

## D.9 Reconciling BPM-Based Direct Investment and AMNE Statistics



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*Multinational enterprises (MNEs) pose growing challenges for the compilation of macroeconomic statistics, especially in how to attribute their activities to specific economies. Both direct investment (DI) and Activities of MNE (AMNE) statistics provide valuable insights into the operations and financing of MNEs. However, there are many differences between the two sets of statistics, including in their populations, definitions, classifications, and variables covered, that can make it difficult to use them together. Thus, reconciling the two sets of statistics could provide comprehensive and integrated data on the financing and operations of MNEs to address some of the measurement challenges posed by MNEs and to support analyses and policymaking as well as to act as a data integrity check to identify errors and/or omissions in DI data and improve data quality. In addition, the Globalization Task Team (GZTT) discussed in GN G.2 “Treatment of MNE and Intra-MNE Flows” how to address the challenges posed by MNEs for macroeconomic statistics, including the possibility of separately identifying foreign-controlled corporations, domestic MNEs, and other corporations in the Institutional Sector Accounts. This guidance note (GN) discusses steps that compilers could take to reconcile the statistics, such as linking micro-data or collecting additional data. The GN<sup>2</sup> recommends, for inclusion in the BPM7, elements for a framework for reconciling DI and statistics on MNEs be developed. These elements will possibly identify additional breakdowns of either sets of statistics, new supplemental presentations, and additional variables to enable the two sets of statistics to be used together. The GN also recommends aligning the definition of MNE, with the one put forward in the GN G.2.<sup>3</sup>*

### SECTION I: THE ISSUE

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#### BACKGROUND

- 1. Internationalization and globalization have led to increasingly complex corporate structures which can cross multiple economic borders.** Multinational enterprises (MNEs) have developed in this way for many reasons, including the benefits of geographical diversification, responding to trade barriers, closer proximity to markets and reducing the cost of labor, transportation, and taxes.
- 2. This presents growing challenges in measuring the activities and financing of MNEs and increases the importance of having comprehensive data on their operations to respond to the needs for the analysis of the global economy.** Both direct investment (DI) and Activities of MNE (AMNE) statistics offer valuable insights into the operations and financing of MNEs that could be helpful in addressing these measurement challenges, especially if the relevant principles and guidelines for compiling the two sets of statistics were reconciled. AMNE statistics provide economic measures of activities—such as number of affiliates, turnover, and employment—while DI statistics measure the

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<sup>2</sup> This GN was discussed at the October 2020 Committee meeting. See Summary of Discussions: Paper by IMF ([BOPCOM 20/13](#)). In line with the recommendation of the Committee, the DITT in collaboration with the OECD Working Group on International Investment Statistics (WGIIIS) conducted a survey with questions on AMNE.

<sup>3</sup> The GN G.2 “Treatment of MNE and Intra-MNE Flows” was endorsed by both the Committee and the AEG at its joint October 2021 meeting.

financing of MNEs through the transactions between resident companies and their nonresident affiliates or parent company. AMNE statistics allow users to better understand the location and nature of MNE operations than DI statistics because the ultimate source and destination of DI can be masked in DI statistics by investment passing through special purpose entities (SPEs) in various locations. This was considered in guidance note (GN) D.6 “Ultimate Investing Economy (UIE)/Ultimate Host Economy (UHE) and Pass-through Funds”.

3. **DI statistics are produced in adherence to the framework for the *System of National Accounts 2008 (2008 SNA)* and the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*.** These statistics use the residency approach—providing information on resident institutional units’ financial claims and liabilities with the rest of the world (RoW). While this approach was adequate historically, with increasing global interconnectivity a need has emerged to look beyond this approach to determine where ultimate control and risk exposure is held by MNEs.

4. **The nationality approach<sup>4</sup>—which is a complement to the residency approach—focusses on the location of the entity that ultimately controls the units.** This approach is used in the compilation of AMNE statistics, which are only classified by ultimate partner country. Whilst DI have typically been on an immediate partner country basis, reporting by UIE is becoming more available. The nationality approach goes beyond the scope of the framework for national accounts and international accounts, but is closely related to DI concepts and measures, which are underpinned by the Framework of Direct Investment Relationships (FDIR). These challenges are prompting wider consideration as to how best to measure the operations of MNEs. This includes the work of the Globalization Task Team (GZTT), who explored breaking down institutional sector accounts and gross value added (GVA) into foreign-controlled corporations, domestic MNEs, and other corporations within the framework of national accounts.

