

COLLABORATION BETWEEN THE INTERNATIONAL MONETARY FUND AND THE WORLD TOURISM ORGANIZATION ON IMPROVING THE QUALITY OF TOURISM DATA

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Executive Summary

This paper describes recent joint efforts between the Statistics Department of the International Monetary Fund (IMF) and the Department of Statistics and Economic Measurement of Tourism of the World Tourism Organization (UNWTO) to improve the quality of tourism statistics. Whereas the two agencies have cooperated on various projects since the inception of the UNWTO, some of the more significant joint activities relate to their efforts to harmonize the classification systems of activities relating to international travel in the balance of payments statistics and in the tourism statistics frameworks.

The IMF collects the balance of payments statistics of its member countries as part of its broad responsibilities to conduct surveillance of these countries' economies. The IMF works with its members to ensure that their statistics are produced according to international standards in terms of coverage and accuracy and are internationally comparable. In this regard, starting with the issuance in 1948 of the first edition of the *Balance of Payments*

¹ This paper also significantly benefited from contributions by Ralph Kozlow, IMF.

Manual, the IMF has promoted the development of appropriate standards for compiling the statistics. Most of the transactions relating to international tourism are recorded in the balance of payments statistics; thus, the focus of the IMF on improving balance of payments statistics extends to the need to improve statistics on the travel component. Further, the importance of tourism to the economies of many countries suggests that the IMF should follow developments on tourism-related activities as part of its economic surveillance activities.

The IMF and the UNWTO have collaborated on three key areas in their efforts at improving the tourism statistics of member countries, these being reconciling differences between their data sets, developing consistent methodologies, and developing a compilation guide for balance of payments statistics.

In 2003, the two agencies launched efforts to promote communication between balance of payments compilers—mainly central banks—and national tourism bodies. These efforts were prompted by the UNWTO after a comprehensive analysis of the data on travel receipts and payments revealed discrepancies between the data submitted to the IMF and the UNWTO. The analysis was first conducted for the period 1995-1999 and was repeated for the period 1997-2001.

In the run-up to the development of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, the UNWTO produced discussion papers proposing alternatives to the treatment of tourism-related transactions in the revised manual.

The UNWTO also provided substantive comments to the *Annotated Outline for Revision of the Balance of Payments Manual (AO)* that the IMF produced in 2004 as a framework for revising the manual. The IMF has taken these proposals into account, and the manual has cross-referenced various UNWTO publications for further information on tourism statistics. The IMF has also been part of the inter-agency task force that provided input to the UNWTO in its drafting of the *International Recommendations on Tourism Statistics (2008 IRTS)*.

As a follow-up to its contributions to the development of the *BPM6* and the *2008 IRTS*, the UNWTO will contribute substantial material on travel and passenger transport to a compilation guide that the IMF will develop to accompany the *BPM6*. Work on the *BPM6 Compilation Guide* is expected to commence at the end of 2008, soon after the approval of the *BPM6* by the IMF's Committee on Balance of Payments Statistics.

The collaboration between the two agencies can serve as a model of cooperation between international agencies. The two agencies have specific mandates but each has a responsibility to address the needs of both producers and users of the statistics. By working together in reconciling differences between their data sets, developing consistent methodologies, and developing a compilation guide for balance of payments statistics, the two agencies help address these needs of statistics producers and users. The IMF greatly appreciates the expertise of the UNWTO in developing improved and consistent international standards.

Introduction

This paper presents a summary of the collaboration between the Statistics Department of the International Monetary Fund (IMF) and the Department of Statistics and Economic Measurement of Tourism of the World Tourism Organization (UNWTO) in improving the quality of tourism statistics.

The two agencies have collaborated on various initiatives relating to tourism statistics since the establishment of the UNWTO General Secretariat in 1976, and this paper focuses on activities undertaken in recent years. As noted, their collaboration has covered the three main areas: Reconciling differences between their data sets, developing consistent methodologies, and preparing a compilation guide for balance of payments statistics. The two agencies have been successful in completing major activities associated with the first two areas and have reached an agreement to start work on the compilation guide in the near future.

In the first section, we briefly establish the basis for the IMF's involvement and interest in tourism statistics by examining the importance of travel to the balance of payments. We then review recent efforts that were undertaken jointly by the IMF and the UNWTO to improve the coverage, consistency, and accuracy of the data relating to tourism transactions submitted to their organizations by their member countries. Subsequently, the paper reviews the influence of the UNWTO on the development of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* and the input of the IMF in drafting the *International Recommendations on Tourism Statistics (2008 IRTS)*. We then look forward

to plans for collaboration on upcoming activities, relating specifically to the IMF's plans to develop a *BPM6 Compilation Guide* with input from the UNWTO on the sections relating to the measurement of travel and tourism.

