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Progress Report on the Coordinated Direct Investment Survey

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

Progress Report on the Coordinated Direct Investment Survey

I. INTRODUCTION

At its meeting in 2007, the IMF Committee on Balance of Payments Statistics (Committee), was advised that, in May 2007, the IMF senior management approved the Statistics Department's proposal to launch a coordinated direct investment survey (CDIS). The purpose of this paper is to update the Committee on progress in implementing the survey.

The CDIS, modeled on the Coordinated Portfolio Investment Survey (CPIS), will collect, as core information, 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 between financial intermediaries from other direct investment, will also be encouraged. As part of the overall reporting to the IMF, countries will be asked to provide metadata and an assessment of what improvements have resulted, at least, in part due to their participation in the survey.

II. IMPLEMENTATION

The implementation of the CDIS is based on four pillars: (i) the preparation of a survey guide; (ii) the invitation to participate; (iii) an outreach exercise of seminars, and the development of a website for the CDIS; and (iv) the involvement of other international and regional organizations to actively encourage participation by their members.

Preparation of the CDIS Guide

Following the decision to undertake the CDIS, the Statistics Department set up a task force, to provide input for the preparation of a survey guide. The task force comprised the IMF's interagency partners in the measurement of direct investment as well as eleven jurisdictions¹. It met in Washington in June 2007, at which time the framework and content of the guide were agreed. The Statistics Department then prepared a draft of the guide, which was sent to the Task Force for comment. The task force met for the second and last time in Hong Kong SAR, in January 2008, at which meeting the guide was accepted, subject to some minor changes. The document has been posted on the CDIS website (see further below) and it has

¹ The members of the task force were: Brazil, China, PR, France, Hong Kong SAR, Japan, Mexico, the Netherlands, Oman, South Africa, the United Kingdom, the United States, the ECB, Eurostat, the OECD, and UNCTAD, as well as the IMF.

been translated into Arabic, Chinese, French, Russian, and Spanish. A final version of the guide in English will be ready in the next few weeks and the translations should also be finalized at about the same time. The final versions of all languages will be posted to the CDIS website.

In an annex to the Guide, all the jurisdictions of the world are listed, and these have been grouped into regions. The reason for the groupings is to help limit the loss of information that may arise from confidential data. Thus, if an individual cell for a counterpart economy is confidential, rather than including this in an “other” cell, with no regional attributes, the information could be included in the total for a given regional group, thereby providing some geographical dimension. In suppressing one cell, but having a regional total, at least one other cell would have to be suppressed as well.

The Statistics Department has prepared a one page flyer that could be used to assist compilers to demonstrate to respondents the importance of the exercise. The flyer sets out the purpose of the CDIS, and indicates, among other things, that it is an international undertaking, stressing the importance and stability of direct investment in the international investment position and the need for comprehensive and accurate data. The flyer has been translated into Arabic, Chinese, French, Russian, and Spanish, and these were distributed at regional seminars (see below).

The Task Force also agreed with the implementation plan that the IMF proposed, built on the four pillars approach. In addition, the plan notes that the implementation process is a dynamic and flexible one, and that it will be adjusted as circumstances require. The implementation plan also noted that the Statistics Department will prepare an interim report to the IMF Board by the end of 2008, and a further report to the Board in 2011 on the outcome of the CDIS. The plan also set out proposals for a post-assessment of the CDIS. These proposals included a review of the metadata of the results, the number of participants, the extent to which the data quality had improved (such as the extent that the data had been based on the books of the direct investment enterprise, the application of the common valuation standard (own funds at book value), the inclusion of fellows where previously these may not have been covered, or the removal of debt positions between financial intermediaries where previously they had been included). Finally, the plan proposed that a decision as to whether the CDIS should be conducted on an ongoing basis, and if so, its periodicity, should be taken by the Committee.

Letters of invitation

Letters of invitation signed by the Managing Director were sent to all Fund members and a few other jurisdictions in August 2007. Follow-up letters to those who had not responded, and to obtain contact details from those who had, were sent by the Statistics Department in December 2007. As the time of writing, 130 jurisdictions have indicated their willingness to

participate in the survey. See Table 1. In addition, there are a few jurisdictions that have advised the Statistics Department that they wish to wait to make a decision, but have requested that they remain informed about developments.

