

INTERNATIONAL MONETARY FUND

STATISTICS DEPARTMENT

Task Force on Finance Statistics

International Monetary Fund
Washington D.C.

November 29-30, 1994 1/

SUMMARY OF DISCUSSION

I. Introduction

Recalling the origin and present scope of the various task forces that now report to the UN Statistical Commission's Working Group on International Statistical Programmes and Coordination and to the ACC Subcommittee on Statistical Activities, Mr. McLenaghan summarized the objectives of this second meeting of the Task Force on Finance Statistics. In pursuit of these, the items listed on the agenda comprised topics carried over from the first meeting (mainly developments in monetary and financial statistics and government finance statistics methodologies) and topics raised, since the last meeting, by national compilers and users of statistics in correspondence with the Statistics Department of the Fund on behalf of the Task Force (ministers of finance, central bank governors and heads of national statistical offices).

II. Harmonization of Methodology

It was noted that the Fund's plans to develop a new *Manual on Monetary and Financial Statistics (MFSM)* and revise the *Government Finance Statistics Manual (GFSM)* are following procedures similar to those adopted for the Fifth Edition of the *Balance of Payments Manual (BOPM)*. In both cases, the approach followed is to make an initial evaluation of how user needs in these areas are met by the 1993 *SNA*, including users in international organizations and countries, and, in light of this, the scope for developing statistics in each sector that would be as consistent as possible with the framework established by the *SNA*. These procedures include a series of

1/ See Appendix I for a list of participants and Appendix II for the agenda and list of documents.

visits by IMF staff to the main interested international organizations and official agencies in a number of selected industrial and developing countries, and the distribution of an annotated outline of the manual to all member countries for comment. Subsequently, after review within the Fund, draft chapters, all in English, French, Spanish and Russian, are sent for comment to users and compilers, to be followed by a meeting of experts, convened by the Fund, representing all members of the Fund to review the completed drafts. This carefully structured approach is designed to ensure that views of compilers and users across the Fund's membership, as well as of international organizations, are given the fullest consideration.

About 100 responses have been received so far on the annotated outline of the *MFSM* that was distributed last year, and the first three completed draft chapters have now been sent to countries and international organizations for comment. On present plans, the remaining draft chapters are expected to be completed by July 1995 and an expert group meeting provisionally scheduled for early 1996. Publication is currently targeted for December 1996.

It was noted that the effort by the Fund in the early 1980s in this area (Draft Guide to Money and Banking Statistics in International Financial Statistics) had a narrower focus, and was largely based on internal documents. Nonetheless, it had proven useful for training and technical assistance purposes. In order to serve the needs of a wider audience, and in line with current thinking on the requirements of monetary policy, the format of the *MFSM* is much more flexible, for which purpose a building block approach is used, that is (1) consistent with the 1993 *SNA* with regard to the classification of instruments, sectors and accounting standards, (2) consistent with the *BOPM* regarding foreign sector aspects, (3) consistent with government financial accounting, (4) regarding links between monetary and credit analysis, consistent with standards developed under the auspices of the BIS on capital adequacy, but (5) avoids prescribing the use of particular measures of monetary stock and associated statistics. Particular attention has been given to the treatment of financial derivatives and off-balance sheet instruments.

Some considered that the *MFSM* might be too broadly conceived, and that it should avoid getting into the area of risk assessment and capital adequacy and, in so doing, separate macro from micro concerns. Against this, it was considered that there is a wider interest in credit analysis. By way of illustration, it was noted that the technical assistance experience of the Fund in both areas of work indicates that the absence of links between the supporting databases that meet regulatory requirements on the one hand and statistical requirements on the other can be counter-productive.

It was noted that, under the terms of the Maastricht Treaty, monetary union may, if certain conditions are met, begin in 1997. The European Monetary Institute (EMI) would then be dissolved and the European Central Bank would come into existence. Meanwhile, the EMI is charged with

promoting convergence of monetary policies, and preparing for the conduct of a common monetary policy in monetary union. Both of these tasks have a substantial statistical context. Moreover, the EMI must report on the preparedness of the national economies for monetary union in the context of the so-called convergence criteria, which implies a close familiarity with statistics beyond the EMI's immediate area of operational responsibility. Despite the short time horizon, a great deal of work needed to be done to address the current and prospective requirements of users of monetary and related statistics, and to identify gaps and to fill them, all within the framework of agreed common concepts and procedures. In this context, the preparatory work on the *MFSM* should prove most useful, especially in view of the non-prescriptive building block approach that is being followed and the avoidance of rigid definitions of monetary aggregates. Great care was being taken to define the respective statistical roles of the EMI and EUROSTAT, and to ensure close cooperation along the frontier of common interest.

