



TECHNICAL ASSISTANCE REPORT

PRINCIPALITY OF ANDORRA

Report on External Sector Statistics Mission
(September 4–15, 2023)

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Acronyms and Abbreviations

AFA	Andorran Financial Authority
ASD	Andorran Statistics Department
BIS	Bank for International Settlements
<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, sixth edition</i>
CDIS	Coordinated Direct Investment Survey
FDI	(Foreign) Direct Investment
IIP	International Investment Position
IMF	International Monetary Fund
LBS	Locational Banking Statistics
MOF	Ministry of Finance
NFC	Nonfinancial Corporation
OFC	Other Financial Corporation
SDDS	Special Data Dissemination Standard
SDDS Plus	Special Data Dissemination Standard Plus
SDR	Special Drawing Right
STA	Statistics Department, IMF
TA	Technical Assistance

Summary of Mission Outcomes and Priority Recommendations

1. **The International Monetary Fund (IMF)’s Statistics Department (STA) conducted a technical assistance (TA) mission for the Andorran Statistics Department (ASD) on the compilation of external sector statistics (ESS) during September 4–15, 2023.** The mission focused on assisting the ASD in preparing plans to improve the frequency of producing balance of payments statistics and international investment position (IIP) from annual to quarterly and to improve the coverage and quality of the balance of payments and IIP data.
2. **Andorra has prepared plans to compile balance of payments quarterly.** Among the recommendations provided by the mission, the key recommendation was the introduction of a new quarterly enterprise survey, which will provide essential source data for cross-border transactions and positions for Andorran major enterprises quarterly. The ASD plans to launch the quarterly enterprise survey in April 2024 and finalize the results in September 2024.
3. **Based on the plans, Andorra will start compiling balance of payments and IIP quarterly by the end of next year (2024).** Quarterly balance of payments and IIP should be compiled with a lag of one quarter (i.e., by the end of the following quarter). To start the quarterly compilation, Andorra plans to improve the coverage and frequency of the household survey in addition to the new quarterly enterprise survey. The data from the tourism surveys, banks, and the Customs are already available quarterly. The results of the quarterly surveys should be benchmarked with the information from the new annual direct reporting system, which provides comprehensive financial information of Andorran enterprises.
4. **The coverage and the quality of the balance of payments and IIP data were also improved.** The mission provided recommendations to fill remaining data gaps and improve the quality of the data (e.g., travel services). Net errors and omissions decreased significantly (from around €200 million to –€10 million) in the preliminary data for 2022.

TABLE 1. Andorra: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
March 2024	Start compiling export of travel services quarterly.	ASD
April 2024	Launch a quarterly enterprise survey by sending the survey forms to the largest enterprises.	ASD
December 2024	Start compiling balance of payments and IIP quarterly with the aim to achieve the one-quarter timeliness in the following year.	ASD

5. Further details on the recommendations can be found in the action plan under *Detailed Technical Assessment and Recommendations*. The mission expresses its gratitude to the staff of the ASD for their cooperation.

Detailed Technical Assessment and Recommendations

TABLE 2. Recommendations Provided by the Mission

Priority	Action/Milestone	Target Completion Date
<i>Outcome: A new data set has been compiled and made available internally and/or disseminated to the public.</i>		
M	Contact the statistical offices in Spain, France, and Portugal for their data on Andorran households' investment in the real estate in these countries.	December 2023
H	Include questions on portfolio investment transactions and positions in the new quarterly enterprise survey.	December 2023
M	Record other accounts receivable if banks have transactions and positions.	December 2023
H	Revise transaction and position data on reserve assets using the information obtained from the IMF's website.	December 2023
M	Add a question on import of freight transport and insurance services for import of goods in the new enterprise survey to record them separately.	December 2023
H	Include major Andorran freight carriers in the new quarterly enterprise survey to collect quarterly data on export of freight transport.	December 2023
H	Include major Andorran passenger carriers in the new quarterly enterprise survey to collect quarterly data on export of passenger transport.	December 2023
H	Include questions on paid fees for financial services in the new quarterly enterprise survey.	December 2023
H	Add questions on construction services, telecommunications, computer, and information services, and other business services to the new quarterly enterprise survey.	December 2023
H	Add questions on investment income to the new quarterly enterprise survey.	December 2023
M	Reclassify paid renting fees reported by banks from other primary income to other business services.	December 2023
H	Consider allocating an additional staff member to the balance of payments and IIP compilation team to prepare for the quarterly data compilation.	December 2023
M	Consider adding a question on investment in real estate abroad in the household survey.	March 2024
M	Contact FEDA (the Andorran power company) and non-bank financial institutions to find out whether they have financial derivative transactions and positions.	March 2024
M	Further investigate what has been reported for other equity. If it is investment in securities, reclassify them according to the main characteristics of the securities.	March 2024

