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FOREIGN DIRECT INVESTMENT STATISTICS IN ESCWA MEMBER COUNTRIES

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Preface

This publication was initiated by the Economic Development and Globalization Division of the Economic and Social Commission for Western Asia (ESCWA) in order to assess the progress made by member countries in the compilation, reporting and dissemination of foreign direct investment (FDI) statistics. The publication addresses the progress made and challenges faced by member countries in their efforts to compile accurate and verifiable FDI data, which is important in formulating adequate policies for the promotion of FDI inflows. Mr. Christie Richards served as consultant in the preparation of this study.

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ABBREVIATIONS AND ACCRONYMS

ALBA	Aluminium Bahrain
AMF	Arab Monetary Fund
AR	Annual Report
ASE	Amman Stock Exchange
ASRY	Arab Shipbuilding and Ship Repair Yard Company
BDL	Banque du Liban
BMA	Bahrain Monetary Agency
BOP	Balance of payments
BOPSD	Balance of Payments Statistics Department
BPM	Balance of Payments Manual
BPM4	Fourth Edition of the Balance of Payments Manual
CAS	Central Administration of Statistics
CBE	Central Bank of Egypt
CBI	Central Bank of Iraq
CBJ	Central Bank of Jordan
CBK	Central Bank of Kuwait
CBO	Central Bank of Oman
CBoS	Central Bank of Sudan
CBS	Central Bank of Syria
CBY	Central Bank of Yemen
CEO	Chief executive officer
CIO	Central Informatics Organization, Bahrain
CMA	Capital Market Authority
DOS	Department of Statistics
EPC	Engineering, procurement and construction
ESCWA	Economic and Social Commission for Western Asia
ESS	External Sector Section
FDI	Foreign direct investment
FDIE	Foreign direct investment Enterprise
FOI	Foreign other investment
FPI	Foreign portfolio investment
FSD	Financial Stability Directorate, Bahrain
GAAP	Generally accepted accounting principles
GAFI	General Authority for Investment and Free Zones

ABBREVIATIONS AND ACCRONYMS (*continued*)

GCC	Gulf Cooperation Council
GDP	Gross domestic product
IFAS	International Financial Accounting System
IIP	International investment position
IMF	International Monetary Fund
ITRS	International Transactions Recording System
KAC	Kuwait Airways Corporation
KFAED	Kuwait Fund for Arab Economic Development
KIA	Kuwait Investment Authority
KPC	Kuwait Petroleum Corporation
LNG	Liquefied natural gas
MENA	Middle East and North Africa
METAC	Middle Eastern Technical Assistance Committee
MIT	Ministry of Industry and Trade
MOF	Ministry of Finance
MONEO	Ministry of National Economy, Oman
MSB	Monthly Statistical Bulletin
NOGA	National Oil and Gas Authority, Bahrain
OECD	Organisation for Economic Co-operation and Development
PCBS	Palestine Central Bureau of Statistics
PIFSS	Public Institution for Social Security
PMA	Palestine Monetary Authority
SAGIA	Saudi Arabian General Investment Authority
SAMA	Saudi Arabian Monetary Agency
SERD	Statistics and Economic Research Department
SWF	Sovereign wealth fund
TNC	Transnational Corporation
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

Executive summary

Foreign direct investment (FDI) has gained an increasing importance in the last decade in member countries of the Economic and Social Commission for Western Asia (ESCWA) since inflows increased at a much faster pace than in any other previous period. Thus, Government officials recognized the need to compile accurate and verifiable statistics that will assist policymakers in the formulation of adequate policies to promote such investments.

ESCWA, in cooperation with the United Nations Conference on Trade and Development (UNCTAD), in 2002, launched a project on Networking of Expertise on Foreign Direct Investment in ESCWA Member Countries to help ESCWA member countries collect quality FDI data related to balance of payments (BOP), international investment positions (IIP) and operational data needs. Several national training workshops were organized to introduce the internationally accepted methodologies for the compilation of FDI statistics, and a questionnaire was developed to be used for the survey of enterprises with FDI participation. Bahrain, Oman and Saudi Arabia were the first member countries to compile FDI data based on these efforts, followed later by Jordan, Syrian Arab Republic and United Arab Emirates. Other ESCWA member countries either did not take any follow-up efforts or were not part of this project.

This report traces the evolution of the collection of FDI statistics in ESCWA member countries since the initiation of the above-mentioned project. It also includes an assessment of the quality of data obtained as a result of ESCWA/UNCTAD efforts to improve the compilation of FDI statistics and to derive operational data for inward FDI enterprises (FDIEs). It is well noted that the quality of FDI data in ESCWA member countries has improved or is in the process of being improved as a result of the follow-up actions taken by a number of member countries to implement the ESCWA/UNCTAD recommendations.

The report also presents the challenges faced by data-collection officers, field surveyors and reporting officers and presents a number of recommendations and best practices on how to overcome these challenges. The recommendations include the choice of a cost-effective strategy to compile data so as to maximize returns from such limited resources as suitably qualified personnel; close involvement of senior officials during the development phases of the project; close collaboration of counterpart statisticians in other ESCWA member countries; use of data of sovereign wealth funds (SWFs, and oil and gas ministries; and consideration of extension of data to include development of statistics on ultimate control and operational data of FDIEs abroad.

Introduction

With the increasing economic globalization and the relative liberalization of movement of capital across countries, foreign direct investment (FDI) inflows are perceived as an important source of economic development. Implementing the internationally agreed-upon methodology in calculating the FDI statistics is a major step in obtaining accurate and reliable statistics on FDI and eventually an essential step for the formulation of adequate policies. However, references are also made to the collection efforts initiated by some member countries to include all inward and outward foreign investments.

This publication is focused on the inward FDI statistics of the member countries of the Economic and Social Commission for Western Asia (ESCWA). It provides an overview of the performance of ESCWA member countries in terms of compiling FDI statistics. While the focus is on inward FDI statistics, data and analysis are also provided for outward FDI statistics if they are collected in conjunction with the collection of data on inward FDI statistics.

This publication contains six chapters. Chapter I covers the evolution of collection of FDI statistics in ESCWA countries. Chapter II provides an overall evaluation of the status of FDI statistics in ESCWA member countries. Chapter III contains an assessment of FDI statistics reported by member countries and the methodologies used. Chapter IV assesses the impact and the operation of the FDI database developed by ESCWA in cooperation with participating countries. Chapter V evaluates the challenges faced by data-collection officers, field surveyors and reporting officers as well as recommendations thereon. Chapter VI provides a set of policy recommendations to the policymakers in ESCWA member countries.

I. EVOLUTION OF COLLECTION OF FDI STATISTICS IN ESCWA MEMBER COUNTRIES

ESCWA member countries have been collecting FDI data for decades mainly as part of the overall effort to collect balance-of-payments (BOP) data and, in very recent years, to compile international investment positions (IIP) statistics. These efforts were guided by the various editions of the Balance of Payments Manual (BPM) of the International Monetary Fund (IMF), the latest version of which is the very detailed sixth edition released in 2009, and the Operational Definition of Foreign Direct Investment of the Organisation for Economic Co-operation and Development (OECD). Two other IMF publications, namely the Balance of Payments Textbook and the Balance of Payments Compilation Guide, have also been helpful to the compilers.

The compilation agencies of FDI, and also of BOP and IIP, data in most ESCWA member countries are the respective central banks. Several central banks had developed the International Transactions Recording System (ITRS) to compile BOP data. Other central banks, like in the United Arab Emirates, instead of using an ITRS system, partnered with other such governmental agencies as the statistical divisions in the ministries of economy to compile BOP data. In such countries as Oman, FDI became significant only in recent years. In such countries, until about 2004, the central bank and IMF staff made estimates utilizing available sources, but not ITRS or surveys. The methodology used in such cases was to interview officials of significant identified or known foreign direct investment enterprises (FDIEs) for FDI flows. In some instances, publicly available media data were also used for estimates. These data-compilation systems did not facilitate collection of quality FDI flows and were not suitable for obtaining data on stocks of FDI or their operational data.

The ITRS is essentially a reporting system that compiles data on international transactions conducted by the domestic commercial and central banks for their own accounts as well as that of their clients. Since it was a system to collect data on transactions and not stocks or operational data, it was not suitable for the compilation of data on FDI stock and operations of FDIEs. While the ITRS collected a vast array of data related to the international transactions of FDIEs, there were still some significant intra-enterprise transactions of related FDIEs which did not go through the domestic banking system and hence were missing in the ITRS reports, for instance trade in goods and services/payables/receivables; and dividends declared/dividends payable, among others. It became clear not only in ESCWA member countries using ITRS, but also in many other countries, that the ITRS is only as good as those who record the data, usually bank clerks, and those who use the data to compile BOP data. The latter often accept reported data unquestioned and, as a result, all the errors of data misclassification are incorporated into BOP and FDI data. In many countries, the most significant data collected are on “other transactions”, and hence the compilers are left to wonder whether these data belong to the current, capital or financial transactions of the BOP. Instead of requesting clarification from compilers, the account is distributed among the various BOP accounts based on decisions made by BOP compilers. Egypt and Yemen are examples of countries that follow such practices. In Egypt, for example, significant amounts of FDI inflows of oil and gas companies were shown as services receipts. Since the ITRS does not collect data on stocks of investments or operations of FDIEs, it cannot be used as a source for the compilation of FDI stock and operational data.

Some countries have used data from investment promotion agencies to estimate inward flows of FDI. These data have been used either as a sole source or in combination with other sources. Jordan is an example of an ESCWA country that uses data from its investment promotion agency to derive data on FDI flows. However, investment promotion agencies usually have data on planned or intended investment rather than on completed investments. Moreover, adequate information on FDI financing may not be available. Part of the financing for FDI projects may come from foreign or domestic banks and, therefore, will not qualify as FDI.

Although it was recognized for a very long time that surveys are the best source to collect FDI data, this procedure was not used by certain countries owing to lacking resources, both financial and personnel. There has also been considerable resistance to surveys by reporting entities due to both cost and the justified fears of reported data falling into unauthorized hands. In many countries, the lack of statistics acts that would guarantee confidentiality of data provided by respondents also hampered the collection of data. Since FDI data were collected only for the compilation of BOP and IIP data, no data were collected on such operational characteristics of FDI as the number, gender, and citizenship of employees, wages, exports and imports of goods and services of FDIEs.

The dearth of information on the operational characteristics of FDI and the need to obtain quality data on FDI for the compilation of BOP and IIP data resulted in ESCWA and UNCTAD launching a project, in 2002, to help ESCWA member countries collect quality data for BOP and IIP needs. Towards this end, ESCWA and UNCTAD undertook joint efforts to hold workshops in a number of ESCWA member countries to explain the internationally accepted FDI concepts based on IMF/OECD definitions and reflected in the manuals of these organizations. Furthermore, a questionnaire was provided to the workshop participants, and the data requested were explained fully. At some of the earlier workshops, the questionnaire used was very basic and only sought to obtain data on FDI flows and stocks and some operational data of FDIEs. No efforts were made to collect data on foreign portfolio or other foreign investments in FDIEs. Moreover, requirements for trade-in-services data were only very basic, compared to the details embodied in the IMF manuals.

However, starting in 2002, the first serious and sustained efforts for the collection of FDI flows and stocks for the compilation of BOP and IIP data together with data on the operational characteristics of FDI were undertaken by ESCWA and UNCTAD in five ESCWA member countries, namely Bahrain, Jordan, Oman, Saudi Arabia and Syrian Arab Republic, as part of the project financed by the Development Account of the United Nations under the title Networking of Expertise on Foreign Direct Investment in ESCWA Member Countries. Due to the success of these initiatives, three additional countries approached ESCWA and agreed to co-finance the implementation of the project in their respective countries, namely Kuwait, Qatar and United Arab Emirates. Most member countries commenced those initiatives in about 2002. The efforts of ESCWA/UNCTAD were further enhanced on a continuing basis, under the direction of ESCWA, by individual country-funded technical assistance provided by internationally recognized technical experts, in particular in Oman, Syrian Arab Republic and United Arab Emirates.

National training workshops were held in those eight participating countries. Bahrain, Oman and Saudi Arabia were the first member countries to produce FDI data based on these efforts, followed later by Jordan, Qatar, Syrian Arab Republic, and United Arab Emirates. In Egypt and Palestine, the ESCWA/UNCTAD-inspired questionnaire to collect FDI data was introduced by other such associated international institutions as the IMF and the Middle Eastern Technical Assistance Committee (METAC), which were aware of these collection efforts. Although, no similar efforts have been initiated in Iraq, Lebanon, the Sudan, and Yemen, these countries still benefitted from various technical assistance missions on BOP and IIP data provided by IMF, METAC, and the Arab Monetary Fund (AMF). In fact, all ESCWA member countries were beneficiaries of technical assistance missions on BOP and IIP data from various such international organizations as AMF, IMF, METAC, United Nations Conference on Trade and Development (UNCTAD), and United Nations Development Programme (UNDP). Technical assistance on FDI was imparted as a constituent part of improvements to the collection of BOP and IIP data as well.