5. **Using DI and AMNE statistics to provide comprehensive and integrated financial and economic MNE data can support valuable analysis and be a useful tool for policy makers, as well as act as a data integrity check to identify any errors or omissions and lead to improved data quality.** An illustration is provided in the Organisation for Economic Co-operation and Development (OECD) Working Group on International Investment Statistics (WGIIIS) Final Report (2013) on the “*Harmonisation and Integration of Financial and Economic Measures of Multinational Enterprises*,” which demonstrates how combined data could provide a complete picture of the financial structure and financing of an MNE. For example, this could give information on the cross-border risk exposure of financial and nonfinancial corporations.

6. **However, at present, AMNE and DI statistics are not based on compatible statistical concepts and definitions.** Relevant guidance on their compilation and further information can be found in Appendix 4 on *Statistics on the Activities of Multinational Enterprises (AMNE)* in the *BPM6*, Chapter 8 on foreign DI and Globalisation in the *OECD Benchmark Definition of Foreign Direct Investment, fourth*

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<sup>4</sup> For this purpose, the “nationality approach” relates to the country of residence of the ultimate investor.

edition (*BD4*), the Eurostat *Foreign Affiliates (FATS) Recommendation Manual*<sup>5</sup> (2012), and the United Nations *Manual on Statistics of International Trade in Services 2010 (MSITS)*.

7. **The first distinction between the AMNE and DI statistics are their populations, with AMNE using the Ultimate Controlling Investor (UCI) concept, while DI typically reports statistics using the Immediate Controlling Parent (ICP).** Secondly, AMNE statistics limit the population to those that are majority-owned (or controlled), typically with more than 50 percent equity ownership in each affiliate,<sup>6</sup> while DI statistics include influence relationships of 10 percent or more. The GZTT used a control concept for identifying MNEs in the institutional sector accounts. In addition, AMNE statistics assign full economic values to the UCI for any control relationship. For example, under an 80 percent control relationship, profit would be assigned proportionally (80 percent) to the UCI under DI, but it would be 100 percent assigned under AMNE. The AMNE statistics are nationality-based and can also include information on affiliates in the domestic economy of the UCI. Diagram 1 in Annex I illustrates the differences between the DI and AMNE populations, with FATS<sup>7</sup> lying in the intersection of these two populations. Finally, AMNE statistics are sometimes collected on a fiscal or accounting year basis whereas the DI statistics are collected on a calendar-year basis.

8. **Reconciling AMNE with DI statistics requires detailed information on the transactions of each affiliate with other affiliates as well as the UCI.** This includes not only those links between affiliates in the same country, but also between fellows that share a common parent. Having this detail allows for local enterprise information to be collected on economic variables like employment. However, these should be consolidated for others, like sales/turnover or assets and liabilities, to avoid double-counting transactions between different parts of the MNE or asset/liability positions which are removed by that process. This also links with topic D.1 on greenfield investment and extension of capital by identifying the purpose of transactions.

9. **An OECD Working Group on International Investment Statistics (WGIIS) Final Report (2013) provided a consistent theoretical framework for reconciling the financial and economic AMNEs.** The WGIIS report did not recommend any modifications to *BD4*, which is consistent with the *BPM6* and the *2008 SNA*, but it did recommend an analytical framework to provide consistent data series for financial and economic AMNEs, largely based on existing datasets. The framework—which aimed to provide a meaningful set of indicators to analyze MNEs—included looking at cross border and domestic financing, and total assets and liabilities, to understand the economic involvement of the group and its cross-border and local exposures. Further information is available in Annex I.

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<sup>5</sup> The FATS recommendations manual will be updated in view of the new data requirements of Regulation (EU) 2019/2152 on European business statistics, replacing the FATS Regulation as of reference year 2021. One area which will be reflected is that the Ultimate Controlling Investor (UCI) and the Global Decision Centre (GDC) will no longer be considered the same concept, which should alleviate interpretational differences which led to inconsistent country designations for the same MNE historically.

<sup>6</sup> It is worth noting that control can be identified with less than 50 percent equity ownership where there is no majority shareholder. This concept is known in the FATS methodology as “effective minority control”.

<sup>7</sup> FATS are similar to AMNE statistics but exclude the operations of the parent company.

