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Strengthening the collaboration between the compilers of macroeconomic statistics in the region: further steps

Harmonization of BoP and SNA Data: Overview and activities in the ECLAC region

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Summary

The last revision of the international statistical accounting standards for the national accounts (2008 SNA) and the balance of payments (BPM6) has ensured that the underlying methodology and concepts for these two statistics frameworks are consistent with each another. However, large differences still remain in practice, and there is a need to reconcile the data originating from the two frameworks to ensure that they are consistent. Factors that contribute to the persistence of large discrepancies include: different compilation practices based, for example, on different data sources; different compilation processes and revision timelines; and institutional arrangements, whereby the compilation of one system is done in isolation with the compilation of the other. The issue of harmonizing SNA and BOP data was recently discussed by the Advisory Expert Group (AEG) on national accounts at its 11th meeting, December 2017. The AEG stressed the importance of having consistency between BOP and SNA data, and supported global and regional initiatives aimed at investigating this issue, notably those carried out in Latin America and Europe. This paper discusses reasons for the inconsistencies between the SNA and BOP. It also describes the ongoing initiative in the ECLAC region to develop practical recommendations to solve these inconsistencies. The paper seeks the views of participants on their experiences in dealing with inconsistencies in their SNA and BOP data.

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I. Introduction

1. The last revision of the international statistical accounting standards for the national accounts (2008 SNA) (United Nations *et. al.* 2009) and the balance of payments and international investment position (BPM6) (IMF 2009) has ensured that the underlying methodology and concepts for these two macroeconomic frameworks are consistent with each another.

2. Despite the conceptual alignment of the balance of payments and international investment position (in short BoP) and System of National Accounts (SNA), large differences still remain in the compilation of national accounts and balance of payments in many countries due to a number of factors, such as: the use of different data sources; the different compilation processes and revision timelines; and the institutional arrangements, whereby the compilation of one system is done in isolation from the compilation of the other.

3. Section II of this paper provides an overview of the changes introduced in the 2008 SNA and BPM6 in order to reconcile the conceptual frameworks. Section III includes an overview of the main factors that could lead to the inconsistencies in the BoP and SNA data, organized on the components of an integrated economic statistics infrastructure. A description of an ongoing initiative to improve the harmonization of BoP and SNA data in the ECLAC region is presented in Section IV. Section V concludes. An Annex of this document that will be distributed as room document contains a short description of a questionnaire prepared for and distributed to selected Latin America countries on data consistencies, and analyzes the main outcomes of the survey.

II. Harmonization of BoP and SNA data

4. In order to better understand the issues that may affect the harmonization of BoP and SNA data it is important to consider the changes that were introduced in the 2008 SNA and BPM6 with the objective of harmonizing the two conceptual frameworks. Countries that have not implemented the 2008 SNA or the BPM6 have obvious discrepancies due to the different conceptual treatment of these specific topics.

A. Conceptual harmonization of BoP and SNA

5. The latest revision of the SNA and BPM led to a complete consistency between the 2008 SNA and the BPM6 with respect to the delineation of resident units, valuation, time of recording, conversion procedures, as well as coverage of goods, services, income, capital transfers, and foreign financial assets and liabilities.

6. These changes were introduced in the 2008 SNA and in the BPM6 in order to take into due consideration new features of economies that have come into prominence, to elaborate on aspects that have increasingly become the focus of analytical attention, and to clarify guidance on a wide range of issues. The full list of changes introduced in the 2008 SNA as compared to the 1993 SNA, and in the BPM6 as compared to the BPM5 are described in Annex 3 of the 2008 SNA and Appendix 8 of the BPM6, respectively. Some of those changes were specifically introduced to improve the conceptual consistency and harmonization of the national accounts and the Balance of Payments. They include the changes discussed below

7. <u>Centre of predominant economic interest as the basic criterion for determining the residence of the unit.</u> The 2008 SNA and BPM6 use the concept of "centre of predominant economic interest" as the basic criterion for determining whether or not an entity is a

resident in an economic territory as opposed to the centre of economic interest recommended in the 1993 SNA and BPM5.

8.   Individuals changing residence. The 2008 SNA and BPM6 confirm that when persons change their country of residence, there is no change of ownership of the non-financial assets, financial assets and liabilities owned by those persons. All that is required is a reclassification of the appropriate country of residence of the (economic) owner of these items. The changes should be recorded in the other changes in the volume of assets account and not as capital transfers. For example, the 1993 SNA did not offer specific guidance on the treatment of flows of goods and changes in the financial account arising from a change in residence of individuals.