International Travel and the Balance of Payments

The IMF collects balance of payments statistics from its member countries as part of its broad responsibility for economic surveillance. The IMF has a mandate in ensuring that statistics are produced according to international standards in terms of coverage and accuracy and are internationally comparable. In this regard, starting with the issuance in 1948 of the first edition of the *Balance of Payments Manual*, the IMF has promoted the development of appropriate standards for compiling the statistics. Tourism-related activities constitute a significant component of the balance of payments and therefore, the focus of the IMF on improving balance of payments statistics extends to the need to improve statistics on the travel component. Further, the importance of tourism to the economies of many countries suggests that the IMF should follow developments in this area as part of its economic surveillance activities.

The UNWTO is the international agency responsible for tourism statistics, and consistency with the definition and coverage of the travel component of the balance of payments statistics is of obvious importance to users of both sets of data.

International tourism² results in transactions between residents and nonresidents and as such, is of interest to balance of payments compilers. A country's balance of payments statistics should reflect the value of these transactions. The balance of payments statistics do not specifically identify tourism in a single category; instead, tourism-related transactions are recorded in various components of the statistics. These transactions are recorded primarily in the travel component and in passenger services in the transportation component. Some tourism-related transactions, such as the purchase of airline travel services from a nonresident carrier that enables a resident to travel between two cities in his/her primary country of residence, are balance of payments transactions but should not be recorded in travel.

The visitor expenditure category in UNWTO statistics closely matches the definition of travel used in the balance of payments. The coverage of travel is broader than the coverage of visitor expenditures because travel includes expenditures by individuals that may not be considered visitors in tourism statistics, such as border, seasonal, and other short-term workers. For many countries, this difference may be minimal. In fact, the UNWTO publication, *Tourism Market Trends*,³ has used the balance of payments definition of travel as a proxy to determine international tourism expenditures (i.e., receipts and payments). Thus, in the UNWTO publication, balance of payments travel credits represent tourism receipts and travel debits represent tourism payments.

² International tourism in this paper refers to spending by an individual who travels to or in a country other than his/her country of primary residence.

³ World Tourism Organization, 2004 Edition, *Tourism Market Trends: World Overview and Tourism Topics*.

Whereas the travel component of the balance of payments captures most of the consumption expenditures of non-residents in the economy, it is much more difficult to decompose passenger transport into its tourism and non-tourism components. Therefore, the discussion of tourism statistics in this paper will be restricted to data on visitor expenditure as defined in the UNWTO guidelines and the travel component as defined in the balance of payments.

The importance of tourism in the balance of payments is demonstrated by the large share of exports in the world current account that reflects travel receipts.⁴ Travel receipts on a global scale have comprised the single largest component of international transactions in services. In 2006—the most recent year for which global balance of payments estimates are available—total travel receipts amounted to \$735.8 billion, representing 26 percent of total international receipts from services. For developing countries, the importance of travel receipts to the balance of payments is even more pronounced. In 2006, travel receipts accounted for 31 percent of total receipts from services in these countries.

No aggregate data are currently available on the proportion of passenger services attributable to tourism, but the inclusion of these services would illustrate more profoundly the importance of tourism-related transactions to the balance of payments.

⁴ Theoretically, world travel receipts (credits) should be equivalent to world travel payments (debits). However, data deficiencies and measurement errors preclude this. For purposes of consistency, this paper will use travel credits as its estimate of world travel spending. Estimates of travel credits may be more reliable than estimates of travel debits, because countries generally undertake more in-depth analyses of inbound tourism as compared with outbound tourism due to the economic, financial and social implications of the former.

Recent Collaboration on Improving Tourism Statistics

The IMF and the UNWTO have collaborated with one another bilaterally as well as by participating on international task forces and working groups to address various issues relating to tourism statistics.

Reconciling differences in data

In 2003, the IMF and UNWTO worked together in promoting communication channels between compilers of balance of payments statistics—primarily central banks—and national tourism agencies. These efforts were prompted by the UNWTO as a follow-up to a comprehensive analysis of the data on international travel that were collected by the IMF and UNWTO.

