

THE COORDINATED DIRECT INVESTMENT SURVEY GUIDE



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PREFACE

This *Coordinated Direct Investment Survey Guide* has been prepared to assist economies in participating in the 2009 Coordinated Direct Investment Survey (CDIS). The CDIS is being conducted under the auspices of the IMF's Statistics Department across a wide range of economies. The survey is conducted simultaneously by all participating economies with respect to end-of-December 2009, uses consistent definitions, and encourages best practices in collecting data on foreign direct investment positions. The CDIS is thus a unique tool in capturing world totals and the geographic distribution of direct investment positions, thereby contributing to important new understandings of the extent of globalization, and improving the overall quality of direct investment data worldwide.

A pragmatic strategy has been adopted in conducting the CDIS. The CDIS is fully consistent with the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment* and the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual*, but where these standards offer compilers a choice of methods (such as in identifying units that are in a direct investment relationship), this guide favors simplified methods over conceptually ideal methods for economies that do not have fully developed data collection and compilation systems in place. Should the CDIS become a regular undertaking, the IMF's Statistics Department will encourage compilers to refine and improve simplified methods over time, to move them closer to conceptually ideal methods as circumstances may warrant.

This guide was prepared by the IMF's Statistics Department – particularly Ms. Lucie Laliberté (Deputy Director of the Statistics Department and Chair of the CDIS Task Force), Mr. Ralph Kozlow (Chief of the Balance of Payments and External Debt Division 1), Mr. John Joice (the primary drafter), and Mr. John Motala – along with members of a Task Force that was set up by the Statistics Department to provide advice and content for the survey. I would like to extend my thanks to the participants on the Task Force on the Coordinated Direct Investment Survey for their contributions.

National data compilers who served on the task force or attended task force meetings on behalf of a member were: Mr. Fernando Alberto G. Sampaio C. Rocha (Banco Central do Brasil), Mr. Zou Lin (State Administration of Foreign Exchange, People's Republic of China), Mr. Guo Song (State Administration of Foreign Exchange, People's Republic of China), Mr. Bruno Terrien (Banque de France), Mrs. Lily Ou-Yang Fong (Census and Statistics Department, Hong Kong, SAR), Ms. Maiko Wada (Bank of Japan), Mr. Luis Ortega Segura (Banco de Mexico), Mr. Gerrit van den Dool (De Nederlandsche Bank), Mr. Khalid Said Al-Mudhafar (Ministry of National Economy, Oman), Mr. Pieter Swart (South African Reserve Bank), Mr. Stuart Brown (UK Office for National Statistics), and Mr. Obie Whichard (U.S. Bureau of Economic Analysis).

In addition, selected interagency partners of the IMF participated on the task force. The individuals who participated were: Mr. Pierre Sola (European Central Bank), Ms. Merja Hult and Mr. Rostislav Rozsypal (Statistical Office of the European Communities), Ms. Ayse Bertrand (Organisation for Economic Cooperation and Development), and Mr. Masataka Fujita (United Nations Conference on Trade and Development).

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CHAPTER 1: INTRODUCTION

*This guide has been prepared to assist economies in participating in the 2009 Coordinated Direct Investment Survey.*¹

This chapter covers the purpose of the CDIS, the background of the CDIS, the strategy adopted to implement the CDIS, and an overview on how the *Guide* is organized.

Purpose of the 2009 Coordinated Direct Investment Survey

1.1 The purpose of the 2009 Coordinated Direct Investment Survey (CDIS) is to improve the quality of direct investment position statistics in the international investment position and by immediate counterpart economy.

1.2 Specifically, the objectives of the CDIS are to collect the following data items, with a measurement date of December 31, 2009:

For all economies, comprehensive and harmonized data on direct investment positions, broken down between equity and debt, and for debt to be further broken down between claims and liabilities, by counterpart economy of direct investor (for inward direct investment), or of direct investment enterprise (for outward direct investment).²

Data for both inward and outward direct investment positions are sought; nonetheless, for countries where outward direct investment is not material, data on inward direct investment positions are sufficient for participation in the CDIS

1.3 Participation in the CDIS represents a commitment to improve data on direct investment positions and to undertake a comprehensive survey or a census, for both those economies that currently produce such estimates as well as for economies that have yet to do so. The results of the CDIS are to be reported to the International Monetary Fund (IMF), which will publish these nonconfidential data on the IMF's website.

¹ The CDIS is initially intended to be undertaken for the reference date of end-December 2009. However, it is possible that the survey will be undertaken on a regular basis and this guide is prepared so that it may be useful for subsequent years.

² Economies are encouraged to provide data separately on debt instrument claims and liabilities. However, it is recognized that, due to the need to preserve the confidentiality of data, they may be able to provide data only on total equity and on total debt positions (which net claims and liabilities), or perhaps even less detail, by counterpart country. See Chapter 5.

Background

1.4 From its early beginnings, the IMF has used aggregate balance of payments and international investment position data in its surveillance work and economic analyses. Recently, the IMF has been increasingly focusing on data by individual counterpart economy, and its 2007 Surveillance Decision further reinforces the need for counterpart economy data. For example, the Coordinated Portfolio Investment Survey was launched under the auspices of the IMF for economies to collect bilateral data on external portfolio investment in a coordinated manner. As well, the Bank for International Settlements (BIS) has been collecting bilateral banking data for many years, as have the OECD and Eurostat in jointly collecting bilateral direct investment data from their member countries.

1.5 Building on the success of these initiatives, the Statistics Department of the IMF has identified direct investment as an area of large and growing importance, as well as where data can and should be improved. Direct investment brings to the recipient economy not only additional financial resources but also other benefits, such as technology transfer and management expertise, that other forms of cross-border finance lack. Direct investment is, therefore, seen to add to economies' potential for growth in output, value added and employment, while, at the same time, studies indicate that direct investment is a less volatile source of external finance than portfolio or other investments.

1.6 The IMF's Executive Board recognized the need for improved FDI statistics and endorsed the proposal by the Statistics Department to study the feasibility³ of conducting a CDIS that would provide direct investment data by counterpart economy. As part of the feasibility study, approximately 80 countries were contacted about their interest in participating in a CDIS for both inward and outward direct investment. There was overwhelming support for a CDIS for inward direct investment and very strong support for conducting a CDIS for outward direct investment.⁴ As well, the IMF's Committee on Balance of Payments Statistics (BOPCOM) at its meeting in October 2006 gave approval for the CDIS to proceed. In light of the importance the survey, the IMF took the decision to proceed in March 2007.

Strategy to implement the CDIS

1.7 To implement the CDIS, a practical strategy was adopted, made up of four main pillars. The first pillar was the production of this *Guide*, developed with the guidance and input of a task force of selected interested international agencies and member countries. The objective of the *Guide* is to assist countries in achieving harmonized results in the data collected on their direct

³ A task force was established to examine the feasibility of conducting a CDIS. The members of the task force were: the European Central Bank, the Statistical Office of the European Commission (Eurostat), the Organisation for Economic Cooperation and Development, the United Nations Conference on Trade and Development, the World Bank, and the IMF. In addition, representatives from six countries assisted the task force in its work. These countries were: Australia, Belgium, Hong Kong SAR, South Africa, the United Kingdom, and the United States.

⁴ A possible reason for the stronger support for undertaking a CDIS for inward direct investment than for outward is that, for several of the countries surveyed, outward direct investment is not significant and would be more difficult to cover.

investment questionnaires by providing guidance on identifying reporting units, specifying the information to be collected in the questionnaires, and highlighting tasks in conducting a direct investment survey. The second pillar was the extension of invitations to participate in the CDIS to all members of the IMF and some non-members – this step was undertaken in the northern summer of 2007 (with follow-up efforts being undertaken in the fall), and an overwhelmingly positive response was received. The third pillar involves training and workshops, to be held on a broad regional basis over the period 2008-2009, with the goal of facilitating the participation of a large number of developed, developing, and emerging market economies around the world in the CDIS. The fourth pillar is the involvement of international and regional organizations in actively promoting the CDIS with their member states.

1.8 Participation by economies involves a commitment to provide initial results of the “core” data to the IMF by the end of September 2010; results are to be released by the IMF by the end of 2010 or early in 2011. Revised “core” data should be provided to the IMF by end-March 2011, and the IMF plans to release these results within several months thereafter.

1.9 The IMF will update BOPCOM on the progress of the CDIS, and BOPCOM input will be sought regarding whether to repeat the survey or undertake it on a regular basis. It should be noted that, if a continuous annual time series of CDIS data for 2009 forward are to be produced, then a decision on repeating the survey might best be taken no later than the middle of 2010, before results from the 2009 CDIS would be available.

Data to be compiled for the CDIS

Core data

1.10 Economies participating in the CDIS have agreed to compile:

For inward direct investment: the value of outstanding positions by immediate (first) direct investor, by counterpart economy, for both equity and debt (debt claims and liabilities reported separately), as of the reference date (end-December 2009).

1.11 In addition, economies are asked to provide the following information on outward direct investment, where significant:

For outward direct investment: the value of outstanding positions by immediate (first) counterpart economy, for both equity and debt (debt claims and liabilities reported separately), as of the reference date (end-December 2009).

1.12 The values on the books of the direct investment enterprise (DIE) should be used for both inward and outward direct investment. To the maximum extent possible, the concepts and principles in the IMF *Balance of Payments and International Investment Position Manual, 6th edition (BPM6)* and the *OECD Benchmark Definition of Foreign Direct Investment (BD4)*, are used as the basis for compiling data reported in the CDIS.

1.13 The CDIS seeks to obtain direct investment data by immediate counterpart economy as part of the core datasets. Where bilateral information may be confidential, compilers are asked to

report regional breakdowns that would overcome the confidentiality concerns. While such regional data would be of less analytical value than country detail, they would, nonetheless, be of greater value than including such data in an “all other” category, that is, combining all confidential data into a single figure. Annex I provides a list of all potential counterpart economies as well as regional aggregates to be used in attributing inward and outward direct investment positions.

Additional items

1.14 In addition, participants in the CDIS may also wish to collect additional information related to direct investment for their own use. The additional data are, however, not required to be provided by participants in the CDIS to the IMF.

1.15 The additional items that are considered to be of particular value are:

- *industry* (however, in addition, a breakout of data for resident enterprises that are financial intermediaries is sought on the IMF Data Reporting Templates (see Chapter 4))
- *round tripping*
- *income*
- *financial transactions*
- *market values on additional bases* (the core data in the CDIS are to be reported to the IMF using one proxy for market value)
- *ultimate direct investor*

There is further discussion on industry classification and round tripping in Annex IV. Income, financial transactions, market values on additional bases, and ultimate direct investor are discussed further on the IMF’s website on the CDIS (<http://www.imf.org/cdis>).

Organization of the Guide

1.16 This survey guide is organized as follows:

Chapter 1: Introduction. This chapter provides general information.

Chapter 2: Units to be Surveyed. This chapter helps to establish the survey frame of statistical units involved in direct investment, i.e., direct investment enterprises and direct investors.

Chapter 3: Information to be Collected in the Survey. This chapter identifies items of information that are to be collected, and provides model survey forms for inward and outward direct investment.

Chapter 4: Compilation and Reporting of Direct Investment Statistics. This chapter provides detailed guidance on these topics, and includes Templates that may be used as models for reporting data to the IMF.

Chapter 5: Undertaking the CDIS. This chapter explores some of the practical issues involved in conducting the survey by identifying the main tasks and suggesting a timeframe.

There are 5 annexes:

Annex I presents the list of countries and geographical groupings.

Annex II discusses residence and institutional units in more detail than in Chapter 2.

Annex III elaborates on the Framework of Direct Investment Relationships (FDIR) (introduced in Chapter 2) and discusses the Participation Multiplication Method (an alternative to the FDIR).

Annex IV describes industry classification and round tripping in more detail.

Annex V lists the participants in the Task Force who assisted the IMF in preparing this *Guide*.

CHAPTER 2: UNITS TO BE SURVEYED.

Direct investment arises when a unit resident in one economy makes an investment that gives a significant degree of influence on the management of an enterprise that is resident in another economy. This concept is operationalized where a direct investor (DI) owns equity that entitles it to 10 per cent⁵ or more of the voting power in the Direct Investment Enterprise⁶ (DIE) (which is usually equal to ownership of ordinary shares). Once that threshold has been reached, the entities involved are said to be in a direct investment relationship, and the equity and debt positions between the DI and the DIE, and between all DIEs of the same DI, are included in direct investment, except for debt between financial intermediaries. Also included in direct investment are entities that a common direct investor but which do not hold 10 percent or more equity in each other. These entities are known as “fellow enterprises”. Data in the CDIS are recorded by economy based on the location of the immediate counterpart to a direct investment position.

2.1 The purpose of this chapter is to help establish/update the survey frame, which is made up of the economy’s units that are DIEs and/or DIs. Delineating the units as DIEs, DIs, and/or as fellows is important for at least two reasons. First it helps in determining the type(s) of survey(s) required (a survey form for units with foreign equity ownership, or a survey form for units that have equity ownership abroad - see chapter 3). Second, it helps in compiling the data collected as inward and outward direct investment (see chapter 4). Both DIs and DIEs have to be institutional units, or constitute a group of institutional units under common ownership, that are residents of the economy in which the survey is conducted.

2.2 The chapter first provides simple examples of institutional units that are involved in a direct investment relationship. This is followed by examples where more than one resident institutional unit is involved, including local enterprise groups, and other complex examples of direct investment relationships. Finally, an overview is provided of sources that can be used to build a survey frame comprising resident direct investment units.

2.3 Compilers, especially those that will conduct a direct investment survey for the first time, may not have sufficient information to identify the most complex cases of institutional units involved in direct investment but nonetheless should proceed with the survey, because information for the more complex cases can often be developed or built up from less complex cases and from repetition of the survey.

⁵ In practice, significant influence may arise in some cases with less than 10 percent of voting power. However, for the CDIS, a threshold of at least 10 percent ownership is adopted for consistency with other international guidelines and to facilitate international comparability.

⁶ It should be noted that the term “enterprise” used in this Guide does not correspond to its use in the national accounts, where it refers exclusively to a unit involved in production and/or that has assets and liabilities.

Institutional units resident in an economy

2.4 Units that are to be considered DIs or DIEs are institutional units in their own right, that is, they meet specific criteria such as having or potentially having their own set of accounts.⁷ Institutional units can be corporations (defined in statistical terms to include incorporated entities, investment funds, branches, notional resident units, trusts, and other quasicorporations), nonprofit institutions, government units, and households.

2.5 Direct investment institutional units generally involve corporations although nonprofit institutions and government units can also be involved in direct investment, as can households (the latter three as DIs only). It should be stressed that institutional units are not necessarily autonomous, as wholly-owned subsidiaries and branches are recognized as separate institutional units from their parent units. Each institutional unit is a resident of one and only one economic territory determined by its center of predominant economic interest. Although residency is generally established by occupying premises within an economic territory, the location needs not be fixed so long as it remains within the economic territory. Actual or intended location for one year or more is used as an operational definition; while the choice of one year as a specific period is somewhat arbitrary, it is adopted to avoid uncertainty and facilitate international consistency. Annex II provides more details on residence issues and a fuller description of the various types of institutional units, stressing direct investment relationships, such as the special cases of construction, and operators of mobile equipment abroad.

Direct investment institutional units

2.6 By definition, there is cross-border ownership among institutional units that are involved in direct investment⁸. The following first reviews various cases of “corporations” (e.g., incorporated entities and quasicorporations including branches) and, to the extent of their possible involvement in direct investment relationships, also makes reference to households, government units, and nonprofit institution serving households. (Annex II provides further details on institutional units).

2.7 In the case of an **incorporated entity** (i.e., a legal entity), it is generally straightforward to identify the institutional unit (for instance incorporated entities such as subsidiaries of foreign companies, investment funds, etc.). Direct investment is typically based on voting power that arises from ownership of equity (10 percent or more). Voting power often is on a one-share one-

⁷ The main attributes of an institutional unit are that: it is entitled to own goods or other assets in its own right; it is, therefore, able to exchange the ownership of goods or other assets in transactions with other institutional units; it is able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law; it is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts; and has a complete set of accounts, including a balance sheet, or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts, if they were to be required.

⁸ That ownership may be direct or indirect, or it may arise because both units are owned by a common investor that is a DI in at least one of the units.

vote basis. It may however be greater or less than the percentage of shares held when there are “golden shares” or dual classes of shares (i.e., where some shares have higher weights that allow one or more parties to exercise voting power disproportionately to their share ownership).

2.8 In some cases, voting power may be exercised without commensurate ownership of shares. For instance, for **unincorporated entities**, covering branches and other quasicorporations, there are no shares in the sense of a tradable instrument. In such cases, it is important to delineate the units from its owners when the owner is resident of another economy. For instance, branches can be part of a single legal entity that operates in more than one economy; the branch and its nonresident parent should be considered two distinct institutional units, one resident, the other nonresident. As a general rule, an entity should not be combined with its owners if one or more owners is resident in another economic territory. The use of an economic territory as the scope of economic statistics means that each member of a group of affiliated enterprises is resident in the economy in which it is located, rather than being attributed to the economy of location of the head office.

2.9 In the case of a **multi-territory enterprise**, if possible, its operations in each territory should be treated according to the principles for identifying branches. If that is not feasible because the operation is so seamless that a separate set of accounts is not maintained, it is necessary to prorate the total operations of the enterprise into the individual economic territories. Contributions to actual operations should be the basis for prorating the enterprise into each component economic territory, a process that compilers may find difficult to implement.

