



UPDATE OF THE OECD BENCHMARK DEFINITION OF FDI, 4TH EDITION (BD4)

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Outline

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- Scope of the BD4 update and alignment with BPM7
- BTEG Direction notes and their status
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Background information

- In November 2020, the Working Group on International Investment Statistics (WGIIS) endorsed the launch of the update of the *OECD Benchmark Definition of Foreign Direct Investment, 4th edition (BD4)*.
- The roadmap for the update of BD4 foresaw two phases:
 - Research phase – Mar 21 to Oct 23;
 - Editing phase – Nov 23 to Mar 25;
- In March 2021, we created the **Benchmark Definition Technical Expert Group (BTEG)** to support the OECD Secretariat in the revision of BD4 by providing technical inputs, research and guidance, and country examples.
- The **mandate** of the BTEG spans across the two phases of the update – although the engagement of our delegates might vary.

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	17 OECD Members	4 OECD Non-members	5 IOs	
BTEG Membership	BTEG members Canada Chile Costa Rica Denmark France Germany Hungary Ireland Italy Japan Poland Portugal Spain United Kingdom United States	 	Argentina Brazil Egypt Morocco	 ECB Eurostat IMF UNCTAD OECD
	External contributors Belgium Switzerland	 		

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Scope of the BD4 update and alignment with BPM7

- Much of the content and structure of BD4 are not in need of updating.
- The revision of BD4 will involve **targeted adjustments**:
 - changes of few concepts, definitions and methods
 - greater clarity/guidance on existing and new recommendations
 - country practices and more illustrative examples in *modules*, published separately from BD5 and updated on a regular basis
- **The alignment with BPM7 is implicit**: the BTEG worked on the same topics and the recommendations of the *DITT Guidance Notes* were always the starting point
 - the goal was to provide **more guidance** and **country examples** on the specificities of FDI

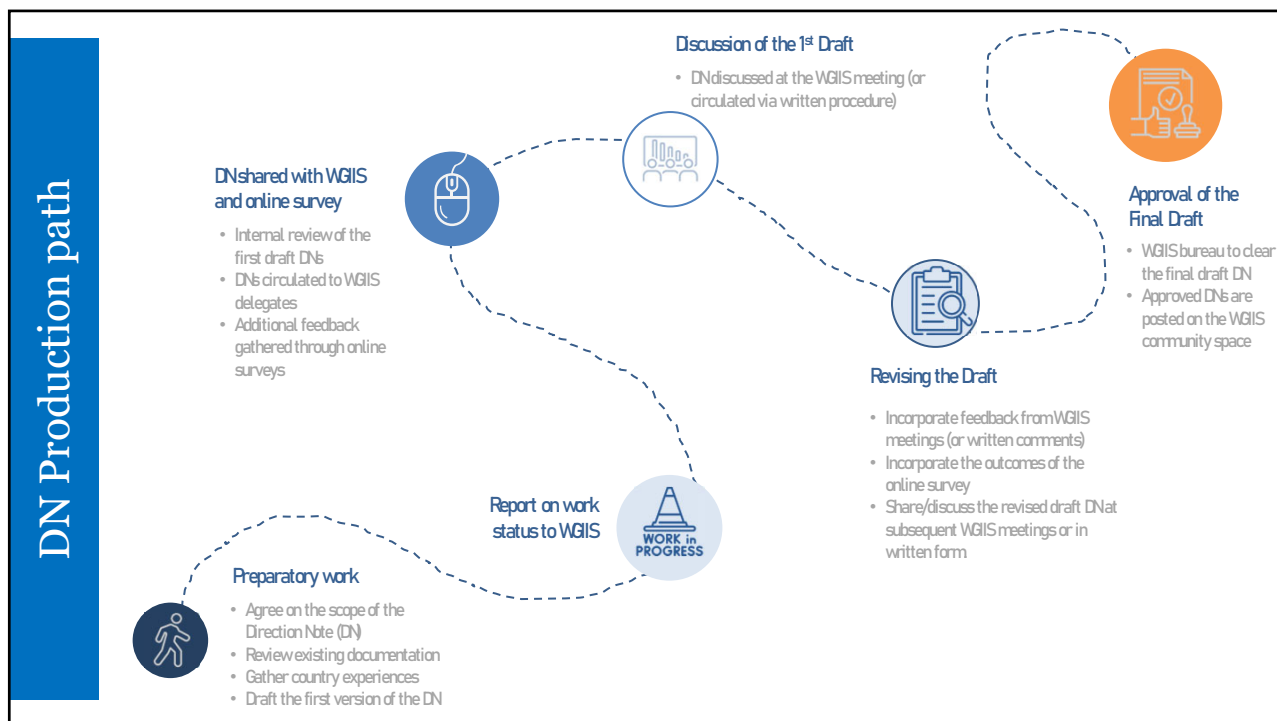
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BTEG Direction Notes

