

DITT Fourth Meeting (December 1, 2021)— Summary of Discussions

INTRODUCTION

1. The fourth meeting of the Direct Investment Task Team (DITT) was held on December 1, 2021, via WebEx. Ms. Maria Borga, Deputy Chief, Balance of Payments Division, IMF's Statistics Department and Mr. Krzysztof Makowski, chair of the OECD Working Group on Investment Statistics (WGIS), co-chaired the meeting. The objective of the meeting was to present the outcomes of the discussions at the last two recent IMF's Committee on Balance of Payments Statistics (the Committee) meetings in June and October 2021, discuss remaining DITT's work until the March 2022 Committee meeting, and the prioritization process.

OUTCOMES OF THE JUNE AND OCTOBER 2021 BOPCOM MEETINGS

2. Mr. Makowski presented the Summary of Discussion (SoD) of the Committee meeting ([June 21–24, 2021](#)), during which the following two Guidance Notes (GNs) were discussed.

ELIMINATING SPECIAL IMPUTATIONS FOR AN ENTITY OWNED OR CONTROLLED BY GENERAL GOVERNMENT (D.5)

3. The GN proposes to retain the *2008 SNA/BPM6* treatment, but with a more appropriately defined imputations necessary to adequately reflect the proper nature, value, and counterpart of relevant flows and positions in the government accounts.

4. The public consultation favoured the recommendation in the GN suggesting that the issue of classification and valuation of debt between government and direct investment enterprise (DIE) could be further discussed by the government finance statistics (GFS) community, the GFS Advisory Committee (GFSAC). *BPM6* does not specify the exact instrument to be imputed as debt of government but can presume it is a loan. Because loans are valued at nominal value but debt securities issued by the SPE are valued at market value, the SPE liability position will not be fully reflected in government's accounts without further adjustments.

5. The Committee agreed with the recommendation and supported further discussion in the GFS community and Advisory Expert Group (AEG) on the classification and valuation of debt between government and DIE.

Next Steps:

- *Revise GN stating the approved option by the Committee and providing more details about the proposed enhancements to the imputations between the SPE and the parent government to be included in the updated BPM7.*
- *Revised GN will then be submitted to the GFSAC and the AEG for comments.*
- *After incorporating the GFSAC and AEG comments, the GN will be sent again to the Committee for final approval via written procedure.*

PUBLIC PRIVATE PARTNERSHIP (D.8)

6. This GN recommended that the updated *BPM6* and its accompanying *Compilation Guide (BPM6 CG)* provided guidance on the concepts, definitions, and scope of PPPs arrangements; guidance on determining when there is a direct investment (DI) relationship and the associated DI transactions and positions and how to treat these in the balance of payments and international investment position (IIP), respectively; and practical compilation guidance.

7. The public consultation supported the recommendation. The Committee too unanimously agreed with the recommendation.

Next Step:

- *DITT to prepare a final version of the GN stating the final recommendations and removing the questions to the Committee for posting on the BPM6 Update website.*

8. Ms. Borga continued the presentation by relating the SoD of the Committee meeting ([October 26–29, 2021](#)), during which the following GNs were discussed.

VALUATION OF UNLISTED EQUITY (D.2)

9. The GN proposes a number of options on the various methods recommended in the manuals for the treatment of unlisted equity. Public consultations highlighted strong support for including decision tree and slight support for reducing the number of methods. The top three preferred methods are Own Funds at Book Value (OFBV), Recent Transaction Price, and Market Capitalization, which are also the methods most used currently. There was also support for separate clarification note on treatment of negative equity and clarifying treatment of provisions in the valuation of unlisted equity.

10. The Committee and the AEG supported the decision tree and identifying most preferred methods, while suggesting including practical guidance in the *BPM6 CG* on use of the decision tree and application of methods. There was also support for clarification on negative equity and treatment of provisions.

