

Balance of Payments and International Investment Position Methodology

NATIONAL BANK OF RWANDA

Statistics Department

Balance of Payments Division

Website: www.bnr.rw

Email: bopstat@bnr.rw

June 2020

Table of content

Table of content.....	ii
1. INTRODUCTION	1
2. BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS	2
2.1. Legislative framework	2
2.2. External Cooperation	2
2.3. Users.....	2
2.4. Data source	3
2.5. Availability of Data	3
2.6. Timeliness.....	4
2.7. Compilation frequency.....	4
2.8. Revision policy	4
2.9. Implementation of BPM6 Manual.....	4
2.10. Publication.....	5
3. CONCEPTS, DEFINITIONS AND AGREED PRACTICES	5
3.1. GENERAL PRINCIPLES OF BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS	5
3.1.1. Balance of payments	5
3.1.2. International Investment Position	6
3.1.3. Reconciliation of positions and flows	7
3.1.4. The main accounting principles for transactions and positions	8
3.1.5. Imputations	10
3.1.6. Residence.....	11
3.1.7. Allocation to institutional sectors.....	13
3.1.8. Additional classification of financial assets and liabilities	15
3.2. BOP and IIP Component Items	16
3.2.1. Current account	16
3.2.1.1. Goods	16
3.2.1.2. Services	17
3.2.1.3. Primary Income	22
3.2.1.3.1. <i>Compensation of Employees</i>	23

3.2.1.3.2. <i>Investment Income</i>	23
3.2.1.4. Secondary Income	24
3.2.2. Capital Account	25
3.2.2.1. <i>Acquisition and disposal of non-produced, non-financial assets</i>	25
3.2.2.2. <i>Capital Transfers</i>	26
3.2.3. Financial account	26
3.2.3.1. Direct Investment	27
3.2.3.2. Portfolio Investment	28
3.2.3.3. Other Investment	29
3.2.3.4. Reserves Assets	31
3.2.4. Net errors & omissions	32

1. INTRODUCTION

The National Bank of Rwanda (NBR) through the Balance of Payment Division in Statistics Department is responsible for compiling and disseminating balance of payments (BOP) and International Investment Statistics (IIP) for Rwanda. These statistics depicts the economic relations of Rwanda vis-à-vis the rest of the world and represent important indicators of economic performance.

This document provides users with an overview of the main features of the methodological framework for Rwanda's external sector statistics. Concepts and definitions are consistent with the sixth edition of the Balance of Payments and International Investment Manual (BPM6) published by the International Monetary Fund (IMF) in 2009. This document contains general explanations for each component of the BOP and IIP that will help users of external sector statistics (ESS) in reading the statistics.

In 2015, NBR started to compile and publish the BOP and IIP statistics following the sixth edition of the Balance of Payments and International Investment Manual (BPM6). In the process to shift to the new methodology, the data were revised back until 2010 according to the BPM6. The first comprehensive quarterly statement of the Rwanda's BOP and IIP were published in 2020 with the data for the reference period 2017Q1 onwards.

This document is released under the responsibility of the Balance of Payment Division in the Statistics Department and published on the NBR's website (www.bnr.rw).

2. BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

2.1. Legislative framework

The responsibility of NBR for compiling statistics derives from Article 6 of the law N°48/2017 of 23/09/2017 governing the National Bank of Rwanda. The law governing the National bank of Rwanda in article 6 states that the general mission of NBR is to ensure price stability and sound financial system and one of the responsibilities are to collect, compile, disseminate monetary and related financial statistics on a timely basis. Article 42 of the Law N°48/2017 of 23/09/2017 states that NBR prepares statistics on external payments and national revenue and expenditure projections in foreign currencies. Article 71 of the law governing the National Bank of Rwanda stipulates that NBR publishes reports containing statistical data as well as economic and financial studies.

2.2. External Cooperation

Compilation of the BOP and IIP is based on a mixed system, which uses a combination of settlement data and surveys. Article 6 of the law governing the National bank of Rwanda states that “NBR may require banks and other financial institutions as well as public and private agencies or any other person to provide it with statistics and information needed for the analysis, related to economic, monetary, credit, balance of payments and external debt conditions. NBR may also establish direct relationship with enterprises and professional groupings capable of providing it with information needed for the analysis”.

2.3. Users

Data on the BOP and IIP are published on the NBR’s website and available to all users.

Data and publications are shared with the National Institute of Statistics of Rwanda (NISR) for the purposes of compiling GDP, private and public research institutes, universities, rating agencies, etc. BOP and IIP are also used largely by NBR staff in

their publications and analyses on external sector and their interlinkages with other macroeconomic statistics.

2.4. Data source

Compilation of the BOP and IIP is based on a mixed system, which uses a combination of administrative records and surveys.

The statistics on goods is a mix of monthly data from the customs, administrative data from different reporting agencies like the Ministry of Finance (financial lease, imports of big projects), utility board (sell and purchase of electricity) and surveys data from the Informal Cross-border Trade (ICBT) and domestic and foreign airline agencies operating in Rwanda.

Data on services rely on surveys, administrative data and International Transactions Reporting System (ITRS). The ITRS is compiled by the BOP division in the Statistics Department at the NBR.

Government positions and transactions are collected administratively from the concerned unit in the Ministry of Finance and Economic Planning (MINECOFIN). Data on banks and central bank are collected from the Monetary Statistics Division in the Statistics Department at the NBR. Also collected from the NBR is the data on reserve assets Data Template on “International Reserves and Foreign Currency Liquidity” compiled by the Monetary Division.

