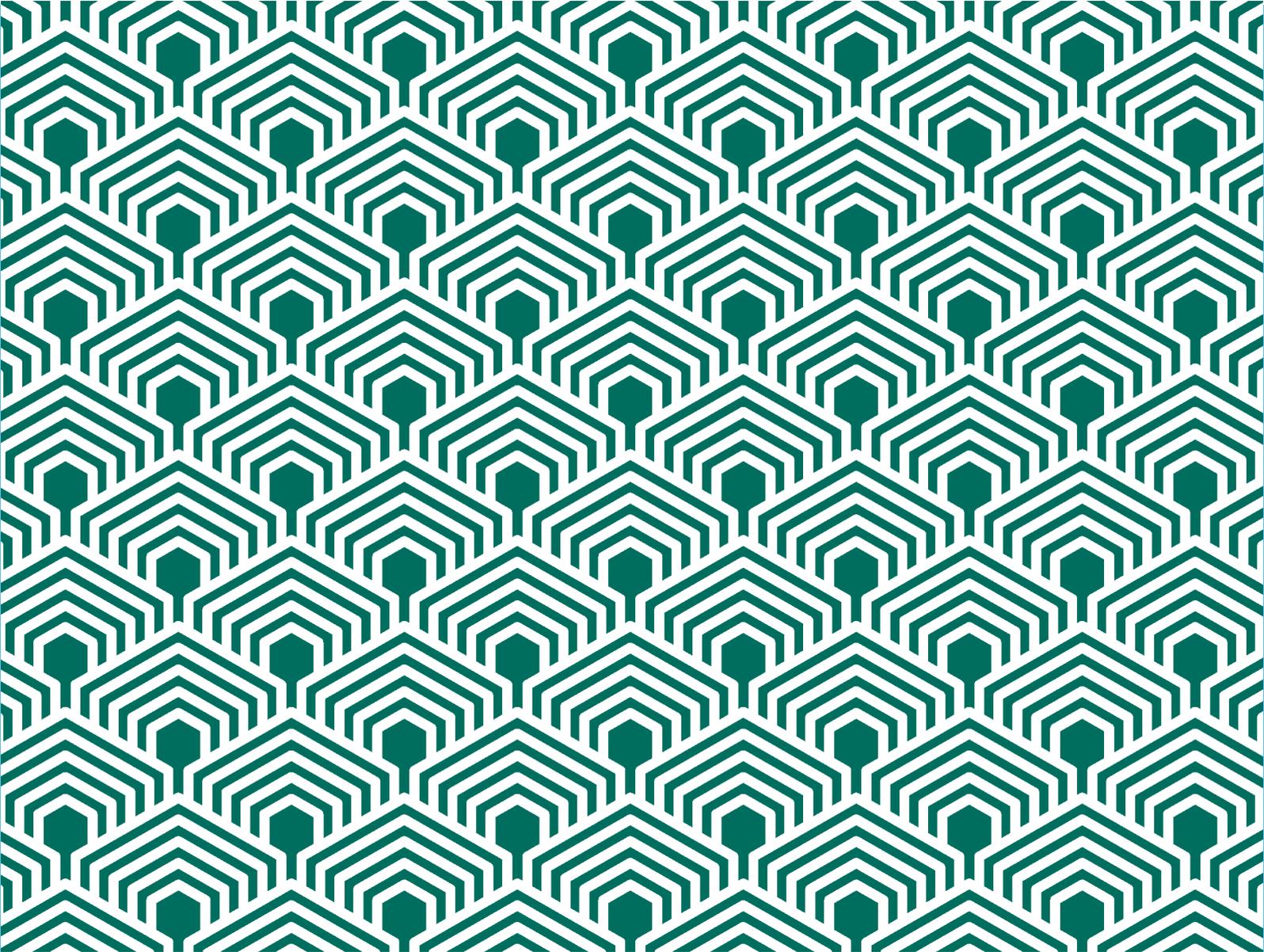


OECD Review of Foreign Direct Investment Statistics JORDAN



OECD Review of Foreign Direct Investment Statistics of Jordan



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OECD Report on the Compilation of FDI Statistics in JORDAN¹

1. Introduction

Foreign direct investment (FDI) is one of the key ways that economies integrate into the global economy. FDI is not only an important channel for exchanging capital across countries, it is also an important channel for exchanging goods, services, and knowledge and serves to link and organize production across countries. FDI provides a means to create stable and long-lasting relationships between economies, and it can be an important vehicle for local enterprise development. FDI has grown rapidly in recent decades and both the destinations and sources of FDI have expanded with globalisation. Internationally harmonised, timely, and reliable FDI statistics are essential to assess the trends and developments in FDI activity globally, regionally, and at the country level.

FDI is one of the major types of investment included in the balance of payments (BOP) and international investment position (IIP) statistics. The IMF in its *Balance of Payments and International Investment Position Manual, 6th edition* (BPM6) and the OECD in its *Benchmark Definition of Foreign Direct Investment, 4th edition* (BMD4) set the international standards for compiling FDI statistics. BMD4 is completely consistent with the guidance in BPM6 but provides more detailed guidance on the compilation of FDI statistics; for example, BMD4 provides more detailed guidance for compiling FDI statistics by immediate partner country and by industry than BPM6. BMD4 also provides guidance on compiling inward FDI statistics that produce more meaningful measures of inward investment. For example, BMD4 provides guidance on compiling inward FDI statistics by the ultimate investing country. This presentation provides information on the country of the investor who ultimately controls the investment. It also identifies the amount of inward investment that results from round-tripping, which is the channelling abroad of local funds and their subsequent return to the country in the form of direct investment. The recommended measures of FDI statistics in BMD4 produce FDI statistics that are part of the larger System of National Accounts (SNA). The SNA is the internationally agreed standard set of recommendations on how to compile measures of economic activity, such as Gross Domestic Product (GDP), gross national income, trade, and foreign borrowing and lending.

The OECD also hosts the Working Group on International Investment Statistics (WGIIS), which serves as a forum for FDI statisticians from both OECD member countries and non-member countries to share best practices. The WGIIS also conducts research to improve the measurement of FDI. Currently, the WGIIS has an active research agenda exploring issues surrounding the recording of FDI income, reinvested earnings, and dividends; the compilation of FDI statistics by ultimate partner country; and harmonising FDI statistics with other statistics related to globalisation, such as Foreign Affiliate Statistics (FATS) and Activity of Multinational Enterprise (AMNE) Statistics. Finally, the WGIIS is responsible for updating the *Benchmark Definition*.

The goal of this project is to review Jordan's FDI statistics to assess their compatibility with the international guidelines (BPM6 and BMD4); to assess the data sources and estimation methods used; and to examine both the feasibility and the usefulness of compiling additional series, such as by country of ultimate investor. This report is based on

¹ This report was prepared by Maria Borga, Senior Statistician and Head of FDI Statistics, and Emilie Kothe, Statistician, in the Investment Division of the OECD's Directorate for Financial and Enterprise Affairs.

Jordan's response to a survey asking for information on their FDI statistics; other sources of information on data sources and methods, such as the metadata Jordan provided for the IMF's BOP and IIP statistics; an analysis of their FDI statistics; and our knowledge of best practices for the compilation of FDI statistics.

The OECD has developed a framework for assessing the quality of macroeconomic statistics that focuses on seven dimensions of quality: relevance, accuracy, credibility, timeliness, accessibility, interpretability, and coherence. This report will use this framework in its evaluation of Jordan's FDI statistics although some of these dimensions are more relevant for FDI statistics than others. The report begins with a summary of recent trends in Jordan's FDI. This is followed by an assessment based on the quality framework discussed above. Section IV provides information on possible content that could be included in an analysis that can be released in conjunction with FDI statistics as well as information on the usefulness of FDI statistics in the analysis of globalisation more broadly. The last section offers conclusions.

