Revision process of BPM and future revision of SITS

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Joint ECLAC and UNSD Workshop in cooperation with WTO on Trade in Services

December 11, 2020
Outline

- Task Teams for updating the standards
- Current Account Task Team (CATT)
- CATT Research Topics
- GNs currently posted for public consultation
**Task Teams for Updating the Standards (BPM6 & SNA)**

- Task Teams have been formed to research issues and make recommendations for the update of the Standards

- Balance of Payments Committee (BOPCOM) Task Teams
  - Current Account Task Team (CATT)
  - Direct Investment Task Team (DITT)
  - Balance of Payments Task Team (BPTT)

- Joint BOPCOM and ISWAGNA Task Teams
  - Globalization Task Team (GZTT)
  - Intellectual Property Products Task Team (IPTT)
  - Financial and Payments System Task Team (FITT)
  - Informal Economy Task Team (IETT)
  - Islamic Finance Task Team (IFTT)
  - Communications Task Team (CMTT)

Role of the CATT

- Provide technical inputs and make recommendations through **Guidance Notes (GNs)**
- Addresses current account issues on the Committee’s research agenda
- In addition, CATT may consider other current account methodological issues raised by its members and by the other TTs relevant for the BPM6 update
- CATT will operate during Phase I of the BPM6 update process (March 2020–March 2022).
  - CATT may be consulted during Phase II (drafting of BPM7 chapters) on an as-needed basis
- To meet deadlines and avoid duplication, CATT will:
  - Take account of current or completed work on topics related to issues under its purview
  - Coordinate with other Task Forces or Working Groups on cross-cutting issues
  - GNs posted for public consultation before going to the Committee for decision
  - For certain recommendations, a testing phase is envisioned after it is approved
  - Currently 3 GNs open for public consultation at:

Description of the CATT

- Eurostat and IMF co-chair
- Membership representing BP and SNA communities/countries with varying levels of statistical development
- Coordination of work on cross-cutting issues (including with SNA task team on digitalization)
- Review of guidance notes by BPTT and AEG
- Public consultation for 4 weeks
- To the BOPCOM for decision

Global & Collaborative Initiative
## Current Account Task Team (CATT) Research Topics: High-priority items

<table>
<thead>
<tr>
<th>Issue No.</th>
<th>Research Topic</th>
<th>Links to other TTs</th>
<th>Date</th>
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<tbody>
<tr>
<td>C.1</td>
<td>Recording transactor-based components of services (travel, construction and government goods under services)</td>
<td></td>
<td>October 2020</td>
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<td>C.2</td>
<td>Goods and services account by (trading) enterprise characteristics</td>
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<td>October 2020</td>
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<td>C.3</td>
<td>International trade classified by currency (including for trade linked to long-term trade credits and advances)</td>
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<td>June 2021</td>
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<td>C.4</td>
<td>Merchanting and factoryless producers; clarifying negative exports in merchanting; Merchanting of services</td>
<td>GZTT/IPTT</td>
<td>April 2021</td>
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<tr>
<td>C.5.1</td>
<td>Statistical impact of the change in treatment of operating leases in business accounting</td>
<td>IPTT</td>
<td>October 2020</td>
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<tr>
<td>C.5.2</td>
<td>Economic ownership in the context of financial and operating lease transactions pertaining, in particular, to aircrafts</td>
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<td>April 2021</td>
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## Current account Task Team (CATT) Research Topics: Medium-priority items

<table>
<thead>
<tr>
<th>Issue No.</th>
<th>Research Topic</th>
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<tbody>
<tr>
<td>C.6</td>
<td>Trade in services classification</td>
<td>GZTT/DZTT</td>
<td>April 2021</td>
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<tr>
<td>C.7</td>
<td>Treatment of travel packages, health-related travel, and taxes and fees on passenger tickets</td>
<td>DZTT</td>
<td>December 2020</td>
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<td>C.8</td>
<td>Recording penalties and fines</td>
<td></td>
<td>February 2021</td>
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<tr>
<td>C.9</td>
<td>Valuation of trade under long term contracts</td>
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<td>June 2021</td>
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### GNs of other Task Teams relevant to the CATT

| Valuation of imports and exports (CIF/FOB adjustment) | GZTT | Reviewed by CATT September 2020 |