Priority	Action/Milestone	Target Completion Date
M	Review the information on trade credit obtained from the new direct reporting system, with a view to record them in the balance of payments and IIP annually. Explain to the data reporters the difference between trade credit and trade finance provided by banks as needed.	March 2024
PR	Start compiling data on export of travel services quarterly.	March 2024
H	Record financial services provided by investment funds and investment management advisors.	March 2024
M	Start compiling Financial Intermediation Services Indirectly Measured (FISIM) and adjust investment income, following the guidance provided by the mission.	March 2024
M	Consult with the Tax Office and the social security fund on the availability of the source data to record social contributions (debit) and benefits (credit).	March 2024
M	Consider adding questions on portfolio investment abroad in the household survey if they actively invest in foreign securities using nonresident financial institutions.	June 2024
M	Add quarterly breakdowns on households' spending for passenger transport in the household survey or estimate it based on the information from the travel surveys.	June 2024
M	Start compiling data on travel spending by nonresident daily and seasonal workers in Andorra and include them in export of travel services.	June 2024
H	Collect information on personal transfers quarterly from households with a sufficient sample size in the household survey.	June 2024
H	Start compiling data on import of travel services quarterly by either adding quarterly breakdowns in the annual household survey, increasing the size of the quarterly sample, or estimating them using the information from the travel surveys.	September 2024
M	Consider adding questions on non-life insurance premium payments and claim receipts to the new quarterly enterprise survey and the household survey.	September 2024
PR	Start compiling balance of payments and IIP quarterly with the aim to achieve the one-quarter timeliness in the following year.	December 2024
Outcome: Source data are adequate for the compilation of these macroeconomic statistics.		
H	Review the source data from the new direct reporting system focusing on the data for the largest enterprises, checking consistency with the results of old business surveys and the mirror data from the IMF's Coordinated Direct Investment Survey (e.g., the level of investment and the counterpart countries).	December 2023
H	Prepare a list of large enterprises to survey quarterly and draft survey forms.	December 2023
M	Contact the nonresident custodians to identify Andorran residents' holdings of the Andorran government securities issued abroad.	December 2023
M	Reclassify contributions by the Andorran Financial Authority (AFA) to international organizations from the capital account to current transfers.	December 2023

Priority	Action/Milestone	Target Completion Date
M	Contact Andorran banks to investigate nonresidents' purchases of Andorran government securities issued in the domestic market, in order to record them as portfolio investment liabilities.	March 2024
M	Review the mirror data on deposits and loans from the Bank for International Settlements (BIS) using the information from the new direct reporting system.	March 2024
M	Revise the data on insurance technical reserves (assets) as discussed with the mission.	March 2024
M	Investigate the residency of the airline(s) that uses the new airport near Andorra in Spain and record transport services accordingly.	March 2024
H	Improve the travel survey questions and the estimation method (e.g., the ratio for credit card payments to total spending) as discussed with the mission.	March 2024
H	Improve the estimation of insurance services following the guidance provided by the mission.	March 2024
M	Consider adding questions on investment income to the household survey.	March 2024
PR	Launch a quarterly enterprise survey by sending the survey forms to the largest enterprises.	April 2024
M	Investigate the amount of cash deposited by Andorran banks with nonresident banks to check the consistency with the estimated amount of euros circulating in Andorra as well as the results of the travel survey (cash spent by nonresident tourists).	June 2024
M	Consider estimating other investment income for nonfinancial corporations (NFCs) and households in case source data cannot be collected.	June 2024
H	Finalize the results of the new quarterly enterprise survey.	September 2024
M	Consider adding questions on merchanting to the quarterly enterprise survey.	September 2024
M	Keep monitoring transactions and positions of crypto assets with the AFA.	September 2024
M	Consult with the Tax Office on the availability of primary income data. If not available, explore with the Tax Office the possibility to collect the information in the tax reporting framework.	September 2024
M	Develop source data to record tax payments by Andorran residents to foreign governments (e.g., by adding a question in the household survey).	September 2024
H	Keep attending training courses conducted by the IMF and other international organizations.	Ongoing basis
Priority Scale: PR – Priority, H – High, M – Medium		

A. INTRODUCTION

6. Andorra joined the IMF in October 2020 and the first Article IV consultation took place during March to April 2021. The IMF's Statistics Department (STA) joined both the membership mission and the Article IV consultation providing technical assistance (TA) to the Andorran Statistics Department (ASD) to start compiling balance of payments statistics for Andorra, given that the data were indispensable for calculating Andorra's quota in the IMF and the surveillance of the Andorran economy. The data were also crucial to launch Andorra's first bond offering in the international market.