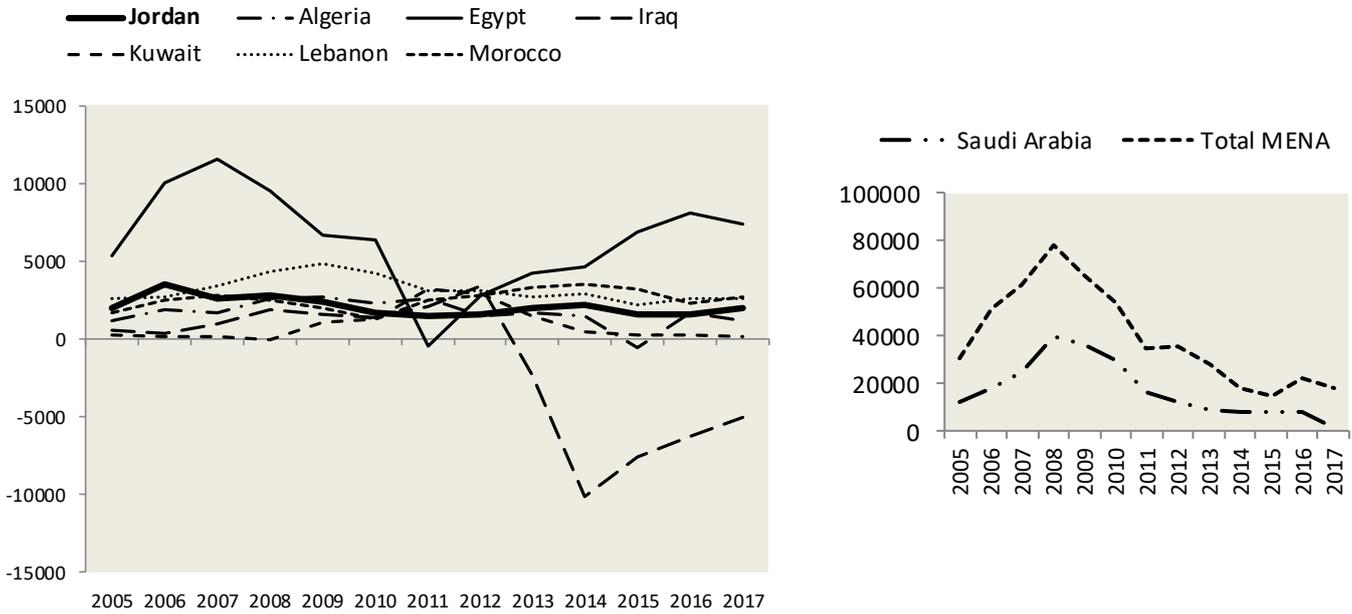
2. FDI Trends of Jordan

2.1 FDI flows

In 2017, **FDI inflows** in Jordan increased by 8% (to USD 1.7 billion), a reversal from the declining trend observed since 2014 but remaining below levels recorded in 2006-2009 when they were more than USD 2.5 billion. In the MENA region as a whole, FDI inflows increased by 9% in 2016 (Figure 1). At the global level, FDI flows decreased by 7% in 2016 and by 18% in 2017. Within the OECD and EU areas, FDI inflows remained stable in 2016 but decreased in 2017, by respectively 37% and 45% (Figure 2). Those developments were largely driven by decreases in the United Kingdom and the United States from very high levels in 2016. FDI flows in the United States dropped to USD 287 billion after reaching more than USD 450 billion in 2015 and 2016; the high levels in 2015 and 2016 were partly due to financial and corporate restructuring, but the possibility of tax reform in the United States likely decreased the incentives to engage in these types of transactions in 2017. Apart from developments in the United States, the United Kingdom recorded their lowest level of FDI inflows since 2005 (at USD 15 billion) after reaching a record level in 2016 largely due to Anheuser-Busch InBev acquiring SABMiller. In contrast, FDI inflows to non-OECD G20 economies increased by 3%, partly due to large increases in Indonesia.

In 2006, FDI flows in Jordan reached a peak at USD 3.5 billion and since then remained below USD 3 billion. In recent years, they were on a downward trend, decreasing at an annual rate of 11% between 2014 and 2016, before increasing in 2017 by 8%. In the MENA region, FDI flows have declined at an average rate of 8% each year between 2012 and 2015, while they increased by 9% in 2016. In contrast, at the global level, in the OECD as a whole and in the EU area, they have grown at an annual growth rate of 8%, 13% and 11% each year between 2012 and 2015 while they decreased by 7% globally in 2016 and remained stable that year in the OECD and EU areas.

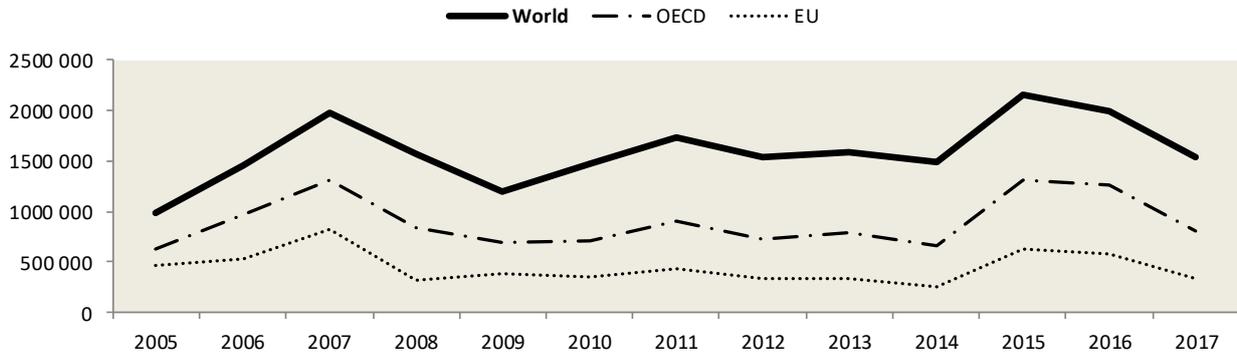
Figure 1. FDI flows in Jordan and selected MENA countries, 2005-2017, USD millions



Note: MENA total aggregate excludes FDI flows in United Arab Emirates (not available), Qatar for 2005-2010 (not available), FDI flows in Syrian Arab Republic for 2011 onwards (not available) and FDI flows in Libya and Yemen for 2017 (not available).

Source: IMF Balance of Payment database (see Annex 1 Table 1 for detailed figures).

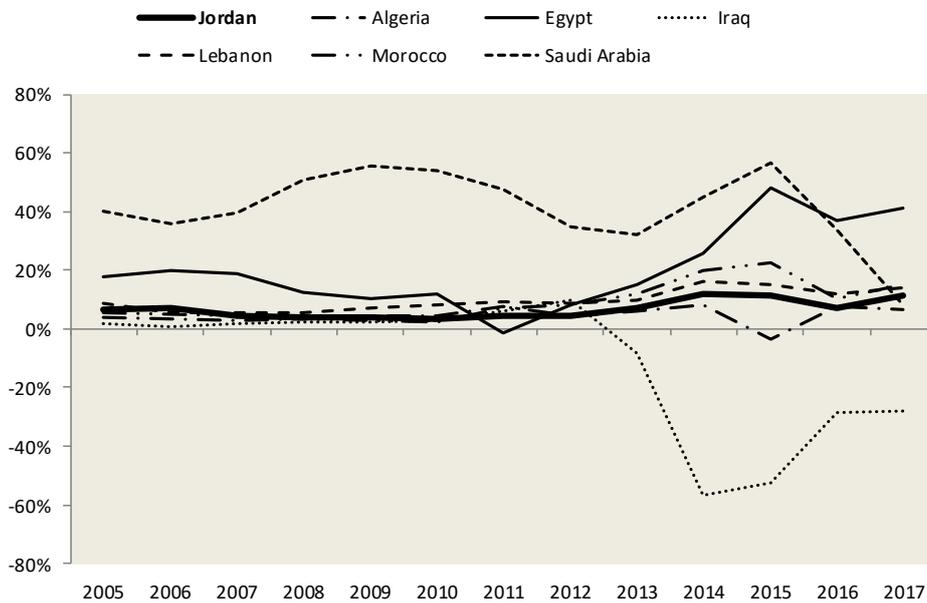
Figure 2. FDI flows in selected regions worldwide, 2005-2017, USD millions



Source: OECD Foreign Direct Investment statistics database (see Annex Table 1 for detailed figures).

