

IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS
BALANCE OF PAYMENTS TECHNICAL EXPERT GROUP (BOPTTEG)

ISSUES PAPER (BOPTTEG) # 22

TREATMENT OF TECHNICAL ASSISTANCE

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TREATMENT OF TECHNICAL ASSISTANCE

Current international standards for the treatment of the issue

In *BPM5* para. 266, under government services n.i.e. states:

...transactions associated with aid services that are provided by non-military agencies, do not give rise to any payments, and have offsets in transfers are recorded in this category.

Further, para. 69 states :

...Technical assistance personnel on long-term assignments should be treated as residents of the countries where they work and as employees of their host governments, of international organizations functioning on behalf of governments, or of international organizations actually financing the technical assistance work. Transfers of funds should be imputed from the governments or international organizations that actually employ the technical assistance personnel to the host governments to cover the cost of salaries, allowances, transportation expenses, administrative costs, etc. related to the technical assistance personnel.

It also discusses the distinction between current and capital transfers (para. 298). *AO* para.11.8(d) interprets *BPM5* as putting forward the method that technical assistance delivered by a donor is regarded as a service valued at cost, being exported by the donor, and funded by an equivalent transfer (see full quote below).

BPT para. 428 states that:

Production associated with technical assistance is attributed to the recipient economy, not the donor economy.

Concerns/Shortcomings of the current treatment

BPM5 could be considered to need further elaboration to increase clarity.

BPT states a different treatment to *BPM5* and *GFSM*, in that the associated production is attributed to the recipient economy—even when the assistance is provided by a unit resident in the donor economy. The *BPT* treatment could require that operations of the providing agency would be split out to another unit in the recipient economy, in a way that would not meet normal unit or residence definitions. (In terms of the example in *BPT* para. 429, both would show transfers of 1000; *BPT* would show government services n.i.e, as being only 100; while *BPM5* would show government services imports as 1000, and the 700 of wages payable to Keatingland residents by the Keatingland government as resident-to-resident transactions instead of an international transaction.)

The *BPM5* principles (i.e., to record exports/imports of services and transfers) are not always adopted in practice. They may be hard to implement because of data availability for recipients, particularly for short-term assistance.

It may also be difficult to distinguish between assistance and other forms of international consultation (such as mutual assistance or information exchange) that do not have the same element of intention to convey a benefit to only one party.

Possible alternative treatments

The *AO* para. 11.8(d) states:

Current international cooperation. This component will be shown separately and defined as in the *1993 SNA* para. 8.92. When goods and services acquired from market producers are provided to governments or other entities by international organizations, other governments, or nonprofit institutions serving households, without charge to the recipient, they should be valued at the market prices, that is, the prices paid by the purchasers. When transfer in-kind involves goods and services produced by international organizations, other governments, or nonprofit institutions serving households, the valuation will be based on cost of production, consistent with the valuation of services produced by general government and nonprofit institutions serving households. The manual will also provide guidance on how technical assistance is treated. It will be stated that in accordance with the treatment of grants for capital projects (*BPM5 Textbook* para. 442), technical assistance that is tied to or part of capital projects is classified as capital transfers. For other technical assistance, the cost of the assistance should be shown as “other current transfers” to the government or other entities in the recipient territory. (There will usually be consequential imports of services, as discussed in Chapter 9 Goods and Services Account.) This rerouting is adopted in *BPM5* para. 69 and *1993 SNA* para. 14.18 (less explicitly recognized in *GFSM* para. 5.77). OECD DAC Reporting Statistical Directives will be referred to in order to distinguish between current and capital transfers.

[Question: Is the above clarification of technical assistance appropriate? Should any further guidance be provided on the treatment of technical assistance?]

Of responses to the *AO* question, six agreed and two disagreed. Among those agreeing, one comment was “While grants are free and not repayable, technical assistance may in many cases be repayable. Lumping all grants and all technical assistance as capital transfers is likely to lose sight of this difference.” Of those disagreeing, one comment was “The cost of production (valuation of services) would be very difficult to estimate in reality. These costs do not reflect the value of the technical assistance itself, but rather the travel cost for the technical assistance mission/experts, which is already included in travel services.”

To ensure greater consistency between donors and recipients, and recognize the difficulty of delineating technical assistance from other reasons for cooperation, some simplifying convention(s) could be considered.

Questions/Points for discussion

(1) Do BOPTTEG members wish the new manual to continue to recommend that technical assistance to be treated as a transfer and service transaction, valued as the sum of the costs incurred by the donor?

(2) Are any other changes or clarifications needed?

Supplementary information

BPM5 paras. 69, 93, 266

BPT paras. 428-9

1993 SNA paras. 3.40-41

DAC Statistical Reporting Directives <http://www.oecd.org/dataoecd/44/45/1894833.pdf>