7. The ASD successfully disseminated its first annual balance of payments statistics in May 2021. After the dissemination, STA conducted a TA mission, focusing on compiling international investment position (IIP) and improving the coverage of balance of payments data. Following the TA mission, the ASD successfully disseminated its first IIP in May 2022. The mission commended all these achievements by the ASD.

8. The ASD requested STA's assistance to improve the frequency of the balance of payments and IIP compilation from annual to quarterly. Quarterly balance of payments and IIP data are essential for economic analysis and effective policy making. The data are also required to subscribe to the IMF's Special Data Dissemination Standard (SDDS). The SDDS and SDDS Plus are higher data dissemination standards subscribed/adhered to by most advanced economies.

9. During the mission, the ASD and the mission prepared the following steps and target timelines to start compiling balance of payments and IIP data quarterly. Extra time is allocated for the first survey to collect and review the data for the first quarter of 2024. The results for the following surveys should be finalized before the end of the following quarter, in order to compile balance of payments and IIP quarterly with a lag of one quarter (i.e., by the end of the following quarter). The mission also provided guidance to close remaining data gaps and improve the data quality for Andorra's balance of payments and IIP.

TABLE 3. Steps and Target Timelines to Produce Balance of Payments and IIP Quarterly

	Action item	Timeline
1	Prepare a list of large enterprises to survey quarterly and draft survey forms.	December 2023
2	Explain the framework of the quarterly survey and the survey forms to largest enterprises.	March 2024
3	Launch a quarterly enterprise survey by sending the survey forms to the largest enterprises.	April 2024
4	Deadline for the enterprises to answer the first quarterly survey.	June 2024
5	Review the results and follow up with the enterprises as needed.	July 2024
6	Finalize the results of the quarterly survey and consolidate with other source data (e.g., quarterly data from banks).	September 2024
7	Start compiling balance of payments and IIP quarterly with the aim to achieve the one-quarter timeliness in the following year.	December 2024

Note: To compile historical data, the surveys could also request quarterly data for previous years if enterprises keep the record. The ASD plans to check the data availability with large enterprises when it explains the framework of the new survey in early 2024.

B. BALANCE OF PAYMENTS FINANCIAL ACCOUNT AND IIP

Direct Investment

10. Andorra has introduced a new direct reporting system, which will provide source data for foreign direct investment (FDI) and other balance of payments and IIP items annually.¹ Around 6,000 enterprises report their data on the balance sheet and the profit and loss statement with explanatory notes for the previous year. The deadline for the data submission by enterprises is September of the following year. The reported information will be shared by the Andorran government agencies, including the ASD, the Ministry of Economy, and the Tax Office.

11. Quarterly transaction data for inward FDI are available from the Ministry of Economy, which approves FDI in Andorra by foreign enterprises as well as by households (i.e., nonresident households' purchases of real estate in Andorra). However, the entire approved amount may not be invested, and the market values of FDI positions and withdrawals of the investment are not available from the approval records.

12. The mission recommended introducing a new enterprise survey to collect data on quarterly FDI transactions/positions and other important data to compile quarterly balance of payments and IIP, targeting the largest enterprises in Andorra. It is likely that the largest enterprises account for most of FDI assets and liabilities for Andorra, particularly due to the small size of the economy. The ASD plans to prepare a list of large enterprises, whose FDI positions account for more than 70-80 percent of the total FDI asset and liability positions for Andorra. In addition to FDI, other balance of payments and IIP items can be collected on the new quarterly enterprise survey. The new survey can also collect information for other important statistics (e.g., national accounts). Andorra has the Statistical Law, which authorizes the ASD to conduct surveys to enterprises and households in Andorra.

13. Adding questions on investment in real estate abroad to the household survey would provide source data to record FDI assets by household. Households may underreport their assets abroad in the household survey. If accurate source data cannot be collected by the household survey, the ASD could also approach the Tax Office to facilitate data reporting to the Tax Office (tax records would provide more accurate source data although changing the tax reporting framework could be challenging). The ASD also plans to contact the statistical offices in Spain, France, and Portugal to request information on Andorran residents' investment in real estate in these countries. Many Andorran households have real estate abroad, given that many Andorran families originally came from the neighboring countries and still maintain connections with their family in the countries.

Recommendations:

- Review the source data from the new direct reporting system focusing on the data for the largest enterprises, checking consistency with the results of old business surveys and the mirror data from the IMF's Coordinated Direct Investment Survey (e.g., the level of investment and the counterpart countries) (high priority by December 2023).
- Prepare a list of large enterprises to survey quarterly and draft survey forms (high priority by December 2023).