In Saudi Arabia, the survey was introduced by the Saudi Arabian General Investment Authority (SAGIA) and is still conducted on a regular basis. In Oman, the FDI survey was jointly undertaken by the Ministry of Economy, the Central Bank of Oman (CBO) and the Ministry of Commerce. In Bahrain, a survey was conducted in February and March 2004 for FDI inflows and outflows of FDIEs for data related to 2002. In the United Arab Emirates, the survey is a joint effort by the National Bureau of Statistics, a spin-off of the Federal Ministry of Economy, and the statistical agencies of Abu Dhabi and Dubai. The National Bureau of Statistics conducts the survey on behalf of the northern emirates, whereas the emirates of Abu Dhabi and Dubai conduct the survey and compile the data under their own jurisdictions. All of these data collections are consolidated in publications of the National Bureau of Statistics. In Qatar, the FDI survey is under way. The workshops conducted in the Syrian Arab Republic and the United Arab Emirates took account of lessons learned from the efforts in Bahrain, Oman and Saudi Arabia. The basic change introduced in the workshops conducted in the Syrian Arab Republic and the United Arab Emirates was to revise the original basic questionnaire to collect FDI data also to include data on foreign portfolio investment (FPI) and foreign other investment (FOI), both inward and outward, and to collect greater details on trade in services as enunciated in the BPM.

II. OVERALL EVALUATION OF THE STATUS OF FDI STATISTICS IN ESCWA MEMBER COUNTRIES

The various efforts made by ESCWA member countries in the last ten years to collect FDI statistics, aided by technical assistance from international organizations and independent consultants, has led to a qualitative improvement of these data for the region as a whole. Some of these positive results arose from efforts to both compile, where such data did not exist before, and, in other cases, improve already existing BOP and IIP data. These efforts were generally carried out by the central banks of the respective countries that are in charge of the production of BOP and IIP data. Technical assistance in such cases was provided primarily by AMF, IMF and METAC.

However, since these efforts were focused on BOP and IIP data as a whole, there was no particular focus on the development of FDI statistics. Moreover, the technical assistance provided primarily by the IMF and its sister agencies were usually of an occasional nature and for such short durations as two weeks. The short-term missions did not progress beyond analysis of the state and quality of data and a set of recommendations to improve data. Owing to the short durations of these missions, hands-on training was not possible. However, in some instances, the IMF provided long-term technical assistance, namely of six months to two years, to improve BOP and IIP data, for example in Egypt, Jordan and Yemen. It appears, however, that long-term technical assistance, in general, did not succeed in successfully transferring know-how to the counterpart employees in Egypt and Yemen. Regardless of what collection systems, including those for FDI, were put in place, they appear to have collapsed once the long-term technical assistance was terminated. For instance, in Yemen, the resident technical assistance expert formulated a detailed quarterly questionnaire for the collection of BOP data, including FDI data, and managed the collection himself. Once he left, the survey was carried out in a disorganized manner: non-respondents were not contacted systematically; questionnaires were not edited; and data reported were not adjusted for non-response. Since most of the FDI was in oil and gas and only a handful of significant transnational corporations (TNCs) effect FDI in Yemen, even non-reporting by one enterprise affected the quality of the data compiled.

The aim of the ESCWA project initially was to collect inward FDI flows, stocks, income, trade of FDIEs, and such operational characteristics of FDI as number of employees, wages and spending in research and development, among others. However, this project, although a little slow in taking off initially, ultimately developed a certain dynamism which resulted in the project extending its efforts to collect data on all aspects of foreign investments, namely direct, portfolio and other foreign investments, both inward and outward. The initiative for this development was provided by Oman, and some other ESCWA member countries adopted its approach. As a result, BOP and IIP data of ESCWA member countries as a whole improved noticeably. Collection of quality data pertaining to foreign, portfolio and other foreign investments, both financial and other related flows of income and trade, was one of the significant factors that resulted in improved BOP and IIP data for ESCWA member countries.

Initially, the ESCWA project was tailored to collect data based on a questionnaire survey. But as the project took effect, it was recognized by member countries that sources other than the survey also had to be utilized, particularly the financial reports of the companies, administrative data and media information. Media information is particularly useful to identify and compile current flows of FDI on a quarterly basis, especially those of new FDIEs. The other positive feature of the ESCWA project is that it is envisaged as a continuing and not a time-limited project. Emphasis has been placed on training and transfer of knowledge available to the country compilers to ensure continuity. Equal emphasis has also been placed on recruiting capable professionals, offering them career prospects in the field of foreign investment statistics as means of motivation.

Although, for the ESCWA region as a whole, the quality of FDI statistics has improved, the results for individual countries are mixed. The following section discusses the performance of individual ESCWA member countries and presents a general outline of the overall results.

The best results for comprehensiveness and quality of FDI data were achieved by Oman. This was primarily due to the close involvement of senior managers in the project, including ministers; appointment of a sufficient number of qualified permanent professionals to manage the project; hands-on and continuous training for compilers and analysts; inter-agency cooperation; and the ability of managers to make use of emerging opportunities to extend data collection to other forms of foreign investments, portfolio and other foreign, both inward and outward.

Saudi Arabia, Syrian Arab Republic and United Arab Emirates are also on the right track to improve FDI data with ESCWA guidance. The Saudi Arabian SAGIA has produced very useful inward FDI data on an annual basis since its initial efforts in 2004. These data, discussed in detail in a later section, are also used in the compilation of BOP and IIP data and provide useful operational data of FDIEs.

In the Syrian Arab Republic, the Department of Statistics, with technical assistance provided by ESCWA and UNDP Damascus, has conducted surveys which have resulted in improved data. However, there are some conceptual challenges related to tax haven investments and double tripping investments that need to be resolved.

The United Arab Emirates has successfully managed the collection of data that is done by the respective emirates and then consolidated by the National Bureau of Statistics. The effort of the United Arab Emirates is a tribute to the close top managerial involvement with the project of federal and emirates officials, especially that of the National Bureau of Statistics and of the statistical agencies of Dubai and Abu Dhabi. Dubai and Abu Dhabi are the two most significant emirates when it comes to foreign investments, both inward and outward.

Bahrain was among the first ESCWA member countries to undertake the ESCWA survey, conducting a survey in 2004 for the year 2002, the only survey in this field.

Prior to the ESCWA/UNCTAD initiatives, Yemen had introduced surveys to collect FDI data as a result of long-term technical assistance provided by the IMF. However, this survey was not systematically carried out following the conclusion of the technical assistance of the IMF.

ESCWA/UNCTAD efforts have not been introduced in Iraq, Lebanon and the Sudan. In Egypt and Palestine, the ESCWA/UNCTAD questionnaires were introduced by IMF and METAC technical assistance missions.

III. ASSESSMENT OF PROGRESS MADE BY MEMBER COUNTRIES IN THE COMPILATION AND REPORTING OF FDI DATA AND STATISTICS

During the last few years, ESCWA member countries have made progress in the compilation and reporting of FDI statistics. This progress is more evident in those countries that took part in the ESCWA/UNCTAD project on the Networking of Expertise on Foreign Direct Investment in ESCWA Member Countries. Among these countries, some made more progress than others. Jordan, Oman and Saudi Arabia made great progress in the quality of FDI data collected through the surveys of enterprises with FDI participation. Other countries, including the Syrian Arab Republic and United Arab Emirates, also made progress in FDI data collection.

This chapter traces the evolution of collection of FDI statistics in ESCWA member countries over the years with an analysis of the influence exerted on the quality of FDI data as a result of the ESCWA/UNCTAD efforts to improve and extend the scope of inward FDI data to include not only BOP and IIP data but also to obtain operational data for inward FDI enterprises. At a later stage, the efforts were extended to include other foreign investments in FDIEs. Data on both inward and outward FDIEs were also collected. However, for outward FDI, data have not been collected on operational data of FDIEs.

An overall evaluation of the status of FDI statistics in ESCWA member countries notes that the quality of FDI data has improved or is in the process of being improved as a result of the follow-up actions taken by a number of member countries to implement the ESCWA/UNCTAD recommendations. This is especially true of the follow-up by two of the three major host FDI countries, namely Saudi Arabia and United Arab Emirates. Egypt, the third major host country, has also taken certain follow-up actions. However, more needs to be done to improve FDI data in Egypt. Since these three countries account for about 66 per cent of total FDI in the ESCWA region, it is the quality of data produced by these three countries that will determine the overall quality of FDI in the ESCWA region. The efforts made by Oman, a medium-level FDI host country, to extend the scope of the original FDI questionnaire, has had a profound effect not only on the quality of FDI statistics of Oman but also on the statistics of the Syrian Arab Republic and the United Arab Emirates, which have also adopted the Omani initiatives. The Omani initiatives were also recommended to Egypt and Palestine.

In assessing the quality of FDI data in the context of the ESCWA database, various factors could be taken into consideration. They may be summarized as follows:

(a) Comprehensive coverage of the FDI enterprises to derive data on inward FDI;

(b) Application of IMF/OECD methodology to derive FDI data for BOP and IIP statistics;

(c) Compilation of operational data of FDI enterprises for UNCTAD and other users;

(d) Data sources used especially the implementation of the ESCWA FDI questionnaire;

(e) Use of company reports in conjunction with the questionnaire;

(f) Use of other such data sources as ITRS, data obtained from investment promotion agencies, sovereign wealth funds, wholly government-owned FDI enterprises, oil and gas ministries, real-estate ownership registration departments, media, and partner country data;

(g) Frequency of data: annual, quarterly;

(h) Timeliness of data: time taken to release data to users;

(i) Institutional arrangements for the collection, compilation and release of data to users;

(j) Interagency collaboration and responsibility for FDI data;

(k) Role of senior managers;

(l) Qualifications of data compilers and analysts;

(m) Use of technology in collection, compilation and dissemination of data;

(n) “Thinking out of the box” approaches.

Based on the factors noted above, assessing the quality of FDI data is not easy. The best approach is for each country to assess its own performance on the above criteria provided and any other criterion that they may deem important.

Experiences and progress made by individual countries was reviewed during the Expert Group Meeting on FDI Statistics in ESCWA Member Countries organized by ESCWA at the UN-House in Beirut during the period 27-28 September 2011. Member countries presented their experiences during the meeting, including the latest survey results for those countries that used surveys as the main source for FDI data collection. Others also shared their experience based on their own efforts to collect data and statistics.

One of the main facts that need to be stressed was that the ESCWA/UNCTAD project has succeeded in improving FDI data compilation in those countries that were part of the project. Experiences showed that those countries have been able to collect accurate data not only on FDI inflows, countries of origin, and sectoral distribution of FDI stocks but also on the operations of FDI, particularly its impact on employment, exports and technology transfer. Progress in other ESCWA member countries was modest or limited as those countries need more technical assistance to improve their capabilities to compile accurate FDI data.

A. BAHRAIN

FDI flows are estimated by the Financial Stability Directorate (FSD) of the Bahrain Monetary Agency (BMA) which is responsible for compiling the BOP statistics of the country. Data for BOP, including FDI, are obtained basically from such administrative sources as the Ministry of Finance (MOF), Ministry of Oil, Central Informatics Organization (CIO), and the National Oil and Gas Authority (NOGA), and such public-sector companies as Aluminum Bahrain (ALBA), Gulf Air, and balance sheets submitted to FSD by all licensed banks in Bahrain. Inward FDI flows are estimated by FSD from equity positions in the banking sector and from balance sheets and other tables submitted by ALBA and the Arab Shipbuilding and Ship Repair Yard Company (ASRY). Breakdown between equity capital and retained earnings for the banks is estimated on an annual basis so that FDI flows are consistent with year-end levels reported by banks.

It is not clear how the data submitted by NOGA are used to derive inward FDI-related data. FDI abroad data appear to be only for the banking sector, using details on annual returns submitted by locally incorporated banks to the BMA Bank Supervision Directorate about investments in foreign affiliates.

FSD calculates income earned on inward FDI for the banking system based on equity of foreign entities in Bahraini banks reported on FSD balance-sheet returns. Dividends paid and reinvested earnings are estimated. Foreign shares of ALBA, namely 23 per cent, and ASRY, 81 per cent, are used to estimate the foreign share of investment income of these inward FDI enterprises. Bahraini outward FDI and FDI income are calculated based on FDI made by several locally incorporated banks and the pension fund in non-resident companies. Division of income between dividends paid and reinvested earnings are estimated.

An FDI survey was conducted by Bahrain in February and March 2004 for the year 2002 as a result of the ESCWA initiatives. It does not appear that this survey has been continued on an annual basis or that the data obtained through the survey were ever used by BMA to compile BOP/IIP data. A survey needs to be conducted to obtain FDI flows and positions according to international concepts as well as to get data on the operational characteristics of FDIEs.

