

# DITT Second Meeting (November 23, 2020)— Summary of Discussions

## INTRODUCTION

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1. The second meeting of the Direct Investment Task Team (DITT) was held on November 23, 2020, via WebEx. Ms. Maria Borga, Deputy Chief, Balance of Payments Division, IMF's Statistics Department and Mr. Krzysztof Makowski, chair of the OECD Working Group on Investment Statistics (WGIIIS), co-chaired the meeting. The objective of the meeting was to discuss the process underlying the preparation of the Guidance Notes (GNs) during the first round, present the discussions at the recent IMF's Committee on Balance of Payments (Committee) meeting, and agree on DITT's follow-up work until the February 2021 Committee meeting. Mr. Makowski introduced the changes in DITT membership, welcoming the new members, including representatives with Government Finance Statistics experience. Besides the new members, there has been a change in DITT co-secretariat from the OECD. Ms. Francesca Spinelli, who replaces Ms. Maria Borga at the OECD, will henceforth support the secretariat. Ms. Emilie Kothe was thanked for her great work, and immense help during the transitory period.

## PRESENTATIONS AND SUMMARY OF DISCUSSIONS

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2. Ms. Maria Borga and the secretariat made a presentation covering (i) the GNs' drafting and review process within the DITT; (ii) the [Summary of Discussions \(SOD\) of the Committee meeting \(October 26–29, 2020\)](#); and (iii) a timeline for the preparation of remaining GNs as well as coordination with other TTs.

### DRAFTING AND REVIEW PROCESS

#### ***Drafting***

3. The drafting process of the GNs, during this first round, went well in spite of the tight deadline; the work, and efforts put by the assigned teams as well as the quality of the GNs were remarkable. Consultation within the DITT was timely. Once the DITT's review process was done, the DITT secretariat shared all comments, consolidated, with the drafting team, including those from the IMF staff. The GN was subsequently revised to include a summary of the DITT's discussion, where preferences, opinions or even diverging views were clearly mentioned. If needed, the co-chairs would provide a sense of direction to the GN, particularly, when it was hard to reach a consensus (example GN D.1).

### ***BPTT Review***

4. The GN moved to BPTT and WGIIS review, simultaneously. Before sending to BPTT, the secretariat edited the GNs—an abstract, providing a summary of the GN, was added, and to respect the page limit, most reference parts were moved to annexes as well as questions were re-edited. The BPTT, in its review, focusses mostly on substantive issues (before the GNs go for public consultation) and also whether the questions to the Committee were appropriate. For instance, for D17, the BPTT suggested further consultation with FITT and AEG. BPTT would point, if any, to strong objection to the recommendations proposed and confirm whether fine for moving to the Committee.

### ***WGIIS Review***

5. The first WGIIS consultation took place simultaneously with the BPTT. During this first review process, the WGIIS members showed no strong objection to the content, discussion, and recommendations of the GNs. Most comments consisted of thorough responses to the questions posed for discussions and expression of preferences, as well as suggestions for further clarification on certain specific issues. The second WGIIS consultation took place during the public consultation of the GNs. The WGIIS Secretariat organized a webinar for WGIIS participants to provide inputs on the feasibility of the recommendations and to gauge their support, as some recommendations would need to be reflected in the update of the Benchmark Definition as well. An online questionnaire, drawing largely from public consultation questions, promote the discussion at the webinar. The outcomes of the WGIIS consultation were transmitted to the Committee members to support discussions of the GNs in October 2020.

### ***Public Consultation***

6. Three of the five GNs, produced during this round, went for public consultation with a four-week deadline. A questionnaire, administered online, was posted concurrent to the GNs. Both the IMF and the OECD have raised awareness about the consultation to ensure adequate response. The questionnaire includes practical questions related to implementation of the recommendations. The secretariat prepared a summary of the responses, for consideration, when the GNs were discussed at the Committee meeting.

