

**A COMPARISON OF THE COMPILATION  
OF BALANCE OF PAYMENTS STATISTICS  
FOR BARBADOS, GUYANA & BELIZE**

by

Trevor Campbell  
**CENTRAL BANK OF BARBADOS**

*Prepared for Presentation at the Conference of  
Business Association of Latin American Studies  
George Washington University  
Washington, D.C. 20052  
April 6 - 8, 1995*

February 1995

**A COMPARISON OF THE COMPILATION OF  
BALANCE OF PAYMENTS STATISTICS  
FOR BARBADOS, GUYANA & BELIZE**

INTRODUCTION

It is commonly known that the Balance of Payments (BOP) plays a significant role in those economies which are small and open. Many of the transactions which are conducted in these countries will have a direct bearing on the foreign reserves which are the lifeblood of the economy. In addition, the BOP serves as a guide to Government in implementing economic policies.. For these and other reasons accurate compilation of BOP statistics is crucial to economic management.

The International Monetary Fund (IMF) has established a BOP manual which stresses compilation methods in order to reduce inaccuracies. Without this practice global aggregation and inter-country comparisons, which are of extreme importance in the work of organizations like the IMF are difficult. However the approach adopted by countries varies according to their own experiences and priorities. This is true even within small regions like Caricom. However consistency in compilation of BOP statistics is of paramount importance to the Caribbean especially now that attention is again being placed on regional integration. If this is to become a reality, there must be economic convergence in many areas, including the indicators of external viability. External sector comparisons can be made much easier if Caribbean countries adopt similar approaches to compilation.

The purpose of this paper is to compare compilation procedures for Barbados, Belize and Guyana up until 1993, focussing on methods adopted and difficulties encountered, given their different situations. The following section will address the definitions and conventions of BOP items. Section two will deal initially with a background to the present organization of BOP compilations in the three above-mentioned countries. This will be followed by the techniques used by these countries and some of the problems they faced in their BOP recordings. A summary and conclusion then follow.

## Section 1

### Definitions and Conventions of BOP Items

The BOP is a systematic record of all economic transactions between the residents of a reporting country and the residents of the rest of the world over a specified period of time (usually a year). The BOP transactions are divided into the following main groups:

- (a) current account transactions which cover imports and exports of goods and services and transfers;
- (b) investment and other capital which cover public and private sector long-term and short-term capital transactions, and other capital transactions; and
- (c) official financing which covers changes in reserves, net borrowing from the IMF, net transactions with overseas monetary institutions and Government borrowing for BOP support.

These descriptions raise two questions. What is an economic transaction for BOP purposes? Also who is a resident? Economic transactions are exchanges in value. The transactions are in principle recorded when the ownership of goods or assets changes and when services are rendered. The BOP accounts are intended to record three basic types of transactions.

- (a) flows of real resources, that is, goods and property income;
- (b) changes in foreign financial assets and liabilities that arise from transactions; and
- (c) transfer payments which are the counterpart of real resources or financial claims provided to, or received from the rest of the world without any quid pro quo.

Therefore when one of these operations takes place between a resident and a non-resident, it is a transaction for BOP purposes.

The concept of resident comprises not only individuals but also institutions. Obvious examples are citizens of the country living there permanently, business enterprises and non-profit organizations located in the country. Residency is not always a clear concept, however, and many cases are decided on the basis of arbitrary rule of thumb. For instance a corporation is a resident of the country in which it is incorporated but its foreign branches and subsidiaries are residents of the country where they are located (See IMF, BOP Manual paragraph 67(a)).

Normally BOP accounts are compiled according to principles outlined in the BOP Manual (Fourth Edition) published by the IMF. Because the principle of double entry bookkeeping is observed, then in theory the BOP should balance. In reality however differences in timing,

valuation and recording do make this difficult and a balancing item, errors and omissions, is included to offset discrepancies in items of account.

## Section 2

### (a) Background to the Present Organization of Balance of Payments Compilation

In Barbados, the Central Bank of Barbados has been responsible since 1976 for compiling and publishing the BOP statistics. The work is done in the Bank's Research Department where the Statistics section carries out a survey and consolidates the results under the direction of the Economics section which has final responsibility for estimation and compilation. At present there is little coordination with national accounts compilation, since that exercise is undertaken by another agency - the Barbados Statistical Service. However figures on tourist expenditure in Barbados as well as information on visible trade are obtained from that agency.