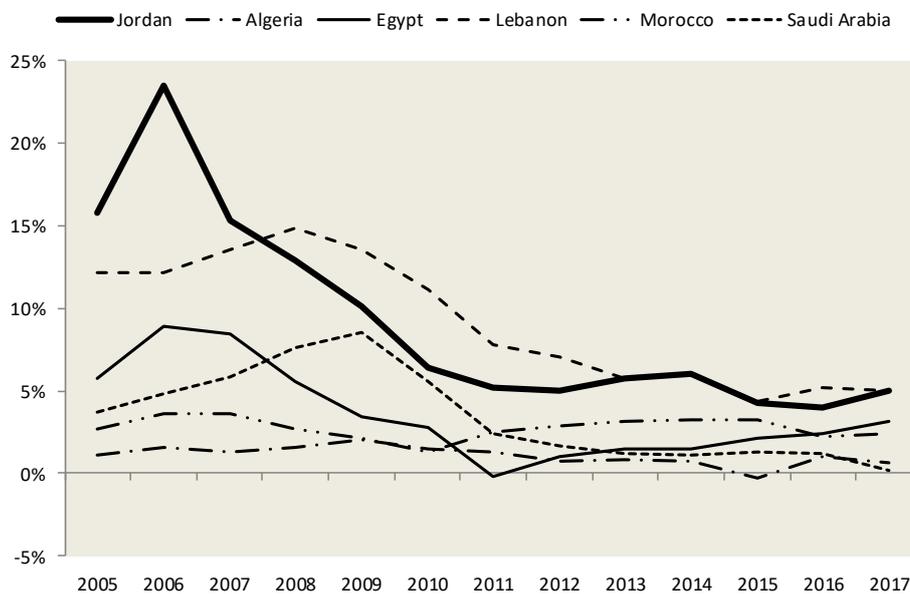
In 2017, FDI flows in Jordan accounted for 11.3% of total FDI flows received in the MENA region as a whole, up from 7% in 2016 and compared to an average 11.6% in 2014-2015 and to less than 7% in 2005-2013- (Figure 3). In 2017, Jordan is the fifth largest recipient of FDI flows in the MENA region, after Egypt (41%), Oman (16%), Morocco (15%) and Lebanon (14%). FDI flows in Jordan represented 5% of its GDP in 2017, a level higher than the average 4% recorded in 2015-2016 but below the average 6% of GDP recorded in 2013 and 2014. In the MENA region as a whole, FDI inflows represented 1% of the region GDP in 2017 (Figure 4).

Figure 3. FDI flows in Jordan and selected MENA countries, as a share of total MENA



Source: IMF Balance of Payments database (see Annex 1 Table 1 for detailed figures).

Figure 4. FDI flows in Jordan and selected MENA countries, as a share of GDP



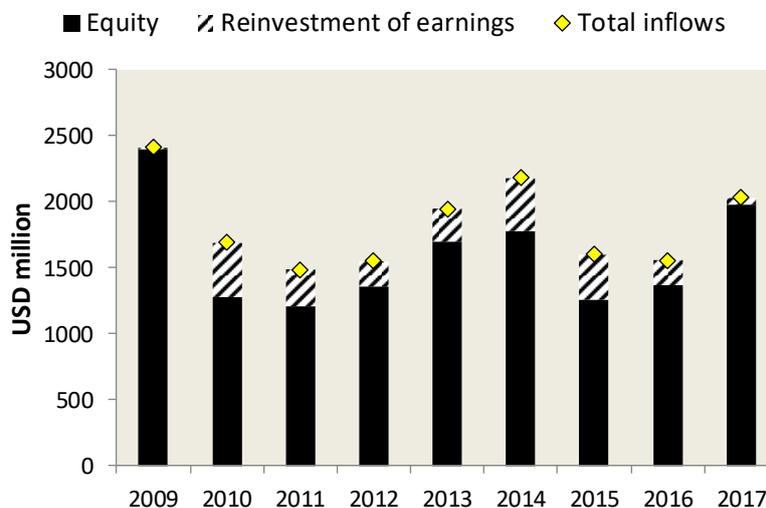
Source: IMF Balance of Payments database and IMF World Economic Outlook database (see Annex 1 Table 2 for detailed figures).

FDI outflows from Jordan remained very limited in 2017 at USD 7 million compared to USD 3 million in 2016 and USD 1 million in 2015 (see Annex 1 Table A.4 for detailed figures). They dropped from USD 163 million in 2005 to negative levels in 2006 (USD -138 million). Since then, they fluctuated between USD 15 million and USD 50 million in 2007-2014, except in 2009 and 2014 when they reached USD 72 million and USD 83 million,

respectively. In the MENA region as a whole FDI outflows almost doubled in 2016, to USD 27 billion. In 2017, FDI outflows from Jordan represented 0.03% of total outflows from the MENA region, as compared to 0.3% in 2014, and 2.2% (their highest share) in 2005. In 2017, major investors from the MENA region were Saudi Arabia (35%), Kuwait (34%), and Oman (12%) (See Annex 1 Table A.3 for detailed figures).

Equity flows and reinvestment of earnings represented respectively 97% and 3% of total FDI flows into Jordan in 2017. According to the survey, Jordan partially covers intra-company debt flows but does not publish them separately from equity. In 2016, equity flows and reinvestment of earnings represented respectively 88% and 12% of total flows (Figure 5). In the MENA region as a whole, the distribution by instrument of total flows in 2017 is comparable to the distribution observed in the pre-crisis period.² Intra-company debt flows represented 35% of total inflows in the region in 2017, a level comparable to 2016 but higher than the levels recorded in 2009-2013 when they represented less than 20% of the total. They exceeded equity capital flows in 2014 and 2015, which had decreased as a result of some large negative levels recorded in certain countries. Equity capital flows represented 57% of total flows in 2017, lower than levels recorded in 2012-2013 when they represented 83% and 74% respectively of total flows. They decreased to 37% of total flows in 2013 and dropped to negative levels in 2014. Reinvestment of earnings represented 8%, compared to 7% in 2016. Global intra-company debt flows represented 4% of total flows in 2017 compared to 11% in 2016, while they were negative for the second consecutive year in the EU as a whole. Equity flows and reinvestment of earnings each represented around 48% of global inflows in 2017, compared to 60% and 31% respectively in 2016.

Figure 5. FDI flows in Jordan by instrument, 2009-2017



Note: Details by instrument for 2005-2008 were not available from the Central Bank of Jordan nor from the IMF at the time of writing. Intra-company debt flows are included in equity.

Source: IMF Balance of Payment database (See Annex 1 Table 4 for detailed figures).

² Based on calculations using available information from the IMF Balance of Payment database. FDI inflows by instrument are not available for Bahrain (2012 onwards), Qatar, Saudi Arabia, United Arab Emirates, and Syrian Arab Republic and Libya (2011 onwards). When equity and reinvestment of earnings were not available separately, the available value was divided equally between the two instruments. When debt flows were not available, it was assumed that they were zero except for Jordan where equity and debt flows were divided equally between the two instruments.

