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For discussion

D.8 Public-Private Partnerships: Outcome of the Public Consultation

Prepared by the Direct Investments Task Team (DITT)

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D.8 Public-Private Partnerships: Outcome of the Public Consultation¹

The public consultation reveals consensus on including guidance on the concepts, definitions, scope, and statistical treatment of public-private partnerships (PPPs) in the updated IMF's Balance of Payments and International Investment Position Manual, sixth edition (BPM6). There is a slight preference for including these new references in the Manual rather than including them in the Compilation Guide and most of the respondents indicated that there is no need to separately identify PPPs arrangements in direct investment (DI) in the balance of payments and international investment position. Regarding the challenges that compilers face to compile data on PPPs arrangements in DI, they mainly mentioned (1) access to PPPs contracts, (2) determining ownership of the asset involved in the PPPs arrangements, and (3) sources of financing these arrangements.

In view of the broad agreement received during the public consultation, this Guidance Note (GN) is proposed to be considered by the Committee for final decision.

- 1. The public consultation² strongly supports including guidance on the concepts, definitions, scope, and statistical treatment of PPPs in the update of the BPM.** A slight preference has been shown to include this broader guidance in the BPM rather than in the BPM Compilation Guide.
- 2. Most of the respondents agreed that it is not necessary to separately identify PPPs arrangements within direct investment (DI) in the balance of payments and international investment position (IIP).** The main reasons put forward are (i) confidentiality issues; (ii) lack of methodological or practical guidance for identifying PPP arrangements; (iii) lack of collection capacity and resources; and (iv) limited presence of PPPs arrangements in several economies.
- 3. Regarding the difficulties in recording PPPs arrangements in DI, some respondents provided useful insights.** Establishing the DI relationship between a non-resident corporation and the operating unit/branch, lack of access to the contractual information of the PPP arrangements, determining the ownership of the asset, and financing of the PPP arrangement were presented as main sources for these difficulties. Also, the possibility that some PPP arrangements do not include the creation of an operating unit/branch was mentioned.

¹ Prepared by Ms. Rita Mesias (IMF) and Ms. Francesca Spinelli (OECD), both DITT Secretariat.

² Eighteen responses were received from public consultation. See detailed results in Annex II.

Annex I. WGIIS Consultation on GN D.8

As part of the BPM6 and BD4³ update process, the OECD Working Group on International Investment Statistics (WGIIS) Secretariat, consulted with WGIIS delegates⁴ on the DITT GN D.8 to gauge their support and preferences. The OECD also organized a webinar⁵ on June 1, 2021, to discuss the outcomes of the consultation and gather additional insights on the feasibility of the proposed approaches.

1. **Most of respondents currently do not identify PPPs in their DI statistics.** This explains the limited number of responses received to the first two questions of the questionnaire, that is, the question related to challenges currently encountered by respondents when recording PPPs in DI statistics (question 1) and the question asking for estimates of PPPs in DI statistics (question 2).
2. **Among the challenges to identify PPPs in DI statistics, the respondents highlighted the assignment of the ownership of assets as the major one.** Respondents, also, indicate that identifying the existence of a DI relationship and valuation of the assets were two other important challenges. Other types of challenges were (i) consolidation issues; (ii) challenges when using an ITRS system; (iii) coordination with other institutions to gather the information necessary to identify PPP related transactions; and (iv) reporting responsibilities that do not require the DIE to report details of the contractual obligations of the private and public entities involved in the PPP arrangements. During the webinar, one member stressed that the multiple legal frameworks that are generally involved in the setting up of PPPs can increase challenges in their treatment and require a certain degree of expert judgement; for example, it can be difficult to understand the control relationships.
3. **There was strong support (from 21 respondents) to include information on the concepts, definitions, scope, and statistical treatment of PPPs in the updated manuals, but no clear preference on where this information should be included (e.g., in an appendix in *BPM7* or in an appendix in the *BPM7 Compilation Guide*).**
4. **Most respondents agreed that it is not necessary to separately identify PPPs in DI classification in the BOP and IIP.** The major reason being that a separate identification of PPPs in DI would be subject to confidentiality restrictions due to the limited significance of PPPs, their low frequency or, in some cases, because of large amounts involved by only one or two entities.
5. Table 1 below reports the distribution of the answers received to the questions included in the online survey filled in by WGIIS delegates.