The compilation of the BOP statistics in Belize is done mainly with the use of primary data from the Central Statistical Office, the Central Bank of Belize and commercial banks, the Ministry of Finance and the private sector.

The first comprehensive report on Guyana's BOP in the post Independence period and published by the Statistical Bureau, covered the period 1965-1969. During the 1970s, the Statistical Bureau, continued to be responsible for the BOP but only summary data were published in the Quarterly Statistical Digest. In the 1980s, the Statistical Bureau's capacity to generate timely and reliable BOP estimates was seriously affected by resource constraints.

Moreover the growth of the parallel economy, encompassing unrecorded trade and capital flows as well as multiple exchange rates and migrant transfers, affected the accuracy of BOP estimates. However, following the adoption of the Economic Recovery Programme in 1988, the setting of BOP targets accentuated the need for effective monitoring of BOP variables thereby prompting greater collaboration among source agencies. Thus in recent years the compilation of the BOP has become a joint effort of the Bureau of Statistics and the Bank of Guyana with the former focussing on the current account and the latter on the capital account and financing.

### (b) Techniques Used and Problems Faced in the Preparation of Selected BOP Items

In this section, various items in the BOP have been singled out in order to compare compilation methods. The items are those which usually present the greatest difficulty to BOP statisticians. Under the current account, attention will be paid to merchandise trade but most emphasis will be placed on the services like travel, investment income, and other goods, services and income. In the capital account, private sector capital movements will be examined since it is this category that appears to be problematic.

## CURRENT ACCOUNT

### *Merchandise Trade*

Under merchandise, exports and imports were recorded f.o.b. and c.i.f. respectively by all three countries in accordance with the Fourth Edition of the IMF manual. Information derived from the trade statistics was adjusted where necessary for coverage, valuation and classification.

Thus goods for processing and re-exports, goods for servicing/repair and returned goods should be excluded. Guyana found these adjustments difficult to effect due to inconsistencies and omissions which characterize customs documents. Austin (1993) provided an illustration where domestic firms were provided with pre-cut fabrics which were processed into garments and exported to North American manufacturers. The processing fee should have been recorded as a service item in the BOP. However both flows were recorded as merchandise imports and exports respectively. The paucity of data arising from inaccurate customs records precluded any identification of the service element thereby leading to a situation in which both merchandise imports and exports were overstated.

The exportation of imported equipment for servicing and repair created a similar problem in Guyana. In the absence of enterprise surveys, the service import element could not be identified, and this led to overvalued merchandise imports and undervalued services. There was yet another problem in the merchandise trade account for Guyana which needed to be highlighted. A form should have been completed by returning residents at ports of entry and required declaration of goods exceeding G\$1000 in value. However, according to Austin, during the last decade, the "suitcase" trade had been an important source of consumer and intermediate imports with traders plying such routes as Miami, Curacao, Barbados, Trinidad and Tobago and other neighbouring countries. The problem here was that the form in question was hardly ever completed and suitcase imports were not captured in the trade statistics.

Barbados experienced very little problems with those imports on which duties were charged but very little attention was paid to those imports which were classified as duty free. There were some imports which the Customs Department did not treat as commercial goods but which were classified this way by the Barbados Statistical Service. As far as exports were concerned, the attention paid to documentation was limited. There is no Customs Valuation Unit with responsibility for valuing exports. Hence companies which produced solely for the export market could actually vary the price of their goods without notice. The cut-off point by the Barbados Statistical Service with respect to recording goods is BDS\$5.00. The level of under-reporting in this regard would only be significant in large numbers of goods fell within this price range. Belize was affected by the level of smuggling which occurred at its border with respect to imports, thereby resulting in under-reporting of this item.

#### *Services*

##### (a) Travel

There was significant variation by the countries on the treatment of this item. In Guyana, tourism is still in its infancy, hence less emphasis was placed on Travel than in the case of the other countries. Whilst information on arrivals and departures by passengers category and average length of stay were obtained from ED cards and processed by the Statistical Bureau, data on average daily expenditure by passenger category were unavailable owing to the absence of scientific visitor surveys. Travel expenditure was estimated by requesting incoming passengers to complete a form stating the total amount of money being brought into the country, the amount of money that they intended to spend and their intended address. There

was no coverage of expenditure by Guyanese students abroad, and by foreign students in Guyana. The foreign exchange records of the Bank of Guyana did not provide a useful source of information on expenditure by residents on overseas travel since a high level of unrecorded travel-related transactions were executed at Cambios where no questions were asked about the use of foreign currency.