The survey conducted in 2004 covered 233 companies. Financial services accounted for 70 per cent of FDI stock in 2002, followed by the real estate and business sector with 16 per cent, the manufacturing sector with 9 per cent, and the transportation and telecommunication sector with 3.5 per cent.[1]

According to this survey, FDI inflows were distributed unevenly to different regions in Bahrain. Manama accounted for 71.2 per cent of FDIEs, 84.2 per cent of invested capital, 31.6 per cent of total paid wages, and 37 per cent of total labour. By geographical origin, countries of the Gulf Cooperation Council (GCC) accounted for 61.23 per cent of FDI stock, followed by European countries and other Arab countries, with 21.67 and 8.82 per cent, respectively. As for the geographical distribution of FDI outflows from Bahrain, most of them were directed towards the European Union with 50.6 per cent of total FDI outflows in 2002, followed by the United States with 17.7 per cent and the other countries of the GCC with 13.5 per cent.[2]

B. EGYPT

The Central Bank of Egypt (CBE) compiles data on FDI as part of its compilation of BOP and IIP data. Data are primarily obtained from its ITRS which measures only cash transactions that pass through the domestic banking system. These are supplemented for inward FDI by data obtained from the Capital Market Authority (CMA) and General Authority for Investment and Free Zones (GAFI). CMA provided data for investment inflows that meet the 10 per cent ownership criteria by any single or related group of investors in any of the Egyptian enterprises. The 10 per cent ownership criteria appears to have been applied only in the context of the Government enterprises involved in the privatization programme and not in the other existing publicly traded companies. GAFI provides data for such non-cash transactions as reinvested earnings and equity provided in the form of machinery. Inward FDI position is estimated by summing up flows as of base year 1970.

TABLE 1. FDI INFLOWS TO EGYPT, 2004-2011
(*Billion of US$*)

	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
FDI inflows	3.9	6.1	11.1	13.2	8.1	6.8	2.2

Source: Presentation made by Ms. Hana’ Dakroury from General Authority for Investments and Free Zones during the Expert Group Meeting on FDI Statistics in the ESCWA Member Countries, Beirut, 27-28 September 2011.

Note: The fiscal year in Egypt starts on 1 July and ends on 30 June of the following year.

Data on FDI abroad are based solely on the ITRS which measures only the cash transactions. Investments in kind will be missed. FDI position abroad is estimated by summing up flows as of base year 1977. ITRS is not suitable to measure the flows of FDI. FDIEs net out several intra-enterprise accounts, and the cash that comes through the banking system represents only a net settlement amount. Unless details on the various accounts are obtained, proper classification of BOP accounts is not possible. In Egypt, there were several instances of FDI inflows that had been misclassified to services credits by commercial bank employees and had gone unnoticed by the central bank employees, giving rise to overstatement of services receipts and understatement of FDI inflows. ITRS is used for data on income for both inward and outward FDI. Since 2006, data on reinvested earnings for inward FDI is obtained from GAFI. However, data on reinvested earnings for outward FDI is not obtained from any source.

C. IRAQ

The BOP Division of the Statistics Department (BOPSD) of the Central Bank of Iraq (CBI) compiles data on FDI in conjunction with the compilation of BOP data utilizing the BPM5 methodology. Data are

[1] Based on the survey of enterprises with FDI participation, conducted by Bahrain, February-March 2004.

[2] Ibid.

prepared on a quarterly and annual basis and published in the Quarterly Statistical Bulletin and in the Annual Bulletin, respectively. FDI flows and income are based largely on the reporting forms of commercial banks.

D. JORDAN

The Central Bank of Jordan (CBJ) derives FDI flows data from the cash inflows net of outflows as recorded by the Ministry of Industry and Trade (MIT) for registered enterprises, receipts for the purchase of real estate in Jordan by non-residents, and 10 per cent or more of equity shares of non-residents in Jordanian enterprises as recorded by the Amman Stock Exchange (ASE). The net cash flows alone are not enough to determine FDI flows. They represent the net settlements of claims between the parent companies and the FDIEs. There is no indication whether the data derived from the ASE represent only 10 per cent or more of shares held by direct investors or all non-resident investors. Owing to registration requirements, it is reasonable to assume that the MIT is able to track fairly well non-resident ownership in real estate. FDI stocks are calculated by summing up the flows. There are factors other than flows that affect the FDI stock. These will not be reflected in the stock data estimated by the CBJ.

An ESCWA/UNCTAD workshop on FDI statistics was held in Jordan and the Department of Statistics (DOS) implemented a survey for the year 2006 with the assistance of the CBJ and utilizing the ESCWA/UNCTAD questionnaire. It is not known whether the survey was continued for subsequent years. There is no mention in the metadata submitted by the CBJ that the survey results were incorporated into the estimates of inward FDI for 2006. However, the metadata state that these survey results were used in conjunction with other sources to compile outward FDI data.

CBJ compiles FDI data in conjunction with its data collection on BOP and IIP. Quarterly and annual data are published in the Monthly Statistical Bulletin (MSB) and Annual Report (AR) of the CBJ, respectively. Beginning with the June 2004 issue of the MSB, CBJ published BOP data according to BPM5. Beginning with the August 2007 issue of the MSB, annual IIP data are published according to BPM5 and the IMF guide to the data sources.

Outward FDI flows have been compiled by equities, reinvested earnings, and other net claims on non-resident subsidiaries since 2004. The sources are the foreign investment survey conducted by DOS in 2006, commercial bank data received from the CBJ Banking Supervision Department and annual reports of public shareholding enterprises. Inward and outward FDI income represents the returns of FDI investors. Sources for these data are the CBJ, commercial banks and the MOF

E. KUWAIT

The Central Bank of Kuwait (CBK) has compiled FDI data as part of the compilation of BOP and IIP data using the BPM5 methodology since 1997. Data have been revised back to 1993 using BPM5 methodology. CBK has prepared, but not published, quarterly BOP data since 1997, and IIP data since 1996, which have been published from 2001 onwards. The FDI enterprise is defined mainly by applying the 10 per cent ownership by a related group rule. The CBK derives inward FDI flows and stocks data from reports provided by foreign bank branches located in Kuwait and some other non-financial business sector companies.

Outward FDI flows and stocks data are derived from reports provided by the general Government, Kuwait Investment Authority (KIA), Kuwait Fund for Arabic Economic Development (KFAED), Kuwait Petroleum Corporation (KPC), Kuwait Airways Corporation (KAC), and the Public Institution for Social Security (PIFSS), local banks, other financial institutions (including companies dealing with investment, insurance, and exchange), and some non-financial companies. Outward reinvested earnings are included to the extent possible. FDI income data are not separately identified in published BOP data.

Although an ESCWA/UNCTAD workshop on FDI statistics was held in Kuwait, no follow-up action has been taken. Therefore, data required on the ESCWA/UNCTAD questionnaire, including operational data of FDIEs, are not available for Kuwait.

F. LEBANON

According to the Banque du Liban (BDL), inward FDI flows are calculated from three sources: (a) public sector data; (b) a scenario based on the estimation of non-resident real estate investment in Lebanon, using an annual average of such various indicators as the number of licenced construction permits, cement deliveries, the change in the value of construction credits given to non-residents by resident commercial banks, and the volume of resident investments (resident-owned capital stocks); and (c) banking sector statistics obtained via the ITRS. There is no indication how these sources are integrated with the survey results of the Central Administration of Statistics (CAS).

BDL is responsible for compiling FDI data. The External Sector Section (ESS) of the BDL Statistics and Economic Research Department (SERD) compiles these data as part of the compilation of BOP data following the methodology of BPM5. Transition from BPM4 to BPM5 has been carried back to 2002.

The CAS conducts surveys related to some BOP data including FDI. However, the ESS does not use these data for preliminary estimates. It expects to revise preliminary data when survey results become available. There is no indication that the CAS survey results have ever been used.

For FDI flows abroad, ESS has obtained data monthly from the Foreign Exchange and International Operations Department as well as from the ITRS since 2003. Data on dividends from FDI have been obtained from the ITRS since 2003. They are recorded when received or paid.

G. OMAN

Oman was able to achieve high-quality data as a result of the support given to the project by senior officials, including ministers, cultivation of inter-agency cooperation, development of staff resources, and implementation of measures to improve collection, editing, analysis, and publication of data. On all of these counts, Oman is one of the leaders among the countries that have recently taken measures to improve foreign investment statistics among which are the measures taken to accomplish a comprehensive coverage and validation of data related to foreign investments and the inter-agency cooperation established among compilers and users of the data, especially that between the Ministry of National Economy (MONEO), CBO, and the Ministry of Commerce and Industry. Oman has not only successfully achieved all the objectives of the ESCWA/UNCTAD project on inward FDI statistics, but it has also further extended the scope of that project to include all foreign investments, including both inward and outward investments.

The joint Foreign Investments Survey, which replaced the earlier FDI survey, conducted by MONEO, CBO and the Ministry of Commerce, compiles data on various such aspects of FDI as FDI stock and flows by industry, relative shares of industries, FDI stock and flows by country of origin, identified by major investor countries, FDI stock and flows by industrial sectors and countries of origin identified by the major investor countries and their relative shares. In all these data, the data of the nine major investor countries are identified. However, 58 countries have FDI in Oman.

The original joint FDI survey, which was initiated at first for the year 2002, was later transformed into a joint inward and outward foreign investments survey from 2005 onwards in order to accommodate the request made by ministers and senior officials for reliable data on all foreign investments.

As a result from the 2005 survey, data are available for total inward portfolio investments by industry and country of origin, with nine major countries identified. In addition to the total inward portfolio investments, data have also been published for inward foreign portfolio investments in FDI enterprises by industry. Similarly, inward foreign other investment by industry and relative shares of industry, as well as inward foreign other investments in FDI enterprises by industry and the relative shares of industries have been published.

TABLE 2. FDI INFLOWS TO OMAN, 2006-2009
(*Millions of US$*)

		2006	2007	2008	2009
FDI inflows by sector	Oil and gas exploration	468.3	1 515.5	1 739.9	1 455.5
	Manufacturing	259.5	641.7	353.3	109.2
	Financial intermediation	177.8	744.9	36.9	122.7
	Real estate (renting and business activities)	314.3	317.7	168.2	(229.6)
	Trade	88.1	32.2	56.2	(1.0)
	Construction	217.4	28.3	11.2	(69.9)
	Transport (storage and communications)	39.3	72.3	65.0	92.8
	Hotels and restaurants	9.9	84.8	39.8	(1.0)
	Electricity and water	(2.3)	(14.8)	39.3	(10.1)
	Other	15.1	7.8	17.9	2.1
FDI inflows by country of origin	United Kingdom	290.9	511.7	1 118.0	1 070.9
	United States of America	447.7	886.6	665.6	281.1
	United Arab Emirates	362.2	793.5	440.4	(222.8)
	India	18.7	112.3	71.0	(4.7)
	Qatar	54.6	81.4	148.2	(8.6)
	Kuwait	137.8	114.4	126.4	(89.7)
	Bahrain	24.2	110.5	41.6	68.9
	Mauritius	12.2	(10.4)	100.4	166.9
	Netherlands	54.9	118.0	(36.9)	1.0
	Other	184.1	712.4	(147.2)	207.5
Total FDI inflows		1 587.3	3 430.4	2 527.7	1 470.6

Source: Presentation made by Mr. Mohamad al-Sulaimi from the Ministry of National Economy during the Expert Group Meeting on FDI Statistics in the ESCWA Member Countries, Beirut, 27-28 September 2011.

Note: ( ) implies negative figure.

Total Omani investment abroad is published by functional types, namely FDI, foreign portfolio investment, foreign other investment, and relative shares of these types; FDI abroad stock and flows by industries and their relative shares; countries of destination and relative shares identified by four major destinations, by industry and major countries of destinations for each industry; and income receipts from abroad on the same basis as for inward foreign investments.

A result of extending the scope of the original FDI survey initiated by ESCWA/UNCTAD to include all inward and outward investments by functional, industrial, geographical, and other characteristics, Oman has added several new dimensions to the analysis of foreign investments. Such an expansion has also enabled a far better analysis of FDI in Oman. For instance, its amount could now be compared to other forms of foreign investments. It enables comparison of foreign investments in Oman with Omani investments abroad. At present, some data collected for inward foreign investment is not collected for outward foreign investments. These include wages and salaries and employment in Omani FDI enterprises abroad, and data from the income statements of FDI enterprises abroad. Also, there is one serious shortcoming in the data of foreign investments abroad which is the non-inclusion of the investments made abroad by the SWFs of Oman and investments abroad by various pension funds. The FDI, foreign portfolio investment and foreign other investment abroad data are seriously understated by the non-inclusion of these data.

H. PALESTINE

The Finance and Government Statistics Department of the Palestinian Central Bureau of Statistics (PCBS) and the Research and Monetary Policies Department of the Palestine Monetary Authority (PMA) are jointly responsible for compiling FDI data as part of the compilation process of BOP and IIP data.

FDI data are compiled according to the standards set out in BPM5 and published on an annual basis. The criterion used to identify FDI is ownership of at least 10 per cent of the ordinary shares in a company by a related group. In Palestine, inward FDI is mainly in the form of equity capital, namely shares and reinvested earnings. The data sources are the ITRS, economic surveys, the BOP Annex with the Labour Force Survey, and the PMA records obtained from banks.

I. QATAR

A workshop was held in Qatar to introduce the ESCWA/UNCTAD FDI project. It is not known whether Qatar has introduced the resulting or some other questionnaire to collect FDI data. The only data available on the FDI of Qatar is that of UNCTAD.

