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PROCESS AND TIMELANE FOR UPDATING BPM6



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BOPCOM VM—20/02

Process and Timeline for Updating *BPM6*

PROCESS AND TIMELINE FOR UPDATING *BPM6*¹

In March 2020, the United Nations Statistical Commission (UNSC) is expected to officially initiate an update process of the System of National Accounts 2008 (SNA 2008), targeting a release of the revised standard in March 2025. This paper seeks the endorsement of the IMF Committee on Balance of Payments Statistics (Committee) for a parallel launch of the process for updating the Balance of Payments and International Investment Position Manual, sixth edition (BPM6)—also with a target release date of March 2025—which would ensure consistency between two key methodological standards, while leveraging the combined research and consultative processes in key areas such as globalization and digitalization to enhance the policy relevance of national and international accounts statistics. Accordingly, this paper sets out the key processes and timeline for updating BPM6; it supersedes a paper (of the same title) presented to the Committee’s 2015 meeting.² STA has already initiated work on updating the international statistical standards, including by defining priorities for their update and by presenting to the Committee (2019) a backbone strategy for updating BPM6.

I. BACKGROUND

1. **In a rapidly evolving global economic landscape, the IMF provides cutting-edge analysis and policy advice for its membership in line with its global leadership role.** As climate change becomes more policy relevant, it is driving demand for core macroeconomic statistics to expand to new frontiers. Consequently, the IMF Statistics Department (STA) is advancing work on strategic planning for the update of the international statistical standards (ISS) relevant to macroeconomic statistics. During 2019, STA conducted in-depth internal discussions on the potential issues ahead of the next review of the ISS, primarily related to the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* and the *System of National Accounts 2008 (SNA 2008)*. While recognizing that the conceptual framework of *BPM6* has remained resilient, STA scoped out the key conceptual, methodological, and measurement issues in the international accounts, as a basis for assessing the high-priority areas for the *BPM6* update. The internal scoping exercise identified in particular, key priorities for IMF surveillance and macro-critical policy analysis; and the results were presented to the 2019 Meeting of the Committee (see *A Backbone Strategy for Updating BPM6*, [19/10](#)).

2. **STA has also undertaken much work in advancing the research agenda on external sector statistics.** In line with an agreement at the Committee’s 2015 meeting to develop a compendium of research issues to be undertaken as part of the process of updating of the *BPM6*, the Committee has since 2016 discussed and updated the research agenda at its

¹ Prepared by Paul Austin, Deputy Division Chief, Balance of Payments Division, STA.

² The 2015 paper had also identified a target date of 2025 in line with historical trends. The first *Balance of Payments Manual (BPM)* was published in 1948 and since the third edition in 1961, an updated *BPM* has been published every 16 years.

annual meetings; and has endorsed several clarification notes (Appendix I). Three Committee-endorsed task forces (on special purpose entities, global value chains, and the informal economy) have completed their work, while the IMF has partnered with other international agencies on several methodological initiatives, including the *Guide to Measuring Global Production* (2015), and the recently-completed *Handbook on Measuring Digital Trade*.

3. **In March 2020, the United Nations Statistical Commission (UNSC) is expected to officially initiate an update process of the SNA 2008.** The targeted release date of the revised standard is March 2025. Given the principle of ensuring consistency between the various ISS, a parallel launch of the process for updating the *BPM6* is of strategic value, ensuring consistency between two key methodological standards while leveraging the combined research and consultative processes in key areas such as impact of globalization and digitalization on the national and international accounts. Accordingly, a decision to initiate the *BPM6* update should not necessarily await the next physical meeting of the Committee in October 2020.

4. **The evolution of the global economic and financial landscape provides a compelling case for launching the *BPM6* update at this time.** Growing international integration in trade and finance—with multinational enterprises (MNEs) as key drivers—bring new challenges to the international accounts. Besides, globalization and the associated global external imbalances observed since the early 2000s have also triggered a body of analytical work, with one strand focusing on whether current statistical measures of the current and financial accounts provide an accurate view of external imbalances.

5. **New policy challenges arising from the global financial crisis and its aftermath also provide an impetus for examining how the international accounts should adapt to user needs.** Notably in the field of financial stability, there is heightened demand for data that would facilitate a deeper understanding of financial interconnectedness and external vulnerabilities. Increased focus on balance sheet analysis, particularly for understanding maturity and currency mismatches and counterparty exposures; and—in the context of the IMF’s multilateral surveillance work—there is also demand for more integrated international accounts to facilitate a better understanding of stock/flow reconciliations, including breaking down positions by currency; as well as calls for more symmetric treatment of income across functional categories and investment instruments.