Regarding the *GFSM*, it was noted that, among the specific issues prompting the review of methodology in this area, were the evolution of accounting practices (in some cases towards accruals accounting) and the increased importance in fiscal analysis of issues such as arrears, in-kind transactions, and quasi-fiscal operations of the financial system. The absence of consensus was underlined by the conflict between the needs of fiscal analysis and the promotion of harmonization and closer links with the 1993 *SNA*. Partly for these reasons, it is likely that the manual will identify a common core with the 1993 *SNA* government accounts and seek to identify alternative balances and classifications at a more detailed level. The manual would also need to focus on methods of compilation, particularly in the context of avoiding duplication and the prioritization of work plans in compiling both 1993 *SNA* and *GFSM* accounts. With the recent appointment of a consultant by the Fund, a questionnaire to obtain information about national accounting practices and data requirements will be sent to member countries in January 1995, to be followed by visits to international organizations and official statistical agencies through July 1995 and preparation of an annotated outline by December 1995. On this basis, a first complete draft could be ready in the first half of 1997 and an expert group meeting could take place in early 1998. Publication is currently scheduled for the second half of 1998.

For the European Union, it was noted that the needs for government finance statistics are defined within the framework of the European System of Accounts (ESA), the Union Treaty and its protocols, and that neither EUROSTAT nor the EMI see the need for the development of separate methodologies on government accounts, either to meet present needs or in the context of monetary union.

In other areas of statistics, the meeting discussed plans by the World Bank to review the scope of its Debtor Reporting System (DRS) to reflect changing patterns of financing in developing countries, including the growth of private sector financing and new financial instruments that would make the World Bank's external debt database more useful as a tool for assessing

the creditworthiness of borrowers and meet the needs of a wider audience of users. To this end, the World Bank is now preparing a questionnaire with a view to formulating proposals that will be discussed with involved international organizations and other interested parties. Subsequently, an annotated outline of a revised DRS will be prepared for discussion with the OECD in the OECD's Development Assistance Committee's (DAC) Working Group and the International Working Group on External Debt Statistics to ensure coordination between creditor and debtor sources of information.

III. Data Collection

The meeting reviewed issues in the area of data collection raised by ministers of finance, central bank governors and head of national statistical offices in their comments on the findings of the questionnaire that was sent last year to international organizations involved in finance statistics. The main item of interest concerned the scope for easing the reporting burden by taking account of the benefits of electronic reporting and greater harmonization of data requirements. Regarding the latter, it was suggested that international organizations compile a matrix of their needs as a step toward facilitating a more harmonized approach to data collection.

On the question of electronic reporting, it was noted that the non-standardized electronic transmission of country data generally involved programming costs at both ends to meet the needs of international organizations and other users of standardized data, and that the extent of these had inhibited the development of electronic reporting. In the case of standardized electronic reporting, some of these costs were shifted back to the reporting countries but with the benefit of a standardized database now being quickly available to a wider audience of users. By way of illustration, the meeting reviewed experience with EDIFACT as a medium for transmitting standardized "messages" (i.e, combinations of data and text), initially in trade and transport statistics, and subsequently, following initiatives by EUROSTAT and recent standardization in nomenclature and coding, in aggregate balance of payments statistics. A key feature has been EUROSTAT's authority to request member countries to report in this way and, given the fast turnaround time, the offer of resultant data in exchange. As a result, the system now produces timely monthly balance of payments statements to EU organizations and member countries and others linked to the network. It was noted that EUROSTAT plans to apply EDIFACT to the reporting of national accounts in the near future and to other areas of statistics over the next five years.

