

**DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG): OUTCOME PAPER # 4
MERGERS ACQUISITIONS, #28 GREENFIELD INVESTMENTS, #29 EXTENSION OF
CAPITAL**

16 December 2004

1. Topic: Mergers & Acquisitions, Greenfield Investments and Extension of Capital

2. Issues: See DITEG Issue Papers # 4 by Canada and a combined paper on #4, #28 and # 29 by the OECD

3. Recommendations:

1. The group agreed that classifying the statistics by type of FDI responds to user requirements keeping in mind the analytical interpretation of FDI differs depending on the type of investment. The possible breakdowns are:

(i) *Cross-border mergers and acquisitions (CM&A):*

(ii) *Greenfield investments;*

(iii) *Extension of capital:.*

2. The group agreed that such breakdowns:

(i) be recommended as supplemental items (on a voluntary basis);

(ii) be limited only to two categories (a) CM&As and (b) Other, would include greenfield investment and the extension of capital;

(iii) be limited solely to the financial accounts, namely to FDI equity capital and other capital flows (but not to FDI income or FDI positions);

(iv) also provide data by (a) partner country; and (b) industry within the limits of confidentiality concerns.

3. The group raised the confidentiality issues and considered the possibility of disseminating data separately for inflows and outflows or as net flows. The group did not take a firm decision.

4. The group acknowledged the need for developing the underlying concepts and definitions and recommended firmly that this fundamental work should be conducted.

5. The group also considered the need for harmonising the statistical recording of different types of transactions which may be involved in CM&A operations with special focus on the recording of purchases by exchange of securities.

4. ***Rejected Alternatives:***

6. The group rejected the “mandatory” nature of breakdowns by type of FDI to avoid reporting burden on smaller economies.

5. ***Questions for the IMF Committee on Balance of Payments (the Committee) and the OECD Workshop in International Investment Statistics (WIIS)***

(i) Do the Committee and the WIIS agree to incorporate new breakdowns by type of FDI as supplemental items?

If yes,

(ii) Do the Committee and the WIIS agree that these breakdowns be limited to cross-border mergers & acquisitions and other which would include greenfield investments and the extension of capital?

(iii) Do the Committee and the WIIS agree that the breakdown relates to financial accounts only, namely FDI equity capital and other capital?

(iv) Do the Committee and the WIIS agree that information be provided (a) by partner country and (b) by industry classification?

(v) Do the Committee and the WIIS agree inflows and outflows be reported separately or as net flows?

(vi) What are the recommendations of the Committee and the WIIS with regard to future work for

(a) Developing basic concepts and definitions;

(b) Harmonising the methods for recording different elements of financing M&A operations.