9.   Goods sent abroad for processing are recorded on change of ownership basis. The 2008 SNA and BPM6 recommend that imports and exports should be recorded on a strict change of ownership basis. That is, flows of goods between the country owning the goods and the country providing the processing services should not be recorded as imports and exports of goods. Instead the fee paid to the processing unit should be recorded as the import of processing services by the country owning the goods and an export of processing services by the country providing it. The 1993 SNA treated goods that were sent abroad for processing and then returned to the country from where they were dispatched as undergoing an effective change of ownership. The goods were therefore recorded N exports when they left the first country and again in imports when they returned to the country. The country undertaking the processing was shown as producing goods that were recorded at their full value, even though the processor never had to pay for the value of the goods on entry. The BPM5 also recommended a gross recording which was an exception to the change in ownership criterion.

10.   Merchanting. Merchanting is defined as the purchase of a good by a resident (of the compiling economy) from a non-resident and the subsequent resale of the good to another nonresident, without the good entering the merchant's economy. The 2008 SNA and BPM6 recommends that goods acquired by global manufacturers, wholesalers and retailers and those cases of commodity dealing being settled in the commodity should be recorded as negative exports on acquisition and positive exports on disposal. The difference between the two appears in exports of goods but appears as the production of a service in the merchant's economy, analogous to trade margins applied to domestically traded goods. In the case where goods are acquired in one period and not disposed of until a subsequent period, they should appear in changes in inventories of the merchant even though these inventories are held abroad. The 1993 SNA did not give guidance on the treatment of merchanting. In the BPM5 the difference between the value of goods when acquired and the value when sold was recorded as merchanting services.

11.   Branch of a non-resident unit recognized as an institutional unit. The 1993 SNA simply stated that an unincorporated enterprise owned by a non-resident institutional unit should be treated as a notional resident unit in the country where it is located. Such unit is identified as a branch in the 2008 SNA and BPM6 and it is treated as an institutional unit. The 2008 SNA specifies indicative criteria to help recognize the branch of a non-resident unit as an institutional unit; namely, the unit engages in significant production of goods and services for a long period of time in that territory and it is subject to the income tax laws, if any, of the economy in which it is located, even if it may have a tax-exempt status.

12.   Special purpose entities recognized. The 2008 SNA and BPM6 provide guidance on the treatment of units with no employees and non-financial assets, units known as special purpose entities (SPEs) or special purpose vehicles. There is no common definition of an SPE but some of its characteristics are that it has little physical presence, it is always related to another corporation, often as a subsidiary, and it is often resident in a territory other than the territory of residence of its parent. Such a unit, when it is owned by non-resident units,

it is treated as an institutional unit and allocated to sector and industry according to its principal activity. Neither the 1993 SNA nor the BPM5 gave explicit guidance for the treatment of these units.

13.   <u>Residence of multi-territory enterprises clarified.</u> The 2008 SNA and BPM6 provide guidelines for determining the residence of multi-territory enterprises that operate a seamless operation over more than one economic territory. Such enterprises are typically involved in cross-border activities and include shipping lines, airlines, hydroelectric schemes on border rivers, pipelines, bridges, tunnels and undersea cables. When it is not possible to identify a parent or separate branches, it is recommended to prorate the total operations of a multi-territory enterprise by the individual economic territories in which it operates. The BPM5 stated that in the case of enterprises owned jointly by two or more governments, they are considered to be residents of the economies where they operate. The 1993 SNA did not give explicit guidance for determining the residence of multi-territory enterprises.

14.   Given the importance of activities such as merchanting and goods for processing in many countries, it is essential to use the latest version of the SNA and BOP in order to ensure that common data items in both macroeconomic frameworks are recorded consistently.

III.   Common factors leading to inconsistencies between BoP and SNA data

15.   An in-depth review of possible causes of inconsistencies between the BoP and SNA data can be organized according to the three building blocks of the statistical infrastructure for integrated economic statistics: the conceptual compliance, the statistical production process and the institutional arrangement. (see Chapter 3 of the Guidelines on integrated Economic Statistics (United Nations, 2013). These are described below.

A.   Conceptual compliance

16.   The conceptual framework is one of the essential components of the statistical infrastructure needed in an integrated approach for economic statistics: the adoption of the same framework ensures the consistency of the definitions, concepts and classifications between the different data sets. The use of the same conceptual framework is therefore a fundamental requirement for the harmonization of BoP and SNA data. Conceptual compliance with the new international recommendations and standards is a necessary condition, as the new frameworks embedded in the manuals are theoretically consistent with each other. In particular, it is important for countries to follow closely the new standards for the main concepts discussed below, i.e. for manufacturing services, merchanting, special purpose entities, multi-national enterprises, foreign direct investment, etc.

