

DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)**OUTCOME PAPER #22:****FEBRUARY 9, 2005**

1. **Topic:** FDI - Other Capital (With Focus On Short-Term), Balance of Payments and Financial Accounts Department
2. **Issues:** See DITEG issue paper #22 'FDI – other capital (with focus in short-term)' by De Nederlandsche Bank
3. **Recommendations:**
 - (i) DITEG agreed that all FDI-other capital flows and stocks, both long-term and short-term, between FDI related enterprises should be included in FDI and not in Other Investment (with the standard exception for financial intermediaries). Therefore DITEG recommends to keep the existing standards unchanged.
 - (ii) It was recognised that short-term flows and positions could lead to disturbances in the FDI data. See also issue #16 for a split between short-term and long-term FDI other capital.
4. **Rejected Alternatives:**
 - (i) DITEG rejected the alternative to exclude both long-term and short-term other capital flows and stocks from FDI and to include these in Other Investment (alternatives 3 and 4 in the issue paper) because all flows and stocks within a FDI relationship should remain within FDI.
 - (ii) DITEG also rejected the proposed alternative (alternative 5 in the issue paper) to include other capital flows and stocks between direct relationships only and to exclude other capital flows and stocks between indirect relationships (e.g. between a company and its grandmother) for the same reason mentioned in (i).
5. **Questions for the IMF Committee on Balance of Payments (the Committee) and the OECD Workshop on International Investment Statistics (W-IIS):**
 - (i) *Do the Committee and the WIIS agree that all other capital flows and stocks, both long-term and short-term, between FDI related enterprises should be included in FDI and not in Other Investment (with the standard exceptions for financial intermediaries) and thus to keep the existing standards unchanged?*
 - (ii) *Do the Committee and the WIIS agree that countries may give, on a voluntary basis, supplementary information on a split between long-term and short-term FDI other capital (see also issue #16)?*