



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

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

BOPCOM—21/18a  
For discussion

## Summary of Discussions



## SUMMARY OF DISCUSSIONS

### INTRODUCTION

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1. The thirty-seventh meeting of the IMF Committee on Balance of Payments Statistics (the Committee) was held virtually during October 27–28, and November 1, 2021. This summary of discussions includes the action points agreed by the Committee during the meeting.
2. In his opening remarks, Mr. Louis Marc Ducharme, Chief Statistician, and Data Officer, Director of the Statistics Department (IMF), and Chair of the Committee welcomed three new members to the Committee: Ms. Iman AbouHassan from the Central Bank of Lebanon, Mr. Hirofumi Morishita from the Bank of Japan, and Ms. Annabelle Mourougane from the OECD. He thanked the members for their continued support and contributions to the Committee work in spite of their demanding schedules. Further, he noted that nine Guidance Notes (GNs)/papers prepared by the BPTT, CMTT, GZTT, IETT, and IFTT would be discussed in the meeting.

### BALANCE OF PAYMENTS UPDATE PROCESS

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BOPCOM 21/06 – PROCESS FOR THE HOLISTIC REVIEW OF *BPM6* UPDATE PRIORITIES  
PAPER BY IMF

#### **Topics Presented for Discussion:**

3. Several important changes are in the pipeline for the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* update from the various Task Teams' guidance notes (GNs), as well as the Committee reports and [clarification notes](#) that had already been finalized and endorsed before the launch of the update process.
4. As envisaged in the *BPM6* update process, the individual examination of the GNs would be complemented by a holistic review towards the end of Phase 1, which is nearing. In that context, this paper proposes a process to enable that review to facilitate a strategic prioritization across every topic to strike an appropriate balance between new data needs and implementation costs. As a guiding principle, the prioritization would be based on a global costs and benefits assessment for implementing the changes, which if, at times, are not possible to assess directly, should be based on sound judgment. The prioritization would also consider the fact that implementation capacity varies significantly across the Fund's membership. Consequently, a balance should be reached between the ambitious amendments and feasibility, while carefully considering the trade-offs between various initiatives.
5. Against this background, the objective is to draft a note outlining the proposed changes for discussion at the February 2022 Committee meeting. This paper, therefore, offers a preliminary assessment by dividing the amendments into three distinct buckets, those that will:
  - i. be included in *BPM7*,
  - ii. remain on the Committee's research agenda for future work (and be mentioned as such in *BPM7*), or

- iii. not be included in *BPM7* and will be removed from the research agenda and, possibly, requested to be included in other relevant manuals.

6. The note intended for discussion in February 2022 will be built on the outcome of the Committee deliberations of this paper.

### **Summary of Discussions:**

7. All Committee members strongly supported the initiative. Committee members requested that an extensive paper covering all envisaged changes be prepared to facilitate the prioritization discussion. It was also proposed that the background paper be shared with the members sufficiently in advance of the discussion to enable proper consultation over the soundness and feasibility of the changes.

8. Members underscored that incorporating user needs/views on the proposed changes should be an important part of the process. Some proposed evaluating this through a survey/questionnaire that could target Committee members (to bring the perspective of balance of payments compilers as well as of a selection of users within their respective institutions) as well as the relevant IMF departments, or even target the wider fund's membership through a global consultation prior to the final Committee's discussion. Such an approach would help balance demands from different types of users, which Committee members largely agreed with.

9. Committee members supported the guiding principles for prioritization and the proposed three buckets. Some suggested an "of which" within the bucket '*to be included in BPM7*' to show mandatory or supplementary requirements. It was also suggested that, acknowledging the different statistical capacity across the Fund's membership, a clustering of the supplementary data collections into high and medium priority would be helpful for the countries. In addition, an itemized classification was also proposed to better understand the nature of the changes; for instance, changes associated with (i) core concepts, (ii) clarifications, and (iii) new items. Alternatively (or complementarily), it was proposed to cluster the topics to be prioritized based on sub-criteria such as the extent to which potential changes: (i) improve information on key topics of the research agenda; (ii) enhance the coherence between macroeconomic statistics; (iii) trigger significant (or just negligible) impact; (iv) generate potential risks (such as confidentiality issues triggered by the level of detail); or (v) contribute to improving quality for example by reducing the level of asymmetries. It was also proposed to include the changes that would be reflected in the updated *BPM6 Compilation Guide* as an annex to the note.

10. Regarding the process, Committee members proposed to hold the discussion at a separate ad hoc meeting after the March 2022 meeting, such that decision on all remaining GNs can be taken prior to this fundamental discussion. Acknowledging the different pace of the SNA review, the interlinkages between the two manuals and the importance of consistency among them, some Committee members highlighted that the BPM holistic review may need to be revisited later on.

### **Actions:**

- IMF to incorporate all changes and recirculate a revised version of the note to Committee members for additional suggestions via written procedure.
- IMF to prepare a questionnaire after the March 2022 meeting and circulate it for comments to Committee members prior to its launch.

