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Progress on the Coordinated Direct Investment Survey

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Progress on the Coordinated Direct Investment Survey¹

I. INTRODUCTION

1. The purpose of this paper is to update the IMF Committee on Balance of Payments Statistics (Committee) on progress in implementing the Coordinated Direct Investment Survey (CDIS) since the last report to the Committee at its meeting in November 2009.

II. BACKGROUND

2. The information to be collected on the CDIS comprises data on inward and outward direct investment positions by immediate counterpart country, broken down between equity and debt as of end-December 2009. Further breakdowns of information, showing positions between fellow enterprises separately from those with direct investors/direct investment enterprises, and separating positions of resident financial intermediaries from other direct investment positions, are encouraged. As part of the overall reporting to the IMF, countries have been asked to provide metadata and an assessment of what improvements have resulted, at least in part, due to their participation in the survey.

III. IMPLEMENTATION

A. Reporting Template and the Metadata Questionnaire

3. As indicated in the 2009 report to the Committee, the IMF finalized the Reporting Template and the Metadata Questionnaire for the CDIS and provided these two documents to all participants through the IMF's Integrated Correspondence System (ICS).² Prior to their official distribution, the IMF distributed these documents to six jurisdictions³ as a pilot test to assess whether they were clear, comprehensive, and user-friendly. Their feedback helped improve both the Reporting Template as well as the Metadata Questionnaire. The IMF thanks these jurisdictions for their very valuable input.

Reporting Template

4. At the end of June 2010, the IMF informed all the participants that the Reporting Template for the CDIS was available for download.

¹ This paper was prepared soon after the initial deadline for submission of the data and metadata for the CDIS to the IMF (the deadline was September 30, 2010). The Committee will be provided with a more up-to-date report at its October 2010 meeting.

² The ICS is a web-based data reporting system developed by the IMF Statistics Department (STA) that provides data reporters with an efficient method of sending data to STA in a secure Internet environment using Excel.

³ Argentina, China PR: Hong Kong, France, South Africa, the United Kingdom, and the United States.

5. The Reporting Template requests the following “core” information:
- Total inward direct investment by immediate counterpart jurisdiction and region.
 - Total outward direct investment by immediate counterpart jurisdiction and region, for countries that are able to provide these data or where this is significant.

The immediate counterpart jurisdictions are grouped into 12 regions.⁴ This allows that, if for reasons of confidentiality the jurisdiction cannot be identified, the confidential data could be included in the regional totals, rather than just as a single total for all confidential cells (at the end of the template).

6. The Reporting Template also requests the following information for inward direct investment, and, where significant, for outward direct investment as well:

- Instrument (broken down into equity and debt)
- Net debt positions (liabilities minus assets) broken down into resident financial intermediaries and all other resident enterprises
- Gross debt instruments (total liabilities and assets separately identified)
- Fellows’ net inward (outward) direct investment
- Fellows’ total equity plus debt liabilities
- Fellows’ total equity plus debt assets

7. The Reporting Template is an Excel file, which contains a number of internal edit checks to ensure consistency. When the sum of subcomponents (horizontal or vertical) does not equal the total, the Template gives a message to the reporter. One particularly important edit check is to alert the compiler when there is residual disclosure of confidential cells.

8. Following the receipt of participants’ data, and review by the IMF for consistency and appropriateness, and any follow up with respondents, all participants’ data will be

⁴ European Union, other European countries, North Africa, Sub-Saharan Africa, North America, North Atlantic and Caribbean, South America, countries of the Persian Gulf, other Near and Middle East Countries, Central and South Asia, East Asia, and Oceania and Polar region. Unlike some other data sets (which may group countries according to levels of economic development, and/or that include northern African countries in the Middle East, or Israel in Europe), the geographic regions in the CDIS are more tightly tied to geographic location. This promotes stability in country classification and regional groups over time.

posted on the CDIS website. Tables that are being considered for the initial data release will include global totals, regional totals (by counterparties), as well as a listing of each country's total inward direct investment (and total outward direct investment, where reported) by size. In addition, a top ten from whom/to whom may also be posted on the website, similar to the Coordinated Portfolio Investment Survey (CPIS).