- The BTEG was tasked to research and produce **18 Direction Notes** (DNs) to offer more guidance on various issues identified as **priority topics** in the **WGIIS Roadmap** for the update of BD4.
- Some notes aimed at providing additional guidance on topics already included in BD4 (e.g., series of notes on the COPC), whereas others dealt with new and complex subjects (e.g., FDI by type, UHE, etc.).
- **Extensive consultation of FDI compilers**: each note was **peer reviewed** by at least two WGIIS delegates and **shared/discussed** at least twice either at WGIIS meetings or via written procedure. Ad-hoc **WGIIS surveys** collected the views of FDI compilers on all notes.

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11 DNs approved as of end September 2023

- DN.1/3 *FDI Positions by UIE and RT* (June 23)
- DN.2 *FDI Income by UIE* (July 23)
- DN.4 *Definition of FDI* (July 22)
- DN.6 *Special Purpose Entities* (July 22)
- DN.9a *FDI Stock-Flow reconciliation* (July 22)
- DN.9b *FDI transactions vs other volume changes (borderline cases)* (July 23)
- DN.12a *Application of the COPC: R&D* (May 23)
- DN.12b *Application of the COPC : Financial institutions* (October 22)
- DN.12c *Application of the COPC : Holding gains and losses* (August 23)
- DN.13 *Timing of interim and advanced dividends* (March 23)
- DN.10/16 *Recording of RE/Imputation of RE* (August 23)

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6 revised drafts DNs shared for approval by 13 October 2023

- DN.5 *Valuation of unlisted equity*
 - DN.7 *Greenfield investment and Extension of Capacity*
 - DN.8 *Financial Restructuring*
 - DN.14 *Harmonisation of FDI and AMNE statistics*
 - DN.15 *Outward FDI by Ultimate Host Economy*
 - DN.17 *Pass-through funds*
- + 1 clarification note:
- DN.11/18 *Superdividends & guidance on sales of assets*

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Spotlight on Inward FDI by UIE

- The starting point of BTEG DN.1/3 is DITT GN D.6 '[Ultimate Investing Economy/Ultimate Host Economy and Pass-through Funds](#)'. D.6 recommended including a supplemental presentation by UIE in BPM7 and the [WTA](#) as the preferred approach, with the [PO](#) as second approach.
- [BD5](#) will have Inward FDI Positions by UIE as [core indicator](#) and will acknowledge the outcomes of the BOPCOM discussion on this subject.
- BTEG DN.1/3 provided [additional guidance](#) on special cases of ultimate investor, multiple minority ownership, equally owned enterprises and round tripping.
- Close [collaboration with Eurostat](#) (→ UIE Compilation Guide).
- The research went beyond FDI positions by UIE, by recommending [supplementary indicators of Inward FDI income by UIE](#) (BTEG DN.2).