DZTT = Digitalization Task Team
GNs in Public Consultation

- C.1 Recording of transactor-based services (travel, construction, and government services, n.i.e.)
  - Some services in BPM6 are classified based on who is involved in the transaction rather than the product involved
    - For example, travel services exports cover goods that nonresident travelers acquire in that economy either for their own use or to give away
    - Because they are associated with the notion of travel
  - Raises questions about clarity on the distinction between goods and services and the analytical value of maintaining transactor-based services in the balance of payments
  - Recommends separation of goods and services that can be classified in goods and other services categories from respective transactor-based services to allow closer alignment to product-based services classification and better delineation between goods and services
    - Helps alignment with the SNA
  - For construction, recommends treating as the entity paying for the construction as the economic owner
C.1 Recording of transactor-based services (travel, construction, and government services, n.i.e.) – OUTCOMES and ACTIONS

Summary of Discussions

- Need to give the topic a more thorough consideration in a more holistic approach (digital services; value for users/policy makers)
- Highlighted practical difficulties for implementation, but supported supplementary tables
- Most members advocated maintaining the status quo highlighting the importance of transactor-based services items to BOP users, in particular the travel services
- Majority of members did not see enough justification for a change in the treatment of construction input goods as being owned by the construction services buyer

Actions

- Re-consider the topic and revise the GN focusing on maintaining the reporting of transactor-based services in the BOP
- Strengthen the itemization of supplementary reporting for travel services to improve alignment with the SNA product classification
- Circulate for review by CATT and submit to BOPCOM via written procedure
GNs in Public Consultation (continued)

• **C.2 Trade by enterprise characteristics**
  - Recommends the development of an encouraged data collection template that introduces further disaggregation of the imports and exports of goods and services by enterprise characteristics, including by foreign-controlled firms, domestic MNEs, and purely domestic firms
  - Also recommends some collections that would support the analysis of Global Value Chains (GVCs)

• **C.5.1 Change in Treatment of Operating Leases in Business Accounting**
  - Introduction of a new International Financial Reporting Standard on Leases (IFRS 16) in January 2019 that is no longer aligned with the 2008 SNA and BPM6 regarding the concept of economic ownership poses some serious challenges for compilers to separately record cross border operating and financial leasing activities
  - Recommends adjustments to reported data on leasing activities to preserve the fundamental concepts of economic ownership in the 2008 SNA and the BPM6
C.2 Goods and Services Account by Enterprise Characteristics – OUTCOMES and ACTIONS

Summary of Discussions

- **Full agreement** with the proposal to include enterprise characteristics as part of the annual reporting of the current account, as supplementary items as proposed
- On **thresholds** (on product, industry, size and ownership classifications): agreement to include general criteria in the updated Manual, but allow countries decide on their own thresholds
- Some stressed that this initiative may fit appropriately as part of FATS
- **Investment income**: concerns that the reference to the disaggregation of receipts and expenditures of investment income into foreign-owned/domestically owned could be misleading

Actions

- **Finalize the GN** considering the above comments from members for posting on BOPCOM website
- The updated GN will be part of the proposed annotated outline of BPM7
C.5.1 Statistical Impact of the Change in Treatment of Operating Leases in Business Accounting – OUTCOMES and ACTIONS

Summary of Discussions

• **Strong support for the proposal** to maintain the status quo and not to make any changes to the 2008 SNA and BPM6 recording standards on leases
• Full agreement on the need for providing **additional guidance in the updated BPM6 Compilation Guide** in preparing the macroeconomic statistics estimates from the business accounting data based on IFRS 16

Actions

• **Finalize the GN** stating the final recommendations for posting on BOPCOM website
• The updated GN will be **part of the proposed annotated outline of BPM7**
• The updated **BPM Compilation Guide to include additional practical guidance** –especially on adjustments of surveys data from business accounts

Planning ahead on GN C.5.2
Thank you for your time and attention

Antonio Galicia

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Backup slides
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<tr>
<th></th>
<th>2020</th>
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<td>Q1</td>
<td>Q2 Q3 Q4</td>
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**Launch BPM6 Update Process**

- Develop TORs for—and convene—TTs

**TTs produce GNs, seek worldwide feedback**

**Committee decides on changes to BPM6**

**Produce Annotated Outline of BPM7**

**Draft BPM7 Chapters and Appendixes**

**BPM6 Update: Timeline**

- **Phase 1**
- **Phase 2**

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<th>2022</th>
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<td>Q2</td>
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- **Preliminary Draft BPM7 to Committee**
- **Revised Draft for review**
- **Final Draft Delivered**

**Worldwide consultations, including through regional outreach seminars**

TTs: Task Teams; TORs: Terms of Reference