



Thirty-Seventh Meeting of the IMF Committee on Balance of Payments Statistics

Washington, D.C.
October 26–November 1, 2021

BOPCOM—21/06
For discussion

Process for the Holistic Review of *BPM6* Update Priorities

Process for the Holistic Review of *BPM6* Update Priorities¹

Several important changes are in the pipeline for the Balance of Payments and International Investment Position Manual, sixth edition (BPM6) update. These changes are described in Task Team guidance notes as well as in the IMF's Committee on Balance of Payments Statistics (the Committee) meeting reports and clarification notes. However, as envisaged in the BPM6 update process, the individual review of guidance notes would be complemented by a holistic review in early-2022. In that context, this note proposes a process for a holistic discussion of all amendments to facilitate a strategic prioritization across every topic, also considering the implementation costs and capacity. In concrete terms, a note with a summary of all proposed changes would be prepared for the February 2022 Committee meeting and would offer a preliminary assessment by dividing the amendments into the following buckets: (i) will be included in BPM7, (ii) will remain on the Committee's research agenda for future work (and be mentioned as such in BPM7), or (iii) will not be included in BPM7 and will be removed from the research agenda. This tentative list would form the basis for the holistic prioritization discussion.

INTRODUCTION

- 1. The update of the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* is well under way with numerous important changes in the pipeline.** Some of the underlying research was already finalized before the key elements of the [process and timeline for updating BPM6](#) were endorsed by the IMF's Committee on Balance of Payments Statistics (the Committee) in March 2020. This includes the Committee's work on special purpose entities, the informal economy, and global value chains as well as UN-related work on the latter.² Moreover, the Committee has issued several [clarification notes](#) on certain aspects in relation to *BPM6*. Since March 2020, the various BPM and joint BPM/System of National Accounts (SNA) Task Teams have also been producing guidance notes in line with the priorities laid out in the [BPM6 Update Compendium of Research Issues](#). The guidance notes describe additional methodological changes and are reviewed by the Committee on an ongoing basis.
- 2. In principle, all these changes and clarifications should be incorporated into *BPM7*.** However, as envisaged in the *BPM6* update process, the individual review of guidance notes would be complemented by a holistic review towards the end of Phase 1. In that context, this note proposes a process for a holistic discussion of all amendments to facilitate a strategic prioritization across every topic, also considering the implementation costs and capacity. Based on this proposal and inputs from Committee members, a comprehensive strategic note will be prepared and discussed at the February 2022 Committee meeting.

¹ Prepared by Jannick Damgaard, Balance of Payments Division, STA.

² See [BOPCOM 18/03](#): Final Report of the Task Force on Special Purpose Entities, [BOPCOM 19/03](#): Final Report of the Task Force on Informal Economy, and [BOPCOM 19/04](#): Final Report of the Working Group on Balance of Payments Statistics Relevant for the Analysis of Global Value Chains, and [UNSD Global Value Chains](#).

PROPOSED PRIORITIZATION PROCESS

3. **A [backbone strategy for updating BPM6](#) was endorsed at the October 2019 Committee meeting and highlights globalization, digitalization, evolution of financial and payment systems, and other issues in the research agenda as the key drivers to inform the *BPM6* update.**

Globalization covers the treatment of multinational enterprises and special purpose entities, economic ownership, and recording of intellectual property products as well as global value chains and was considered as the highest priority driver by most Committee members. For digitalization, the key issues include digital trade, crypto assets, and remittances/financial services, while the evolution of financial and payment systems agenda focuses on compiling the international investment position by currency, trade finance, and non-bank financial intermediation. Finally, other issues in the research agenda encompass asymmetric treatment of retained earnings between direct and portfolio investment and the informal economy. Committee members suggested adding sectorization, direct investment topics, residence vs. nationality, sustainable finance, CIF (cost, insurance, and freight) / FOB (free on board) adjustments, and bilateral asymmetries as other key issues. Recent progress on the sustainable finance track, as evidenced by the launch of the [IMF Climate Change Dashboard](#) and the high demand for such data to support policy decisions, points to a need for an ambitious and broad scope for this issue.

