



Thirty-Fourth Meeting of the IMF Committee on Balance of Payments Statistics

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For information

Overview of the Work of the Direct Investment Task Team

Prepared by the Direct Investment Task Team (DITT)

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Overview of the Work of the Direct Investment Task Team¹

This report presents an overview of the activities and the progress made by the Direct Investment Task Team (DITT) since its inception in June 2020. DITT's work plan includes the preparation of 18 guidance notes, covering methodological, measurement issues, and supplemental presentations, associated with direct investment. Out of the 18 guidance notes, four have already been prepared, and circulated to the Balance of Payments Task Team and the OECD Working Group on International Investment Statistics for simultaneous consultation. Three of the guidance notes, which have moved to the stage of public consultation, will be presented for discussion at this meeting, while one has been submitted for comments to the Advisory Expert Group and the Financial and Payments System Task Team, as part of the coordination with ongoing work in other statistical domains. Going forward, the DITT has adopted a staged approach for producing the remaining guidance notes ahead of the end of its mandate in March 2022.

INTRODUCTION

- 1. The Direct Investment Task Team (DITT) has been established to provide technical inputs and make recommendations on the methodology of direct investment (DI) statistics within the framework of the BPM6 update.** Given its specificity, the DITT works in close coordination with the OECD Working Group on International Investment Statistics (WGIIS) as the outcomes of DITT's work are also expected to inform the update of the [OECD Benchmark Definition of Foreign Direct Investment, fourth edition](#) (BD4). The DITT is co-chaired by the IMF and the OECD.
- 2. The DITT was officially launched on June 9, 2020, with a mandate that spans until March 2022.** Within that time frame, DITT is expected to undertake thorough research on both the high and medium priority research topics associated with direct investment, discuss, reach conclusions, and present proposals for endorsement by the IMF's Committee on Balance of Payments Statistics (the Committee). Key issues to be addressed by DITT, as drawn from the research agenda of the Committee, are presented in the Compendium of Issues adjoining its [terms of reference](#).
- 3. At its inaugural meeting, the different research issues, a detailed approval process for the Guidance Notes (GNs) and a tentative timeline for producing the GNs were presented.** The target dates to produce the GNs are usually associated with the dates for the upcoming Committee meetings,² although some of them may be approved via written procedure. The DITT has a publicly accessible website,³ where all relevant documents can be consulted, including to collect worldwide feedback via public consultations.

¹ Prepared by Ms. Padma S. Hurree-Gobin (IMF), and Ms. Emilie Kothe (OECD) – DITT Secretariat, and reviewed by Ms. Maria Borgia (IMF), and Mr. Krzysztof Makowski (National Bank of Poland, chair of the OECD WGIIS) – co-chairs of the DITT.

² The Committee is expected to meet more frequently in 2021 to oversee the work of the Task Teams.

³ <https://www.imf.org/en/Data/Statistics/BPM/DITT>

4. **As part of its work program, DITT must produce 18 guidance notes, one of which was added⁴ post the inaugural meeting.** Different sub-groups have been designated for the production of each GN, consisting of a lead author and contributors (see Appendix I). To date, four GNs, namely D.6 “*Ultimate investing country/ultimate host country and removing pass-through capital*”, D.7 “*Sectoral breakdown of DI*”, D.9 “*Reconciling DI statistics with FATS/AMNE statistics*”, and D.17 “*Identifying super dividends and the borderline between dividends and withdrawals of equity*” have been prepared. D.6, D.7, and D.9 are currently under public consultation and are being presented at this Committee meeting. Prior to this, these GNs were circulated within the Balance of Payments Task Team (BPTT) for review. No substantive changes to the content were put forward, however, for GN D.17, the BPTT suggested to have a wider coordination with other work streams because of the nature of the discussion and recommendations. The GN D.17 has been shared with the Advisory Expert Group (AEG) and the Financial and Payments System Task Team (FITT) for review.

5. **Moving forward, the production of the remaining GNs is being sequenced to allow for more flexibility along the process** (see Appendix I). The teams will be given sufficient time to integrate and discuss comments received from within the DITT, as well as other task teams and have the GNs sent for public consultation before being presented at the Committee. The DITT will be holding a second virtual meeting to apprise its members about future plans, to discuss the work plan and also to inform them on the overall work associated with the update of the manuals. The next meeting will take place after the Committee’s meeting to notify about the outcomes.

6. **The DITT works in close collaboration with the WGIIS and has been consulted by the Globalization Task Team (GZTT).**⁵ Globalization is important for external sector statistics, and in that respect the GZTT has been recently converted into a joint Task Team and is expected to advise both the Inter Secretariat Working Group on National Accounts (ISWGNA) and the Committee in the process of updating both the *2008 SNA* and the *BPM6*. In that respect, the GZTT has shared two of its GNs for consultation within the DITT: (i) Treatment of Special Purpose Entities, and (ii) Treatment of Multinational enterprises (MNEs) and intra-MNEs. Some of the GNs produced by the DITT will also be shared for consultation within the GZTT.