2.2 FDI stocks and income

The **stock of inward FDI** in Jordan at-end 2017 was USD 34 billion as compared to USD 13 billion in 2005, equal to 85% of its GDP as compared to 105% of GDP in 2005 (Figure 6). In the MENA region as a whole, inward FDI stocks represent 37% of MENA GDP³, a ratio below the one recorded in the OECD (44%) and above the ratio recorded for the G20 (32%). At-end 2017, Jordan had the fourth largest stock of inward FDI in the MENA region, accounting for 6% of the total, after Saudi Arabia (44%), Egypt (21%) and Morocco (12%).

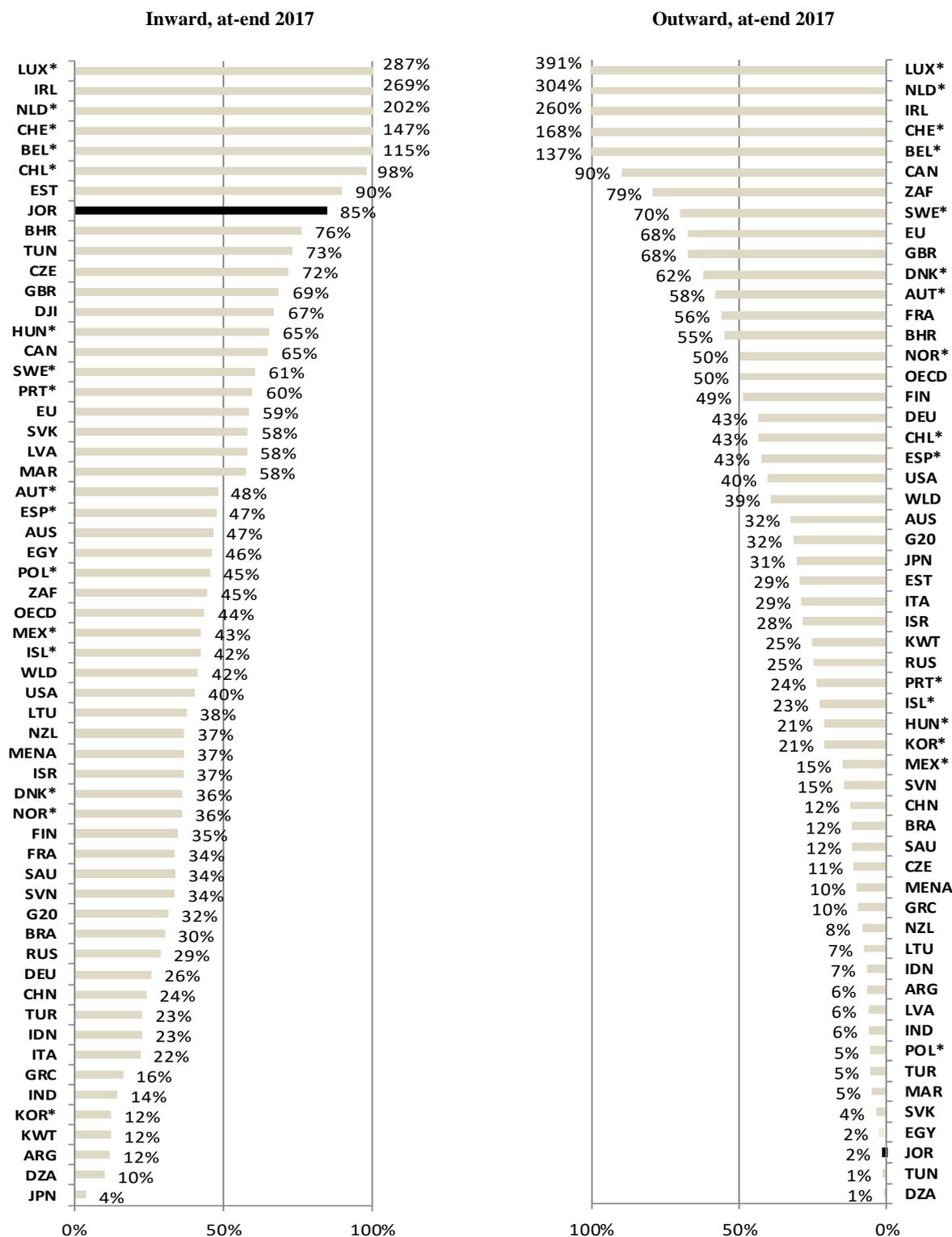
The **stock of outward FDI** from Jordan at-end 2017 was USD 0.6 billion as compared to USD 0.5 billion in 2005, representing 1.5% of its GDP compared to 3.6% in 2005 (Figure 6). In the MENA region as a whole, outward FDI stocks represent 10% of total MENA countries GDP⁴, while total outward FDI stocks from the OECD and from the G20 represent respectively 50% and 32% of total OECD and G20 GDPs. At-end 2017, Jordan was the seventh major investor from the MENA region (0.4% of total outward FDI stock), after Saudi Arabia (56%), Kuwait (21%), Bahrain (13%), Egypt (5%), Morocco (3.6%) and Algeria (1%).

FDI positions by geographic and by industry detail are produced by Jordan but not published on the Central Bank of Jordan (CBJ) website. According to the latest bilateral FDI positions at-end 2009 published as part of the IMF CDIS (based on the 2010 FDI survey), the major investors in Jordan were Saudi Arabia (18%), Kuwait (16%), the United States (8%), the United Arab Emirates (8%) and Iraq (7%).

³ Source: MENA aggregate calculations using available information from the IMF Balance of Payments and International Investment Position database and IMF International Finance statistics database. FDI inward positions at-end 2017 and GDP for 2017 were available for Algeria, Bahrain, Djibouti, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia and Tunisia.

⁴ Source: MENA aggregate calculations using available information from the IMF Balance of Payments and International Investment Position database. FDI outward positions at-end 2017 and GDP for 2017 were available for Algeria, Bahrain, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia and Tunisia.

Figure 6. Inward and outward FDI stocks of Jordan and other countries, as a share of GDP



Note: *Excluding resident SPEs. FDI positions at-end 2017 or latest available year.

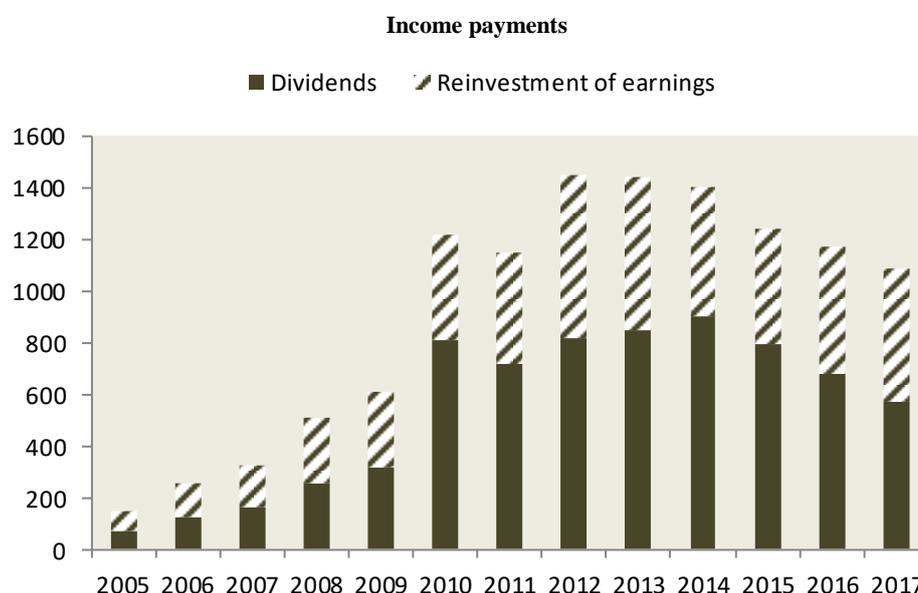
Source: IMF Balance of Payments and International Position database, IMF World economic Outlook database and OECD Foreign Direct Investment statistics database.

