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OECD Group of Financial Statisticians
Summary of Discussions on the Survey of Implementation of
Methodological Standards of Direct Investment

Prepared by the Directorate for Financial, Fiscal and Enterprise Affairs
Organisation for Economic Co-operation and Development

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OECD GROUP OF FINANCIAL STATISTICIANS

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Summary of Discussions on the

Survey of Implementation of Methodological Standards of

Direct Investment

1. In the first quarter of 1998 IMF and OECD secretariats prepared a draft report based on the preliminary results of the Survey of Implementation of Methodological Standards on Direct Investment (SIMSDI). This report was presented to the OECD Group of Financial Statisticians in April 1998 for its review and for comments. The present document will focus on the conclusions of that discussion with a view to informing the members of the IMF Committee on Balance of Payments Statistics.

Overall assessment of SIMSDI

2. The Group reiterated its appreciation of the initiative taken by IMF and OECD to conduct a survey on methodological standards of foreign direct investment which is a useful step for the international harmonisation of FDI statistics. Considering the response rate and the quality of the information provided, delegates concluded that the survey was successful. Nevertheless, they agreed that FDI statistics represent a complex set of data which require further efforts for improvement by national compilers and a close co-operation at the international level. Although SIMSDI allowed compiling a significant amount of metadata for a large number of countries, it could only be considered as an initial step for international harmonisation. Complementary work will be necessary to ensure the practical implementation of international methodological standards.

3. The Group supported the efforts of IMF and OECD in establishing a database to record survey responses. Delegates indicated that it would be useful to have an extension of the database providing analytical tables to facilitate research by subject in addition to a full review of responses by country.

Consequently, the Secretariat was asked to pursue the efforts in completing the database and in providing access to officials from Member countries.

4. The Group agreed to submit by written procedure the amendments to survey responses, if any.
5. Regarding future updates, the Group agreed that the modification of the SIMSDI database should be an ongoing exercise which would allow the Secretariat to provide up-to-date information to subscribers at any point in time. Consequently, Delegates agreed that they will submit methodological amendments to the Secretariat at their own initiative if and when such changes are implemented in national statistical systems.
6. The Group mandated the Bureau of the GFS to endorse the final version of the Secretariat report to be submitted to the Committee on International Investment and Multinational Enterprises.

Lessons from the Survey

7. Delegates examined and discussed the conclusions of the draft report. The Group expressed the following views:
 1. A certain number of methodological recommendations included in *IMF Balance of Payments Manual, 5th edition* and *OECD Benchmark Definition of Foreign Direct Investment, 3rd edition* require further clarifications as they may be subject to different interpretations by national compilers;
 2. A survey such as SIMSDI can provide very valuable information on a large number of items. However, based on these results, it is difficult to have a clear understanding of certain specific statistical treatments in individual countries. Consequently, it is indispensable to examine in more detail some of the methods used for measuring FDI. Before considering the expansion of the Survey to include a set of questions which could not be fully covered in the first version of the Survey, it would be useful to collect information on individual country practices in the form of descriptive documentation.
 3. The guidelines set by IMF and OECD refer to an ideal situation. Some of these recommendations are difficult to implement. Exchanging information between national compilers and further discussions based on current methods used for measuring the FDI activity may lead to practical recommendations which could facilitate the implementation process;
 4. The Group also invited the international community to a more in-depth reflection regarding the ultimate purpose of international guidelines. Several delegations questioned the usefulness of international guidelines which are difficult to implement and which may therefore lead to further discrepancies given major obstacles in their implementation. In sum, international organisations were asked to review the degree of usefulness of some of the guidelines for the international harmonisation of the statistics and not to lose from sight the cost benefit analysis of these recommendations.

Future work

8. The Group stressed the need for a clear understanding of some of the methodology applied currently by individual countries, i.e. to what extent countries are able to implement the guidelines. Formulating practical recommendations on such issues would be most useful to national compilers. Therefore, it is recommended to provide methodological clarifications and to review the extent of implementation of guidelines by individual countries and the difficulties encountered.

9. The Group supported the proposal to hold a special meeting of FDI experts in early 1999 to discuss the relevant issues and recommended that other international organisations closely involved in methodological work such as IMF, European Central Bank and EUROSTAT be associated with this work. Starting from this point, the Group identified the following areas for its future agenda:

1. Application of the "fully consolidated system" was reported to be conceptually complex, costly and difficult to implement.
2. The application of the directional principal and the recording of reverse investment;
3. Measuring reinvested earnings and the use of "Current Operating Performance Concept";
4. Short term-financing between affiliated enterprises;
5. Recording investment income on accrual basis;
6. Methods of valuation including methods of adjustment to current valuation;
7. Recording transactions of Special Purpose Entities and the treatment of multinational enterprises;
8. The treatment of financial derivatives;
9. Clarification of financial lease;
10. Clarification of some of the concepts which often lead to confusion with services such as construction, real estate.

10. Accordingly, the OECD Secretariat is planning to host a Workshop on Foreign Direct Investment Statistics on 8-9 March 1999.

Ayse Bertrand, OECD
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