4. **All the envisaged changes will add significant analytical value with the ultimate goals of improving economic surveillance and enhancing the data foundation for policy decisions.** At the same time, the collection of new data and adjustments of compilation systems will be associated with costs for national compilers and potentially also reporters. Therefore, a holistic prioritization exercise across all topics is needed to strike an appropriate balance between new data needs and implementation costs.

5. **As a guiding principle, the prioritization should be based on an assessment of the expected global costs and benefits of implementing the changes.** Although a comprehensive cost/benefit analysis of all changes will not be possible, sound judgment can be used to perform a pragmatic assessment. The prioritization would also have to consider the fact that implementation capacity varies significantly across the Fund's membership. Consequently, while the total package of amendments should be ambitious, it also needs to be realistic and carefully consider the trade-offs between various initiatives.

6. **New data should generally only be introduced if a significant number of economies can realistically produce the data as the Manual is designed for global use.** Yet, some new data requirements can be introduced as aspirational goals due to their importance even if only a limited group of countries are currently able to compile these data. For instance, the Committee has already endorsed that the integrated international accounts should be brought to the forefront of *BPM7*, with a full reconciliation between stocks and flows to be included in the standard components. While only around 10 economies can do this at present, it is important that other economies move in that direction to accommodate the need for fully reconciled stock/flow data in a world of increasing cross-border financial interconnectedness.

7. **One way to deal with the substantial differences in implementation capacity across the Fund's membership could be introducing some new data reporting requirements not deemed of crucial importance as supplemental.** This would allow economies with high capacity to move forward

according to an internationally agreed standard, while economies with lower capacity would have the opportunity to consider those requirements in their medium to long-term priorities.

8. **Despite the substantial progress on the research agenda, there is a risk that it will not be possible to reach a conclusion on every item before the *BPM7* drafting process is initiated.** This could be the case for complex or fast developing issues. Hence, certain topics may have to remain on the research agenda (e.g., reinvested earnings and the definition of income as well as a continuation of the work on crypto assets). A similar approach was taken in *BPM6*, which includes a specific agenda for future research (paragraph 1.43).

9. **In concrete terms, the note for the February 2022 Committee meeting would provide a summary of all clarifications and changes proposed in the guidance notes prepared by Task Teams as well as in clarification notes and other work carried out before March 2020.** This summary would give Committee members the full picture of all proposed amendments. Moreover, the note would offer a preliminary assessment by dividing the amendments into the following buckets: (i) will be included in *BPM7*, (ii) will remain on the Committee's research agenda for future work (and be mentioned as such in *BPM7*), or (iii) will not be included in *BPM7* and will be removed from the research agenda. For items in the third bucket, the Committee could ask those responsible for other manuals to consider their inclusion, for instance in the updated *International Merchandise Trade Statistics Manual*, the *Manual on Statistics of International Trade in Services*, or the *OECD Benchmark Definition of Foreign Direct Investment*. The tentative list would form the basis for the holistic prioritization discussion at the February 2022 Committee meeting.

Questions for the Committee:

*What are Committee members' views on the holistic *BPM6* update prioritization process proposed in this note? Comments on the following aspects would be particularly welcome:*

- 1) *Which guiding principles should be applied for the prioritization?*
- 2) *Do Committee members see a need for additional background information to facilitate the prioritization discussion other than the proposed summary of changes and a preliminary assessment?*
- 3) *Do Committee members agree with the idea of dividing the amendments into the three proposed buckets, namely (i) inclusion in *BPM7*; (ii) remain on the Committee's research agenda for future work (and be mentioned as such in *BPM7*); and (iii) non-inclusion in *BPM7*?*