J. SAUDI ARABIA

Based on the ESCWA/UNCTAD initiative, since 2004, data on FDI are compiled by SAGIA through an annual survey of all enterprises with FDI participation. SAGIA prepares annual reports on FDI flows, stocks, geographical origins, industrial classification, and number of FDI enterprises by new and existing ones. The Saudi Arabian Monetary Agency (SAMA) uses these data for the compilation of BOP data. In 2009, SAMA, for the first time, published BOP data for 2005-2008 in the BPM5 format. As a result, the classification of published data for prior years may differ, resulting in a break in time series data. SAGIA also collects data on the operational characteristics of FDIEs in Saudi Arabia.

TABLE 3. FDI INFLOWS TO SAUDI ARABIA, 2005-2009
(*Millions of US$*)

		2005	2006	2007	2008	2009
FDI inflows by economic sector	Agriculture and fishing			24	35	42
	Mining, extraction of oil and gas services			2 724	2 866	2 758
	Industry			9 659	12 014	11 683
	Electricity, gas and water supply			1 371	2 032	1 205
	Contracting			1 552	3 634	4 444
	Trade			960	1 021	1 307
	Hotels and restaurants			34	267	172
	Transport, storage and communications			1 169	2 866	1 987
	Finance services and insurance			1 550	4 139	3 740
	Real estate			2 707	6 996	4 658
	Other activities			1 070	2 281	3 520
FDI inflows by country of origin	United States		1 594	3 978	5 228	5 830
	UAE		(19)	2 381	5 595	3 787
	Japan		3 512	1 068	3 246	2 044
	Kuwait		267	2 370	4 638	4 299
	France		2 053	1 136	3 022	2 558
	Netherlands		820	904	1 363	1 344
	China		1 100	1 428	1 323	1 665
	Bahrain		789	593	1 681	1 095
	Jordan		557	384	841	818
	United Kingdom		2	270	922	1 043
	Other countries		6 425	8 308	10 292	11 033
Total FDI inflows		12 000	17 100	22 820	38 151	35 516

Source: Saudi Arabia General Investment Authority. *Annual Report of FDI*, 2010.

Note: ( ) implies negative figure.

K. THE SUDAN

The BOP Division, Statistics Directorate, Central Bank of Sudan (CBoS) is responsible for FDI statistics as part of the compilation of BOP data. Quarterly data are prepared and published in the Economic and Financial Statistics Review of the CBoS. Data are also published on an annual basis in the CBoS Annual Report. Since 1996, BOP data have been compiled according to BPM5 concepts.

The main sources for FDI data are the commercial bank reports, data of Sudan Customs on goods imported under concessions for investment purposes, the ITRS and data from the Ministry of Energy and Mining. Since January 1996, the BOP Division has sought to collect data on FDI through surveys of companies listed on the general registry of companies. FDI income includes all distributed earnings, profits, and returns on capital on investments of residents abroad and those on investments of non-residents in Sudan. The commercial banks and the Ministry of Energy and Mining provide data for debit entries.

L. SYRIAN ARAB REPUBLIC

According to the Central Bureau of Statistics (CBS), data on FDI are collected through reports filed by all enterprises with any foreign participation using the ESCWA/UNCTAD questionnaire. The CBS also has an ITRS for BOP data compilation.

The CBS undertook, in 2010, the latest survey of the enterprises with FDI participation covering 2008 and 2009. According to CBS, data on FDI cover inward FDI, where a non-resident or an affiliated group of non-residents holds at least 10 per cent of the equity. The source of this information are the required reports furnished by all enterprises with any foreign participation. FDI is mainly concentrated in the following sectors: oil, tourism, banking, insurance, and other investments, as defined under the Investment Law.

TABLE 4. FDI STOCK IN THE SYRIAN ARAB REPUBLIC, 2008-2009
(*Thousands of US$*)

	2008	2009
Agriculture	9 960	3 490
Mining and extraction	150 314	359 050
Trading	13 750	42 808
Manufacturing	345 180	466 730
Hotels and restaurants	126 515	131 825
Fund, insurance and real estate	470 955	536 474
Transportation and telecommunication	423 451	377 267
Services	73 259	51 616
Total FDI stock	1 613 384	1 969 260

Source: Presentation made by Ms. Hasna al Sameh from the Central Bureau of Statistics during the Expert Group Meeting on FDI Statistics in the ESCWA Member Countries, Beirut, 27-28 September 2011.

M. UNITED ARAB EMIRATES

An ESCWA/UNCTAD workshop was held in the United Arab Emirates to launch the FDI project. The Ministry of Economy and, later, the National Bureau of Statistics used at first the original questionnaire introduced by ESCWA/UNCTAD and later a revised version to obtain data on FDI for the period 2005-2008. The surveys are conducted by the respective emirates with assistance provided to the northern emirates for their survey operations by the Ministry of Economy and, later, the National Bureau of Statistics.

Compared to the FDI data for the United Arab Emirates estimated by UNCTAD, those of the Ministry of Economy and the National Bureau of Statistics are underestimated. The Emirates produces data on the operational characteristics of FDIEs.

TABLE 5. FDI INFLOWS TO THE UNITED ARAB EMIRATES, 2007-2008
(*Millions of US$*)

	2007	2008
FDI inflows	36 492	45 283

Source: Presentation made by Mr. Khalifa al Hosni from the National Bureau of Statistics during the Expert Group Meeting on FDI Statistics in the ESCWA Member Countries, Beirut, 27-28 September 2011.

N. YEMEN

Yemen regularly provided data to IMF on FDI flows and stocks until 2006. Data sources include the Ministry of Oil and Mineral Resources, which provides data on the petroleum industry based on the cost reports of the companies which do not conform to requirements of the International Financial Accounting System (IFAS). For direct investment in commercial banks in Yemen, the Banking Control Sector of the Central Bank of Yemen (CBY) collects data from the balance sheet of commercial banks. The latest metadata submitted by the CBY to the IMF does not state whether efforts are made to collect data from other sectors and what has become of the FDI survey that was initiated by a former resident IMF expert to collect data from all enterprises. The CBY claims that, since 1999, the compilation of BOP statistics in Yemen follows BPM5 and the historical data, dating back to 1990, have been converted to be compatible with BPM5. However, there is no evidence that the FDI data are collected according to the stipulations of BPM5. Operational data of FDIEs are not collected.

IV. ASSESSMENT OF THE IMPACT AND THE OPERATION OF THE FDI DATABASE DEVELOPED BY ESCWA/UNCTAD IN COOPERATION WITH PARTICIPATING COUNTRIES

The FDI database developed by ESCWA/UNCTAD in cooperation with participating countries has assumed far greater dimensions than originally planned. Planned originally to focus on inward FDI statistics of member countries, it now embraces all aspects of foreign investments both inward and outward. As a result, it has not only helped to develop data of other forms of foreign investments needed for compilation of BOP and IIP data but has also made significant data available to policymakers to make informed decisions on encouragement of foreign investments and in the analysis of the benefits and drawbacks of foreign investments. In this respect, the experience of the ESCWA member countries is not different from that of some other such developing countries as Nigeria, Gambia, Cambodia, and the Philippines. The extension of the scope of the original plan to include other types of foreign investments has also had the effect of improving FDI data as it is often inter-twined with other forms of foreign investments. Another very important outcome of this development are the substantial costs/benefits of coordinating the compilation of all types of foreign investments. This is very important for the ESCWA member countries as many of them have only very limited resources, both financial and personnel, to undertake several surveys on foreign investments.

As a prelude to the assessment of the impact and the operation of the ESCWA/UNCTAD database, a short account is given here of the FDI trends in the ESCWA region. Based on available data, an account is also given of outward FDI trends. Although more reliable data on outward FDI have become available as a result of the data extension activities of such countries as Oman, Syrian Arab Republic and United Arab Emirates, there are significant gaps in these data. They are not as comprehensive as the data collected on inward FDI. Moreover, operational data on outward FDI are not collected.

FDI trends are important for policymakers as well as all analysts of foreign investments. In the ESCWA region, there have been substantial intraregional FDI investments in recent years. Although this phenomenon had commenced before 2007, it has picked up considerable momentum since the end of 2007. These intraregional investments were important to the host countries since the overall rate of inflows of FDI from traditional investor countries has declined since the end of 2007. Another recent development are increased investments from developing countries. So a shift away from the traditional sources of FDI investments from the developed countries to that of ESCWA and other developing countries appears to be gathering momentum.

Following the section on FDI trends, references are made regarding the characteristics of FDI investments, improvements effected to BOP/IIP data followed by references to the data on trade in goods and services, including those associated with technology, value added, employment generated, and wages paid by FDIEs. These operational data of FDIEs are necessary to assess the impact of FDI on the economies of the ESCWA member countries.

A. FDI TRENDS

Knowledge about the trends and characteristics of FDI is important for policymakers in several respects. Countries that actively promote FDI could use this information to focus their promotional activities to attract FDI on those countries that are already active in the host economies. If the trends show shifts of FDI to countries other than the traditional ones, then policymakers might decide to assign more promotional efforts to the newer countries. Again, some investor countries may not reinvest most or all of their profits in the host countries. So policymakers may concentrate on those countries whose enterprises are more likely to reinvest profits than others. Diversification of economic activities, too, could be effected through FDI policies formulated to attract investments in several sectors rather than in particular ones. Therefore, data on investments in industrial sectors would also be needed. Significant aspects of FDI investments are the transfers of technology and managerial expertise. Operational data that relate to trade in services, especially those related to trade in technology services, would be needed. Data on employment and wages, especially differentiated between citizens and expatriates, would help the policymakers to determine the effects of FDI on the well-being of the citizens of ESCWA member countries.

Using available data, FDI trends over a period of time could be ascertained for the ESCWA region or for a particular country. In the previous chapter, references were made to the FDI trends of individual ESCWA member countries. Assessment has also been made of the relative performance of individual members in reference to the ESCWA region as a whole. Similarly assessment could be made for the performance of ESCWA as a region compared to other such regions as Latin America, South East Asia or Central and Eastern Europe.

According to the UNCTAD database, the stock of inward FDI in the ESCWA countries increased from US$67.6 billion at the end of 2001 to US$487.2 billion at the end of 2010. At a sevenfold increase, the ESCWA region experienced one of the fastest regional growths of inward FDI during the 2001-2010 period, especially since 2005. However, the rate of growth was not even among the 14 member countries.[3]

Of the ESCWA member countries, five, namely Egypt, Lebanon, Qatar, Saudi Arabia, and United Arab Emirates, accounted for about 80 per cent of total inward FDI stock in the ESCWA region at the end of 2010, a gain of 7 per cent in the relative share of these countries, which was 73 per cent at the end of 2001. Saudi Arabia displaced Egypt as the most dominant FDI host country in 2005. Its relative share of total inward FDI stock increased from 26 per cent (US$17.3 billion) at the end of 2001 to 35 per cent at the end of 2010 (US$170.5 billion). The FDI stock of Saudi Arabia grew tenfold during this period. However, during the same period, the United Arab Emirates registered a much faster growth of inward FDI from US$2.3 billion to US$76.2 billion, which was a thirty-four fold increase. The gain of relative share in the Emirates was also greater, with a 13-point gain compared to the 9-point gain of Saudi Arabia as the relative position of the United Arab Emirates increased from 3 per cent at the end of 2001 to 16 per cent at the end of 2010. Qatar registered a gain in relative share from 3 to 6 per cent. The relative share of Lebanon declined from 10 to 8 per cent. However, Egypt experienced a substantial decline of relative share from 31 to 15 per cent. Egypt, from being the most dominant FDI host country in the ESCWA region in 2001, slipped to third place at the end of 2010 after Saudi Arabia and the United Arab Emirates. Saudi Arabia, United Arab Emirates and Egypt accounted for two thirds of FDI in the ESCWA region at the end of 2010.[4]

A second group of four ESCWA member countries comprising Bahrain, Jordan, Oman and the Sudan accounted for a relative share of total FDI of 14 per cent at the end of 2010, which was a decline of the relative share of this group of 22 per cent at the end of 2001. In this group, only the Sudan registered an increase in relative share of total ESCWA region FDI stock from 3 to 4 per cent. Relative shares of the other three countries declined. Bahrain experienced the biggest decline from 9 to 3 per cent; the share of Jordan declined from 5 to 4 per cent and that of Oman from 4 to 3 per cent.

The third group of countries, namely Iraq, Kuwait, Palestine, Syrian Arab Republic, and Yemen, maintained its relative share of 6 per cent during this period. The relative shares of each of these countries varied between 1 and 2 per cent.[5]

Outward FDI stock of ESCWA member countries at an eleven fold increase registered a faster growth rate than that of inward FDI stock during 2001-2010. It grew from US$13.5 billion to US$142.7 billion. In terms of absolute amounts, the stock of outward FDI was, therefore, less important than that of inward FDI stock. However, outward FDI, which represented about 20 per cent of inward FDI in 2001, increased to 29 per cent at the end of 2010.[6]

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[3] UNCTAD. *World Investment Report*. 2003 and 2011.

[4] UNCTAD. *World Investment Report*. 2011.

[5] Ibid.