¹ The ASD did not have access to the data when the mission was conducted, due to technical issues in the information system infrastructure.

- Launch a quarterly enterprise survey by sending the survey forms to the largest enterprises (top priority by April 2024).
- Finalize the results of the new quarterly enterprise survey (high priority by September 2024).
- Start compiling balance of payments and IIP quarterly with the aim to achieve the one-quarter timeliness in the following year (top priority by December 2024).
- Contact the statistical offices in Spain, France, and Portugal for their data on Andorran households' investment in the real estate in these countries (medium priority by December 2023).
- Consider adding a question on investment in real estate abroad in the household survey (medium priority by March 2024).

Portfolio Investment

14. Quarterly data on most portfolio investment transactions and positions are available from Andorran banks for all institutional sectors. The Andorran Financial Authority (AFA) collects data from banks and other financial corporations (OFCs) and provides them to the ASD. Andorran banks provide custody services to their clients, including nonfinancial corporations (NFCs), households, and the Andorran public pension fund (Retirement Reserve Fund). The banks can provide the data for their own investments as well as on behalf of their clients. The data are provided using the integrated IIP statement framework, including the information on valuation and foreign exchange rate changes.

15. Investment funds in Andorra mostly invest in assets abroad. Almost all the assets of the investment funds are kept with Andorran banks that provide custody service to investment funds. The AFA provides their transaction and position data to the ASD. Nonresidents' investment in Andorran investment funds is also reported. The mission asked the reason for the sharp decrease in liabilities for investment fund shares in 2022. The AFA plans to investigate it and inform the ASD.

16. To collect data on investment without going through Andorran banks, questions need to be added to the new quarterly enterprise survey. The new direct reporting system also provides data on portfolio investment without going through Andorran banks, but the data become available only annually. Similar questions could also be added to the household survey and reported quarterly if households actively invest in securities abroad using nonresident financial institutions. Currently, the Tax Office does not have information on investment by enterprises and households abroad.

17. Residents' holdings of Andorran government securities issued abroad should not be recorded as portfolio investment liabilities. Currently, the total amount of the issuance abroad is recorded as a portfolio investment liability for the general government. The mission recommended that the Ministry of Finance (MOF) contact the custodians (i.e., Spanish Banco Santander and French Crédit Agricole) to identify Andorran residents' holdings of the securities.

18. Similarly, the government securities issued in Andorra could be purchased by nonresidents in the secondary market. The mission recommended investigating it with the Andorran banks (i.e., custodians for the securities issued in the domestic market), in order to record them as portfolio investment liabilities.

Recommendations:

- Include questions on portfolio investment transactions and positions in the new quarterly enterprise survey (high priority by December 2023).
- Consider adding questions on portfolio investment abroad to the household survey if they actively invest in foreign securities using nonresident financial institutions (medium priority by June 2024).
- Contact the nonresident custodians to identify Andorran residents' holdings of Andorran government securities issued abroad (medium priority by December 2023).
- Contact Andorran banks to investigate nonresidents' purchases of Andorran government securities issued in the domestic market, in order to record them as portfolio investment liabilities (medium priority by March 2024).

TABLE 4. Data Source for Portfolio Investment Position by Sector

	General government	Deposit-taking corporations	Other financial corporations	Non-financial corporations	Households
Equity					
Assets	Pension fund	AFA	AFA	AFA / new direct reporting	AFA (household survey or Tax Office)
Liabilities	---	AFA	AFA	AFA / new direct reporting	---
Debt securities					
Assets	Pension fund	AFA	AFA	AFA / new direct reporting	AFA (household survey or Tax Office)
Liabilities	AFA / MOF	AFA	AFA	AFA / new direct reporting	---

Note: Potential new source data providers are in parentheses.

Financial Derivatives

19. The ASD started compiling financial derivative transactions and positions for Andorran banks. The mission explained the possibility of the Andorran power company's (FEDA) engagement in the electricity forwards transactions. Other institutions (e.g., investment funds) could also be engaged in financial derivative transactions. The mission recommended contacting these institutions to find out whether they have financial derivative transactions and positions.

Recommendation:

- Contact FEDA and non-bank financial institutions to find out whether they have financial derivative transactions and positions (medium priority by March 2024).