FDI income payments by Jordanian affiliates to their parents abroad continued to drop in 2017 to USD 1 719 million. They increased significantly in 2010 from USD 938 million to USD 2 440 million, and they reached a peak in 2014 of USD 2 711 million.

Information available from the IMF Balance of Payments database relate to dividend payments combined with interest from debt, which are not available separately, and reinvestment of earnings. On average in 2014-2016, Jordan's rate of return on inward FDI was 2.9%, below the average 6.9% rate of return recorded in eight MENA countries for which rates of return on inward FDI could be calculated (Figure 8).⁶ In OECD and G20 countries, the average rate of return on inward FDI for 2014-2016 was 5.6%, but the situation varies widely across countries.

FDI income received by Jordanian parents from their affiliates abroad are compiled by the CBJ but not published in the IMF-BOP database or on the Central Bank website.

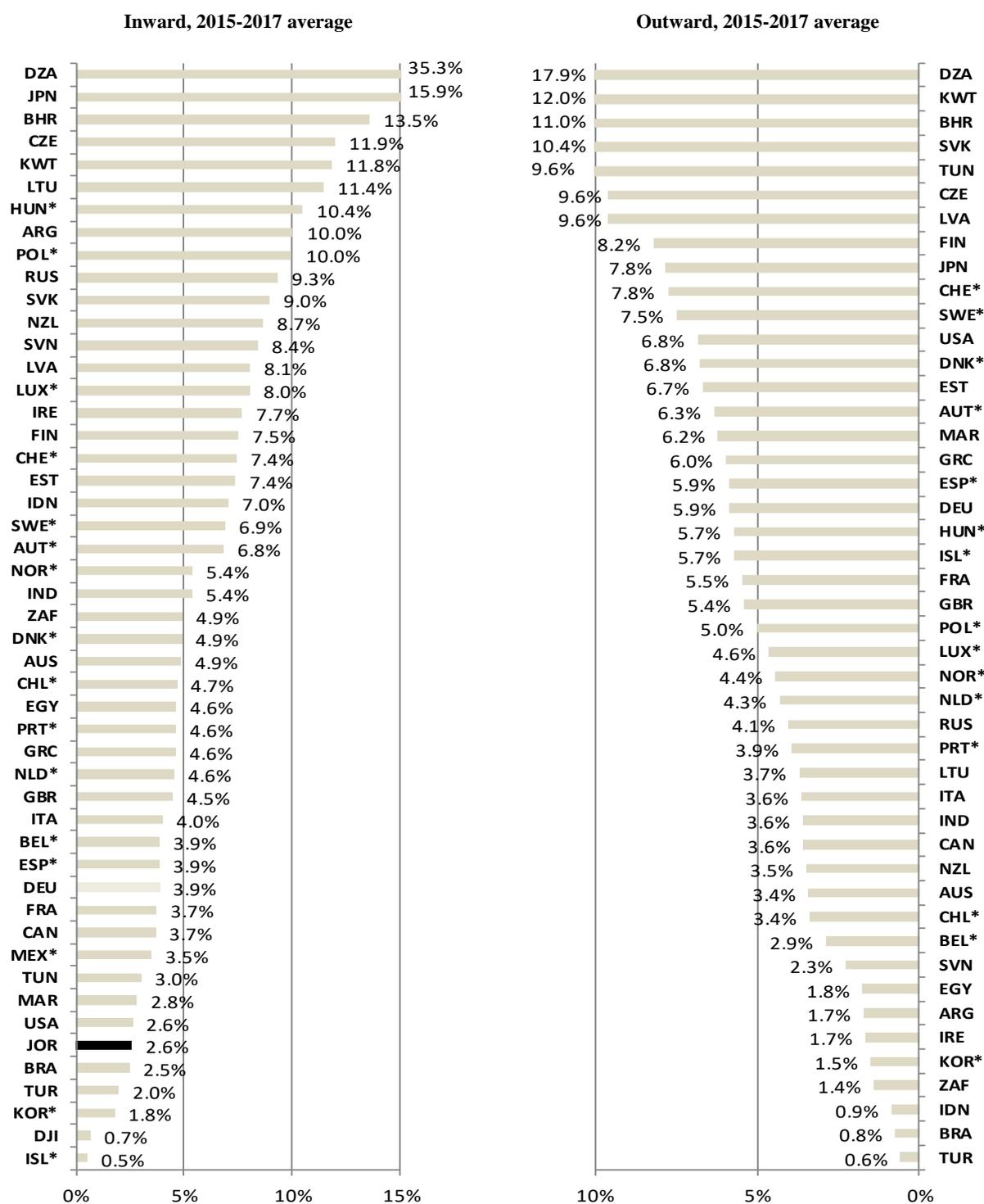
Figure 7. FDI Income payments of Jordan, in USD millions



Note: Interests payments from debt are included in dividends payments. Income on outward FDI (or income receipts) is not available.

Source: IMF Balance of Payments database (see Annex 1 Table A.4 for detailed figures).

Figure 8. Rates of return on inward and outward FDI of Jordan and other countries



Note: *Excluding resident SPEs. Rates of return on inward FDI are calculated as the ratio between income on equity FDI and total inward and outward FDI stocks respectively. Rate of return on outward FDI could not be calculated for Jordan as income on outward FDI is not available.

Source: IMF Balance of Payments and International investment position database and OECD Foreign Direct Investment statistics database.

3. Quality Framework

The OECD quality framework assesses the quality of economic statistics according to seven dimensions: relevance, accuracy, credibility, timeliness, accessibility, interpretability, and coherence. In each section below, the FDI statistics of Jordan are assessed according to these quality factors. Where possible, comparisons of methods, data sources, and coverage will be made to the FDI statistics compiled by OECD member countries.

3.1 Relevance

Relevance is defined as an assessment of the value contributed by these data. Relevance is characterised by the degree to which the data serve the purposes for which they are sought by users. It depends both on the coverage of the required topics and the use of appropriate concepts.

This section will begin with a discussion of the coverage of Jordan's FDI statistics compared to the international standards, i.e., BPM6 and BMD4. The section will continue with a discussion of the extent to which Jordan's FDI statistics use the appropriate concepts by examining how well aligned they are with the international guidelines for compiling detailed FDI statistics by partner country and by industry. FDI statistics serve two main sets of data users: the first group are BOP and IIP analysts, and the second group are those studying the impact of international investment on the reporting economy. The first group are interested in the aggregate statistics that appear in the BOP and IIP accounts while the second group are often more interested in detailed statistics by partner country and by industry. Given their differing analytical uses for the statistics, it is not surprising that there are differences in the presentations of FDI statistics that they find most useful. While the needs of both users will be considered, extra emphasis will be given to those studying the impact of FDI since that is the main focus of BMD4.

