DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)

OUTCOME PAPER #22:

FEBRUARY 9, 2005

1. **Topic**: FDI - Other Capital (With Focus On Short-Term), Balance of Payments and Financial Accounts Department

2. **Issues**: See DITEG issue paper #22 ‘FDI – other capital (with focus in short-term)’ by De Nederlandsche Bank

3. **Recommendations**:

   (i) DITEG agreed that all FDI-other capital flows and stocks, both long-term and short-term, between FDI related enterprises should be included in FDI and not in Other Investment (with the standard exception for financial intermediaries). Therefore DITEG recommends to keep the existing standards unchanged.

   (ii) It was recognised that short-term flows and positions could lead to disturbances in the FDI data. See also issue #16 for a split between short-term and long-term FDI other capital.

4. **Rejected Alternatives**:

   (i) DITEG rejected the alternative to exclude both long-term and short-term other capital flows and stocks from FDI and to include these in Other Investment (alternatives 3 and 4 in the issue paper) because all flows and stocks within a FDI relationship should remain within FDI.

   (ii) DITEG also rejected the proposed alternative (alternative 5 in the issue paper) to include other capital flows and stocks between direct relationships only and to exclude other capital flows and stocks between indirect relationships (e.g. between a company and its grandmother) for the same reason mentioned in (i).

5. **Questions for the IMF Committee on Balance of Payments (the Committee) and the OECD Workshop on International Investment Statistics (W-IIS)**:

   (i) *Do the Committee and the WIIS agree that all other capital flows and stocks, both long-term and short-term, between FDI related enterprises should be included in FDI and not in Other Investment (with the standard exceptions for financial intermediaries) and thus to keep the existing standards unchanged?*

   (ii) *Do the Committee and the WIIS agree that countries may give, on a voluntary basis, supplementary information on a split between long-term and short-term FDI other capital (see also issue #16)?*