Belize had a large number of "day-trippers" from neighbouring Mexico and Guatemala, and as a result the data on total arrivals through the border points with these two countries were large (see Mendoza 1993). In order to make estimates for "bona-fide" tourists, the Central Bank of Belize had to make an informed estimate for the percentage of those border arrivals that were actually tourists. It was clear that the previous years expenditure data would have to be revised since they were based on estimated of 5% rather than 15% which was found applicable to the 1991 and 1992 data. The debit entry for travel was captured from the foreign exchange permits process by the banking system.

Tourist expenditure in Barbados was mainly due to long stay tourists although spending by excursionists had been on the rise recently. The figures for this item were provided by the Barbados Statistical Service. However in the estimation of tourist expenditure, some things needed to be noted. The first problem was to determine accommodation rates since these were a major component of tourist expenditure. Visitor surveys had not been conducted on a regular basis. Thus attempts to estimate tourist expenditure based only on these rates, which are the costs reflected only in hotel rates could lead to faulty estimates. Secondly, the published

rates are very often not only the actual rates. Several tourists visit Barbados on prepaid packages so that the rate paid to the hotel is well below the advertised rate. This suggests some level of discounting but hotels have always been reluctant to provide information on discount rates due to the competitiveness of the industry. This could lead to an overestimation of tourist expenditure. It was unknown whether there had been a compromise with respect to these two techniques.

Prepaid packages also result in foreign exchange leakages; for example, an unknown proportion of the cost of tourist travel may remain the country of origin. In addition, many hotels in Barbados are owned by foreigners and some proportion of earnings will be repatriated. Finally, in Barbados, estimates are based on intended length of stay, which may not necessarily be the case in reality. Expenditure by student travellers and medical patients was based on a survey of schools and other educational institutions and hospitals. The debit entries for all of these items were obtained from exchange control records. This took into consideration the amount of money disbursed by the commercial banks as pocket funds for travel. Of course the category did not capture those funds which did not pass through the banking system but which were used for the same purpose.

(b) Investment Income

Investment income is broken down into income from direct investment and portfolio investment respectively. The countries under consideration all treated direct investment in a way that was consistent with the Fourth Edition of the IMF Manual. Barbados, Belize and

Guyana all defined a foreign direct investment as the foreign ownership of 25% or more of the voting stock of an enterprise.

Some interesting differences did exist nonetheless for investment income with respect to the countries under consideration. Since by law Belizeans were not allowed to invest abroad, the credit item for direct investment income was assumed to be zero. Public investment income represented interest income from abroad for the Central Bank of Belize and Central Government while private investment income was provided by commercial banks in addition to the private sector which comprised mainly industries that were allowed to hold foreign accounts such as the sugar industry. The debt item on direct foreign investment as well as interest income paid abroad was obtained from exchange control records on remittances. The interest on public debt was obtained from the Commonwealth Secretariat Debt Recording and Management System (CSDRMS) which recorded all transactions and valuations changes and calculates the outstanding debt.

Guyana's situation was somewhat different in that there was non-coverage of the level of investment flows in the foreign and local private sector and this had severely hampered the services account. However, the Bank of Guyana and the Debt Monitoring Unit of the Ministry of Finance were the sources with respect to investment income flows of the Central Bank, the Central Government and Public Enterprises. In Barbados, investment income credits and debits were obtained from exchange control records, direct enquiry and surveys returns,

the response rate of which had averaged about 60% within the last five years and fallen below 55% only once in this period, namely in 1991 (See Table 1).

(c) Other Goods, Services and Income

In Barbados, the components of this category were estimated either from direct enquiry, Exchange Control records or the Accountant General's records. Within recent times the above category had been widened to include off-shore activity. However, legal and administrative impediments hampered the collection of data from off-shore firms. It was also discovered that in previous years, Barbados had been treating several foreign insurance companies as non-resident companies when these companies should have been classified as resident companies. This implied that the transactions of these companies with resident companies in Barbados should have been excluded from the BOP. However, adjustments to back data had been made recently and presently only those companies which were classified as agents were treated as non-resident. Table 2 gives some indication as to the magnitude of the adjustments which were made following the correct treatment of insurance companies.

