



Thirty-Seventh 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 (GNs) covering methodological and measurement issues, and supplemental presentations, all associated with direct investment. Out of the 16 GNs, the final three were prepared for this round; two will be presented at this Committee meeting, and one will be discussed via written procedure following the meeting. Five GNs were presented in June 2021; one has moved to approved status, one is being revised based on the questions and comments raised during the last Committee meeting, and the final three were reviewed via written procedure. 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 will finalize the remaining GNs ahead of the end of its mandate in March 2022.

INTRODUCTION

- 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, and national accounts experts actively participated in the preparation of some GNs that were launched for global consultation last month.
- The DITT has, to date, prepared, altogether, sixteen GNs, of which three have been specifically prepared for this Committee meeting.** D.2 “*Valuation of Unlisted Equity*”, D.10 “*Defining the Boundaries of Direct Investment*”, and D.16 “*Treatment of Retained Earnings*” have been drafted, discussed within the DITT, and circulated within the Balance of Payments Task Team (BPTT) for review before moving to global consultation. D.2 and D.16 are being presented at this meeting, with both having been shared with the Advisory Expert Group (AEG). D.2 was also shared with the FITT for comments, and D.10 will be reviewed by the Committee via written procedure.
- Out of the five GNs presented at the June 2021 Committee meeting, D.8 “*Public-Private Partnership*” has moved to [approved status](#).** With this, four GNs in total are in approved status. The other note, D.5 “*Eliminating Imputations for an Entity Owned or Controlled by General Government that is Used for Fiscal Purposes*”, discussed at the June 2021 meeting has not moved to approved status yet as

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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](#).

the GN was shared with the Government Finance Statistics Advisory Committee (GFSAC) at the request of the Committee. The drafting team is revising the GN to reflect comments from the GFSAC and it will be shared with the AEG subsequently. After incorporating the GFSAC and AEG comments, the GN will be sent again to the Committee for final approval via written procedure. For this GN, almost all Committee members agreed with keeping the current *2008 SNA/BPM6* standards and treating government special purpose entities (SPEs) abroad as separate institutional units but with more enhanced imputation of the SPE transactions and positions in the government accounts. The other three GNs presented at the June 2021 meeting, D.11 “*Removing Debt Between Affiliated Insurance Corporations and Pension Funds from Direct Investment*”, D.14 “*Financial Conduits*”, and D.18 “*Cash Pooling in Direct Investment*” were reviewed via written procedure. The global consultation summaries of them have been prepared and distributed to Committee members before this meeting.

4. **One GN—D.15 “*Treatment of Payments Made by Nonresident Affiliated Enterprises on Behalf of DI Enterprises*”—has been dropped.** The issue that this GN would have addressed—a parent making payments directly, such as direct payments for goods and services, on behalf of its direct investment enterprise (DIE)—is mentioned in *BPM6*, paragraph 8.17, which refers to guidance on transfer pricing. After discussions, the authoring team decided that the topic did not raise any conceptual issues that need to be addressed. However, they want to recommend that the guidance on transfer pricing in the updated manual be expanded to recognize that sometimes the nonresident parent company can pay directly for goods or services on behalf of the DIE with no invoicing involved. They also recommended that some examples of the recording of these practices be included in the Compilation Guide.

5. **The DITT works in close collaboration with the WGIIIS and coordinates with the other task teams, such as Joint Financial and Payments Systems Task Team (FITT), on specific issues.** The WGIIIS has reviewed the three GNs prepared for this round, simultaneously with the BPTT. During this review process, the WGIIIS members have 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 expressions of preferences, as well as suggestions for further clarification on specific issues. During this round, D.2 was shared with both the FITT and the AEG, whereas D.16 with the AEG only.

6. **As was done in previous rounds, comments received from the WGIIIS review were integrated with those gathered during the global consultation.** The WGIIIS organized a webinar on October 14, 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 WGIIIS November 2020 meeting.

7. **Moving forward, the DITT will prepare the remaining 12 GNs for final Committee approval ahead of the end of its mandate in March 2022.** The list of these GNs pending finalization is included in Appendix I.

Appendix I. Table of DITT Research Issues – Sequence and Timing of the GNs

Issue	Teams (Lead and Contributors)	Committee Meeting	Current Status
High Priority			
D.1 Greenfield and extensions of capital	UNCTAD (co-lead), Eurostat (co-lead) , Japan, UK, and Zambia	February 2021	Under revision
D.2 Valuation of unlisted equity	Spain (lead) , Canada, China, Russia, ECB, and IMFBP	October 2021	Under Consultation
D.3 Treatment of collective investment institutions	USA (lead) , Brazil, Luxembourg, South Africa, and ECB	February 2021	Under revision
D.4 Corporate inversions	USA (lead) , Italy, and UK	February 2021	Under revision
D.5 Eliminating imputations for entities owned or controlled by general government for fiscal purposes	IMFBP (lead) and Eurostat	June 2021	Under revision
D.6 Ultimate investing country/ultimate host country and removing pass-through capital	OECD (co-lead), Russia (co-lead) , Germany UK, and IMFBP	October 2020	Approved
D.7 Sectoral breakdown of DI	IMFBP (lead) , Canada, France, Zambia, and UNCTAD	October 2020	Approved
Medium Priority			
D.8 Public private partnerships	Zambia (lead) , IMF, and South Africa	June 2021	Approved
D.9 Reconciling DI statistics with FATS/AMNE statistics	UK (lead) , OECD, UNCTAD, and IMF (RES)	October 2020	Under revision
D.10 Can DI be achieved other than by ownership of equity?	Japan (lead) , and Australia	October 2021	Under Consultation
D.11 Removing debt between affiliated insurance corporations and pension funds	France (lead) , Canada, and Luxembourg	June 2021	Under revision
D.12 Including intra-concern derivatives in DI	Poland (lead) , Italy	February 2021	Approved
D.13 Treatment of large construction financed by government	South Africa (lead), France, and IMFBP	June 2021	Dropped
D.14 Financial conduits	Luxembourg (lead) , Germany, IMFBP, Russia, and OECD	June 2021	Under revision
D.15 Treatment of payments made by non-resident affiliates on behalf of DI enterprises	Brazil (lead), Australia, and China	October 2021	Dropped
D.16 Treatment of retained earnings	ECB (lead) , Brazil, Eurostat, and IMFBP	October 2021	Under consultation
D.17 Identifying super dividends and the borderline between dividends and withdrawals of equity	Germany (lead) , Australia, Spain, USA, and IMFBP	February 2021	Under revision
D.18 Cash pooling in direct investment	ECB (lead) , and IMFBP	June 2021	Under revision