17.   The analysis of the inconsistencies between BoP and SNA data starts with an assessment of the conceptual compliance of the BoP and SNA data. In some countries, one of the reasons for the discrepancies between BoP and SNA data is the different version of the underlying framework. As described in the previous section, the use of the 2008 SNA and the BPM6 is therefore an important first step towards the harmonization of SNA and BoP data.

18.   Sometimes, however, there may be different interpretations of the recommendations in the standards by compilers due, for example, to the use of different wording or emphasis

in the manuals in the original language version or in the translated languages. These may result in different compilation methods and different data. In these cases, it is important that coordination among the compilers take place in order to ensure the same interpretation of the recommendations.

B.   Statistical production process

19.   The statistical production process refers to the all the activities related to data collection, processing and dissemination. The main components of the statistical production process are: (a) standards and methods (including classification) in data processing and editing, metadata and common data quality; (b) business registers and frames; (c) data sources, including surveys and the use of administrative data; (d) the integration of statistics and accounts; and (e) dissemination and communication, including data exchange.

20.   An analysis of the inconsistency between the BoP and SNA data involves a detail review of the statistical production process of the BoP and the SNA in order to further investigate where the inconsistencies arise and how to resolve them. Each component of the statistical production process may contain potential elements that lead to inconsistencies.

(a) Standards and methods in data processing and editing

21.   This component refers to the use of common standards, classifications and common estimation methods such as data editing and processing, a common metadata system and common data quality frameworks. In the case of BoP and SNA, this refers to the editing, adjustments and validation procedures used. In the compilation of the SNA and the BoP, basic statistical information, whether from administrative records, surveys or financial statements, must be transformed to the needs of these macro-accounts. This entails making adjustments and corrections to the basic economic data in line with the concepts, definitions and classifications of the SNA and the BoP. For example, linking data from business accounts to national accounts and Balance of Payments requires some adjustments. In particular, the need to distinguish transactions and other flows, valuation forms of real and financial stocks, treatment of provisions, criteria for amortization of fixed assets, treatment of financial leasing, treatment of undistributed profits of foreign investors, estimation criteria in national currency of flows and stocks denominated in foreign currency, etc. Other examples of adjustments needed to transform the basic data include: the treatment of the missing units, transactions / misplaced positions, the adjustments by way of valuation and/or by different moments of registration, etc. The coverage of the statistics compiled in the two systems also play a role in the harmonization of the SNA and BoP data, such as, for example, the inclusion of the non-observed economy and, in particular, illegal activities (e.g. smuggling across economies) which may be included in the SNA but not in the BoP, or vice versa.

(b) Business registers and frames

22.   A comprehensive and up-to-date business register has a central role in achieving the integration of economic statistics in terms of providing a central sampling frame for all business surveys. Also for the harmonization of the BoP and SNA data, a single unified business register is a fundamental step towards better harmonization.

23.   The business register should contain elements that serve both SNA and BoP requirements. For example, it would include elements identifying the company, its legal form, size variables (such as sales, employed personnel, compensation of employees), industry classification, institutional sector classification, etc. - typically for the SNA, and also elements necessary for the compilation of BoP such as, for example, the status of a direct foreign investment company, origin of the capital (percentage corresponding to non-resident agents and their origin), economic group to which it belongs, relationship with the

direct investor, if the company is an exporter or importer of goods or services, if the company is a special purpose company owned by non-residents, etc.

24.   Maintaining a common business register requires a major coordination effort between the compilers of BoP and SNA not only to ensure the regular update of the register, but also to have common methods for classification of units in the register. There are several benefits in using a comprehensive, common and up-to-date business register. It would allow the units that are used in the SNA and the BoP to be classified in the same way in both systems. In this way, for example, the resident sector of the counterpart for the purposes of the BoP would be classified in a way that is consistent with the institutional sectors in the SNA. A common business register will also provide a common frame for sampling, which increases both coherence and consistency of the data collected across surveys.

(c)   Data sources, including surveys, and the use of administrative data

25.   Uncoordinated compilation practices and inconsistent use of data sources often contribute to the discrepancies between BoP and SNA data. The results of the Eurostat BoP/Rest of the World Survey, conducted in 2015, indicated that 44.1 per cent of all explained discrepancies in the current/capital account were due to the use of different compilation practices and data sources in the compiling economy (Eurostat, 2016).