3.1.1. Coverage

There are several different aspects to coverage. The first is whether or not all of the standard FDI statistical series are collected and released to the public. Jordan releases an almost complete set of FDI statistics at the aggregate level. Financial flows, income payments, and positions are released as part of the Balance of Payments (BOP) and International Investment Position (IIP) statistics; the exception is income receipts. However, it does not publish all of the components. This makes it hard for users to determine if all of the components are covered. For example, FDI inflows include three major components—equity, reinvestment of earnings, and intercompany debt. However, the CBJ publishes only two major components of FDI—equity and reinvestment of earnings—because intra-company debt is included in equity.⁵ This is problematical as there is often interest by analysts in the different components. For example, a drop in inward investment due to repayment of a loan is interpreted differently from a drop in inward investment due to a drop in equity capital flows. With the two components combined, it is not possible for analysts to distinguish between these two cases. Only total flows are reported for outflows. Equity flows are published in the IMF BOP database but are the same as the total, so it would be useful to know if only equity is covered or if the other components are combined in equity. Income payments cover dividends and interests from debt combined, as well as reinvested earnings

⁵According to the BOP metadata for Jordan available from the IMF: <http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1454011359825>.

which are published separately. As mentioned, income receipts are not published. As regards FDI positions, information by component is not available from the CBJ website or from the IMF IIP database, but it is likely that both debt and equity are covered just not separately identified.

Two other important parts of coverage relate to how well the statistics cover the population of firms in the direct investment universe as defined in the statistical standards and to how well the elements to be included in each series are covered. These two additional aspects are discussed below.

The most important factor in defining the universe of enterprises to be covered in FDI statistics is the 10 percent of voting power criterion. FDI is defined as a long lasting investment by a resident in one economy in a business enterprise in another economy; the direct or indirect ownership of 10% or more of the voting power is evidence of such a relationship. Jordan follows international guidelines by applying the 10 percent of voting power criterion but also includes enterprises in which the direct investor has less than 10% of the voting power but does have an influence on management, such as through representation on the board of directors.

Table 1 provides a summary of these aspects of coverage in FDI statistics for OECD countries. These comparisons are based on the 2016 metadata survey for FDI statistics that the OECD conducted. Results of the metadata survey were released in June 2017 in a metadata database for FDI statistics, available at the following link: http://qdd.oecd.org/subject.aspx?Subject=fdi_metadata. Thirty-four of thirty-five member countries responded to the survey, and the number indicating yes to the question are shown in the column labelled OECD. The last two columns show the responses from Italy, Belgium, the United States, France and Germany, the five largest OECD investors in Jordan.⁶ For the OECD, only 20 out of 33 countries strictly apply the 10 percent of voting power criterion. Most of the exceptions are thresholds applied to the size of the enterprise for inclusion in their FDI statistics; these thresholds are often related to reporting requirements on surveys of FDI and are generally set low enough to ensure adequate coverage of the FDI universe. However, a few countries make exceptions to the 10 percent criterion. Three of the five major OECD investors in Jordan strictly apply the 10 percent criterion.

Table 1. How OECD countries define direct investment enterprises?

	OECD	IT	BE	US	FR	DE
Strict application of the 10% voting power criterion	20	√		√	√*	
Method used to determine FDI relationships:						
Framework for Direct Investment Relationships	23					
Participation Multiplication Method	3		√	√		
Direct Influence/Indirect Control Method	6				√	√
Exclude indirectly owned direct investment enterprises	1					
Other	1	The FDI relationships are determined on the basis of the accounting consolidation perimeter				

Note: *for inward FDI positions only. For inward FDI transactions and outward FI positions, a threshold is applied.

Source: OECD Metadata survey on BMD4.

⁶According to outward FDI positions of OECD countries in Jordan, from the OECD FDI statistics database.

Because the ownership structures of multinational enterprises (MNEs) can be quite complicated, it can be difficult to make sure that all of the entities under the influence of a common direct investor are identified. BPM6 and BMD4 recommend three different ways of identifying all of the entities in a direct investment relationship, with one method--the Framework for Direct Investment Relationships--being preferred. These methods provide for the identification of indirectly owned enterprises as well as of horizontal relationships to identify all of the entities related to a particular enterprise. The CBJ indicates that it uses the FDIR. This would be in line with international guidelines for the identification of direct investment relationships.

Almost all of the OECD countries responding to the survey use one of the three recommended methods for identifying direct investment relationships, and none exclude indirectly owned enterprises from FDI data. Major OECD investors in Jordan use different methods: Belgium and the United States use the Participation Multiplication Method (PMM); France and Germany use the Direct Influence/Indirect Control (DIIC) method while Italy uses a simplified DIIC method, which reduces the DIIC to the accounting consolidation perimeter.⁷

The international guidelines provide guidance on the types of loans that should be included in FDI debt statistics. The CBJ indicates that it covers 'long term loans', 'short term loans', 'short and long term debt securities', and 'trade credits', while financial leases and insurance technical reserves are not applicable. They do not specify any other sources of financing that might be covered. The international guidelines recommend that debt between financial intermediaries be excluded from FDI and included in other investment, and the CBJ excludes such debt as do almost all OECD countries.

Fellow enterprises are entities that are not in a direct investment relationship themselves but that have a direct investor in common. Any transactions between fellow enterprises are relevant to FDI statistics because such transactions likely result from the influence of their common direct investor. The international guidelines call for capturing both equity and debt transactions and positions between fellow enterprises in FDI statistics. The debt between fellow enterprises is only partially covered in the latest FDI survey that was conducted in 2010, but the CBJ did not specify how the coverage is only partial. However, the CBJ indicated that they have plans to design and implement a new FDI survey in the future that should improve the coverage of fellow enterprises. According to table 2, 28 OECD countries cover debt transactions (29 countries cover debt positions) between fellow enterprises in their inward FDI statistics and 27 cover them in their outward FDI statistics (26 countries cover them in their outward positions). The United States partially cover them as only fellows that are ultimately controlled by the same parent through a majority ownership chain are covered, while the minority owned ones are excluded.

⁷ The DIIC method includes all entities in which the direct investor directly owns voting power of 10% or more plus all enterprises that are controlled by them, plus all other enterprises in a continue chain of majority ownership. While included as one of the three recommended methods, the DIIC covers a subset of the entities identified as being in a direct investment relationship under either the FDIR or the PMM.

Table 1. What is the coverage of FDI statistics compiled by OECD countries?

	OECD	IT	BE	US	FR	DE
Inclusion of commercial real estate activities (ISIC4 section L)	34	√	√	√	√	√
Inclusion of private purchase and sale of real estate						
Inward	28	√	√		√	√
Outward	26	√	√*		√	√
Type of loans included in FDI debt statistics						
Long term loans	34	√	√	√	√	√
Short term loans	34	√	√	√	√	√
Short and long term debt securities	30	√	√	√	√	√
Very short term debt, such as that arising from cash pooling	30	√	√	√	√	√
Trade credits	31	√	√	√	√	√
Financial leases	26	√		√	√	√
Financial derivatives (not recommended in BMD4 and BPM6)	2					
Insurance technical reserves	10	√		√		√
Other	8					
Exclusion of debt between affiliated financial intermediaries	32	√	√	√	√	√
Full coverage of debt transactions between fellow enterprises						
Inward	28	√	√	Partial	√	√
Outward	27	√	√	Partial	√	√
Full coverage of debt positions between fellow enterprises						
Inward	29	√	√	Partial	√	√
Outward	26	√	√	Partial	√	√

Note: *For outward FDI transactions, private purchase and sale of real estate is not covered.

Source: OECD Metadata survey on BMD4.

In FDI statistics, the international guidelines lay out special cases to help clarify what should be covered in FDI statistics. BPM6 and BMD4 call for real estate to be covered in FDI statistics. Jordan does cover real estate transactions in its inward and outward data. All OECD countries cover commercial real estate transactions in their FDI statistics, and most cover private, or residential, real estate transactions including the major OECD investors in Jordan except from the United States (table 2).

The international guidelines recommend that construction enterprises that are present in a single economy for more than a year, and thus meet the criterion for residency, and also fulfil the other requirements for being considered a separate institutional unit are to be included in FDI statistics. Similarly, operators of mobile equipment such as ships, aircraft, and drilling rigs, are to be included in FDI statistics if they are resident in the economy for more than a year and meet the other requirements for being considered a separate institutional unit. Jordan does cover constructions enterprises in both its inward and outward financial transactions and position statistics while operators of mobile equipment are covered in the inward transactions and positions but are not relevant to the outward transactions and positions.