Under the Economic Review Programme, Guyana was benefitting from a high level of technical assistance in various fields (Austin 1993). However, the level of non-response had been causing difficulty in making reliable estimates. In Belize, the Other Goods, Services and Income category was broken down into public and private components. Inflows from embassies operating in Belize accounted for the highest level of revenue under public services<sup>1</sup>.

---

<sup>1</sup>Provisional data on Belize for the years 1991 and 1992 respectively indicate that the average inflows from embassies account for approximately 31.5% of revenue under public services.

This was obtained from annual surveys. Unlike Barbados and Guyana, there were inflows recorded by that country from military transactions and expenditure, the source of information being the Central Bank of Belize, commercial banks and Belize Defence Force.

In the case of labour income, the debt item for Barbados and Belize was estimated based on the number of migrant workers who assisted in the agricultural sector. However, it was interesting to note that in estimating the credit item for this component, Belize assumed that approximately 70% of the income of these workers was spent in that country. On the other hand, in Barbados, the credit item comprised workers' remittances by local farm labourers in North America and the earnings of Barbados seamen serving on foreign shipping lines.

### *Transfers*

Transfer payments can either be of a governmental or a private nature. Both Barbados and Guyana estimated Government transfers from the records of the Ministry of Finance and direct enquiry. In Belize, government transfers were estimated from information provided by individual organizations or upon request. With respect to private transfers, the direct enquiry method, Exchange Control records and postal orders by the post office were the main sources for Barbados and Belize. Private transfers to Barbados usually came from Barbadians living in the U.S., Canada and the U.K. However, Belize, (to cite Mendoza 1993) had developed a black market for money orders and drafts, hence some of the inflows to that country were picked up in net errors and omissions. This brought into question therefore the reliability of the item for Transfers provided in Table 3.

While Guyana's foreign exchange flows constituted the basis for estimation, Austin argued that it did not reflect reality due to a number of considerations including:

- (1) migrant cash remittances which were often remitted through the mail, courier and more recently money transfer facilities;
- (2) the barrel trade was undervalued;
- (3) emigrants' transfers were undetected;
- (4) the absence of a survey on private non-governmental organizations which had been receiving increasing aid in recent years.

This had led to an apparent sluggishness in the trend for net transfer payments shown in the official publications.

### CAPITAL ACCOUNT

The Capital Account comprises public and private sector long-term capital, short-term capital and other capital. This classification allows one to distinguish between speculative and investment capital<sup>2</sup>. Official records and direct enquiry were the methods by which the level of public sector and private capital transactions in Barbados were determined. Public sector capital transactions were easier to follow but business firms, public utilities excepted, were less forthcoming with such information.

---

<sup>2</sup>In Barbados, the major component of short-term capital is net trade credits. In 1992, there were net trade credits of over \$150 million as firms anticipated an exchange rate adjustment and moved to reduce outstanding trade credits.

In Guyana private capital inflows were estimated based on aggregation of the imports of foreign enterprises. However, Austin suggested that with the increasing role of the private sector in the transition to a market economy, there was need for the refinement of direct and portfolio investment capital entries in the BOP. Currently a direct investment enterprise is defined by the Statistical Bureau as one in which 25% or more of the voting stock is held by non-residents. Austin said that this represented the major type of foreign investment in Guyana with multinational corporations operating in the telecommunication, forestry, gold and bauxite mining sector. There was no survey of direct foreign investment and the level of cooperation in the provision of data was unacceptable. Some enterprises submitted planned rather than actual investment flows.

In the case of Belize, Mendoza said that direct foreign investment credits had to be estimated since the response rate to past surveys of private industry had not been good. A case in point related to investment (through a notional company) in real estate. While Central Bank approval was required for such transactions and private individuals sought these approvals mainly through their attorneys, there were several firms operating which violated this regulation and who were unwilling to provide information on the value of land sale if so required. There was also a lack of information on direct foreign investment concerning the flow of funds or goods (paid for abroad) to Belize. Thus as far as the BOP in Belize was concerned, the direct foreign investment category depended mainly on the compilers' observations and estimates for activity taking place around the country within the review period.

Share purchasing from abroad was also a very difficult issue to resolve in Belize. All investments were to be registered with the Central Bank of Belize and its Bank approval was required for sale of land and shares to non-residents. Non-residents, in order to meet the latter requirement, applied to purchase very small numbers of shares (up to a maximum of ten) in a company which was newly incorporated and resident. However, further investments by individuals were made without the necessary Bank approval. Many of these companies received investments but the extent of these investments was difficult to estimate since they would vary from company to company.