Lastly, the NBR jointly with Rwanda Development Board (RDB), National Institute of Statistics of Rwanda (NISR) and Private Sector Federation (PSF) conduct annual and quarterly Foreign Private Capital (FPC) survey that collects data on inflows and outflows of foreign investments with the private sector in Rwanda.

2.5. Availability of Data

Annual BOP and IIP data compiled following the sixth edition of the Balance of Payments and International Investment Position (BPM6) manual by IMF start in 2010. Since 2020, the BOP and IIP data are compiled on quarterly basis and disseminated no later than three month and half after the end of the reference quarter. The BOP

and IIP are available with detailed instrument/category and sector breakdowns. The data are published based on the standard structure as recommended in the BPM6.

2.6. Timeliness

Quarterly BOP and IIP are published no later than three month and half after the end of the reference quarter.

2.7. Compilation frequency

The Rwanda's BOP and IIP are disseminated on quarterly basis since 2020 with data back in 2017 while annual data start in 2010. Compilation and publication of statistics is according to the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*.

2.8. Revision policy

While there is no published revision policy, revisions are of two types: regular and major. Regular or routine revisions updates data as they become available. In the quarterly BOP, previous quarter revisions are published along with the data in the following quarter. While the revised annual data for the reference year are published together with the data for the third quarter of the following year when annual surveys results are out. More often, the revision for the whole year is made for the data in the FPC when the annual census results become available. Major or long-term revisions such as methodological change where appropriate are considered and a note is prepared to communicate to data users.

2.9. Implementation of BPM6 Manual

Since 2015, NBR has started to compile and publish the BOP and IIP statistics according to the IMF's sixth edition of *Balance of Payments and International Investment Position Manual (BPM6)* manual. NBR provided the full implementation of the BPM6.

NBR provided the full implementation of the BPM6 with back data from 2010. In addition, NBR prepared and published a note related to the transition to the BPM6.

2.10. Publication

Time series BOP statistics are published on a regular basis on the External Sector Statistics webpage (<https://www.bnr.rw/browse-in/statistics/external-sector-statistic>).

BOP statistics are also available in different publications: the Annual Report (<https://www.bnr.rw/index.php?id=82>), Monetary Policy and Financial Stability Statement (<https://www.bnr.rw/news-publications/publications/monetary-policy-financial-stability-statement/>).

Externally Rwanda's BOP and IIP are also shared on the IMF website: (<https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1542635306163>).

3. CONCEPTS, DEFINITIONS AND AGREED PRACTICES

3.1. GENERAL PRINCIPLES OF BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

3.1.1. Balance of payments

The balance of payments (BOP) is a statistical statement that summarizes transactions between residents and nonresidents during a period. It consists of the goods and services account, the primary income account, the secondary income account, the capital account, and the financial account. A transaction is an interaction between two institutional units that occurs by mutual agreement or through the operation of the law and involves an exchange of value or a transfer.

The Balance of payments is organised in three main accounts:

- **The current account** records trade in goods and services, and flows of primary income and secondary income between residents and nonresidents.
- **The capital account** records transfers of capital and acquisitions and disposals of non-produced, nonfinancial assets between residents and nonresidents.

- **The financial account** records transactions relative to financial assets and liabilities between residents and nonresidents. The financial account is grouped into five functional categories:
 - direct investment;
 - portfolio investment;
 - financial derivatives;
 - other investment;
 - reserve assets

Transactions of the current account and the capital account are recorded in gross terms, i.e the inward flows are classified as credits, whereas the outward flows are classified as debits. By contrast, the financial account records transactions in net terms, separately for each financial asset and liability (i.e. they reflect changes arising from all credit and debit entries during the accounting period). The net acquisition of financial assets records all acquisitions minus the disposal of assets, whereas the net incurrence of liabilities records all incurrences minus the redemption of liabilities.

The sum of the current and capital accounts balances corresponds to the net lending (surplus) or net borrowing (deficit) of an economy vis-à-vis the rest of the world. The same concept can be derived from the financial account as the net acquisition of financial assets minus the net incurrence of liabilities.

3.1.2. International Investment Position

The international investment position (IIP) is a statistical statement that shows at a point in time the value and composition of (a) financial assets of residents of an economy that are claims on nonresidents and gold bullion held as reserve assets, and (b) liabilities of residents of an economy to nonresidents. Similar to the BOP financial account, financial assets and liabilities are grouped into five functional categories.

The difference between an economy's external financial assets and liabilities is the economy's net IIP, which may be positive or negative. It represents either a net claim on or, a net liability to non-residents. Changes in the IIP between consecutive periods

can be due to transactions, as recorded in the BOP financial account during that period, or to other flows.

3.1.3. Reconciliation of positions and flows

Changes in positions between consecutive periods are explained by the following flows during that period:

- i. transactions in the BOP financial account;
- ii. revaluations (changes in the USD exchange rate vis-à-vis the currencies in which the assets/liabilities are denominated and/or in the price of the assets/liabilities);
- iii. other changes in the volume of assets and liabilities (such as reclassifications and write-offs).

The greater the level of detail of the basic information on both stocks and flows – namely currency breakdown, applicable market prices (especially for portfolio investment) and the timing of the transaction (using the price and exchange rate for that date) – the more precise the reconciliation of consecutive positions will be.