The meeting, acknowledging the lead taken by EUROSTAT, noted the need for coordination between international organizations to ensure the widest possible benefit of electronic reporting and that closely related issues, such as electronic browsing and dissemination may also need to be considered. At present, EUROSTAT's EDIFACT Working Group comprises representatives of EUROSTAT, OECD and the countries involved in reporting.

The meeting reviewed the lessons of EUROSTAT's experience and noted that data in other areas of finance statistics may need to be standardized at different levels, given that they are likely to be less harmonized or structured than balance of payments statistics. Recent work by the Fund to develop country codes that included international organizations and country groups, together with some flexibility in the latter regard, was also relevant to the development of standardized electronic messages. It was noted that there is an urgent need to develop appropriate country coding for the Portfolio Investment Benchmark Survey, and that the suitability of the Fund's proposals for this purpose would need further review.

Recommended actions

It was agreed that no immediate actions are needed by the Task Force in the area of electronic reporting, and that the subject should be revisited at a latter stage to review developments in EUROSTAT's EDIFACT program and the experiences of other international organizations. It was agreed that the Fund should distribute a draft of its paper on country coding to other international organizations for comment and that, subsequently, the issue could be taken up with the ACC Subcommittee on Statistical Activities.

On the question of developing an overview matrix, there was general support for developing matrices of the kind presented to the meeting for finance statistics collected by the Fund and that, in this regard, there is scope for specialization between international organizations and that differing priorities would need to be recognized. It was agreed that such matrices could serve as a first step towards identifying gaps and overlaps in reporting. However, it was noted that the ability to conform to mutually agreed standards and definitions varied between international organizations and that EUROSTAT, in view of EU treaty obligations, might not be flexible in respect of data that are required to be reported under the terms of the Union Treaty. It was also noted that specialization and differing priorities between them would need to be recognized. Concern was also expressed that the development of a matrix, while prompting a more harmonized data collection, might also prompt an increase in the burden of reporting and that such a matrix should distinguish between national and international definitions.

Recommended actions

It was recognized that the development of a comprehensive matrix would require considerable time and effort and that a more limited application to specific areas would be more feasible, as has been done in the past for tax data. The meeting considered that examples of areas where the matrix approach might be usefully applied are government expenditures and interest rates.

The meeting concluded that there appeared to be no firm evidence of an excessive burden of reporting finance statistics to international organizations. Nevertheless, there may be a perception of such problems by some countries. The work done by the Task Force in this area should therefore serve to allay concerns. It was also suggested that, in recent years, there may have been a growth in data requests by international organizations that are not routed through their statistical units. This was so both for the Fund and EUROSTAT and reflected problems of quality and currentness in the data collected by their statistical units and the growth of ad hoc requests by other users of data in their organization (usually at short notice). It was noted that this raised questions of statistical policy within international organizations that member countries may wish to address directly.

IV. Data Publication and Dissemination

The meeting reviewed issues in the area of publication and dissemination raised by ministers of finance, central bank governors and heads of national statistical offices, in their comments on the findings of the Task Force questionnaire, with particular regard to the possible need for a Central Guide to Finance Statistics. The meeting reviewed the suitability of the UN *Directory of International Statistics*, last published in 1982, for this purpose and noted that UNSTAT has no plans, at present, to produce an updated version. It was agreed that there may be a case for reviewing the classification of finance statistics as a guide to the coverage of statistical publications should there be an updated version of the *Directory* along the lines used by the Task Force for the purpose of identifying gaps and overlaps. However, there was no support for the publication of a Guide to Finance Statistics or for a review of documentation standards concerning finance statistics published by international organizations. In the case of electronic browsing, it was noted that there are frequently software problems (for example in CD-ROM) with respect to documentation such that reference is normally made to documentation provided in related statistical publications and to the adoption of formats that replicate the publication. Problems in documenting meta-databases were also noted.

Recommended actions

It was agreed that the questions raised concerning the needs for documentation standards were of a general nature, not confined to finance statistics, and therefore they should be raised with the ACC Subcommittee on Statistical Activities. It was noted that the integration of data collected by the non-statistical units of some international organizations across a range of statistics also raises questions of documentation that need to be actively pursued by those organizations.

