

I. Background

1.1 This report examines the current practices regarding the statistical measurement of foreign direct investment (FDI) of the 30 Organisation for Economic Co-operation and Development (OECD) countries¹ and 31 of the other International Monetary Fund (IMF) member countries that participated in the 1997 Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI).² It is based on information obtained from the 2001 update of the SIMSDI. The report should provide useful information for FDI analysts and policymakers and indicates progress made in moving toward accordance with the agreed international standards for FDI data compilation that have been established by the IMF and OECD.

The 1997 SIMSDI Survey

1.2 At its October 1995 meeting, the IMF's Committee on Balance of Payments Statistics (the BOP Committee) decided to review the progress that countries had made in implementing the FDI standards set out in the fifth edition of the *Balance of Payments Manual (BPM5)*³, and the third edition of the OECD's *Benchmark Definition of Foreign Direct Investment*⁴

(hereafter *Benchmark*). The OECD was approached by the IMF about the possibility of conducting a joint IMF/OECD survey. This approach was timely because the OECD Council Recommendation, adopted in July 1995, had instructed the Committee on International Investment and Multinational Enterprises, in cooperation with the Working Party on Financial Statistics (the WPFS) to (1) continue coordinating within the OECD the collection of information on international direct investment and multinational enterprises, and (2) collect and publish at regular intervals transactions (flow) and position (stock) data on inward and outward FDI, accompanied by notes describing the areas where the methodology used by member countries differed from the *Benchmark*. At its October 1996 meeting, the BOP Committee supported a joint IMF/OECD survey of IMF and OECD member countries to determine the extent to which countries had adopted the international standards for compiling FDI statistics.

1.3 In May 1997, the IMF and the OECD launched the SIMSDI after consulting with the BOP Committee and the WPFS, which had endorsed the proposal in April 1997. The SIMSDI was a comprehensive survey of data sources, collection methods, and dissemination and methodological practices for FDI statistics. (Similar surveys had been conducted in 1983 by the OECD to analyze the practices in its member countries and in 1991 by the IMF's Working Party on the Measurement of International Capital Flows. The results of the latter were published in 1992 in the IMF *Report on the Measurement of International Capital Flows*, the so-called *Godeaux Report*.)

1.4 One hundred and fourteen countries replied to the 1997 survey—a very encouraging response rate, which indicated the importance that national compilers attached to FDI statistics. A report was prepared jointly by the IMF and the OECD that analyzed the survey results on data collection and dissemination,

¹The 30 OECD member countries, all of which are also IMF member countries, are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. (At the time of the 1997 SIMSDI, there were only 29 members of the OECD as the Slovak Republic did not join the organization until after that date.)

²The 31 other countries invited to participate in the 2001 SIMSDI update were Argentina, Bolivia, Botswana, Brazil, Chile, China, Colombia, Costa Rica, Croatia, Ecuador, El Salvador, Estonia, Guatemala, Hong Kong SAR, India, Indonesia, Israel, Kazakhstan, Kuwait, Latvia, Lithuania, Malaysia, Nigeria, Peru, the Philippines, Russia, Singapore, Slovenia, South Africa, Thailand, and Tunisia.

³IMF, *Balance of Payments Manual*, fifth edition (Washington, 1993).

⁴OECD, *OECD Benchmark Definition of Foreign Direct Investment* (Paris, 1996).

as well as on the methodological issues. Copies of the *Report on the Survey of Implementation of Methodological Standards for Direct Investment* were posted on the IMF and OECD websites and sent by the IMF to all its member countries. The outcome of the 1997 SIMSDI project has gone beyond its initial objectives. The results have prompted experts to raise additional methodological questions, to identify difficulties for the implementation of some of the international standards, and to review the consistency of certain recommendations in efforts toward harmonization of the FDI statistics.

The 2001 SIMSDI Update

1.5 In October 2000, the IMF's BOP Committee agreed that the information obtained from the 1997 SIMSDI should be updated. Similarly, in November 2000, the OECD Secretariat was asked to take the necessary steps to update the information for its member countries. The relevant committees of both organizations agreed that a new survey should be conducted during 2003 that would incorporate revisions to the content and the presentation of the 1997 questionnaire taking into account the methodological changes that have been implemented in recent years.

1.6 Following these recommendations, the IMF and the OECD launched an interim revision in 2001 to update the SIMSDI information for all OECD countries and for 31 of the 85 other IMF member countries that had responded to the 1997 SIMSDI—these 31 included all the subscribers to the Special Data Dissemination Standard (SDDS). Countries were asked to review the information they had initially provided in 1997 and to revise it as necessary.

1.7 The information in this report is based on the FDI metadata summaries describing countries' practices in 2001. In consultation with the authorities, the IMF prepared summary metadata for each of the 61 countries that participated in the 2001 SIMSDI update, which were approved by the authorities between June and August 2002. The summaries are considerably shorter than the completed questionnaires, are presented by dataset rather than by methodological issue, and clearly indicate whether or not a country's practices are in accordance with the international standards—features that are intended to enhance the usefulness of the information for general users. Cross-country comparison tables, organized by issue, were also prepared for all 61 countries.

1.8 At the time of the 2001 update, countries were also asked whether they agreed to the dissemination of their detailed country information to the general public. All 30 OECD countries and 26 of the 31 other countries responded positively to this question.⁵ The metadata summaries and cross-country comparison tables for the 56 countries that had agreed to making their information available to the general public have been posted on the IMF website (<http://www.imf.org/external/np/sta/di/mdb97.htm>). The OECD has posted the revised responses to the SIMSDI questionnaires for the 30 OECD countries, as well as the cross-country comparison tables, on its website at <http://www.oecd.org/daf/simsdi> under the section on finance and investment.

⁵The five countries that chose to make the detailed information on their countries' practices available only to national compilers and staff of international organizations at this time were Brazil, China, El Salvador, India, and Lithuania.