Revaluations are holding gains or losses on international positions arising from changes in the exchange rate (in the case of assets and liabilities issued in foreign currency) and/or other prices, rather than from transactions.

If not available directly from reporting agents, an approximation needs to be derived from balance sheet aggregates for each currency denomination in order to split revaluations into exchange rate changes and other price changes.

For equity shares of unlisted companies, the transactions recorded in the BOP financial account may differ from the change in the own funds at book value (OFBV) recorded in the IIP. Such differences are recorded as revaluations due to price changes.

For non-negotiable instruments, namely loans, deposits and other accounts receivable/payable, financial account transactions, which are valued at market prices, will differ from the change in the nominal values recorded in the IIP. Such differences are recorded as other price changes during the period in which the transaction occurs.

Other changes in the volume of assets and liabilities reflect entrances of new assets into balance sheets and exits of existing assets and liabilities from balance sheets that are not caused by interactions by mutual agreement between institutional units (i.e., transactions). These include write-offs of claims by creditors, statistical reclassifications (of instruments, sectors, etc.), and monetisation and demonetisation of gold bullion.

When writing off financial instruments that are valued at nominal values, the value recorded in the other changes in volume should correspond to their nominal value prior to being written-off. For reclassifications (e.g. a sector reclassification), the values of both the new and the old instruments are in general identical.

3.1.4. The main accounting principles for transactions and positions

3.1.4.1. Double-entry system

The basic principle of double-entry accounting system is applied in the BOP statistics: Every transaction is recorded by two entries with equal values. One of these entries is designated a credit; the other is designated a debit. In principle, the sum of all credit entries is identical to the sum of all debit entries, and the net balance of all entries in the statement is zero.

A credit entry indicates;

- in the current account, exports of real resources (goods and services),
- in the financial account, an increase in liabilities or a decrease in assets

While a debit entry indicates;

- in the current account, imports of real resources (goods and services)

- in the financial account, a decrease in liabilities or an increase in assets

In practice, however, the accounts frequently do not balance. Timing and valuation effects along with a variety of other factors tend to cause imbalances in the information recorded, resulting into net errors and omissions.

Net errors and omissions are carefully monitored. Large or volatile value hampers the economic interpretation of the results and its use for economic policy. The size and patterns may help identify data problems such as under-coverage or misreporting. For instance, a persistent positive value for net errors and omissions suggests that some credit entries have been undervalued or not captured at all, or that debit entries have been overvalued or double-entered. A volatile pattern may suggest issues with the timing of the recording.

3.1.4.2. Time of recording of transactions

In line with the BPM6, flows are recorded on an accrual basis, meaning that they are recorded when economic value is created, transformed, exchanged, transferred or extinguished. Flows that imply a change of economic ownership are recorded when ownership passes, and services are recorded when provided. In practice, when a change in ownership is not obvious, the change may be assessed at the time that parties to a transaction record it in their books or accounts.

3.1.4.3. Valuation of transactions and stocks

Market prices are the basis for valuation in the international accounts. The market price of a transaction is the amount of money that buyers are willing to pay to acquire something from willing sellers.

Positions of financial assets and liabilities should, in general, be valued as if they were acquired in market transactions on the balance sheet reporting date. Positions on loans, deposits and trade credits, and advances and other accounts receivable/payable are recorded at nominal value. The use of nominal values is partly influenced by pragmatic concerns about data availability and the need to maintain symmetry between debtors and creditors.

Imports and exports of general merchandise are recorded at free on board (f.o.b.) values.

Valuation according to the market-value equivalent is necessary for financial assets and liabilities that are not traded in financial markets or that are traded too seldom. Fair values that approximate market prices should be estimated for these assets and liabilities. The present value of future cash flows is one of the valid approximations.

3.1.4.4. Aggregation and netting

Aggregations or combinations in which all elementary items are shown for their full values are called gross recordings (e.g., all interest credits are aggregated separately from all interest debits). On the other hand, aggregations or combinations for which the values of some elementary items are offset against the same items that have an opposite sign are called net recordings (e.g., acquisitions of foreign currency are netted against the sales of the foreign currency).

The international accounts show the gross recording in their current and capital accounts. While the net recording is shown in the financial account and other respective changes. Net acquisition of external financial claims and net incurrence of external liabilities are generally of more analytical interest than the gross flows.

3.1.5. Imputations

While most transactions can be clearly observed, some transactions do not reflect the underlying economic relationships and need to be rearranged so that the accounts portray economic reality.

In the imputation of transactions, entries are created in the accounts when no separate transactions are identified by the parties involved. As a general rule, transactions are to be imputed only in specific cases to reflect underlying economic relationships.

The following are the most notable cases of imputation of transactions in the international accounts.

- *Retained earnings* of direct investment enterprises are attributed to direct investors as if the retained earnings had been distributed in proportion to direct investors' shares in the earnings of the direct investment enterprises and then reinvested by them in the direct investment enterprise. The rationale behind this treatment is that because a direct investment enterprise is, by definition, subject to control or influence by a direct investor or investors, the decision to retain some of its earnings within the enterprise represents an investment decision on the part of the direct investor or investors.