- IMF to prepare a summary paper with the main changes proposed to be incorporated to *BPM7*—including the results of the survey—for decision at an *ad-hoc* Committee meeting to be held after March at a date to be announced

## BALANCE OF PAYMENTS TASK TEAM (BPTT)

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BOPCOM 21/07 AND 21/07.1 – SUSTAINABLE FINANCE: INTEGRATING MEASURES OF CLIMATE CHANGE RISK INTO EXTERNAL SECTOR STATISTICS (B.6)

PAPER BY BPTT

### **Topics Presented for Discussion:**

11. Climate change not only affects our natural environment, but also poses increasingly significant financial risks. Demand for data on (the financial-economic implications of) climate change is growing exponentially, while the statistical development on this subject is still in its infancy.
12. Balance of payments statistics that provide insights on the financial risks arising from climate change should, like all balance of payments statistics, be relevant at the national (or at most, institutional sector level) level, and contain a clear resident/non-resident dimension. They would examine the risks of (exposures to) a decrease in the value of financial assets due to physical risks related to climate change as well as those due to the transition risks that relate to the adjustment to a low-carbon economy.
13. By combining insights from the *System of Environmental Economic Accounting (SEEA)* and from ongoing research in the financial sector and at international organizations on climate change, this GN developed proposals for several supplementary<sup>1</sup> indicators, which may be extended upon and improved at later stages.
14. While a wide range of indicators may be useful to facilitate exploring financial risks from a cross-border perspective, two aspects in particular may be highlighted as the most feasible in the short term, namely the detailed geographical and industrial sector breakdowns of direct investment (DI) and an “of which” category to identify green bonds in the balance of payments and international investment position (IIP).
15. Possible future indicators could include developing physical and transition risk measures for portfolio investment and making cross-border transactions in CO<sub>2</sub> emissions permits visible in the accounts.
16. This GN proposes to introduce an updatable appendix to the revised *BPM6* on Balance of Payments and IIP indicators relevant for climate change-related financial risks.
17. The appendix could be updated in the future as the work in the area of sustainable finance and understanding of data needs for addressing climate change evolves.

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<sup>1</sup> Compilation and dissemination of these items is encouraged, but voluntary.

### **Global Consultation:**

18. The global consultation revealed consensus for integrating indicators of climate change risk into external sector statistics (ESS) through an updateable appendix in the seventh edition of the *Balance of Payments and International Investment Manual (BPM7)*. The proposal to initially include indicators of detailed geographical and industrial sector breakdowns of direct investment as well as an “of which” category to identify green bonds in the balance of payments/IIP was widely accepted. More work was requested on other proposed indicators.

### **Summary of Discussions:**

19. Committee members strongly supported including an updatable appendix on sustainable finance indicators to the *BPM7* focusing first on developing indicators related to climate change. Further, they also widely supported to include in the appendix voluntary information on green bonds and direct investment, as well as future work on other indicators (e.g., CO<sub>2</sub> emissions permits, waste treatment and depollution, and insurance losses).

20. At the same time, members made the following proposals on the voluntary information and other proposed indicators:

- provide a clear definition of “green” focusing on the climate change as this is critical for developing accurate information on green bonds;
- clarify the reason for focusing on CO<sub>2</sub> and not on other greenhouse gas emissions;
- ensure that the proposed indicators are consistent with the Central Product Classification (CPC) as environmental economists and trade negotiators follow the CPC;
- examine the feasibility to develop detailed geographical data for DI (e.g., at a city level) as the balance of payments framework is on a resident-non-resident basis;
- align the proposed classification with other statistics (e.g., with the International Standard Industrial Classification (ISIC) revision);
- assess feasibility of segregating between insurance claims on climate-change-related catastrophe vs those not related to climate-change;
- further clarify the methodology for waste treatment and depollution services;
- evaluate whether measurement of countries exposure to climate risks (for considering physical location) may rely or not on subjective criteria;
- clarify the linkages of the proposed breakdown of DI with the GN D.7 (sectoral breakdown of DI).

21. Further, some of the members noted that the appendix should provide a suitable background on the analytical usefulness of the indicators. This should include to what extent such information provides insights on the effects of, and responses to climate change as well as its limitations. Although there were suggestions on other indicators, members suggested including additional indicators in a future version of the appendix. In principle, the consensus was limiting the scope of the current update to the initially proposed list, namely extending the splits in DI to other functional categories; identifying within green

bonds those related to climate change; embedded emissions in trade and the link with "offshoring" of emissions; data on international cooperation grants to low-income countries for mitigating climate change; and other related issues.

**Actions:**

- BPTT to finalize the GN addressing the questions raised and incorporating the agreements reached by the Committee.
- The updated version of the GN will be circulated to the Committee for final decision via written procedure and subsequent posting on the *BPM6* Update website.

## GLOBALIZATION TASK TEAM (GZTT)

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BOPCOM 21/08 – ECONOMIC OWNERSHIP AND INTELLECTUAL PROPERTY PRODUCTS (G.5)  
*PAPER BY GZTT*

**Topics Presented for Discussion:**

22. Determining economic ownership of Intellectual Property Products (IPPs) among units of a Multinational Enterprise (MNE), and the recording of related transactions, can be challenging. IPP assets created at one location in an MNE group may be (i) funded by affiliates elsewhere in the group; (ii) traded; (iii) used as an input into the production of other (non-IPP) goods and services; and (iv) held by a special purpose entity (SPE). Both the *2008 SNA* and *BPM6* treat IPPs (originals, license to reproduce, and copies) as produced assets.

23. Within an MNE, determining the change in ownership of an IPP, from the economic point of view that involves the transfer of all risks, rewards, rights, and responsibilities of ownership, is not straightforward. However, determining economic ownership of IPPs is important as it affects the recording of assets and related income flows in macroeconomic statistics.

24. The GN proposes and examines five different options for recording intra-MNE transactions in *previously produced* IPPs.