Special Purpose Entities (SPEs) are entities whose role it to facilitate the internal financing of the MNE but that have little or no physical presence in any economy. As such, it can be difficult to identify the residency of SPEs. BPM6 and BMD4 clarified that SPEs should be assigned residency in the economy where they are incorporated or registered. While the funds that pass through SPEs do not have much impact, if any, on the economy in which they are resident, BPM6 points out that it is important to cover them in the BOP and IIP accounts because "a) they are an integral part of a direct investor's financial transactions with affiliated enterprises; b) the exclusion of these funds from direct investment would distort and substantially understate direct investment financial flows and positions at the

aggregate level; and c) the inclusions of these data in direct investment promotes symmetry and consistency among economies" (BPM6, paragraph 6.34).

Most, if not all, of the financial transactions of SPEs are funds that are simply passing into and out of an economy on its way to other destinations. Such funds—also called pass-through capital or capital-in-transit—distort the country patterns of FDI statistics and cause double-counting in the statistics. As a result, BMD4 recommends the inclusion of SPEs in FDI statistics but also recommends that they be separately identified. The separate identification of FDI associated with SPEs enables these flows and positions to be removed from the aggregate FDI statistics yielding measures of FDI associated with non-SPE, or operating, affiliates. Their exclusion results in more meaningful measures of direct investment into and out of an economy by removing FDI that involves funds simply passing through the economy via SPEs on their way to other destinations. For the country hosting the SPEs, this recommendation improves the measurement of FDI by excluding inward FDI that has little or no real impact on their economies and by excluding outward FDI that did not originate from their economies. In addition, there are often concerns about the quality of the data collected on SPEs because SPEs have little presence in the reporting economy and because there is often little other data available to confirm their responses. By separately identifying them, the higher quality data available for operating affiliates is separately available. This can be useful for data users who may be concerned about the quality of the data on SPEs, especially in countries where SPEs play a large role.

CBJ indicated that non-residents establish SPEs in the economy and that they are covered in the FDI statistics. In the IMF's BOP and IIP metadata, the CBJ indicated, however, that they are only partially covered. However, information related to SPEs in Jordan is not separately available. The IMF's Task Force on SPEs recommended a definition and typology of SPEs, and, in the next few years, the Balance of Payments Committee will be developing compilation guidance.⁸ Currently, countries use a variety of criteria in determining if an entity is an SPE because it can be difficult to identify SPEs in a comprehensive manner. In its methodology, it would be helpful if the CBJ clarified the coverage of SPEs in its FDI statistics. In the future, the CBJ should explore the separate publication of FDI associated with SPEs. Table 3 reports the results from the metadata survey for countries that cover SPEs in their statistics. Of the 22 countries that reported SPEs are established in their economy by foreign investors, 20 cover SPEs in their statistics, and 17 report FDI statistics for resident SPEs separately. Most countries use multiple data sources and criteria to identify SPEs in their FDI statistics. The three most important criteria are that the entity has few or no employees, that foreign assets and liabilities account for a substantial share of total assets and liabilities, and that it be foreign owned. Only four countries have a special register for SPEs. While foreigners do not establish SPEs in Italy, France and Germany, they do in Belgium which examines the number of employees, the share of foreign assets and liabilities in total assets and liabilities and the foreign control, and in the United States (although they are not significant).

As an example, the Central Bank of Hungary works with the Central Statistics Office of Hungary to identify resident SPEs. They use available indicators that capture the main characteristics of the enterprises and to determine that they have minimal links to the domestic economy. The main criteria they examine are: in their balance sheet, the ratio of nonfinancial to financial assets is minimal and these financial assets consist mostly of equity, long-term loans, and securities; they report little turnover, and the turnover they do have derives primarily from exports; the number of staff is very low (1 to 3 persons); they have

⁸ The final report of the Task Force on SPEs can be found here: <https://www.imf.org/external/pubs/ft/bop/2018/pdf/18-03.pdf>.

high capital reserves which they immediately lend or use to purchase equity abroad or establish branches abroad; they have no subsidiary in Hungary or, if they do have a subsidiary in Hungary, it also meets the criteria of an SPE; material costs are negligible; and, finally, the name of the enterprise refers to the off-shore nature of the enterprise.

Table 2. How many OECD countries compile FDI statistics for resident SPEs?

	OECD	IT	BE	US	FR	DE
SPEs are established by non-residents in the economy	22		√	√ but not significant		
SPEs are included in FDI statistics	20		√			
FDI statistics excluding resident SPEs are compiled separately	17		√			
Identification of SPEs through:						
Separate business register for SPEs	4					
Based on industry classification	8					
Based on number of employees	13					
Based on share of foreign assets (liabilities) in total assets (liabilities)	12					
Based on turnover	6					
Based on foreign control	11					
Information from government regulatory and licensing authorities	3					
Other criteria	6					

Source: OECD Metadata survey on BMD4.

3.1.2. Statistics by partner country and by industry

The international standards recommend that aggregate statistics be presented according to the asset/liability principle. The asset/liability principle classifies financial and income flows and positions according to whether the direct investment transaction or position is an asset or a liability to the reporting economy. The asset/liability presentation puts the FDI statistics on the same basis as other statistics in the BOP and IIP accounts. As such, these statistics are most appropriate for macroeconomic analyses. For example, looking at the impact of direct investment on the current account of a country, it would be best to use direct investment income receipts and payments measured on an asset/liability basis because the other items in the primary income account are also measured on an asset/liability basis. Similarly, comparing direct investment stocks and financial flows to portfolio investment, both measured on an asset/liability basis, can provide insights into the attractiveness of the economy to direct investors, who are interested in making long term investments that involve undertaking management of the company and likely results in technology transfer and other spill-overs, compared to portfolio investors, who are interested in earning more passive investment income.⁹

In contrast, the directional principle classifies the financial and income flows and positions as to whether the direct investment was by a resident of that economy to another economy (outward) or was an investment by a foreign resident into the economy (inward). The directional basis is useful for examining the motivations and impacts of FDI. It is generally best to use the statistics excluding SPEs because they better represent the actual investment into and out of a country and, thus, the FDI that is more likely to have a significant impact on the economy. The detailed statistics by country and industry on the directional basis are most useful for examining questions, such as which countries are the most important sources of direct investment in the reporting economy and which industries they are investing in. For this reason, BMD4 recommends that detailed statistics by partner country and by

⁹ For more information on BOP analysis, see BPM6.

industry be collected on a directional basis. The IMF also recommends that its Coordinated Direct Investment Survey (CDIS) be on a directional basis.

Under the directional presentation, the direct investment flows and positions are organized according to the direction of the investment for the reporting economy—either outward or inward. For a particular country, all flows and positions of parents resident in that economy are shown under outward investment, and all flows and positions for affiliates resident in that economy are shown under inward investment. Under the directional presentation, reverse investment is subtracted to derive the amount of total outward or inward investment of the reporting country. So, if a resident parent borrows money from one of its foreign affiliates, this is subtracted in calculating the reporting country's outward investment because it reduces the amount of money that country's parents have invested in their foreign affiliates. Similarly, if a resident affiliate lends money to its foreign parent, this is subtracted when calculating inward investment because it reduced the amount of money that the foreign parent has invested in that country.¹⁰ In contrast, all assets and all liabilities are simply added up under the asset/liability presentation.

