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For discussion

D.9 Reconciling BPM-Based Direct Investment and AMNE Statistics: Outcome of the Public Consultation

Prepared by the Direct Investment Task Team (DITT)

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The general view favors a framework for reconciling direct investment (DI) and Activities of Multinational enterprises (AMNE) statistics and its inclusion in BPM7, with a focus on control relationships, even though it goes beyond the existing balance of payments framework. Practical concerns raised include co-ordination, distinct allocation of responsibilities among data producing institutions, as well as the possibility of additional burden imposed on respondents. In the light of the broad support received during the public consultation, the GN is proposed to be considered by the Committee for final decision.

1. **The public consultation² exercise revealed a general support that a supplemental framework reconciling Direct Investment (DI) and Activities of MNE (AMNE) statistics should be included in *BPM7* even though it goes beyond the existing balance of payments framework.** It was also noted that the work of developing a framework with AMNE and linking with the work of Globalization Task Team (GZTT) could be possibly undertaken outside of the update of BPM given limited resources.
2. **To support developing a reconciliation framework within *BPM7*, the consultation revealed that common guidance is needed to set common standards for countries willing to disseminate AMNE statistics.** Both sets of statistics are seen as complementary, since a large part of MNEs is involved in direct investment relationships. A relationship framework between DI and AMNE would better explain the impact of MNEs in an economy and would be aligned with the work of the Globalization Task Team (GZTT). Having new operational definitions and new DI data presentations in the *BPM7* preferably consistent with definitions and presentations developed in other work-streams focusing on MNEs is seen as important.
3. **The consultation revealed a general agreement for the reconciliation framework to focus on control, although one respondent claimed the difficulty of determining control relationships, and another underscored the importance of a consistent definition of control.** The majority view that control relations are likely to be achievable for reporters and compilers, particularly for countries that already include in their MNE survey questions regarding positions and flows of ultimate investing economies (UIE) and positions of ultimate holding economies (UHE). Equally, it seems sensible to focus on the control aspect of entities given that the commonality between DI and AMNE is the concept of control.
4. **Data sharing between the different data producing institutions, and the distinct difference between DI and AMNE statistics remain an important challenge from a practical perspective.** It will be important to put in place data sharing arrangements and allocate distinct responsibilities among institutions; the more so given that AMNE statistics require more extensive information than regular DI statistics. DI and AMNE deal with different populations: DI consider influence relationships as well, while MNE considers majority-controlled enterprises—the reconciliation of the population coverage was raised as an important practical challenge in developing such a framework. Also, the classification for AMNE is by ultimate partner country, while DI is by immediate partner country. Coordination between agencies will ease the burden of collecting additional information from respondents.

¹ Prepared by Ms. Padma S. Hurree-Gobin (IMF), and Ms. Émilie Kothe (OECD), both DITT Secretariat.

² Eleven responses, out of which two respondents from the same country. See partial detailed results in Annex II.

5. **Additional suggestions were to support the legal entity identifier (LEI) and ADIMA work and be explicit at reconciling annual position statistics.** It was highlighted that advancing work on the LEI and ADIMA data frame and sharing with statistical offices may assist in developing new datasets regarding majority-controlled entities. It was underscored that there was need to clarify that the reconciliation will focus on positions, and explicit mention made that the reconciliation should aim at consistent annual information. Detailed annual DI surveys may provide more useful information for the reconciliation, which may not be the case for quarterly DI data collection.

Annex I. WGIIS Consultation – Reconciling BPM-based DI Statistics and AMNE Statistics

1. **To ensure consistency remains across the upcoming *BPM7* and *BD5*, the IMF and the OECD are collaborating in the work of the Direct Investment Task Team (DITT), serving as co-Chairs and in the DITT Secretariat.**³ The DITT was established to research issues and make recommendations in the area of DI statistics for the update of the manuals. The DITT's Terms of Reference also calls for the OECD's Working Group on International Investment Statistics (WGIIS) to review the guidance notes at the same time as the Balance of Payments Task Team (BPTT). The OECD's *Benchmark Definition of Foreign Direct Investment, fourth edition (BD4)* provides detailed guidance on the compilation of direct investment (DI) statistics that is aligned with the recommendations in the IMF's *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*.
2. **The WGIIS secretariat consulted with WGIIS delegates on the DITT GNs to gauge their support as any recommendations would need to be reflected in the update of the *Benchmark Definition* as well.** The questions put to the WGIIS delegates were the same as in the questionnaires used in the public consultations.
3. **Twenty-one countries responded, but not all countries responded to every question.** The OECD organized a webinar on October 13 to discuss the outcomes of the consultation. There were more than 90 participants, and no dissenting opinions from those expressed during the consultation emerged. The first question asked how important MNEs were in the respondent's economy. Fifteen respondents indicated they were important while six indicated they were not.
4. **There was broad support (17 out of 20 respondents) for developing a framework for reconciling DI and statistics on the Activities of MNEs (AMNE).** Those that disagreed argued that a reconciliation with AMNE statistics went outside of the balance of payments framework and should not be included in *BPM7*; it was a topic more relevant for the national accounts. Most respondents agreed that a framework that focused on control relationships would be more feasible for compilers (17 out of 20 respondents).
5. **Despite the support, many respondents raised concerns about implementation.** The issue most often cited was the difficulty of coordinating between different institutions within the country since different agencies are responsible for DI and for AMNE statistics (six respondents). Another major issue was increased respondent burden and increased demand on resources at the national agency (five respondents). Finally, two respondents noted that DI and AMNE statistics use different concepts of control that would have to be reconciled.

³ The OECD's Working Group on International Investment Statistics (WGIIS) is expected to formally endorse the update of *BD4* at its November 2020 meeting.

Annex II. Summary Results of the Public Consultation

1. Are MNE activities important in your country?

Yes	No	Abstention
82%	9%	9%

2. Do you support that a framework for reconciling between DI and AMNE statistics should be included in *BPM7* even though it goes beyond the existing balance of payments framework?

Yes	No	Abstention
91%	0.0%	9%

3. Do you think that if the new reconciliation framework only looked at control relationships, it would be more feasible for compilers?

Yes	No	Abstention
82%	9%	9%