The UNWTO had observed some inconsistencies in the data but the magnitude and reasons for the discrepancies had not been explored. The analysis first covered the period 1995-1999 and was repeated for 1997-2001. In the analysis, the UNWTO reviewed data on travel receipts and travel payments submitted for its publications against similar data submitted to the IMF; more specifically, IMF data on travel receipts and payments were used as proxies for visitor expenditures associated with inbound and outbound tourism. (The UNWTO has since considered the publication of data on visitor expenditure by combining the travel and passenger transport components of the balance of payments statistics, because passenger transport is deemed a significant component of visitor expenditures). This exercise represented the first major step by the IMF and UNWTO to address apparent inconsistencies in the data reported by member countries.

The analysis revealed that, of the 101 countries that provided data both to the IMF and to the UNWTO for the period of 1997-2001, there were significant discrepancies for 40 countries. Based on the findings, the two agencies agreed to consult with their respective correspondents—the IMF consulting the balance of payments compilers and the UNWTO consulting national tourism agencies—to promote discussion and research into reasons for the discrepancies.

Interestingly, the main reason identified for the discrepancy was the source of the data. The UNWTO received data from the tourism authorities and the IMF received data from balance of payments compilers. In many cases, there was little communication between these two national agencies on compiling data relating to tourism.

As a follow-up to this analysis and consultation exercise, the UNWTO proposed a general questionnaire and a framework that could be used jointly by tourism authorities and balance of payments compilers to collect tourism data that are useful to both. The UNWTO offered its assistance to its members in implementing the framework, and also sought support from the IMF in encouraging central banks and other BOP compilers in adopting this approach.

Development of consistent methodology

One of the most important areas of collaboration between the IMF and UNWTO over the past few years has been in the development of consistent methodologies across statistical frameworks for the measurement of tourism statistics. The two agencies have been engaged

in efforts to achieve consistency in the coverage of tourism in the balance of payments and in the guidelines for compiling tourism statistics. These efforts took on greater importance with the plans to revise the balance of payments manual, which has since reached an advanced stage with the imminent release (in December 2008) of the *BPM6* and the release in March 2008 of the *2008 IRTS*.

In the run-up to the revision of the balance of payments manual, the UNWTO prepared two important discussion papers that examined the consistency of the definitions of tourism in the various macroeconomic statistics frameworks. The first paper, *Travel in the Balance of Payments and Tourism as a Traded Service (2004)*,⁵ reviewed the main issues regarding the definition and measurement of tourism with the purpose of promoting discussion among balance of payments compilers and experts engaged in developing statistics on trade in services. One of the key reasons that the UNWTO prepared the discussion paper was that it saw “... a special need to clarify the place for tourism in the balance of payments and related macroeconomic frameworks...” The UNWTO followed this paper with another discussion paper in 2005 that explored the conceptual differences between the fifth edition of the *Balance of Payments Manual (BPM5)*, the Tourism Satellite Account, and other macroeconomic frameworks.

⁵ Discussion paper presented to the Intersecretariat Working Group on International Trade in Services Statistics

The UNWTO also provided extensive, specific comments on the *Annotated Outline for Revision of the Balance of Payments Manual (AO)*⁶ that the IMF produced in 2004 as a framework for revising the manual. In its comments, the UNWTO identified three areas in the *AO* that it felt had implications for the measurement of tourism statistics. These areas were the following:

- *The satellite account approach:* The *AO* identified the need to describe satellite accounts, which allow for alternative presentations of statistics for particular analytical purposes. The UNWTO viewed this as a significant development that would promote greater flexibility and cohesion of the balance of payments and tourism statistics.
- *Individuals and households:* The *AO* identified the need to clarify the relationship between the individual and the household so that all individuals of a household have the same country of residence. This treatment highlights a difference between the concepts underlying the balance of payments statistics, which recognize the household as a unit in the accounts, and the tourism statistics, which focus on movements of an individual.
- *The proposed classification of services within the travel item:* The UNWTO welcomed the proposal in the *AO* to include an alternative breakdown of the

⁶ UNWTO's Comments to IMF's AO Document: Updated Version, UNWTO Department of Statistics and Economic Measurement of Tourism, July 2004

travel item according to product group; the agency noted that this would promote closer links with the tourism satellite accounts.

As with its discussion papers, the UNWTO's comments on the *AO* were geared towards reducing the differences in the conceptual frameworks for tourism statistics and the balance of payments. In addition, as had been done in the discussion papers, the UNWTO identified some differences between the conceptual frameworks underlying the tourism satellite accounts and the balance of payments statistics and noted that these differences produce variances in the data as well as in the analyses of tourism related activity.