26.   "Inconsistent compilation practices are more predominant in the primary income account. The compilation of its major component property income, and to a lesser extent the compensation of employees, seemed to be hardly coordinated. While some [EU] Member States remained unspecific, where the inconsistency applies, others explicitly attributed the observed differences to specific components in the primary income account (i.e. property income or compensation of employees). Compilation problems for property income are commonly known when it comes to estimating income flows generated from resident investments abroad and computing a breakdown of distributed and reinvested cross-border income flows (e.g. income distributed and reinvested from shares held by residents in non-resident mutual funds). Similar information asymmetries apply to compilers, when estimating compensation of employees in border or seasonal work contracts (e.g. residents working abroad or unregistered/illegal work by nonresidents in domestic labour markets). Different approaches and parallel estimation practice could result in coordination issues among national counterparts. Further, the use of different data sources in the computation of the two statistics appears relevant." (Eurostat, 2016)

27.   Similar results were obtained in Latin America. In 2017 a survey was conducted for the first time on the differences between the BoP and SNA data in countries in Latin America, see the Annex to this document. The survey indicated that majority of the discrepancies were attributed to different statistical sources and estimation procedures.

(d)   The integration of statistics and accounts

28.   The integration of statistics and accounts pertains to the stage of the production process in which statistical integration frameworks are applied for the purposes of reconciliation. [3]

29.   Such frameworks include, for example, the integrated economic accounts, supply and use table, from whom-to-whom table, all of which allow for the comparison and reconciliation of component data through accounting identities. These reconciliation tools should be incorporated in the production process of the BoP and SNA in order to verify the existence of incongruences and reconcile the data.

(e)   Dissemination and communication

30.   The dissemination and communication component of the statistical production process is critical to integrated economic statistics and to the reconciliation of BoP and

SNA data. Different dissemination policies, release calendars and revision policies, especially concerning extraordinary revisions, may contribute to the inconsistency of BoP and SNA data, especially in countries where BoP and national accounts are released by different institutions, see the point (f) below. Therefore, coordinating data revision policies and release calendars is an important aspect of data harmonization.

(f) Institutional arrangement

31.   The institutional setting plays an important role in the harmonization of BoP and SNA data. Countries where BoP and SNA are compiled in different institutions (for example, the Central Bank compiles the BoP and the Statistical Office compile the SNA) often face bigger obstacles in coordinating the compilation processes and reconciling discrepancies. However, similar challenges may also arise where the BoP and SNA are compiled within the same institution if the compilation processes are not coordinated.

32.   Good practices for points (e) and (f) would consist in creating inter-institutional committees, task forces, working groups or even internal mechanisms, for continuous coordination, governed by memorandum of understandings or service agreements aimed at increasing harmonization and common planning and strategies of conduct for the medium-long term.

IV.   Ongoing initiative to improve the harmonization of BoP and SNA data in the ECLAC region

33.   The harmonization of BoP and SNA data is of great importance for many countries, especially as they move to the latest version of the SNA and BPM. The issue is also of great importance for international organizations working on Balance of Payments and National Accounts, such as the IMF, OECD, Eurostat and UNSD, etc.

34.   A number of initiatives are actually carried out in various regions to analyze the issues that countries face in this area, with the specific objective to provide recommendations on how to address them.

35.   Eurostat, for example, monitors the consistency between both BoP and SNA data on a regular basis for its member countries. In 2014/15 Eurostat launched a survey with European countries ("BOP-ROW survey") where national counterparts could provide explanations to observed discrepancies in their data. Eurostat monitors developments by regular data comparisons of quarterly BOP (QBOP) with the rest of the world of the quarterly sector accounts (QSA). In the light of these results, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) decided in 2016 to give priority to the issue of ROW/BOP consistency and launched a dedicated task force in order to investigate on causalities and possible ways forward.

36.   In the ECLAC region, the topic of harmonization of Balance of Payments and National Accounts is also very relevant. This topic was discussed at the "Annual National Accounts Seminar for Latin America and the Caribbean", organized by ECLAC, 8-10 November 2016, Santiago, Chile. An initial evaluation of the consistency of BoP and SNA data in the region showed that there are considerable inconsistencies between the two sets of statistics, even in those countries where both 2008 SNA and BPM6 have been adopted as well as in those countries where the responsibility for compiling both systems lies with the same agency.

37.   During the ECLAC Annual Seminar in 2016, countries expressed interest in further working in this area and a Working Group on the Harmonization between BoP and SNA data was created in order to better understand the reasons for the inconsistencies and to improve their statistics.

