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A Practical Guide to Foreign Direct Investment Statistics

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A PRACTICAL GUIDE TO FOREIGN DIRECT INVESTMENT STATISTICS

Introduction

1. The IMF and the OECD have provided international standards for compiling foreign direct investment statistics. The *IMF Balance of Payments Manual 5th edition (BPM5)* was revised in 1993 and the OECD *Benchmark Definition of Foreign Direct Investment, 3rd edition (Benchmark)* was approved by the Council in 1995. Furthermore, the *IMF Balance of Payments Compilation Guide* was finalised and it was followed by the *IMF Balance of Payments Textbook*. Both volumes include information on FDI statistics. Finally, in 2000 IMF prepared a supplement to the BPM5 on *Financial Derivatives* which also includes a preliminary proposal for the treatment of financial derivatives in FDI statistics. For the European Union countries, the European Central Bank developed *Statistical Methods for the European Balance of Payments and International Investment Position* which includes information on FDI statistics.

2. In spite of this large variety of documentation, the results of the joint IMF/OECD Survey on International Standards for Direct Investment (SIMSDI) indicated that there were still a number of issues which had to be addressed in order to improve the international harmonisation of FDI statistics. Furthermore, SIMSDI results also demonstrated that some of the recommendations were difficult to implement (for various reasons) while some others were not clear and, consequently, could not be fully applied. In other cases national compilers interpreted the recommendations in different ways which led to deviations from the standards in the practical implementation of the guidelines. Data collection methods have a direct impact on the ability of the compilers to implement the recommended standards and may create additional limitations. Furthermore, there is also a need to keep abreast of new developments and innovations on an on-going basis in order to adjust the statistical measurement of FDI accordingly to maintain the analytical value of the statistics.

3. Keeping all these factors in mind and with a view to promoting further the harmonisation of FDI statistics, the Secretariat proposed to develop “a practical guide to FDI statistics”. Such a document will include complementary operational guidelines for the practical application of international recommendations and, at the same time, collect descriptive material with respect to country practices. *The proposal was presented at the OECD Workshop on FDI Statistics held in June 2001 and was welcomed and endorsed by Delegations.*

Description of the exercise

4. The practical guide is not intended to have the status or the format of a statistical manual. It does not intend to replace existing manuals or repeat what is already available therein. The exercise is based on the following considerations:

- a) The **purpose** of the practical guide is to complement the information obtained through the SIMSDI exercise. It would provide additional operational guidelines to compilers and at the same time it would address the methodological needs of analysts for interpreting FDI statistics. Moreover,

compiling such information to complement existing material will provide a useful inventory and descriptive material for future revisions of international standards for compiling FDI statistics:

- b) The **coverage** could usefully relate to both data collection systems and to methodology which are closely linked.
- c) The **status** of the practical guide is envisaged in the form of working papers or similar documentation prepared under the auspices of the OECD Working Party on Financial Statistics resulting from a wide consultation with Member countries and other international agencies, as appropriate.
- d) The **scope** of the practical guide is to address mainly the following issues taking into account the material already developed and included in other documents or manuals.
 - To identify *deviations from standard recommendations* and to qualify these deviations, analyse their shortcomings and the impact on the analytical value;
 - To *clarify* concepts and definitions and to elaborate and improve their drafting, as appropriate;
 - To review and improve existing descriptive material, as required (e.g. develop the typology of Special Purpose entities);
 - To provide *practical examples* as adequate, based on country experiences;
 - To provide operational *solutions to questions* not addressed elsewhere and to *address most frequently asked questions*;
 - To provide *metadata* to analysts;
 - To provide individual *country* information based on a uniform and comprehensive framework.
- e) The **organisation** of the practical guide will be developed with a pragmatic approach taking into account the difficulties in reconciling the requirements of compilers and analysts which do not always coincide. Therefore, it is envisaged as two separate documents :
 - A *guide for compilers* will be developed on an ongoing basis and will include examples from country practices, as appropriate. Its circulation will be in electronic format and restricted to officials from Member countries and international organisations. It will not be circulated to the public at large unless Member countries decide otherwise for specific parts, i.e. some chapters relating to general information could have a wider circulation as special studies if approved by Member countries.
 - A *guide for users* will be developed to describe country practices for analysts (end-users of the statistics). These notes will eventually replace the country notes currently included in the OECD *International Investment Statistics Yearbook*. They will include a general description followed by individual country information where only deviations from the general notes will be indicated. The notes could also be usefully linked to the detailed information provided through SIMSDI while all OECD countries agreed formally that detailed SIMSDI results could be circulated to the public at large.

- f) The *preparation* of such documentation will require close co-operation with Member countries and other international organisations involved in FDI statistics;

Future work

5. Following the recommendation of the Workshop on FDI Statistics, the OECD Secretariat will present an outline and a draft work plan for the consideration of the Working Party on Financial Statistics in November 2001. As a contribution to that discussion, the OECD Secretariat welcomes the Comments and views from the IMF Committee on Balance of Payments Statistics.