Currency in Circulation

20. Position data on euro banknotes and coins circulating in Andorra are estimated by using the ratio of currency in circulation to deposits obtained from neighboring countries. Andorra does not participate in the Eurosystem, but it is fully euroized. Euros circulating in Andorra are part of Andorra's external assets and should be included in the IIP (assets in currency and deposits). The ASD calculated the ratios of currency in circulation to deposits in four neighboring euro area countries. The ratios ranged from 5 to 15 percent. The ASD applies the average ratio among the neighboring countries to the deposits in Andorra to estimate euros circulating in Andorra. The estimated amount is around 600 million euros.² Balance of payments data for currency in circulation are not estimated, given that the amount of euros circulating in Andorra is likely to be stable.

Recommendation:

- Investigate the amount of cash deposited by Andorran banks with nonresident banks to check the consistency with the estimated amount of euros circulating in Andorra as well as the results of the travel survey (cash spent by nonresident tourists) (medium priority by June 2024).

Deposits and Loans

21. Quarterly deposit and loan transaction and position data are available from the AFA for banks and OFCs. The mirror data from the Locational Banking Statistics (LBS) by the Bank for International Settlements (BIS) can be used to compile deposits and loans for NFCs and households to capture deposits and loans without going through Andorran banks. The LBS provides quarterly position data as well as changes in positions during the quarter adjusted by exchange rates. The latter can be used as a proxy for transactions to be recorded in quarterly balance of payments. The LBS separately identifies data for banks, OFCs, NFCs, as well as the general government and households. The new direct reporting provides annual data on deposits and loans, which can be used to check the consistency with the mirror data from the LBS for NFCs. The results of the household survey could also be used for checking consistency with the mirror data.

22. Data on loan assets are recorded only for banks. The AFA explained that OFCs in Andorra did not have loan assets.

Recommendation:

- Review the mirror data on deposits and loans from the BIS using the information from the new direct reporting system (medium priority by March 2024).

² The ASD estimated around 900 million euros as annual cash payments by tourists (the total spending minus the use of credit cards). This also supports the plausibility of the estimated level of cash circulating in Andorra.

TABLE 5. Data Source for Deposits and Loans by Sector

	General government	Deposit-taking corporations	Other financial corporations	Non-financial corporations	Households
Deposits					
Assets	Pension fund	AFA	AFA / LBS mirror data	LBS mirror data	LBS mirror data
Liabilities	---	AFA	---	---	---
Loans					
Assets	---	AFA	(AFA)	---	---
Liabilities	MOF	AFA	AFA / LBS mirror data	LBS mirror data	LBS mirror data

Note: Potential new source data are in parentheses.

Insurance, Pension, Standardized Guarantee Schemes

23. The AFA provides source data to record insurance technical reserves quarterly. Andorra has 13 insurance companies. Andorra does not have private pension funds or standardized guarantee schemes. The mission explained the main concepts and framework to record insurance technical reserves, primary and secondary income, and insurance services for life and non-life insurance. The mission also asked the reason for a relatively large increase in assets in technical reserves for Andorran insurance companies. The AFA explained that Andorran insurance companies' assets in technical reserves were those held with nonresident reinsurance companies and that the technical reserves increased in 2022.

Recommendation:

- Revise the data on insurance technical reserves (assets) as discussed with the mission (medium priority by March 2024).

Trade Credit, Accounts Receivable/Payable, and Other Equity

24. The ASD can start compiling trade credit annually. The new direct reporting will provide source data for this item annually. If this item is relevant for Andorra, questions should be added to the new quarterly enterprise survey. The mission explained to the ASD the difference between trade credit and trade finance provided by banks. The ASD also needs to explain it to data reporters to avoid misreporting.

25. Banks do not report accounts receivable transactions and positions while they report accounts payable. The mission explained examples of accounts receivable and recommended checking with banks whether they have such transactions and positions. The information on these items for enterprises will also be available from the new direct reporting system.

26. The mission provided guidance on reporting of other equity to Andorran banks. The mission explained the concept of other equity and their examples. The AFA mentioned that a bank may have reported its position on structured securities. The mission advised to record securities based on their main characteristics, and that the structured securities be recorded as debt securities.

Recommendations:

- Review the information on trade credit obtained from the new direct reporting system, with a view to record them in the balance of payments and IIP annually. Explain to the data reporters the difference between trade credit and trade finance provided by banks as needed (medium priority by March 2024).
- Record other accounts receivable if banks have transactions and positions (medium priority by December 2023).
- Further investigate what has been reported for other equity. If it is investment in securities, reclassify them according to the main characteristics of the securities (medium priority by March 2024).

Reserve Assets

27. Quarterly data for reserve assets are available from the IMF's website. The mission explained how to use the information from the website to record reserve assets in balance of payments and IIP quarterly. The mission also recommended revising reserve asset data by recording both reserve position in the IMF and SDR holdings based on the information obtained from the IMF's website.