7. **The WGIIS has reviewed the four GNs simultaneously with the BPTT.** During this review process, the WGIIS members had shown no strong objection to the content, discussion, and recommendations within the GNs. Most comments provided related to thorough responses to the questions posed for discussions and expression of preferences, as well as suggestions for further clarification on certain specific issues.

8. **Due to time constraint during this round, comments obtained from the WGIIS review will be integrated together with those gathered during the public consultation.** The WGIIS will organize a webinar on October 13 to provide its members an additional opportunity to discuss the GNs. The GNs’ lead authors will make a presentation and all the team members have been invited to the webinar so that they can be part of the discussion and collect additional feedback. Additionally, the outcome of the

⁴ D.18 *Cash Pooling in Direct Investment* (see Appendix I for details).

⁵ The GZTT has been established by the Advisory Expert Group (AEG) to address and produce guidance notes on globalization issues of high priority in the wake of the *2008 SNA* update.

discussions will be useful to support the *BD4* update, which the WGIIS will formally endorse at its next meeting scheduled on November 9, 10, and 12, 2020.

Appendix I. Table of DITT Research Issues – Sequence and Timing of the GNs

Issue	Teams (Lead and Contributors)	Proposed Timing of Meeting
High Priority		
D.1 Greenfield and extensions of capital	UNCTAD (co-lead), Eurostat (co-lead), Japan, UK, and Zambia	Committee February 2021
D.2 Valuation of unlisted equity	Spain (lead), Canada, China, Russia, ECB, and IMFBP	Committee October 2021
D.3 Treatment of collective investment institutions	USA (lead), Brazil, Luxembourg, South Africa, and ECB	Committee February 2021
D.4 Corporate inversions	USA (lead), Italy, and UK	Committee February 2021
D.5 Eliminating imputations for entities owned or controlled by general government for fiscal purposes	IMFBP (lead) and Eurostat	Committee February 2021
D.6 Ultimate investing country/ultimate host country and removing pass-through capital	OECD (co-lead), Russia (co-lead), Germany UK, and IMFBP	Committee October 2020
D.7 Sectoral breakdown of DI	IMFBP (lead), Canada, France, Zambia, and UNCTAD	Committee October 2020
Medium Priority		
D.8 Public private partnerships	Zambia (lead), IMF, and South Africa	Committee June 2021
D.9 Reconciling DI statistics with FATS/AMNE statistics	UK (lead), OECD, UNCTAD, and IMF (RES)	Committee October 2020
D.10 Can DI be achieved other than by ownership of equity?	Japan (lead), and Australia	Committee June 2021
D.11 Removing debt between affiliated insurance corporations and pension funds	France (lead), Canada, and Luxembourg	Committee June 2021
D.12 Including intra-concern derivatives in DI	Poland (lead), Italy	Committee February 2021
D.13 Treatment of large construction financed by government	South Africa (lead), France, and IMFBP	Committee June 2021
D.14 Financial conduits	Luxembourg (lead), Germany, Russia, and OECD	Committee February 2021
D.15 Treatment of payments made by non-resident affiliates on behalf of DI enterprises	Brazil (lead), Australia, and China	Committee October 2021
D.16 Treatment of retained earnings	ECB (lead), Brazil, Eurostat, and IMFBP	Committee October 2021
D.17 Identifying super dividends and the borderline between dividends and withdrawals of equity	Germany (lead), Australia, Spain, USA, and IMFBP	Committee February 2021
D.18 Cash pooling in direct investment	ECB (lead)....	Committee June 2021

Proposed Timeline for the Next Set of GNs for Discussion at the Next Committee Meeting			
Action	Duration	Start Date	End Date
Drafting of the GN for February 2021 Meeting		Whenever	No later than November 16
Consultation within the TT members and finalization of draft	2 weeks	November 16	November 30
Addressing comments from DITT	1 week	November 30	December 7
Draft GN submitted for review to BPTT and WGIIS	1 week	December 7	December 14
Incorporate comments from BPTT/WGIIS/AEG	4 weeks	December 14	January 11
Posting for public consultation	4 weeks	January 11	February 8
Incorporation of comments, discussion within TT and finalization by co-chairs	1 week	February 8	February 15
GN final version including recommendations completed and sent to BOPCOM (via BPTT)	1 week	February 15	
BOPCOM Discussion/Decision		February 22	February 24

Notes: Earlier submissions are welcome.

GNs needing substantial revision following the public consultation will be held until the June 2021 Committee meeting.