- Option 1: The ultimate parent is deemed the economic owner of all IPP assets across the MNE group.
- Option 2: The producer of the IPP is deemed the economic owner of the IPP asset. In many MNEs, dedicated R&D units (affiliates) produce the IPP.
- Option 3: The unit that uses the IPP in productive activities is the economic owner.
- Option 4: A more nuanced option based on the *Guide to Measuring Global Production (GMGP)* decision tree. The decision tree assigns economic ownership to a unit on the basis of whether the unit is (i) a producer of the IPP or not, (ii) a recipient of explicit payment to produce the IPP or a payment to acquire the whole of the previously produced IPP (corresponding with a change in ownership), or (iii) a user of the IPP (no change in ownership). Changes in ownership mainly follow the type of monetary transaction observed (i.e., whether it is payment for the current production, payment for the previously

produced IPP asset, or licensing the use of the IPP), but default solutions are proposed where there is no conclusive evidence of a transaction.

- Option 5: Intra-MNE transactions in cross-border previously produced IPP assets are viewed as a type of securitized asset and recorded in the financial account of the national accounts and balance of payments.

25. Considering the strengths and weaknesses of each proposed option, the GZTT consultation has favored adopting a more nuanced approach dependent on each situation (Option 4). This is based on the *GMGP* decision tree. Regarding attributing economic ownership of IPPs to an SPE, there was larger support to the proposal of assigning economic ownership of the IPP to the SPE, although some GZTT members did express reservations. This approach is also consistent with the *GMGP* decision tree, which assumes legal ownership as the default solution for economic ownership. The *GMGP* decision tree considers an SPE as an institutional unit, which is aligned to the current recommendation of the GZTT in its GN G.4 *Treatment of Special Purpose Entities and Residency* and to the IMF definition of SPEs.

### **Summary of Discussions:**

26. Most Committee members supported the view that a single default solution for attributing economic ownership on IIP cannot be adopted given the varying underlying arrangements. Although there was general support that the decision tree is useful to determine the economic owner of IPP across an MNE Group, most members considered that the decision tree seems better suited as a guiding tool for supporting analysis rather than a practical tool to attribute IPP ownership. In that respect, it was proposed that the decision tree can be further improved with concrete examples of industry or sector types but need not be used as the sole criterion since it does not map all different contracts that exist. The challenge remains the consistent application of the decision tree across countries in order to avoid discrepancies.

27. It was also noted that the GN could also provide a clear definition of IPP to be included in the updated *BPM6*, and thereby clarify on the different types of cross-border flows. This will help to better understand the decision tree. There was general agreement that SPEs can indeed be the economic owner of IPP assets in line with the GN G.4 *Treatment of SPEs and Residency of the GZTT* and as per the IMF's Operational Guidelines on SPEs based on practical considerations.

### **Actions:**

- The GZTT to incorporate the feedback received from Committee members (including a clear definition of IPP), as well as forthcoming comments when discussed at AEG in a revised version of the GN.
- The GZTT will launch the global consultation of the GN, including testing the decision tree, after consulting with the BPTT and AEG.
- The revised version of the note should be presented to the Committee and the AEG for final approval, possibly via written procedure.



**Topics Presented for Discussion:**

28. Marketing assets are an important part of the modern global economy. The guidance note raises two major conceptual issues as to whether:

- marketing assets are treated as produced non-financial assets, or
- maintain the current treatment of marketing assets as being non-produced non-financial assets but with enhanced consistent recording across the manuals.

29. If marketing assets are treated as produced non-financial assets, this will entail major changes in the SNA because it will expand the asset and production boundaries but would not have a significant impact on the international accounts.

30. However, should the status quo be maintained, the GN proposes more consistent recording in both in the revised *BPM6* and *2008 SNA*.

31. The GZTT mostly felt that the previous discussion prior to the *2008 SNA*, where it was noted that marketing assets could not be treated as produced non-financial assets (fixed assets) due to the difficulty of measuring their value, has not been resolved. In that respect, the consultation within the GZTT largely favored the status-quo but with enhanced recording in the accounts. The issues raised were whether to record transactions related to marketing assets:

- by splitting them between services and income (the flexible option in *BPM6*, if information is available),
- in services (the default solution in *BPM6*, if a split is not possible),
- in income.

32. Additionally, the GZTT considered that the definition of property income should be expanded to include a subcategory for payments for non-produced non-financial assets other than natural resources.

**Summary of Discussions:**

33. Committee members considered first that marketing assets should conceptually be considered as produced non-financial assets given that they are an outcome of production, which entails the use of resources, including labor, capital, and intermediate consumption. At the same time, members acknowledged that measuring them is fraught with practical difficulties, as acknowledged by the *2008 SNA*. Yet some Committee members felt that conceptual soundness should prevail over practical considerations. Others suggested to introduce a new category for IPP in the current account. Some Committee members highlighted that during the global consultation, views should be sought about the preference on the two options, which have to be presented in a balanced way (pros and cons).

34. Most Committee members supported signaling the preferred conceptual treatment in the revised *BPM6* and *2008 SNA*, while, if the outcome of the public consultation would signal a clear rejection of the conceptually sound recording as produced non-financial assets due to the practical difficulties, the

updated manuals could announce that a change in the standards would be adopted in the next review round, allowing countries enough time to undertake extensive testing and facilitate implementation. Countries would then be encouraged to take steps and start collecting the information and testing before initiating the next update. Indeed, Committee members felt that clear guidance should be provided for practical implementation.

35. For the forthcoming public consultation, the Committee agreed to first include a question on whether marketing assets are treated as produced non-financial assets, or to maintain the current treatment of marketing assets as being non-produced non-financial assets but with enhanced consistent recording across the manuals. Many members considered that the definition of property income could be expanded to include a subcategory for payments for non-produced non-financial assets other than natural resources.

**Actions:**

- The GZTT to incorporate the feedback received from Committee members, as well as forthcoming comments when discussed at the AEG and produce a revised version of the GN.
- The GZTT will launch the global consultation of the GN after consulting with the BPTT and AEG.
- The revised version of the note should be presented to the Committee and the AEG for final approval, possibly via written procedure.

