



AID-FOR-TRADE CASE STORY

ESCWA

United Nations Economic and Social Commission for Western Asia

Networking of Expertise on Foreign Direct Investment for ESCWA Member Countries

**Economic and Social Commission for
Western Asia (ESCWA)**

Final Report

**Project Title: Networking of Expertise on Foreign
Direct Investment for ESCWA Member Countries**

Project Number 9138

**Implementing Division: Globalization and
Regional Integration Division (GRID)**

Funding Source(s): Development Account

I- Background Information

When the project on “Networking of expertise on foreign direct investment from ESCWA member countries” was initiated in 2002, the ESCWA region was suffering from lack of accurate and reliable statistics on the inflows of FDI to the region. Most of the data available, both at the national or international level, were rough estimates and neither covered the direction of the flows nor the sources of investment. Often, several government agencies deal with foreign investment projects, depending on which economic sector is involved, and several agencies report their own data on FDI statistics. This state of scarcity, unreliability and inconsistency in the existing data reporting system is causing severe problems in the formulation of policies and strategies regarding FDI. Therefore, ESCWA member countries suffer from a deficient regulatory framework, an inadequate business environment, weak policies, poor institutional frameworks, unsatisfactory market access, unfavorable comparative costs and lack of political stability. In addition to the problem of availability of accurate statistics, ESCWA member countries suffer from a shortage of studies on the impact of FDI on economic development.

The aim of the project is to establish a database for FDI statistics. This will provide the decision makers in the country with accurate data based on comprehensive survey of enterprises with FDI participation. Provision of accurate and verifiable data will enable government offices concerned to formulate adequate policies to promote the inflows of FDI to the country.

II- Impact of the Project

The project had a wide impact on the participating countries, namely:

- a. It enhanced the capacity of government agencies in the participating countries in the compilation, dissemination and analysis of data on FDI through implementing international methodological standards; these countries are able independently to maintain quality and accurate databases;
- b. It strengthened the networking among investment promotion offices and concerned agencies in the region, with the purpose of facilitating the exchange of expertise and experience; National Teams comprising representatives from different ministries and government agencies and private sector were formed in the participating countries and supervised the implementation of the project. Members of the National Team hold regular meetings to discuss the stages of implementation and the challenges faced;
- c. It assisted ESCWA Member States in formulating suitable policies and adopting adequate measures likely to promote inflows of FDI. That was achieved by the preparation of individual country studies focusing on the investment climate in general and the regulatory framework governing foreign direct investment in particular.

The project resulted in durable and self-sustained results namely:

- a. The software developed for the development of database is owned by member countries to be used in future FDI data compilation and reporting exercises. As a matter of fact, the Syrian Arab Republic, for the second consecutive year, is using the software developed by ESCWA for the purpose of issuing reports on the stocks and inflows of FDI. The United Arab Emirates, who joined the project in 2005, made use of the same software to build its database of FDI statistics.
- b. The surveys of enterprises in each member country will be undertaken annually using the same internationally accepted methodologies to update FDI data and statistics. The data collection officers who attended training will continue to prepare for these surveys. For example, in 2006, Saudi Arabia published their second report on FDI statistics based on the second survey of all the enterprises with FDI participation. Likewise, the Syrian Arab Republic conducted in 2006 the second survey of enterprises. These two countries were able to build a database covering the period 2003-2005.
- c. The manuals will continue to represent a reference tool for member countries and as guidelines for future activities. UNCTAD has suggested establishing a task force on collection and reporting of FDI in the ESCWA region. Member Countries noted during the Expert Group Meeting that establishing such a task force is still early however, they agreed that having annual meetings to assess the progress made in the implementation of the project would be highly beneficial.
- d. The country studies on the FDI policies will provide decision makers in the participating countries with set of recommendations on how to promote the inflows of FDI. This would help these countries in their efforts to increase their share in the global FDI inflows. Some of the participating countries made use of these country studies during the preparation of their plans for the future to enhance FDI inflows.
- e. The project became self-sustained as the last three countries that joined the project in 2005, namely Kuwait, Qatar and the United Arab Emirates, co-financed with ESCWA the implementation of the project at their respective country.
- f. The project offered ESCWA an opportunity to build partnerships with government agencies, ministries as well as other UN-agencies. For example, with the ministry of planning in Kuwait, the Planning Council in Qatar, the ministry of economy and planning and the Central bank of UAE.

The beneficiaries of the project are Statistical Offices, Ministries of Planning and Economy, Ministries of finance, and Investment offices in the participating countries. Through the organization of a regional workshop on “*Methodological Standards for Compilation of Statistics on Foreign Direct Investment and the Activities of Transnational Corporations (TNCs)*” (October 2002), the project initiated the networking among national authorities involved in FDI data compilation and reporting.

On the other hand, National Teams were established in each of the participating countries to coordinate national efforts in the implementation of the project and to increase networking among various government agencies dealing with FDI issues. The National Team is formed from representatives from the different ministries, investment offices, promotion agencies, Central Bank, Chamber of Commerce and any other agency that deals with investment.

Focal Points were selected from each country to act as a link between the implementing authority in the Member State and ESCWA and continuous communication is established between ESCWA and the focal points.