2.10 Financial corporations consist of all corporations and quasicorporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units. The production of financial services is the result of financial intermediation, financial risk management, liquidity transformation, or auxiliary financial services. It is important to identify financial intermediaries separately from other financial corporations, as any debt **between** financial intermediaries is excluded from direct investment (that is **both** parties are financial intermediaries).

2.11 The major financial intermediaries are deposit-taking corporations,⁹ money market funds (MMFs), non-MMF investment funds, and other financial intermediaries, except insurance corporations and pension funds. See Annex II for a fuller description.

International financial centers, units involved with “in transit” or “pass through” finance, and financial intermediaries.

2.12 Some DIEs exist solely for the purpose of transferring funds—that is, funds that pass through an enterprise resident in an economy to an affiliate in another economy—and may take the form of: special purpose entities, holding companies, and financial institutions that serve other nonfinancial

⁹ A more common word for “deposit-taking corporations” is “banks”. However, it should be noted that, in some economies, “banks” may cover a variety of institutions, some of which may not meet the criteria of “deposit-taking corporations”, whereas, in other economies, some entities may meet the criteria for “deposit-taking corporations” but they are not called “banks”.

affiliates¹⁰. These units are included in direct investment of an economy even though the funds they transfer may have little impact on the local economy. Not only are the entities that are engaged in pass-through funding classified as direct investment units, but also the funds in transit are included in direct investment. These funds are an integral part of a direct investor's financial transactions and positions with affiliated enterprises; excluding these funds from direct investment would distort and substantially understate direct investment financial flows and positions at aggregate levels; and the inclusion of these data in direct investment promotes symmetry and consistency among economies. Stated somewhat differently, if a country of convenience that is the home to large SPEs were to experience a currency or political crises, data users would find data sets that look through SPEs to be of little help to them. It should also be noted that transactions and positions are commonly transformed by SPEs, from debt to equity, long-term to short-term, local currency to foreign currency, etc., and these transformations alter risk characteristics in important ways. For these reasons, positions with SPEs, and SPE positions with others, are important for analytical purposes. In fact, there is at present no internationally agreed method for following the funds through intermediate enterprises to their ultimate destinations.

2.13 Physical presence in an economy is not a pre-condition for the existence of an institutional unit. For example, banking, insurance, investment funds (as distinct from their managers), securitization vehicles, and some special purpose entities often operate with little or no physical presence. Similarly, with "virtual manufacturing", all the physical processes are outsourced to other units. In the absence of any significant physical dimension to an enterprise, its residence is determined according to the economic territory under whose laws the enterprise is incorporated or registered.

2.14 *Estates, trusts, and partnerships* are treated as separate institutional units if they are constituted in a different territory from that of their owners or beneficiaries.

2.15 It should be noted that sometimes an economy has a separate physical or legal zone that is under its control, but to which, to some degree, separate laws are applied. For example, a free trade zone or offshore financial center may be exempt from certain taxation or other laws. These **special zones** should always be included in the economic territory, because of the need to view the whole economy, to have comprehensive global data, and to be compatible with partner data.

2.16 **Households** are also institutional units. A household is resident in the economic territory in which household members maintain a dwelling or succession of dwellings treated and used by members of the household as their principal dwelling. Similar to the other types of institutional units, households can be direct investors by holding voting power over businesses. Also, resident households can own real estate abroad (and nonresident households can own real estate in the compiling economy) that, by convention, is treated as direct investment. However, the data on such investments are often difficult to obtain directly from households, and so other means may need to be used to compile the statistics.¹¹

¹⁰ See the section *Flexible corporate structures with little or no physical presence* in Annex II for a further discussion of these institutional units.

¹¹ For example, real estate brokers or dealers, settlement attorneys, and other intermediaries may be able to provide information that would improve the compilation of data on real estate holdings of households.

2.17 **Governments** are unique kinds of legal entities established by political processes and have legislative, judicial, or executive authority over other institutional units within a given area. Viewed as institutional units, the principal functions of government are to assume responsibility for the provision of goods and services to the community or individual households and to finance their provision out of taxation or other incomes; to redistribute income and wealth by means of transfers; and to engage in nonmarket production.

2.18 **Nonprofit institutions serving households** are entities mainly engaged in providing goods and services to households or the community at large free of charge or at prices that are not economically significant (and thus are classified as nonmarket producers), except those that are controlled and mainly financed by government units. Examples include charities, relief and aid organizations financed by voluntary transfers as well as trade unions, professional or learned societies, consumers' associations, religious institutions, and social, cultural, and recreational clubs, where these do not charge economically significant prices.

Sources for identifying direct investment units for the survey frame

2.19 The sources of information on potential survey respondents having foreign ownership and/or investment in enterprises abroad are varied, and the work required to compile an information database will depend on the extent to which such an information database already exists in the compiling agency. For instance, local head offices may report on behalf of all business units that they control in the compiling economy. This group approach to reporting limits the number of units that need to be approached to those that can best provide the information. Where there is reporting for the group, it is important for the respondents to note what units within the enterprise group are covered in their submitted report(s). (See next section "Direct investment enterprises and direct investors").

2.20 The following represent some of the sources for compiling a mailing list:

- Records of businesses maintained by the national statistical agency or other government agencies. The businesses can be approached with brief screening surveys, asking whether they have foreign ownership or whether they have investment in enterprises abroad.
- Business data collections already run by the statistical agency or other government agencies. Information necessary for a direct investment information database may be elicited from another survey, either by direct inspection of the other survey's register or by adding one or two exploratory questions to that survey.
- Government administrative sources, which might include:
 - information held by foreign investment approval or monitoring boards;
 - statutory company reports and company registration details; and

records held in foreign exchange control or international transaction reporting systems, e.g., records identifying the originators or recipients of direct investment flows, taxation records, files, or lists.¹²

- Other official and regulatory sources include annual statutory accounts for public companies.
- Media reports. Newspapers and periodicals are particularly useful sources for information on potential reporting entities. A high proportion of significant transactions are reported in the media and these may be used not only to update the information database, but also to cross-check data reported in the survey. The use of traditional print media may be supplemented with information obtained electronically from commercial business news services and via the internet.
- Publicly available databases and reports may provide a wide variety of information, including the stock exchange register (additional helpful information may also be provided by the stock exchange); commercial equity registry information services; international credit rating agencies' publications; and market research reports or services by accounting or brokerage firms.
- Trade associations can be a useful source of information. Apart from the positive public relations aspects of a close relationship between the statistical agency and trade associations, many trade associations can make available lists of members, often with indications of their financial size. Particularly in the financial sector, their members may be significant users of official statistics and thus have a vested interest in promoting provision of accurate data and in assisting statistical data collection agencies.
- Information from investment promotion agencies and other government sources can be used to determine the coverage of the survey, even though not all of the investment intentions may have been carried out. Similarly, reports in the financial press may indicate that discussions have taken place on possible cross border investment but there may be insufficient information to confirm that the investment was consummated. These leads should also be included in the frame, if sizeable. In many instances, the compilers may be familiar with the ownership structures of firms, such as in the oil and gas sector or banking. In other cases, such as in the case of goods/services exporters and importers, it may be difficult to know if there is any foreign ownership links and national compilers should consider surveying the largest firms, based on available information, e.g., based on value of trade flows, balance sheet, etc. In effect, the first survey will partly be an exploratory survey.

¹² Business taxation records may be an important source of information for compiling an information database in some countries. However, such information may be more focused on operating businesses with employees. Moreover, a survey drawn randomly from such a large dataset could be inefficient in terms of reporting load and public resources due to the large numbers of nil responses from organizations with no international investment. Quality assurance is also difficult for direct investment measures drawn from such records.

2.21 Where a direct investment survey is being conducted for the first time or is a relatively new undertaking, the focus should initially be on all large potential direct investment enterprises/investors. From there, work to identify other, small- and medium-sized, firms can be progressively developed, as resources permit. The matter of response and compilation burden will also need to be taken into account in deciding coverage and follow-up efforts when firms fail to respond on time or report questionable data.

Direct investment enterprises and direct investors

2.22 In many cases, notably for economies conducting a direct investment survey for the first time, the survey results will help to establish if a unit is a DIE and/or a DI or a fellow enterprise.

2.23 In other cases that are covered in this section, the information on the relationships between units may be available from previous survey results or other sources. This section provides guidance on the reporting units in such cases. In simpler cases, a DIE is represented by a single resident institutional unit that has at least 10 percent of its voting power held abroad; similarly, a DI may be a single resident institutional unit that has at least 10 percent voting power in an nonresident direct investment enterprise.

2.24 The DIE as well as the DI can also involve several institutional units that are resident in the same economy. When these units are consolidated or combined for statistical purposes into a single DI or DIE, they are referred to as a “local enterprise group”.

2.25 In the case of a resident DI, the local enterprise group includes not only the institutional unit with direct investment abroad, but also the institutional units, if any, that it directly or indirectly controls in its own (local) economy; looking up its ownership chain, it includes the resident institutional units that directly or indirectly control it; and looking down the ownership chains of each of these enterprises, includes resident enterprises along an unbroken chain of control. Thus, in the case of a resident DI, local groups include only controlled resident units.

2.26 In the case of a resident DIE, the local enterprise group includes the resident enterprise that is directly controlled or influenced by a foreign direct investor, plus the institutional units that it controls or influences in its own (local) economy, while including only resident enterprises in which the foreign direct investor directly or indirectly holds at least a 10 percent voting equity interest. Thus, two DIEs in the same economy, owned by the same DI, are NOT in a local enterprise group if there is no equity investment between them.

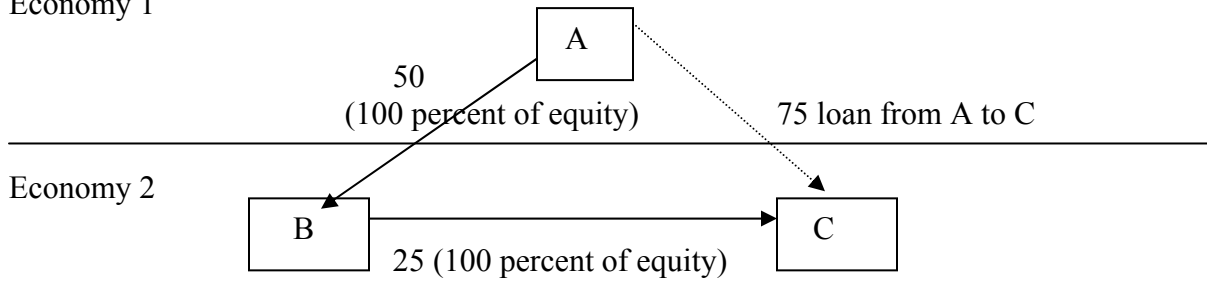
Local enterprise groups as DIE and as DI

Examples of treatment of direct investment enterprises that are resident in the same economy

Example 1: “Local enterprise group” of inward direct investment

Figure 2.1

Economy 1



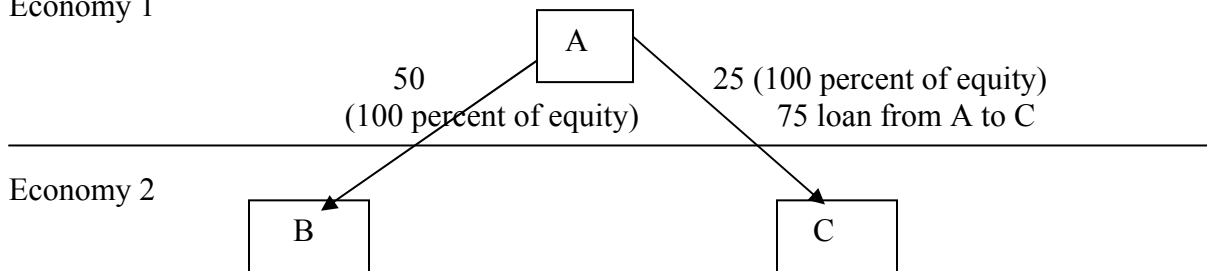
2.27 In Figure 2.1, A, resident in Economy 1, owns all the equity in B (50), which is resident in Economy 2. B owns all the equity in C (25), also resident in Economy 2. A has lent 75 to C.

2.28 In the above instance, B and C represent the “local enterprise group”, and B and C could be reported as a consolidated enterprise or separately, whether B is an operating enterprise or a holding company.

Example 2: Not a “Local enterprise group” for inward direct investment

Figure 2.2

Economy 1



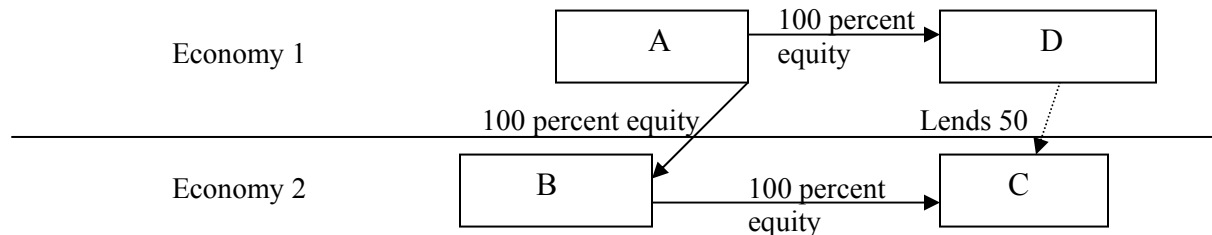
2.29 In Figure 2.2, A, resident in Economy 1, owns all the equity in B (50), which is resident in Economy 2. A also owns all the equity in C (25), which is also resident in Economy 2. A has lent 75 to C.

2.30 In this instance, B and C do not represent a “local enterprise group”, as B has no ownership in C. It is recommended that these enterprises report separately.

Example 3: “Local enterprise group” for outward direct investment

2.31 By the same argument, if a direct investor has several related resident enterprises that invest abroad in other related entities, the whole of the local group can be regarded as one unit. In the following example, A owns 100 percent of D and both are residents of the same economy; A has a direct investment ownership interest in B, and D has a direct investment relationship with C (because both C and D have A as a common owner, either directly or indirectly). In this instance, it may be preferable to treat A and D as one statistical unit, and B and C as one statistical unit.

Figure 2.3



Determining direct investment relationships

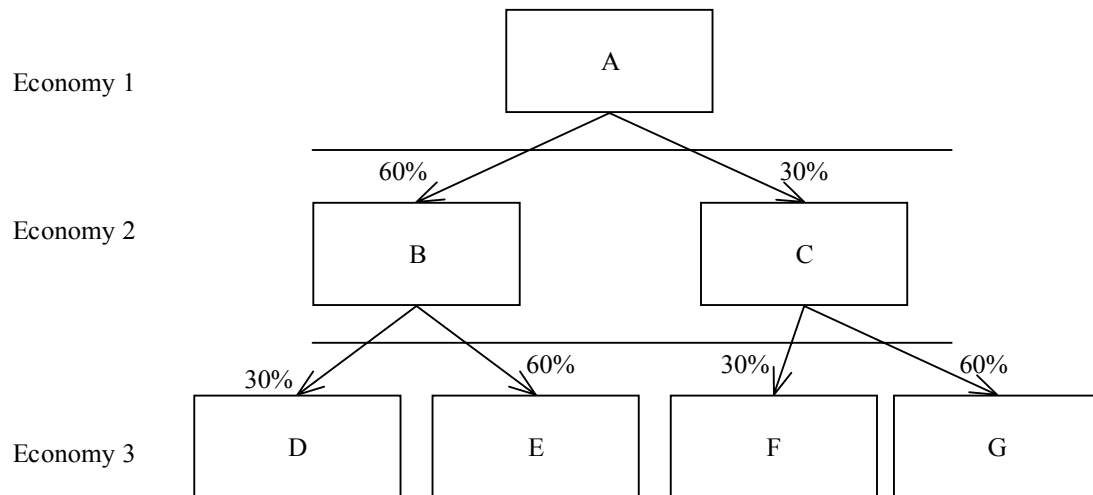
2.32 As can be seen with the “local enterprise groups”, the underlying ownership links of direct investment can be quite complicated. To understand what is, and what is not, direct investment, the Framework for Direct Investment Relationships (FDIR) has been developed to provide criteria for determining whether cross-border ownership results in a direct investment relationship, based on control and/or influence. Under the *BPM6* and the *BD4*, the FDIR is the conceptually preferred method of identifying entities that are in a direct investment relationship. Because the FDIR may frequently be difficult to apply fully, two additional methods of identifying direct investment relationships are also acceptable according to the two manuals. These are the Participation Multiplication Method (PMM) and the Direct Influence/Indirect Control Method (DIIC). The DIIC method is briefly described below, because it is one of the simpler methods, and its use will promote bilateral symmetry because it is employed by many economies. (The FDIR and the PMM are more fully explained in Annex III.) Economies that are not currently collecting data on any of these three different methods should consider initially¹³ adopting one of the two simpler methods (the DIIC or the PMM) to identify direct investment relationships.

2.33 The DIIC method includes in direct investment all enterprises whose voting power are 10 per cent or more *directly* owned, plus all enterprises that are controlled by them (ownership of more than 50 per cent of the voting power), plus all other enterprises in a continuous chain of majority ownership.

¹³ Economies that currently use one of the two acceptable alternative methods are encouraged to adopt the FDIR over time.

2.34 This method allows the first link in an ownership chain to be a non-controlling (influencing) link, but all subsequent links must be controlling links. In Figure 2.4 according to the DIIC method, B and C are in a direct investment relationship with A and with each other; E and G are also in a direct investment relationship with A (indirectly), B and C and with each other, while enterprise D is only in a direct investment relationship with B and E, and enterprise F is in a direct investment relationship with only C and G.