Recommendation:

- Revise transaction and position data on reserve assets using the information obtained from the IMF's website (high priority by December 2023).

C. CURRENT ACCOUNT

Goods

28. Source data on export and import of goods are available from the Customs daily. Enterprises and households are required to report their export and import to the Customs. Households' purchases online are also declared at the Customs when the goods cross the border. The Customs can provide source data by type of goods, quantity for each type of goods, and their prices. Export data are available on a free on board (FOB) basis and import data are available on both FOB and cost, insurance, and freight (CIF) bases, although data for freight and insurance are combined and not available separately. Source data for export and import of nonmonetary gold are also available.

29. Data on merchanting are already recorded. Source data will be available from the new direct reporting annually. When enterprises start undertaking merchanting actively, questions should be included in the quarterly enterprise survey.

30. Transactions of crypto assets are not recorded yet. The mission explained the current guidance on the recording of Bitcoin-type crypto assets as well as how it will change in the next generation of the international standards. The AFA explained that Andorran banks need to be approved by the AFA to start handling Bitcoin-type crypto assets but no banks have requested the approval yet.

Recommendations:

- Add a question on import of freight transport and insurance services for import of goods in the new enterprise survey to record them separately (medium priority by December 2023).
- Consider adding questions on merchanting to the quarterly enterprise survey (medium priority by September 2024).
- Keep monitoring transactions and positions of crypto assets with the AFA (medium priority by September 2024).

Services

31. Import of maintenance services is recorded based on the information from the Customs.

Enterprises and households are required to report to the Customs the values of goods when they are sent abroad for maintenance (e.g., construction machinery and computer devices). The ASD uses the difference of the values between sent goods before maintenance and received goods after maintenance to record maintenance services. When nonresidents visit Andorra to undertake maintenance (the goods are not sent abroad for maintenance), the data are recorded using the information from the Tax Office. Import of maintenance services by households is not recorded when the services are provided in Andorra. The ASD plans to add a question in the household survey to collect the information. Manufacturing services are insignificant in Andorra.

32. Import of freight transport is recorded based on the information from the Customs (i.e., the difference between FOB and CIF prices for imported goods handled by nonresident carriers).

The Customs can provide daily data, but data on transport and insurance are aggregated and are not available separately as explained above. For export of freight transport, annual data will be available from the new direct reporting system. Further, major Andorran freight carriers should be included in the new quarterly enterprise survey to collect the data quarterly.

33. Annual import of passenger transport is sourced from the household survey while annual export of passenger transport will be sourced from the new direct reporting.

To acquire quarterly data, the household survey can include quarterly breakdowns for their spending abroad or the amount could be estimated using information from travel surveys. To compile export of passenger transport quarterly, the new quarterly enterprise survey should include major passenger carriers (e.g., tourist bus operators).

34. A small new airport has recently started operating near Andorra in Spain. The ASD plans to investigate the residency of the airline(s) that uses the new airport and record transport services accordingly (the use of the airport is not very active yet).

Recommendations:

- Include major Andorran freight carriers in the new quarterly enterprise survey to collect quarterly data on export of freight transport (high priority by December 2023).
- Add quarterly breakdowns on households' spending for passenger transport in the household survey or estimate it based on the information from the travel surveys (medium priority by June 2024).
- Include major Andorran passenger carriers in the new quarterly enterprise survey to collect quarterly data on export of passenger transport (high priority by December 2023).

- Investigate the residency of the airline(s) that uses the new airport near Andorra in Spain and record transport services accordingly (medium priority by March 2024).

35. Export of travel services is estimated based on the combination of seven travel surveys for tourists visiting Andorra. The ASD has cameras at the border with Spain and France to count vehicles entering Andorra. The cameras cannot differentiate the type of vehicles (e.g., passenger cars, buses, trucks), but other surveys (e.g., the survey at bus stations) collect the information. Two thousand passenger cars with a foreign plate and 1,000 buses are surveyed monthly. The ASD conducts surveys at the border, bus stations, hotels, major sightseeing spots, and online. The information on the use of credit cards issued abroad is also provided by the AFA. Seven staff members are involved in the surveys and compilation of travel data. Travel on health and education is also estimated using information from the social security fund and other administrative data.

36. The travel survey results are available monthly. The surveys ask detailed questions, including the occupation rate for buses, the residency of the passengers, spending for day travelers and overnight(s) travelers, with 18 types of spending (e.g., accommodation, restaurants/food). In addition to travel services for tourists, the ASD also plans to include travel services for daily workers (e.g., Spanish residents who come to Andorra for work daily) and seasonal workers (e.g., workers at ski resorts).