3.1.6. Residence

The residence of each institutional unit is the economic territory with which it has the strongest connection, expressed as its center of predominant economic interest. Rwanda residents are considered legal entities that are registered and active in Rwanda and individuals that live in Rwanda and do not intend to leave the country for a period longer than a year (except for diplomats, military personnel, students and patients).

A centre of economic interest exists when a unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale in or from a location, dwelling, place of production or other premises within a territory. For practical reasons, actual or intended location for one year or more is used as an operational threshold. However, the following are examples of borderline cases in the determination of residency.

- *Students* who go abroad to study full-time generally continue to be resident in the territory in which they were resident prior to studying abroad. This treatment is adopted even though their course of study may exceed a year, assuming that the movement is temporary and thus their centre of predominant economic interest remains the home country.
- *Patients* who go abroad for medical treatment maintain their predominant center of interest in the territory in which they were resident before they received the treatment, even if the treatment lasts one year or more.

- *Crews of ships, aircraft, oil rigs, space stations or other similar equipment* which operate outside a territory or across several territories are treated as being resident in their home country.
- *National diplomats, peacekeeping and other military personnel, and other civil servants employed abroad in government enclaves*, as well as members of their households are considered to be residents of the economic territory of the employing government.
- *Staff of international organizations*, including those with diplomatic status and military personnel are resident in the territory of their principal dwelling.
- *Border workers, seasonal workers and other short-term workers* who cross borders for a short period to undertake a job are considered residents in the economic territory in which they maintain a dwelling used by members of the household as their principal dwelling.

When undertaking international transactions in land and/or buildings (e.g. holiday homes), property owners are treated as if they have transferred their ownership to a notional institutional unit resident in the country where the property is located. The notional unit is treated as being owned and controlled by the non-resident owner.

A legal entity is resident in the economic territory under whose laws the entity is incorporated or registered. This applies also to legal entities with little or no physical presence, e.g. investment funds (as distinct from their managers), securitisation vehicles, and some special purpose entities (SPEs). If the entity is not incorporated, it is considered to be resident in the country whose legal system governs the creation and continued existence of the entity.

Subsidiaries are separate institutional units with independent legal status, either wholly owned or with majority ownership held by another entity (the parent institution). Branches are entities without independent legal status (they are wholly owned by the parent). However, when branches are located in a country other than the one in which the company controlling them is located, they are deemed to be separate institutional units.

3.1.7. Allocation to institutional sectors

The sector breakdowns of Rwanda's BOP and IIP are consistent with the BPM6 sectorisation, and they are presented as follows:

- Central banks;
- Deposit-taking corporations except the central bank;
- General government;
- Other sectors.

Central Bank

The central bank is the financial institution (or institutions) that exercises control over key aspects of the financial system. It carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to deposit-taking corporations. The National Bank of Rwanda (NBR) is the central bank of Rwanda.

Deposit-taking corporations except the central bank encompass:

Deposit-taking corporations, except the central bank have financial intermediation as their principal activity. To this end, they have liabilities in the form of deposits or financial instruments (such as short-term certificates of deposit) that are close substitutes for deposits.

Deposit-taking corporations except the central bank include the following entities:

- i. commercial banks, “universal” banks, and “all purpose” banks;
- ii. savings banks (including trustee savings banks and savings and loan associations);
- iii. cooperative credit banks and credit unions;
- iv. specialized banks or other financial institutions if they take deposits or issue close substitutes for deposits.

General government

The general government sector consists of the following sub-sectors:

- Central government (excluding social security funds): all administrative departments of the state and other central agencies whose competence normally extends over the entire economic territory (with the exception of the administration of social security funds);
- Local government (excluding social security funds): those types of administrative departments, agencies, the competence of which covers only a restricted part of the economic territory of a country.
- Social security funds: central institutional units whose principal activity is to provide social benefits and which fulfil the following criteria: by law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions;

Other sectors

The other sectors category comprises:

- Other financial corporations: They are institutional units providing financial services, where most of their assets or liabilities are not available on open financial markets. They include insurance corporations and Pension funds.
- Nonfinancial corporations, households, and NPISHs:
 - Nonfinancial corporations are corporations whose principal activity is the production of market goods or nonfinancial services. These include legally constituted corporations, branches of nonresident enterprises, quasi-corporations, notional resident units owning land, and resident nonprofit institutions that are market producers of goods or nonfinancial services.
 - Households are groups of persons who share the same living accommodation, who pool some or all of their income and wealth, and who consume certain types of goods and services collectively, mainly housing and food.

- Nonprofit institutions serving households (NPISHs): NPISHs are entities mainly engaged in providing goods and services to households or the community at large free of charge or at prices that are not economically significant (and thus are classified as nonmarket producers), except those that are controlled and mainly financed by government units. Examples include charities, relief and aid organizations financed by voluntary transfers, as well as trade unions, professional or learned societies, consumers' associations, religious institutions, and social, cultural, and recreational clubs that do not charge economically significant prices.

3.1.8. Additional classification of financial assets and liabilities

Besides the functional categories presented in the previous section, transactions and positions of Rwanda's residents in financial assets and liabilities are classified according to three broad categories of instruments in the BPM6:

- (i) equity and investment fund shares and
- (ii) debt instruments

Equity and investment fund shares include listed and unlisted shares, other equity, and investment fund shares units as components.

Debt instruments comprise of special drawing rights, currency and deposit, debt securities (bills, bonds), loans (including financial leases), trade credits and advances, and other accounts receivable/payable.

