



Thirty-Fifth 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). DITT's work plan includes the preparation of guidance notes, covering methodological, measurement issues, and supplemental presentations, associated with direct investment. Out of the 17 guidance notes (GNs)—one has been recently removed from the list—five will be presented at this Committee meeting. Three GNs were presented in October 2020, out of which two have moved to approved status. The DITT works in close coordination with the OECD Working Group on International Investment Statistics, and as part of its consultation process, has shared some GNs with other Task Teams. 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)² 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. To have a more coordinated view of the discussions, three Government Finance Statistics (GFS) experts have joined the DITT membership.
- 2. The DITT has, to date, prepared, altogether, eight Guidance Notes (GNs), of which five are being presented at this Committee meeting.** D.1 “*Greenfield Investment and Extension of Capacity*”, D.3 “*Treatment of Collective Investment Institutions*”, D.4 “*Corporate Inversions*”, D.12 “*Including Intra-Concern Derivatives in DI*”, and D.17 “*Identifying Super Dividends and the Borderline Between Dividends and Withdrawals of Equity*” have been drafted, discussed within the DITT, and circulated within the Balance of Payments Task Team (BPTT) for review before moving to public consultation. D.17 “*Identifying Super Dividends and the Borderline Between Dividends and Withdrawals of Equity*” is being presented at this meeting, after having been shared with the Advisory Expert Group (AEG) and the Financial and Payments System Task Team (FITT), as suggested by the BPTT in October 2020. Wider coordination with other work streams was needed for D.17 because of the nature of the discussion and recommendations. GN D.3 was also shared with the FITT for comments.
- 3. Out of the three GNs presented at the October 2020 Committee meeting, D.6 “*Ultimate Investing Country, Ultimate Host Country and Removing Pass-Through Capital*”, and D.7 “*Sectoral Breakdown of DI*” have moved to [approved status](#).** GN D.9 “*Reconciling DI Statistics with FATS/AMNE Statistics*”, further to the discussion at the Committee meeting, will be revised by adding a definition of multinational enterprise (MNE), not only to reconcile with AMNE/foreign affiliate statistics (FATS) but also

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² The DITT was officially launched on June 9, 2020, with a mandate that spans until March 2022. 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](#).

with the work of the Globalization Task Team (GZTT)³ on MNEs. A joint IMF/OECD stock taking survey is expected to be launched to gather compilers' feedback on the proposed framework for reconciling DI and AMNE statistics for possible inclusion in *BPM7*. The revised GN will then be considered by the Committee through written procedure.

4. **Moving forward, the DITT has to prepare nine remaining GNs.** Out of a list of 18 GNs, one—GN D.13 “*Treatment of Large Construction Financed by Government*”—has been dropped. While researching on the topic, it became clear that government-financed construction issues could be covered as part of GN D.8 “*Public and Private Partnerships*” and, thus, did not warrant a separate discussion. Additionally, there is a clarification note to be drafted on separating foreign trade in construction services and creating DI enterprise that shall specifically offer better guidance on valuing the positions of these entities. In view of further streamlining the work across all TTs, the drafting of GN D.15 “*Treatment of Payments Made by Non-Resident Affiliates on Behalf of DI Enterprises*” can be coordinated with the discussion outcome of GN C.8 in the Current Account Task Team (CATT), given that the topics are closely related.

5. **The DITT works in close collaboration with the WGIIS and coordinates with the GZTT on specific issues.** The GZTT has shared a revised version of its GN “*Treatment of Multinational Enterprises (MNEs) and Intra-MNEs*”, which includes a proposed definition of MNE, and a decision tree for DITT consultation. Of the GNs produced by the DITT, D.1 and D.4 have been shared with the GZTT.

6. **The WGIIS has reviewed the four GNs, except for D.17,⁴ simultaneously with the BPTT for this round.** 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.

7. **Comments received from the WGIIS review are integrated together with those gathered during the public consultation.** The WGIIS organized a webinar on February 4, 2021, to provide its members an additional opportunity to discuss the GNs and the feasibility of the proposed recommendations. The GNs' lead authors presented the GNs and all team members were invited to the webinar to be part of the discussion and collect additional feedback. The outcome of these discussions will be used to support the *BD4* update, formally launched at the WGIIS November 2020 meeting.

8. **The DITT will proceed with its work program as per its proposed timeline** (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 its third virtual meeting after the Committee's meeting to notify its members about the outcomes, to discuss its work plan and also to inform them on the overall work associated with the update of the manuals.

³ The GZTT is a joint Task Team, established to advise both the Advisory Expert Group (AEG)/Inter-Secretariat Working Group on National Accounts (ISWGNA) and the Committee in the process of updating both the *2008 SNA* and the *BPM6*.

⁴ D.17 was reviewed in September 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 June 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 (Approved)
D.7 Sectoral breakdown of DI	IMFBP (lead) , Canada, France, Zambia, and UNCTAD	Committee October 2020 (Approved)
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, IMFBP, Russia, and OECD	Committee June 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) , and IMFBP	Committee June 2021

Proposed Timeline for the Next Set of GNs for Discussion at the June 2021 Committee Meeting			
Action	Duration	Start Date	End Date
Drafting of the GN for June 2021 Meeting		Whenever	No later than February 21, 2021
Consultation within the TT members and finalization of draft	2 weeks	February 24	March 6
Addressing comments from DITT	1 week	March 9	March 13
Draft GN circulated to GZTT/FITT ⁵	2 weeks	March 16	March 27
Addressing comments from GZTT/FITT	1 week	March 30	April 3
Draft GN submitted for review to BPTT and WGII/AEG	1 week	April 6	April 10
Incorporate comments from BPTT/WGII/AEG	2+ weeks	April 12	April 27
Posting for public consultation	4 weeks	April 29	May 27
Incorporation of comments, discussion within TT and finalization by co-chairs	1 week	May 31	June 4
GN final version including recommendations completed and sent to BOPCOM (via BPTT)	1 week	June 7 (earliest)	
BOPCOM Discussion/Decision		June 21	June 24

⁵ GZTT/FITT consultation is applicable only for some specific GNs.