6. **The *BPM6* update would also encompass issues that are particularly relevant to low income and emerging market economies; and for analyzing how cross-border economic relationships impact climate change.** The measurement of informal cross-border flows—in both the current and financial accounts—is one key issue. Other key issues include the treatment of centralized currency unions in Africa and the Caribbean, as well as the impact of digital trade on these economies.

7. **The objective of this paper is to outline the proposed *BPM6* update process (timetable, technical expert groups to be formed, and expected key deliverables) for the Committee’s consideration and endorsement.**

II. PROCESS FOR UPDATING *BPM6*

8. **The process for updating *BPM6* is expected to change somewhat compared with previous reviews.** In addition to the Committee’s oversight, the *BPM5* update drafting process was characterized by extensive consultations and wide global outreach. While this is expected to be repeated in this process, four key factors present a case for some process modifications in this round. First, the planned production timeline of five years for the *BPM6* update is two years shorter than the previous round. Second, several key issues are cross-domain in nature (such as on multinational enterprises and digitalization) and are already the subject of research undertaken by other international expert groups, especially in the area of national accounts. Third, the Committee and STA have pursued an active research agenda, with work advanced or completed on a number of topics, including through clarification notes (issued under the process of revisions between editions of manuals outlined in *BPM6*) and task forces. Fourth, heightened user interest in more granularity and new data configurations suggest that in addition to providing greater focus to reconciling stocks and flows, there would be a strong case for extending or supplementing the existing international accounts framework to address data needs to better measure globalization and its impact—in such areas as special purpose entities (SPEs), intellectual property products (IPPs), and global value chains (GVCs).

9. **No annotated outline (AO) of the *BPM7* will be prepared beforehand.** In view of the considerations noted above, initiating the *BPM6* update by first developing an AO may not be a feasible approach as several strands of research/workstreams need to move towards a decision point (including through position papers) so that the impact on the BPM and SNA would be assessed.

10. **The proposed update process is divided into two main phases:** (i) undertaking detailed research on the issues identified in the research agenda and discuss how they would impact the BPM, and, once conclusions are reached, (ii) drafting the *BPM7*.

11. **For the work to be undertaken in Phase I (March 2020–March 2022), the IMF is proposing to set up technical expert groups (TEGs).** Within that time frame and once the recommendations of such TEGs become available and are endorsed by the Committee, a *BPM7* AO would be drafted to highlight how such recommendations would impact the methodological standards.³

³ The AO proposes a structure, and a brief description of the proposed content (chapter by chapter) of the new manual, identifies the issues that will be addressed, and indicates how it will be addressed. It is a discussion document that will synthesize the recommendations of all related TEGs and Committee task forces, and draw on clarification notes to flesh out the structure and content of the new manual. The AO will be produced by IMF staff and reviewed by the Committee and

12. **Phase II (March 2022–March 2025) entails finalizing the AO, drafting the chapters and appendixes of BPM7, and extensive consultations about the proposed changes.** The overall objective would be a Committee-endorsed final draft launched no later than March 2025. To facilitate the work in these phases, the IMF proposals are as follows.

- The BPM research issues would be grouped into four broad clusters to facilitate close integration with the *SNA Update*: (i) **trade and investment**, linked directly to the SNA research issues groupings of globalization and digitalization; (ii) **financial innovation**, which would address BPM-specific issues linked to evolving financial and payments systems; (iii) **climate change**, linked directly to the SNA research issues grouping of wellbeing and sustainability; and (iv) **general structure and principles**.
- **The Committee would establish four technical expert groups (TEGs)**, with membership from member countries (beyond Committee members) and international organizations, to undertake detailed consideration of—and make recommendations on—(i) general principles and structural issues (Balance of Payments Technical Expert Group, or BOPTEG), (ii) current account issues (Current Account Technical Expert Group, or CATEG), (iii) direct investment (Direct Investment Technical Expert Group, or DITEG), and (iv) issues related to financial and payment systems (Financial Technical Expert Group, or FITEG). Box 1 outlines the key operational aspects of these TEGs. Experts in other statistical fields (national accounts, monetary and financial, government finance) as well as selected users (including from other IMF Departments) will also be invited to participate in the TEGs.
- **Joint task forces comprising national accounts and balance of payments experts should also be established as full consistency between the SNA and BPM methodologies is high priority.** While two separate research agendas are at various stages of development, STA has undertaken a preliminary cross-walk between the two research agendas and identified significant areas of common interest. The joint task forces would allow experts in both domains to address overlapping areas of both research agendas, and their conclusions would be presented for endorsement to both bodies (see BOPCOM VM–20/03 for detailed proposal).⁴ Further, as part of the review of the terms of reference (ToRs) for the TEGs, the AEG would be consulted on any additional cross-domain issues that emerge.

other groups. The final version of the AO should be agreed by the Committee as it effectively becomes the architectural blueprint for drafting the new manual.