10. **Not all countries collect information on the AMNEs according to a recent survey carried out by IMF's DITT and OECD's WGIIS<sup>8</sup>** (full results of the survey can be found in Annex II). On the difficulty of separating control from influence relationships, it found that more than half of the respondents could identify cases of ultimate control for inward DI statistics whereas only 20 percent of respondents could identify the UHE. Furthermore, less than half of respondents could collect AMNE information from their respective DI sources; most would need to link DI with FATS or AMNE microdata to produce these statistics. This is consistent with an earlier WGIIS survey in 2013 that found some countries had partial information but there were some notable information gaps. It is also important to remember that outside the OECD, there will likely be other countries that do not collect any information on AMNE.

#### ISSUES FOR DISCUSSION

11. **There is currently no agreed framework for reconciling AMNE with DI statistics.** In addition to the slightly different populations, the residency versus nationality approach can also lead to problems reconciling the two. Such a framework could include many different stages towards reconciling DI with AMNE statistics in practice. These include but are not limited to:

- Exploring existing sources on the economic activities of MNEs that could be linked to DI;
- Using ownership information from business registers to start exploring DI and AMNE datasets;
- Collecting information on the consolidated assets and liabilities of MNEs as part of data collection;
- Collecting information on activities of MNEs similar to FATS: sales, turnover, or output; employment; value added; imports and exports of goods and services; and the number of enterprises;
- Expanding data collection to include more financial and economic variables, particularly on the intra-company activities; and
- Having all of this information at a detailed local enterprise level to facilitate full reconciliation with DI statistics.

12. **Furthermore, reconciled DI-AMNE information could lead to developing alternative presentations of national accounts.** Harrison (2014) provides one example where an alternative sectorization on the basis of foreign ownership and company size could help identify the amount of primary income that relates to foreign affiliates. This presentation of national accounts would show the flows involving foreign affiliates compared with the other categories but could also provide details around re-invested earnings and dividends in primary income by type (and size) of ownership for example. This also leads to the presentation of results for companies that are domestically controlled rather than resident.

13. **A fully reconciled DI-AMNE dataset could also complement the Country by Country (CbC) reporting within the Base Erosion and Profit Shifting (BEPS) initiative.** The linked DI-AMNE dataset could provide additional context to information received as part of CbC reporting while the CbC returns

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<sup>8</sup> The Balance of Payments Committee requested that the DITT, in collaboration with the OECD's WGIIS, launch a stock-taking survey to gather compilers' current practices and assess their capacities to bring DI and AMNE statistics closer to each other.

could provide additional information on the activities of MNEs with no additional responder burden as they have prepared this information for the BEPS initiative purpose. This information could also complement additional statistics, including Mode 3 Trade in Services (in line with General Agreement on Trade in Services (GATS)/MSITS) and extended Supply & Use tables.

## SECTION II: OUTCOMES

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14. **DITT members generally agreed that insights from linked DI and AMNE statistics would be well received, although they noted the importance of ensuring consistency in both sets of statistics.** There were suggestions to develop statistical definitions and primary breakdowns closer to accounting standards and in terms of economic and financial variables that could be included within AMNE statistics; income statement, employment data, and balance sheet data, amongst others, were proposed.

15. **DITT members also noted that there can be institutional barriers to sharing DI and AMNE statistics; since AMNE statistics are outside of the BPM framework, they are often the responsibility of a different agency.** This is often due to limited data agreement between either different organizations that collect this information, or for onward sharing. In that respect, they considered that linking microdata through the use of a common identifier, such as the Legal Entity Identifier (LEI), could be helpful, although it was noted that this was not available globally and not mandatory for all operations.

16. **DITT members acknowledged that if a new reconciliation framework only looked at control relationships, it would be more feasible for compilers.** DITT members also took note of the work on MNEs undertaken by the GZTT; it would be beneficial to align any recommendations with their work.

17. **BPTT members also broadly agreed with the recommendations.** All respondents supported aligning DI and the definition of a MNE in national accounts (from the GZTT), and most agreed to a survey of compilers' positions. There was one BPTT member that disagreed with including a framework for reconciling DI with AMNE statistics in BPM. The others broadly agreed but acknowledged that even partial information from DI-linked AMNE statistics would be useful; optional supplementary series separating majority control could also be included.