## ISLAMIC FINANCE TASK TEAM (IFTT)

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BOPCOM 21/10– ISLAMIC FINANCE IN THE NATIONAL ACCOUNTS AND EXTERNAL SECTOR STATISTICS (IF.1–6)  
*PAPER BY IFTT*

**Topics Presented for Discussion:**

36. Comprehensive internationally accepted guidelines to account for Islamic finance in the national accounts and external sector statistics, using a holistic and integrated macroeconomic statistical framework based on the *2008 SNA/BPM6* are absent.

37. There is a need to develop recommendations to resolve a number of issues arising from the intrinsic nature of Islamic finance and its specific provisions.

38. The international statistical community has addressed the treatment of Islamic finance in a number of manuals and compilation guides. Annex 4.3 of the *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)* describes how Islamic financial corporations operate under Islamic principles and how the instruments they use differ from conventional financial instruments. Annex 3 of the *Handbook on Securities Statistics* addresses the treatment of Islamic securities including the classification of Islamic debt securities in existing international statistical standards such as the *2008 SNA*. However, no comprehensive guidance is available in the *2008 SNA/BPM6*.

39. Six IFTT sub-task teams have developed recommendations for the following topics in this GN and made the proposals:

- Terminology for the investment income for Islamic deposits, loans, and debt securities;
- Sectorization and output of Islamic financial entities;
- Economic ownership of non-financial assets related to sales, lease, and equity financing that are legally owned by Islamic financial corporations;
- Classification of Islamic financial instruments and corresponding investment income;
- Reference rates and terminology to calculate Islamic financial intermediation services indirectly measured (FISIM);
- Islamic insurance (takaful and retakaful).

#### TERMINOLOGY FOR THE INVESTMENT INCOME FOR ISLAMIC DEPOSITS, LOANS, AND DEBT SECURITIES

##### ***Issue 1.1–1.3***

40. The GN recommends using the term “interest and similar returns”. Retaining the term “interest” in the proposed terminology ensures continuity with the current terminology in the *2008 SNA* and *BPM6* to describe the investment income on conventional deposits, loans, and debt securities. The “similar returns” part of the proposed terminology can be used to describe the broader interest-like returns on Islamic deposits, loans, and debt securities, thus enabling the better integration of these Islamic financial instruments and the associated income into the existing macroeconomic statistical frameworks.

41. The GN discussed presentation alternatives for these interest-like returns and prefers the second option to retain the current classification of the investment income components in the *2008 SNA* and *BPM6*, rename “interest (D41)” to “interest and similar returns (D41)” but give economies with significant Islamic financial activities the option to create a sub-category within interest and similar returns (D41) to present the investment income for Islamic deposits, loans, and debt securities.

42. The GN recommends changing the key paragraphs of the *2008 SNA* (7.113 and 7.114) and *BPM6* (11.48) that relate to interest to reflect the above terminology.

#### SECTORIZATION AND OUTPUT OF ISLAMIC FINANCIAL ENTITIES

##### ***Issues 2.1–2.4 Sectorization, Institutional Units, and Output***

43. The GN provides in Annex IV detailed recommendations for sectorization and measuring output of Islamic financial institutions according to SNA framework and discuss more extensively the recommendations for the treatment of newly identified Islamic financial entities (e.g., Islamic windows in conventional banks, Waqf funds, Hajj funds) which are summarized in the Table 1 below.

**Table 1. Summary of Recommendations for Classifying, Sectorizing, and Calculating Output of Islamic Financial Entities**

Entity	Are they institutional units (Issue 2.2)?	Sectorization (Issue 2.3)	Methods to calculate output (Issue 2.4)
Off-balance sheet restricted investment accounts	Yes	Non-money market investment funds (S124)	Sum of costs and FISIM on financing arrangements such as Murabaha and Ijarah
Islamic windows in conventional banks	Yes	Deposit-taking corporations except the central bank (S122)	Combination of FISIM, fees and commissions
Waqf funds	Yes	Captive financial institutions and money lenders (S127)	Sum of costs
Hajj funds	Yes	Non-money market investment funds (S124)	Sum of costs

ECONOMIC OWNERSHIP OF NON-FINANCIAL ASSETS RELATED TO SALES, LEASE, AND EQUITY FINANCING WHICH ARE LEGALLY OWNED BY ISLAMIC FINANCIAL CORPORATIONS

**Issues 3.1–3.2**

44. **Economic ownership of nonfinancial assets in arrangements such as Murabaha, Bai Muajjal, Mudaraba, etc.:** The GN recommends the following. One, it is possible that Islamic financial corporations can establish a separate institutional unit (often, in partnership with other units) which will then be the economic owner of the underlying non-financial assets. Two, if no separate institutional units are set up, Islamic financial corporations can act as facilitators by transferring the economic ownership of the non-financial assets from the seller to the client so that they will not be classified as the economic owner of the non-financial asset. Further, the ultimate purchasers should be considered as the economic owners of the underlying non-financial assets that they obtain through Islamic financial corporations.

45. **Economic ownership of nonfinancial assets when clients default on paying for these assets in arrangements such as Murabaha and Bai Muajjal:** The GN recommends that the client will still be considered as the economic owner of the underlying non-financial asset as the default on payment is essentially a default on a financial payment. However, it may be possible for the Islamic financial corporation to confiscate the underlying assets, if feasible.