Figure 2.4 Direct Influence / Indirect Control Method



2.35 Looking at Figure 2.4 from the perspective of A, under the DIIC, A is in a direct investment relationship with all enterprises below it in the chain *except* D and F (because they are indirectly owned associates; an associate is an enterprise that is owned at least 10 percent but not more than 50 percent).

2.36 Thus the DIIC breaks the ownership chain at the second influencing link (as in the FDIR) where the first link from the investor is an influencing link. On the other hand (and contrary to the FDIR), the DIIC breaks the ownership chain at the first influencing link where the first link from the investor is a controlling link. As such, the DIIC will always identify the enterprises in a direct investment relationship as a subset of those identified by the FDIR.

CHAPTER 3: INFORMATION TO BE COLLECTED IN THE SURVEY

This chapter first defines equity and debt instruments and explains the valuation methods to be used when requesting the data on FDI positions. As well, models of survey questionnaires are provided.

Equity and debt

Equity

3.1 *Equity comprises all instruments and records acknowledging, after the claims of all creditors have been met, claims on the residual value of a corporation or quasicorporation. Equity is treated for statistical purposes as a liability of the issuing institutional unit (a corporation or other unit) to its owner(s).*

3.2 Ownership of equity in legal entities is usually evidenced by shares, stocks, participations, depositary receipts, or similar documents. Shares and stocks have the same meaning, while depositary receipts are securities that represent ownership of shares held by a depositary. Participating preferred shares are those that provide for participation in the residual value upon the dissolution of an incorporated enterprise. Such shares are also equity securities, whether or not the income is fixed or determined according to a formula. (Nonparticipating preferred shares are treated as debt instruments. See below). Equity securities comprise listed (listed on stock exchanges) and unlisted shares. For listed shares, also referred to as quoted shares, the existence of quoted prices means that current market prices are usually readily available.

3.3 Equity that is not in the form of securities includes equity in quasicorporations, such as branches, trusts, limited liability partnerships, other types of partnerships, unincorporated funds, and notional units created for ownership of real estate and other natural resources. Where significant, cross-border ownership in land and other natural resources should also be included (See Annex II.)

Debt instruments

Intercompany lending

3.4 “Intercompany lending” is used to describe direct investment debt positions between affiliated enterprises and includes all debt instruments. *Debt instruments are those that require the payment of principal and/or interest at some point(s) in the future.* The term *debt instrument* is applicable to both the liability and the corresponding debt claim. Debt instruments comprise deposits, debt securities, and other debt (comprising loans, trade credit, other accounts payable/receivable, and insurance technical reserves where the insurance company is in a direct investment relationship with the insured). These instruments may earn interest but this is not a necessary criterion for an instrument to be classified as debt. All intercompany lending **between** affiliated financial intermediaries (except insurance corporations and pension funds) is excluded from direct investment, regardless of the type of debt instrument(s) involved.

Deposits

Deposits include all claims that are (1) on a deposit-taking corporation and, in some cases, other institutional units; and (2) are represented by evidence of deposit. These deposits may be in the form of transferable balances (on which, for example, cheques may be written) or other, less liquid, forms of deposit.

Debt securities

Debt securities are negotiable instruments serving as evidence of a debt normally traded in financial markets. They include bills, bonds, certificates of deposit, bankers' acceptances, commercial paper, debentures, asset-backed securities, index-linked securities¹⁴, and, also, nonparticipating preferred stocks or shares (instruments that pay a fixed income but do not provide for participation in the distribution of the residual value of an incorporated enterprise on dissolution). Bonds that are convertible into equity should also be classified as debt prior to the time that they are converted to equity.

Other debt

Other debt comprises: loans (including financial leases), trade credit (that is, direct credit between an importer and an exporter; trade credit includes prepayments), and all other accounts receivable/payable.

Excluded instruments

3.5 Financial derivatives and one-off guarantees are excluded from direct investment. Financial derivatives are excluded largely on practical grounds. One-off guarantees represent loans or securities that are guaranteed with such particular circumstances that it is not possible for the degree of risk associated with them to be calculated with any degree of precision. They are recognized as financial assets or liabilities only at activation, that is, when the event occurs that makes the guarantor responsible for the liability.

Valuation principles

Equity

3.6 Market value is the recommended basis for valuation for equity in *BPM6* and *BD4*. However, several different methods are offered as alternatives in these manuals to facilitate implementation. For the purposes of the CDIS, where the focus is on consistency of valuation for bilateral data, equity should be valued using the concept of "own funds at book value" (OFBV). OFBV reflects the value of the enterprise recorded in the books of the DIE, which is the sum of

¹⁴ These are debt securities whose principal and/or coupons are linked to another non-interest rate item, such as a price index or exchange rate.

(i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts); (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them company reserves); and (iii) cumulated reinvested earnings (which may be negative), which would take into account charges for consumption of fixed capital¹⁵. This valuation principle applies equally to quoted and unquoted shares, for incorporated enterprises and quasicorporations. Essential features of OFBV that make its use appropriate for measuring direct investment equity positions at market value include: most financial instruments are reflected at an estimate of their current fair values; cumulative reinvested earnings are included; and depreciation on items of property, plant, and equipment is reflected.

3.7 The CDIS requires information be collected from the books of the direct investment enterprise.

First, the books of the DIE are more likely to take into account the activities of the DIE than are the books of the direct investor. This is because the books of the DIE will typically incorporate current period in deriving the stock of retained earnings. In contrast, the books of direct investors may not reflect the retained earnings of their DIEs, particularly in the case where the DI does not have a majority ownership in the DIEs (investments in these DIEs are sometimes carried at cost on an investor's books).

3.8 Second, using the valuation in the DIE also helps to promote comparability and consistency of the information collected between economies. Thus, if B, a DIE, resident in economy 1, has A, resident in economy 2, as its DI, the inward direct investment in economy 1 and outward direct investment from economy 2 should be the same.

3.9 For compilers in economy 1, where the DIE is resident, obtaining the information required involves direct contact with B. However, compilers in economy 2 may not have direct access to the information about B, using B's accounts. Therefore, indirect access may be necessary – that is, the information should be sought from A, but it needs to be stressed when approaching A that the information on B should be that on B's accounts, which may not (necessarily) be the same as that held in A's accounts.

3.10 It is more likely that the value that the DI will hold in its accounts of its investment in its DIE(s) will be lower than the value held on the books of the DIE but this is not always the case. One particular circumstance when the investment by the DI may be larger than the counterpart investment recorded on the books of the DIE may arise where there has been a recent takeover of the DIE from another investor. In that case, the purchase price may be larger than the value recorded on the books of the DIE due to the value of goodwill. Nonetheless, for the purposes of the CDIS, unless the value on the books of the DIE have been changed to reflect the purchase, it is necessary that the values on the books of the DIE be used to ensure consistency and comparability between the DI and the DIE.

¹⁵ *Consumption of fixed capital* (COFC) is used in this context in preference to *depreciation* as the latter is often based on the historic cost of fixed capital, whereas COFC is a current cost accounting concept. However, it is possible that the direct investment enterprise will not use current cost accounting; in that case, depreciation (historic cost accounting) is an acceptable alternative.

Debt

3.11 In the CDIS, debt securities are to be valued at market prices, and all types of debt other than debt securities – that is, loans, deposits, trade credit, other accounts payable/receivable – are to be valued at nominal value. *Nominal value* is defined as the amount the debtor owes to the creditor, which comprises the outstanding principal amount including any accrued and unpaid interest. That is, it represents the value of funds advanced less any repayments plus outstanding accrued interest; nominal value also takes into account any adjustments to reflect changes in debt denominated in a foreign currency. The rate of exchange to be used is the mid-point between the buy and sell rates on the reference date. Accordingly, let us assume that DIE B borrowed \$100 from its DI A, when the exchange rate was 2:1 between the local currency and the dollar. At that point, the debt should be recorded on B's books, in local currency, at 200. However, at a later date, if the exchange rate has changed to 3:1, and assuming there has been no further lending or any repayments, and setting aside any accrual of interest, B should record its liability to A as 300.

Model Survey Forms for Inward and for Outward Direct Investment

Model survey forms are provided below. These forms are provided as models for countries undertaking a direct investment survey for the first time. They are designed to provide core data items for the CDIS and so they mainly cover identification information and direct investment position data. They could be modified to meet the circumstances of individual countries.

The model form for resident direct investment enterprises (i.e., units in which there is foreign direct investment (either directly or indirectly), or inward direct investment) (Form 1) collects information on positions between a resident direct investment enterprise and its nonresident foreign direct investor; this form also covers positions between resident and nonresident units that are fellow enterprises.

The model form for resident direct investors (i.e., units that directly or indirectly hold equity in foreign enterprises, or outward direct investment) (Form 2) collects information on positions between a resident direct investor and its nonresident direct investment enterprise(s); this form also covers positions between resident and nonresident units that are fellow enterprises.

1. Model Form for Inward Direct Investment (i.e., including units with direct or indirect foreign ownership)

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [name of agency] is conducting this survey to obtain data on investments between your enterprise and your foreign direct investor (that is, the foreign enterprise that owns 10 percent or more of the voting equity in your enterprise) and investments with nonresident fellow enterprises (that is, selected investments with foreign enterprises that have your same owner). The survey is conducted as part of a global undertaking, being coordinated by the International Monetary Fund. Your cooperation in completing this survey questionnaire is appreciated.

Completing and returning the questionnaire

Please take time to review the questionnaire before completing it. Do not hesitate to contact us if you have any difficulty understanding or completing the questionnaire at [phone number and/or email address of the contact person].

Why do we need to collect this information?

Information from this questionnaire is needed to provide reliable and up-to-date information on direct investment in [name of country]. Such information is needed for economic analysis, for constructing the international investment position accounts (that is, the assets and liabilities of [name of country] with the rest of the world), for measuring how investments have grown over time, and in understanding the impact of these investments.

Mandate and confidentiality

This questionnaire is being conducted [*cite the legislative or other authority for collecting this information*]. Any information that you supply will be used for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to **anybody** other than staff implementing the exercise. They are bound to secrecy: breaches of your confidentiality may result in their being fined and/or imprisoned.

Dissemination of findings

We want to ensure you receive tabulated data and analytical outputs as soon as possible and expect that this will enrich your own decision-making. The findings will be posted on the [name of agency] website and released through the [name of agency's] publications (such as its *Monthly Bulletin* and *Annual Report*).

Signed [Head of agency]

How to complete and return this questionnaire

Coverage: This questionnaire collects information on investment positions between your enterprise and foreign companies that directly or indirectly have a 10 percent or more voting ownership in your enterprise, and between your enterprise and fellow enterprises abroad (that is, investments with foreign enterprises that have your same owner), as of end-December 2009.

Due Date: The due date for submission of your completed questionnaire is March 31, 2010.

Completing and returning the questionnaire:

Please submit the questionnaire in paper or electronic form. Questionnaires that are mailed should be delivered to (indicate postal address). Questionnaires that are emailed should be directed to the following email box: (indicate email address). If you have any questions regarding completing and/or returning the questionnaire, please contact us at: [phone number and/or email address of the contact person].

In addition to completing the questionnaire, would you please provide a copy of your enterprise's 2009 income statement and balance sheet. These financial statements may allow us to review your questionnaire results without troubling you.

Content:

The questionnaire is made up of three sections.

Section A asks for general information about your enterprise (please answer the applicable questions).

Section B provides the reporting instructions, including definitions of terms such as fellow enterprise, that should be used for completing Section C.

Section C asks for data on the values outstanding of both assets and liabilities, equity and debt, between your enterprise and your direct investor (Section C1) and asset and liability positions with fellow enterprises abroad (Section C2). If audited data are not available, unaudited estimates are acceptable.

Section A. General Information on your Enterprise

1.1. Name of your enterprise		
1.2 Name / position of person completing form		1.3. Name / Position of alternative contact person
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7. E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct. Signed (senior company officer or company agent) Date

1.10. If your enterprise is part of a local group (see definition in Section B), list the other enterprises in the group that operate in [name of country] and indicate if the data in Section C includes these enterprises (please tick the columns below accordingly).

Name of other resident enterprises (Please indicate if data for these enterprises is included in section C)	Not included	Included

1.11. What is the principal area of activity of the reporting enterprise(s), based on turnover (tick one):

A. Agriculture, forestry, and fishing		K2 – Finance and insurance, except financial intermediary	
B. Mining and quarrying		L – Real estate activities	
C. Manufacturing		M – Professional, scientific and technical	
D. Electricity, gas, steam and air-conditioning supply		N – Administrative and support services	
E. Water supply, sewerage, waste management and remediation activities		O – Public administration	
F. Construction		P – Education	
G. Wholesale and retail		Q – Human health and social work	
H. Transport and storage		R – Arts, entertainment and recreation	
I – Accommodation and food service		S – Other services activities	
J – Information and communication		T – Activities of households as employers of domestic personnel; undifferentiated goods- and services-producing activities of private households for own use	
K1 – Financial intermediary		U – Activities of extraterritorial organizations and bodies	

Section B. Reporting Instructions, Definitions and Guidelines

The reporting period:

This questionnaire asks for balances with nonresidents as of December 31, 2009. Data as of a date between November 15, 2009 and February 15, 2010 are acceptable. Please indicate the **date** to which these data relate at the top of the information tables requested in Sections C1 and C2.

Valuation of data to be reported in section C:

Please report data according to the following guidelines:

Currency:

Report all data in [thousands of units of local currency]. If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is(are) not in [local currency], please use the end-of-year foreign currency exchange rates to convert to [local currency].

Shareholders' funds:

Please report shareholders' funds (i.e., net worth) on the following basis:

- the sum of your foreign direct investor's or fellow enterprise's (see below for definitions) claims on your net worth, consisting of:

- (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
- (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity); and
- (iii) cumulated retained earnings (which may be negative).

In determining your net worth (and therefore in determining your foreign direct investor's or fellow enterprise's claims on your net worth), most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings should be included; and depreciation on items of property, plant, and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

Debt instruments:

Loans and trade credit and other accounts payable

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates)

Nominal value represents the value of funds advanced less any repayments plus any outstanding accrued interest.

Debt securities

Please report the market value of the securities, as of the balance sheet date.

Definitions of entities in the questionnaire: direct investment enterprises, direct investors, and fellow enterprises

Direct investment enterprise: A direct investment enterprise is an enterprise, *resident* in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the equity, either directly or indirectly.

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) for a year or more in [*name of economy*]. A direct investment enterprise's **local group** includes the resident enterprise that is at least 10 percent directly owned by a foreign direct investor (see below for definition), and the resident enterprises that it directly or indirectly controls in its own economy.

A **direct investor** is an enterprise, resident in an economy, that directly or indirectly holds 10 percent or more of the equity in a nonresident direct investment enterprise.

A resident **fellow enterprise** is an enterprise that is a resident of [*name of economy*]; that is in a direct investment relationship with a nonresident enterprise because they have a common parent that is a direct investor in at least one of the enterprises; and neither of the fellow enterprises holds 10 percent or more of the equity in the other.

Units are viewed as nonresidents of [*name of economy*] if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

Section C. Asset and liability positions of the direct investment enterprise with its foreign direct investor (Section C1) and with its fellow enterprises abroad (Section C2), by country of the foreign units with whom the accounts are held. Please report in thousands of [local currency], using the valuation guidelines described in Section B.

C1: Direct investment enterprise’s positions with its foreign direct investor

Positions as of (insert date to which the information refers)
(in thousands of units of local currency)

Country of location of foreign direct investor	Equity and debt liabilities to foreign direct investor		Equity and debt claims on foreign direct investor (so-called “reverse investment”)	
	Equity owned by direct investor – report the value of your direct investor’s claims on your net worth	Debt liabilities to direct investor	Debt claims on direct investor	Equity claims on direct investor - report your claims on your direct investor’s net worth

C.2. Your enterprise’s positions with fellow enterprises abroad.

If your enterprise has no positions with nonresident fellow enterprises, please indicate N/A: _____ and do not complete the section below.

If you are a fellow enterprise, please indicate below the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain:

Residence of ultimate controlling parent of your enterprise (please tick one case and see note below)	
Nonresident of your own economy	
Do not know	
Resident of your own economy	

Note: If you are a resident fellow enterprise, and your ultimate controlling parent is a nonresident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as inward direct investment. If your ultimate controlling parent is a resident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as outward direct investment. If it is unknown whether your ultimate controlling parent is a resident or a nonresident of your own economy, then asset positions with fellow enterprises abroad are regarded as outward direct investment, and liability positions with fellow enterprises abroad are regarded as inward direct investment. For convenience, all positions with fellow enterprises abroad may be reported either on report form 1 (inward direct investment), or on report form 2 (outward direct investment), but please do not report such positions on both report forms 1 and 2.

Positions as of (insert date to which the information refers)
 (in thousands of units of local currency) **with fellow enterprises abroad**

Country of location of fellow enterprise abroad	Equity and debt liabilities to fellow enterprise abroad		Equity and debt claims on fellow enterprise abroad	
	Equity owned by fellow enterprise abroad – report the value of your fellow enterprise abroad claims on your enterprise’s net worth	Debt liabilities to fellow enterprise abroad	Debt claims on fellow enterprise abroad	Equity claims on fellow enterprise abroad - report your enterprise’s claims on the net worth of your fellow enterprise abroad

Thank you for your cooperation.

