

DITT Third Meeting (March 30, 2021)—Summary of Discussions

INTRODUCTION

1. The third meeting of the Direct Investment Task Team (DITT) was held on March 30, 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 (WGIIIS), co-chaired the meeting. The objective of the meeting was to share the outcomes of the discussions at the recent IMF's Committee on Balance of Payments Statistics (henceforth, the Committee) meeting, discuss forthcoming testing and Stock-taking exercises, and agree on DITT's follow-up work until the June 2021 Committee meeting. Ms. Borga announced a change in DITT co-secretariat from the IMF. Ms. Rita Mesias will replace Ms. Padma Hurree-Gobin, who henceforth will be the new Committee co-secretariat. Ms. Hurree-Gobin was thanked for her great work during her role as a DITT co-secretariat.

PRESENTATIONS AND SUMMARY OF DISCUSSIONS

2. After some brief welcoming remarks, a recap of progress by the DITT thus far, and the announcement of the possibility that some of the Guidance Notes (GNs) where there appears to be strong consensus on the recommendations will be approved through written procedure by the Committee, the chairs and the secretariat gave a presentation covering: (i) the [Summary of Discussions \(SOD\) of the Committee meeting \(February 22–25, 2021\)](#); (ii) testing and stock-taking exercises; and (iii) the way forward.

OUTCOMES OF THE GUIDANCE NOTES PRESENTED DURING THE FEBRUARY 2021 COMMITTEE MEETING

GREENFIELD INVESTMENT AND EXTENSION OF CAPITAL (D.1)

3. The GN presents two approaches for measuring greenfield investment (GI) and extension of capacity (EC) to better understand the economic impact of direct investment (DI) in the host economy: the transaction approach and the capital approach. The GN recommends including the collection of supplementary data on GI using the transaction approach under DI in *BPM7* (provided clear definitions of GI and EC can be developed).

4. The public consultation strongly supported the inclusion of guidance on the definition and collection of data on GI and EC in *BPM7* through the transaction approach because it is consistent with the overall balance of payments framework. The Committee agreed that such data are highly relevant. While the majority supported the transaction approach, the Committee also recognised that the capital

approach, which could be addressed by foreign affiliate statistics (FATS), may be closer to user needs and be more analytically useful.

5. The Committee requested a clear definition of GI and EC and clarification of the scope of its coverage (i.e., equity, debt, and/or reinvested earnings) and the recording (gross or net basis) to ensure comparability across countries. The Committee also agreed that practical guidance on data collection and compilation be included in the *BPM7 Compilation Guide (BPM7 CG)* and to commit to a testing phase to assess the analytical usefulness of the transaction approach.

Next Steps:

- *In collaboration with the WGIIIS, seek volunteers to undertake testing on the analytical usefulness of the transaction approach for GI measurement.*
- *Revise the GN incorporating: (i) the results of the testing; (ii) a proposed definition of GI and EC; and (iii) a clearer scope of their coverage and recording.*
- *Revised GN will be considered by the Committee through written procedure.*

TREATMENT OF COLLECTIVE INVESTMENT INSTITUTIONS (D.3)

6. Currently, investment in and by collective investment institutions (CIIs) that meet the operational definition of DI are included in DI. The GN recommended that the operational definition of DI be modified to exclude certain investment in or by CIIs. Within that alternative, the DITT was split between (A3.2) to treat all investment (even over 10 percent) *in* CIIs as portfolio investment, but keep investment *by* CIIs over 10 percent in DI; and (A3.3) to exclude all investment in or by CIIs from DI with the exception of private equity and real estate investment funds.

7. The public consultation was also split between alternatives A3.2 and A3.3. Equally split views emerged from the Committee discussions while unanimously acknowledging the need to review the treatment of CIIs. There was a slight preference for alternative A3.2, which is the approach already adopted in some countries, as more practical to implement. Additional clarification could be included as part of the *BPM7 CG* on practical implementation, the type of funds concerned, and their institutional sector classification.

Next Steps:

- *Revise GN in light of the discussions and the Committee's slight preference for alternative A3.2.*
- *State the agreed proposals that should go into BPM7 and circulate again for final approval via written procedure.*

CORPORATE INVERSIONS (D.4)

8. The GN discusses conceptual/practical issues posed by corporate inversions (CIs), including how they distort DI statistics, and recommends strengthening the current guidance on publishing supplementary details on CIs for economies where they are important and defining CIs.

9. The public consultation supported the proposal to have a supplemental presentation of CIs, on a voluntary basis, and the inclusion of an official definition for statistical purposes, starting from the current

definition included in *BPM6*, paragraph 8.19. The Committee acknowledged the need to address this phenomenon in countries where CIs are important. There was general support for an official definition of CIs and the collection of voluntary supplemental information in countries where they are important. The Committee requested clarification of the borderline between CIs and other forms of corporate restructuring through a typology of corporate actions, indicating in each case whether the actions should be treated as transactions or as Other Changes in Volume (OCV), be included in the revised GN.