18. **Global consultation on this GN generally favored a framework to reconcile DI with AMNE statistics, with a focus on control relationships even though this goes beyond the scope of BPM.** Common guidance will be needed for countries willing to produce AMNE statistics, with the focus on control relationships. Data sharing between different domestic data collectors remains an important practical challenge.

19. **In line with the recommendation of the Committee at its October 2020 meeting, the DITT in collaboration with the OECD Working Group on International Investment Statistics (WGIIS) conducted a survey on Harmonizing DI Statistics with AMNE Statistics and FATS.<sup>9</sup>** The survey results emphasized the different starting positions of respondents, with some countries having

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<sup>9</sup> The survey was conducted between December 2, 2021, and January 17, 2022, and collected information on the status of AMNE statistics in countries, possibilities for microdata linking between DI and AMNE/FATS statistics, and elements of a possible framework to reconcile DI with AMNE statistics. The GZTT was consulted to review the survey questionnaire.

established data collection and time series of AMNE/FATS statistics whereas others find access to data a major challenge. Only a minority of respondents indicated that linking micro-data from their DI and AMNE/FATS data collections or collecting data on economic activity (e.g., turnover, employment, etc.) on DI surveys was possible. Nevertheless, most respondents indicated that classifying DI statistics by UIE and distinguishing between influence and control relationships were possible, suggesting that progress can be made in bringing DI and AMNE/FATS statistics closer together in classification by partner country and in populations covered. The survey and global consultation respondents generally agreed with the recommendations of this GN (see Annex II).

**20. GZTT have now agreed on a definition for a MNE in the GN G.2 “Treatment of MNE and Intra-MNE Flows”, which was discussed and approved at the joint Committee-AEG October 2021 meeting.** Following this, a MNE is defined as a legal entity that:

- has at least one non-resident affiliate or branch, and;
- exercises control over its affiliate(s) or branch(es) either directly—by owning over 50 percent of the voting power in the entity—or by indirect transmission of control.

The MNE is the ultimate controlling parent (UCP)—the direct investor at the top of the control chain. This MNE definition would be applied consistently in the national accounts and the external sector statistics and is also consistent with identifying DI by the UIE using the “winner takes all” approach.

**21. The recommendations are:**

- Update Appendix 4 in the *BPM6* to reflect the agreed definition of MNE in GZTT GN G.2.
- Start to develop a framework for reconciling DI and AMNE statistics that would include identifying additional breakdowns (e.g., differentiating influence from control relationships in DI statistics), new supplemental presentations (e.g., classifying inward DI statistics by ultimate investing economy), and perhaps additional variables (e.g., adding some financial variables, such as consolidated assets and liabilities to AMNE statistics) to better enable the two sets of statistics to be used together. Compilers of DI statistics are encouraged to explore the feasibility of producing reconciled statistics either from the direct collection of AMNE information or linking to other existing information. Where such information is not collected at present, compilers are invited to explore options to begin collecting these data and to learn from the experiences of countries that record this information.<sup>10</sup>
- There are a number of options that compilers could follow towards reconciling DI with AMNE statistics. The GN recommends:
  - Explore linking of DI microdata<sup>11</sup> with pre-existing datasets to investigate the economic activities of MNEs.

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<sup>10</sup> The OECD’s Benchmark Definition Technical Experts Group is preparing recommendations for updating *BD4* that includes the harmonization of FDI and AMNE statistics as a research issue. It will be possible to include a link to any recommendations on this topic included in the updated *BD4* in the update of *BPM6*.

<sup>11</sup> This would be aided by a common identifier, such as the LEI—if available—which could use Level II information to identify all of the entities of the MNE. It would also be aided by having expanded public information on MNEs through other sources, such as the OECD’s Analytical Database on Individual Multinationals and Affiliates (ADIMA), as well as private sources such as the European Groups Register (EGR) and Moody’s Orbis.



- At least consider the extent to which AMNE-type information currently exists and where gaps in this information can be found. Countries are encouraged to include as many aspects as possible towards producing reconciled DI-AMNE statistics in their ongoing development of statistical outputs.

#### OUTCOME OF THE DISCUSSION AT THE OCTOBER 2020 COMMITTEE MEETING

22. **The IMF Committee on Balance of Payments strongly supported developing a framework for reconciling DI and AMNE statistics for possible inclusion in the *BPM7* and launching a survey to gather feedback from the compilers on such framework.** The Committee proposed including a definition of MNE and discussed that the framework should not only aim to reconcile DI with AMNE statistics but should also be fully coordinated and ultimately aligned with the work on MNEs by the GZTT. Further, the Committee welcomed introducing additional breakdowns of DI statistics to better align with the concept of MNEs used in AMNE. This version of the GN incorporates these discussions.