CLASSIFICATION OF ISLAMIC FINANCIAL INSTRUMENTS AND CORRESPONDING INVESTMENT INCOME

**Issues 4.1–4.2**

46. The GN recommends the appropriate classification in national accounts and external sector statistics for the main Islamic financial instruments and their corresponding investment income based on a slotting-in the approach (Annex II). In many instances, there is not a perfect one-to-one relationship

between the Islamic financial instrument and the recommended classification in either set of accounts. Therefore, the GN provides a list (non-exhaustive) of deciding factors that need careful consideration before a classification decision can be reached.

47. **Decision Tree:** The GN recommends constructing a “decision tree” incorporating the above parameters that will enable compilers to classify an Islamic financial instrument appropriately in both the SNA and ESS. The decision tree can be included in a proposed compilation guide on Islamic finance.

## REFERENCE RATES AND TERMINOLOGY TO CALCULATE ISLAMIC FISIM

### **Issue 5.1–5.6**

48. The GN recommends that the FISIM formula in the 2008 SNA should be used to calculate the financial intermediation services provided by Islamic deposit-taking corporations (Option 1). The fact that Islamic financial corporations are classified as deposit-taking corporations suggests that they are involved in financial intermediation activities.

49. The sub-task team members have different views on which reference rates should be used in the FISIM formula.

50. On the instrument scope of Islamic FISIM, the GN agrees that it would be better to include these instruments in the bundle of deposits/loans to calculate FISIM and SNA interest as the Islamic financial corporation is basically providing a service, such as safe keeping and maintaining records of loans, and that service element should be accounted for. The sub-task team also prefers to use total deposits and total loans rather than the more complex instrument-by-instrument approach to calculate Islamic FISIM.

51. Separate reference rates should be applied for each currency involved in cross-border Islamic deposits and loans. The rate should be taken from financial markets of the home market of the currency (*BPM6*, paragraph 10.130).

52. Given the different views on the reference rate, the sub-task team recommends inviting economies to participate in empirical tests on what reference rate(s) to use in the calculation of domestic and cross-border FISIM on Islamic deposits and loans. The results of the empirical tests will provide inputs to finalize the recommendation on reference rate.

## TAKAFUL AND RETAKAFUL

### **Issues 6.1–6.3**

53. Classify takaful operators and takaful funds as separate institutional units in the compilation of national and international accounts statistics.

54. Sectorize takaful operators and takaful funds if they are classified as institutional units, respectively, into the financial auxiliaries subsector (S126) and insurance corporations subsector (S128) of the financial corporations sector.

55. Calculate the output of takaful operators and takaful funds if they are classified as institutional units as follows: (i) takaful operators—as the wakalah fees they charge to administer takaful funds and/or the share of profits earned from investing takaful funds; and (ii) takaful funds—sum of costs as the

wakalah fees they pay to takaful operators and/or the share of profit payable to takaful operators plus other intermediate consumption, if any.

## GENERAL RECOMMENDATIONS

56. IFTT recommends to:

- a. Include a special section or an appendix on Islamic finance in the updated SNA and BPM which highlights the differences between conventional and Islamic finance, brings together all the entries in the accounts connected with Islamic finance, and explains their interconnections; and
- b. Develop an Islamic finance compilation guide to (i) discuss the differences between conventional and Islamic finance; (ii) provide guidance on developing an Islamic finance satellite account to enhance its statistical visibility; and (iii) provide practical guidance and illustrative numerical examples on how to record Islamic financial activities in the national and international accounts.

### ***Summary of Discussions:***

57. The GN was presented for a preliminary discussion. Given that this is a very rich GN covering six research topics, it was agreed that the Committee members will provide their comments via written procedure to the Committee secretariat by November 12.

### ***Actions:***

- Committee members to provide written comments on the GN to the Committee secretariat by November 12, 2021.
- IFTT to update the GN based on the suggestions from the Committee and from the AEG meeting) and circulate a revised version for BPTT's and AEG's review before posting for global consultation.
- The revised version of the note should be presented to the Committee and the AEG for final approval, possibly via written procedure.

## INFORMAL ECONOMY TASK TEAM (IFTT)

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BOPCOM 21/11– OVERARCHING GUIDANCE NOTE ON INFORMAL ECONOMY  
PAPER BY IETT

### ***Topics Presented for Discussion:***

58. Conceptually the SNA includes all productive activities irrespective of whether these activities are formal or informal. While it is true that a part of the informal economy may be considered unobserved, the GN outlines a framework for the informal economy, which focuses on a complete presentation of the informal economy.

59. The framework for the informal economy includes all SNA institutional units in the economy depending on their formal or recognized status and whether their production is mainly intended for the

market (either market or non-market production) or mainly own-use production. For this purpose, the economy is divided in the formal sector, the informal sector, and the household own-use production domain, and all economic units can engage in informal productive activities in the three sectors.

60. The GN also discusses illegal activities, highlighting the two kinds of illegal production (2008 SNA, paragraph 6.43): Type a – *The production of goods or services whose sale, distribution, or possession is forbidden by law*; and Type b – *Production that is usually legal but becomes illegal when carried out by unauthorized producers*. The GN proposes to treat Type b activity in two ways in the context of informal economy:

- Option i: When economic units engaging in illegal production comply strictly to the principles of informality, include Type (a) illegal production in the informal economy and identify illegal production within the economy in an indicator.
- Option ii: Exclude Type (a) illegal productive activities from the informal economy by convention and supplement statistics on informality with measures of Type (a) illegal productive activities.

61. In addition, the GN also considers the issues of informality facilitated by digitalization, as well as informal cross border flows, including tourism services for non-residents, and remittances of informal workers transmitted through formal and informal money transfer channels and of formal workers through informal channels due to lack of access to formal means of money transfer.

