



DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS

REVISION OF THE OECD BENCHMARK DEFINITION OF FOREIGN DIRECT INVESTMENT

**Summary of the Discussions by the Workshop on International
Investment Statistics of the OECD Investment Committee**

Paris, France - 12-13 October 2004

The following is a summary of the discussions by the Workshop on International Investment Statistics¹ (WIIS) on the first set of proposals made by the joint IMF/OECD Direct Investment Technical Expert Group (DITEG). A compilation of the outcome papers from the first meeting of DITEG held on 15-17 June 2004 is available at [www.oilis.oecd.org/olis/2004doc.nsf/LinkTo/daffe-ime-stat\(2004\)21](http://www.oilis.oecd.org/olis/2004doc.nsf/LinkTo/daffe-ime-stat(2004)21).

1. WIIS maintained, in the definition of direct investment, the current numerical threshold of 10 per cent (as opposed to 20 per cent recommended by the DITEG) and its strict application for statistical purposes to ensure cross-country comparability;
2. WIIS postponed the discussion of the “employment criteria” to the discussion on SPEs, in line with DITEG recommendations;
3. Pending further clarifications, WIIS endorsed the recommendation of the DITEG that the philosophy of the “Fully Consolidated System” is the most ideal conceptual basis for delineating the FDI relationship. WIIS did not endorse the ranking of alternate methods proposed by the DITEG and postponed the discussion on alternate methods to its April 2005 meeting when additional information will be provided by the OECD Secretariat;
4. WIIS endorsed the proposal by the DITEG that SPES should be classified as separate statistical institutional units but stressed that this is only a starting point which, by itself, does not address user problems raised by the current statistical standards relating to SPEs when measuring direct investment. It was also underlined that guidance for improving FDI statistics to address user requirements need to be included in the revised version of the *Benchmark Definition*. WIIS asked the OECD Secretariat to prepare for March 2005 meeting of the DITEG an inventory of SPEs based on national descriptions when there is no legal definition of such entities.
5. WIIS agreed with DITEG’s proposed criteria to identify branches and endorsed the recommendations of the DITEG for the valuation of branches;

1 . Attended by OECD member countries and observers.

6. WIIS agreed with the DITEG that the market value is the preferred concept for the measurement of direct investment equity. However, to address the request by compilers for further guidance in methods for approximating market value, in particular for unlisted enterprises, the Secretariat was asked to prepare, in co-operation with the IMF, for April 2005 meeting of WIIS a proposal describing and ranking the various options;
7. DITEG did not reach firm conclusions on the complex issue of reinvested earnings. Due to the lack of time required for such a discussion and taking into account that the discussions in other fora on the same subject, WIIS postponed all discussion on reinvested earnings to its meeting in April 2005.
8. WIIS agreed that some definitions should be further clarified (see detailed recommendations).
9. Delegates were invited to provide by mid-November 2004, written comments on the proposal for bringing together all FDI issues in an appendix to the Balance of Payments Manual.