V. Coordination of Technical Assistance

The meeting observed that efforts to coordinate technical assistance in finance statistics have been confined to the programs of international organizations with the transition countries. These have led to the establishment of OECD's Center for Cooperation with Economies in Transition (CCET) Register, the technical assistance databases maintained by the Fund for the Steering Committee on the Coordination of Technical Assistance in Statistics to the Countries of the Former Soviet Union (Steering Committee) and EUROSTAT's technical assistance database for Eastern and Central European countries, and to the BIS Group of Coordination on Technical Assistance and Training. For the Steering Committee, the development of an on-line menu driven database has proven useful in providing current information to assist the coordination of the technical assistance plans of international organizations most actively involved (EUROSTAT, the Fund and the OECD) and in pooling their information on the activities of bilateral donors.

However, with respect to finance statistics as defined by the Task Force, there appears to be less need for equivalent coordination tools for other regions (although there may be a greater need in subjects other than finance statistics). For the Fund and the World Bank (the latter in the area of external debt), there is already close coordination with the main bilateral donors providing technical expertise (mainly France, the United Kingdom and the United States) and sources of financing (Japan, the regional development banks and UNDP). The Fund has also worked closely with some of the UN regional commissions (such as ESCAP) in this area. In the case of EUROSTAT, assistance to member countries to clarify their reporting obligations is not seen as technical assistance.

Recommended actions

For these reasons, no recommendations are made concerning the coordination of technical assistance in finance statistics. However, it was noted that none of the other task forces have addressed this question and there may well be a need for coordination in other areas. In particular, it was noted that the UNDP technical assistance program is currently under review and that the UN regional commissions should be encouraged to undertake a more active role in coordinating technical assistance in statistics across all subjects.

VI. Other Business

It was proposed that the rapidly changing nature of markets in financial derivatives has meant that both the 1993 SNA and the BOPM are already in need of review in this area. In view of continuing developments, it would not be possible to provide definitive guidance, but there is a need to identify a framework for categorizing transactions underlying new

instruments and their significance for the identification of the financial asset boundary and off-balance sheet arrangements. It was noted that the Fund Committee on Balance of Payments Statistics is considering the implications of these developments in international markets but there remained a need to review the implications for domestic markets. An initiative in this area has already been made by the Basle Committee on Banking Supervision, with a primary focus on risk assessment, and work by the Euro-currency Standing Committee (in its report on Macroeconomic and Monetary Issues Raised by the Growth of Derivatives Markets) was noted on the implications of financial derivatives markets for monetary policy and monetary transmission. For the BIS, the meeting was informed of a statistical survey prepared by the BIS in conjunction with a number of central banks that would cover derivatives positions (at end-March 1995) and activity (in April 1995) in conjunction with the tri-annual survey of foreign exchange markets. The forms were in the process of being transmitted to major market participants. Other international organizations would be kept informed of any decision to set up a regular reporting of derivatives.

Recommended actions

It was agreed that the BIS would transmit to participating central banks the Fund's request for a copy of the forms sent to market participants for the 1995 statistical survey of financial derivatives and foreign exchange markets.

Finally, the meeting concluded that a report, based on the discussions just concluded, should be prepared for the 28th session of the UN Statistical Commission to take place in February 1995. In this report, the Task Force should inform the Statistical Commission that it has reviewed the principal issues identified in its Terms of Reference and that the outstanding issues have been largely dealt with. No further meetings of the Task Force are being scheduled at this time, although the Task Force stand ready to reconvene when new issues are presented for its consideration.

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SECOND MEETING OF THE TASK FORCE ON FINANCE STATISTICS
Washington D.C.
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ATTENDEES

IMF

Mr. John B. McLenaghan, Director and Chairman of the Task Force
Mr. Anthony Elson, Deputy Director
Mr. Kevin O'Connor, Assistant Director
Mr. Adriaan Bloem, Advisor
Mr. Mahinder Gill, Division Chief
Mr. Donald Efford, Consultant
Mr. Russell Krueger, Consultant
Mr. Simon Quin, Assistant to the Director
Mr. Neil Patterson, Acting Division Chief
Mr. James McKee, Senior Economist