The UNWTO's comments on the *AO*, and the content of its discussion papers, were quite useful to the IMF's Committee on Balance of Payments Statistics (BOPCOM), in that they helped to crystallize the issues and provide rationales for some of the observed differences between the treatments in the *BPM6* and in the tourism framework. In response to the UNWTO's submissions, the *BPM6* includes recommendations for a supplementary⁷ breakdown of travel by expenditure group (i.e. expenditure on accommodation, meals, entertainment, etc.). This breakdown would facilitate closer links between the balance of payments and tourism satellite accounts. Further, the *BPM6* also suggests that compilers may present supplementary items that identify relevant tourism-related goods and services in the

⁷ In the *BPM6*, supplementary items are described specifically as items that are "...outside the standard presentation, but are compiled depending on circumstances in the particular economy, taking into account the interests of policymakers and analysts as well as resource costs."

travel and passenger items of the balance of payments to highlight the links between travel and passenger transport and tourism statistics.

The *BPM6* also recommends that compilers identify separately, on a supplemental basis, acquisitions of goods and services by border, seasonal, and other short-term cross-border workers, to promote comparability with tourism statistics. These data would accommodate the additional concept of “usual environment”⁸ in the tourism satellite accounts. As a further indication of the efforts to promote consistency between the datasets, the *BPM6* cross-references the UNWTO publications for further information on tourism statistics.

The UNWTO, in its comments on the *AO*, argued for the dropping of the differentiation between business and personal travel expenditure as the primary breakdown. The agency noted that a classification according to business and personal travel expenditure results in a lack of completeness in the data compared to a breakdown by type of expenditure (product group), which is widely used when assessing visitor expenditure. The UNWTO also presented alternative breakdowns to be used for this component. However, whereas the IMF and the members of the BOPCOM recognized the usefulness of the breakdown proposed by the UNWTO, these recommendations were not accepted. The use of the *personal* and *business* breakdown of expenditure in the *BPM6* is designed to establish consistency in the

⁸ The concept of “usual environment” as defined in *2008 IRTS* is designed to exclude from tourism, persons that travel regularly between their place of usual residence and places of work, study, or other places visited as part of the regular life routine, although these places may be in a different economic territory. Thus, tourism expenditure would exclude that of border, seasonal, and other short-term workers and of regular routine border crossers (for example, people who cross the border regularly to shop). The *BPM6*, on the other hand, includes these expenditures in travel.

classification of expenditure with the *2008 System of National Accounts (2008 SNA)*. The *2008 SNA* distinguishes between the travel expenditure of households, which is classified as household final consumption, and of businesses, which is classified as intermediate consumption expenditure. These expenditures are recorded in different accounts in the system and are allocated to different institutional sectors.

The IMF has been part of the Inter-agency Coordination Group on Tourism Statistics (IACG on TS) that was responsible for developing the *2008 IRTS*. The UNWTO was responsible for drafting the *2008 IRTS*, and the IMF, along with other international organizations, provided comments on, and helped to fine-tune, the framework. The IMF worked with the UNWTO in the run-up to the development of the manual to ensure consistency between the *2008 IRTS* and the *BPM6*. However, it should be noted that the two statistical frameworks are designed to meet different needs and therefore focus on different areas⁹. In this regard, the two agencies have endeavored to be transparent in defining the various aggregates and in providing all necessary information to users so that they would be aware of the differences and the distinct goals of the frameworks. Therefore, with input from the UNWTO, the *BPM6* provides an outline of the differences between tourism statistics and the travel component of the balance of payments.

⁹ The measurement of travel in the balance of payments statistics is predicated on the residence of the household whereas tourism statistics focuses on the “usual environment” of an individual, which may include geographic areas beyond the economic territory where the individual is a resident. As a result, tourism expenditures exclude the acquisition of goods and services by border, seasonal, and short-term workers as these expenditures are deemed to take place in the usual environment of the individual. In the balance of payments statistics, a household can only be a resident of one economic territory; therefore, these acquisitions would be considered transactions between residents and non-residents.