38.   The Working Group is composed by compilers of both BoP and SNA of six countries in the region: Brazil, Costa Rica, Colombia, Nicaragua, Uruguay, and Venezuela. The coordination of the Working Group is provided by Uruguay, with technical assistance by ECLAC and UNSD. The terms of reference of the Working Group are available in the annex of the paper presented at the 11th meeting of the AEG, available at: https://unstats.un.org/unsd/nationalaccount/aeg/2017/M11_9_1_1_Harmonization _SNA_BOP.pdf

39.   The main objective of the Group is to address practical aspects of the adoption of the 2008 SNA and BPM6 and to develop practical recommendations for the harmonization of the BoP and SNA data. The main outcome of the Working Group is the preparation of a document containing practical guidelines and recommendations on the harmonization of the BoP and SNA data. The document will provide an overview of the conceptual framework with focus on the kind of data that need to be harmonized. Furthermore, it will include guidelines on how to improve the statistical production process to foster harmonization. The document will also provide practical recommendations on the specific topics identified by the Working Group, namely Goods and services, FISIM and FDI. It is expected that the Guidelines will be finalized by the end of 2018.

40.   A Workshop on the Harmonization of the Balance of Payments and the National Accounts was organized by ECLAC and UNSD from 27-29 June 2017 in Brasilia, Brazil, with the participation of Eurostat and the IMF. The Workshop was organized with the objective to train countries on the integration of the BoP and the SNA, share country experiences and provide direction to the further work for the Working Group. It gathered experts from NA and BoP from six countries in the region: Brazil, Costa Rica, Colombia, Nicaragua, Uruguay, and Venezuela. More information on the workshop is available at: https://www.cepal.org/es/eventos/taller-coherencia-estadisticas-cuentas-nacional-balanzas-pagos

41.   During the Workshop, it was agreed that the Working Group will:

a)   develop and conduct a regional survey as a base for a diagnosis of the current situation;

b)   create fours subgroups to address the specific topics in the harmonization of BoP and SNA data: (i) General topics for harmonization with the overall task to prepare a document with main conclusions and recommendations; (ii) Goods and Services, (iii) Financial Intermediation Services Indirectly Measured (FISIM) and (iv) Foreign Direct Investment (FDI). The topics were selected based on the priority areas identified by the participants; and

c)   prepare a document with main conclusions and recommendations.

42.   General topics for harmonization mentioned in point (b) would include Methodological reference (mainly a short conceptual description of which flows of the 2008 SNA and BPM6 need to be consistent, and which changes were introduced in both manuals to ensure consistency), Statistical Base (business registers, scope of statistical units, statistical sources, data treatment, classifications, etc.), Publication characteristics, such as publication formats, timetables and revision policy among others, and Mechanisms supporting harmonization, such as institutional framework and strategic planning.

43.   A work structure was also defined for the three specific areas. Each subgroup would: (i) define the problems to be solved; (ii) summarize the theoretical treatment according to reference frameworks; (iii) describe the required adjustments of the basic statistics, scope and coverage of the estimations and reconciling processes to be carried out; and (iv)present practical examples of good country practices.

44. To facilitate the work, ECLAC established a password-protected platform for the Working Group, which is available at: https://connections.unite.un.org/communities/service/html/communitystart?communityUui d=3174e038-17ea-4d35-91b1-0bdd4e1c807d

45. It is expected that the first complete draft of the guidance document will be available by the end of 2018. Currently, the working language is Spanish, but efforts will be made to have material in other languages as well.

46. As an example of international interest in this thematic area, the Advisory Expert Group of National Accounts (AEG) discussed, during its last meeting in 2017, the issue of harmonization of BoP and SNA data and, in particular, the work that is being carried out in the ECLAC (https://unstats.un.org/unsd/nationalaccount/aeg/2017/M11_9_1_1_Harmonization_SNA_B OP.pdf) and ECE (see https://unstats.un.org/unsd/nationalaccount/aeg/2017/M11_9_1_2_SNA_BOP_WS.pdf). In its conclusions, the AEG welcomed the regional work programmes on the Harmonization between Balance of Payments and National Accounts Statistics, stressed the importance of having consistency between the BOP and SNA data and supported the regional initiatives on this issue in Latin America and Europe. The AEG also supported the development of practical guidance for the harmonization of the BOP and SNA data, and that specific attention should be given to the terminology used in the 2008 SNA and the BPM6, including the translation of the relevant terms in all United Nations languages, to ensure a correct interpretation, and it requested that the results of the regional programmes be shared with the AEG. (see (https://unstats.un.org/unsd/nationalaccount/aeg/2017/M11_Conclusions.pdf).

V. Conclusion

47. Providing harmonized and reconciled BoP and SNA data is high on the agenda of many countries and a number of initiatives are taking place in the various regions to improve the harmonization of BoP and SNA data and also to strengthen the coordination in the statistical production process of the BoP and SNA, most notably the initiative in ECLAC to develop a practical guidance document that reviews the compilation process following an integrated economic statistics approach and addressing specific issues.