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Spotlight on Outward FDI by UHE and Pass-through

- DITT GN D.6 also recommended a supplemental presentation of UHE (using the first-operating unit method), that, together with the UIE presentation, could help to derive aggregates on pass-through funds.
- BTEG DN.15 on Outward FDI positions by UHE [expanded the methods](#) suggested in D.6 and provided additional [implementation guidance](#). The note also described the [experience of countries](#) that have computed UHE statistics (Brazil, Denmark, Germany, Portugal, United States).
- D.6 recommendation will be acknowledged but BD5 will [offer flexibility](#) to suit data availability, as requested by compilers.
- BTEG DN.17 on Pass-through funds follows the recommendations of D.6 and suggests including the BPM6 definition of pass-through funds in BD5. The note also recommends:
 - to produce [lower bound estimates](#) of pass-through based on the identification of resident SPEs and [upper bound estimates](#) based on the residency of the ultimate investor; and
 - to provide [more discussion](#) of the phenomenon and its causes, and [examples of communication](#)

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Spotlight on Special Purpose Entities

- The OECD has long-standing experience with SPEs :
 - The WGIIIS undertook considerable research on SPEs and [criteria for the identification](#) of resident SPEs were already included in [BD4](#).
 - The OECD has been [collecting inward and outward FDI](#) (positions/flows/income) [data excluding SPEs](#) as part of the core presentation with partner country & industry details [for the past 10 years](#).
- BOPCOM endorsed the [internationally agreed definition](#) of SPEs in 2019, and [operational guidance](#) was published in 2020. Soon after the IMF started to collect SPE data (although covering also other functional categories – i.e., PI).
- At the EU level, the ECB has worked towards providing [additional guidance on the operationalisation](#) of the existing definition and list of criteria. The ECB intends to collect SPE data as well (with a broader scope too).
- BTEG DN.6 on SPEs took stock of all the existing discussion on resident SPEs and collected [country experiences](#) on the implementation of a common definition.

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Other selected topics that will feature in BD5

- Three BTEG DNs ([DN.12a](#), [DN.12b](#) and [DN.12c](#)) focused on clarifying the application of the COPC to ensure consistency with BPM7 and 2025 SNA.
- BTEG [DN.5](#) on valuation of unlisted equity described the main valuation methods and provided more guidance on how to practically implement the market capitalisation method.
- Two BTEG DNs provided guidance to develop indicators of FDI by type: [DN.7](#) expanded the work in DITT GN D.1 on greenfield investment and extension of capacity and [DN.8](#) proposed direction to better understand corporate restructuring.
- Two BTEG DNs ([DN.9a](#) and [DN.9b](#)) built on the BPTT GN B.4 on Reconciliation Between Flows and Stocks but focused on DI specific issues.
- There is no note on the Sectoral breakdown, but it will be discussed in BD5 as it will become the standard presentation in BPM7.

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BD5 timeline

- **Internal review (Nov 2023 – Jan 2024)**
 - Catalogue of recommendations & Streamlining of core vs supplemental presentations
 - WGIIIS survey on feasibility and priorities
 - Annotated Outline (AO) of BD5
- **Editing phase (Jan – Sep 2024)**
 - Revised existing chapters and annexes; New chapters, annexes and selected modules
 - Consultation: some chapters will be discussed in **March 2024**, others circulated **via written procedure**
- **Manual (Oct 2024 – Mar 2025)**
 - Glossary
 - First draft of the entire manual (Oct 24 tentatively)
 - Revised & final draft of the entire manual (Mar 25, hopefully 😊)
- **OECD Internal approval process (Apr – Jul 2025) + Publication/Translation (Aug-Dec 2025)**

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Collaboration

- Our goal is to **ensure consistency across manuals (BD5, BPM7 and 2025 SNA)** whenever possible:
 - collaborating on a shared glossary
 - reviewing and commenting on BPM/SNA chapters and annexes
 - consulting with the IMF on an ad-hoc basis (e.g., provisions, revaluations vs OCV, etc.)
 - sharing our direction notes where of interest
 - presenting our work at next meetings and keeping you informed

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Questions for the Committee

- Do Committee members have any views on the BD4 update, alignment with BPM7 and related issues?
- Do Committee members have any other suggestions?

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**Thank you for
your attention**

Contact us

We look forward to hearing from you!



Access all the information on the Benchmark Definition of FDI, 4th Edition (BD4) at:

www.oecd.org/investment/fdibenchmarkdefinition.htm

Access all the latest FDI statistics and trend analyses at:

www.oecd.org/daf/inv/mne/statistics.htm

Reach us via e-mail by sending your message to the following address:

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