[6] UNCTAD. *World Investment Report*. 2003 and 2011.

Five of the ESCWA member countries, namely the United Arab Emirates, Qatar, Kuwait, Saudi Arabia, and Bahrain, accounted for about 88 per cent of total outward FDI stock in the ESCWA region at the end of 2010, representing a gain of 12 per cent in the relative share of these countries, which was 76 per cent at the end of 2001. The United Arab Emirates, with a relative share of 39 per cent, was the most dominant investor country in 2010, followed by Qatar (18 per cent), Kuwait (13 per cent), Saudi Arabia (12 per cent), and Bahrain (6 per cent). Compared to 2001, Qatar and Kuwait had displaced Egypt and Palestine among the top five FDI investor countries.[7]

In 2001, Saudi Arabia was the most dominant investor country for FDI abroad with a relative share of 39 per cent. Next in importance were the United Arab Emirates with 16 per cent, Bahrain with 15 per cent, Palestine with 9 per cent), Egypt, Oman and Kuwait each with 5 per cent, and Lebanon with 4 per cent. Qatar, with a relative share of 1 per cent, was therefore not among the top five investor countries in 2001. In 2001, the top five FDI investor countries had accounted for 84 per cent of total FDI investments abroad. However, the place of Palestine among the top five investor countries is questionable. The survey based on the BOP Annex with the Labour Force Survey, done by Palestine to compile FDI abroad, was faulty. This survey attempted to get FDI abroad by the households as Palestinians effected substantial real investments abroad, especially in Jordan. However, the responses were provided by members of the households who were not fully aware of the value of investments, if any, abroad. It was also not clarified whether they were reporting investments made by relatives who had become residents of Jordan or investments of those who were still resident in Palestine.[8]

Therefore, the outstanding feature of FDI abroad during the period 2001-2010 was the remarkable growth of both absolute and relative shares of FDI abroad by the United Arab Emirates, Qatar and Kuwait. On the other hand, while the absolute amount of Saudi Arabian FDI abroad increased from US$5.3 billion to US$17 billion, its relative share of the total plunged from 39 to 12 per cent.

A second group of five ESCWA member countries comprising Lebanon, Egypt, Oman, Jordan, and Palestine accounted for a relative share of total FDI abroad of 12 per cent at the end of 2010, which was a decline of the relative share in this group of 24 per cent at the end of 2001. The most noticeable decline was that of Palestine, with a drop from 9 per cent to less than 1 per cent. The share of Egypt declined from 5 to 4 per cent and that of Oman from 5 to 2 per cent. The share of Jordan was low in both years, with less than 1 per cent of the relative share.

The third group of ESCWA member countries comprising the Syrian Arab Republic, Yemen, the Sudan, and Iraq together accounted for less than 1 per cent of the relative share of FDI abroad in both years. While Yemen and the Syrian Arab Republic compile data on FDI abroad, the Sudan and Iraq do not.

B. CHARACTERISTICS OF INWARD FDI

Not all users of data are interested merely in absolute or relative numbers. Policymakers are interested in the various characteristics of FDI. For such users, the database is of great assistance. For instance, using these data, the following characteristics may be discerned for inward FDI in ESCWA member countries:

(a) Oil and gas industry and related manufacturing industries are still the major recipient of FDI, for instance United Arab Emirates, Saudi Arabia, Oman, Yemen, Bahrain, Qatar and Egypt;

(b) FDI is becoming more diversified now with significant investments in telecommunications, financial, other manufacturing, real estate and construction investments, decreasing the relative importance of oil and gas industry;

[7] Ibid.

[8] UNCTAD. *World Investment Report*. 2003 and 2011.

(c) Considerable challenges are encountered in the measurement of inward FDI in real estate investments in all ESCWA member countries;

(d) Non-corporate FDI is significant in the real estate sector, especially in the United Arab Emirates;

(e) Intraregional investments have increased considerably in recent years;

(f) Investments from developing countries, especially controlled from India and China, have also increased in recent years;

(g) Investments directed from such tax haven countries as Netherlands Antilles, Panama, and Channel Isles but controlled from other countries, including the host countries (double tripping), have been identified;

(h) Double tripping of FDI through tax haven countries is most noticeable in the Syrian Arab Republic;

(i) FDI through retained earnings is not the favoured financial instrument of investment, profits are practically all paid out;

(j) Financing through such other foreign investments as foreign bank loans is very significant in the financing of investments by TNCs, as is the case with Oman, for example;

(k) Besides dividends and interest, payments to principal shareholders for provision of services also significant;

(l) Intra-FDIE trade in goods, especially in resource-based industries, are also significant;

(m) A variety of different accounting conventions used by the oil and gas industry provide a number of compilation challenges;

(n) The presence of significant expatriate communities, especially in the GCC countries, offers challenges of FDI measurement as well as other forms of foreign investments based on residency.

C. CHARACTERISTICS OF OUTWARD FDI

Similarly, data from the database exhibit the following characteristics of FDI abroad from ESCWA member countries:

(a) For Saudi Arabia and the United Arab Emirates, outward FDI stock is of about the same magnitude as the stock of inward FDI;

(b) For Kuwait, outward FDI stock is far more significant than inward FDI stock;

(c) For Oman, Yemen, the Syrian Arab Republic, Palestine, and Egypt, inward FDI is more important than outward FDI;

(d) The FDI stock abroad of Qatar may be higher than inward FDI; however, reliable data on the inward and outward FDI of Qatar are not yet available to make any firm conclusion;

(e) FDI investments abroad in the oil and gas industry are significant for both Oman and the United Arab Emirates, although currently, such data are not comprehensively compiled;

(f) Non-corporate FDI investments abroad in real estate is significant for several ESCWA countries, especially for the United Arab Emirates; however, difficulties associated with the measurement of such investments greatly understate them in official statistics;

(g) Non-corporate FDI is significant in the countries of citizenship of expatriates resident in ESCWA countries, for instance India and the Philippines;

(h) While there is significant increase in FDI real estate investment abroad from the United Arab Emirates, its relative share of total FDI abroad appears to be less than its share of inward FDI;

(i) Most of the real estate investments abroad of the United Arab Emirates is by the resident expatriate community and, hence, poses measurement challenges;

(j) SWFs and State-controlled corporations from the United Arab Emirates, Oman, Qatar, Saudi Arabia, Bahrain and Kuwait are significant foreign direct investors abroad;

(k) With some such significant exceptions as Mubadala, and publicly traded State-controlled corporations, reluctance of SWFs and State-controlled corporations to provide relevant data has seriously affected the quality of official data produced on FDI abroad, as is the case in the United Arab Emirates and Oman, among others;

(l) Since 2008, SWFs have re-directed some FDI abroad from developed countries to those of the Middle East and North Africa (MENA) and to their own home countries, for instance the United Arab Emirates;

(m) SWFs based in the ESCWA region have formed significant partnerships with foreign-based TNCs to invest in MENA countries.

D. IMPROVEMENTS TO BOP/IIP DATA

As a result of the ESCWA/UNCTAD efforts to improve the compilation of accurate and verifiable FDI data, using the questionnaire as the main collection tool, some countries, particularly Saudi Arabia and Oman, have considerably improved the quality of their FDI data. The Syrian Arab Republic has also achieved a commendable stage in its development of a questionnaire approach. The preliminary results of its latest survey reflect fairly well the scope of inward FDI with regards to amounts and industrial distributions with some gaps for investments in real estate and oil and gas. Moreover, the sources of FDI need to be clarified further as a result of investments made through tax haven countries and double tripping. The United Arab Emirates has launched a series of FDI surveys and has collected data for the period 2005-2008. Based on its own experience and that of Oman, it has made changes to its questionnaire to collect data on all foreign investments. The main challenge facing the Emirates is to improve its coverage of the real estate and oil and gas industries which are the main sectors of its inward FDI. Bahrain was one of the first countries to launch an FDI survey as a result of the ESCWA/UNCTAD efforts. It is not known whether Bahrain made any subsequent efforts.

Successful FDI surveys result in improved BOP/IIP data. Financial flows and stocks are two examples of such data. In addition, both BOP and IIP data will also show the instrument classification of FDI flows and stocks, which is the differentiation between equity and debt. With regard to equity, information is available as to whether it is new capital or reinvested capital. As to debt, information is available on whether it is long-term or short-term, although such information may not be published. For policymakers, these details are important. If a substantial amount of FDI is in the form of a short-term debt, there may be undesirable fluctuations in flows which may not result in stable investments. For those policymakers who wish to see increased FDI, it may not be acceptable when existing FDI enterprises remit all or most of their profits abroad. Therefore, they may want to effect policy changes that will encourage existing FDIEs to consider expanding their current investments or to examine investments in other related fields.

Besides the financial flows and stocks of FDI, the FDI survey has enabled the compilation of other BOP data related to FDI. These include investment income comprising dividends, reinvested earnings and interest. Another set of data relates to trade in services which are discussed in more detail in the section on operational data of FDIEs along with trade in goods. In many developing countries, trade in services data is poorly compiled.

Data available on non-corporate FDI real investments and remittances would help BOP compilers to further refine their data on both remittances and FDI. For instance, it has been known for some time that the BOP data on remittances are a mixed bag and that they also contain FDI in real estate and small and medium enterprises in the services industry. Oman is planning to differentiate true remittances, which are for consumption purposes, from those that are of investment characteristics, including FDI (real estate, small and medium services enterprises), portfolio investments (trading in stocks), and other such foreign investments as bank deposits.

The original scope of the ESCWA/UNCTAD project which was to collect data on inward FDI was later expanded to include all foreign investments at first by Oman and then by other such countries as the Syrian Arab Republic and the United Arab Emirates. Such extension has been recommended to other countries that include Egypt and Palestine. The data collected on these expanded surveys have done much to improve BOP data on private capital flows encompassing direct, portfolio and other foreign investments. These data are collected for both inward and outward foreign investments.

Improved BOP data has also lead to the improvement of other such macroeconomic data as the national accounts. Hence, to the extent that these surveys have helped in the production of better-quality macroeconomic data, member countries have better economic indicators for various policy formulations.

E. OPERATIONAL DATA OF FDI ENTERPRISES

Various operational data of TNCs on FDI-related trade in goods and services, technology transfer, wages, and employment are collected on inward FDI. These data are useful to analyse the impact of FDI on the economies of host countries. These data are not collected for outward FDI.

One of the benefits of FDI is the opportunity that is available for transfer of technology and managerial expertise. These transfers may be largely non-existent or occur too slowly to be of benefit to the host countries. Predictably, TNCs would like to closely safeguard their technology through patents and copyrights in order to earn economic rents for as long as possible. While they are willing to allow the FDIEs to use technology for a fee, including an economic rent, they would not make outright sale or transfer of knowledge of technology to the host countries. FDIEs in developing countries normally do not indulge in research and development to develop new technology. However, in some instances when developing countries may have some advantages with regard to raw materials or labour in certain industrial sectors, they may formulate policies to allow FDI in those fields if the investors allowed real transfer of technology.

The ESCWA/UNCTAD questionnaire collects data on trade in services by nine major categories, one of which is royalties and licence fees which clearly relate to the use of technology. Some may report payments for technology in a miscellaneous category called other business services. Although, the respondents are asked to specify the data that they report in this category, they may not always do so. Therefore, as part of the validation process, compilers should follow up with respondents when data reported in the miscellaneous category are not specified. A quicker way to find out about payments made for technology is to peruse the financial reports of FDIEs. These payments are usually made to the parent companies or their associates and, as such, the amounts of payments made are referred to in the footnotes of financial reports.

The following tables show some of the operational data of FDIEs published by Oman, Saudi Arabia and the United Arab Emirates. Of these countries, only Oman has published data on trade in services with non-residents, both exports and imports. TNCs trade in services with residents is not captured. The payments for royalties and services in Oman amounted to US$40 million in 2008 (see table 6). For the period 2005-2008, these payments varied between US$16 million and US$42 million annually. Most of these payments were made by the oil and gas industry and were verified through financial reports besides the data reported in the questionnaires. However, some respondents may have included royalties and licence fees with other business services, which amounted to US$345 million in 2008. For the period 2005-2008, these payments varied between US$132 million and US$345 million annually.[9] In 2008, payments increased substantially, probably because some oil and gas-based industries that came on stream during that year had to pay royalties and licence fees to the parent companies for the use of certain processes and technologies. If this was the case, not separating technology fees from other business services is of no help to users who look for trade in technology services. Therefore, while Oman may be capturing most of the trade in services fairly well on the whole, it may not be doing a good job capturing specific details.

TABLE 6. SERVICE TRANSACTIONS OF FOREIGN INVESTMENT ENTERPRISES WITH NON-RESIDENTS IN OMAN, 2008
(*Millions of US$*)

Services	Inflows	Outflows
Insurance services	95	138
Transportation services	136	106
Royalties and licence fees	0	40
Operational leasing	1	278
Communication services	0	4
Computer and software services	0	31
Construction services	299	1 104
Financial services	25	37
Other business services	118	345
Total	674	2 084

Source: Foreign Investment. Fourth Issue. Statistics Bulletin. Directorate General of Economic Statistics, Ministry of National Economy, Sultanate of Oman.

