Working Party on Financial Statistics

FOREIGN DIRECT INVESTMENT STATISTICS IN THE BALTIC COUNTRIES

Note by the Secretariat

This document is circulated for consideration under item 11 of the Agenda.
FDI STATISTICS WORKSHOP AND SEMINAR IN TALLINN

16-17 November 1999

Hosted by the Government of Estonia

Workshop

16 November 1999

1. A Workshop on Foreign Direct Investment Statistics of Baltic Countries was held in Tallinn on 16 November 1999 and brought together 26 participants involving government officials from the Baltic countries and experts from OECD member countries. The event was held under the auspices of the Centre for Co-operation with non-Members and was hosted by the Government of Estonia.

2. Following opening remarks by Ayse Bertrand, Head of Financial Statistics Unit, Directorate for Financial, Fiscal and Enterprise Affairs, OECD, and under her chairmanship, the first session “Selected topics on FDI methodology and their practical implementation” started with a presentation by Frank Chow, Expert Consultant, OECD. He described the concept of the coverage of the enterprises and the family chain through the Fully Consolidated System (FCS) and its implementation in statistical surveys. He noted that ownership links are developing among some companies within the Baltic countries mainly in Estonia. Participants from the Baltic countries stressed difficulties they face in FCS applying. Frank Chow also dealt with the "Methods of valuation", sharing the Canadian experience with participants. With the exception of Latvia, the FDI statistics compilers from the Baltic countries stressed that they implemented market valuation to a certain extent and that they were discussing the valuation methods applied in their countries.

3. The next speaker was Dominique Rouges, Deputy Head of Portfolio and Direct Investment Division, Banque de France. He addressed the "Reinvested earnings estimation" in the French direct investment flows. The compilation of reinvested earnings has been implemented since 1997 in order to comply with the recommendation of the IMF Balance of Payments Manual, 5th edition. Estimates have been recorded in the balance of payments, including historical data. This session provided an opportunity for participants to discuss the reinvested earnings estimation methods applied in the Baltic countries. Jaanus Kroon, Head of Balance of Payments Statistics Section, Bank of Estonia, made a brief presentation on the estimation methods in Estonia.

1. Baltic countries: Estonia, Latvia, Lithuania
4. The following presentation was made by Frank Chow on the “recording of special cases” in FDI statistics. He concentrated on holding companies, special purpose entities (SPEs), construction enterprises and real estate firms.

5. The second session dealt with “data collection and reporting systems”, under the chairmanship of Andrus Alber, Head of Statistics Department, Bank of Estonia. It provided participants with the opportunity to discuss data collection systems in their countries as well as different survey methods and other sources of information.

6. The session started with a presentation by Ayse Betrand on data sources and reporting systems in OECD countries and in other regions based on the findings of the Report on the Survey of Implementation of Methodological Standards for Direct Investment. She discussed data revision and dissemination policies as well as data sources. She described different types of sources such as enterprise surveys, International Transaction Reporting System (ITRS), alternative sources, etc. She also provided information on the types of breakdowns used for data dissemination which is closely linked to data sources and the way information is collected.

7. The Baltic countries provide both geographical and industrial breakdowns for most components of FDI statistics. Latvia and Lithuania report transaction data according to debtor/creditor principle, while Estonia uses the transactor principle. Both Estonia and Lithuania report their FDI position statistics in respect to immediate host/investing country.

8. Frank Chow followed the discussion of data collection and reporting systems with a presentation on “Survey methods and alternative sources for FDI Statistics”. He emphasised that, a good "survey frame" is crucial for high quality data. The experience of Statistics Canada suggests that the quality of the estimates is closely linked to survey questions. Administrative sources are also important to complement the information obtained through the surveys.

9. The French experience on the same topic “Survey methods and alternative sources for FDI Statistics” was presented by Dominique Rouges. He presented the methodology for recording direct investment flows which are compiled monthly by the Banque de France. Direct investment flows in France are reported by resident banking system or by the direct reporting companies. The respondents have to send reports at the same time as the payment is made/received and not when the transaction takes place. The transactions are reported in the currency of settlement. The presentation also included a description of the methods used for foreign direct investment stocks.

10. The last speaker in that session was Maurizio Iannaccone, Expert, Ufficio Italiano dei Cambi, Italy. Until June 1998, the Italian data collection system has not been in line with international standards regarding FDI. The Ufficio Italiano dei Cambi (UIC) has decided to revise the system. Starting from January 1999, following the introduction of reinvested earnings and the directional principle, the Italian definition of FDI is fully consistent with international standards. The two main sources of information, banking sector records and non-banking sector surveys were described including information on the implementation of the survey, categories of respondents interviewed, the requested information and the survey results.