48. It is not surprising that the issues that countries face in the harmonization of the BoP and SNA data in the various regions are very similar. This paper is prepared in an effort to share the work that is being done in the ECLAC region in order to further advance in this area. It is assumed that the issues that have been described in this paper and the practical recommendations to be developed are highly relevant also for countries from the Eastern Europe, Caucasus and Central Asia (EECCA) given the highly trade-oriented and globalized nature of a number of Member States in the region. Countries are invited to share whether they are encountering inconsistencies in their national accounts and BOP data and the practical solutions they have developed to address these inconsistencies.

Annex

The survey

A survey on the harmonization of BoP and SNA data was conducted for Latin America countries during the period from October-November 2017. The survey contained 33 questions covering the following topics simultaneously for the BoP and the Rest of World Account of NA (RoW):

- Institutional responsibility for the compilation
- Dissemination (frequency, delay, timetable, revision cycles, etc.)
- Vintages of manuals used as reference
- Main statistical sources and classifications used
- Characteristics of the reconciliation process
- Main sources of discrepancies between BoP and RoW
- Institutional arrangements that favor harmonization

The Survey was sent to 19 countries in the region: 15 countries responded. The main preliminary conclusions of the survey are presented below.

a) **Institutional responsibility**: BoP and SNA are both compiled by the Central Bank in 10 countries. In 5 countries the BoP is compiled by Central Bank and the NA by National Statistical Offices (NSO).

b) Dissemination:

c.1 <u>Frequency</u>: Balance of payments (BP) and International Investment Positions (IIP) are published with a higher frequency than those of RoW:

Frequency of compilation	BP	IIP	RoW
Only Quarterly	13	12	1
Only Annual	0	1	13
Quarterly and annual	2	2	0
No publication	0	0	1
Total	15	15	15

c.2) Lag with respect to the reference period: Quarterly BP and IIP data are mostly published within 90 days from the end of the quarter (only 2 countries answered they publish in more than 90 days in both cases). RoW accounts, which are mostly compiled annually, are mainly published after 180 days (12 countries) from the end of the reference year.

c.3) <u>Publications calendars</u>: most of countries have advance release calendars (14 countries for BoP, 9 countries for RoW)

c.4) <u>Communication policy of comprehensive revisions</u>: most of countries warn their users about comprehensive revisions that are going to take place (12 countries for BoP and 10 countries for RoW)

c.5) <u>Discrepancies between BoP and RoW explained to users</u>: only in 2 countries the causes of the differences are explained.
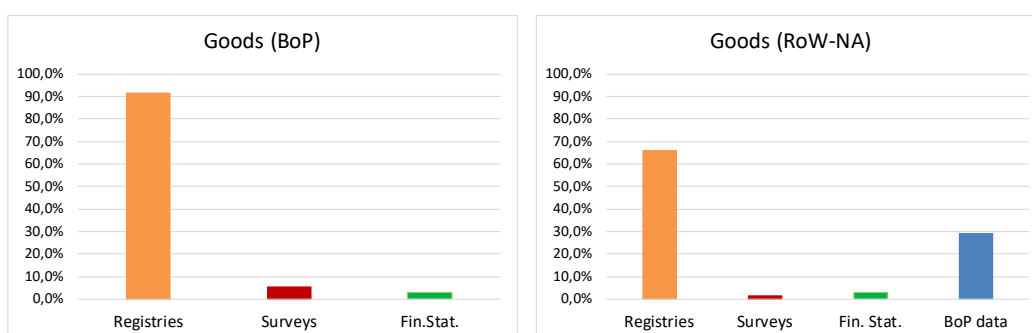
c) Manuals used as reference:

According to the responses to the survey, only 6 countries are compiling data according to BPM6 and 2008 SNA.

