

**Fourteenth Meeting of the
IMF Committee on Balance of Payments Statistics
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**Survey of Implementation of Methodological Standards for
Direct Investment (SIMSDI): Progress Report**

**Prepared by the Statistics Department
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SURVEY OF IMPLEMENTATION OF METHODOLOGICAL STANDARDS FOR DIRECT INVESTMENT (SIMSDI): PROGRESS REPORT

I. BACKGROUND

1. At its October 1996 meeting the IMF Committee on Balance of Payments Statistics (BOPCOM) supported a joint IMF/OECD survey of IMF and OECD member countries to determine the extent to which countries had adopted the international standards for compiling foreign direct investment statistics (FDI) as set out in the fifth edition of the IMF's *Balance of Payments Manual (BPM5)* and the third edition of the OECD's *Benchmark Definition of Foreign Direct Investment*.
2. In May 1997, the IMF and the OECD launched the Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI), to which 114 countries responded. The results of that survey were published in a joint IMF/OECD report, copies of which were posted on the IMF and OECD websites and sent by the IMF to all its member countries.
3. The October 2000 meeting of the BOPCOM and the November 2000 meeting of the OECD Working Party on Financial Statistics (WFS) agreed that the information obtained from the 1997 SIMSDI should be updated. Both committees also agreed that a new survey should be launched at the end of 2002 that would incorporate revisions to the content and the presentation of the 1997 questionnaire to address the perceived shortcomings of that questionnaire and to take account of the methodological changes that have been implemented in recent years.

II. 2001 UPDATE OF SIMSDI METADATA

OECD countries

4. In line with the November 2000 decision of the WFS, in early 2001 the OECD asked its 30 member countries to update the information provided in the 1997 SIMSDI. The revised information for the OECD countries has been analyzed and presented in a draft joint report of the IMF and OECD (BOPCOM01/19A). The highlights of the comparison between the 2001 and 1997 results are set out in the attached box and on page 11 of BOPCOM01/19A.
5. It is expected that the draft report will be approved by the next meeting of the WFS, and subsequently posted on the websites of the OECD and IMF. All OECD countries have agreed to the release of their updated metadata to the general public and it is planned that the updated metadata will be posted on the IMF and OECD websites in due course.

Box 1

Highlights of the Comparison of 2001 and 1997 SIMSDI Survey Results for OECD Countries

Recommendations where there have been noticeable improvements:

- the use of the 10 percent rule as a general principle;
- the compilation of data on reinvested earnings;
- the coverage of Other Capital;
- the inclusion of non-cash acquisitions of equity;
- the inclusion of data on foreign-owned real estate;
- the inclusion of data on the transactions of SPEs;
- the inclusion of data on the transactions of offshore enterprises.

Recommendations applied by the majority of OECD countries (*in both surveys*):

- the correct treatment of transactions between affiliated banks;
- the correct treatment of transactions between affiliated financial intermediaries .

Recommendations not followed by the majority of OECD countries (*even though there has been some improvement since 1997*)

- the use of the Fully Consolidated System to define FDI relationships;
- the correct treatment of reverse investment (with the exception of equity transactions when there is a direct investment relationship in both directions);
- the correct treatment of natural resource exploration, construction enterprises, and mobile equipment;
- the use of the Current Operating Performance Concept to measure earnings;
- the correct time of recording FDI income transactions (with the exception of reinvested earnings);
- the valuation of FDI position data.

Non-OECD countries

6. At the request of the BOPCOM, the update of the 1997 metadata for the non-OECD countries is being done using electronic files. Because of the inclusion of extensive queries about the 1997 results in the files sent to the authorities,¹ progress on the non-OECD update has been slow. The IMF has decided to approach only about half of the 69 non-OECD countries that provided complete responses to the 1997 questionnaire, with priority being given to the 22 non-OECD subscribers to the Special Data Dissemination Standard (SDDS)², and to other countries with relatively high levels of FDI transactions, such as China and Russia.

7. To date, queries and requests for updated metadata have been sent to 29 non-OECD countries and responses have been received from 9³, of which all but one (South Africa) have agreed to the release of their updated metadata to the general public.⁴ It is expected that a total of 34 non-OECD countries will have been sent queries and requests for update by the end of October 2001, with responses from the last group of countries due by mid-December.

8. Assuming no major inconsistencies in the updated information provided by the non-OECD respondents, the IMF plans to prepare a report on the outcome of the update by mid-2002. It is expected that this report will be posted on the IMF website, either separately, or, preferably, as part of a new report that combines the results for both the OECD and the non-OECD countries, as was done for the 1997 joint survey. It is planned that the metadata for those non-OECD countries that have approved its release to the general public will also be posted on the IMF website at the same time.

III. NEW SIMSDI SURVEY FOR 2002

9. As indicated above, both the BOPCOM and the WFS agreed at their 2000 meetings that a new SIMSDI survey should be conducted in 2002. Given the expected demands in 2002 on national compilers arising from the work on preparing data for the Coordinated

¹ In contrast, the 1997 responses of the OECD countries did not require the inclusion of extensive queries.

² Argentina, Brazil, Colombia, Chile, Croatia, Ecuador, El Salvador, Estonia, Hong Kong SAR, India, Indonesia, Israel, Latvia, Lithuania, Malaysia, Peru, Philippines, Singapore, Slovenia, South Africa, Thailand, and Tunisia.

³ Argentina, Bolivia, Colombia, Croatia, El Salvador, Guatemala, Hong Kong SAR, Singapore, and South Africa.

⁴ South Africa has, however, agreed to the release of its updated metadata to national compilers and to the staff of international organizations.

Portfolio Investment Survey and the possible changes to balance of payments compilation methods of the Euro-area member countries necessitated by the abolition of their national currencies, it had been planned to conduct the survey in late 2002.

10. However, the IMF is now of the view that the new SIMSDI survey should be postponed until 2003 for the following reasons:

- Given that a number of the changes in methodology that it is envisaged will be included in the new survey questionnaire are to be decided only at the 2001 BOPCOM meeting, and have still to be promulgated, it is unlikely that countries will have implemented the changes by late 2002.
- The successful update in 2001 of the metadata for the 30 OECD countries, and the mechanism now in place for continuous update of the metadata for these countries, appear to have lessened the urgent need to conduct a new survey in 2002.
- It is unlikely that the work on updating the metadata, analysing the results, and preparing the report for the targeted non-OECD countries, will be completed before mid-2002. Because of this, and the many competing demands for staff time, the IMF will not have the resources to prepare for a new SIMSDI survey in 2002.

11. *The members of the Committee are asked to:*

1. *Note the progress made during the past year in updating the information obtained from the 1997 Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI).*
2. *Consider whether they would support the IMF recommendation to postpone until 2003 the new SIMSDI survey planned for late 2002.*
3. *Assuming a positive response to the Fund recommendation on the timing of the new survey, consider whether the Committee is prepared to recommend to the OECD WFS that the joint IMF/OECD SIMSDI survey be postponed from 2002 until 2003, for the reasons cited in paragraph 10 above.*