Next Steps:

- *DITT to update the GN including the discussion and way forward proposed by the members and removing the questions.*
- *Updated GN will be circulated to the Committee and the AEG for final decision and subsequent posting on the BPM6/2008 SNA Update websites.*
- *Still discussing best way forward for notes on negative equity and treatment of provisions.*

TREATMENT OF REINVESTED EARNINGS (D.16)

11. The GN proposed to clarify language in the manuals with respect to reinvested earnings; review the treatment of reinvested earnings along the ownership chain; clarify the treatment of retained earnings generated by investment funds.

12. The main outcomes of the public consultations were (i) strong support to clarify language but mixed views on supplemental item on provisions; (ii) support for maintaining status quo on recording income while acknowledging the practical issues; (iii) support for recording investment income regardless of fund attributes; and (iv) support for treatment of explicit fees but not for implicit fees.

13. The Committee expressed strong support for clarifying language and a slight support for supplemental item on provisions, with the need to explore links to supplemental item in the IIP; support for status quo but no clear outcome on reporting indirect income separately; support for compiling reinvestment of earnings (RIE) in investment funds regardless of fund attributes and treatment of explicit fees.

Next Steps:

- *DITT to amend the GN in response to comments received and widening its scope to include the national accounts perspective, in particular the proposed treatment for implicit fees.*
- *Updated GN to be circulated to the Committee and the AEG via written procedure for final decision and subsequent posting on the BPM6/2008 SNA Update websites.*

14. Mr. Feuvrier highlighted that implicit fees implied production by investment funds and asked to be kept informed.

REMAINING WORK

15. Ms. Mesias (IMF) gave an overview of the GNs current status, introduced the UN International Statistical Standard (ISS) Tool, and shared some insights on the way forward.

16. DITT members prepared 16 GNs for the Committee's review during the last four Committee meetings (starting with the October 2020 Committee meeting). Four of the 16 GNs have been approved by the Committee and posted on the IMF website, and the rest, 12 GNs, will be finalized and recirculated

to the Committee for final approval and publication. From these 12 GNs, four will be approved by the Committee via written consultation. A summary of pending actions regarding the GNs is presented below:

- D.3 and D.5 are being revised by drafting teams¹
- D.4 received the Globalization Task Team's comments, and a new version is in preparation with a deadline of December 14, 2021. The revised version will be sent to DITT Secretariat for its final review before sending it back to the Committee.
- D.17 is in consultation with other task teams.
- D.1 and D.9 will incorporate survey outcomes (see paragraph 17 for additional information about the survey).
- D.2 and D.16 will reach out to drafting teams on how to finalize after the Committee's SoD.²
- D.10 sent to Global Consultation (GC). The GC of this GN will close on December 17, 2021. After this consultation, D.10 will be sent to the Committee for approval via written consultation.
- D.11, D.14, and D.18 have been circulated to the Committee *via written consultations*.³

17. To finalize DITT D.1 and D.9, a survey has been prepared to explore compilation methods and data issues on Greenfield Investment, Reconciling FDI and AMNE/FATS, and Investment Income by Enterprise Characteristics (proposed by Current Account Task Team and Globalization Task Team in GNs C.2 and C.4). The survey has been launched on December 2, 2021, with a deadline to receive answers on January 11, 2022.

18. The DITT work way forward includes the following next steps:

- December 2021: Launch Survey
- January 2022: Process survey outcomes
- January–February 2022: 12 GNs to be finalized
- March 7–9, 2022: Present the final versions of the GNs at the Committee Meeting
- After the Committee meeting: Approve and publish 12 GNs

19. Ms. Hanson (USA) asked about the status of D.3, upon which Ms. Borga replied that the note was agreed by the Committee and that a revised version reflecting the discussions of the Committee will be shortly shared with the drafting team of D.3. Ms. Madsen (Eurostat) asked about the timeline for the

¹ DITT Chair has sent a revised version of D.3 to the authoring team for review and revision, if needed, on December 6, 2021.

² On December 6, 2021, DITT Secretariat has reached out D.2 and D.16 authoring teams to provide them information about the main issues discussed and actions recommended by the Committee members during the October 2021 meeting.