#### **Summary of Discussions:**

62. Committee members expressed support to the definitions of informal productive activities, the informal economy concept, the informal sector as well as the description of illegal activities. With respect to the treatment of Type (a) illegal activities in the framework, views were split between Option (i) and Option (ii).

63. Members felt that the GN establishes statistical framework and definitions, but further elaboration is needed, as well as analysis and tools to identify and measure informal production. They acknowledged the importance of presenting and discussing this note at the AEG. Given the richness of the note, they requested to provide further comments via written consultation.

#### **Actions:**

- Committee members to provide written comments on the GN to the Committee secretariat by November 18, 2021.
- The IETT to update the GN based on the suggestions from the Committee (and the AEG) and, as is customary, send the amended note to BPTT and AEG for clearance to initiate the global consultation.
- The GN should be presented to the Committee and the AEG for final approval, possibly via written procedure.

## COMMUNICATION TASK TEAM (CMTT)

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BOPCOM 21/12 – AN ASSESSMENT FRAMEWORK TO MEASURE ALIGNMENT WITH INTERNATIONAL ECONOMIC STATISTICAL STANDARDS (CM.1)  
*PAPER BY CMTT*

### ***Topics Presented for Discussion:***

64. One important feature of the international economic statistical standards (IESSs) is their ability to facilitate the comparison of estimates across countries.

65. When countries use an IESS to compile macroeconomic statistics, a certain degree of choice, freedom, and variation can be taken in implementing the recommendations. This results in varying degrees of “alignment” to the IESS across countries.

66. In this context, this GN proposes an alignment framework that countries can use to determine the status of their national economic statistics vis-à-vis international standards.

67. GN discussed the following: (i) three proposed frameworks that countries can use to assess their alignment to the concepts, methods, accounting rules, classifications, and accounts/tables associated with a given international economic statistical guidance; and (ii) a means to present and communicate this information to users in a standardized manner.

68. The GN draws upon several existing frameworks already developed by international organizations (e.g., IMF’s Data Quality Assessment Framework (DQAF) and UN national accounts questionnaire (UN NAQ)).

### ***Alignment Framework***

69. Currently the SNA, BPM, and GFSM do not include a framework that compilers can use to assess their country’s alignment to the IESS. The use of an alignment framework will facilitate cross-country comparisons as well as help users anticipate the potential impact of future revisions to the statistics. An effective alignment framework should have some degree of flexibility and be easy to implement, update, and communicate.

70. While five categories can serve as an overarching structure for the alignment framework, some granularity is needed: (i) concepts are the foundation of an IESS; (ii) accounting rules reflect the guidelines that compilers should follow when recording transactions and other economic flows; (iii) methods are closely associated with accounting rules; (iv) classifications determine the level of detail that is presented to users; and (v) the sequence of accounts/specific tables outline how information is presented to users.

### ***Communicating with Users***

71. The GN outlines how compilers can communicate the alignment of their economic statistics to international standards to users. While some consideration may be given to the development of a scoring system/methodology, it is proposed that a dashboard approach be taken because scoring a country’s alignment to a statistical framework may create a disincentive to use the framework.



72. The CMTT recommends that the proposals made in this GN are included as part of a chapter to the SNA, BPM, and GFSM titled “Economic Statistics – Communication Practices and Recommendations.” In addition to including the information from this GN, this proposed chapter should also include information from the CMTT GNs on Terminology (C.2) and Taxonomy (C.3). Countries should be encouraged to use the framework and make the results publicly available for all users.

73. The proposed frameworks for measuring and communicating alignment to the IESS do not require a change to either the SNA, BPM, or GFSM. Instead, the recommended frameworks are stand-alone tools intended for national statistical authorities and international agencies to assess the methodology and presentation underlying a country’s (or group of countries’) macroeconomic statistics.

74. GN proposed alignment framework based on the five items mentioned above.

75. On communicating with users, a dashboard approach is proposed taking the alignment framework as the starting point. It is proposed that for each item in the framework, the compiling organization indicate whether they are:

- Fully Aligned = Green
- Highly Aligned = Light green
- Broadly Aligned = Yellow
- Partially Aligned = Light Yellow
- Not Aligned = Red
- Not Applicable = Black.

***Summary of Discussions:***

76. Committee members fully supported moving the GN for global consultation. Further, members strongly supported the alignment frameworks and the dashboard approach proposed in the GN. While national statistical agencies have their own approaches to convey information to the public, members underscored that the dashboard format is one of the most appropriate communication mechanisms. Nevertheless, members made the following suggestions to bring further improvements to the GN including on the approaches for communicating a country’s overall level of alignment to users:

- conduct pilot surveys on the proposed alignment frameworks among countries that are interested to volunteer;
- include guidelines on appropriately balancing between providing information on alignment with international standards and providing other metadata (specifically focusing on the statistical offices with limited resources);
- provide further guidance on the interpretation of the dashboard (e.g., after paragraph 23, one category (output for final use) is shown as both broadly aligned with international standards and as not aligned);
- granularity of the components could be finalized after updated *BPM6* recommendations (and other Manuals) are available, as not every economy may need them all;

- further guidance on judging the dashboard elements may be provided to avoid subjectivity in the assessment;
- link the self-assessments to the equivalent standard page on the IMF's Enhanced General Data Dissemination System (e-GDDS), Special Data Dissemination Standard (SDDS), and/or SDDS+;
- promote a central webpage could be good practice—on the lines of the IMF Dissemination Standards Bulletin Board (DSBB) “National Summary Data Page”.