11. The third session on “the uses of FDI statistics”, concentrated on analytical requirements and the use of FDI Statistics for central banks. The first speaker in this session was Ulrich Grosch, Senior Statistician, Economics Department, Deutsche Bundesbank, Germany. He described the dual role of the Deutsche Bundesbank as a compiling agency and at the same time as a user of the data. The Bundesbank

2. A joint IMF/OECD report based on their survey.
analyses the ongoing trends and longer term relationships in direct investment. It draws on its own statistics for that purpose, but likewise makes use of other suitable sources, as well. Ulrich Grosch presented the conceptual framework of the FDI statistics of Germany and provided the FDI trends as analysed by the Bundesbank. He also touched upon problems in relation to the interpretation of the statistics required for trends analysis.

12. Furthermore, Peter Neudorfer, Economist Statistician, Statistics Directorate, European Central Bank (ECB), presented the requirements of the European Central Bank. He described the role of the ECB and the requirements for adequate and reliable statistics on financial and economic indicators within the euro area. He also described the division of labour between the ECB and Eurostat. Since its start, the ECB has been monitoring the process towards a complete application of the methodological requirements. However, studies and discussions with national compilers still indicate the existence of methodological gaps.

Conclusion

13. Participants found the Workshop very informative and useful. Participants from the Baltic countries expressed their interest in future co-operation with OECD. The OECD Secretariat plans to maintain the established connections and looks forward to further co-operation with the Baltic countries
Seminar

17 November 1999

14. The half-day Seminar on FDI statistics in Tallinn on 17 November 1999, which followed the Workshop on the previous day, was organised as a training session on basic concepts of FDI statistics.

15. Following the introduction by Ayse Bertrand, under moderation of Anna Janz, Visiting Expert, Directorate for Financial, Fiscal and Enterprise Affairs, OECD, the following issues were presented and discussed: basic definitions used for compiling FDI statistics, standard components of FDI statistics, other issues related to the measurement of FDI, the provision statistics to international organisations and efforts for harmonisation [Eurostat/OECD questionnaire]. Practical examples from Polish experience were presented briefly by Anna Janz.

16. Participants found the discussion on practical cases (e.g. of Lithuania) to be very useful. They agreed that further similar discussion with OECD experts would provide them with valuable assistance.

17. The Seminar was closed with remarks by Ayse Bertrand.
WORKSHOP ON FOREIGN DIRECT INVESTMENT STATISTICS

IN THE BALTIC COUNTRIES

16 November 1999, Tallinn, Estonia

PROGRAMME

8.30 a.m. Registration

9.00 a.m. Opening remarks

Mr. Andrus Alber, Head of Statistics Department, Bank of Estonia
Ms Ayse Bertrand, Head of Financial Statistics Section, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

Session 1: Selected topics on FDI methodology and their practical implementation

Chairperson Ayse Bertrand, Head of Financial Statistics Section, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

9.30 a.m. 1.1 Direct investment enterprise

- Coverage of the direct investment enterprise through the Fully Consolidated System

by Mr. Frank Chow, Expert Consultant, OECD

3. The meeting will be held at:

The Ministry of Foreign Affairs of the Republic of Estonia,
Rävala pst. 9, Tallinn, 15049 Estonia.
Meeting room: Small Press Center, 1st floor.

4. Registration will take place outside the meeting room.
- *Coverage of the direct investment enterprise in the Baltic countries*
  
speakers from Estonia, Latvia, Lithuania

- *Open discussion*

10.10 a.m.  **Coffee Break**

10.25 a.m.  **1.2 Methods of valuation**

- *Recommended methods and practical alternatives*
  
  by **Mr. Frank Chow**, Expert Consultant, OECD

- *Valuation methods in the Baltic countries*
  
  Speakers from Estonia, Latvia, Lithuania

- *Open discussion*

11.05 a.m.  **1.3 Reinvested earnings estimation**

- *The European experience*
  
  by **Mr. Dominique Rouges**, Deputy Head of Portfolio and Direct Investment Department, Banque de France

- *The experience of the Baltic countries*
  
  speakers from Estonia, Latvia, Lithuania

- *Open discussion*

11.45 a.m.  **1.4 Recording special cases in FDI statistics**

- *Special Purpose Entities (SPEs), holding companies, construction enterprises, real estate*
  
  by **Mr. Frank Chow**, Expert Consultant, OECD

- The treatment of these special cases in the Baltic countries
  
  speakers from Estonia, Latvia, Lithuania
**Session 2: Data collection and reporting systems**

**Chairperson** Mr. Andrus Alber, Head of Statistics Department, Bank of Estonia

**14.00 p.m. 2.1 An overview of data sources and reporting systems and regional analysis**

- *Foreign Direct Investment Data Sources and Reporting Systems: Main issues*
  
  by Ms. Ayse Bertrand, Head of Financial Statistics Section, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