37. The results of the surveys on the average spending of nonresident travelers for 2022 seemed too low and needed adjustments. The 2022 results were much lower than those for 2021 and the mirror data obtained from Spain were higher by more than 100 percent. The low estimation also seemed contributing to larger net errors and omissions, particularly in the first and third quarter of 2022 (i.e., peak tourism seasons for Andorra). To avoid underestimating travel exports, the ASD applied the average ratio between cash and credit card spendings (on average, 58.5 percent was paid by credit card in the previous four years) to the total credit card spending in 2022.

38. Import of travel services is recorded based on the household survey. The results of the household survey can become available quarterly, but the sample size (i.e., 230 households) may be too small. An alternative approach is to introduce quarterly breakdowns in the annual household survey that can have a much larger sample size. If this approach is taken, preliminary data should be estimated (e.g., based on the seasonal average spending surveyed in the previous year) to compile quarterly data for import of travel services until the latest data from the annual household survey become available. The number of Andorran tourists who come back from Spain or France can be counted using the same surveys for export of travel services. So, the data could also be estimated by applying average spending of Andorran tourists abroad.

Recommendations:

- Start compiling data on export of travel services quarterly (top priority by March 2024).
- Start compiling data on travel spending by nonresident daily and seasonal workers in Andorra and include them in export of travel services (medium priority by June 2024).
- Improve the travel survey questions and the estimation method (e.g., the ratio for credit card payments to total spending) as discussed with the mission (high priority by March 2024).
- Start compiling data on import of travel services quarterly by either adding quarterly breakdowns in the annual household survey, increasing the size of the quarterly sample, or estimating them using the information from the travel surveys (high priority by September 2024).

39. Import of construction services can be sourced from the government record, the new quarterly enterprise survey, and the household survey. The first two data sources are/will be available quarterly. Import of construction services by households is not significant.

40. Source data for export of insurance services can be obtained from the AFA. The mission explained the methodology to estimate insurance services from the premiums and investment income received from nonresidents. Import of insurance services can be sourced from the household survey, the new quarterly enterprise survey, and the government record. Fourteen nonresident insurance companies have presence in Andorra, but they do not maintain their accounts independently in Andorra (they are acting as an agent for nonresident insurance companies). The AFA plans to collect the information on their premium receipts and claim payments to the ASD.

41. The AFA provides data for the explicit fees banks charge for financial services quarterly. The mission recommended also recording financial services provided by investment funds and investment management advisors to nonresidents. The AFA plans to change report forms to collect source data. Also, questions can be added in the new quarterly business survey to collect data on financial service fees paid by resident enterprises to nonresidents.

42. Export of Financial Intermediation Services Indirectly Measured (FISIM) can also be compiled quarterly based on the information from the AFA. Import of FISIM could also be estimated with several assumptions. Once FISIM is estimated, investment income should be adjusted by the amount of FISIM.

TABLE 6. Calculation of FISIM

Export of FISIM = (a + b)	
a) On loans	= (Actual interest revenues from loans provided to nonresidents) - (Pure interest—interest at reference rate)
b) On deposits	= (Pure interest—interest at reference rate) - (Actual interest payments for deposits received from nonresidents)
Import of FISIM = (c + d)	
c) On loans	= (Actual interest payments for loans received from nonresident banks) - (Pure interest—interest at reference rate)
d) On deposits	= (Pure interest—interest at reference rate) - (Actual interest receipts from deposit with nonresident banks)

43. Andorra Telecom can provide source data for export of telecommunications services (e.g., roaming services for nonresident tourists). The ASD plans to approach Andorra Telecom for quarterly data. Import of telecommunications services can be sourced from the household surveys and the government record. Computer and information services can be sourced from the quarterly business survey (for credit and debit) and the household survey (for debit). As the computer services industry may grow fast with the government's promotion policies in Andorra, the new quarterly enterprise survey should include questions on this item.

44. Other business services can be sourced from the new quarterly enterprise survey and the new direct reporting system. Personal, cultural, and recreational services could be sourced from the new quarterly enterprise survey, the new direct reporting system, the household survey, and the government record. Charges for the use of intellectual property and government goods and services are limited in Andorra.

Recommendations:

- Improve the estimation of insurance services following the guidance provided by the mission (high priority by March 2024).
- Record financial services provided by investment funds and investment management advisors (high priority by March 2024).
- Include questions on paid fees for financial services in the new quarterly enterprise survey (high priority by December 2023).
- Start compiling FISIM and adjust investment income, following the guidance provided by the mission (medium priority by March 2024).
- Add questions on construction services, telecommunications, computer, and information services, and other business services to the new quarterly enterprise survey (high priority by December 2023).