77. In addition, some members underscored that full alignment (as per the dashboard) may not always be associated with better quality as countries with partial alignment but better source data than others with full alignment would be shown as inferior. As the issues discussed (including the proposed alignment framework for BPM) requires a thorough review, it was agreed that the Committee members will provide additional comments via written procedure to the Committee secretariat by November 29.

**Actions:**

- Committee members to provide written comments on the GN to the Committee secretariat by November 29, 2021. CMTT to update the GN based on the suggestions from the Committee (and the AEG) and subsequent posting for global consultation.
- The revised version of the note (including the note on outcome of global consultation) should be presented to the Committee and the AEG for final approval, possibly via written procedure.

BOPCOM 21/13 – TERMINOLOGY AND BRANDING OF THE INTERNATIONAL ECONOMIC STATISTICAL STANDARDS (CM.2)  
PAPER BY CMTT

**Topics Presented for Discussion:**

78. Each of the major international economic statistical standards (IESS) has its own history, methodology, and terminology, and serves a different audience and purpose. Nevertheless, for consistency, during the last update of the IESS, deliberate efforts were made by both the Committee and the government finance statistics advisory committee (GFSAC) to align the concepts in the BPM and Government Finance Statistics Manual (GFSM) with those of the SNA, as far as possible.

79. At its Thirteenth Meeting, the Advisory Expert Group (AEG) recognized that while the SNA brand is perceived to be strong, it is not effectively communicated. Against this background, the AEG recommended that guidance on the updating of IESS terminology and branding be developed with the goal of improving how macroeconomic statistics are communicated to and used by users.

80. In this context, the CMTT reviewed the concepts, terminologies, and labels across the SNA, BPM, and GFSM and made proposals for further harmonization or alignment.

81. There is already close alignment between the terminology used in the *2008 SNA* and *BPM6* due to the concerted effort made during the last update of the BPM to ensure consistency. Further, during the preparation of the *GFSM 2014*, a key task was to harmonize the concepts and terminologies in GFSM with other macroeconomic statistics manuals.

82. GN considered options for (i) terminology, covering harmonization of concepts, amendments to accounts, amendments to conventions/labels, “net” versus “gross” concepts; and (ii) branding.
83. Use of the term “gross” vs “net” in economic and environmental accounts discussed in detail (see Annex III).
84. **It is recommended that the proposals in this GN are included as part of a chapter to the SNA, BPM, and GFSM titled “Economic Statistics – Communication Practices and Recommendations.”**
85. **CMTT proposes the following changes to the SNA and other statistical domains:**
- change the name of the allocation of primary income account, secondary distribution accounts, and capital account to allocation of earned income account, transfer income account, and use of income account, respectively.
  - regarding the conventions and labels used in the IESS, the CMTT proposes to align the SNA, BPM, and GFSM on the use of revenue and expense, which would replace the resource and use convention of the SNA and the debit and credit convention in the BPM.
  - net errors and omissions in the BPM vs statistical discrepancy in the SNA: consistent use of the term statistical discrepancy across all three manuals would be useful.
86. For branding, an umbrella approach is proposed where manuals for different statistical domains appear under the same headline. This enables to keep the longstanding and well-known names of the different statistical manuals. In addition, a joint presentation of the updated manuals in 2025, highlighting the common work undertaken to better cover digitalization and globalization as well as well-being and sustainability, would help to strengthen a common branding.

### ***Summary of Discussions:***

87. Although Committee members were supportive on the need for greater harmonization, uniform language, and terminology across the macroeconomic statistics manuals, they did not consider the GN ready for posting for global consultation yet. Besides, members made the following suggestions and comments to bring further improvements to the GN. Members considered that:
- the proposed changes in terminology require close consultation with users in central banks, statistical offices, and other relevant institutions.
  - examine the country/political sensitivity to the changes in terminology—labor costs (compensation of employees in the SNA/BPM), for instance, is understandable by all, but can also lead to negative reactions in some countries.
  - the GN should clarify if definitional changes like those proposed in Annex II for SNA are also envisioned for the BPM.
  - some terms are so well known and established, that a careful consideration is needed before deciding to change as widely accepted terms should only be abandoned when strong supporting arguments are made.

- the overview on the “Use of the terms “gross” and “net” in economic and environmental statistics could be improved further to explain the circumstances when the term “net” can/should be used.
- SNA entries in the rest of the world (ROW) account are mirrors of the BPM entries, debits (payments) and credits (receipts) in BPM correspond to revenue and expenditure, respectively, from the SNA ROW viewpoint. However, according to some members, such changes would be counterintuitive and potentially bring confusion to the BOP.
- changing “GDP by production approach” into “GDP by industry” may cause confusion as the new term seems to refer more to an analytical breakdown than to an accounting (and compilation) approach.
- changing “Consumption of fixed capital” into “depreciation” may not capture as well the fact that it refers to a cost (i.e., an expense).
- proposed terminology of IESS could be understood as referring to international accounts (not including national accounts).
- also clarify the term “financial accounts”, since the scope of the term is not fully clear (e.g., financial account in the SNA context is part of the accumulation account, in external statistics financial account is part of the BOP, and sometimes it seems to include the IIP as well.<sup>2</sup>

88. As the GN discussed many complex issues, it was agreed that the Committee members would provide their comments via written procedure to the Committee secretariat by November 29.

**Actions:**

- Committee members to provide written comments on the GN to the Committee secretariat by November 29, 2021.
- CMTT to update the GN based on the suggestions from the Committee (and the AEG) and circulate an updated version for BPTT’s review and subsequent posting for global consultation.
- The revised version of the note should be presented to the Committee and the AEG for final approval, possibly via written procedure.