The UNWTO has made great efforts to improve the international guidelines for assessing the quality of tourism data. In this regard, the *2008 IRTS* has adopted the IMF's Data Quality Assessment Framework (DQAF) as a tool for describing, promoting, and assessing the quality of the data. The DQAF employs a broad concept of data quality that encompasses all aspects of producing the statistics. It is also quite flexible in that it could be easily adapted to be used as an assessment tool for almost any macroeconomic dataset. In adopting the DQAF, the UNWTO has indicated the need to implement a standardized process for assessing the quality of tourism statistics across countries. To date, the IMF has developed assessment frameworks for eight data sets. Other international agencies, such as the United Nations Educational, Scientific and Cultural Organization and the World Bank, have extended the DQAF to other datasets and have used variations of it to develop indicators of statistical capacity.¹⁰

The DQAF identifies five dimensions of quality that capture each aspect of data production including source data collection, integration frameworks (processing of the source data and developing the statistics), and data dissemination. It also describes four major prerequisites of quality in terms of the legal and institutional environment, resources, relevance, and other quality management (in terms of the processes in place to focus on, and monitor, quality). These prerequisites of quality are factors that are deemed to have an overarching influence on the quality of the statistics and therefore focus on the agency compiling the statistics, rather than the dataset.

¹⁰ A separate DQAF exists for the balance of payments statistics. Data collection, compilation, and dissemination of statistics relating to the travel component of the balance of payments are assessed as part of the balance of payments.

The assessment of the institutional framework is particularly crucial for tourism statistics, where the agency responsible for compiling the statistics may not consider this task to be one of its main functions. This may be the case with national tourism agencies that see their primary role as tourism marketing rather than developing statistics. The DQAF outlines the key principles and best practices that the compiling agency should follow in order to compile statistics that meet international standards.

Plans for Future Collaboration

Recognizing the excellent work that the two agencies have completed together, and with an appreciation of the obvious benefits, the IMF and the UNWTO have committed to working together in the future, to assist compilers of tourism related statistics in the balance of payments. In this regard, and as a follow-up to their work on developing the *2008 IRTS*, the two agencies plan to work on developing compilation guidance for the travel and passenger transport component of the balance of payments. The UNWTO would prepare drafts of relevant sections of the IMF's *Balance of Payments Compilation Guide*. The process will be initiated with an "exchange of letters" detailing the commitments of each organization.

The agencies have not agreed on a precise timeframe for undertaking this work, as the IMF is yet to develop a firm timeline for developing the *BPM6 Compilation Guide*. However, the IMF plans to start work on the *Compilation Guide* as soon as the *BPM6* is completed. Preliminary indications are that work on the guide should commence in 2009.

The two agencies have discussed an overall framework and a sequence of activities for the UNWTO's contribution. As a first step, the UNWTO has proposed drafting a detailed annotated outline of the document to be produced. This outline will serve to clarify the areas of the current *BPM5 Compilation Guide* that the agencies have agreed should be updated. In addition, it will expand on some specific issues that have become more important in international tourism, or that were not adequately addressed in the *BPM5 Compilation Guide*. In particular, the UNWTO proposed expanding on issues such as the recording and treatment of owner-occupied second homes and time-shares, and expenditures related to cruises.

The UNWTO would then solicit comments from the IMF, and possibly from other international organizations, before starting work on a first draft. The UNWTO has also discussed the possibility of testing the draft material for the *Compilation Guide* during some of its Capacity Building Subregional Workshops that it plans to conduct in various regions on a biannual basis. This would be an important opportunity to obtain feedback from a broad range of individuals engaged in compiling tourism statistics. The IMF would have an opportunity to participate in some of these workshops. Following the consultations, the UNWTO would complete a second draft, taking into account comments received from the relevant agencies and individuals.

The IMF and UNWTO have also discussed the possibility of developing guidelines for compiling tourism balance of payments statistics, which would identify separately the tourism-related transactions between the residents of the compiling economy and residents of the rest of the world. The tourism balance of payments statistics would therefore use the

concepts, definitions, and classifications underlying the balance of payments statistics as its broad framework. However, the agencies do not consider this exercise a priority because of other pending projects currently being undertaken by both, including the efforts to improve the core tourism methodology and compilation frameworks.

Conclusion

The IMF is on the verge of releasing the *BPM6* and the UNWTO has released in March 2008 the *2008 IRTS*. The development of these frameworks have benefited immensely from the collaboration between the two agencies over the past several years and their efforts at harmonizing the concepts and definitions relating to international tourism and travel. The agencies actively solicited the advice and other input from each other in the process, and the success of these efforts can serve as a model of the benefits from cooperation in harmonizing international statistical frameworks.

Many of the discussions between the two agencies have been undertaken in an informal manner between staff—through email exchanges, telephone discussions, or other casual contacts. This high level of cooperation and on-going dialog is set to continue with the UNWTO's inputs into the IMF's proposed *BPM6 Compilation Guide*.

The two agencies have specific mandates but each has a responsibility to address the needs of both the producers and users of their statistics. The agencies have been successful in reconciling the differences between their data, in developing consistent methodologies, and in working together in developing compilation guidance.

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