- *A brief description of data sources and reporting systems in the Baltic countries*
  
  speakers from Estonia, Latvia, Lithuania

- *Open discussion*

**14.40 p.m. 2.2 Survey method and alternative sources for FDI statistics**

- *The Canadian experience*
  
  by Mr. Frank Chow, Expert Consultant, OECD

- *The French experience*
  
  by Mr. Dominique Rouges, Deputy Head of Portfolio and Direct Investment Department, Banque de France

**15.10 p.m. 2.3 Practical steps in implementing surveys**

- *The Italian experience*
  
  by Mr. Maurizio Iannaccone, Expert, Ufficio Italiano dei Cambi, Italy
- Open discussion

15.35 p.m. Coffee break

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15.50 p.m. - The German experience

by Mr. Ulrich Grosch, Senior statistician, Economics Department, Deutsche Bundesbank, Germany

- The requirements of the European Central Bank

by Mr. Peter Neudorfer, Economist Statistician, Statistics Directorate, European Central Bank

Concluding remarks

Mr. Andrus Alber, Head of Statistics Department, Bank of Estonia

Ms. Ayse Bertrand, Head of Financial Statistics Section, Directorate for Financial, Fiscal and Enterprise Affairs

5. Conclusions of the Workshop will be incorporated in the proceedings and in the press conference following the FDI Conference of the OECD to be held on 17 November 1999.
ANNOTATIONS

The objective of the workshop is to provide the experience of OECD in foreign direct investment statistics to the Baltic countries and to establish a dialogue between experts. The focus of the programme is selected issues. The Workshop is also expected to provide a forum to exchange views between statisticians and users of FDI statistics.

Session 1: Selected topics on FDI methodology and their practical implementation.

This session will be divided into four parts; each dedicated to one or more selected topics. As a general pattern, an OECD expert will provide a brief description of the recommended methodology on each topic, raise issues of general concern and provide examples for practical implementation. Experts from the Baltic countries will briefly review their treatment of each item and raise questions or points for clarification. Under each topic, time is dedicated for an open discussion to allow for exchange of opinions and to respond to questions. OECD experts will also use this time to comment on the experience of the Baltic countries.

Session 2: Data collecting and reporting systems

This session will discuss mainly data collection systems and bring forth several experiences from OECD countries on survey methods and their practical implementation. It will also provide the opportunity to review the current practices and future plans in the Baltic countries.

Session 3: Uses of FDI statistics

Economists from central banks will describe the analytical requirements and the use of FDI statistics by central banks. Two case studies will be presented: Deutche Bundesbank and the European Central Bank.

Conclusions

Conclusions of the Workshop and recommendations for future co-operation will be formulated to be included in the press release that will take place following the FDI Conference.
SEMINAR ON FOREIGN DIRECT INVESTMENT STATISTICS

17 November 1999, Tallinn, Estonia

(9.00 a.m. to 12.30 p.m.)

PROGRAMME

Moderator: Anna Janz, Visiting Expert, Directorate for Financial, Fiscal and Enterprise Affairs, OECD

1. Introduction

2. Basic definitions used for compiling FDI statistics

   – Foreign direct investment
   – Foreign direct investor
   – Direct investment enterprise
   – Open discussion

3. Standard components of FDI statistics

   – FDI in the balance of payments statistics and financial account
   – Direct investment flows
   – Direct investment income
   – Open discussion
   – FDI stocks and IIP

6. The meeting will be held at:

   The Ministry of Foreign Affairs of the Republic of Estonia,
   Rival pst. 9, Tallinn, 15049 Estonia.
   Meeting room: Small Press Center, 1st floor.

7. Coffee break will be at 10.30 a.m.
− Distinguishing FDI from portfolio investment
− *Open discussion*

### 4. Other issues relating to the measurement of FDI

− Methods of valuation
− Reverse investment
− *Open discussion*
− Treatment of financial intermediaries
− A brief description of special cases
− *Open discussion*

### 5. Providing statistics to international organisation and efforts for harmonisation:
EUROSTAT/OECD questionnaire.

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**Annotations**

The seminar is scheduled as a half-day event to provide training to compilers in basic concepts of foreign direct investment statistics. Open discussion will allow questions and answers.
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Basic Definitions Used for Compiling
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Standard Components of Foreign Direct
Investment Statistics
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Balance of Payments Questionnaires
of Canada
--------------------------------------------------Document 15 - 99

Foreign Direct Investment Statistics
In Lithuania
--------------------------------------------------Document 16 - 99

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OECD Benchmark Definition of Foreign
Direct Investment, 3rd edition
--------------------------------------------------Publication
(in English, French, and Russian)

Report on the Survey of Implementation of
Methodological Standards for Direct Investment
--------------------------------------------------DAFFE/IME(99)14

Documents available only as paper copy:

The Survey of Implementation of
Methodological Standards for Direct Investment:
Survey Results for the Baltic States
--------------------------------------------------Room document 1

Foreign Direct Investment -- OECD/EUROSTAT
Questionnaires (in English and Russian)
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