Next Steps:

- *Revise GN addressing the comments and stating the proposals that should go into BPM7, including a definition of CIs and a typology of corporate actions.*
- *Consult the Globalisation Task Team (GZTT) and finalise the GN.*
- *Circulate again for final approval via written procedure.*

INCLUDING INTRA-CONCERN FINANCIAL DERIVATIVES IN DIRECT INVESTMENT (D.12)

10. This GN assumes that financial derivatives between affiliates behave atypically. Currently, except for financial derivatives associated with official reserves, all others are classified within the functional category “financial derivatives” in both the balance of payments and international investment position. The note recommends to maintain the current classification but adding a supplementary item, on a voluntary basis, “of which between affiliates”.

11. The public consultation unanimously favored the proposed recommendation and the inclusion of detailed elaboration of data sources to identify those statistics in the revised *BPM7 CG*. The Committee expressed strong support for the recommendation and agreed to add the requested information in the *BPM7 CG*, including detailed elaboration of data sources to identify these statistics.

Next Steps:

- *Revise the GN stating the final recommendation and circulate again to the Committee for approval through written procedure.*

IDENTIFYING SUPERDIVIDENDS AND ESTABLISHING THE BORDERLINE BETWEEN DIVIDENDS AND WITHDRAWAL OF EQUITY IN THE CONTEXT OF DIRECT INVESTMENT (D.17)

12. Taking into account the various practical and conceptual drawbacks of applying superdividends in DI, the note recommends to abandon the concept of superdividends for distributions from accumulated reserves of operating earnings of DIES.

13. The public consultation was generally in favour of this recommendation but not of including an “of which” position of withdrawal of equity to distinguish exceptional distributions from sales of assets in the financial account due to confidentiality constraints. The Committee mostly supported the recommendation although a few members contended that it would result in inconsistency between dividends in DI and other dividends in macroeconomic accounts. Other members pointed out that such an inconsistency does not exist as DI income is measured in a unique way due to the inclusion of reinvested earnings.

Next Steps:

- *Revise the GN in light of the discussions and stating the preferred recommendation.*
- *Consult the Advisory Expert Group (AEG) to ensure consistency with National Accounts.*
- *Final decision on this topic will take into consideration the outcomes from the AEG discussion on F.2 “Asymmetric Treatment of Retained Earnings Between Direct and Portfolio Investment and Potential Extension to Domestic Relationships” and D.16 “Treatment of Retained Earnings”.*

14. There were no questions related to the GNs, but there was a request for clarification from Poland on the possibility of clearing some GNs via written procedure, particularly with regards to the documents provided to the Committee. Ms. Borga explained that the procedure will still entail a public consultation phase that will be summarized in a document to the Committee so that they will have the same amount of information whether the GN is discussed during the meetings or through written procedure.

FORTHCOMING TESTING AND STOCK-TACKING EXERCISES

15. Mr. Makowski started by presenting the rationale for the testing exercise requested by the Committee for GN D.1 by June 2021. Given the short time-frame for this testing exercise, one approach could be to gather views on the need for these data and how well the transaction approach meets those needs as well as practical guidance on the collection of GI and EC data by targeting a selected number of countries for the survey, including countries that participated in the Eurostat pilot study on compiling GI statistics through the transaction approach. Because it is important to ensure adequate geographical representation and coverage of countries at different levels of statistical capacity, non-EU countries could also be targeted, including with the help of UNCTAD. The work could build on the questionnaire designed by Eurostat for GI data collection.

16. Mr. Makowski opened the floor for questions, and Mr. Simard (Canada) announced that Statistics Canada is planning to release data on GI to supplement their statistics on cross-border M&A, by end-May and is willing to share the results of the consultations as well as any feedback they may receive from users. Mr. Pluyaud (France) stressed the importance of relying on Eurostat’s questionnaires to ensure cross-country comparability regarding definitions and compilation guidance. Finally, Mr. Makowski invited DITT members to contact the Secretariat if they would like to participate in the testing and if they are aware of other countries with similar data that could broaden the coverage.

17. Subsequently, Mr. Makowski recalled the outcomes of the October 2020 Committee meeting regarding the need to undertake a stock-tacking survey for GN D.9 to gather compilers’ feedback on a possible framework to reconcile FDI and FATS/AMNE data. The process should be fully coordinated and aligned with the GZTT work on MNEs. Mr. Makowski proposed a focused approach designed by the drafting team of D.9 and supported by OECD, WGIIS, and GZTT in reaching out to compilers of balance of payments, national accounts, and business statistics.