#### FOREIGN RESERVES

In this entire discussion this category was by far the easiest to comment on, since there was consistency by the three countries involved. Barbados, Belize and Guyana all depended on their official records for determining their reserve levels and official records are in general precise.

#### Section 3

#### SUMMARY AND CONCLUSIONS

This paper has attempted to look at some of the methods used to estimate various categories of the BOP and the problems involved. Barbados was fortunate to obtain most of its information by direct enquiry, surveys and exchange control records. Of course difficulties may have arisen due to minor timing discrepancies deriving from differences in the accounting period and exchange rate valuations. In Barbados, although the response to the annual survey



TABLE 3  
BALANCE OF PAYMENTS - BELIZE  
(US\$ MILLION)

	1990	1991	1992
A. CURRENT ACCOUNT	15.2	-27.2	-36.3
i) Merchandise Trade	-59.2	-99.5	-102.5
Exports (f.o.b.)	129.2	124.1	140.6
Imports (f.o.b.)	188.4	223.6	243.1
ii) Services (net)	45.0	45.0	35.4
Travel	31.5	41.6	42.9
Investment Income	-8.6	-9.4	-15.2
Other	22.1	12.8	7.7
iii) Transfers (net)	29.4	27.3	30.8
Official	13.1	12.0	12.9
Private	16.4	15.3	17.9
B. CAPITAL ACCOUNT	25.1	14.9	15.0
i) Long-Term Capital Flows (net)	29.3	22.6	17.0
Official	7.9	8.0	4.9
Private	21.4	14.6	12.1
ii) Short-Term Capital flows (net)	-4.2	-7.7	-2.0
C. NET ERRORS AND OMISSIONS	-27.8	-8.5	22.7
D. CHANGE IN RESERVES (minus = increase)	-12.5	20.8	-1.4

Source: Annual Report and Accounts (1992)  
Central Bank of Belize

TABLE 4  
BALANCE OF PAYMENTS - GUYANA  
(US\$ MILLION)

	1989	1990	1991	1992	1993
CURRENT ACCOUNT					
Merchandise Trade					
Exports f.o.b.	204.7	203.9	239.0	381.7	415.5
Imports c.i.f.	-212.4	-249.5	-244.0	-442.7	-483.8
Trade Balance	-7.7	-45.6	-5.0	-61.0	-68.3
Net Services & Unrequited Transfers	-105.6	-102.1	-113.0	-85.7	-68.1
Non Factor Services (net)					
Factor Services (net)	-24.5	-21.7	-25.0	-5.3	-3.3
Transfers	-102.7	-108.7	-109.0	-110.4	-93.8
Private	21.6	28.3	21.0	30.0	29.0
Current Account Balance	-113.3	-147.7	-118.0	-146.7	-136.4
CAPITAL ACCOUNT					
Merchandise and Long-Term Capital (net)	-68.9	-47.3	52.0	123.6	78.1
Non-Financial Public Sector (net)					
Disbursements	-61.4	-56.1	-21.0	-21.3	4.0
Amortization	40.4	65.2	22.0	26.0	54.0
Private Sector (net)	-101.8	-121.3	-43.0	-47.3	-50.0
Private	9.2	16.4	28.0	137.9	63.3
Short-Term Capital (net)	-17.7	-11.3	16.0	-3.0	6.4
ERRORS AND OMISSIONS	1.0	1.3	-	-16.2	8.6
OVERALL BALANCE	-181.2	-193.7	-66.0	-39.3	-49.7

Source: Statistical Bulletin - Bank of Guyana

## REFERENCES

- Balance of Payments of Barbados (1994) Central Bank of Barbados
- Austin P. (1993) "Report on the Preparation of Balance of Payments Statistics in Guyana", presented at IMF Course on Balance of Payments Methodology, Washington, D.C.
- Campbell T. (1993) "Administrative Organization of Balance of Payments Statistics Compilation and Broad Description of Methods Followed and Sources Used", presented at IMF Course on Balance of Payments Methodology, Washington, D.C.
- International Monetary Fund (1977) Balance of Payments Manual, 4th edition, International Monetary Fund, Washington, D.C.
- Mendoza P. (1983) "The Compilation of Belize's Balance of Payments", presented at IMF Course on Balance of Payments Methodology, Washington, D.C.
- Sodersten B. (1980) "The Balance of Payments" in International Economics, 2nd Edition, (McMillan Publishers Ltd.).