Oman collects data on exports and imports of goods differentiated by trade with direct investors and related parties and trade with other non-residents. However, these were not published in the Statistics Bulletin, Fourth Issue, of March 2010. Data on sales to and purchases from residents are not collected.

Saudi Arabia published useful data on the impact of FDIEs. The Annual Report of FDI, 2010, SAGIA, contains these data for the period 2005-2009. Data published include total sales and total exports of FDIEs. Therefore, total domestic sales can be derived. While data on local purchases are published, there is no reference to total imports or total purchases. Therefore, the value of imports by FDIEs cannot be derived (see table 7).

[9] Foreign Investment. Fourth Issue. Statistics Bulletin. Directorate General of Economic Statistics, Ministry of National Economy, Sultanate of Oman.

TABLE 7. IMPACT OF FOREIGN AND JOINT INVESTMENTS IN SAUDI ARABIA, 2005-2009

	2005	2006	2007	2008	2009
Total labour in FDI projects (thousand US$)	225	254	299	335	375
Total salaries and wages (billion US$)	3.9	4.5	5.5	6.5	7.8
Total sales (billion US$)	57	68	84	92	105
Local purchases (billion US$)	34	39	41	49	60
Export value (billion US$)	21	30	36	39	43
Export of FDI projects as percentage of total on-oil export	58	73	69	66	58
Added value (billion US$)	11.5	13.9	20	23.2	26.9

Source: SAGIA. *Annual Report of FDI*, 2010.

The United Arab Emirates publishes data on sales and purchases of goods by economic activity differentiated between sales and purchases to residents and non-residents. Therefore, from the point of details published, the data of the United Arab Emirates are to be preferred to those of Oman and Saudi Arabia. However, the Emirates has not achieved comprehensive coverage of FDI enterprises.

TABLE 8. SALES* BY FDIES BY ECONOMIC ACTIVITY
IN THE UNITED ARAB EMIRATES, 2006
(*Millions of US$*)

Economic activity	Domestic sales	Exports	Total
Agriculture, hunting and forestry	31	-	31
Mining and quarrying	704	185	889
Manufacturing	4 706	2 743	7 449
Electricity, gas and water	1 026	85	1 111
Construction	4 245	503	4 748
Wholesale and retail trade	4 720	6 654	11 374
Hotels and restaurants	167	4	171
Transportation, storage and communication	248	264	512
Financial intermediation and insurance	2 038	248	2 286
Real estate, renting and business activities	N/A	N/A	N/A
Other activities	1 114	205	1 319
Total	18 999	10 891	29 890

Source: *Foreign Direct Investment in the UAE*, 2005-2006, Ministry of Economy.

* These include both goods and services.

TABLE 9. PURCHASES* OF FDIES BY ECONOMIC ACTIVITY
IN THE UNITED ARAB EMIRATES, 2006
(*Millions of US$*)

Economic activity	Domestic purchases	Imports	Total
Agriculture, hunting and forestry	22	1	23
Mining and quarrying	114	191	305
Manufacturing	3 184	3 343	6 527
Electricity, gas and water	278	69	347
Construction	2 413	331	2 744
Wholesale and retail trade	1 476	7 467	8 943
Hotels and restaurants	9	41	50
Transportation, storage and communication	201	87	288
Financial intermediation and insurance	741	209	950
Real estate, renting and business activities	N/A	N/A	N/A
Other activities	651	258	909
Total	9 089	11 997	21 086

Source: *Foreign Direct Investment in the UAE*, 2005-2006, Ministry of Economy.

* These include both goods and services.

Saudi Arabia, the United Arab Emirates and Oman publish data on employment generated and wages and salaries paid by FDIEs. In table 7, Saudi Arabia has included total employment and salaries and wages paid by FDIEs for the period 2005-2009. The United Arab Emirates has published data on employment generated by FDIEs for the period 2005-2007 by economic activity, but no data on wages and salaries (see table 10). Oman has published data on employment and salaries and wages of FDIEs for the period 2005-2008 in its latest publication. The data related to 2008 are presented in table 11 and shown by economic activity and nationality (Omani and non-Omani). It must be said that, of the data presented in this report on employment and wages, the most useful ones are those of Oman. Since Oman has launched an Omanization programme, these data will help policymakers to assess how well this programme is implemented. Without such data, it will be difficult to assess the success of the Omanization programme.

TABLE 10. NUMBER OF EMPLOYEES IN FDIES BY ECONOMIC ACTIVITIES IN THE UNITED ARAB EMIRATES, 2005-2006

Economic activity	2005	2006
Agriculture, hunting and forestry	622	627
Mining and quarrying	4 191	5 358
Manufacturing	46 388	56 904
Electricity, gas and water	1 836	2 292
Construction	76 337	95 888
Wholesale and retail trade	23 061	26 764
Hotels and restaurants	3 524	4 056
Transportation, storage and communication	3 784	4 035
Financial intermediation and insurance	14 642	15 036
Real estate, renting and business activities	N/A	3 349
Other activities	12 878	9 529
Total	227 648	223 838

Source: *Foreign Direct Investment in the UAE*, 2005-2006, Ministry of Economy.

TABLE 11. EMPLOYMENT IN FOREIGN INVESTMENT ENTERPRISES BY NATIONALITY AND INDUSTRY IN OMAN, 2008

Industry	Omani	Non-Omani	Total
Oil and gas exploration	15 092	9 676	24 768
Construction	22 721	76 919	99 640
Financial intermediation	9 118	2 255	11 373
Transport: storage and communication	8 238	2 280	10 518
Manufacturing	7 858	12 806	20 664
Real estate: renting and business activities	4 067	10 980	15 047
Trade	6 884	9 460	16 344
Other	3 791	5 845	9 636
Total	77 769	130 221	207 990

Source: Foreign Investment. Fourth Issue. Statistics Bulletin. Directorate General of Economic Statistics, Ministry of National Economy, Sultanate of Oman.

In its latest publication on foreign investments, Oman has published data on value added by industry for the period 2005-2008. Table 12 presents these data for 2008. Value added has been calculated from data obtained from the questionnaire and validated with data taken from the financial statements of FDIEs. These data are obtained from the income statements of the FDIEs. Value added is calculated as follows:

Net income (before taxes) = gross income – gross expenses.

These data are utilized in the construction of the gross domestic product (GDP).

TABLE 12. VALUE-ADDED DATA FROM INCOME STATEMENTS OF FOREIGN INVESTMENT ENTERPRISES IN OMAN, 2008
(*Millions of US$*)

Industry	Income	Expenses	Net income
Oil and gas exploration	28 016	11 150	16 866
Manufacturing	16 807	13 856	2 952
Financial intermediation	2 263	1 780	483
Construction	4 532	4 220	313
Trade	5 875	5 612	263
Real estate: renting and business activities	1 427	1 194	233
Other	3 374	2 818	556
Total	62 295	40 629	21 666

Source: Foreign Investment. Fourth Issue. Statistics Bulletin. Directorate General of Economic Statistics, Ministry of National Economy, Sultanate of Oman.

The ESCWA/UNCTAD questionnaire, including its expanded version covering all foreign investments, had requested BOP/IIP and operational data from the FDIEs. However, since the institutions involved in the project had different needs, the quality of data collected depended very much on the primary interest of these institutions. In the case of countries where the statistical agencies were primarily in charge of the survey, attempts were made to collect and validate both BOP/IIP and operational data. In the case of countries where the central banks had influence on the conduct of the surveys, the tendency was to concentrate on BOP/IIP data and less on the operational data. Therefore, there is a need for all the ESCWA member countries to consider to what extent action should be taken to improve and, if necessary, expand the collection of operational data.

At the commencement of the project, there was a need to keep the project simple because resources were limited and the learning curve for the employees involved in the project was steep. For this reason, it was decided to derive FDI flows from positions initially and then to adjust them for takeovers, issue of additional capital, new investments, exchange rate changes, and others. However, in practice, all of the countries just derived the flows as changes in positions. In some instances, adjustments were made for well-publicized injections of additional capital or takeovers. But these were few. The current revised questionnaire has a new column which requests information on changes other than transactions for the survey year. This is in addition to the previously requested data on year-end positions of assets and liabilities for two consecutive years and transactions for the survey year and will ensure that other changes are not included with flows.

V. EVALUATION OF THE CHALLENGES FACED BY DATA-COLLECTION OFFICERS, FIELD SURVEYORS AND REPORTING OFFICERS

Challenges facing FDI compilation may be of a general nature applicable to all the ESCWA member countries or they may only have significance in some and not all the countries. In the ESCWA member countries, compilation of FDI and related statistics has progressed much further in some countries than in others. Even in the countries that have shown progress in the compilation of FDI statistics, the extent of collection and quality of data may differ. For those countries as well as those that have shown very little progress in the development of these statistics, it is necessary to look into a combination of general and particular challenges that may hinder the collection of quality data. Following a discussion of the various challenges faced by the data-collection officers, field surveyors and reporting officers, various challenges were identified, which are discussed below.

A. MANAGEMENT COMMITMENT

The most important key factor that contributes to the successful compilation of FDI statistics is management at all levels, especially at the senior or decision-making levels. Oman has amply demonstrated the effective role played by management, especially at senior levels, including ministers. Other ESCWA member countries where the involvement of senior managers has produced positive results include Bahrain, Palestine, Saudi Arabia, Syrian Arab Republic, and United Arab Emirates. However, in some of these countries, progress has either been very recent or not consistent over a period of time. As to why progress has been somewhat inconsistent in some countries, one has to look at other challenges.

B. QUALIFIED STAFF

It is very important to have a permanent and dedicated staff with appropriate knowledge and training to compile FDI data. If staff resources are spread too thinly over a range of macro economic statistics, not enough resources will be available to compile quality FDI data. Worse still, when the same staff resources are spread over both economic and social statistics, insufficient attention will be paid to the compilation of FDI statistics.

In the ESCWA member countries, only Oman has in place staff exclusively for the compilation of foreign investment statistics. As in a number of other countries, at the beginning of compilation efforts at FDI, Oman utilized a number of statistical enumerators rather than compilers of FDI data. The distinction between an enumerator and a compiler is very important. An enumerator is basically a collector of data, whereas a compiler edits the raw data for arithmetical or reporting errors and ensures that the compiled data conforms to internationally accepted concepts. In a number of countries, collection of FDI data, for a very long time, was conducted through the postal system and, therefore, there was no necessity for enumerators. In recent years, the postal and enumerator forms of data collection have been superseded by electronic mailing in a number of countries. Oman is one of the earliest countries to switch to electronic mailing.

In the earlier system of enumerators and compilers, enumerators were expected to perform functions of compilers. That is, when they collected the forms from the respondents, they were expected to make checks to ensure that there were no arithmetical errors and that all the required data were provided, and to respond to queries from the respondents on concepts and others. Unfortunately, as these enumerators distributed and collected several different surveys, most of which did not involve the complexity of concepts associated with foreign investments data, they were not in a position to be effective compilers of data. This was compounded further by the fact that the enumerators did not have the level of education required of compilers of foreign investment statistics.

There was another complexity. In many countries, including a number of ESCWA member countries, foreign investment statistics are collected as part of the compilation of BOP and IIP statistics. The BOP and IIP statistics are compiled by central banks, whereas other macroeconomic data are compiled by statistical agencies which were either stand-alone institutions or attached to such ministries as economy or finance. However, while central banks had highly qualified analytical staff, they had often failed in their efforts to produce statistical collections with the exception of statistical collections related to financial institutions. Where central banks instituted the system of ITRS for the collection of BOP data, including foreign investment statistics, insufficient attention was given to editing reported data to conform to internationally accepted concepts. Furthermore, there was little or no interaction between those who compiled ITRS and others who used them to compile BOP data.

Egypt, Nigeria and the Philippines are examples of countries where central banks employ a large number of staff to compile BOP, including foreign investment statistics, from data reported on their ITRS. However, the ITRS does not provide data on levels of foreign investments and is, therefore, not helpful for the collection of IIP data. Even for the collection of flows of investments, the ITRS may prove to be very challenging. For all of these reasons, surveys have been found to be the most effective means of collecting data on foreign investments. Therefore, even such countries that have historically relied on ITRS as Egypt, Nigeria and the Philippines have instituted surveys while continuing with the ITRS for the purpose of other BOP data and to supplement data collected on surveys for foreign investments.

In some countries, the collection of foreign investment statistics and some of the other BOP and IIP data have migrated from central banks to statistical agencies. In other countries, collection of such data has become the joint responsibility of various agencies that are also users of these data or are considered to have the necessary expertise for the collection of data, as is the case with statistical agencies. In Oman, the collection of foreign investment statistics has been moved from central banks to one joint collection body composed of the ministry of economy, the central bank and the ministry of commerce.

Hence, due to the widespread need and use of foreign investment statistics, it is important that the staff engaged in the compilation of these data are not only permanent but also have the knowledge and training required to perform their duties effectively. These requirements are discussed in the next section.