Transactions and positions in debt instruments are also classified by original maturity, into short-term (if payable on demand or with an original maturity of one year or less) and long-term (if it has a maturity of more than one year or no stated maturity).

3.2. BOP and IIP Component Items

3.2.1. Current account

The current account shows flows of goods, services, primary income, and secondary income between residents and nonresidents.

3.2.1.1. Goods

Goods are physical, produced items for which a change of ownership occurs between residents and non-residents. The goods item of the Rwanda's BOP statistics covers general merchandise and non-monetary gold.

- a. **General Merchandise:** General merchandise on BOP basis covers goods for which a change of economic ownership occurs between a resident and a non-resident and that are not included in the following categories: i) goods under merchanting, ii) non-monetary gold, or as part of some transactions in services (construction, travel, and government goods and services n.i.e.)
- b. **Non-monetary Gold:** Non-monetary gold covers all cross-border transactions in gold other than monetary gold. Monetary gold is owned by monetary authorities and held as reserve assets. Non-monetary gold can be in the form of bullion (i.e. coins, ingots, or bars with a purity of at least 995 parts per 1,000, including such gold held in allocated gold accounts), gold powder, and gold in other unwrought or semi-manufactured forms.

Exports and imports of goods are recorded on a free on board (f.o.b.) basis, i.e. at market value at the customs frontiers of exporting economies (including charges for insurance and transport services up to the frontier of the exporting country). The main data source for merchandise trade is customs. The customs data are supplemented by surveys data on domestic and foreign airline operators, Informal Cross-border trade and administrative records on data for electricity and financial lease.

3.2.1.2. Services

Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets. Services are not generally separate items over which ownership rights can be established and they cannot generally be separated from their production. Services are recorded the moment they are delivered and include the following:

- **Manufacturing services on physical inputs owned by others:** Manufacturing services on physical inputs owned by others cover processing, assembly, labeling, packing, and so forth undertaken by enterprises that do not own the goods concerned. The manufacturing is undertaken by an entity that does not own the goods and that is paid a fee by the owner. The value of the fees charged is not necessarily the same as the difference between the value of goods sent for processing and the value of goods after processing. No data available for this component but NBR jointly with NISR plan to conduct surveys in the near future.
- **Maintenance and Repair Services:** Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods that are owned by nonresidents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance on ships, aircraft, and other transport equipment are included in this item. Cleaning of transport equipment is included in *transport*. Construction maintenance and repairs are included under *construction*. Maintenance and repairs of computers are included under *telecommunications, computer and information services*. The main data source is the quarterly survey on Rwanda carrier on debit side and agencies of foreign airline operators on credit side.
- **Transport:** Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. It also includes postal and courier services.

Transport is classified according to:

- a. mode of transport, namely, sea, air, or other (“other” may be further broken down into rail, road, internal waterway, pipeline, and space transport as well as electricity transmission); and
- b. what is carried—passengers or freight.

Passenger transport is estimated based on data from surveys on domestic airline operator (credit side) and agencies of foreign airline operators (debit side). The value of services for the transportation of goods is done based on the differences between the value of goods imported at CIF and FOB (debit side) adjusted by the share of non-resident transporters. While data on postal and courier come from enterprise surveys.

- **Travel:** Travel covers services provided to nonresidents during their stay in Rwanda (credit), and the services offered to residents of Rwanda while staying abroad (debit). Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by travelers. Travel includes local transport (i.e. local transport provided by a Rwandan resident) but excludes personal international transport in connection with travel which is included under transport. Travel excludes goods for resale or other goods in excess of customs thresholds, which are to be included in general merchandise.

The BOP classifies Travel into two categories:

- **Business travel:** Business travel covers goods and services acquired for personal use by persons whose primary purpose of travel is for business.
- **Personal travel:** Personal travel covers goods and services acquired by persons going abroad for purposes other than business, such as vacations, participation in recreational and cultural activities, visits with friends and relatives, pilgrimage, and education- and health related purposes.

Data on travel are a mix of survey data (i.e semi-annual surveys across different borders and tour operators), and administrative records from Rwanda Directorate General of immigration and Emigration (DGIE).

- **Construction Services:** Construction covers the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other such engineering constructions as roads, bridges, dams, and so forth. It also includes related installation and assembly work. It includes site preparation and general construction as well as specialized services such as painting, plumbing, and demolition. It also includes management of construction projects. The main sources of the data for construction services are enterprise surveys.
- **Insurance and Pension Services:** Insurance and pension services include services of providing life insurance and annuities, nonlife insurance, reinsurance, freight insurance, pensions, standardized guarantees, and auxiliary services to insurance, pension schemes, and standardized guarantee schemes.

Data source of insurances services are customs and reports from insurance companies. Insurance on imported goods is estimated based on the CIF/FOB adjustment. The ratio of insurance services to the total amount of imports valued at CIF is estimated to be 1% to all goods except transports materials which is 3%.

- **Financial Services:** Financial services cover financial intermediary and auxiliary services, except insurance and pension fund services. These services include those usually provided by banks and other financial corporations.

Financial services are broken down into:

- (i) explicitly charged and other financial services; and
- (ii) financial intermediation services indirectly measured (FISIM).