Table 1. Countries Indicating an Interest in Participating in the CDIS

<i>N. America & Caribbean</i>	<i>Latin America</i>	<i>Europe: EU</i>	<i>Europe: Non EU</i>	<i>Former nonEU</i>	<i>Middle East and North Africa</i>	<i>Sub-Sahara Africa</i>	<i>East and South Asia and Pacific</i>
Barbados	Argentina	Austria	Albania	Armenia	Bahrain	Benin	Australia
Canada	Bolivia	Belgium	Bosnia	Azerbaijan	Iran	Botswana	Bangladesh
Grenada	Chile	Bulgaria	Croatia	Belarus	Israel	Burundi	Bhutan
Guyana	Costa Rica	Czech Rep	Iceland	Georgia	Jordan	Cameroon	Cambodia
Haiti	Ecuador	Denmark	Macedonia	Kazakhstan	Kuwait	Cape Verde	China PR
Jamaica	El Salvador	Estonia	Montenegro	Kyrgyz	Lebanon	Comores	China HK SAR
Netherlands Ant Trinidad and Tobago	Honduras	Finland	Norway	Moldova	Libya	Congo (Brazzaville)	China Macao SAR
USA	Mexico	France	Serbia	Tajikistan	Oman	Cote d'Ivoire	Fiji
9	Nicaragua	Germany	Switzerland	Ukraine	Syria	Ethiopia	India
	Panama	Greece	Turkey	9	9	Gabon	Indonesia
	Paraguay	Hungary	10			The Gambia	Japan
	Peru	Ireland				Ghana	Korea (Rep of)
	Uruguay	Italy				Guinea-Bissau	Malaysia
	13	Latvia				Guinea	Maldives
		Lithuania				Kenya	Mongolia
		Luxembourg				Madagascar	Myanmar
		Malta				Mauritius	Nepal
		Netherlands				Morocco	New Zealand
		Poland				Mozambique	Pakistan
		Portugal				Namibia	Philippines
		Romania				Rwanda	Samoa
		Slovakia				Seychelles	Solomon Islands
		Slovenia				Sierra Leone	Sri Lanka
		Spain				Somalia	Thailand
		Sweden				South Africa	Tonga
		UK				Swaziland	25
		26				Tanzania	
						Uganda	
						Zambia	
						29	
Total	130						

Outreach: Regional seminars

During 2008, the IMF has conducted 10 regional seminars. These are shown in Table 2. One hundred and eighty nine participants attended, from 128 jurisdictions and regional organizations.

Table 2: Seminars on the CDIS: Dates, Locations, Regions, and Participation

Date	Location	Region/country	Number of jurisdictions/ participants
February 2008	Ljubljana, Slovenia	Formerly centrally planned economies in SE Europe and Central Europe	14/14
April 2008	Beijing, China PR	China PR	1/15
May 2008	Muscat, Oman	Middle East and North Africa	9/25
June 2008	Mexico City, Mexico	Latin America	15/15
June 2008*	Luxembourg	EU, EFTA, Turkey	16/28
June 2008*	Luxembourg	EU, EFTA	16/29
July 2008	Putrajaya, Malaysia	East and South Asia, and Pacific	17/17
July 2008	Tunis, Tunisia	Francophone Africa	10/10
August 2008	Pretoria, South Africa	Anglophone Africa	14/14
September 2008	Barbados	Caribbean and Atlantic	16/22

* Two seminars were held in Luxembourg as there were too many participants for one seminar.

The seminars were generally of two to three days. They covered the CDIS Guide in depth, chapter by chapter. The seminars focused on the importance of: (i) the commonality of the standards; (ii) the need to improve the quality of the positions data collected, even for economies with highly developed systems; (iii) the use of the books of the direct investment enterprises for both inward and outward direct investment; (iv) the use of own funds at book value as the basis for valuing equity for unlisted entities; (v) collecting, or improving collection of, data on “fellows”, given that they may be the source of major gaps in countries’ data; (vi) the exclusion of all debt positions between financial intermediaries (in line with the standards in *BPM6*); (vii) metadata; and (viii) identifying how the CDIS may have improved data quality. Participants who were undertaking a comprehensive survey for the first time were encouraged to prepare as detailed a plan as possible, to involve respondents early in the planning stage, and were cautioned about trying to take on too much at once. Although no formal decision has been taken about whether the CDIS will be an ongoing exercise, participants were advised to work on the basis that it would be.

Outreach: Creation of a website

As noted above, the IMF has created a website for the CDIS (see: <http://www.imf.org/external/np/sta/cdis/index.htm>). The home page gives some background on the survey, sets out the purpose of the CDIS, the reference date, when preliminary data are expected to be released by the IMF (end-2010 or early 2011), and when revised data are expected to become available (mid-2011).