#### REJECTED ALTERNATIVES

23. **Requiring the full reconciliation of DI and AMNE statistics using detailed affiliate-level results.** In many cases, a fully reconciled MNE dataset with affiliate level transactions would not be feasible due to extensive data collection, responder burden and cost. Any compiler would also need to be sure of user demand for these statistics and that companies can provide the required level of detail. Nevertheless, this should not discourage those countries that do wish to pursue a full reconciliation of AMNE and DI statistics.

## Annex I. Supplementary Information

### REFERENCES

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Eurostat (2012), *Foreign Affiliates Statistics (FATS) Recommendations Manual*.

Harrison, A (2014) “Global corporate Income”, IARIW paper for Session 7c.

International Monetary Fund (2009), *Balance of Payments and International Investment Position Manual, sixth edition*, Appendix 4: Statistics on the Activities of Multinational Enterprises.

Organisation for Economic Co-operation and Development (2005), *OECD Handbook on Economic Globalisation Indicators*.

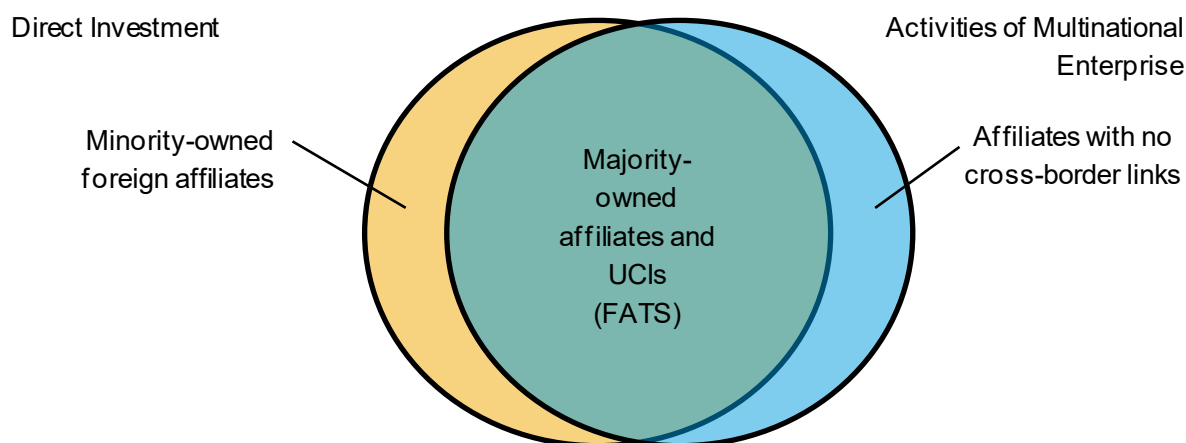
OECD (2008), *OECD Benchmark Definition of Foreign Direct Investment, fourth edition*, Chapter 8: FDI and Globalisation.

OECD (2013), *Harmonisation and Integration of Financial and Economic Measures of Multinational Enterprises*, Final WGIIS report endorsed by the OECD Investment Committee in January 2013 (reference: “DAF/INV/STAT(2011)10/FINAL”).

OECD (2016), *Harmonisation and Integration of Financial and Economic Measures of MNEs: Feasibility of and Priorities for Compilation*, presented at the WGIIS March 2016 meeting (reference “DAF/INV/STAT(2015)2/REV1”), Paris.

United Nations (2010), *Manual on Statistics of International Trade in Services 2010*, Chapter IV: Foreign affiliates statistics (FATS) and the international supply of services.

### 1. Diagram 1: DI and AMNE Statistical Populations



### 2. Extract from OECD (2013) on the highlights of the proposed MNE framework:

“The highlights of the new MNE Framework developed by the OECD WGIIIS are to:

- (1) measure total assets/liabilities and selected details as well as total economic activities of MNEs according to a common data reporting framework (i.e., going beyond, but also including FDI);
- (2) cover both cross-border and domestic (local) financing;
- (3) include direct and indirect control relationships (more than 50 percent ownership of voting equity);
- (4) use stock data from balance sheets of direct investment enterprises as a matter of principle and to consider use of flow data, and data on the acquisition of equity by type (M&A, greenfield, etc.) as a supplement;
- (5) allocate to ultimate controlling? investor (UCP) and to ultimate host;
- (6) consolidate statistically for the group to eliminate double counting due to funds in transit or round-tripping; and
- (7) provide a set of meaningful indicators to analyze MNEs.”