2. Model Form for Outward Direct Investment (i.e., including units with equity ownership in foreign enterprises)

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [name of agency] is conducting this survey to obtain data on investment between your enterprise and your foreign direct investment enterprises (i.e., nonresident enterprises in which your enterprise directly or indirectly holds 10 percent or more of the voting equity) and investments with nonresident fellow enterprises (that is, investments with foreign enterprises that are owned by your same owner). The survey is conducted as part of a global undertaking, being coordinated by the International Monetary Fund. Your cooperation in completing this survey questionnaire is very much appreciated.

Completing and returning the questionnaire

Please take time to review the questionnaire before completing it. Do not hesitate to contact us if you have any difficulty understanding or completing the questionnaire at:[*phone number and/or email address of the contact person*].

Why do we need to collect this information?

Information from this questionnaire is needed to provide reliable and up-to-date information on direct investment abroad. Such information is needed for economic analysis, for constructing the international investment position accounts (that is, the assets and liabilities of [name of country] with the rest of the world), for measuring how investments have grown over time, and in understanding the impact of these investments on our own economy as well as on the economies that are recipients of investment.

Mandate and confidentiality

This questionnaire is being conducted under the [*cite the legislative or other authority for collecting this information*]. Any information you supply will be used for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to **anybody** other than staff implementing the exercise. They are bound to secrecy: breaches of your confidentiality may result in their being fined and/or imprisoned.

Dissemination of findings

We want to ensure you receive tabulated data and analytical outputs as soon as possible and expect that this will enrich your own decision-making. The findings will be posted on the [name of agency]' website and released through the [name of agency's] publications (such as its *Monthly Bulletin* and *Annual Report*).

Signed [Head of agency]

How to complete and return this questionnaire

Coverage: This questionnaire collects information on your enterprise's investment positions with foreign companies in which your enterprise, directly or indirectly, has a 10 percent or more voting ownership, and between your enterprise and fellow enterprises abroad (that is, investments with foreign enterprises that are owned by your same owner), as of end-December 2009.

Due Date: The due date for submission of your completed questionnaire is March 31, 2010.

Completing and returning the questionnaire:

Please submit the questionnaire in paper or electronic form. Questionnaires that are mailed should be delivered to (indicate postal address). Questionnaires that are emailed should be directed to the following email box: (indicate email address). If you have any questions regarding completing, and/or returning the questionnaire, please contact us at [phone number and/or email address of contact person].

In addition to completing the questionnaire, would you please provide a copy of your enterprise's 2009 income statement and balance sheet. These **financial statements** may allow us to review your questionnaire results without troubling you.

Content:

The questionnaire is made up of three sections:

Section A asks for general information about your enterprise (please answer all applicable questions).

Sections B provides the reporting instructions, including definitions such as fellow enterprise, that should be used for completing Section C.

Section C asks for data on the values outstanding of both assets and liabilities, equity and debt, between your enterprise and your direct investment enterprise(s) located abroad (Section C1) and asset and liability positions with fellow enterprises abroad (Section C2). If audited data are not available, unaudited estimates are acceptable.

Section A. General Information on your Enterprise

1.1. Name of your enterprise		
1.2. Name / position of person completing form		1.3. Name / Position of alternative contact person
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7 E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct. Signed (senior company officer or company agent) Date

1.10. If your enterprise is part of a local group (see definition in Section B), list the other enterprises in the group that operate in [*name of country*] and indicate if the data in Section C includes these enterprises (please tick the columns below accordingly).

Name of other resident enterprises (Please indicate if data for these enterprises is included in section C)	Not included	Included

1.11. What is the principal area of activity of the reporting enterprise or local group, based on turnover (tick one):

A. Agriculture, forestry, and fishing		K2 – Finance and insurance, except financial intermediary	
B. Mining and quarrying		L – Real estate activities	
C. Manufacturing		M – Professional, scientific and technical	
D. Electricity, gas, steam and air-conditioning supply		N – Administrative and support services	
E. Water supply, sewerage, waste management and remediation activities		O – Public administration	
F. Construction		P – Education	
G. Wholesale and retail		Q – Human health and social work	
H. Transport and storage		R – Arts, entertainment and recreation	
I – Accommodation and food service		S – Other services activities	
J – Information and communication		T – Activities of households as employers of domestic personnel; undifferentiated goods- and services-producing activities of private households for own use	
K1 – Financial intermediary		U – Activities of extraterritorial organizations and bodies	

Section B. Reporting Instructions, Definitions and Guidelines

The reporting period:

This questionnaire asks for balances with nonresidents as of December 31, 2009. Data as of a date between November 15, 2009 and February 15, 2010 are acceptable. Please indicate the **date** to which these data relate at the top of the information tables requested in Sections C1 and C2.

Valuation of data to be reported in section C:

Please report data according to the following guidelines:

Currency:

Report all data in [thousands of units of local currency]. If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is(are) not in [local currency], please use the end-of-year foreign currency exchange rates to convert to [local currency].

Shareholders' funds:

Please report shareholder's funds (i.e., net worth) on the following basis:

- the sum of your claims on the net worth of your direct investment enterprises abroad (see below for definition), consisting of:

- (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
- (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity); and
- (iii) cumulated retained earnings (which may be negative).

In determining your direct investment enterprise's net worth (and therefore in determining the value of your claims on its net worth), most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings should be included; and depreciation on items of property, plant, and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

Debt instruments:

Loans and trade credit and other accounts payable

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates)

Nominal value represents the value of funds advanced less any repayments plus any outstanding accrued interest.

Debt securities

Please report the market value of the securities as at the balance sheet date.

Definitions of entities in the questionnaire: Direct investors, direct investment enterprises, and fellow enterprises

Direct investor: A **direct investor** is an enterprise, resident in an economy, that directly or indirectly holds 10 percent or more of the equity in a nonresident direct investment enterprise.

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) for a year or more in [*name of economy*]. A direct investor's **local group** includes the resident enterprise(s) that directly or indirectly own a foreign direct investment enterprise (see below for definition), and the resident enterprises that these units control in their own economy.

Direct investment enterprise: A direct investment enterprise is an enterprise, resident in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the equity, either directly or indirectly.

A resident **fellow enterprise** is an enterprise that is a resident of [*name of economy*]; that is in a direct investment relationship with a nonresident enterprise because they have a common parent that is a direct investor in at least one of the enterprises; and neither of the fellow enterprises holds 10 percent or more of the equity in the other.

Units are viewed as nonresidents of [*name of economy*] if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

Section C. Asset and liability positions of the direct investor with its foreign direct investment enterprises abroad (Section C1) and with its fellow enterprises abroad (Section C2), by country of the foreign units with whom the accounts are held. Please report in thousands of [local currency], using the valuation guidelines described in Section B

Section C.1. Direct investor's positions with its direct investment enterprises abroad
Positions as of (insert date to which the information refers)
(in thousands of units of local currency)

Country of location of direct investment enterprise	Equity and debt claims of direct investor		Liabilities of direct investors (so-called "reverse investment")	
	Equity claims (assets) on direct investment enterprise (for directly owned direct investment enterprises only) - report your enterprise's claims on the net worth of your direct investment enterprise	Debt claims (assets) on direct investment enterprise	Debt liabilities to direct investment enterprise	Equity liabilities to direct investment enterprise

If your enterprise has no such assets or liabilities, please indicate N/A _____ and continue.

Section C.2. Positions of resident fellow enterprises with fellow enterprises abroad.

If your enterprise has no positions with fellow enterprises abroad, please indicate N/A: _____ and do not complete the section below.

If you are a fellow enterprise, please indicate below the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain:

Residence of ultimate controlling parent of your enterprise (please tick one case and see note below)	
Resident of your own economy	
Do not know	
Nonresident of your own economy	

Note: If you are a resident fellow enterprise, and your ultimate controlling parent is a nonresident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as inward direct investment. If your ultimate controlling parent is a resident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as outward direct investment. If it is unknown whether your ultimate controlling parent is a resident or a nonresident of your own economy, then asset positions with fellow enterprises abroad are regarded as outward direct investment, and liability positions with fellow enterprises abroad are regarded as inward direct investment. For convenience, all positions with fellow enterprises abroad may be reported either on report form 1 (inward direct investment), or on report form 2 (outward direct investment), but please do not report such positions on both report forms 1 and 2.

Positions as of (insert date to which the information refers)
 (in thousands of unit of local currency) **with fellow enterprises abroad**

Country of location of fellow enterprise abroad	Equity and debt claims on fellow enterprise abroad		Equity and debt liabilities to fellow enterprise abroad	
	Equity claims (assets) on fellow enterprise abroad – report the value of your enterprise’s claims on your fellow enterprise’s net worth	Debt claims on fellow enterprise abroad	Debt liabilities to fellow enterprise abroad	Equity liabilities to fellow enterprise abroad – report the value of your fellow enterprise’s claims on your enterprise’s net worth

Thank you for your cooperation.

CHAPTER 4: COMPILATION AND REPORTING OF DIRECT INVESTMENT STATISTICS

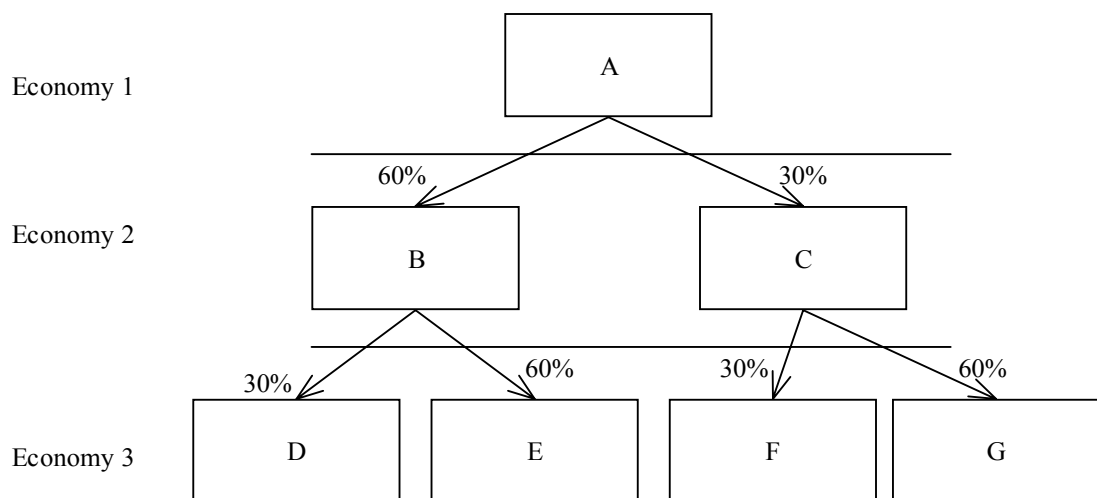
It is important to differentiate between data collection (chapters 2 and 3) from data compilation and data reporting of FDI data, as each of these steps involve treatments that are specific to the direct investment relationship of the units and to the types of activities in which they are involved.

4.1 This chapter provides guidance on the compilation of the data that are collected, on data that should be omitted from direct investment, and on the reporting/dissemination of direct investment statistics to the IMF.

Data compilation

4.2 Using the example of unit B in Figure 4.1, the following describes data to be collected by compilers in Economy 2. As can be seen from Figure 4.1, B is both a DIE and a DI. Let's assume that B has equity investment liability of 100 to nonresident Direct Investor A; and B has equity investment (reverse investment¹⁶) in A of 5. Also, B has debt liabilities of 25 to A, and that B has debt claims (reverse investment) on A of 5. Finally, B has equity investment in D of 10 and equity investment in E of 14, and that there is no debt investment between B and D or E.

Figure 4.1



4.3 The following information should be **collected** from enterprise B:

¹⁶ See description of reverse investment below.

FDI Position Data Collected from Enterprise B by compilers in Economy 2

Position of B with:	A	D	E
Assets	10	10	14
Debt	5	0	0
Equity	5	10	14
Liabilities	125	0	0
Debt	25	0	0
Equity	100	0	0

4.4 For data **reporting** purposes to the IMF, the above data would be presented both under the Asset/Liability Principle for global aggregates (BPM6) and under the Directional Principle (BD4) for bilateral and industry presentations. As the CDIS is concerned solely with bilateral data on direct investment, it is recommended that the Directional Principle be adopted for reporting the survey results.

4.5 Under the Asset/Liability Principle, the data reporting would essentially duplicate the data collection shown above.

4.6 Under the Directional Principle, investment by a DI in its DIE *and* investment by a DIE in its DI are both recorded in outward direct investment when the DI is a resident of the compiling economy, and both are recorded in inward direct investment when the DIE is a resident of the compiling economy. That is, investment by a DIE in its DI is essentially netted against investment by the DI in the DIE.

4.7 Here is how the data, collected from Enterprise B, would be rearranged for compilation under the Directional Principle. For the CDIS, the directional principle is to be used for reporting to the IMF.

FDI Position Data Compiled for Enterprise B, Under the Directional Principle

Position of B with:	A	D	E
Outward		10	14
Equity		10	14
Assets		10	14
Liabilities		0	0
Debt		0	0
Assets		0	0
Liabilities		0	0
Inward	115		
Equity	95		
Assets	5		
Liabilities	100		
Debt	20		
Assets	5		
Liabilities	25		

Special cases of data compilation

Mutual direct investment, reverse investment, and investment in a fellow enterprise

4.8 When enterprises in a direct investment relationship have investment in each other, one of three situations arises: mutual direct investment, reverse investment, or investment in a fellow enterprise.

4.9 *Mutual direct investment*: If a DIE (B) has 10 percent or more of the voting power in an enterprise (A) which holds 10 percent or more of the voting power in B, then each is a DI in the other. That is, Enterprise B is both a direct investment enterprise of Enterprise A and a direct investor in Enterprise A.

4.10 *Reverse investment*: investment by a resident DIE in its direct investor (whether its immediate direct investor or in a direct investor that is higher in its ownership chain) is called “reverse investment”. If a DIE (B) has an investment in its DI (A) and that investment represents less than 10 percent of the voting power in the direct investor (A), B has reverse investment in A: B is not a DI in A.

4.11 *Investment in a fellow enterprise* arises when an enterprise invests in another enterprise with which it has a direct investment relationship, but neither directly or indirectly holds 10 percent or more of the voting power in the other. In *BPM6* and *BD4*, the concepts of inward and outward FDI were updated for the recording of investment positions between “fellow enterprises”.¹⁷ In concept, both asset and liability positions between fellow enterprises are to be

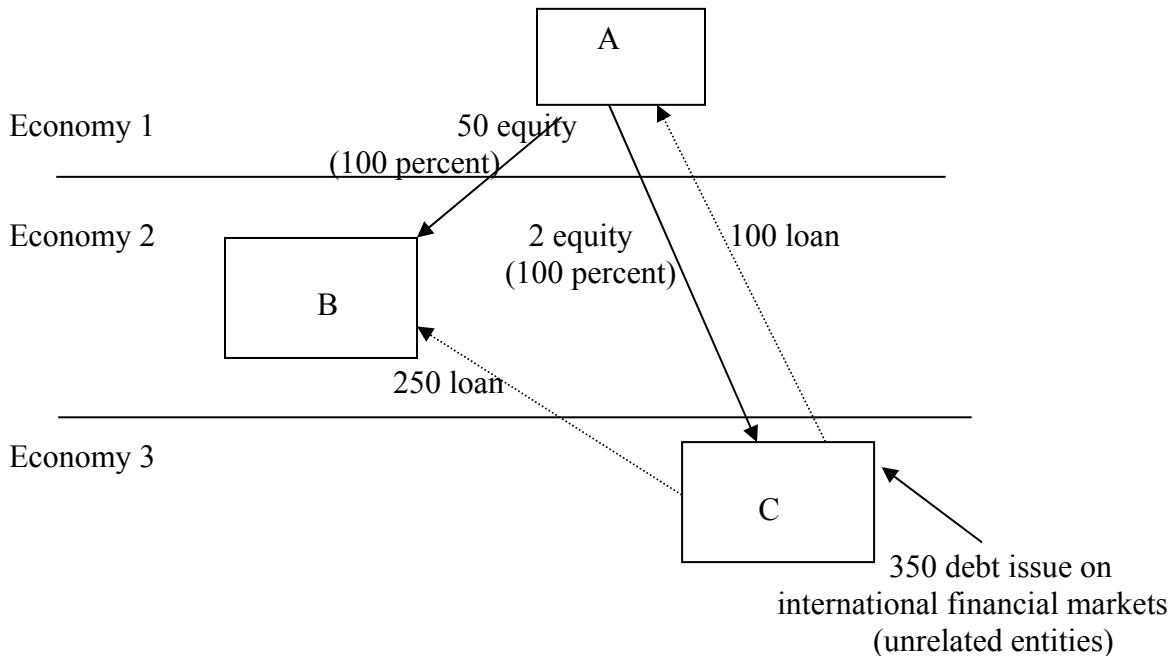
¹⁷ As noted earlier, fellow enterprises are enterprises that have the same investor, and the investor must be a DI in at least one of them, but neither enterprise has voting power of 10 percent or more in the other enterprise.

recorded in outward FDI where the ultimate controlling parent is a resident, and in inward FDI where the ultimate controlling parent is a nonresident. However, in the cases where the residence of the ultimate controlling parent companies¹⁸ is not known, for CDIS reporting purposes, it is acceptable to record claims of a resident fellow enterprise on a nonresident fellow enterprise in outward direct investment, and to record liabilities of a resident fellow enterprise to a nonresident fellow enterprise in inward direct investment, consistent with *BD3*.