C. ADEQUATE KNOWLEDGE AND TRAINING

The minimum requirement for compilers of these data would be university graduation with concentration in economics and finance courses, including accounting and statistics. Post-graduate qualifications would be ideal for analytical work on foreign investments. These compilers would be required to possess knowledge of other such macroeconomic statistics as BOP, national accounts, and others. Furthermore, they should acquire knowledge of internationally accepted concepts on foreign investments, BOP, national accounts and the role of the United Nations, IMF, OECD and related sister organizations in the formulation of concepts as well as the compilation and use of data on foreign investments. Additionally, they would be expected to be familiar with the compilation practices of such countries as Australia, Canada, Oman, the Philippines, Uganda, and the United States that have achieved milestones in the compilation of foreign investment statistics.

It is not to be expected that staff recruited to work on these statistics will have all of the required knowledge initially. Therefore, it is necessary to have an ongoing training programme to ensure that employees acquire the necessary expertise. Such training could be organized in situ or regionally for a number of countries.

Another positive development in training efforts has been the role played by some of ESCWA member countries in providing technical assistance in the compilation of these statistics to other countries. Oman has played a leading role in this respect; Saudi Arabia and the United Arab Emirates are also able to provide such technical assistance. The ability to give and receive technical assistance should be treated as an important part of training.

D. COMMUNICATION SKILLS

There are various aspects of communication issues. The foremost among them is the language of use for the compilation of FDI data. From a practical point of view, knowledge of English is indispensable, English being the global business language. Manuals, textbooks and compilation guides of the IMF, financial reports of TNCs and country-based statistics and publications on foreign investments, BOP, and national accounts are always available in English. While some of these are available in other principal languages of the world, they are not necessarily up to date, and some of them take years to be translated so that they are already outdated once they are available.

Secondly, there is also the issue of intra- and inter-agency communication among compilers and users of statistics on foreign investments. Inter-agency communication involves agencies in other countries where Arabic may not be spoken. Hence, effective steps should be taken by the compilation agencies in ESCWA member countries to promote the use of English as also a working language, in addition, of course, to the use of Arabic, for compilation of macroeconomic statistics.

Aside from the languages of use for the compilation of data, communication is important from the point of view of the cooperation that is necessary among compilation and user institutions in each country. In this context, and as a matter of example, the cooperation that has been forged among the Central Bank, the Ministry of Economy and the Ministry of Commerce in Oman is noted. In the United Arab Emirates, first the Federal Ministry of Economy and now the National Bureau of Statistics have taken the measures necessary to promote good communication among the various emirates. In Saudi Arabia, SAGIA and SAMA cooperate well in the production of FDI statistics.

E. TECHNOLOGY AVAILABILITY

Technology has revolutionized the manner in which statistics are collected and made available. It has been noted in an earlier section that the laborious manner in which statistical forms were distributed and collected employing enumerators has been replaced by electronic reporting in some countries, for instance in Oman. This has freed resources for more productive uses.

The use of such search engines as Google and Bing has enabled compilers to obtain a vast array of information pertaining to foreign investments related to their countries, both inward and outward. Utilizing search engines is principally the initial step necessary in any country that attempts serious compilation of data for the first time and also, on a continuing basis, for all countries to get information on principal investors, amounts and types of investments and industrial and geographical characteristics. This methodology was successfully employed in Cambodia, Nigeria, Oman, the Philippines, and the United Arab Emirates.

Computerized editing is another aspect of the use of technology. Technology is evolving and improving at a rapid pace. Compilers of data need to take advantage of developments in order to use scarce resources more efficiently.

F. COMPREHENSIVE COVERAGE

ESCWA member countries have made efforts to have a comprehensive coverage of FDIEs, making attempts to cover all FDIEs. A number of pre-survey and post-survey efforts were made to remove names, addresses and contact information of FDIEs. These efforts have been costly and time-consuming. A number of companies surveyed turned out to be non-FDIEs. Over the years, various countries have realized that, since only a small number of FDIEs account for most of the FDI, it is not necessary to survey all FDIEs on an annual or quarterly basis. In most ESCWA member countries, the top 50 to 100 FDIEs would account for about 75 per cent of FDI. Therefore, it may be necessary to cover all FDIEs only periodically, once in five years, for instance. During the intervening years, the data of non-surveyed companies could be estimated on the basis of the performance of other FDIEs in their respective industries. Oman has now adopted this practice of selective coverage.

Irrespective of whether the coverage is comprehensive or selective, there are yet some coverage issues that need to be addressed. These concern the coverage of SWFs, tax havens, industrial estates and free trade zones, construction activities, investments in oil and gas, and real estate.

(a) *Sovereign wealth funds*

SWFs are important vehicles of foreign investments in some, but not all ESCWA member countries. They are most important for Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates and to a lesser extent for Bahrain and Oman. However, most SWFs do not publish financial data on their activities or make them available to the statistical agencies of their respective countries on a confidential basis. Although, with international focus on the need for SWFs to make financial data available, some of the ESCWA-based SWFs have begun to publish annual reports on their activities. In the absence of data from most of the SWFs, research and international organizations have resorted to estimating data on SWF investments based on publicly available data, including those of partner countries.

To ignore the SWF data on the grounds that they are not provided would seriously hurt the quality of official foreign investments statistics of key ESCWA member countries. For instance, the substantial difference in the value of FDI data published by official authorities in the United Arab Emirates and UNCTAD data is principally due to the deficiency that most SWF data are not included in official statistics. UNCTAD estimates the gaps through the use of partner country data or from media information which includes well-publicized mega-investments in North America, Europe and ESCWA member countries made by SWFs based in the United Arab Emirates.

(b) *Tax havens*

A number of countries all over the world utilize tax-haven countries to route their FDI to the ultimate destinations. Some of the tax-haven countries through which inward and outward FDI of ESCWA member countries are routed include the British Channel Islands, Cyprus, Luxembourg, Panama, and Switzerland. According to internationally accepted FDI concepts, FDI investments should be attributed to the first or immediate foreign link country for both inward and outward FDI irrespective of the ultimate origin or destination of these investments. Some residents of ESCWA member countries, as well as other countries, make investments in their own countries through companies established in tax-haven countries. This is termed round-tripping. However, in such cases, in keeping with FDI concepts, these investments should be attributed to the tax-haven countries which are the immediate link in the flow of these investments. To understand all the dimensions of the flows of FDI, it is necessary to collect data on the ultimate control of FDI. Unfortunately, even such countries that collected useful data on foreign controlled investments as Canada have discontinued much of their efforts. ESCWA member countries may want to consider compiling data on foreign controlled investments in addition to the compilation of FDI statistics.

(c) *Industrial estates and free trade zones*

Industrial estates and free trade zones have been established practically in all ESCWA member countries to encourage investments through grants of incentives. Many domestic enterprises and FDIEs have been located in these complexes to benefit from the incentives. The FDIEs in these complexes may vary in size of investments from small to large. Member countries have had mixed results in obtaining data from the FDIEs in these complexes. Some companies may refuse to provide data citing non-compliance as part of the incentives for settling down in these complexes. Others have been cooperative.

In each country, a Government agency is in charge of administering the complexes which may be approached to elicit the cooperation of the companies to file statistical reports. In Oman, the Public

Establishment for Industrial Estates (PEIE) is responsible for the various industrial estates and free trade zones. In the 2006-2008 period, the number of projects located in these areas increased by 583, both local and foreign, to reach the total of 817. In terms of size, Sohar Industrial Estate was first with 51 per cent of total investments in industrial estates. Sur Industrial Estate came second with 39 per cent of investments. Other industrial estates include Knowledge Oasis Muscat, Al Rusayl, Al Buraimi, and Nizwa. In the United Arab Emirates, significant FDIEs are located in industrial estates.

(d) *Construction activities*

There have been large FDI projects in the manufacturing and utilities sector in ESCWA member countries. Constructions associated with these projects have been mainly carried out by foreign companies on an engineering, procurement and construction (EPC) contract. These projects involve both onshore and offshore components. The onshore component relates to the construction of the buildings which is performed by a FDIE, usually an associate of the foreign contractor. In foreign investment statistics, the onshore component should be captured as FDI activity and the offshore components as services. If the construction lasts for less than one year, which is very unlikely in the case of large-scale projects, none of the value of the construction activity is considered as FDI. The total value is considered as import of services with some offsetting amounts for exports of services from the host country and other adjustments to BOP data.

Omani data in respect of construction activities have improved considerably as a result of the ESCWA questionnaire, especially with regard to capturing services imports. In CBO data, an outdated formula was used until recently to capture services related to construction. Currently, the CBO uses the data from the survey for services. However, the FDI component of construction activities, that is when a construction activity lasts for more than one year, has not been captured in a systematic manner. While the companies will report the value of offshore activities as business services imports, the onshore activities associated with FDI construction companies will be missed if these companies are not surveyed. By the time such companies are identified, they may have completed their activities and left Oman. The most effective way of capturing onshore activities related to the construction phase of a project is to identify the project as soon as information becomes available and by keeping in close touch with the company to obtain data.

(e) *Oil and gas investments*

Oil and gas investments in ESCWA member countries are made under various production-sharing agreements. The companies produce various cost reports which are also submitted to the respective Government agencies that monitor the production agreements, usually the ministries of oil and gas, and statistical agencies. As discussed in an earlier section, cost reports are not suitable sources to derive FDI of oil companies. As these companies are requested to prepare their accounts according to IFAS, compilers should request that data be provided accordingly. In the event that cost reports are not available, the cost reports are the second best option [Division: Previous sentence is unclear].

Major oil companies farm out some of their oil concession acres to other companies or explore and develop some portions in joint venture agreements. Therefore, it is important to know the profiles of the various companies involved in exploration and production and to approach all parties involved in the joint ventures for data on FDI. All pre-exploration expenditures made by oil companies should be included as FDI. The major expenses include payments made for the privilege of exploring and developing designated acreage both onshore and offshore. These concessions are usually auctioned.

Another major investment associated with FDI is called signature bonus, which is payment made to the Government for the right to explore. Besides these two major expenses, oil companies will expend on such pre-exploration costs as surveys and others. These costs will precede exploration and development expenditures. All of these should be captured as FDI.

(f) *Real estate investments*

Inward and outward FDI in real estate of ESCWA member countries are significant for some of the member countries. The United Arab Emirates is the best known of the ESCWA countries for significant inward and outward FDI in real estate. Lebanon has experienced a wave of investments in real estate both by Lebanese expatriates and nationals of the GCC countries. In 2008, about 26 so-called tourist complexes were under construction in Oman. Only non-residents were eligible to purchase real estate in these complexes. The most dominant among them were Waves, Blue City, Muriya and Samai Dubai. Some of the high-profile complexes have been on hold or their development reduced to a slower pace since 2008. For 2007, comprehensive data on these projects were not obtained. According to the chief executive officer (CEO) of Blue City, 25 per cent of the sales at Blue City were made to non-residents, especially from other GCC countries and India. This ratio should hold good for other projects as well. Besides the FDI in the individual units bought by foreign direct investors, foreign investments, namely FDI, FPI, and FOI, were made in the development projects by foreign investors, some of whom were the developers, foreign banks, contractors, and suppliers. Egypt and Jordan are other ESCWA member countries that have experienced an influx of FDI in real estate, especially by the non-corporate sector.

Similarly, residents of ESCWA member countries have made outward FDI in real estate. ESCWA-based SWFs are active in such investments. Expatriates in GCC countries, especially from Egypt, Lebanon, the Philippines, and South Asia, have made extensive investments in real estate in their home countries. Most of the expatriates who have lived in these countries for 25 or more years are now making plans to retire back in their home countries. Part of their retirement plan is to buy real estate for living and investment purposes in their home countries. An indication of the amount that they may be spending on real estate investments abroad is the amount of remittances sent. For instance, the amount of remittances sent abroad from Oman in 2007 exceeded US$2.7 billion. Anecdotal evidence will be of some help in determining how much of the remittances went towards investments in real estate in comparison to the amounts sent for household expenses, and other such types of investments as bank deposits abroad, portfolio securities and funding of small businesses.

(g) *Operational data of FDIEs*

Operational data of FDIEs are now produced only by those countries that have introduced the ESCWA/UNCTAD questionnaire. These countries include Bahrain, Oman, Saudi Arabia, and the United Arab Emirates. Unless the questionnaire is introduced, it will not be possible to obtain operational data for the FDIEs. This is unlike the BOP data, where the countries that have not introduced the questionnaire still continue to produce BOP using such less desirable sources as the ITRS and data from the investment promotion agencies.

It would be helpful if countries that now produce operational data provide as much detailed information as feasible. Furthermore, it would be useful to consult national accounts statisticians, policymaking ministries and other users on an on-going basis to ensure that the data produced are of use to them and to make efforts to collect additional data, if required.

G. STATISTICAL AND ACCOUNTING ISSUES

(a) *Editing procedures and application of BOP and IIP concepts*

Editing procedures require knowledge of BOP and IIP concepts, accounting principles, enterprise structures, and validation techniques that are unique to the editing of data related to foreign investments.

An important part of such editing procedures is the validation of data reported in the questionnaire in relation to data reported in the financial statements of the respondents. This important tool for editing is used extensively in Oman and to a very limited extent in the United Arab Emirates. Editing also needs to be done with reference to data reported by respondents in prior years.