Many financial services are explicitly charged and require no special calculation. They include fees for deposit-taking and lending, fees for one-off guarantees, early or late repayment fees or penalties, account charges, fees related to letters of credit, credit card services, commissions and charges related to financial leasing, factoring, underwriting, and clearing of payments. Financial advisory services, custody of financial assets, financial asset management, monitoring services, liquidity provision services, risk assumption services (other than insurance), merger and acquisition services, credit rating services, stock exchange services and trust services are also included. Dealers in financial instruments may charge, in full or part, for their services by having a spread between their buying and selling prices; these margins on buying and selling transactions are also included in explicitly charged and other financial services.

Actual interest can be considered as including both an income element and a charge for a service. Lenders and deposit-takers operate by providing rates of interest to their depositors that are lower than the rates that they charge to their borrowers. The resulting interest margins are used by the financial corporations to defray their expenses and to provide an operating surplus. By convention, these indirect charges in respect of interest apply only to loans and deposits, and only when those loans and deposits are provided by, or deposited with, financial corporations

FISIM is calculated as follows:

- For loans from financial corporations—the difference between the interest actually payable on loans and the amount that would be payable if the reference rate were used, and
- For deposits with financial corporations — the difference between the interest that would be earned if a reference rate were used and the interest actually earned.

Such a reference rate should not contain a service element and should reflect the risk and maturity structure of deposits and loans (the rate prevailing in interbank borrowing and lending is usually a suitable choice).

Main sources of data for this category of services are: interest rates (lending and deposit rate, interbank rate) and positions data on loans and deposits from Monetary Financial Statistics, and income statement from financial corporations.

- **Charges for the use of Intellectual Property:** Charges for the use of intellectual property include charges for the use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets, franchises. These rights can arise from research and development, as well as from marketing); and charges for licenses to reproduce or distribute (or both) intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works, and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast). Data on charges for the use of Intellectual Property are compiled using the data from ITRS.
- **Telecommunications, Computer, and Information Services:**
 - a. **Telecommunication Services:** Telecommunications services encompass the broadcast or transmission of sound, images, data, or other information by telephone, telex, telegram, radio and television cable transmission, radio and television satellite, electronic mail, facsimile, and so forth, including business network services, teleconferencing, and support services.
 - b. **Computer Services:** Computer services consist of hardware and software related services and data-processing services and
 - c. **Information Services:** Information services include news agency services such as the provision of news, photographs, and feature articles to the media.

Enterprise surveys are the main source of data for this category of services.

- **Other Business Services:** This category includes research and development services; professional and management consulting services; technical, trade-related, waste treatment and de-pollution, agricultural, and mining services; operating leasing and miscellaneous business.

The data are compiled using the data from ITRS and administrative records from domestic airline's operational leases.

- **Personal, Cultural and Recreational Services:** It covers audiovisual related services and other cultural services provided by residents to nonresidents and vice versa. Audiovisual related services include production of motion pictures on films or video tape, radio and television programs, and musical recordings. Among other cultural services are services associated with libraries, museums and other cultural and sporting activities. The data are compiled using ITRS.

- **Government Goods and Services n.i.e:** Government goods and services n.i.e. cover:

- a. Goods and services supplied by and to enclaves, such as embassies, military bases, and international organizations.
- b. Goods and services acquired from the host economy by diplomats, consular staff, and military personnel located abroad and their dependents.
- c. Services supplied by and to governments.

Main sources of data for this category of services are ITRS and Ministry of Finance.

3.2.1.3. Primary Income

Primary income represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units. It therefore comprises compensation of employees, investment income and other primary income.

3.2.1.3.1. Compensation of Employees

Compensation of employees presents remuneration in return for the labor input to the production process contributed by an individual in an employer employee relationship with the enterprise. Wages, salaries and other benefits received to/from nonresident employers are treated as compensation of employees.

3.2.1.3.2. Investment Income

Investment income is derived from a resident's ownership of a financial asset issued by a non-resident (credit) or conversely, from a non-resident's ownership of a financial asset issued by a resident (debit). Investment income includes income on equity (dividends, withdrawals from income of quasi-corporations, reinvested earnings and investment income attributable to investment fund shareholders) and on debt (interest), as well as investment income attributable to policyholders in insurance, pension schemes, and standardised guarantee schemes. Capital holding gains and losses (realised or unrealised) are not classified as income on investments, but as revaluations (due to exchange rate or other price changes).

Rwanda's BOP classifies investment income according to the functional categories of the underlying investments:

- **Direct Investment Income:** Direct investment income includes all investment income (e.g. dividends, reinvested earnings and interest) arising from direct investment positions between resident and nonresident institution units. Credit side of direct investment represents income earned from direct investments abroad. While the debit side represents income earned by non-resident direct investors in Rwanda. Data are presented separately for income from capital and income from debt. Incomes from capital are divided into "dividends and profit distribution branches" and "reinvested earnings and undistributed branch profits".
- **Portfolio Investment Income:** Portfolio investment income includes income flows between residents and nonresidents arising from positions in equity and debt securities other than those classified under direct investment or reserve assets.

- **Other Investment Income:** Other investment income covers flows between resident and nonresident institutional units in regard to interest on deposits, loans, trade credit and advances, and other accounts receivables/payable; income on equity and investment fund shares that are not classified in any other functional categories; and investment income attributed to policyholders in insurance, standardized guarantees, and pension funds. Interest payable on SDR allocations is also recorded under other investment.
- **Income on Reserve Assets:** Investment income on reserve assets includes income on equity and investment fund shares, and interest.