4.12 Economies are encouraged to provide metadata that describe their treatment of positions between fellow enterprises.

4.13 Figure 4.2 is used to illustrate the direct investment relationship between a DI and DIE, reverse investment between a DIE and a DI, and investment between two fellow enterprises with no equity investment between them.

Figure 4.2



In this example:

- A owns all of the equity issued by B and by C (50 by B and 2 by C)
 - C has raised 350 on international capital markets through the issue of debt securities. A has guaranteed these securities
 - Of these funds raised by C, 100 is lent to A and 250 to B.
- A, B and C are all in different economies.

¹⁸ Depending on how an economy treats local enterprise groups, a given position could be recorded in either inward or in outward direct investment, and a given enterprise may be a fellow instead of a DI or a DIE.

Under the *Asset/Liability Principle*, these positions would be recorded as follows:

For A

Assets: Total	52	Liabilities: Total	100
Of direct investors in direct investment enterprises		Of direct investor to direct investment enterprises	
Equity: in B	50	Debt: To C	100
: in C	2		

For B

Liabilities: Total	300
Direct investment enterprise to direct investor	
Equity: to A	50
To fellow enterprises	
Debt: to C	250

For C

Assets Total	350	Liabilities: Total	2
Of direct investment enterprises in direct investor		Direct investment enterprise to direct investor	
Debt: in A	100	Equity: to A	2
Of direct investment enterprises in fellow enterprises			
Debt: in B	250		
Total assets for A, B and C	402	Total liabilities for A, B and C	402

Under the *Directional Principle*, using the standard approach for the treatment of fellow enterprises where the ultimate controlling parent is a nonresident, these positions would be recorded as follows:

For A

Outward Foreign Direct Investment	-48
Outward equity position:	
in B	50
in C	2

Outward debt instruments position
Less Debt liabilities of direct investor
to direct investment enterprise
To C -100

For B

Inward Foreign Direct Investment 300

Inward equity position:
To A 50

Inward debt instruments position
Debt liabilities of direct investment
enterprise to fellow enterprises
To C 250

For C

Inward Foreign Direct Investment -348

Inward equity position:
To A 2

Less debt instruments assets of direct
investment enterprise in direct investor
To A -100
To B -250

Total Outward Direct Investment (A, B and C) -48 (Total Inward Direct Investment (A, B and C): -48

Under the *Directional Principle*, using the approach where residence of the ultimate controlling parent is not known (and so the positions between fellows enterprises are recorded as outward for assets and inward for liabilities), these positions would be recorded as follows:

For A

Outward Foreign Direct Investment -48

Outward equity position:
in B 50
in C 2

Outward debt instruments position
Less Debt liabilities of direct investor
to direct investment enterprise
To C -100

For B

Inward Foreign Direct Investment 300

Inward equity position:

To A	50
------	----

Inward debt instruments position Debt liabilities of direct investment enterprise to fellow enterprises To C	250
---	-----

For C

Outward debt instruments position	250	Inward Foreign Direct Investment	-98
		Inward equity position:	
		To A	2

Outward debt instruments position Debt instruments assets in fellow enterprise In B	250	Inward debt instruments asset position <i>Less</i> debt instruments assets of direct investment enterprise in direct investor To A	-100
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Total Outward Direct Investment (A, B and C) 202

Total Inward Direct Investment (A, B and C) 202

Exclusions from direct investment

As noted in Chapter 3, debt positions between affiliated financial intermediaries (a subset of financial corporations), financial derivatives, and one-off guarantees that have not been activated are excluded from direct investment.

4.14 The financial corporations covered by the financial intermediary exclusion are deposit-taking corporations, money market funds (MMF), non-MMF investment funds, and other financial intermediaries except insurance companies and pension funds. (In other words, the usual direct investment definitions apply for insurance corporations, pension funds, other financial institutions, and financial auxiliaries.) All debt positions between these selected types of affiliated financial corporations are excluded from direct investment (but equity positions between all types of affiliated financial corporations should be included in direct investment). For example, deposits and other amounts lent by a parent bank or other financial intermediary to its direct investment enterprise located abroad that is also a financial intermediary, and deposits and other borrowings taken from such offices, should not be classified as direct investment. Both affiliated parties must be one of the selected types of financial corporations, but they need not be the same type of financial corporation.

4.15 To be able to identify and exclude these positions from direct investment, compilers need to be able to identify who is a financial intermediary. Annex II provides a fuller description of the five types of financial intermediaries whose positions with other financial intermediaries abroad should be excluded. It is suggested that the collection form separately identify those *resident* entities that meet the definition of any of these five types of financial intermediaries. This will provide a basis for future research by the compilers, because very large debt positions by any of these resident enterprises with a related foreign enterprise may be misrecorded in direct investment.

4.16 Debt positions by financial intermediaries with related entities abroad that are *not* financial intermediaries should be included in direct investment. Thus, positions with nonresident financial institutions that are not financial intermediaries, as well as positions with nonresident nonfinancial institutions, are included in direct investment.

4.17 Also as noted in Chapter 3, financial derivatives are excluded from direct investment. *A financial derivative contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, etc.) can be traded in their own right in financial markets.* Transactions and positions in financial derivatives are treated separately from the values of any underlying items to which they are linked.

4.18 One-off guarantees of payment by third parties¹⁹ are contingent since payment is only required if the principal debtor defaults. They, therefore, are considered to lie outside the “asset boundary”.

¹⁹ See paragraph 3.5 for a definition.

DATA REPORTING TO THE IMF.

The CDIS results should be reported under four templates to the IMF.

Template 1 (Inward total by individual country): This template represents the inward direct investment to be reported by CDIS participating countries.

1. Total Inward FDI for Country A
2. Equity
3. Debt
 - 3.a. Assets
 - 3.b. Liabilities

Template 1A (Inward detail by individual country): The IMF strongly encourages countries to provide the information in Template 1A (Inward detail by individual country).

1. Total Inward FDI for Country A (= item 2 plus item 3)
 - 1.a. Of which, inward FDI with fellow enterprises
 - 1.b. Assets (resident fellow enterprises' claims on nonresident fellow enterprises)
 - 1.c. Liabilities (resident fellow enterprises' liabilities to nonresident fellow enterprises)
2. Equity
3. Debt (items 3a and 3b sum to item 3, and items 3c and 3d sum to item 3)
 - 3.a. Resident financial intermediaries (payables minus receivables)
 - 3.b. Resident enterprises that are not financial intermediaries (payables minus receivables)
 - 3.c. Assets
 - 3.d. Liabilities

Template 2 (Outward total by individual country): Countries with significant outward investment should report Template 2 (Outward).

1. Total Outward FDI by individual country
2. Equity
3. Debt
 - 3.a. Assets
 - 3.b. Liabilities

Template 2A (Outward detail by individual country): .

1. Total Outward FDI for Country A (= item 2 plus item 3)
 - 1.a. Of which, outward FDI with fellow enterprises
 - 1.b. Assets (resident fellow enterprises' claims on nonresident fellow enterprises)
 - 1.c. Liabilities (resident fellow enterprises' liabilities to nonresident fellow enterprises)
2. Equity

3. Debt (items 3a and 3b sum to item 3, and items 3c and 3d sum to item 3)
 - 3.a. Resident financial intermediaries (receivables minus payables)
 - 3.b. Resident enterprises that are not financial intermediaries (receivables minus payables)
 - 3.c. Assets
 - 3.d. Liabilities

Template 3 (Metadata): In addition to the data in the templates, the IMF seeks descriptive information or metadata from participants. For example, please indicate your primary methods of building your sample frame; methods of estimating for non-response; and how you recorded positions between fellow enterprises.

Template 4 (Impact of CDIS) Please report improvements that may have been implemented in your estimates for 2009, at least partly as a result of your participation in the CDIS. In particular, did you:

- Improve the quality of mailing lists or sample frames?
- More completely identify debt positions between affiliated financial intermediaries (which have been or will be removed from your estimates of FDI)?
- More fully edited/processed reported data, to correct for errors?
- More fully followed up on nonrespondents, to obtain more complete or timely data?
- Institute a survey of direct investment for the first time?
- Adopt new treatments for classifying positions between fellow enterprises, to improve consistency with the new standards?
- Other (specify) –

CHAPTER 5: UNDERTAKING THE CDIS

Timetable

In undertaking an enterprise survey, it is important to develop a timetable. The timetable serves two main purposes: tasks are identified, and their sequencing is established to meet the objectives of the survey.

5.1 In the CDIS, those countries that have never conducted a direct investment position survey will have a different timetable from those countries that conduct them regularly. The diagram below sets out a broad framework for a timetable, which can be adapted to national circumstances.

Responsibility to produce direct investment statistics

5.2 In many countries, a statistics act or formal arrangements exist under which the central bank or statistical agency has the authority to collect information required for participation in the CDIS.²⁰

5.3 In some economies, responsibility for collecting data on direct investment may be split between two or more agencies. For example, central banks may have responsibility for obtaining data from financial institutions, while the national statistical agency may have responsibility for the nonfinancial entities. In other economies, the role of the investment approval agency may be very important. Involving all the relevant agencies will improve the overall coverage and accuracy of the data eventually collected. The survey questionnaire should make clear which agency(ies) have access to the reported data.

Creation/update of a survey frame

5.4 The survey frame comprises the set of units subject to the direct investment survey and the details about those units that can facilitate the conduct of the survey. “The survey frame has more influence than any other aspect of survey design upon the coverage of the survey”²¹ and hence on the measurement of direct investment.

5.5 The survey frame can be used to list direct investment units as well as to facilitate some of the steps involved in conducting the survey, notably through storing and tracking information on the units being surveyed.

²⁰ The IMF’s Statistics Department is available to review the draft legislation or modifications to existing legislation made to accommodate the CDIS or for compilation of other macroeconomic statistics. A good legal authority would state that reporting of statistical information is mandatory, and that the data are confidential and will not be disclosed to third parties without the approval of the respondent.

²¹ *Measuring the Non-Observed Economy - A Handbook*, OECD

Information content of the survey frame

5.6 The survey frame should be developed no later than 12 months prior to the reference date for the survey but preferably at least 18 months prior.

5.7 The survey frame should include relevant information on each respondent, and may serve as a tracking system for contacts with respondents.

Information relating to respondents:

Respondent name

Respondent ID code/Registry or Business Number

Respondent address

Respondent contact person/authorized person to sign form

Designation of contact person/authorized person

Phone number of contact person/authorized person

Facsimile number and email address of contact person/authorized person

Activity code of respondent (i.e., business sector of respondent)

Investment code of respondent (is involved in inward or outward direct investment, or no investment abroad?)

Financial/fiscal year of respondent's business (i.e., accounting period)

Survey log

A well integrated data collection provides comprehensive response logs containing information about the respondent and to track response status.

Response log details:

Date letters/questionnaires are sent (could be automatically entered by computer)

Date due

Response status (responded, liquidated, no response, respondent owned by another business which will respond)

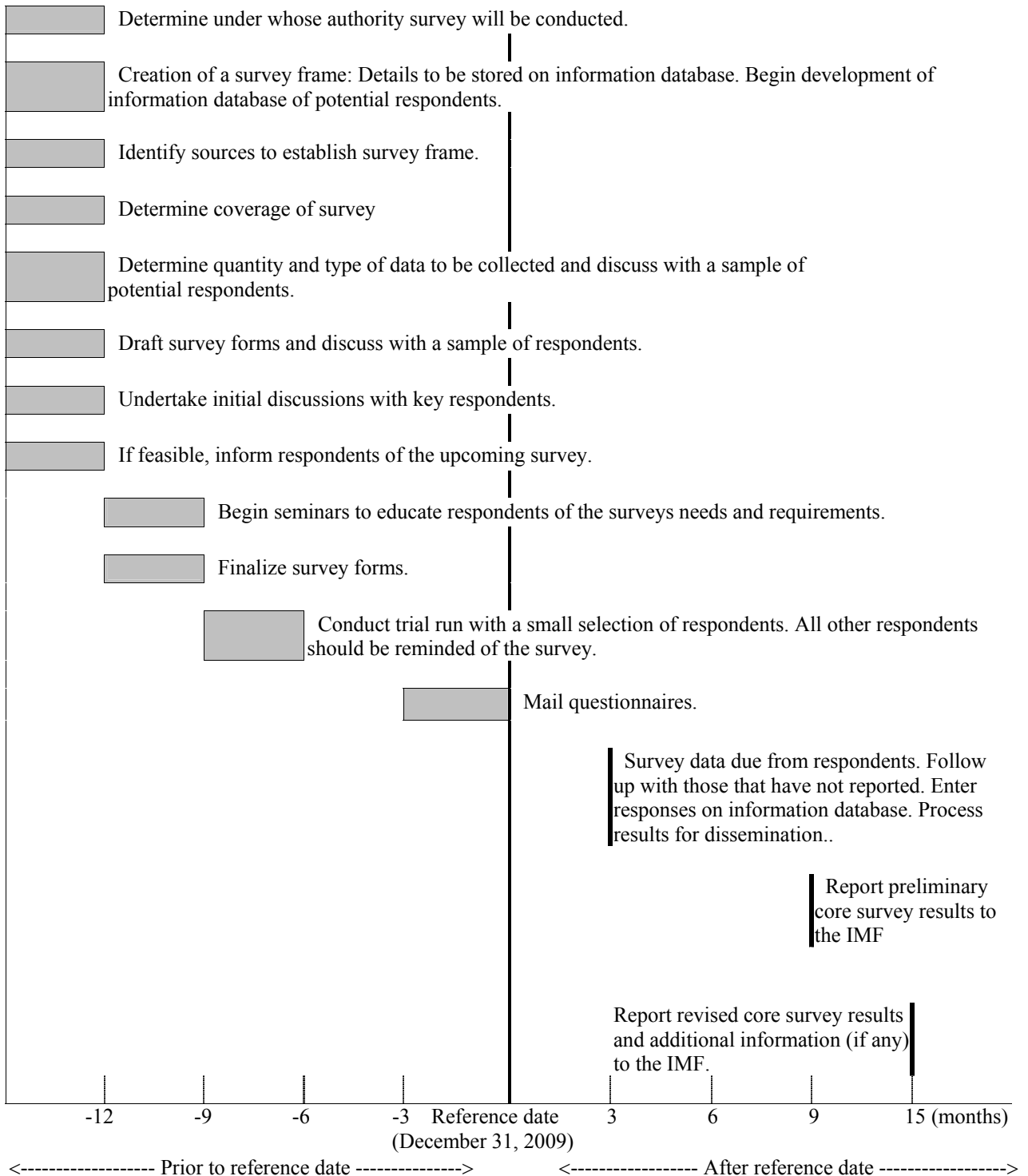
Date first response received

Date of first and second follow-up

Edit date – case edited

Draft Timetable for Conduct of a Direct Investment Survey

TASK



Computerizing the survey frame

5.8 Computerizing the survey frame may save compilers time and effort and reduce the scope for error in dealing with survey respondents. Careful maintenance of the database is also required, e.g., updating address changes, company name changes, etc. The type of issues and tasks that national compilers need to consider include:

- taking account of the information flows to and from the database (the use of charts and diagrams may be useful in the planning phase);
- taking account of the specifications required to query the frame and to generate reports;
- devising a coding structure that embodies important defining characteristics of each respondent. This allows the sorting and analysis of respondents and the tracking of nonresponse;
- ensuring that supporting hardware/software is sufficient for the task, for instance, that the memory and processing capabilities are such that response and retrieval times are acceptable;
- allowing time for a thorough tryout of the system before "live" use;
- backing up copies of data and software on a regular basis and storing them both on-site and at a remote location so that the files can be restored in the event of a system breakdown;
- ensuring appropriate systems security and access authorization;
- producing thorough documentation on the system; and
- providing for a suitable filing system for associated papers, not least the completed survey forms.

Use of the survey frame

5.9 Once the national survey is under way, the benefits of an efficient computerized survey frame become apparent. The benefits accrue both at the initial stage of the mail out of the survey forms and at the follow-up stage and beyond. Some of these benefits are presented below to provide national compilers with an idea of the capabilities of a computerized information database.

5.10 At the initial stage, compilers need to print and dispatch the survey forms and companion transmittal letters. To do so, they can generate the mailing labels from the computerized information database. At the same time, a record can be written noting which survey respondents will be sent a questionnaire (e.g., mail status to "yes"). Compilers can also perform a quality check to ensure that the right respondent is receiving the right survey form(s).

5.11 This is particularly important if the mailing includes more than one type of survey form. If the statistical office has never previously conducted a direct investment survey, it may be useful

to include with the survey form a postcard (or use some similar technique) that respondents use to acknowledge receipt of the questionnaire and identify the person to contact. In this way, compilers can quickly identify problems and initiate follow-up action.²² The national compiler should note, in the response log, those entities that have returned the postcard. National compilers should record the return of the completed survey form in the response log, along with the date of receipt; any changes required to the information database, for instance, name, address, etc., could be made. Compilers could run a report to verify that the correct entries have been made. Thereafter, they could distribute survey forms to the appropriate person for data capture and editing.

5.12 For a number of reasons, respondents may wish to contact the compiler using the contact information printed on the questionnaires. The compiler should keep a record of significant phone calls and/or correspondence (such as requests for extension of the survey due date) either in a manual file or as a note against the appropriate record in the response log file, along with a notation on how the matter was resolved. If a survey respondent requires more time to complete the survey form, the compiler should note this information so that reminders are not sent. In such a case, the response log status is changed to indicate “in contact,” and follow-up procedures are suspended for a specified period. When new copies of the survey forms are requested, a re-mail is initiated, and additional forms are sent to the respondent with the follow-up procedures kept in place. The compiler must update the information database if updated information is provided and run a check to confirm that correct details have been stored.