#### *Summary of Discussions:*

- *Members were generally agreeable with the process undertaken during the first round; no major changes were proposed.*
- *The secretariat will continue supporting the drafting teams by editing and reviewing the format of the GNs before sending to the BPTT and WGIIS.*

### ULTIMATE INVESTING ECONOMY/ULTIMATE HOST ECONOMY AND IDENTIFYING PASS-THROUGH CAPITAL (D.6)

7. The public consultation favors majorly a supplemental presentation of DI statistics by UIE, UHE, and separate identification of pass-through funds, and the need to streamline the number of concepts for ultimate investor. Some practical concerns were raised for the supplemental presentation on DI flows and income and for allocating data to the UHE, due to difficulties in getting the necessary ownership information. The GN was proposed to be considered by the Committee for final decision.

8. The Committee agreed with:
- a. the usefulness of data on UIE, UHE, and pass-through funds;
  - b. developing supplemental presentations of DI statistics by ultimate partner economy and identifying pass-through funds;
  - c. supporting the identification of different approaches to reallocate the DI position from the immediate to the UIE, and, however, strongly encouraged that a single recommended/preferred method be identified for cross-country comparability;
  - d. with a ranking, should further approaches deemed acceptable.
9. For practical reasons, most preferred methods were winner takes all (control) approach and first operating unit for UHE.

*Next Steps:*

- *Drafting team to revise the GN in light of Committee's discussions and decisions;*
- *Should consult with other TTs, especially the GZTT;*
- *Revised GN will be considered by the Committee through **written procedure**.*

10. To a question raised from Eurostat regarding the streamlining of concepts for the ultimate investor, as to whether the Committee has agreed on a specific recommendation for which concept should be kept, Ms. Borga mentioned that a more specific recommendation would probably come up after the consultation with GZTT.

#### SECTORAL BREAKDOWN OF DIRECT INVESTMENT (D.7)

11. The public consultation favors adopting the sectoral breakdown of DI in the standard components of the balance of payments and the IIP and moving the directional breakdowns to memorandum items. The minority, which expressed diverging views, argued that the sectoral breakdown will have less significant analytical value and moving the current components as memorandum items can run the risk that countries stop reporting those details. The GN was considered by the Committee for final decision.

12. The Committee strongly supported:
- a. the proposal to introduce the sectoral breakdown for DI as standard component in the balance of payments and the IIP;
  - b. including the directional breakdowns as memorandum items to the standard presentation;
  - c. reviewing the current classification of the DI to avoid numerous components under a single functional category.

13. Most Committee members supported incorporating the sectoral classification of DI also to the currency composition, external debt statistics, and the related items in the primary income account of the balance of payments.

#### *Next Steps:*

- *Drafting team to revise GN to state final recommendation, incorporating the sectoral classification into the standard table as well as in external debt statistics. The current components will be presented as memorandum items;*
- *Simplify the presentation of DI in the primary income account;*
- *Revised GN will be considered by the Committee through written procedure.*

#### RECONCILING BPM-BASED DIRECT INVESTMENT AND AMNE STATISTICS (D.9)

14. The public consultation generally favored a framework for reconciling DI and AMNE statistics and its inclusion in the *BPM7*, with a focus on control relationships, even though it goes beyond the existing balance of payments framework. Practical concerns raised include co-ordination, distinct allocation of responsibilities among data producing institutions, as well as the possibility of additional burden imposed on respondents. The GN was considered by the Committee for final decision.

15. The Committee expressed strong support for:

- a. developing a framework for reconciling DI and AMNE statistics for possible inclusion in *BPM7* and launching a survey to gather feedback from the compilers on such framework;
- b. including a definition of MNE in the GN;
- c. fully coordinating and ultimately aligning with the work on MNEs by the GZTT;
- d. introducing additional breakdowns of DI statistics to better align with the concept of MNEs used in AMNE. Such breakdowns should also be coordinated and aligned with the recommendations to be made by the GZTT.