18. There were no specific questions on this point, but Ms. Borga clarified the timeline for both exercises. Given that the Committee asked for a report back on the testing for D.1 by June 2021, one option would be to present a plan of what could be done in the subsequent months. Regarding the stock-tacking exercise, Ms. Hurree-Gobin, also part of the GZTT secretariat, outlined the next steps for the GN on MNEs and intra-MNE flows and suggested a joint testing once the recommendations on that

GN are approved. An approach similar to that used for the recent survey on the valuation of imports and exports could be adopted: a first section of the survey asking questions on definitions, concepts, and data availability of a large number of countries, and a second section on more in-depth testing for a smaller sample of countries.

19. Lastly, Mr. Makowski introduced the Committee's request for a typology of CIs, a definition of CI and whether CIs should be treated as OCV or as transactions. He then opened the floor for any suggestions. Mr. Mataloni (USA) stressed that there is not much consensus in the academic literature on the definition of CIs nor how to identify them. He suggested he could test some hypotheses using U.S. data. Ms. Borga suggested that the draft team should not aim at having an exhaustive typology but rather adding further examples of CIs on top of those already included in the GN (e.g., by reaching out to other countries where this phenomenon is relevant—e.g., Ireland and Switzerland). Then, Mr. Makowski (on behalf of National Bank of Poland) suggested they could share their recent experience with CIs.

WAY FORWARD

20. Ms. Hurree-Gobin presented an outline of the upcoming rounds of GNs. The timeline for the preparation of the DITT GNs and review of GNs of other TTs is determined by the schedules of the next two Committee meetings in 2021 (i.e., June 21–24 and October 26–28). As per current plans, five GNs will be prepared for the June 2021 meeting, including one (D.14) that was re-scheduled from last round and that might be cleared via written procedure; four GNs are scheduled for the October 2021 meeting.

21. Ms. Spinelli discussed recent WGIIS activities, reminding the DITT of a forthcoming WGIIS webinar (towards the end of May) to assist the public consultation of the current set of GNs. She also stressed the role of the WGIIS secretariat in outreach to WGIIS delegates to support drafting teams of GNs D.1 and D.9 in their testing and stock-taking exercises. Finally, Ms. Spinelli updated DITT members on the recent creation of the Benchmark definition Technical Expert Group (BTEG) to help the WGIIS secretariat in the revision of the *Benchmark Definition of FDI, fourth edition (BD4)*. The Terms of Reference (ToR) and a call for participants will be circulated within the DITT, and DITT members' participation in the BTEG would be extremely appreciated and beneficial to the update of *BD4*. Mr. Makowski complemented this by mentioning that the work of the BTEG is a natural continuation of the work of the DITT in that it will be providing practical guidance on how to implement the recommendations included in the DITT GNs.

CONCLUDING REMARKS

22. Prior to the concluding remarks, Ms. Borga presented an overview of a possible grouping of GNs by theme with the idea of brainstorming on how the various proposed supplemental presentations could be brought together to streamline the number of breakdowns of DI statistics that will be requested to compilers in the new manuals. Mr. Makowski offered some concluding remarks. The co-Chairs and co-Secretariat expressed their appreciation for the excellent cooperation and work of the DITT members.

ACTIONS

The DITT Secretariat to:

- circulate the comments received from the DITT on this set of GNs, with a view to circulate them to the BPTT and WGIIS, and then launch the public consultations in early May;
- share the ToR and call for participation for the WGIIS BTEG (open until cob Friday, April 9); and
- prepare and circulate the summary of discussion of the meeting before posting those and the presentation on the [DITT website](#).

ATTENDEES

- **IMF:** Maria Borga (co-chair), Padma Hurree-Gobin (co-secretariat), Rita Mesias, Thomas Elkjaer
- **OECD:** Krzysztof Makowski WGIIS chair (co-chair), Francesca Spinelli (co-secretariat), Emilie Kothe
- **Country Representatives:** Michael Abbondante (Australia), Fernando Lemos (Brazil), Eric Simard (Canada), Mirco Lattwein (Germany), Mei Ling Tjung (Indonesia), Stefano Federico (Italy), Sakiko Ootsuka (Japan), Paul Feuvrier (Luxembourg), Fedor Kharlashin (Russia), Piet Swart (South Africa), Fernando Nieto (Spain), Lee Mallet (United Kingdom), Raymond Mataloni (USA), and Wilson Phiri (Zambia)
- **Other International Organizations:** Carmen Picón Aguilar (ECB), Astrit Sulstarova (UNCTAD), Irene Madsen and Philippe de Rougemont (Eurostat)