://www.imf.org/external/pubs/ft/bop/2006/19.htm>

In January 2007, STA launched the *Balance of Payments Statistics (BOPS) Online* service, joining the *International Financial Statistics (IFS) Online* service. This user-friendly database is subscription based, and provides fast information retrieval of balance of payments and international investment position time series data back, in some instances, to 1948. More information is available at <http://www.imfstatistics.org/BOP/>