Other International Organizations

Mr. Peter Bull, European Monetary Institute
Mr. Dieter Glatzel, EUROSTAT
Mr. Hermann Habermann, UNSIAT
Mr. Jean-Marie Kertudo, BIS
Ms. Malvina Pollock, World Bank

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LIST OF DOCUMENTS 1/

<u>Number</u>	<u>Title/Description</u>
TFFS2/1	Provisional Agenda
TFFS2/2	Preliminary List of Documents
TFFS2/3	Summary of the First Meeting of the Task Force
TFFS2/4	Plans for the Revision of the IMF's <i>Manual on Government Finance Statistics</i> (Paper by IMF)
TFFS2/5	Status Report on <i>Manual on Monetary and Financial Statistics</i> (Paper by IMF)
TFFS2/6	Work Plans of the European Monetary Institute (Paper by EMI)
TFFS2/7	Comments on the Work of the Task Force by Ministers of Finance, Central Bank Governors and Heads of Statistical Offices in Selected Countries (Paper by IMF)
TFFS2/8	Issues concerning Electronic Data Transmission (Paper by IMF and EUROSTAT)
TFFS2/9	Design of a Matrix to Report Data on Finance Statistics Collected by International Organizations
TFFS2/10	Review of Coverage of Finance Statistics in the Statistical Commission's Inventory of Data Collection Activities and Directory of International Statistics (Paper by IMF)
TFFS2/11	Harmonization of the IMF Statistical Systems with the System of National Accounts 1993 (Paper by IMF)

1/ In addition, a Fund document, "Proposal for a New Set of Country Codes" was distributed at the meeting.

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AGENDA FOR SECOND MEETING

1. Adoption of the agenda
2. Harmonization of methodology

As a carry-over from the postponed December 1993 meeting, this meeting will be invited to discuss plans to develop and adapt international guidelines for government finance statistics methodology with a view of harmonizing with the 1993 SNA and meeting changed needs. See IMF paper, "An outline of Possible Revisions to the Manual on Government Finance Statistics" (TFFS2/4).

As a follow-up to the first meeting of the Task Force in June 1993 (TFFS2/3), the meeting will review progress reports on: (i) the status of the *Manual on Monetary and Financial Statistics* (TFFS2/5), and (ii) the work plans in this area of the European Monetary Institute (TFFS2/6).

3. Data collection

The meeting will discuss three issues under this heading. First, the meeting will review a report summarizing the views of ministers of finance, central bank governors and heads of national statistical offices in a number of industrial countries (see summary of replies, TFFS2/7).

Second, in light of the above, the meeting will decide whether the Task Force should recommend the development of electronic reporting for finance statistics other than balance of payments statistics (on which work has already been done) and whether it should assume a coordinating role. As a contribution to this review, the Task Force will request a progress report by EUROSTAT's EDIFACT Working Group (TFFS2/8).

Third, as a follow-up to the previous meeting, the meeting will be invited to discuss the need for an overview matrix to determine the scope of data requirements by relevant international organizations that should be developed to serve as a means of facilitating a more harmonized approach to reporting. The Task Force should determine whether such a matrix could be designed to include both data collected to meet operational needs and data collected for publication/dissemination (possibly in two parts, as different issues are raised). See IMF paper, "The Design of a Matrix to Report Data Collected by International Organizations on Finance Statistics" (TFFS2/9).

4. Data publication and dissemination

Also in response to proposals made by respondents to the IMF's letter of August 1993, the Task Force should review the desirability of producing a Central Guide to Finance Statistics Published by International Organizations. The meeting should consider the merits of such a guide against the effort to produce it on a one-off or continuing basis and consider an alternative approach of providing guidelines on documentation that should be followed by international organizations in their statistical publications and other dissemination media. The meeting could review the suitability of UNSTAT documents in meeting the need for a central guide to finance statistics. See IMF paper, "A Review of Finance Statistics Covered by the Statistical Commission's Inventory of Data Collection Activities and Directory of International Statistics" (TFFS2/10).

5. Coordination of Technical Assistance/Cooperation

The Task Force should consider the potential for duplication of technical assistance/cooperation in all fields of finance statistics and consider whether there is a need to introduce new procedures to identify technical assistance/cooperation needs and to improve coordination of the response across both bilateral and international agencies.

6. Other business