9. Because the first data release is considered "preliminary", it will not include tables that compare the inward data with counterpart outward data (although this information will be available from the participants' reports). These comparator tables will be explored when more comprehensive data have been received.

Metadata Questionnaire

10. At the end of August 2010, the IMF informed all CDIS participants that the Metadata Questionnaire for the CDIS was available. The Metadata Questionnaire is a document that may be easily completed on the IMF's web-based system – most of the questions are multiple choices, but there is free text space (unlimited) for the respondents to add to their responses. There is a 20-minute limit for the respondent to complete and save the questionnaire. The IMF has alerted participants of this feature and suggested respondents that, if necessary, their responses should be saved about every 10 minutes to avoid being timed out. This has apparently been a successful strategy.

11. The Metadata Questionnaire has three sections:

- Inward direct investment metadata
- Outward direct investment metadata
- Data improvement questionnaire

Inward and Outward Direct Investment Metadata

12. The inward and outward direct investment sections of the metadata questionnaire have almost identical questions. The questions mainly cover issues related to:

- Data sources (sample versus census survey)
- Type of reporting unit (enterprise or a local enterprise group)
- Recording of fellow enterprises
- Valuation methods (listed and unlisted equity, and debt securities)
- Dealing with nonresponse
- Primary source used to build survey frame

13. It is intended that, like the data, once the participants' metadata have been reviewed by the IMF for consistency and accuracy, all participants' metadata will be posted on the CDIS website (together with some summary cross-border comparison tables).

Data Improvements

14. The section on Data Improvements seeks information on changes that have been undertaken, at least partly, by the participating economies as a result of their participation in the CDIS. The questions cover the following:

- Whether fellow enterprises have been added to the survey coverage
- Whether changes were adopted regarding valuation of equity and debt
- Whether permanent (or nonpermanent) debt between related direct investment financial intermediaries is excluded
- Whether the survey form had been updated
- Whether wording on Ultimate Controlling Parent had been added
- Whether had been changes/additions to the mailing lists
- Whether there had been more comprehensive follow up on nonrespondents
- Whether more information (counterpart detail) had been released by the participant (other than to the IMF)
- Whether improvements have been made to the data processing system
- Overall assessment of importance of participating in the CDIS on improvements (if any) to quality of direct investment data

15. Unlike the data and metadata, the responses to improvements to direct investment data will not be posted on the website. However, these responses will provide input to a paper that the Statistics Department will prepare for the IMF's Management to show the impact on data quality for jurisdictions participating in the CDIS.

B. Processing system

16. As foreshadowed in the 2009 report to the Committee, the IMF is developing modern systems for processing and disseminating the CDIS results (data and metadata). The software will allow IMF staff to identify more readily where there may be concerns about a participant's response, and these will be followed up on in a timely fashion. The new analytical/dissemination software will also allow users to manipulate the data as they

chose. This software, however, probably will not be fully developed and tested until early 2011.

17. So as not to delay their release, the initial results of the CDIS will be posted on the website as Excel files at the end of 2010 or early in 2011, rather than waiting until the new software is fully developed and tested. The IMF will release the more modern software at the same time that the more complete and revised data for the CDIS are released (expected to be mid-2011). The IMF is confident that users will find the new software a very valuable tool to assist in the analysis of the data.

C. Responses

18. As of March 2010, 132 jurisdictions had indicated an interest in participating in the CDIS. The IMF sent emails at end-June 2010 (on the Reporting Template) and end-August 2010 (on the Metadata Questionnaire) to all the participants, and they were asked to confirm receipt of the emails, and to inform whether they had been able to access the Template and the Questionnaire. Acknowledgements were initially received from about 90 jurisdictions. The IMF sent subsequent emails to those that had not confirmed receipt of the emails (or had not downloaded the Reporting Template), and received additional responses.