The software for FDI statistics, that was developed by ESCWA with the help of an IT company specialized in this field, was distributed to all the participating countries after its being tested at ESCWA premises. ESCWA trained one data-entry official from the Syrian Arab Republic on how to operate the software and how to analyze the reports and assisted data-entry officials in Qatar and the United Arab Emirates in the installation and operation of the software.

III- Activities of the project

9 national training workshops *National Training Workshops for data collection officers* were organized. The objective of these workshops is to present the internationally agreed upon methodologies in calculating FDI statistics, particularly the methodology adopted by the International Monetary Fund. These workshops were organized in Bahrain, Jordan, Oman, Saudi Arabia, Syrian Arab Republic¹, Kuwait, Qatar and United Arab Emirates. A total of 280 participants were trained in the 9 national training workshops. These trained officials are more aware of the issues related to the FDI, which will have a positive impact on their ability to implement the survey of enterprises with FDI participation as well as on the analysis of the policies adopted to promote the inflows of FDI to their respective countries, and are now capable of applying international methodologies for the compilation and reporting of FDI Statistics. 5 countries reported statistics based on a comprehensive survey of all the enterprises with FDI Participation.

Around 68 female participants from the national team and data collection officers attended the 9 national training workshops, 5 female participated in the Regional Training Workshop on FDI in October 2002 and 9 in the Expert Group Meeting on FDI policies in December 2005. Overall a total of 80 females participated in the workshops and meeting which represent around 29 per cent of the total participants.

During the implementation of the project, ESCWA was able to raise some funds to support the completion of this project. In fact, the initial project was designed to cover 5 ESCWA member countries. However, due to the importance of this project, 3 other countries approached ESCWA and agreed to co-finance with ESCWA the implementation of this project. Hence, due to some savings and the contribution of 3 countries, the project was extended to include 8 ESCWA member countries:

- In June 2005, Kuwait joined the project and contributed with \$25,000,
- it was followed in November by Qatar with a contribution of \$25,000, and
- the United Arab Emirates with \$40,000.

¹ Two National Training Workshops were organized in the Syrian Arab Republic. The second workshop was organized upon the request of the State Planning Commission and the Central Bureau of Statistics and was financed by UNDP Damascus.

On the other hand, the State Planning Commission and the Central Bureau of Statistics in the Syrian Arab Republic requested in 2006 a follow-up workshop on the international methodologies used for the calculation and compilation of FDI statistics. In March 2006, a follow-up workshop was organized in Syria and funded by the United Nations Development Office in Damascus.

IV- Good practices and Lessons learned

The lessons learned during the course of implementation of this project can be summarized as follows:

- 1- It increased the awareness of the participating countries to the importance of FDI in the economic development in general and the need to have access to accurate and reliable statistics on FDI in particular.
- 2- It also increased the awareness of the decision makers in the region to the importance of understanding and implementing the internationally agreed upon methodology in calculating the FDI statistics, particularly the methodology adopted by the International Monetary Fund.
- 3- It contributed to the promotion of technical skills of data collection officer in the participating countries, through the national training workshops that were organized in each of these countries to meet their respective needs of technical assistance.
- 4- It improved the understanding of FDI and FDI statistics in the participating countries despite the complexity of the issue. Member countries are giving more attention to upgrade the skills of those responsible in the calculation of FDI statistics and in particular those involved in conducting the national surveys of enterprises with FDI participation.
- 5- It provided Member States with more accurate and reliable data on FDI, as it would be based on actual surveys and not just estimates based on data from the balance of payments.

V- List of materials

- Assessment Reports: A team from ESCWA conducted a fact-finding mission to the 13 ESCWA Member States to discuss the objectives of the project, identify the sources of information on FDI, examine the techniques currently used in data compilation, assess the needs and secure the readiness and commitment of the Governments to adopt and implement the international system for data compilation and dissemination.
- A detailed manual on the compilation of FDI statistics was prepared in Arabic and distributed during the National Training Workshops. The manual constitutes a reference tools for member countries and acts as guidelines for future activities for compilers. All the material used during the national training workshops were available to all the participants both in English and in Arabic.
- A manual for the operation of the software for FDI database was developed and distributed along with the software. The manual is user-friendly and written in a clear format.

- Country reports of 4 ESCWA Member Countries. These reports are based on the comprehensive survey of all the enterprises with FDI participation.
- 8 country studies to review and analyze the investment environment and to provide policy makers with recommendations on how to increase FDI inflow. The country studies of Kuwait, Qatar and the United Arab Emirates are in the process of completion and finalization.
- Evaluation reports of the regional workshop on “*Methodological Standards for Compilation of Statistics on Foreign Direct Investment and the Activities of Transnational Corporations (TNCs)*”, the 9 *National Training Workshops for data collection officers* and the *Expert Group on FDI Policies in the Participating Countries of ESCWA*.
- List of all the participants in the National Training Workshops and Expert Group Meetings were prepared for reference.
- A report on FDI climate in the participating countries. This report will focus on the legislative issues, the regulations, the main bodies governing FDI with a focus on FDI statistics, namely inflows and its distribution among sectors.
- External Evaluation of the project which will be ready by September 2006. It will assess the developmental impact of the project on the participating countries.
- A number of press clippings covering the national training workshops, expert group meeting or the launching of the survey are also available.