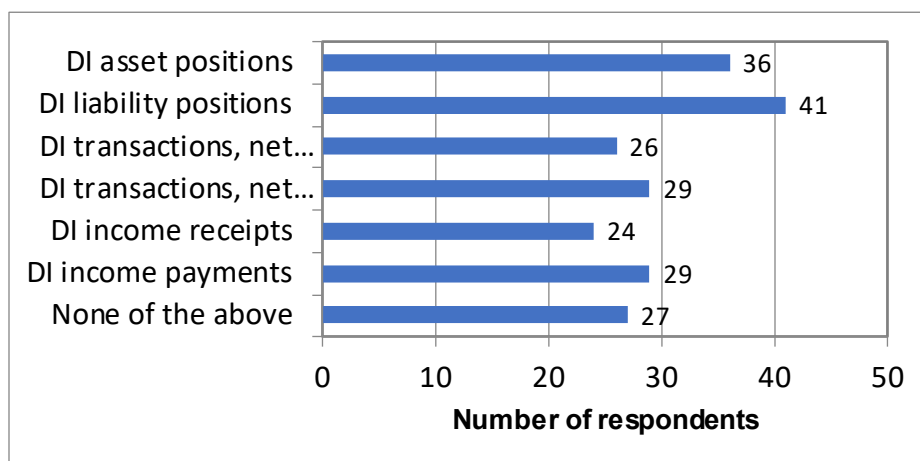
## Annex II. DITT Survey on Harmonizing DI Statistics with Statistics on the Activities of Multinational Enterprises (AMNE Statistics) and Foreign AffiliaTe Statistics (FATS)

1. [DITT GN D.9 Reconciling BPM-based Direct Investment \(DI\) and Activities of Multinational Enterprise \(AMNE\) Statistics](#) explored ways to overcome differences in populations, classifications, and variables collected between the two sets of statistics that make it difficult to use them together. One key difference in populations is that AMNE statistics typically cover control relationships only while DI statistics cover both influence (ownership of 10 percent or more of the voting power) and control relationships (over 50 percent). Another difference is in classification by country: AMNE statistics are classified according to the ultimate partner economy while DI statistics are typically classified by the immediate partner economy. Finally, AMNE statistics provide economic measures of activities, such as turnover and employment, while DI statistics measure financing. The following questions try to assess the possibilities for bringing the two sets of statistics closer together.

### **Survey Outcomes: Current Compilation Practices**

2. **Most of the respondents (74 percent) provided information about their ability to differentiate between influence and control relationships in their transactions and positions DI statistics.** Thus, 36 and 41 respondents can differentiate these relationships in DI assets and liabilities positions, respectively; 26 and 29 respondents can differentiate them in net acquisitions of DI assets and net incurrences of DI liabilities, respectively; and 24 and 29 respondents can do so in DI income receipts and payments, respectively. Twenty-seven (27) respondents cannot differentiate them, and nine respondents did not provide an answer (Figure 11).