In addition to the CDIS Guide, the website has the following documents posted to it:

- The Framework of Direct Investment Relationships (FDIR)
- The Implementation Plan for 2009 Coordinated Direct Investment Survey
- List of Countries Indicating a Willingness to Participate in the Coordinated Direct Investment Survey, as of May 2008
- Japan's Experience in Compiling a Mailing List
- United Kingdom's Experience in Building a Register
- Experience of the United Kingdom in Use of Electronic Direct Investment Questionnaire
- Data Template for Reporting to the IMF
- Summary of Outcomes of June 2007 meeting of the Task Force on the Coordinated Direct Investment Survey
- Items Compilers May Wish to Collect, in Addition to Direct Investment Positions
- Country Codes and Regional Groupings

It also is linked to the following websites:

- IMF Committee on Balance of Payments Statistics (and the papers on the CDIS that were discussed by the Committee at the 2004 – 2007 meetings)
- Coordinated Portfolio Investment Survey
- Balance of Payments and International Investment Position
- Direct Investment Methodology
- OECD Benchmark Definition of Foreign Direct Investment
- Balance of Payments and International Investment Position Manual

In addition, the IMF has set up a CDIS mailbox at cdis@imf.org for compilers and potential users to contact the Statistics Department.

Involvement of international and regional organizations

In its discussion on the feasibility of undertaking the CDIS, the IMF Board stressed the need for the Statistics Department to work closely with other international and regional

organizations with an interest in direct investment data. Accordingly, the Statistics Department has very much appreciated the participation of our interagency partners and other regional and national organizations in advancing the CDIS. Their involvement included the following:

- the ECB, Eurostat, the OECD, and UNCTAD were active members of the CDIS Task Force
- the Hong Kong Census and Statistics Department hosted the second meeting of the CDIS Task Force
- Eurostat, in conjunction with the ECB, hosted the two seminars in Luxembourg for members of the European Union, the European Free Trade Area, and Turkey
- The Center for Excellence in Finance hosted the seminar for formerly centrally planned countries in SE Europe and Central Asia
- The Centro de Estudios Monetarios Latinoamericanos (CEMLA) hosted the seminar for countries from Latin America
- China PR's State Administration for Foreign Exchange (SAFE) hosted the seminar held in Beijing, and covered all the participant's travel, accommodation and subsistence costs, for participants from the regional offices of SAFE
- The Caribbean Technical Assistance Center (CARTAC) hosted, and covered all the participant's travel, accommodation and subsistence costs, for economies of the Caribbean and the Atlantic
- The Malaysian Department of Statistics hosted the seminar for economies of the Asia-Pacific region
- The Omani Ministry of Economy hosted the seminar for countries in the Middle East
- The South African Reserve Bank hosted the seminar for Anglophone African countries

The Statistics Department is also very grateful for the support and assistance provided by the Joint African Institute in arranging the seminar for Francophone African countries that was held in Tunis.

III. NEXT STEPS

Further assistance to participants

The Statistics Department has made minor modifications to the CDIS Guide, as a result of feedback received from the seminars. It is clear that many countries have well organized collection systems and have already planned — and in some cases, already implemented — important improvements at least partly due to their participation in the CDIS (including improved coverage of fellows). It is clear that a second round of seminars is not required for countries that have well developed direct investment collections and compilation systems in place. However, for other countries, especially those conducting a comprehensive survey of direct investment positions for the first time, or those with limited experience in conducting surveys, further follow-up by the Statistics Department may be very valuable. Accordingly, the Statistics Department is exploring how best to assist these countries – whether through a series of targetted visits, or smaller seminar/workshop groups that focus on the practical problems they may be encountering.

Templates for reporting to IMF the CDIS data, metadata, and assessment of improvements to data quality

Over the next few months, the Statistics Department will develop and place on its website the reporting templates of the CDIS results to the IMF. To accompany the reporting of data, the Statistics Department will also include a metadata outline and a series of questions that would allow an assessment of how the CDIS may have affected the quality of data on direct investment positions. The elements of these reports are set out in annex to Chapter 4 in the CDIS Guide and included as an attachment to this document

Software for Aggregation and Dissemination of the Results of CDIS

The Statistics Department has begun to explore the software options for the aggregation, editing, validation, and dissemination of the results. Conscious of shortcomings of the static tables used in the dissemination of the CPIS data, the Statistics Department is considering developing a dynamic database for the CDIS to allow users a means of manipulating the results.

