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**Feasibility Study on Conduct of a Coordinated Direct
Investment Survey**



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Feasibility Study on Conduct of a Coordinated Direct Investment Survey

1. Globalization—the most important force at play in the world economy today—has raised demands among policymakers and other users of statistics for more complete and comparable foreign direct investment (FDI) statistics, both in the context of balance of payments and international investment position (IIP) statistics as well as in other statistical frameworks.
2. In connection with an informal seminar on FDI statistics held by the IMF's Executive Board in November 2003, the Board endorsed a proposal made by the IMF's Statistics Department to undertake a feasibility study on the conduct of an internationally-coordinated survey of FDI positions.¹ Such a survey, which could be modeled on the basis of the IMF-sponsored Coordinated Portfolio Investment Survey,² could help meet demands for comprehensive and comparable FDI statistics. The IMF Committee on Balance of Payments Statistics (the Committee), which advises the IMF on methodological and compilation issues related to balance of payments and IIP statistics, also gave in-principle support for the study.
3. A small task force comprising the ECB, Eurostat, IMF, OECD, UNCTAD, and the World Bank was convened to undertake the study. National compilers from six countries also participated in the meetings of the task force. The task force concluded that it would be feasible and beneficial to compilers and users of FDI statistics for the IMF and its interagency partners to undertake a CDIS in respect of 2009.³ The study is nearing completion. A decision on whether to proceed with a CDIS will be made early next year, taking into account the resources required and the recommendations of the Committee.
4. The purpose of a CDIS would be to (i) improve the coverage and comparability of the IIP data on FDI capital and (ii) to make available a global database on the geographical distribution of the stock of FDI capital. The objectives of a CDIS would be to (i) collect comprehensive and harmonized information, with geographical detail, on the stock of inward (FDI in the reporting economy) and outward FDI capital (FDI abroad) at book valuations and to (ii) exchange the bilateral data among the participating countries as well as with other countries. By exchanging comparable data (subject to any confidentiality constraints) compilers in participating countries should be able to improve and/or validate IIP data on FDI capital.

¹ The seminar papers are available on the IMF's public website at: <http://www.imf.org/external/np/sta/di/index.htm>.

² The data and associated metadata on the Coordinated Portfolio Investment Survey, which is conducted on an annual basis, are available at <http://www.imf.org/external/np/sta/pi/cpis.htm>.

³ The United States, the largest direct investing economy, intends to conduct a benchmark survey of U.S. direct investment abroad in respect of the reference year 2009.

5. A key input into the feasibility study was the responses received from countries to a questionnaire designed for the study, which were completed and returned to the IMF by 78 countries. Its main purpose was to (i) assess the level of interest among countries in participating in an end-2009 CDIS and (ii) to identify any concerns that national compilers may have regarding the comprehensiveness of the data that would be collected and exchanged in a CDIS.
6. The responses to the questionnaire showed strong country support for a CDIS. Over 90 percent of the respondents indicated that they would consider participating in an internationally coordinated survey based on the collection and exchange of data on the geographical distribution of the stock of inward FDI capital as at end-2009 valued at book value; nearly three quarters of the respondents indicated that they would also consider participating in a similar survey on outward FDI capital for the same period.
7. The strong country support for a CDIS is not surprising. National compilers see a CDIS as an opportunity to improve the coverage and comparability of FDI data. This could be achieved through the implementation of best practices in conducting FDI surveys and the harmonization of methodologies, data collection, and reporting. Harmonized partner country data (so-called mirror statistics) are seen as an important validation tool for assessing/improving the coverage of national data and reducing bilateral asymmetries.
8. Some two thirds of the respondents that expressed support for a CDIS participate in the Coordinated Portfolio Investment Survey and thus are familiar with the benefits that an internationally coordinated survey can bring in terms of making available partner country information and improving statistical collections. In addition, a majority of respondents supporting a CDIS currently report data on FDI stocks in IIP submissions to the IMF's Statistics Department, and thus probably perceive that participation in a CDIS would not impose significant additional costs. Compilers also envisaged that a CDIS would support early implementation of the new guidelines being developed for FDI statistics in connection with the revision of the IMF's *Balance of Payments Manual*, fifth edition (*BPM5*) and the *OECD Benchmark Definition of Foreign Direct Investment*, third edition.⁴
9. In their questionnaire responses, compilers identified a common valuation base as an issue that could compromise the success of a CDIS. In this regard, the study concluded that "Own Funds at Book Value" (OFBV), which Eurostat and the ECB employ in FDI statistical collections, would be the most appropriate valuation principle for the collection of bilateral data. On this basis, both direct investment enterprises (inward FDI) and direct investors (outward FDI) would draw information from the accounts on the liabilities side of the direct investment enterprises' balance sheets to value inward and outward FDI capital, respectively.

⁴ Drafts of the new statistical guidelines for balance of payments statistics are expected to be released in 2006 and a final version, subject only to editing, by the end of 2008.

10. OFBV is among the acceptable proxies for market valuation of unquoted shares identified by the Committee in its work on the revision of the *BPM5*. At the same time, a CDIS would encourage countries to compile FDI on a market value basis employing enterprise surveys or other statistical techniques, in addition to collecting the required data for participation in a CDIS.

11. National compilers identified several other issues that could compromise the success of a CDIS, including coverage in national surveys, the treatment of Special Purpose Entities, data confidentiality, difficulties in being able to implement FDI methodologies, and getting countries to change existing compilation practices. The Task Force determined that there was scope to address, at least in part, various of these issues in a CDIS.

12. The successful launch of a CDIS would require the participation and proactive support of a core group of advanced countries—the large FDI-investing countries: first by achieving comprehensive survey coverage; and second, by implementing the OFBV valuation principle in national surveys of the stock of inward and outward FDI capital. Regarding valuation, a critical factor will be the uniform implementation of OFBV in the FDI surveys of the European Union member states, given their overall importance in the global stock of outward FDI.