#### *Next Steps:*

- *Consulting with other TTs, especially the GZTT and its work on MNEs. Prepare a final version of the GN by adding a definition of MNE, reconcile not only with AMNE/FATS but with work of GZTT, suggesting breakdowns of DI statistics that could be used in the reconciliation methods;*
- *Launching stocktaking survey with IMF and OECD WGIIS;*
- *Revised GN will be considered by the Committee through written procedure.*

#### PREPARATION OF REMAINING GNS

16. Ms. Borga presented the schedules for the upcoming rounds of GNs. The timeline for the preparation of the BPTT GNs and review of GNs of other TTs will be determined by the schedules of the next three Committee meetings in 2021 (i.e., Feb. 22–24, June 21–24, and Oct. 26–28). As per the current plans of various TTs, seven GNs will be prepared for the February 2021 meeting, including the two which were re-scheduled; four GNs for the June 2021 meeting; and three GNs for the October 2021 meeting. While the DITT will aim at achieving this for each Committee meeting, there is room for some flexibility to be integrated within the process. Given the upcoming holiday season, it was agreed that the

GNs intended for discussion in the February 2021 meeting of the Committee should be circulated for BPTT and WGIIS review by December 15, 2020.

17. Ms. Borga also highlighted the coordination and consultation process with other TTs, moving forward. The AEG consultation, when needed, will be done simultaneous to the BPTT. For this round, consultation with the GZTT, if needed, will be, exceptionally, undertaken simultaneous with DITT. She also mentioned the need to ensure coordination among TTs and reiterated the Committee's view on reconciling all the various proposed supplemental breakdowns put forth in the different GNs at the end of the process. In view of streamlining work, Ms. Borga suggested that the drafting of GN D15 can be coordinated with GN C8 in CATT, given that the topics are closely related. Mr. Feuvrier from Luxembourg supported the Committee's decision to adopt a holistic view and comprehensive framework for all supplemental presentations for the benefit of compilers.

18. Upon Ms. Picón Aguilar's (ECB) query as to whether DITT would review the GN C2, which was approved by the Committee and which includes a breakdown for direct investment income in the recommendation, Ms. Borga clarified that given its link with GN D6, the proposals will be reconciled at the end of the process. Mr. Pluyaud (France) sought for country examples from DITT members that could be developed as part of the GN D13. Mr. de Rougement (Eurostat) referred to a situation where a government financed a construction project in another country and ended up keeping an interest in the project after completion even though that had not been their original intention. Mr. Wilson wished to know the contributor from the IMF as part of the drafting team.

## ACTIONS

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*The DITT Secretariat to:*

- circulate the next round of GNs for review within the DITT, with a view to attain the BPTT and WGIIS review by December 15;
- communicate the names of IMF staff for the remaining GNs to the drafting teams; and
- prepare and circulate the notes of meeting before posting same and the presentation on the DITT website.

*The DITT co-chair to:*

- undertake an internal research within the IMF on the issue in GN D13 and shall communicate thereof with the drafting team.

## ATTENDEES

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- **IMF:** Maria Borga (co-chair), Padma Hurree-Gobin (co-secretariat), Artak Harutyunyan, Thomas Elkjaer
- **OECD:** Krzysztof Makowski WGIIS chair (co-chair), Francesca Spinelli (co-secretariat), Emilie Kothe
- **ECB:** Carmen Picón Aguilar
- **Eurostat:** Irene Madsen and Philippe de Rougement

- **Country Representatives:** Michael Abbondante (Australia), Fernando Lemos (Brazil), Eric Simard (Canada), Mirco Lattwein (Germany), Mei Ling Tjung (Indonesia), Stefano Federico (Italy), Paul Feuvrier (Luxembourg), Fedor Kharlashin (Russia), Piet Swart (South Africa), Fernando Nieto (Spain), Lee Mallet (United Kingdom), Raymond Mataloni (USA), and Wilson Phiri (Zambia)

**Excused:**

Emma Angulo (IMF), Fadhila Alfaraj (IMF), Astrit Sulstarova (UNCTAD), Sakiko Ohtsuka (Japan)

**Absent:**

Bruno Rocha (IMF), Yang Can (China)