5.13 At the planning stage, it is important to consider which fields will be automatically completed by the computerized system. For example, would the “date mailed” field be updated directly by the mailing program? Provide sufficient space for addresses, etc.; it may be appropriate to subdivide fields for some items (for example, distinguishing the postal code from the remainder of the address). Take care when assigning default values to fields and (as a safeguard against inputting errors) have an accessible, on-line, separate file that lists those types of input that are currently acceptable for a specified field, so that unacceptable inputs will be rejected, for instance, entering a letter in a field that can “accept” only numbers. It is also useful to have a comment area for the respondent’s use.

5.14 When the closing date for the return of completed survey forms has passed, the national compiler can identify the overdue survey respondents from the response log, based on the response status of “outstanding” and the mailing date, and prepare labels for envelopes and follow-up documents.

5.15 A number of reports can be produced on a regular basis to assess the status of the survey:

transaction reports: lists of changes to records sorted by name, ID code, date, etc.

²² For the Coordinated Portfolio Investment Survey, the U.S. authorities found it useful to publish a legally binding notice about the survey, which announced the survey and stated that any institution meeting the reporting guidelines is legally required to report, whether or not the institution is sent a survey questionnaire. This approach might bring in some firms that are not on the information database. Similar approaches may be considered by countries participating in the CDIS but this may depend on local institutional and legal arrangements.

response log reports: summary counts of survey forms mailed, received, and percentage outstanding; response log listing all survey respondents, survey status sorted by name, ID code, etc.

Determining the coverage of the direct investment survey (sample or census)

5.16 Many of the sources of information will not indicate whether or not a unit is a direct investor or a direct investment enterprise. One way to identify direct investment relationships is by conducting a short exploratory survey, but not all countries use this approach.

5.17 As one of the prime reasons for undertaking the CDIS is to improve the overall quality of direct investment statistics, participating economies have agreed to provide as comprehensive information as possible. This means a decision needs to be made as to whether to undertake a census, or compile data from as large a survey as possible.

5.18 For countries that have not undertaken a direct investment survey before, it will be highly beneficial to initially focus on the largest firms in their economies, with less attention given to smaller firms. Only after experience has been gained in compiling direct investment statistics should consideration be given to more sophisticated methods of compiling data, such as by conducting a sample survey with estimation for nonsample firms. Undertaking a sample survey without a good understanding of the relative size and importance of the enterprises being surveyed may produce data that cannot be reliably grossed up (see below on How to Address Low Coverage or Low Response Rates) to a universe total.

5.19 A census is important for estimation as it provides the benchmark for estimating the universe in subsequent surveys – when samples may be used. For direct investment statistics, it is not necessary to conduct a census every year. Maintaining an up-to-date information database of all additions (and deletions) is an essential part of keeping the estimates as accurate as possible. Of course, not having a census survey will make it difficult to gross up the data.

5.20 As the CDIS is intended to provide as comprehensive results as possible, those countries already conducting direct investment surveys should make additional efforts to extend their coverage and to ensure that the results are as accurate, timely, and comprehensive as possible. This additional effort will require that the information database is as up-to-date as possible.

5.21 Conducting a survey requires prior knowledge of the approximate size of the universe. The *size* of the universe involves two major dimensions: the number of entities in the universe, and the individual value of their direct investment assets and liabilities. As economic statistics are primarily concerned with values, in any survey, the focus of a direct investment survey should be on those entities with substantial amounts. In this regard, it may be appropriate to conduct a census of those enterprises that constitute, for example, 90 percent of total liabilities to DIs (or of assets with DIs) and to conduct a sample survey or use models to estimate the remaining 10 percent of data. However, it is also important to stress that there are increasing demands for data on small- and medium-sized enterprises (SMEs), so that, if a sample survey is employed for those enterprises with the smallest contribution to the total on direct investment, it may be useful

to bear this information in mind when the sample is designed, so that the detail on the SMEs is sufficiently robust for analysis, especially at the industry level.

Draft survey questionnaires

5.22 Chapter 3 has model survey forms for both inward and outward direct investment surveys. These could serve as a starting point for the questionnaires to be used to collect the data, and they could be modified for local circumstances. In some instances, where a DIE is also a DI, it may make sense to combine the information requested into a single form.

5.23 The basis for much of the information to be collected is the entity's balance sheet, and the information collected should take into account the accounting standards that respondents routinely follow in preparing and maintaining their records.

5.24 The questionnaire should indicate that the information will be collected for statistical purposes and no confidential information will be divulged without the consent of the individual respondent to which this information pertains. It may be useful to highlight that the survey is being conducted as part of an international initiative coordinated by the IMF. As well, the questionnaire should provide advice on how the information is to be provided, setting out the measurement date, the currency of valuation, the valuation principles, as well as some additional information (such as the contact person's details, and the industry of the entity). For outward direct investment, the questionnaire should point out that the information to be reported should be that used on the books of the DIE, rather than that of the DI. This will assist in international comparisons (as the information on inward direct investment would be the same) and it is probable that the information on the books of the DIE is more current.

Communication with respondents

About the end of December 2008 (that is, *about 12 months before the reference date of the survey*):

Having identified many of the major direct investment enterprises (and/or direct investors), national compilers need to develop an appropriate survey form, which should be field tested with the key respondents to a) inform them that the survey will be undertaken in the next year or so, and b) to give the respondents an opportunity to provide comments on the survey form and to ask questions.

Having face-to-face discussions with key respondents is a very efficient way of eliminating potential reporting problems, thereby limiting the extent of the need for follow up and raising the quality of the data. In surveys for the compilation of economic statistics, accounting records are central. It is often the case that accountants and economic statisticians use the same terminology, yet the meanings may not be the same. Equally, economic statisticians may use terms (such as "direct investment") that may not be understood in accounting terminology. Such matters can be clarified and the draft reporting instructions improved.

The survey form would need to identify the agency responsible for conducting the direct investment survey and under which authority the data are being collected, including

sanctions for non reporting, as relevant. See section above (Responsibility to produce direct investment statistics) for some additional details on the formal arrangements for conducting a survey.

Advance notification to identified respondents, if feasible

At about the same date, that is, about 12 months before the reference date, resources permitting, compilers could send a notification to all identified respondents to advise them that the survey of direct investment positions will be conducted, the reference date, and a summary of the information that will be requested..

Training seminars, if feasible

About the end of March 2009 (that is, *about 9 months before the reference date of the survey*):

In addition to having one-on-one meetings with some key respondents, resources permitting, it may be useful for compilers to arrange seminars for respondents. These seminars could review the survey form and identify any areas where respondents may not be familiar (such as the concept of *residence* or *center of predominant economic interest*). The point should be made that the information provided is confidential and only aggregated data will be published. The seminars also help public relations, and allow the compilers to advise respondents of the reasons for the survey. The seminars should serve as another opportunity to fine tune the questionnaire.

Trial run, if feasible

About the end of June 2009 (that is, *about 6 months before the reference date of the survey*):

Conducting a trial run with a sample of respondents about six months before the reference date may provide many benefits, resources permitting. It may highlight where respondents have problems interpreting the questionnaire, and it may also serve to test the compiler's processing system. Highlighting and addressing problems at this stage will reduce problems at a later, and more crucial, stage.

Re-contact respondents to remind them of the survey

About the end of November 2009 (that is, *about 1 month before the reference date*):

It may help the response rate (at least, initially), if respondents are contacted (by mail or email) to remind them of the survey's reference date and when data are due to be reported.

Mail out survey, along with acknowledgement cards, if feasible

About the end of January 2010 (that is, *about 1 month after the reference date*)

As part of the questionnaire that is sent to the respondents, resources permitting, it may be helpful to include acknowledgement cards, which respondents should to return to the

compilers, to indicate that the survey had been received. Respondents should be asked to return these cards immediately upon their receipt. For responses that have been received, this should be entered on the information database. For those requiring follow up, this should also be noted on the information database.

Reporting date by respondents

About the end of March 2010 (that is, *about 3 months after the reference date of the survey*):

It is recommended that data for the survey should be requested within three months of the reference date. If it is later than this, respondents may forget to complete and return the questionnaire. For those respondents that have not reported, compilers should follow-up. For responses that have been received, this should be entered on information database. For those requiring follow up, this should also be noted on the information database.

How to Address Low Coverage or Low Response Rates

5.25 As the IMF is seeking the CDIS information to be provided within nine months of the reference date, some countries may find that they do not have complete responses to the survey. In order to report data that approximates the universe, there are various ways that estimates can be provided.

5.26 For countries that have conducted direct investment surveys previously and prepared universe estimates of positions, the previous estimates can be used as a starting point. For example, if a previous survey requested data on direct investment assets and liabilities, by counterpart economy, from 100 enterprises, and by the cut-off date for submission to the IMF, returns have been obtained from only 50 enterprises, the compiler can take the most recently reported or estimated direct investment position data applicable to those enterprises – presumably the position for end-year 2008 – and update it for 2009 by adding to them an estimate of balance of payments flows in 2009. If data permit, adjustments could also take changes in exchange rates into account.

5.27 In some cases, the information database may show that there has been a change in the ownership of some enterprises (for example, they may have been sold to others, resident in different economies, and these sales were reported in the financial press, and were captured in the information database). In such instances, instead of just using the country breakdowns reported in the previous survey, the compiler can adjust them, based on the information in the database.

5.28 Such approaches may provide reasonably good estimates for positions data. The methods used to derive universe estimates, when responses have been less than 100 percent, should be described in metadata.

5.29 However, for countries that have not conducted direct investment positions surveys before, alternative approaches may be required. A starting point will be to utilize the data that are reported in time to be used in the preliminary estimate. Any expansion of these data to a universe level will necessarily be based on the judgment of the compiler. Metadata should be provided

that explains the technique that is used for expansion. One technique would be to compare the enterprises that did report in time to those that did not – if the enterprises that reported data are believed to be more numerous, larger, and more likely to be involved in direct investment than those that did not report, then perhaps the reported data should be only conservatively increased, if at all.

Editing/validating collected data

5.30 If, despite all the preparations, survey respondents submit poor quality data, then the value of the exercise is undermined.

5.31 Those compilers conducting a national survey for the first time need to be especially vigilant in checking data supplied. The more experience the respondent has in completing the survey form, up to a point, the less likely that significant errors will be made.

5.32 National compilers can conduct editing/validation control checks on a number of levels. The compilers can include checks in the survey form, cross-check survey data against other reported data, and devise analytical checks.

5.33 This section provides some guidance on a range of possible checks. Nonetheless, it should be borne in mind that the more the survey form fits the domestic circumstances, and the more that survey respondents are consulted about what is required of them, then, inter alia, the greater the probability of receiving good quality data, and, perhaps just as important, the greater the likelihood of cooperation, if the national compiler needs to question data supplied by the respondent.

5.34 As one of the purposes of the CDIS is for comparable data to be exchanged among participating countries, national compilers will receive data on their residents' direct investment liabilities to, and assets with, nonresidents. Some broad checks on the data received—either by individual counterpart country or on a global basis (i.e., total liabilities to nonresidents)—should be possible. The following subsections focus on the various checks.

Data editing/validation through the Questionnaire Form

5.35 The sooner errors are spotted and corrected, the better. For this reason, it is recommended that national compilers consider devising a survey form that explicitly includes quality control checks and/or requires extra information, which can be used as a consistency check. However, if extra information is required, it should be kept to the minimum necessary, and the national compiler should be clear as to the purpose for the collection.

5.36 Among the tools that can help raise data quality are various computer systems that can allow for internal edits, including commercial spreadsheets; relational database management systems; and time series database management systems. Simple computer-checking procedures can be written to process reported data. Edit checks could include some of the following:

If total assets and liabilities (including shareholders' funds) are reported, do they equal?
Are the assets with DfEs (liabilities to DfEs) smaller than total assets (liabilities)?

Are reported transactions (in the balance of payments) consistent with the reported positions data²³?

Where income is reported, do the rates of return on assets/liabilities make sense in light of rates of return available for other enterprises in the economy?

5.37 More generally, the national compiler could require an official of the reporting company to certify that the information provided is complete and accurate; this could help ensure data quality and promote timely reporting. Similarly, requesting the name of a contact person helps ensure that follow-up enquiries are efficiently directed.

Data Editing/Validation Through Analytical Checks

5.38 The degree to which analytical checks can be developed depends on the availability of comparable data. If data are available, the following checks can be devised:

5.39 If stock data and flow data are independently assembled, then an attempt could be made to reconcile these data. To do so requires consideration of effects caused by different prices, exchange rates, other adjustments like write-offs, or reporting thresholds. Checks can be applied at the individual respondent and aggregate data levels.

5.40 In countries where the position data are being produced for the first time, but transactions data are available, an attempt could be made at reconciling position data, estimated by accumulating transaction data with reported position data. The method of calculating position data from transactions data is illuminated in paragraphs 740 to 743 of the *Balance of Payments Compilation Guide*. The degree of deviation of the cumulated transactions and reported position data could be quite large and may show why accumulating direct investment flows is an unreliable method for estimating positions. However, if sizeable transactions data appear opposite a country for which reported positions are small, it should be investigated.

Financial intermediary debt positions with nonresident financial intermediaries

5.41 Among the areas where particular attention should be paid is to the reported debt positions by financial intermediaries. Debt positions between financial intermediaries should not be included in direct investment. Financial intermediaries should be advised to exclude these positions. It is probably useful if all financial intermediaries be provided with a the list of types of financial intermediaries: see Annex II.

5.42 As much cross-border debt of financial intermediaries tends to be with other financial intermediaries, if the levels reported by resident enterprises that are financial intermediaries are large in terms of units of currency, it is worthwhile if the compiler contacts the enterprises with large positions to confirm that the data are correctly reported.

²³ To use this particular quality control check, positions data are required for two years.

Data Editing/Validation from the Viewpoint of the Counterpart Economy of the Direct Investor and Direct Investment Enterprise

5.43 Because comparable data may be exchanged among participating countries (subject to confidentiality constraints), national compilers shall receive data on the positions of the counterparties. While quality control is primarily the responsibility of the national compiler, the compiler in the counterpart economy may also be in the position to check the data received and to provide useful feedback to the counterpart compiler.

Confidentiality considerations

5.44 To reduce the loss of information that may result from confidentiality constraints, participants in the CDIS will be asked to report to the IMF total direct investment positions bilaterally (that is, inward and outward totals, but without a breakdown between equity and debt) as the first aggregate, so that if there are confidentiality constraints at the instrument level, these may not apply when equity and debt positions data are summed. Moreover, by using the Directional Principle in the CDIS, so that reverse investment between DIES and DIs is netted against investment by DIs in DIES, the publication of the total (net of reverse investment) may be allowed, even if reverse investment, by itself, would have to be suppressed.

Data Reporting and Dissemination

Reporting date for preliminary core data to IMF

September 30, 2010 (that is, *nine months after the reference date of the survey*):

Preliminary results from the national survey(s) should be reported to the IMF by the end of September 2010.

Reporting date for revised core data to IMF

March 31, 2011 (that is, *fifteen months after the reference date of the survey*):

Revised core data should be reported to the IMF by the end of March 2011.

It is recommended that separate data sets be compiled and disseminated for residents that are financial intermediaries, and for all other residents combined that are not financial intermediaries.