3.2.1.4. Secondary Income

The secondary income account shows current transfers between residents and nonresidents. The transactions recorded in the secondary income account pertain to all transfers relating to general government (current international cooperation between different governments, payments of current taxes on income and wealth, etc.) and financial corporations, nonfinancial corporations, households, and NPISHs that directly affect gross national disposable income from abroad and influence the consumption of goods and services.

- **General Government:** consist of current transfers of the government sector like aids in the form of technical assistance (grants, aid donors). The main sources of data for the current transfers to government sector in Rwanda are administrative data from the MINECOFIN for the General Government and ITRS for transfers of International NGOs to Local Government.
- **Financial and non-financial corporations, households and NPISH:** contain transactions such as personal transfers (including remittances), other current transfers (social contributions and benefits, other taxes on income and wealth). Personal transfers consist of all current transfers in cash or in kind made or received by residents' households to or from non-resident households. Personal transfers thus include all current transfers between residents and nonresidents individuals.

- **Workers' Remittances:** Workers' remittances are current transfers made by employees to residents of another economy. Regarding the data source of remittances, a variety of data sources is used for measuring remittances flows. First, remittances are identified through direct reporting system to authorized local institutions (Money Transfer Operators, Mobile Money Network Operators) plus an estimate of personal cash transfer passing through other channels than MTOs and MNOs like cash in hand or bank transfers. Rwanda's BOP does not include remittances in kind.
- **Other Current Transfers:** Following categories are included in Other Current Transfers
 - i. Current taxes on income, wealth, etc.
 - ii. Social contribution
 - iii. Social benefits
 - iv. Net premium on nonlife insurance and standardized guarantees
 - v. Nonlife insurance claims and calls and call under standardized guarantees
 - vi. Current international cooperation
 - vii. Miscellaneous current transfers

The main sources of data for the other current transfers is ITRS.

3.2.2. Capital Account

The capital account in the international accounts shows (a) capital transfers between residents and (b) the acquisition and disposal of non-produced, nonfinancial assets between residents and nonresidents.

3.2.2.1. Acquisition and disposal of non-produced, non-financial assets

Non-produced, non-financial assets consist of: (i) natural resources (land, mineral rights, forestry rights, water, fishing rights, air space, and electromagnetic spectrum); (ii) contracts, leases and licences; and (iii) marketing assets (brand

names, trademarks) and goodwill. Rwanda's BOP does not have data on this component.

3.2.2.2. Capital Transfers

Capital transfers are transfers in which the ownership of an asset (other than cash or inventories) changes from one party to another; or which obliges one or both parties to acquire or dispose of an asset (other than cash or inventories); or where a liability is forgiven by the creditor. Rwanda's capital transfers are classified according to the institutional sector making or receiving the transfer in the compiling economy (general government or other sectors) and are further broken down into: (i) capital taxes; (ii) investment grants; and (iii) other capital transfers.

Investment grants consist of capital transfers, in cash or in kind, made to finance all or part of the costs of acquiring fixed assets. The recipients are obliged to use investment grants received in cash for the purposes of gross fixed capital formation; the grants are often tied to specific investment projects, such as large construction projects. A direct investment stake is distinguished from a project funded by an investment grant in that the direct investor owns voting power in the enterprise and has a right to future benefits, such as dividends or the right to sell the asset, which is not the case with investment grants. Data sources are the data obtained from MINECOFIN.

Also included in the capital transfers is debt forgiveness. Debt forgiveness is considered as voluntary debt deletion between a creditor and a debtor from another country. Data sources are the data obtained from MINECOFIN.

3.2.3. Financial account

The financial account records transactions that involve financial assets and liabilities and that take place between residents and nonresidents. Financial account further is segregated into:

- Direct Investment
- Portfolio Investment

- Financial Derivatives (currently not captured in the Rwanda's BOP and IIP)
- Other investment and
- Reserve assets

3.2.3.1. Direct Investment

Foreign direct investment (FDI) arises when an investor resident in one economy makes an investment that gives control or a significant degree of influence on the management of an enterprise that is resident in another economy.

In compiling data on FDI, NBR follows the BPM6 criteria on defining FDI:

- Control exists if the direct investor owns more than 50 percent of the voting power in the company's direct investment and
- A considerable degree of influence existed if the direct investor owns 10-50 percent of the voting power in the direct investment enterprise.

Control or influence may be gained directly by owning equity that gives voting power in the enterprise, or indirectly by having voting power in another enterprise which has voting power in that enterprise. There are two types of direct investment relationship:

- i. immediate direct investment relationships arise when a direct investor directly owns equity that entitles it to 10% or more of the voting power in the direct investment enterprise;
- ii. indirect direct investment relationships arise through the ownership of voting power in one direct investment enterprise that owns voting power in another enterprise or enterprises, that is, an entity is able to exercise indirect control or influence through a chain of direct investment relationships (under special rules).

Accordingly, there are two ways of having control or influence:

- i. control exists if the direct investor owns (directly or indirectly) more than 50% of the voting power in the direct investment enterprise;

- ii. a significant degree of influence exists if the direct investor owns (directly or indirectly) from 10% to 50% of the voting power in the direct investment enterprise.

The components of direct investment transactions and positions are: (i) equity (including reinvestment of earnings); and (ii) debt instruments associated with various inter-company debt transactions.