⁴ A first joint group has already been formed to work on Intellectual Property Products (IPP). The Committee/AEG Task Force on IPP will have five Committee members (including the chair—OECD—and the IMF secretariat) and five members of the AEG globalization subgroup. Also, some Committee members have recently joined the existing UN ESCWA/UNSD Task Force on Islamic Finance also to produce conclusions to be endorsed in both statistical areas at the same time.

- **For overlapping areas falling within the remit of the four existing subgroups of the Advisory Group on National Accounts (AEG),⁵ the IMF is proposing to work with the Inter-Secretariat Working Group on National Accounts (ISWGNA) to transform these groups into joint BPM/SNA groups.** These apply in particular to the subgroups developing guidance notes related to digitalization (e.g., e-commerce, crypto assets, etc.) and globalization (virtually all tackled by this subgroup). This may be the most optimal and efficient approach to ensuring consistency between the two manuals, while avoiding duplication of effort.

Box 1. Operational Aspects of the Technical Expert Groups (TEGs)

The remits of the four TEGs are to provide technical input on a variety of issues, as appropriate for the subject of each particular group. While the timeline for completion of work by each TEG may vary within the first phase (this will be reflected in the individual terms of reference (ToRs), taking account the number of issues to be addressed and the scope of the research required), the TEGs will also be consulted during Phase II on an as needed basis, in particular should any significant issues arise during the worldwide consultation process.

Each TEG will comprise of a Chair, supported by a Secretariat and approximately 15 members. Ideally, membership should include some current Committee members and take account of both the depth of expertise required to address the issues identified as well as geographical balance, including to represent the views of Fund members across varying degrees of statistical capacity.⁶ Members would be chosen to have a range of experience and background in both specific and general issues while having detailed conceptual and practical knowledge of the issues and capable of making a sufficient commitment of time.

Each TEG is expected to work primarily through electronic means, while one physical meeting to come to conclusions may be envisaged. To facilitate electronic communication between members of each TEG, the IMF will provide the requisite support by facilitating virtual meetings and using appropriate technologies for document flow and management. Webpages would be created for each TEG setting out the lists of issues as well as the agreed recommendations on each issue. TEGs' ToR would also be disseminated.

Should the TEGs be unable to reach resolution on any issue, they will report back to the Committee (or the WGIIS and the Committee in the case of the DITEG), setting out the pros and cons of the arguments.

It is intended that after June 2022, new issues will not, for the most part, be considered for inclusion in the new manual. This deadline is necessary to accommodate the broad process of review and consultation that will take place before the manual is finalized at the end of 2024. Remaining issues will be placed on a research agenda following procedures established by the Committee.

⁵ The four subgroups are on (i) globalization, (ii) digitalization, (iii) wellbeing and sustainability, and (iv) communication. The initial results of the work of these groups, delivered through guidance notes are expected NLT October 2020.

⁶ Given the structural and cross-cutting nature of its mandate, a wider representation of Committee members is expected for the BOPTEG.

13. Table 1 outlines the key elements of the proposals identified above. Figure 1 presents a schematic presentation of the linkages between the subject clusters and these elements.

Table 1. Key Elements of Phase 1 of *BPM6* Update Process

PROPOSED	
BPM-Specific TEGS	BPM/SNA Task Forces
BOPTTEG CATEG DITEG FITEG	Income Informal economy
TASK FORCES/WORKSTREAMS	
Committee-Endorsed [Completed]	Joint/Interagency [Existing]
Committee Task Force on Global Value Chains Committee Task Force on Special Purpose Entities Committee Task Force on the Informal Economy	Committee/AEG Task Force on Intellectual Property Products UN Task Force on Islamic Finance AEG Subgroup on Digitalization AEG Subgroup on Globalization AEG Subgroup on Wellbeing and Sustainability AEG Subgroup on Communication