ANNEX I: COUNTRY CODES AND REGIONAL GROUPINGS

<i>Europe</i>	
<i>European Union</i>	
Austria	AT
Belgium	BE
Bulgaria	BG
Cyprus	CY
Czech Republic	CZ
Denmark	DK
Estonia	EE
Finland	FI
France	FR
Germany	DE
Greece	GR
Hungary	HU
Ireland	IE
Italy	IT
Latvia	LV
Lithuania	LT
Luxembourg	LU
Malta	MT
Netherlands	NL
Poland	PL
Portugal	PT
Romania	RO
Slovakia	SK
Slovenia	SL
Spain	ES
Sweden	SE
United Kingdom	GB
<i>Other Europe</i>	
Albania	AL
Andorra	AD
Belarus	BY
Bosnia and Herzegovina	BA
Croatia	HR
Faeroe Islands	FO
Gibraltar	GI

Greenland	GL
Guernsey	GG
Iceland	IS
Isle of Man	IM
Jersey	JE
Liechtenstein	LI
Macedonia, Former Republic of Yugoslavia	MK
Moldova	MD
Monaco	MN
Montenegro	MN
Norway	NO
Russian Federation	RU
San Merino	SM
Serbia	SR
Switzerland	CH
Turkey	TR
Ukraine	UA
Vatican City State	VA
<i>Africa</i>	
<i>North Africa</i>	
Algeria	DZ
Egypt	EG
Libyan Arab Jamahiriya	LY
Morocco	MA
Tunisia	TN
<i>Sub-Sahara Africa</i>	
Angola	AO
Benin	BJ
Botswana	BW
Bouvet Island	BV
British Indian Ocean Territory	IO
Burkino Faso	BF
Burundi	BI
Cameroon	CM

Cape Verde	CV
Central African Republic	CF
Chad	TD
Comoros	KM
Congo (Brazzaville)	CG
Congo, Democratic Republic of (Kinshasa)	CD
Djibouti	DJ
Equatorial Guinea	CQ
Eritrea	ER
Ethiopia	ET
Gabon	GA
Gambia, The	GM
Ghana	GH
Guinea	GN
Guinea-Bissau	GW
Kenya	KE
Lesotho	LS
Liberia	LR
Madagascar	MG
Malawi	MW
Mali	ML
Mauritania	MR
Mauritius	MU
Mozambique	MZ
Namibia	NA
Niger	NE
Nigeria	NG
Rwanda	RW
St. Helena	SH
São Tomé & Príncipe	ST
Senegal	SN
Seychelles	SC
Sierra Leone	SL
Somalia	SO
South Africa	ZA
Sudan	SD
Swaziland	SZ

Togo	TG
Uganda	IG
Western Sahara	EH
Zambia	ZM
Zimbabwe	ZW
Americas	
North America	
Canada	CA
United States	US
Central America and Caribbean	
Anguilla	AI
Antigua and Barbuda	AG
Aruba	AW
Bahamas, The	BS
Barbados	BB
Belize	BZ
Bermuda	BM
British Virgin Islands	VG
U.S. Virgin Islands	VI
Cayman Islands	KY
Costa Rica	CR
Cuba	CU
Dominica	DM
Dominican Republic	DO
El Salvador	SV
Grenada	GD
Guatemala	GT
Haiti	HT
Honduras	HN
Jamaica	JM
Martinique	MR
Mexico	MX
Montserrat	MS
Netherlands Antilles	AN
Nicaragua	NI
Panama	PA
Puerto Rico	QA

St. Kitts and Nevis	KN
St Lucia	LC
St. Vincent and the Grenadines	VC
Trinidad and Tobago	TT
Turks and Caicos	TC
South America	
Argentina	AR
Bolivia	BO
Brazil	BR
Chile	CL
Colombia	CO
Ecuador	EC
Falkland Islands (Malvinas)	FK
French Guiana	GF
Guyana	GY
Paraguay	PY
Peru	PE
South Georgia and Sandwich Island	ES
Suriname	SR
Uruguay	UY
Venezuela	VE
Asia	
Near and Middle East Asia	
Persian Gulf Countries	
Bahrain	BH
Iran, Islamic Republic of	IR
Iraq	IQ
Kuwait	KW
Oman	OM
Qatar	QA
Saudi Arabia	SA
United Arab Emirates	AE
Other Near and Middle East Countries	

Armenia	AM
Azerbaijan	AZ
Georgia	GE
Israel	IL
Jordan	JO
Lebanon	LB
Syrian Arab Republic	SY
West Bank and Gaza	WG
Yemen	YE
Central and South Asia	
Afghanistan	AF
Bangladesh	BD
Bhutan	BT
Brunei Darussalam	BN
Cambodia	KH
Christmas Island	CX
Cocos (Keeling) Islands	CC
India	IN
Indonesia	ID
Kazakhstan	KZ
Kyrgyzstan	KG
Lao People's Democratic Republic	LA
Malaysia	MY
Maldives	MV
Myanmar	MM
Nepal	NP
Pakistan	PK
Philippines	PH
Singapore	SG
Sri Lanka	LK
Tajikistan	TJ
Thailand	TH
Timor-Leste	TL
Turkmenistan	TM
Uzbekistan	UZ
Vietnam	VN
East Asia	
China, People's	CN

Republic	
China, Hong Kong SAR	HK
China, Macao, SAR	MO
Japan	JP
Korea, Democratic People's Republic (North Korea)	KP
Korea, Republic of (South Korea)	KR
Mongolia	MN
Taiwan, Province of China	TW
<i>Pacific Ocean</i>	
American Samoa	AS
Australia	AU

Cook Islands	CK
Fiji	FJ
French Polynesia	PF
French Southern Territories	TF
Guam	GU
Heard Island and McDonald Islands	HM
Kiribati	KI
Marshall Islands	MH
Micronesia, Federal States of	FM
Nauru	NR
New Caledonia	NC
New Zealand	NZ
Niue	NU
Norfolk Island	NF

Northern Mariana Islands	MP
Papua New Guinea	PG
Pitcairn	PN
Palau	PW
Samoa	WS
Tokelau	TK
Tonga	TO
Tuvalu	TV
US Minor Outlying Islands	UM
Vanuatu	VU
Wallis and Futuna	WF
Vanuatu	VA

ANNEX II : RESIDENCE AND INSTITUTIONAL UNITS

General principles

The residence of each institutional unit is the economic territory with which it has the strongest connection. Residence can also be expressed as the center of predominant economic interest. Each institutional unit is a resident of one and only one economic territory determined by its center of predominant economic interest. Definitions for determining residence are given below. The definitions given below are designed to apply the concept of center of predominant economic interest. These definitions should be used in preference to a discretionary choice between different possible aspects of economic interest.

An institutional unit is resident in an economic territory when there exists, within the economic territory, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale. The location need not be fixed so long as it remains within the economic territory. Actual or intended location for one year or more is used as an operational definition; while the choice of one year as a specific period is somewhat arbitrary, it is adopted to avoid uncertainty and facilitate international consistency. Additional criteria for cases where there is no actual or intended physical presence for a year or more are discussed below.

Residence

As a general principle, a corporation is resident in an economic territory when the enterprise is engaged in a significant amount of production of goods and/or services, or owns assets or incurs liabilities, from a location in the territory.

Taxation and other legal requirements tend to result in the use of a separate legal entity for operations in each legal jurisdiction. In addition, a separate institutional unit is identified for statistical purposes where a single legal entity has substantial operations in two or more territories (for example, for branches, land ownership, and multiterritory enterprises). As a result of splitting such legal entities, the residence of each of the subsequently identified corporations is clear. The introduction of the terminology “center of predominant economic interest” does not mean that entities with substantial operations in two or more territories no longer need to be split.

In some cases, the physical location of a corporation is not decisive to identify its residence because the corporation has little or no physical presence, for example, if its administration is entirely contracted out to other entities.

Mobile production involves an enterprise undertaking production from a base in one location, but delivering services in other locations. Mobile production processes include some transport activity, delivery of advice and on-site repair services, and short-term construction. The residence of such enterprises is determined from the base of operations, rather than the point of

delivery or location of mobile equipment, unless the activities at the point of delivery are sufficiently substantial to amount to a branch, as defined below (*Branches*).

Institutional Units

Cases of institutional units that are especially relevant in for direct investment units are reviewed below.

Financial intermediaries

It should be noted that debt positions of financial intermediaries are excluded from direct investment data if they involve **both** a resident financial intermediary, and a nonresident financial intermediary, other than insurance corporations and pension funds. In cases of external debt of a financial intermediary with a direct investment enterprise or direct investor that is not a financial intermediary, the debt is part of direct investment.

Deposit-taking corporations²⁴

In general, the following financial intermediaries are classified in this sub-sector: central bank, commercial banks, ‘universal’ banks, ‘all-purpose’ banks, savings banks (including trustee savings banks and savings banks and loan associations); post office giro institutions, post banks, giro banks; rural credit banks, agricultural credit banks; cooperative credit banks, credit unions; and specialized banks or other financial institutions if they take deposits or issue close substitutes for deposits. The liabilities of deposit-taking corporations are typically included in measures of broad money.

Money market funds (MMFs)

MMFs are collective investment schemes that raise funds by issuing shares or units to the public. The proceeds are invested primarily in money market instruments,

Non-MMF investment funds

Non-MMF investment funds are collective investment schemes that raise funds by issuing shares or units to the public. The proceeds are invested predominantly in long-term financial assets and nonfinancial assets (usually real estate).

Hedge funds are a kind of investment fund. Hedge fund is a term that covers a heterogeneous range of collective investment schemes, typically involving high minimum investments, light regulation, and a wide range of investment strategies.

²⁴ A more common word for “deposit-taking corporations” is “banks”. However, it should be noted that, in some economies, “banks” may cover a variety of institutions, some of which may not meet the criteria of “deposit-taking corporations”.

Other financial intermediaries, except insurance corporations and pension funds

Other financial intermediaries, except insurance corporations and pension funds consists of: financial corporations engaged in the securitization of assets; security and derivative dealers (on own account); financial corporations engaged in lending including financial leasing; as well as personal or commercial finance; and specialized financial corporations that provide short-term financing for corporate mergers and takeovers; export/import finance; factoring companies; and venture capital and development capital firms.

Quasicorporations

A quasicorporation is an unincorporated business that operates as if it were an entity separate from its owners. It is treated as if it were a corporation. This treatment is applied whether a branch, limited liability or other type of partnership, or other unincorporated legal structure is used.

Branches

When a nonresident unit has substantial operations over a significant period in an economic territory, but no separate legal entity, a branch may be identified as an institutional unit. This unit is identified for statistical purposes because the operations have a strong connection to the location of operations in all ways other than incorporation. The following factors should be present for a branch to be recognized:

- undertaking or intending to undertake production on a significant scale based in the territory for one year or more:
 - (i) If the production process involves physical presence, then the operations should be physically located in that territory. Some indicators of an intention to locate in the territory include purchasing or renting business premises, acquiring capital equipment, and recruiting local staff;
 - (ii) If the production does not involve physical presence, such as some cases of insurance or other finance, the operations should be recognized as being in the territory by virtue of the registration or legal domicile of those operations in that territory;
- having substantial operations;
- the recognition of the operations as being subject to the income tax system, if any, of the economy in which it is located even though it may have a tax-exempt status; and
- either a complete set of accounts, including a balance sheet, exists for the unit, or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if they were to be required.

The identification of branches has implications for the statistical reporting of both the parent and branch. The operations of the branch should be excluded from the institutional unit of its head

office in its home territory and should be reported consistently in both of the affected economies. Each branch is a direct investment enterprise.

Some construction projects undertaken by a nonresident contractor may give rise to a branch. Construction may be carried out or managed by a nonresident enterprise, without the creation of a local legal entity: For major projects (such as bridges, dams, power stations) that take a year or more to complete and that are managed through a local site office, the operations would usually satisfy the criteria for identification of a branch. In other cases, the construction operations may not satisfy the conditions for recognition as a branch, for example, for a short-term project or one based from the home territory rather than a local office.

Mobile equipment, such as ships, aircraft, drilling platforms, and railway rolling stock, may operate across more than one economic territory. The criteria for recognition of a branch also apply in these cases.

Similarly to mobile equipment, a multiterritory pipeline that passes through a territory, but not operated by a separate legal entity in that territory would be recognized as constituting a branch or not, according to whether there is substantial presence, availability of separate accounts, etc..

Notional resident units for ownership of land and other natural resources by nonresidents

When land located in a territory is owned by a nonresident entity, a notional resident enterprise is identified for statistical purposes as being the owner of the land. This notional resident unit is a kind of quasicorporation. The notional resident unit also owns any buildings, structures, and other improvements on the land. The nonresident is treated as owning the notional resident unit, rather than owning the land directly. Land and buildings owned for personal use but not for production or other business purposes are also considered as direct investment enterprises. Holiday and second homes owned by non-residents should therefore be treated in the same way as described above. In contrast to an operational lease, the existence of a financial lease on land and buildings gives rise to the creation of a notional direct investment enterprise.

Where a direct investment enterprise is established for the purposes of *natural resource exploration*, its exploration expenditures should be capitalised, even if the exploration does not prove sufficient economic resources to be viable, as part of the equity investment in the direct investment enterprise and written off (or written-down), as appropriate.

Multiterritory enterprises

Artificial institutional units are sometimes identified by breaking up an actual entity. However, to avoid excessive creation of artificial units, such cases are limited to the circumstances discussed below.

A resident enterprise is identified when preliminary expenses such as mining rights, license fees, building permits, purchase taxes, local office expenses, and legal costs are incurred prior to establishing a legal entity. As a result of identifying a quasicorporation, those preparatory expenses are recorded in the economy of the future operations as being resident-to-resident transactions that

are funded by a direct investment equity transaction rather than as a sale of nonproduced assets to nonresidents, exports of legal services, and so on. Because of the limited scale of these activities, assembly of acceptable data for these enterprises may be feasible, despite the lack of incorporation. If the project does not subsequently go into operation, the value of the direct investment is eliminated by an entry in the other changes in volume account.

Some enterprises operate as a seamless operation over more than one economic territory. Although the enterprise has substantial activity in more than one economic territory, it cannot easily be broken up into a parent and branch(es) because it is run as an indivisible operation with no separate accounts or decisions. Such enterprises are typically involved in cross-border activities and include shipping lines, airlines, hydroelectric schemes on border rivers, pipelines, bridges, tunnels, and undersea cables. Some nonprofit institutions serving households may also operate in this way.

Governments usually require separate entities or branches to be identified in each economic territory for more convenient regulation and taxation. Multiterritory enterprises have usually been exempted from such requirements, but there may be arrangements, such as a formula for payment of taxation to the respective authorities.

In the case of a multiterritory enterprise, it is preferable that a parent and separate branch(es) be identified. If possible, enterprises would be identified in each territory of operation according to the principles for identification of branches discussed above. If that is not feasible because the operation is so seamless that separate accounts cannot be developed, it is necessary to prorate the total operations of the enterprise into the individual economic territories.

Joint ventures

A joint venture is a contractual agreement between two or more parties for the purpose of executing a business undertaking in which the parties agree to share in the profits and losses of the enterprise as well as the capital formation and contribution of operating inputs or costs. It is similar to a partnership, but typically differs in that there is generally no intention of a continuing relationship beyond the original purpose. A joint venture does not involve the creation of a new legal entity. Whether a quasicorporation is identified for the joint venture depends on the arrangements of the parties and legal requirements. The joint venture is a quasicorporation if it meets the requirements for an institutional unit, particularly by having its own records. Otherwise, if each of the operations are effectively undertaken by the partners individually, then the joint venture is not the institutional unit and the operations would be seen as being undertaken by the joint venture partners separately. (In that case, there would usually be direct investment enterprises that undertook the joint venture operations of each of the partners.) Because of the ambiguous status of joint ventures, there is a risk that they could be omitted or double-counted, so particular attention needs to be paid to them.

Trusts

Estates and other kinds of trusts are not incorporated but are legal arrangements that have aspects of legal identity separate from their owners and trustees. An estate is the legal device to hold the property of a deceased person before that property is distributed to the beneficiaries. A trust is a legal device by which property is held in the name of one party or parties (the administrator or trustee)

who is under an obligation to hold assets for the benefit of another party or parties (the beneficiary or beneficiaries). Administrators and trustees are required to keep the trust and estate assets separate from their personal property and they must account to the beneficiaries for the income and assets. These legal arrangements are treated as separate institutional units. This treatment is necessary because it is neither meaningful nor feasible for the trust assets to be allocated to the beneficiaries and then be combined with the assets of beneficiaries who are resident in another economy. Trusts can be used for businesses, asset management, and for nonprofit institutions.

Flexible corporate structures with little or no physical presence

Multinational enterprises often diversify their investments geographically, through organizational structures. These include certain special purpose entities (SPEs) which facilitate financing of investments for the multinational enterprise from sources both internal and external to the enterprise group²⁵. Additionally, SPEs also serve other functions such as regional administration including management of foreign exchange risks and other activities aimed at profit maximization. Special purpose entity is a generic label applicable to these organizational structures, which are also variously referred to as financing subsidiaries, conduits, holding companies, base companies and regional headquarters. In some instances, multinational enterprises may use existing operational companies to perform functions usually associated with SPEs. While there is no internationally standard definition of such companies, typical features of these entities are that their owners are not residents of the territory of incorporation, other parts of their balance sheets are also vis-à-vis nonresidents, they have few or no employees, and little or no physical presence.

SPEs are residents of the economies in which they are incorporated or organised and, therefore, they may be direct investors or direct investment enterprises. Even if they are shell companies or pass-through entities without any other productive economic activity of their own, they qualify as direct investors or as direct investment enterprises by virtue of being resident in one economy and being owned by, or owning, an enterprise in a different economy. Thus, positions between direct investors and direct investment enterprises that are SPEs are to be treated in the same way as those with investors and enterprises that are not SPEs. It is important to note that most SPEs do not meet the definition of “financial intermediary” and so the exclusion from direct investment of debt positions between most SPEs and other financial institutions does not apply.

Identifying ultimate host and ultimate investing countries to determine geographical allocation is helpful for direct investment positions in addressing some of the concerns raised by SPEs. However, given the complexity of some investment structures and the practical difficulties in implementation, only ultimate **investing** country is recommended as part of the “additional” elements of the CDIS. For details on ultimate investing country, see the *OECD Benchmark Definition of Foreign Direct Investment*, fourth edition, Annex 10.

²⁵ Some purposes that such structures are used for are holding and managing wealth for individuals or families, holding assets for securitization, issuing debt securities on behalf of related companies (such a company may be called a conduit), as holding companies that own shares in subsidiaries but without actively directing them, securitization vehicles, ancillary companies, and to carry out other financial functions.

Nonprofit institutions serving households

A nonprofit institution serving households (NPISH) has a center of economic interest in the economy where the institution was legally created and is officially recognized and recorded as a legal or social entity. If a NPISH maintains or intends to maintain a branch or unit for one year or more in a particular economy, that branch or unit should be considered a resident entity that is financed largely or entirely by current or capital transfers from abroad. Nonprofit institutions serving households are not international organizations, which are defined as being created by governments.

Households

While many people are clearly strongly connected to only one economy, others have substantial economic interests in two or more economic territories. Factors such as location of dwellings, employment, asset holdings, citizenship, migration status, income tax status, income received, expenditure, business interests, and location of dependent family members may point to different economies.

A household is resident in the economic territory in which household members maintain a dwelling or succession of dwellings treated and used by members of the household as their principal dwelling. The principal dwelling is defined with reference to time spent there, rather than other factors such as cost, size, or length of tenure. Being present for one year or more in a territory or intending to do so is sufficient to qualify as having a principal dwelling there.