Debt between selected affiliated financial corporations is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship. The financial corporations covered by this case are: (a) deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); (b) investment funds; and (c) other financial intermediaries except insurance corporations and pension funds.

The main data source for the FDI is the quarterly and annual FPC. The annual FPC covers all registered enterprises which have foreign participation in their equity. These companies are selected from an enterprise registry at the Rwanda Development Board (RDB) that is updated prior to commence every survey. The quarterly FPC uses a representative sample from the companies in the annual FPC and is revised when the latter is conducted.

3.2.3.2. Portfolio Investment

Portfolio investment is defined as cross-border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets.

Portfolio investment is distinctive owing to the nature of the funds raised, the largely anonymous relationship between the issuers and holders, and the degree of trading liquidity in the instruments. In Rwanda, portfolio investment is represented by instrument and institutional sector.

Equity securities are all instruments representing claims on the residual value of a corporation or quasi-corporation after the claims of all creditors have been met. By

contrast to debt, equity does not generally provide the owner with a right to an amount which is predetermined or determined according to a fixed formula. Equity securities can be listed on a recognised stock exchange, on any other form of secondary market (listed shares), or can be not listed on any exchange (unlisted shares).

Debt securities are negotiable instruments that require the payment of principal and/or interest at some point(s) in the future. They include bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities, money market instruments, non-participating preferred stocks, convertible bonds and similar instruments normally traded in the financial markets. Transactions and positions in debt securities are broken down by original maturity into short-term and long-term.

The statistics on portfolio investment in Rwanda's BOP and IIP include debt securities on non-residents investments in government bonds and equity securities for listed companies. It also collects data on residents' investments on foreign equity securities. The main source of information on portfolio investment data are obtained from the relevant departments within NBR. Portfolio investment stocks of assets and liabilities within IIP, are compiled purely from stock data. Derived flows are equal to the change in stocks during the reference month, adjusted for movements in exchange rates, prices and other identified changes in volume.

3.2.3.3. Other Investment

Other investment is a residual category and includes all financial transactions that are not covered in the categories for direct investment, portfolio investment or reserve assets. Under other investment, the instrument classified under assets and liabilities, comprises (a) other equity; (b) currency and deposits; (c) loans (including use of IMF credit and loans from the IMF); (d) insurance, pension and standardised guarantee schemes; (e) trade credit and advances; (f) other accounts

receivable/payable; and (g) SDR allocations (SDR holdings are included in reserve assets).

The valuation of positions in non-negotiable instruments, i.e. loans, deposits and other accounts receivable/payable (including trade credits and advances) is at nominal value.

Other equity includes equity not in the form of securities and therefore not included in portfolio investment. Participation in the capital of some international organisations is generally not in the form of securities and thus is classified as other equity. The main data source is quarterly and annual FPC.

Currency and deposits include currency in circulation and deposits. Deposits are standardised, non-negotiable contracts generally offered by deposit-taking institutions which allow the placement and the later withdrawal of a variable amount of money by the creditor. Deposits usually involve a guarantee by the debtor to return the principal amount to the investor. The main data are from financial statements of the central bank and other deposit-taking corporations compiled by the Monetary Statistics Division in the Statistics department at the NBR.

Loans are financial assets that are: (a) created when a creditor lends funds directly to a debtor; and (b) evidenced by documents that are not negotiable. This category includes all loans, including mortgages, financial leases and repo-type operations. The data source is a mix from different sources. Government's loan positions and debt are from the MINECOFIN while statistics on other sectors are collected from the annual and quarterly FPC. With exceptions on loans, positions and transactions for "other-deposit taking corporations" are from their financial statements as compiled by the Monetary Statistics Division at the NBR.

Trade credit and advances are financial claims arising from the direct extension of credit by the suppliers of goods and services to their customers, and from advances

for work that is in progress or yet to be undertaken, in the form of prepayment by customers for goods and services not yet provided. Trade credit and advances arise when payment for goods or services is not made at the same time as the change in ownership of a good or the provision of a service.

Other accounts receivable or payable comprise financial assets and liabilities created as counterparts to transactions where there is a timing difference between these transactions and the corresponding payments. This includes temporary liabilities for taxes, purchase and sale of securities, securities lending fees, gold loan fees, wages and salaries, dividends, and social contributions that have accrued but have not yet been paid.

SDR allocation to IMF members is shown as a liability incurred by the recipient under the SDRs in other investment, with a corresponding entry under SDRs in reserve assets.

3.2.3.4. Reserves Assets

Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing).

The statistics in the Rwanda's BOP on reserve assets consist of SDRs, reserve position in the IMF, and the claims on nonresidents in the form of cash at NBR, NBR's deposits invested abroad, as well as securities. Deposits included in reserve assets are those held in foreign central banks and other monetary authorities, the BIS, and other nonresident deposit-taking corporations that are readily callable to meet a balance of payments financing need.

3.2.4. Net errors & omissions

Although the balance of payments accounts are, in principle, balanced, imbalances result in practice from imperfections in source data and compilation. This imbalance, a usual feature of balance of payments data, is labeled net errors and omissions and should be identified separately in published data. It should not be included indistinguishably in other items. Net errors and omissions are derived residually as net lending/net borrowing and can be derived from the financial account minus the same item derived from the current and capital accounts. The values of net errors and omissions are carefully analysed. The size and trends may help identify data problems, such as coverage or misreporting. Patterns in net errors and omissions may provide useful information on data gaps.