Figure 1. Linkages Between the Clusters and Elements of Phase 1 of *BPM6* Update Process

Existing BPM/SNA Workstreams	<ul style="list-style-type: none"> • AEG Subgroup on Globalization • AEG Subgroup on Digitalization • Committee/AEG Task Force on Intellectual Property Products 	<ul style="list-style-type: none"> • UN Task Force on Islamic Finance 	<ul style="list-style-type: none"> • AEG Subgroup on Wellbeing & Sustainability 	<ul style="list-style-type: none"> • AEG Subgroup on Communication
Clusters	Trade & Investment	Financial Innovation	Climate Change	General Structure/Principles
Proposed TEGs	<ul style="list-style-type: none"> • CATEG • DITEG 	<ul style="list-style-type: none"> • FITEG 	<ul style="list-style-type: none"> • BOPTTEG 	
Proposed Joint BPM/SNA Task Forces				<ul style="list-style-type: none"> • Informal Economy • Income

14. **The organization of work of the TEGs should consider the current advancement status of the different issues.** Some issues are already relatively well advanced in terms of preparatory work, while others are broad and will need to be better specified. Further, determining whether the issues imply changes to the underlying SNA/BPM-rooted methodological principles or may rather be addressed by extending the current framework is key. For issues that may touch on the core principles, a wider view on the benefits versus the costs of the potential changes would be required. The alternative of extensions to the core accounts would avoid the risk of stretching too much the core accounts trying to serve competing requests and possibly putting at risk fundamental principles. At this stage, no major changes to the framework are envisaged; however, the new manual will clarify, modify, and likely extend *BPM6* in a number of areas.

III. PROPOSED TIMETABLE FOR UPDATING *BPM6*

Activity	Responsible Parties	Timeframe
Agree on a process and timetable for the <i>BPM6</i> Update	Committee	Q1/2020
Approve the mapping of compendium of issues to be addressed, and the corresponding technical expert group (TEGs) earmarked to handle each issue.	Committee and the ISWGNA/AEG	Q2/2020
Agree on a list of common research issues that impact both the national and international accounts and the formation of joint task force groups to handle them.	Committee and the ISWGNA/AEG	
Review and approve terms of references for TEGs.	Committee and the ISWGNA/AEG	Q2/2020
Convene joint AEG-Committee task forces and Committee TEGs, with a balanced regional representation, to advance research on particular methodological matters	Committee and the ISWGNA/AEG	Q2/2020
Produce papers on issues; seek worldwide feedback (through electronic forums); hold discussions to resolve problems and reach preliminary agreements on proposed changes to <i>BPM6</i> .	TEGs; findings submitted to Committee and the ISWGNA/AEG	Q3/2020- Q4/2021
Draft an annotated outline of the new manual, indicating the changes to be incorporated (including to reflect work completed through channels other than TEGs); and provide to relevant parties for comments.	IMF Staff Relevant parties include TEGs, Fund Departments, and Committee.	Q4/2021- Q1/2022
Annotated outline available for worldwide comments.	Committee Secretariat	Q2/2022
Discuss comments and agree on changes required to the draft; and Update and submit for Committee's approval the document with agreed changes.	Technical review group Committee	Q2/2022
Draft the new manual, and provide to relevant parties for review/comment.	<i>BPM7</i> Drafting Team	Q2/2022- Q4/2023
Discuss comments and agree on changes required to the initial draft and update the document with agreed changes.	Technical review group	Q1/2024
Discuss and endorse preliminary draft.	Committee	Q1/2024

Activity	Responsible Parties	Timeframe
Worldwide review of preliminary draft of the manual.	Relevant parties indicated for annotated outline; national compilers, data users, and public	Q2/2024-Q3/2024
Conduct regional outreach seminars	IMF Staff (in collaboration with regional organizations)	Q2/2024-Q3/2024
Discuss comments received (written/oral, including from outreach seminars)and decide on how these should be incorporated.	Technical review group	Q4/2024
Near-final draft manual to all parties for review.	Within IMF, Committee	Q4/2024
Discuss and agree on final text. Formal approval by the IMF's Chief Statistician	Committee IMF	Q1/2025
Final draft, subject only to editing, available for electronic dissemination.	IMF	Q1/2025

Questions for the Committee:

Does the Committee have comments on the proposals for launching the update of *BPM6*, in particular:

- (a) **the process**, including the creation of TEGs and linking to existing AEG subgroups where feasible; and
- (b) **the timetable**.