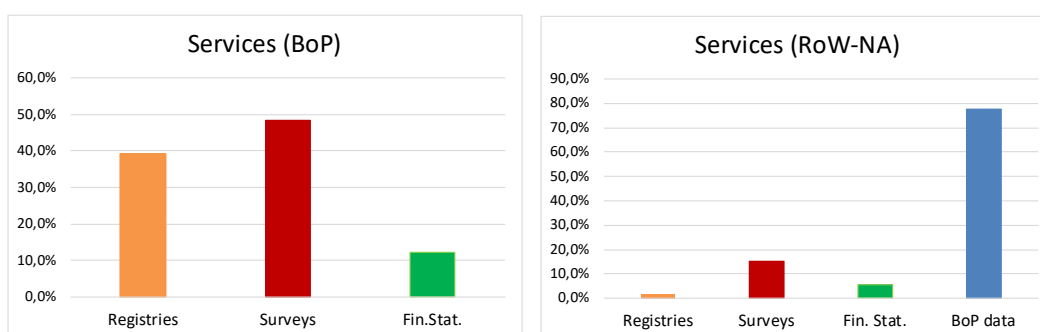|	
BPM6 & 2008 SNA	6
BPM6 & 1993 SNA	5
Other	4
Total	15

Statistical sources and treatment of data: Compilers of BoP and SNA were asked about the data sources used in the compilation and the treatment of data. They had to provide a percentage of each source with respect to the final. The responses indicated that they differ significantly between the BoP and the SNA. The figure below shows results for the data sources used for the compilation of BoP and RoW for Goods and Services separately.

Data sources used in the compilation of Goods (BoP and RoW) (expressed in % of total results)

In the case of Goods, in general administrative data are the main source for the compilation of both BoP and RoW accounts. The BoP data are also an important source of information for the compilation of RoW accounts. Regarding the treatment of data 3 countries indicated that they reconcile with National Accounts (they have not provided the evaluation of percentage of impact in the results), meanwhile in the case of RoW conciliation processes include the evaluation and correction of data in the framework of SUT in 9 countries (with an impact of 5% in the results).

Data sources used in the compilation of Services (BoP and RoW) (expressed in % of total results)

In the case of Services, surveys and administrative data are the main data sources for the BoP, while the compilation of RoW relies mainly on BoP data. Regarding the treatment of data, 3 countries answer they reconcile with National Accounts in the case of compilation of BoP, meanwhile in the case of RoW conciliation processes include the evaluation and correction of data in the framework of SUT in 8 countries (with an impact of 9% in the results).
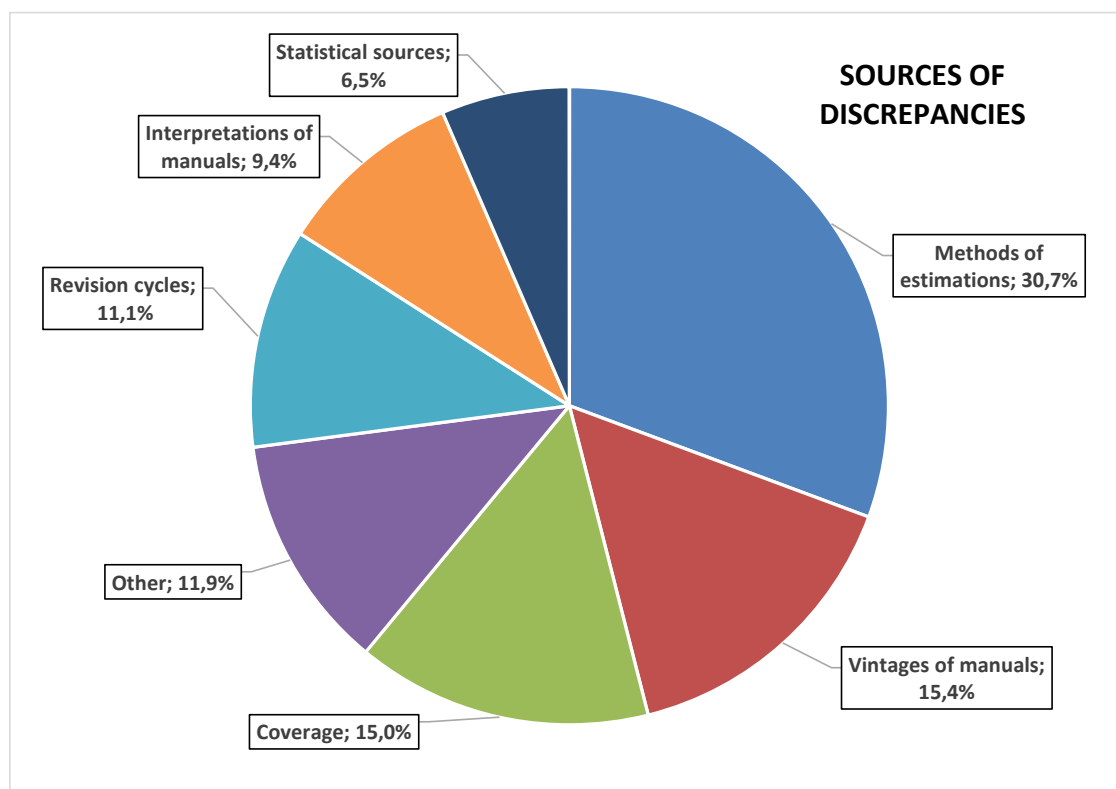
Similar questions were asked for the rest of the accounts. They also show differences in the information used as sources for estimations. It is interesting to notice that for RoW account there are a number of countries making adjustments in the framework of SUT or in the context of From-whom-to-whom Matrix (FWTW). For BoP only a few countries stated they make adjustments with National Accounts.