BOPCOM 21/14– TAXONOMY FOR COMMUNICATING ECONOMIC STATISTICS, PRODUCTS AND PRODUCT UPDATES (CM.3)

*PAPER BY CMTT*

**Topics Presented for Discussion:**

89. Over the years, national statistical organizations (NSOs), national central banks (NCBs), and other national agencies have developed country specific methods and practices to communicate statistical releases, products, and product updates to users. The range of terminologies employed by

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<sup>2</sup> The use of the term “accumulation accounts”—which explain changes of the IIP between two points in time with transactions from the balance of payments’ financial account, revaluations, and other changes in volume—has been approved for the updated *BPM6* in GN [B.4 Reconciliation Between Flows and Stocks](#).

national authorities make cross-country comparisons and interpretation of economic statistics a challenge for users. In addition, there are some inconsistencies in the existing guidance and recommendations.

90. The adoption of international guidelines in this area should assist in cross-country comparability of information and provide clarity for users. In that respect, the CMTT recommends that the proposals of this GN are included in a chapter of the SNA, BPM, and GFSM titled “*Economic Statistics – Communication Practices and Recommendations.*”

91. This GN provides a series of recommendations for NSOs to communicate (i) economic statistics releases/vintages of data, (ii) products, and (iii) product updates to users. These recommendations are intended to assist users with interpreting the products and releases while enhancing national transparency and international comparability.

### ***Issue 1: Communicating Releases/Vintages of Data***

92. Producers of economic statistics must constantly balance the need that users have for timely, high frequency economic data with their need for highly accurate economic data. The fact that a statistic released today can be updated and released again at some point, or several times in the future, results in the creation of vintages of economic statistics.

93. NSOs adopt a common approach when communicating data releases/vintages of data to users. The description of the release, at a minimum, should include information about the (i) substance of the release; (ii) timeliness; (iii) frequency; (iv) the reference period; and (v) the update period. Defining, describing and communicating data releases/vintages of data is a complex undertaking.

94. Together, the terms regular revisions, benchmark revisions, comprehensive revisions are the recommended terms to be used when communicating the “extent” or “substance” of revisions.

### ***Issue 2: Communicating Product Updates or Revisions***

95. Producers categorize and decompose updates (revisions) into various categories reflecting the source of the revision(s). These include for example conceptual changes, methodological changes, accounting changes, coverage adjustments, source data changes, quality changes (e.g., improved seasonal adjustment, data validation changes, balancing adjustments, etc.), and presentational changes when reporting updated/revised estimates to users.

96. In addition to presenting updates/revisions by the source of the changes, NSOs are also encouraged to supplement this presentation with additional presentations which may show revisions in the case of GDP by industry or expenditure category or by institutional sector.

### ***Issue 3: Communicating Product Types***

97. Although different descriptors are used to “label” products, there is usually a common element being communicated—quality. It is recommended that a two-tier taxonomy for classifying product quality be adopted. There is a first tier of official statistics that will include provisional estimates. The second tier is experimental estimates.

98. In addition to the need to communicate the quality of a product to users, there is also a need to situate the product within the overall framework. It would assist users if countries followed similar

practices when referencing the products or statistical outputs associated with a particular statistical standard.

**Summary of Discussions:**

99. Committee members agreed to moving the GN for global consultation. They broadly supported most recommendations, but expressed some concerns over:

- Using the term “experimental estimates”.
- Using standardized labelling for different classes of estimates. Different classes of estimates do not always indicate differences in estimate “quality”: some experimental estimates are of comparable quality to official estimates. Moreover, the quality of official estimates may vary significantly across the various accounts.
- Lack of clarity over some terminology for instance “provisional” or “final official”.
- Lack of clarity on the distinction between thematic and supplementary (and “extended”).
- Distinction between conceptual changes and accounting changes that might be difficult in practice as the two elements are inter-related.
- Distinction between different types of changes in source data (i.e., whether they are related to updates in source data or incorporation of new sources).
- Using the term “methodological changes”, which might be misunderstood. Instead, the term “changes in estimation methods” could be used.
- The terminology to be used for the “substance of the vintage” (section I in the note and Annex II)

100. As the issues discussed in the GN require a thorough review from the balance of payments perspective, it was agreed that the Committee members would provide their comments via written procedure to the Committee secretariat by November 29.

**Actions:**

- Committee members to provide written comments on the GN to the Committee secretariat by November 29, 2021.
- CMTT to update the GN based on the suggestions from the Committee (and the AEG) before the global consultation.
- The revised version of the note (including the note on outcome of global consultation) should be presented to the Committee and the AEG for final approval, possibly via written procedure.

**Items for Information:** *Some documents prepared for information have been presented at the meeting, but no discussion took place; others have not been presented during the meeting (\*). However, all of them will be part of the official BOPCOM papers and will be posted on the BOPCOM webpage.*

BOPCOM 21/19	Overview of the Work of the Balance of Payments Task Team* <i>Report by BPTT</i>
BOPCOM 21/20	Overview of the Work of the Current Account Task Team* <i>Report by CATT</i>
BOPCOM 21/21	Overview of the Work of the Communication Task Team* <i>Report by CMTT</i>
BOPCOM 21/22	Overview of the Work of the Direct Investment Task Team* <i>Report by DITT</i>
BOPCOM 21/23	Overview of the Work of the Financial and Payments Systems Task Team* <i>Report by FITT</i>
BOPCOM 21/24	Progress Report on Work Undertaken by the Globalization Task Team* <i>Report by GZTT</i>
BOPCOM 21/25	Overview of the Work of the Informal Economy Task Team* <i>Report by IETT</i>
BOPCOM 21/26	Overview of the Work of the Islamic Finance Task Team* <i>Report by IFTT</i>