³ The Committee Secretariat has received the Committee's comments for D.11, D.14, and D.18 sent to them via written consultation. The Committee Secretariat is processing these comments and will send a summary of these comments to DITT secretariat in the coming days.

online survey on D.1 and D.9. Ms. Borga clarified that the online survey will be launched shortly and will be active until January 11, 2022; it aims at highlighting the potential usefulness of including the transaction approach to compile greenfield investment in *BPM7*. The results of the survey will be processed by mid-February and submitted to the Committee. UNCTAD's support in reaching out to low income countries would be greatly appreciated. Finally, Ms. Picón Aguilar (ECB) asked about the status of D.14 due to the closer links with ECB work. Ms. Borga explained that all the documents related to D.14 had been shared with the Committee, but that it was not clear where things stood. Ms. Borga will follow up with D.14 team.

PROCESS FOR THE HOLISTIC REVIEW OF *BPM6*

20. Ms. Borga introduced the guiding principles for the holistic review. The objective is to review each GN and to determine what will go in *BPM7*, while striking a balance between users' data needs and possible implementation costs for compilers. The total package of amendments should be ambitious but also needs to be realistic and carefully consider the trade-offs between various initiatives.

21. New data requirements will be introduced only if a significant number of economies can realistically produce the data, and special consideration would be given to the significant variation in implementation capacity, by allowing for more supplemental presentations which can be freely chosen by countries depending on their resources and the issues of greatest importance to their economy.

22. The prioritisation discussions that will take place at the ad hoc meeting to be held after the March 2022 Committee meeting will rely on the summary of all amendments, a preliminary assessment of all topics considering those that will be included in *BPM7*, those that will remain in the research agenda, and finally those that will not be included in either the revised manual or the research agenda, but that could be considered for inclusion in other manuals (e.g., *BD5*). Amendments to the *BPM7 Compilation Guide* will also be considered.

23. Going forward, an extensive paper on this holistic review will be prepared and circulated to the Committee and discussed at a dedicated meeting in the spring of 2022. User needs will be assessed via an online survey.

Next Steps:

- *Incorporate proposed changes and recirculate to the Committee members via written procedure.*
- *Launch survey on user needs (questionnaire to be reviewed by the Committee members after the March 2022 meeting).*
- *Prepare a summary paper with main changes to be incorporated into *BPM7* (including main survey results) for decision at the ad-hoc meeting (after the March 2022 Committee Meeting).*

ANY OTHER BUSINESS

24. Ms. Hanson (USA) alerted other DITT members of possible implications on DI from GNs developed in other Task Teams, and in particular C.8 on Fines and Penalties. Ms. Borga clarified that the revised version of the GN will be circulated among DITT members for information as soon as available. The note is currently under review by the AEG.

25. The DITT Chairs and secretariat thanked all DITT members for their great contributions and the tremendous amount of work achieved in a little over a year and a half.

ACTIONS

The DITT Co-Chair and Secretariat to:

- circulate D.3 to the authoring team and follow up with that of D.14 on the status of the written consultation;
- circulate the online survey for D.1 and D.9; and
- prepare and circulate the SoD of the DITT meeting before posting it and the presentations on the DITT website.

ATTENDEES

- **IMF:** Maria Borgia (co-chair), Rita Mesias (co-secretariat), Emma Angulo, Francien Berry, Martha Tovar Soria, Bruno Rocha
- **OECD:** Krzysztof Makowski WGIIS chair (co-chair), Francesca Spinelli (co-secretariat)
- **ECB:** Carmen Picón Aguilar
- **Eurostat:** Irene Madsen and Philippe de Rougemont
- **UNCTAD:** Astrit Sulstarova
- **Country Representatives:** Fernando Lemos (Brazil), Eric Simard (Canada), Mei Ling Tjung (Indonesia), Stefano Federico (Italy), Paul Feuvrier (Luxembourg), Sakiko Ohtsuka (Japan), Fedor Kharlashin (Russia), Piet Swart (South Africa), Fernando Nieto (Spain), Lee Mallet (United Kingdom), Jessica Hanson (USA), and Wilson Phiri (Zambia)

Excused:

- Emilie Kothe (OECD)

Absent:

- Michael Abbondante (Australia), Yang Can (China), Mirco Lattwein (Germany), Thomas Elkjaer (IMF)