Balance of Payments		Rest of World Account	
	Adjustments with National Accounts		Adjustments in the framework of SUT or FWTW as appropriate (number of countries) [1]
Goods	3	Goods	9
Services	3	Services	8
Government		Government	
Compensation of employees	2	Primary income	5
FDI (primary income, financial transactions and positions) [2]	0	Financial Accounts [5]	5
PI (primary income, financial transactions and positions) [3]	2		
OI (primary income, financial transactions and positions) [4]	1		
Public non financial corporations		Public non financial corporations	
Compensation of employees	0	Primary income	3
FDI (primary income, financial transactions and positions) [2]	0	Financial Accounts [5]	5
PI (primary income, financial transactions and positions) [3]	2		
OI (primary income, financial transactions and positions) [4]	1		
Financial corporations		Financial corporations	
Compensation of employees	0	Primary income	6
FDI (primary income, financial transactions and positions) [2]	2	Financial Accounts	4
PI (primary income, financial transactions and positions) [3]	3		
OI (primary income, financial transactions and positions) [4]	1		
Private no financial corporations		Private no financial corporations	
Compensation of employees	0	Primary income	5
FDI (primary income, financial transactions and positions) [2]	2	Financial Accounts	4
PI (primary income, financial transactions and positions) [3]	3		
OI (primary income, financial transactions and positions) [4]	1		

1/ SUT= Supply and Use Table; FWTW= From whom to whom table
2/ FDI= Foreign Direct Investment
3/ PI= Portfolio Investment
4/ OI= Other Investment; it refers to all sectors as a whole
5/ It refers to Government and Public non financial corporations as a whole

It is interesting to note that 8 countries make adjustments for smuggling activities in the compilation of RoW account and 3 countries in the compilation of BoP, meanwhile adjustments due to Non-observed economy are made by 6 countries in the compilation of the RoW account and by 3 countries in the compilation of the BoP.

d) Main sources of discrepancies. The survey asked countries to provide an indication of the size of the inconsistencies based on the data for the period 2006-2016 and to provide the main reasons for such discrepancies together with the percentage of discrepancy explained by that reason. Based on the responses, about 30% of the discrepancies is explained by different estimation methods; 15.4% is explained by the different vintages of the reference manuals used; and 15% due to different coverage (15.0%). Other reasons for discrepancies that explain some 11.9% of the differences include: differences in exchange rates used, different adjustments for under-registration, different versions of information sources, type of valuation. Therefore, all these 'other reasons' shown in the figure below as a separate category can be considered as different data sources and different estimation methods. Revision cycles and Interpretations of manuals problems jointly explain about 20% of the discrepancies between the BoP and SNA data.

In summary, approximately 64% of the discrepancies are attributed to the statistical data source sand estimation methods (methods of estimations (30%), statistical sources (6.5%), other (11.9%), and coverage (15%)); about 24.8% of **discrepancies** are attributed to causes more related to conceptual compliance (vintages of manuals and interpretations of manuals); and about 11% of the discrepancies are explained by different dissemination policies/ revision cycles.

e) Institutional arrangements: The survey also asked about the type of collaboration between the compilers of BoP and SNA data in countries. 6 countries indicated that there is a formal mechanism of cooperation between the compilation of BoP and SNA. In 4 of these countries, BoP and SNA are compiled within the same institution. In these cases, the harmonization process is mainly addressed in working groups. In the other 2 countries where the BoP and SNA is within different institutions, more formalized procedures, such as reconciliation committees, are in place. Among the 9 countries that indicated that there

are no formal arrangements on the reconciliation of BoP and SNA data, 6 of them have the compilation of the BoP and SNA in the same institution.

f) Most complex topics for the harmonization: The Survey asked countries to identify topics that are most difficult to deal with for the harmonization of the data. Countries identified the following:

- Manual vintages
- Agree methodologies and discuss results
- Data sources and methodological treatments
- Few or no basic statistics
- Reconcile the coverages
- Services account coverage
- Smuggling and illicit crops enclave
- Expansion of the non-financial private sector
- FISIM, FDI
- Timing and agendas of each one (short term vs medium/long term focus)

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