Question for the Committee

- 1. Do the members of the Committee have any comments about the process in conducting the CDIS?*

2. *Do the members of the Committee have any comments on how assistance might be targetted to those jurisdictions that appear to need it most?*
3. *Do the members of the Committee have any suggestions on the metadata outline, or on the questions on data improvements of direct investment, attached to this document?*
4. *Do the members of the Committee have any views on the next step in providing assistance on the CDIS: through targetted visits, smaller seminar/workshop groups, or some other approach?*

ATTACHMENT

**Metadata Template And Template On Improvements In Data On Direct Investment Positions Resulting From Undertaking The Coordinated Direct Investment Survey
(reproduced from the CDIS Guide, annex to Chapter 4)**

Template 3 (Metadata): In addition to the data in the templates, the IMF seeks descriptive information or metadata from participants. The following information will be sought on both inward and outward direct investment.

- A. Are the data for direct investment based on a sample survey or a census?
- B. Is the reporting unit an enterprise or an enterprise group? If an enterprise, please **describe in detail** whether this statistical unit may consist of a group of corporations under common control, whether it is a single corporation, etc. That is, please describe the level of consolidation in your reporting units.
- C. How are positions recorded between a resident and nonresident fellow enterprise? For example, are asset positions recorded in outward direct investment and liability positions recorded in inward direct investment? Alternatively, are asset and liability positions both recorded in outward (or inward) direct investment, depending on whether the Ultimate Controlling Parent (UCP) is a resident (or nonresident)?
- D. Please indicate what, if any, instructions you provide, and/or what methodologies you use, in identifying the UCP. For example, in your instructions, do you consider the UCP to be the common parent of the resident and nonresident fellow enterprises? Alternatively, do you consider the UCP to be the controlling parent of the resident enterprise, even where it is not the controlling parent of the nonresident fellow enterprise?
- E. In the circumstance where no one owns a controlling interest in the resident fellow, what approach is followed in identifying the UCP? For example, in your instructions, do you regard a resident enterprise that is an associate (i.e., that is owned less than 50% by its foreign direct investor) as having no UCP? Alternatively, do you regard the UCP of the *immediate foreign direct* investor to be UCP of the resident enterprise? (If so, what method do you use in the case where 2 or more foreign direct investors hold the same equity interest?) Another alternative that some countries may employ is to regard the resident associate enterprise that is a fellow to be its own UCP, that is, the UCP of resident associates are judged to be residents, in the circumstance where no enterprise owns a controlling interest.
- F. What methods are used in valuing listed and nonlisted equity investment? In particular, is "Own Funds at Book Value" used in valuing nonlisted equity, and are published or listed prices used in valuing listed equity?
- G. What methods are used in valuing direct investment debt positions? In particular, is nominal value used for loans and other intercompany debt positions except for securities? For securities, is market value used? Is accrued interest included?
- H. What method(s), if any, did you use in estimating data for nonresponding enterprises?

I. What were your primary sources of information in building your sample frame of resident direct investment enterprises, and of resident direct investors?

Template 4 (Impact on overall quality of conducting the CDIS). Please report improvements that may have been implemented in your estimates for 2009, at least partly as a result of your participation in the CDIS. In particular:

- A. Has your organization expanded its surveys, to more fully cover positions involving resident and nonresident fellow enterprises?
- B. Did your organization change its method of valuing direct investment equity investment, to be more consistent with the standards? For example, is nonlisted equity now valued at OFBV? Or, is listed equity now valued at published or listed prices?
- C. Did your organization change its method of valuing direct investment debt investment, to be more consistent with the standards? For example, is nominal value used for loans and other intercompany debt positions except for securities? For securities, is market value used? Is accrued interest included when previously it may not have been?
- D. Did your organization change its treatment of intercompany debt positions between resident and nonresident financial intermediaries, to be more consistent with the standards? That is, does your organization now exclude such debt positions, or does your organization now try to more fully exclude such debt positions than previously?
- E. Has your organization updated or improved the data collection instrument (i.e., the survey form of direct investment enterprises and/or of direct investors), to clarify language?
- F. Has your organization added wording to its enterprise surveys on Ultimate Controlling Parents?
- G. In processing these surveys, has your organization added companies to its mailing lists? Did your organization more fully follow up on nonrespondents? Did your organization release data at a more detailed geographic level than previously? Did your organization make other processing improvements, at least partly because of its participation in the CDIS?
- H. Please provide any other relevant comments about your organization's participation in the CDIS.