**Figure 11. Transactions and Positions Differentiate Between Influence and Control Relationships**

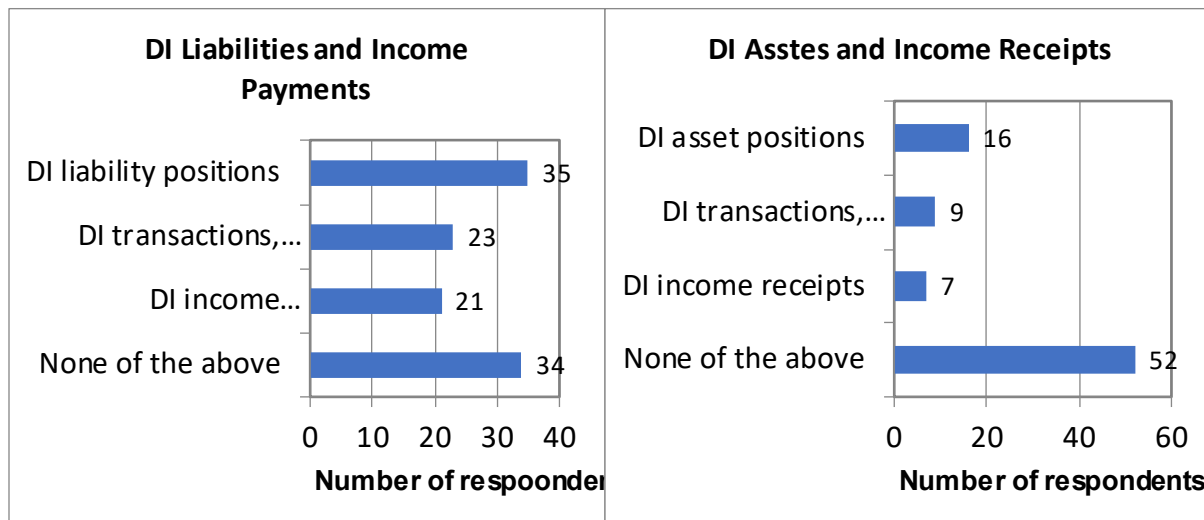


3. **More than half of the respondents<sup>12</sup> who answered indicated that, to overcome differences in classification by partner economy with inward FATS, they would be able to classify the DI liabilities and/or income payments statistics according to the UIE using the same concept of ultimate investor used in AMNE or FATS statistics (i.e., the “winner takes all” approach discussed**

<sup>12</sup> Ten and 11 respondents did not answer this and the following question, respectively.

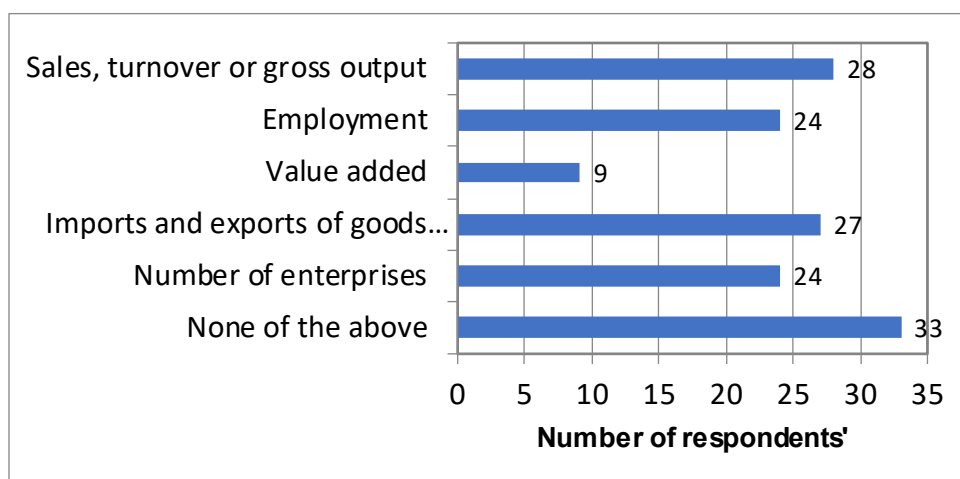
in GN D.6). Only 20 percent of the respondents who answered the next question indicated that they would be able to classify the DI assets and/or income receipts statistics according to the UHE (Figure 12).

**Figure 12. DI Liabilities and Assets Statistics According to the Ultimate Partner Economy**



4. **Less than half of respondents<sup>13</sup>, indicated they would be able to collect information on the economic activities of MNEs similar to FATS from their DI statistics data sources.** These data would help to overcome differences in the variables covered by two sets of statistics. The economic activity variables included in the survey are presented in Figure 13 with “sales, turnover, or gross output” and “imports and exports of goods and services” those economic activities with higher possibilities of being produced.

**Figure 13. Economic Activity Variables that Can Be Collected from Data Sources for DI Statistics**



<sup>13</sup> Thirty-eight respondents answered positively, and 12 respondents did not answer this question.

5. **The extensive majority, 80 percent or 62 respondents,<sup>14</sup> do not link their DI surveys with FATS or AMNE surveys at the micro-level.**

#### CONCLUSION

6. **These results suggest that progress can be made in bringing DI and AMNE/FATS statistics closer together in classification by partner country and in population covered.** For example, to overcome differences in coverage, many respondents can differentiate between influence and control relationships in their DI statistics. A number of respondents also can classify their inward DI positions by the ultimate as well as the immediate direct investor.

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<sup>14</sup> Five respondents did not answer this question.