

**Eighteenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
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**Update on Feasibility Study on Coordinated Direct Investment Survey**

**Prepared by the Statistics Department  
International Monetary Fund**

## **Update on Feasibility Study on Coordinated Direct Investment Survey**

### **Introduction**

1. At its meeting in Pretoria, South Africa, in October 2004, the IMF Committee on Balance of Payments Statistics (the Committee) was briefed on the work under way on the feasibility study of the benefits and costs associated with the conduct of a Coordinated Direct Investment Survey (CDIS), including the proposed objectives for a CDIS, the formation of the Task Force on Feasibility of Conducting a Coordinated Direct Investment Survey<sup>1</sup> (the Task Force), and the planned consultations with countries and international/regional organizations.<sup>2</sup> This note provides an update of the work undertaken by the Task Force between October 2004 and April 2005.

### **Questionnaire to countries**

2. At the outset of the feasibility study, it was envisaged that a questionnaire would be sent to countries following the completion, in March 2005, of the work program of the Joint IMF-OECD Direct Investment Technical Expert Group (DITEG) on the revision of the statistical guidelines for direct investment statistics. The questionnaire would gauge the level of interest among countries in participating in a CDIS sponsored by the Fund and its interagency partners and identify obstacles or potential methodological problems that may have an impact on the comprehensiveness of the data that would be collected in a CDIS. A draft questionnaire to countries was prepared by the Fund and discussed at the second meeting of the Task Force, which was held in December 2004 and included the participation of several country representatives of the DITEG.

3. Taking on board the comments received at the meeting of the Task Force and in subsequent exchanges via email, the questionnaire was finalized and transmitted to 89 countries in early April 2005, following the final meeting of the DITEG in March. A copy of the questionnaire is presented in the Annex. The questionnaires were addressed to the Governors of central banks and heads of national statistical agencies and copied to the official balance of payments correspondent (French and Spanish translations of the questionnaire were also transmitted). Countries were asked to complete and return the questionnaires by May 18, 2005. By June 1, only 52 countries had submitted completed questionnaires.

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<sup>1</sup> Representation includes the ECB, Eurostat, IMF, OECD, UNCTAD, and the World Bank.

<sup>2</sup> Update on Feasibility Study on Coordinated Direct Investment Survey (BOPCOM-04/04).

4. The Task Force envisaged that a first CDIS might initially involve between 60 and 80 jurisdictions, given the resources required to conduct such an international undertaking. At their October 2004 meeting, Committee members were not unanimous on how many countries should be invited to participate in a potential CDIS, with some members favoring the involvement of a larger number of countries than was envisaged by the Task Force. The Fund proposes to revisit the issue of country participation after the CDIS questionnaires have been processed.

5. The primary criteria used to select the surveyed countries was the size of their stock of inward FDI liabilities, which was based on information from UNCTAD's *World Investment Report*, 2004. Additional countries were then selected to provide for an adequate coverage of countries across the Fund Area Departments and coverage was also increased to include all of the OECD countries and the member states of the EU. The following is the distribution of the surveyed countries by Area Department: African (10), Asia and Pacific (14), European (34), Middle East and Central Asia (16), and Western Hemisphere (15).

6. The questionnaire contains 12 questions and seeks information on:

- country interest in participating in a CDIS in respect of the reference year ending December 31, 2009;
- country views on what additional resources might be required for their participation in a CDIS that sought to gather comprehensive and harmonized data and what types of assistance they may require; and
- country views on issues that could seriously compromise the success of a CDIS (including provision of selected bilateral information on FDI positions to assess potential gaps in a CDIS).

7. Based on the outcome of the DITEG discussions, the Task Force concluded that book values were the only plausible valuation that could be used in direct investment surveys seeking bilateral information from enterprise surveys. Accordingly, the instructions to the CDIS questionnaire included the following statement "The IMF Committee on Balance of Payments has reconfirmed that the market price principle should be adopted for the new balance of payments manual; even so the Direct Investment Technical Expert Group, set up by the Committee to advise on the more complex technical issues related to FDI, has noted that the application of the market price principle at the bilateral level is likely to be impractical, and has accordingly, recommended to the Committee that book value be considered an appropriate valuation basis for bilateral data."

#### **Letters to interagency partners**

8. Based on the Fund's experience with the Coordinated Portfolio Investment Survey, a CDIS would have significant resource implications for the Fund's Statistics Department, which comes at a time when the department's budget is under pressure. All of the agencies

participating in the Task Force expressed their strong support for a CDIS and several offered to host seminars/workshops to assist their member countries in the event that an internationally coordinated direct investment survey took place. In April, the Fund wrote to the ECB, Eurostat, OECD, and UNCTAD to inquire whether they may be able to contribute other resources in a CDIS, including assuming partial responsibility for a coordinated survey. It also wrote to the World Bank to investigate the prospects of approaching selected donor countries for resources to facilitate the participation of Sub-Saharan African countries in a potential CDIS. Taking this information into account, the Fund will then derive estimates of the resources that it would require to undertake, with its interagency partners, a CDIS with respect to the reference year 2009. The major costs would include the formation of a task force to draft a survey guide, the conduct of a series of regional workshops, and staff resources to work on the CDIS.

9. Early in its work program, the Task Force saw merit in involving regional organizations in a potential CDIS, given they have a substantial interest in direct investment statistics in their regions. In October 2004, the Fund wrote to the United Nations Economic and Social Commission for Western Asia, the United Nations Economic Commission for Latin America and the Caribbean, and the ASEAN Secretariat to apprise them of the feasibility study and later to provide copies of the survey questionnaire for information.

### **Way forward**

10. The Fund will summarize the results from the questionnaire transmitted to countries and present the findings to the Task Force in early July. The Fund, in consultation with the Task Force, will prepare a draft of the report of the feasibility study, which will be provided to the Committee for review and endorsement of the key recommendations. If found necessary, a meeting of the Task Force could be convened to conclude any outstanding technical issues.

11. A report will then be prepared for the Fund's Executive Board, which will set out the benefits and costs of a CDIS and the Committee's recommendation on whether a CDIS should be undertaken by the Fund and its interagency partners.

### **Questions for discussion**

1. Does the Committee agree with the procedures laid forward?