Some of the most common editing errors committed by member countries include:

(i) Failure to distinguish between transactions related to FDI in the host country and FDI abroad;

(ii) Failure to observe the concept that, in the case of financial intermediaries, loan liabilities to foreign direct investors should not be treated as FDI. In some ESCWA member countries, this failure has led to the inclusion of intercompany loans, both long and short, with related parties as FDI in the case of commercial banks, while they should have been treated as foreign other investments;

(iii) Equity portfolio investments in some countries were captured as FDI whenever portfolio investments in total from any one country or region exceeded 10 per cent of total equity. The concept is that FDI occurs when 10 per cent of the equity is held by one person or related entities. If several unrelated parties hold 10 per cent or more of the shares in a single country without any one person holding at least 10 per cent, it would not constitute FDI;

(iv) Branches of foreign companies often report data incorrectly. In one instance, the branch office of a major international company reported the equity of the parent company instead of reporting the net assets of its airline office in a particular ESCWA host country;

(v) Failure to recognize double tripping involving tax haven countries, which resulted in attributing some FDI to the host country.

(b) *Financial consolidation practices of companies*

Company structures differ and, hence, the methods of reporting financial data also differ. Companies may be stand alone, or single, or they may be part of a group of related companies. In the case of a group of companies, there will be a parent company at the top with various subsidiaries, branches, associates, and affiliates. A subsidiary is one in which the parent company owns more than 50 per cent of its voting shares. An associate is one in which the parent company owns 20-50 per cent of its voting shares. A branch is not a separate entity, but for statistical purposes treated as a wholly-owned enterprise. An affiliate is a term used also to describe any member of a group of related companies. If a company owns less than 20 per cent of the voting shares of a company, it will not fit any of the entities described above. It is termed an investment and will be recorded in the balance sheet of a company as an asset at cost. However, for statistics related to FDI, companies are required to treat any company in which they have 10 per cent equity as an FDI enterprise.

Subsidiaries, associates, branches, affiliates and investments may be spread over more than one country. While a group has an ultimate parent company in only one country, there may be a number of sub-parent companies in each of the countries or regions where the ultimate parent company operates. If the ultimate parent company is a conglomerate, which is, a company operating in a number of unrelated sectors, it may have a series of sub-parents in various countries of operation.

To obtain appropriate data, therefore, the compilers have to understand the financial consolidation practices of companies. Companies may report their financial statements on a fully consolidated basis, a global basis, which will then include its operations on a worldwide basis. Consequently, it will fully consolidate the accounts of all of its subsidiaries, including those with minority interest, which will be shown as a separate item in its equity account. In this type of consolidation, investments in associates will be shown on an equity basis, that is the cost of acquisition of the shares in the associate adjusted by its share of profits and loss since acquisition. All other investments will be on a cost basis.

As TNCs have operations in various countries, they also prepare financial statements by particular countries of operations. As they are involved in various industrial sectors, they may also prepare statements based on these industries. To get appropriate data on FDI, editors have to be conversant with consolidation practices and get their data from the most suitable financial statements.

(c) *Cost reports versus IFAS basis of reporting for oil and gas companies*

Oil and gas companies prepare both cost reports and financial statements based on such conventional accounting standards as IFAS or generally accepted accounting practices (GAAP), whereby each country may have its own GAAP. For instance, there are Canadian GAAP and United States GAAP. IFAS and GAAP differ from each other in some details, but are really not that different. Reporting to tax authorities will depend on what is acceptable to the taxation authorities of host and home countries.

The cost reports of oil and gas companies are also called petroleum accounts. They are prepared according to the provisions of the production-sharing agreements with the host country Governments. The principal difference between the income account in the petroleum accounts and the one prepared according to IFAS is on account of provisions made for depreciation, which is higher in the case of petroleum accounts. In addition, there are some minor variations. Depreciation could account for as much as 90 per cent of the difference. When depreciation is high, meaning more than allowed by IFAS, FDI is reduced artificially.

(d) *Market versus book value*

According to the IMF BPM6, BOP and IIP data should be reported according to market values. Flows get reported at market values. However, for stocks, reported data by respondents tend to be a mix of both market and book values. For cash and deposits, book and market values are always the same. Market values of short-term securities, that is, less than one year, exhibit very little change and are assumed to be the same for all practical purposes book and market values.

According to IFAS stipulations, companies are expected to report their investments in portfolio equities, bonds and financial derivatives, among others, on a market-to-market basis. Therefore, there is no conflict related to market and book values. Bank loans are reported at face value by the companies. As they are not tradable, there are no market values for them and, ergo, their face values could be regarded as equivalent to market values.

The issue of market versus book value is basically how the equity portion of direct investments is valued. To some extent, this issue may arise in the valuation of portfolio equity investments depending on the source data utilized for compilation. If the financial statements of companies are used, they will be on book values. If these securities are traded on the stock exchanges, there is a possibility of obtaining these data on a market basis.

If the shares of FDI enterprises are publicly traded, it is possible to compile data on a market basis. However, most FDI enterprises are private companies and, therefore, their shares are not traded publicly. To get their market values, various methodologies can be used. One such method is net asset valuation, where company officials could be requested to value net FDI investments. The problem with this approach is that such valuation will differ from one industrial sector to another. No two companies in the same sector will make the same kind of assumptions in arriving at their values. More importantly, onerous reporting burden will be imposed on the respondents. Another method is to use the market valuation of a company whose shares are traded on stock exchanges and apply the relationship of market and book values of that company to others in the same sector. A clear disadvantage of market valuation is that, in periods of stock market fluctuations, market values could fluctuate greatly and with them also the value of FDI investments. A number of countries obtain flow data from stock positions at book value after making adjustments for valuations and other factors. This method is used to reduce response burden and not to increase the costs of survey and data compilation data.

At present, Australia is the only country that produces FDI data at market values. The United States produces estimates for FDI at market value as supplementary data and uses book value in its BOP and IIP compilation. ESCWA member countries, once having experienced and stable staff to compile foreign investment statistics, may also consider calculating FDI at market value as supplementary data, but not as replacement of the compilation of book value data.

(e) *Definition of FDI*

According to the IMF and OECD manuals, FDI exists when 10 per cent of the voting shares of a company are owned by a single entity or group of related entities. Therefore, FDI does not mean that control has to be exercised by the foreign direct investors for which an entity or related entities have to own more than 50 per cent of the voting shares. The 10 per cent equity is said to exercise influence on the conduct of business of FDIEs. Such influence can be exercised, among others, through representation on the board, and such business relationships with the FDIE as being key suppliers or customers for its products.

In the case of FDIEs in ESCWA member countries, the IMF/OECD definition needs to be applied with some flexibility. There are a number of private FDIEs in ESCWA member countries with only a few investors, but whose share ownership may vary from under 10 per cent to well over 10 per cent. However, the ownership structures of these companies have seldom changed in the history of the existence of these companies. In some cases, they are owned by the Governments of ESCWA member countries. When some Governments decide to sell their investments in those companies, their shares are bought out by the other shareholders rather than third-party investors, as in the case of Gulf Air. In most cases, there are no changes from the original structure of ownership. The ownership of these companies by the Governments is based on such an acceptable formula as the GDP of each country. Therefore, Saudi Arabia with the highest GDP in the region will end up with the lion share of ownership which will exceed well over 10 per cent, and such countries with lower GDP as Oman will have a relatively lower percentage of ownership, which is likely to be less than 10 per cent. This, however, does not mean that Oman does not have any influence on the affairs of these companies.

Besides these Government-owned FDIEs, there are also other private companies with a mixed private-Government ownership. One large private liquefied natural gas (LNG) FDIE in one of the ESCWA member countries has a mixed ownership structure consisting of a host Government-owned company, a foreign-owned TNC and a number of non-resident customers for the products of the company who have signed long-term contracts to be supplied with these products. In its entire history of existence, the share structure of this company has not changed. There are all together seven shareholders, five of whom are the sole customers for the products of this company. TNC and Government-owned corporation together own about 75 per cent of the company shares. The other five shareholders hold the remaining 25 per cent of the shares, with none of them holding more than 10 per cent. All of the shareholders are members of the Board of Directors. According to the rules of conduct of business of the Board of Directors, all decisions of the Board have to be approved by 80 per cent of ownership shares. Therefore, the two major shareholders cannot take any decisions without support from some of the other five shareholders. This is an example of a major company where influence is clearly exercised by shareholders with less than 10 per cent share ownership. This is not an isolated example in ESCWA member countries. On the contrary, there are many examples of such private companies. Therefore, in the case of private companies, in contrast to publicly-owned companies where share ownership could change over time, the 10 per cent ownership should not be applied automatically. Depending on the circumstances, and whenever there is reasonable ground to support that owners with less than 10 per cent of ownership exert influence on the affairs of the company, those owners should be considered direct investors.

Another aspect of FDI definition has to do with the residency concept. FDI ownership rules are based on ownership and not citizenship. Since there are large expatriate communities in such ESCWA member countries as the United Arab Emirates, compilers have to make sure that respondents treat members of the expatriate communities, namely those with foreign citizenships, but resident for more than one year as residents, and not non-residents. For instance, according to some major real-estate developers in Oman, residents of India had been among the top purchasers of their properties. It might not come as a surprise if developers considered long-term residents of Indian origin in Oman as non-residents.

H. DISSEMINATION

Currently, the BOP/IIP data pertaining to FDI obtained through the questionnaire or from other sources, or a mix of sources, including the questionnaire, are disseminated in the member countries electronically or through publications by such institutions as central banks, ministries of economy, bureaus of statistics, and the databases of ESCWA/UNCTAD and IMF. Most users get their data from either the ESCWA/UNCTAD or the IMF databases, or from both. While there is very little difference in the data reflected in these two databases for most of the countries, for some countries, there are significant differences in the data reported for some years. This may be due to revisions reflected in one and not the other database or other factors. Member countries should peruse these data carefully to determine whether data are the most recent available. If they differ, they should be brought to the attention of the respective organizations so that the most recently revised data can be incorporated into the databases.

Electronic means of dissemination enables data availability to users on a timely basis and is indeed a desirable development. These electronic disseminations could also enable users to give feedback on the usefulness of data and suggestions for improvements.

VI. POLICY RECOMMENDATIONS

From the above review and assessment of the efforts made by member countries to build an accurate and comprehensive database on FDI statistics, a number of recommendations can be given to policymakers. Those recommendations are as follows:

1. Staff statistical agencies adequately with trained employees, especially possessing accounting knowledge, to compile and analyse foreign investment statistics.

2. Provide staff engaged in compilation and analysis of foreign investment statistics with training available from IMF and its regional organizations on BOP and IIP statistics. Also provide continuous in-house training for employees.

3. Adopt a suitable strategy to maximize the use of scarce resources by surveying the largest FDIEs which account for about 80 per cent of FDI value, but may constitute between 15 and 20 per cent of the number of FDIEs.

4. Encourage those SWFs that have not made their financial statements public to provide FDI data. Also utilize information available in the media regarding FDI made by SWFs.

5. Attribute FDI investments to the first or immediate foreign link country for both inward and outward FDI, irrespective of the ultimate origin or destinations of these investments.

6. Identify all the industrial estates/free trade zones where FDIEs may be located.

7. Elicit the cooperation of governmental agencies that are responsible for these zones to obtain data from FDIEs.

8. Explore all sources of data for construction activities, including company and administrative sources; a pursue attempts to obtain IFAS data from oil and gas companies; use cost reports of companies as the second-best option or supplementary source data.

9. Monitor announcements made regarding auction of oil concession acreage and obtain the data on amounts paid from relevant Government agencies; liaise regularly with ministries of oil and gas to make them aware of the importance of getting the appropriate data on FDI from oil companies.

10. Pursue attempts to obtain data from real-estate developers, especially the major developers.

11. Obtain the cooperation of such relevant Government agencies as ministries of commerce and tourism and city agencies that register ownership of real estate to obtain a complete list of all developments and other relevant information.

12. Estimate the inward and outward FDI in real estate by individuals with reference to remittances and anecdotal evidence obtained from the social clubs or organizations of expatriates.

13. Utilize a questionnaire along with appropriate financial statements of enterprises as the primary source to obtain FDI data; make the FDI questionnaire respondent-friendly and structure it to facilitate reporting by company accountants; In addition, use other sources from ITRS, investment promotion agencies, Government administrative agencies, media, and partner country data as important supplementary sources, especially to capture the most current FDI flows data.

14. Emphasize validation of reported data and avoidance of duplication arising from the use of multiple sources.

15. Apply strategies that have been successfully implemented in other countries, for example, sensitization meetings before launch of surveys, in Oman and the Philippines; use of financial statements, in Oman, the Philippines, Syrian Arab Republic, and United Arab Emirates); use of ITRS, in Cambodia, Moldova, the Philippines and Syrian Arab Republic; administrative records, in all countries; media references and search engines, in (Nigeria, Oman, the Philippines, and United Arab Emirates; and use of technology at every stage of data compilation, in Oman.

16. Continue the current practice of compiling FDI on the basis of book values and produce market valuation of FDI at some future date as supplementary data.

17. Ensure that respondents strictly follow the residency concept when foreign investment statistics are reported.