³ 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. The OECD's *Benchmark Definition of Foreign Direct Investment, fourth edition (BD4)*, which is being updated, provides detailed guidance on the compilation of direct investment (DI) statistics in line with the IMF's *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*. The WGIIS reviews the guidance notes produced by the DITT and provides feedback at different stages.

⁴ Twenty-three countries responded to an online survey set up by the OECD, but not all countries responded to all questions. Includes answers provided by two countries during the earlier WGIIS/BPTT consultation exercise conducted in December 2020.

⁵ There were more than 70 participants, and no dissenting opinions emerged during the discussion.

Table 1. Results of the WGIIIS Consultation

| | Yes | No |
|---|------------|-----------|
| Q1. Do you experience difficulties in recording Public Private Partnerships (PPPs) in direct investment? | 6 | 16 |

| | No. of respondents who selected each proposed issue |
|--|--|
| Q1.a You selected 'Yes' to the question 1. Could you please indicate what issues you encountered? | |
| <i>Establishing whether there is a DI relationship</i> | 3 |
| <i>Determining ownership of the asset</i> | 4 |
| <i>Valuation</i> | 2 |
| <i>Other</i> | 2 |

| |
|---|
| Q2. If available, can you provide an estimation of DI involving PPPs as a share of your total FDI positions statistics? Otherwise, any indication of the significance of PPPs in your DI statistics would be useful |
| 13 respondents answered the question. 2 of them indicated that such transactions are not significant while the other indicated that they do not know how significant PPPs are in DI as they currently do not identify them. |

| | Yes | No |
|--|------------|-----------|
| Q3. Do you agree that the updated manuals should provide information on the concepts, definitions, scope, and statistical treatment of PPPs? (22 responses) | 21 | 1 |
| Q4. Do you agree that it is <i>not</i> necessary to separately identify PPPs in DI classification in the BOP and IIP? (22 responses) | 19 | 3 |

Annex II. Summary Results of the GN D.8 Public Consultation

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|--|-------------|----------------|----------------|--------------|
| Question 1: Do you agree that the updated manuals should provide additional information on the concepts, definitions, scope, and statistical treatment of PPPs? | | | | |
| | Yes | No | Total | |
| Responses (%) | 18 (100%) | 0 (0%) | 18 | |
| Question 1b: Should it be provided in: | | | | |
| | BPM7 | BPM7 CG | Total | |
| Responses (%) | 10 (56%) | 8 (44%) | 18 | |
| Question 2: Do you agree that it is not necessary to separately identify PPPs arrangements in DI classification in the balance of payments and IIP? | | | | |
| | Yes | No | Total | |
| Responses (%) (of which 13 (72%) provided additional detailed responses) | 17 (94%) | 1 (6%) | 18 | |
| Question 3: Have you encountered difficulties in recording PPPs in DI? | | | | |
| | Yes | No | Absence | Total |
| Responses | 4 (22%) | 13 (72%) | 1 (5%) | 18 |
| Question 3b: Could you indicate what issues you encountered | | | | |
| • No clear definition of PPPs arrangements. | 1 (6%) | | | |
| • No presence of private operating unit/branch in the compiling economy. | 1 (6%) | | | |
| • Establishing whether there is a DI relationship between the nonresident corporation and the operating unit/branch. | 1 (6%) | | | |
| • Determining ownership of the asset. | 2 (11%) | | | |
| • No access to the PPP contract. | 4 (21%) | | | |
| • Financing of the PPP arrangement. | 2 (11%) | | | |
| • Other (please specify) | 1 (6%) | | | |
| • No responses | 6 (33%) | | | |
| Total (Of which 2 (11%) provided detailed responses) | 18 | | | |
| Question 4: Any other comments/suggestions, please specify | | | | |
| Responses | 2 | | | |