19. As of October 5, 2010, forty-eight economies have reported CDIS data and 42 had completed the metadata questionnaire. Some jurisdictions have indicated that they were unable to report by the September 30 deadline and requested extensions (these were granted). A few jurisdictions have indicated that they were unable to provide data for 2009 but anticipated being able to report data for 2010. On October 1, 2010, the IMF sent reminders to those participants who had not yet reported or requested an extension, requesting that they submit their data by October 15 and their metadata by October 22.

20. The IMF expects to continue receiving preliminary CDIS data submissions over the coming weeks. It appears likely that participation in the CDIS (preliminary results) will compare very favorably to the number of countries participating in the CPIS (70 to 75 countries participated in the CPIS in 2008 and 2009, and the CPIS has been an annual exercise since 2001). Thus, these early indications of the results from the CDIS are highly positive.

IV. NEXT STEPS

A. Further Assistance to Participants

Regional workshops

21. The IMF plans to write to jurisdictions that had indicated their willingness to participate in the CDIS but did not reply to our previous emails on whether they are still interested in participating (either for reference year 2009 or later years). The IMF will also ask these jurisdictions to indicate what progress, if any, has been made toward implementing the CDIS. The IMF will also request whether these jurisdictions are

interested in attending the CDIS regional workshops that the IMF is considering conducting in 2011.

22. After the first data submission for the CPIS, the IMF organized a successful post-survey workshop, at which the participants discussed their results and compared their approaches. The IMF plans to undertake a similar approach for the CDIS during 2011, through workshops that will allow countries to compare their results, explore bilateral differences, examine how practices can be improved, and establish contact with counterparties.

23. A number of post-CDIS workshops are being considered (resources permitting). Such workshops could potentially be held for a number of the following jurisdictions during 2011:

- Anglophone African countries
- Francophone African countries
- Countries of East and South Asia
- Members of the European Union, EFTA, Canada, and the United States. Considering the large number of participating countries, two workshops would be conducted
- Countries of the former Soviet Union and other former centrally planned economies of Southern Europe that are not members of the European Union
- Countries of the Persian Gulf, North Africa, and other countries of the Near and Middle East
- Latin American countries
- Jurisdictions of the North Atlantic and the Caribbean

24. The workshops for the two groups of African countries might take place in early 2011, taking into account the level of support that countries in the region seek in order to improve their foreign direct investment data compilation. The earlier these jurisdictions can be involved in such workshops, the higher the likelihood that they will be able to provide results for reference year 2010.

25. In regard to countries of the South and East Asia region, some have already reported 2009 CDIS data, whereas many of them are conducting a direct investment survey for the first time and need additional support. They could, therefore, benefit from a workshop in early 2011 as they could learn from the other participants (especially those who are more experienced) and would still have time to modify their practices/survey forms for the next survey.

26. For the North America and Caribbean region, some jurisdictions have not started any work on conducting the CDIS. As a result, the workshops may be held in the last half of 2011.

27. For most of the other regions, the jurisdictions have conducted a survey before and/or, because they have complex reporting situations, their preliminary results may need to be modified substantially in the revised submission in March 2011. Therefore, the workshops might be more productive if held later in the middle of 2011 or later.

Other meetings

28. The IMF plans to undertake further one-on-one meetings with some key possible participants. For example, the IMF is planning to hold such meetings with the authorities in Bermuda (where many direct investment enterprises in insurance are located) and the Netherlands Antilles (where many financial intermediaries and Special Purpose Entities are located) in early 2011.

Questions for the Committee

1. *Does the Committee agree that the preliminary data should be released as soon as the data are available and not wait until the more sophisticated software is available?*
2. *Does the Committee agree with the proposed plans and dates for conducting the post-survey workshops?*