ANNEX III: FRAMEWORK OF DIRECT INVESTMENT RELATIONSHIPS (FDIR) AND THE PARTICIPATION MULTIPLICATION METHOD (PMM)

The Framework of Direct Investment Relationships (FDIR) is a generalized methodology for identifying and determining the extent and type of direct investment relationships. In other words, the FDIR allows compilers to determine the population of direct investors and direct investment enterprises to be included in FDI statistics. As noted earlier, recognising practical difficulties compilers may encounter in fully applying the FDIR, two alternative methods may be applied: the “Participation Multiplication Method” and the “Direct Influence / Indirect Control” method. A discussion of the Direct Influence / Indirect Control Method appears in Chapter 2, and this annex discusses the Participation Multiplication Method.

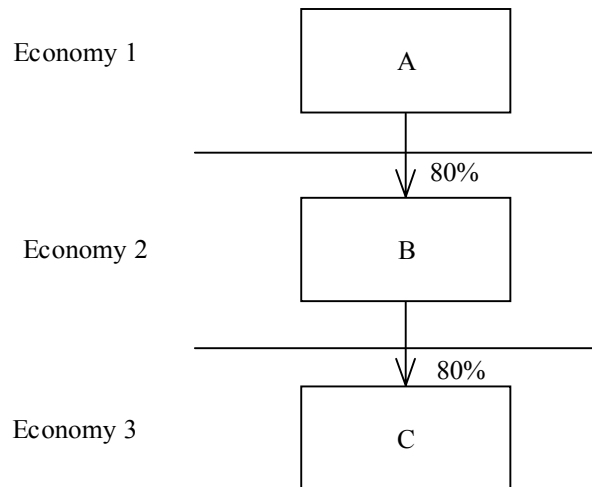
Should compilers choose to apply either of these alternate methods due to practical difficulties, they should include this information in their metadata. Countries should endeavor to apply the FDIR over time.

Framework of Direct Investment Relationship (FDIR).

The FDIR identifies all enterprises affiliated with a direct investor. For example, within a group, it is possible that a direct investment enterprise itself owns 10% or more of the voting power of another enterprise, in which case the direct investment enterprise is itself a direct investor in a further direct investment enterprise. The question is – is there a direct investment relationship between the further enterprise and the original enterprise?

In Figure A3.1, enterprises A, B and C are in different economies. Enterprise A owns 80% of the voting power in enterprise B and is a direct investor in B. Enterprise B, in turn, owns 80% of the voting power in enterprise C and is a direct investor in C. A has control over B, and through its control over B, has control over C. As a result, financial transactions between A and C cannot be considered to be disinterested, even though A directly holds no equity in C. It is reasonable to consider A and C to be in a direct investment relationship in which A indirectly is a direct investor in C. Financial transactions and positions between A and C should be included in direct investment.

Figure A3.1 Continuation of Control



In relatively simple cases such as that in Figure A3.1, where each link in the ownership chain is a single equity holding and there is majority ownership (control) at each stage, it is clear that the direct investment relationship continues down the chain of ownership. However, when some links are non-controlling links and voting power of an enterprise is held by more than one member of a direct investment relationship, the extent of the relationship may be less obvious.

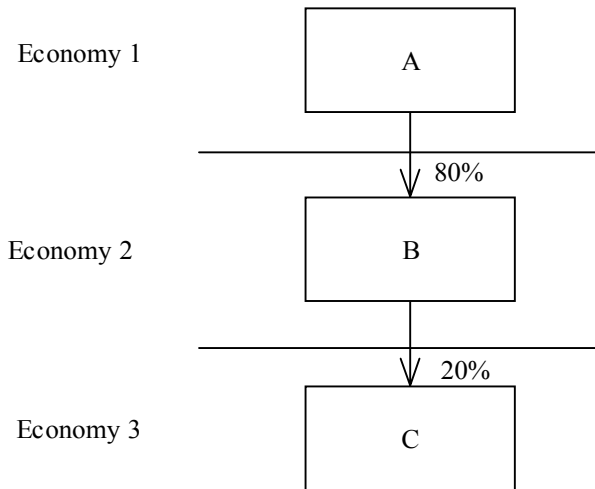
It is not uncommon for an entity to be a direct investor in more than one direct investment enterprise. More complex cases are provided on the IMF CDIS website (see <http://www.imf.org/cdis>).

Participation Multiplication Method

The Participation Multiplication Method (PMM) includes in direct investment all enterprises in which an investor has voting equity participation of at least 10 per cent. The calculation of participation percentage is based on a straight multiplication and summation of direct and indirect participation percentages.

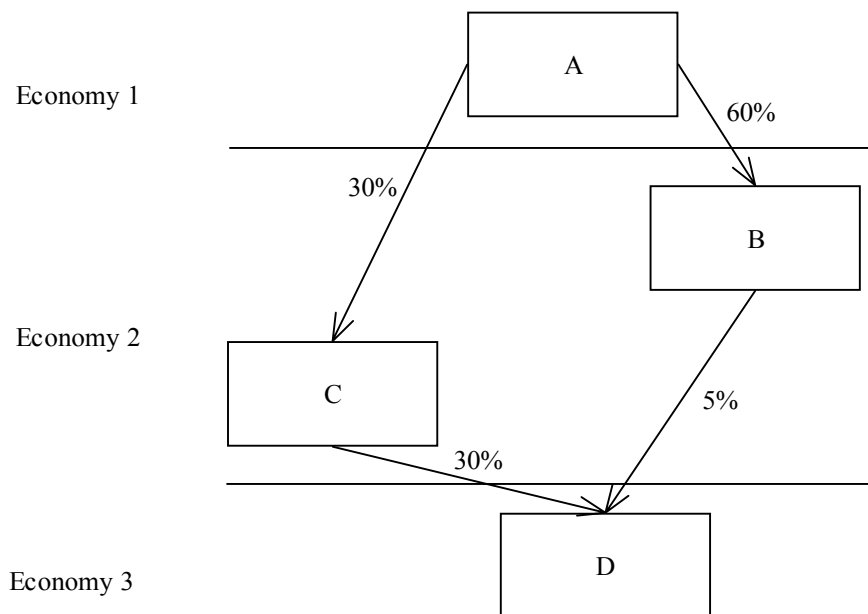
More specifically, an indirect participation in a given enterprise at the bottom of a chain of ownership is calculated by taking the investor's participation in the first enterprise, multiplied by the first enterprise's participation in the next enterprise, multiplied by the corresponding percentages for all other intervening enterprises in the chain, multiplied by the last intervening enterprise's participation in the given enterprise. In Figure A3.2 according to this method, A has a 16 per cent participation in C (20 per cent of 80 per cent). Because this participation is at least 10 per cent, A and C are regarded as being in a direct investment relationship.

Figure A3.2. Participation Multiplication Method



If the investor's interest is held through more than one participation chain, then the percentages of direct and indirect participation in all chains are summed to determine the investor's total participation percentage. If the combined direct and indirect participation percentage is less than 10 per cent in an enterprise in another economy, then that enterprise is not considered to be in a direct investment relationship with the investor. In Figure A3.3, A holds 3 per cent of D indirectly through B and 9 per cent of D indirectly through C, so A holds a total of 12 per cent of D from its combined holdings through B and C.

Figure A3.3. Participation Multiplication Method



ANNEX IV: ADDITIONAL ITEMS

In addition to respondent identification information and data on direct investment positions that are needed for participating in the IMF's CDIS, compilers may wish to collect additional data items on their direct investment surveys for their own purposes. It is more efficient to collect several items on the same survey than to conduct numerous separate surveys pertaining to the same respondents.

Industry classification

General principles to identify industry allocation

There is significant interest in the industry classification of both direct investment enterprises and their direct investors. However, direct investment enterprises and direct investors engage in a variety of economic activities. For a comprehensive economic analysis, enterprises should be grouped by type of activity. Under ideal circumstances, data should be available to compilers to classify each direct investor and each direct investment enterprise to the industry of the direct investment enterprise and the industry of its direct investor. For both inward and outward direct investment statistics, where feasible, data pertaining to the direct investment enterprise should be compiled based on both of these bases – that is, based on its own industrial activity in the host country, and based on the industrial activity of its direct investor.

If data for both inward and outward direct investment cannot be compiled on both of these bases, it is suggested that data be compiled at least on the activity of the direct investment enterprise, for both inward and outward direct investment. In other words, inward direct investment should reflect the industry of the resident direct investment enterprise and outward investment should reflect the industry of the non-resident direct investment enterprise (i.e. of the foreign affiliate).

Each direct investor and each direct investment enterprise must be classified to a single industry, even though many direct investors and direct investment enterprises are involved in a wide range of activities. The industry classification of the enterprise should be based on its principal activity. Ideally, the principal product or service will be determined with regard to the value added of the enterprise. In some cases, it is recognised that data on value added may not be available and that data on sales, revenues, or payroll or other basis may need to serve as a proxy.

It is recommended for FDI statistics that when the enterprise (direct investor or direct investment enterprise) is part of a local enterprise group, the industry classification be that of the local enterprise group's primary activity. This is determined by the local group's principal product or group of products produced or distributed, or services rendered. Again value added weight is ideal for this determination.

A direct investor involved in a wide range of activities may make its overseas investment in each activity through numerous separate domestic subsidiaries specialising in a given activity, or it may make all of its overseas investment through a single domestic subsidiary established to handle overseas investments or a mixture of these approaches. For data that are presented based on the industry of the direct investor, the industry corresponds to the main activity of the direct investor, including all of its activities in its own country of residence. This approach avoids distortions due to different organisational arrangements.

Data that are presented based on the industry of the direct investment enterprise should be based on the reporting enterprise. (If the reporting unit is both a direct investment enterprise and a direct investor, its industry classification should be based on the activities that it conducts and should exclude those conducted by its own foreign affiliates.) In general, direct investment enterprises will reflect their operations in a given economy and in this circumstance it is recommended that the industry of the enterprise represent the primary activity of that the enterprise, including all of its subsidiaries, associates and branches in its country of residence.

International Standard Industry Classification (ISIC)

Countries should compile data by industries that correspond to the major tabulation categories in the United Nations' ISIC. The major categories in ISIC Revision 4 are:

- A – Agriculture, forestry and fishing
- B – Mining and quarrying
- C – Manufacturing
- D – Electricity, gas, steam and air-conditioning supply
- E – Water supply, sewerage, waste management and remediation activities
- F – Construction
- G – Wholesale and retail trade
- H – Transportation and storage
- I – Accommodation and food service activities
- J – Information and communication
- K – Financial and insurance activities
 - K1²⁶ – Financial intermediary
 - K2²⁶ – Finance and insurance, except financial intermediary
- L – Real estate activities
- M – Professional, scientific and technical
- N – Administrative and support services
- O – Public administration
- P – Education
- Q – Human health and social work
- R – Arts, entertainment and recreation

²⁶ K1 comprises the following financial corporations: Central bank; deposit-taking corporations except the central bank; money market funds (MMFs); non-MMF investment funds; and other financial intermediaries, except insurance corporations and pension funds. K2 is comprised of financial auxiliaries; other financial corporations; insurance corporations; and pension funds.

S – Other services activities

T – Activities of households as employers of domestic personnel;
undifferentiated goods- and services-producing activities of private households for
own use

U – Activities of extraterritorial organizations and bodies

Direct investment income

For details on the concepts of direct investment income, see *BPM6*, Chapter 11. *BPM6* can be found on the IMF website at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>.

Direct investment financial transactions

For details on the concepts of direct investment financial transactions, see *BPM6*, Chapter 8. *BPM6* can be found on the IMF website at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>.

Market valuation of equity

For details on other market valuation principles, see the *OECD Benchmark Definition of Foreign Direct Investment*, fourth edition, Annex 5.

Ultimate investing country

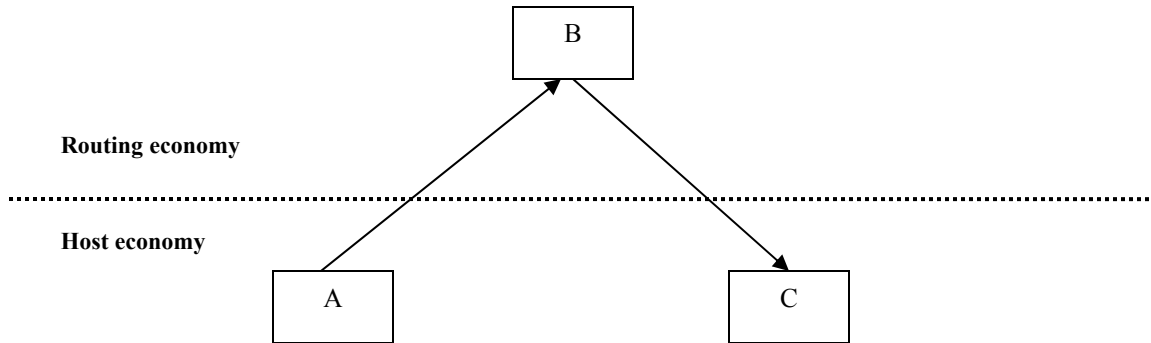
For details on ultimate investing country, see the *OECD Benchmark Definition of Foreign Direct Investment*, fourth edition, Annex 10. See http://www.oecd.org/document/33/0,3343,en_2649_33763_33742497_1_1_1_1,00.html.

Round tripping

Round tripping involves funds from an entity in one economy, i.e. host economy, being invested in an entity resident in a second economy, i.e. routing economy, then having them reinvested in an entity in the first economy. The entity in the routing economy often has limited operations of its own.

From the perspective of the host economy, the simplest example of round tripping occurs when a domestic investment is disguised as FDI through a non-resident subsidiary or associate in the routing economy. In Figure A4.1, a company A in the host economy provides FDI funds to a non-resident related company B in the routing economy for investing back in another company C in the host economy. On the other hand, round tripping can also be viewed from the perspective of the routing economy, i.e. company B in the routing economy receives FDI funds from company A in the host economy, and reinvests these funds in company C in the host economy.

Figure A4.1



Round tripping of funds within a direct investment network should be recorded as FDI transactions/positions. In the example shown in Figure A4.1, round tripping funds appear as outward direct investment of the host economy for the funds channeled to the routing economy, and as inward direct investment for the subsequent return of the funds to the host economy. For the routing economy, they appear as inward direct investment for the funds received from the host economy, and as outward direct investment for the return of these funds to the host economy.

Round tripping activities may be significant in some economies but not so in other economies. While round tripping gives rise to international direct investment positions, economies with significant round tripping activities are encouraged to publish additional information on the extent of round tripping.

**ANNEX V: THE TASK FORCE ON THE COORDINATED DIRECT INVESTMENT SURVEY: MEMBERS
AND TERMS OF REFERENCE**

Members

Chair	Ms. Lucie Laliberté International Monetary Fund
Brazil	Mr. Fernando Alberto G. Sampaio C. Rocha Banco Central do Brasil
China PR	Mr. Zou Lin State Administration for Foreign Exchange
Hong Kong, SAR	Ms. Lily Ou-Yang Fong Census and Statistics Department
France	Mr. Bruno Terrien Banque de France
Japan	Ms. Maiko Wada Bank of Japan
Mexico	Mr. Luis Ortega Segura Banco de Mexico
The Netherlands	Mr. Gerrit van den Dool De Nederlandsche Bank
Oman	Mr. Khalid Said Al-Mudhafar Ministry of National Economy
South Africa	Mr. Pieter Swart South African Reserve Bank
United Kingdom	Mr. Stuart Brown Office for National Statistics
United States	Mr. Obie Whichard Bureau of Economic Analysis
Eurostat	Ms. Merja Hult Mr. Rostislav Rozsypal
European Central Bank	Mr. Pierre Sola

**Organization for
Economic Cooperation
and Development**

Ms. Ayse Bertrand

**United Nations
Conference on Trade
and Development**

Mr. Masataka Fujita

**International
Monetary Fund**

Mr. Ralph Kozlow

Mr. John Joisce

Mr. John Motala

Terms of Reference for end-2009 Coordinated Direct Investment Survey

The objectives of the Coordinated Direct Investment Survey (CDIS) are:

Collect comprehensive and harmonized information, with geographic detail, on the stock of inward foreign direct investment (FDI) as at end 2009;

For the major investing countries, also collect comprehensive and harmonized information, with geographic detail, on the stock of outward FDI; and

Exchange bilateral data among the participating countries. The data will also be disseminated on the IMF's public website.

By exchanging comparable or harmonized data (subject to confidentiality constraints), participating countries should be able to improve and/or validate their international investment position statistics on the stock of FDI as well as associated financial flows and investment income.

The reporting requirements (“mandatory data”) for participation in the CDIS are:

Gather and compile comprehensive data on inward FDI positions as at end 2009, employing enterprise survey(s).

Collection and reporting of component detail on stocks of FDI equity (including accumulated reinvested earnings) and other FDI, each broken down by counterpart country (bilateral data).

Attribution of country of investment/investee to be based on the immediate host country/immediate investing country system.

Use, in enterprise surveys, of a common definition of book value for valuing FDI positions, specifically “own funds at book value.”²⁷

Countries are welcome to collect additional information in national FDI surveys to meet user requirements, including requirements of international and regional organizations. Moreover, countries participating in the CDIS will also be invited to collect and report a number of additional data series. These series will not be mandatory for participation in the CDIS.

²⁷ In enterprise surveys, direct investors and direct investment enterprises would both use information drawn from accounts on the liabilities side of the direct investment enterprise's balance sheet to value outward and inward FDI positions, respectively.