Primary Income

45. Compensation of employees (credit) can be compiled based on the information from the quarterly labor force survey. The survey covers around 1,000 households quarterly, and the results become available after 10 weeks from the end of the previous quarter.

46. Compensation of employees (debit) is sourced from the social security fund (Caixa Andorrana de la Seguretat Social) quarterly. This social security fund is responsible for both pension and health insurance and collects mandatory contributions from workers including daily and seasonal workers in Andorra. Workers are required to make contributions regardless of the length of their stay in Andorra.

47. To record investment income quarterly, the new quarterly enterprise survey should include questions on FDI income, given that the new direct reporting provides the information only annually. In addition, the AFA can provide investment income data quarterly for banks and OFCs as well as for NFCs and households to whom the banks provide custody services.

48. Renting fees reported by banks should be reclassified to services. The mission explained the concepts of rent recorded in the primary income and renting fees recorded in services.

49. The Tax Office may be able to provide information on investment income for NFCs and households including income not going through Andorran banks. The household survey can also provide source data, although income data are often underreported in the household survey. If no source data are available, interest payments for loans and interest receipts from deposits could be estimated from the position data for loans and deposits and average interest rates for them. The mission explained examples of estimation methods to the ASD.

Recommendations:

- Add questions on investment income to the new quarterly enterprise survey (high priority by December 2023).
- Reclassify paid renting fees reported by banks from other primary income to other business services (medium priority by December 2023).
- Consult with the Tax Office on the availability of primary income data. If not available, explore with the Tax Office the possibility to collect the information in the tax reporting framework (medium priority by September 2024).
- Consider adding questions on investment income to the household survey (medium priority by March 2024).
- Consider estimating other investment income for NFCs and households in case source data cannot be collected (medium priority by June 2024).

Secondary Income and Capital Account

50. The Tax Office provides data on the tax received by the Andorran government monthly.

Tax payments by Andorran residents to foreign governments are not recorded. If they are believed to be significant for Andorra's balance of payments, source data can be developed either by adding questions in the household survey or by estimating from compensation of employees and investment income.

51. Social contributions (credit) and benefits (debit) are sourced from the social security fund quarterly. Social contributions (debit) and benefits (credit) are not recorded except pension benefits received from France (the French embassy provides the information). The Tax office and the social security fund may have some information on social contributions (debit) and benefits (credit).

52. Personal transfers (debit) are recorded from the household survey. To record this item quarterly, the data should be collected quarterly from households with a sufficient sample size.

53. Receipts of net non-life insurance premiums are recorded based on the information from the AFA. Questions on non-life insurance premium payments and claim receipts can be added to the new quarterly enterprise survey and the household survey.

54. Contributions to international organizations by the AFA should be recorded in the secondary income account. The mission explained the recording of current and capital transfers.

Recommendations:

- Develop source data to record tax payments by Andorran residents to foreign governments (e.g., by adding a question in the household survey) (medium priority by September 2024).
- Consult with the Tax Office and the social security fund on the availability of the source data to record social contributions (debit) and benefits (credit) (medium priority by March 2024).
- Collect information on personal transfers quarterly from households with a sufficient sample size in the household survey (high priority by June 2024).
- Consider adding questions on non-life insurance premium payments and claim receipts to the new quarterly enterprise survey and the household survey (medium priority by September 2024).

- Reclassify contributions by the AFA to international organizations from the capital account to current transfers (medium priority by December 2023).

D. INSTITUTIONAL FRAMEWORK, RESOURCES, AND CAPACITY

55. Compilation of quarterly balance of payments and IIP requires additional resources for the ASD and source data providers. The mission recommended allocating an additional staff member for the compilation work (i.e., increasing the number of the compilation team from three to four). The ASD also needs to make source data providers understand the importance of compiling balance of payments and IIP quarterly (e.g., crucial information to assess the Andorran economy, make data-based policy decisions, and to improve the transparency of the Andorran economy). Better statistics will also help Andorran enterprises conduct business with nonresidents (e.g., better conditions on loans and FDI from nonresidents).

56. The compilation of balance of payments and IIP is relying on the expertise of the staff of the ASD. The expertise can be fostered only through continuous training and experience. The staff should keep attending training courses conducted by the IMF and other international organizations and keep compiling the data for a sufficient period. Frequent staff changes should be avoided.

Recommendations:

- Consider allocating an additional staff member to the balance of payments and IIP compilation team to prepare for the quarterly data compilation (high priority by December 2023).
- Keep attending training courses conducted by the IMF and other international organizations (high priority ongoing basis).