BMD4 recommended that the directional principle be extended to transactions between fellow enterprises; thus, this presentation is called the extended directional principle. The extended directional principle better reflects the direction and degree of influence exerted by resident and non-resident direct investors in the reporting economy. That is, a resident fellow did not achieve any influence over a foreign fellow if it made a loan to that foreign fellow—the influence remained with the direct investor common to both fellows. Similarly, a foreign fellow did not achieve any influence over a resident fellow by extending a loan to it—the influence remained with the direct investor common to the fellows.

In BMD4, the recording of flows and positions between fellow enterprises in a reporting economy depends on the residence of the ultimate controlling parent (UCP) of the fellow enterprise because it is the UCP that ultimately controls the transactions of the fellow. While this treatment applies to both equity and debt investments between fellows, equity investments are rare. Thus, debt has the biggest impact on the statistics. If the UCP of the fellow enterprise is resident in the economy, then loans by and to the fellow enterprise are treated as outward investment. Any loan from a fellow enterprise to a fellow enterprise resident in another economy is treated as an increase in outward investment by the reporting economy because it represents an increase in the influence that a resident direct investor (the UCP) has on the direct investment enterprise in another economy. Similarly, if the fellow enterprise receives a loan, it reduces outward direct investment just as it would if the UCP had received a loan because such investment reduces the total amount the resident direct investor—the UCP—has invested abroad.

In compatibility with the international standards, Jordan presents its aggregate FDI statistics according to the asset/liability principle. The CBJ also indicates that it presents its aggregate FDI statistics according to the directional principle as well. This can be helpful to policymakers who are particularly interested in understanding recent developments and trends in FDI and are especially useful for countries that do not publish all of the details necessary to convert from the asset/liability to the directional presentation. In the survey, the CBJ indicated that it also compiles inward and outward FDI position statistics by partner country according to both the asset/liability and directional presentation. Specifically, the extended directional presentation, in which the direction of transactions between fellow enterprises is based on the residency of the Ultimate Controlling Parent (UCP) is used. As

¹⁰ While reverse equity investment is to be treated the same way as reverse debt investment, it is so rare that most of the difference between the two presentations is due to differences in the treatment of reverse debt investment.

recommended in international standards, the CBJ compiles inward and outward FDI statistics by immediate counterpart country. The CBJ also indicates that they compile data on inward and outward positions by industry classified according to the International Standard Industrial Classification, Revision 4. However, those statistics could not be found on the Central Bank website, and Jordan has not participated in the IMF's CDIS since 2009 as FDI surveys were not conducted since 2010.

Table 4 presents the types of FDI statistics disseminated by OECD countries. All OECD countries publish FDI financial transactions and positions by immediate partner country for inward FDI statistics and positions by immediate partner country for outward statistics while all but one publish financial transactions by partner country for outward investment. Almost all OECD countries publish inward and outward FDI statistics by industry. All OECD countries use either the directional principle or the extended directional principle to record these detailed statistics. There are 4 OECD countries that use the directional principle, i.e., those that record transactions between fellow enterprises on an asset/liability basis. Of the other 30 economies, 25 (including France, Germany and Italy) base the extended directional principle on the residence of the UCP while 5 base the extended directional basis on the residence of the direct investor. These 5 economies, which include the United States, use the residence of the direct investor because information on the UCP is not available.

Table 3. What type of FDI statistics do OECD countries compile?

	OECD	IT	BE	US	FR	DE
<i>FDI by partner country</i>						
Inward FDI transactions by immediate partner country	34	√	√	√	√	√
Inward FDI positions by immediate partner country	34	√	√	√	√	√
Inward FDI positions by Ultimate investing country	13	√		√	√	√
Income on inward FDI by immediate partner country	33	√	√	√	√	√
Outward FDI transactions by immediate partner country	33	√	√	√	√	√
Outward FDI positions by immediate partner country	34	√	√	√	√	√
Income on Outward FDI by immediate partner country	33	√	√	√	√	√
Use of debtor/creditor principle for partner country allocation	33	√	√	√	√	√
<i>FDI by economic activity</i>						
Inward FDI transactions by industry	33	√	√	√	√	√
Inward FDI positions by industry	33	√	√	√	√	√
Income on inward FDI by industry	32	√	√	√	√	√
Outward FDI transactions by industry	32	√	√	√	√	√
Outward FDI positions by industry	33	√	√	√	√	√
Income on Outward FDI by industry	32	√	√	√	√	√
Use of ISIC4 classification for industry allocation	24	√	√		√	√
Compilation of outward FDI according to the activity of the non-resident direct investment enterprise	20	√		√		√*
Compilation of outward FDI according to the activity of the resident direct investor	21		√	√	√	√
FDI statistics are compiled according to the directional/extended directional principle	34	√	√	√	√	√
<i>Method used to record debt transactions between fellow enterprises</i>						
Directional principle based on UCP residency (extended directional principle)	25	√	√		√	√
Directional principle based on direct investor residency	5			√		
Asset liability principle	4					

Note: *outward FDI positions only.

Source: OECD Metadata survey on BMD4.

There is another important principle for the recording of FDI statistics by partner country: the use of the debtor/creditor principle instead of the transactor principle. According to BPM6 and BMD4, the debtor/creditor principle should be used as the basis for the geographical allocation of FDI statistics rather than the transactor principle. Under the debtor/creditor principle, claims and liabilities are recorded according to the country of the party that actually has the financial claim or liability. In contrast, under the transactor principle, the claims or liabilities are allocated to the country of the entity involved in settling the transaction, which could differ from the country of the parents or affiliates undertaking the transaction. Almost all OECD economies (33 out of 34 who responded to the survey) apply the debtor/creditor principle, and the CBJ indicates that it uses the debtor/creditor principle in its geographic allocation.

The financing structures of MNEs have gotten more complex over time in response to several factors, including the need to manage global production networks and the desire to minimize tax and regulatory burdens. This complexity can distort FDI statistics in a couple of ways. First, when MNEs channel investments through several countries, FDI flows are inflated because each flow into and out of each country is counted even if the capital is just passing through. Second, it obscures the ultimate source and destination countries of FDI. To address this issue, BMD4 recommends that countries compile inward investment positions according to the Ultimate Investing Country (UIC) to identify the country of the investor that ultimately controls the investments in their country as a supplemental presentation. That is, the inward position should be shown by UIC in addition to the presentation by immediate partner country and not in place of it. This presentation better captures where the investment in a country is coming from. These statistics show the country of the direct investor who ultimately controls the investment and, thus, bears the risks and reaps the rewards of the investment. This presentation can result in substantial changes in the distribution of inward positions by country and provides information on the countries of the direct investors that ultimately control the foreign investments in the reporting economy.

The ultimate investor is identified by proceeding up the immediate direct investor's ownership chain until an enterprise is reached that is not controlled by another entity (that is, more than 50 percent of the voting power is not owned by another entity). If there is no enterprise that controls the immediate direct investor, then the immediate direct investor is the ultimate investor. It is often possible to collect information on the UIC on FDI surveys without having to collect information on the whole ownership chain by defining the concept and asking the respondent to provide the information. In the case of non-response to the survey question, compilers can use other sources, such as information available on the company and parent company websites and commercial databases. However, there will likely be specific cases for which it might be challenging to identify the UIC from existing sources and which may require specific follow-up. To convert from the standard presentation by immediate investing country, the entire FDI position attributed to the immediate direct investor is moved from its country to the country of the ultimate investor. Unlike the presentation by immediate direct investor, the presentation by UIC can show inward investment controlled by investors in the reporting economy; this is inward FDI resulting from round-tripping. Round-tripping is when funds that have been channelled abroad by resident investors are returned to the domestic economy in the form of direct investment. It is of interest to know how important round-tripping is to the total inward FDI in a country because it can be argued that round-tripping is not genuine FDI into an economy. Seventeen OECD countries currently produce inward position by UIC with several more expected to do so in the future. In the exploratory survey, the CBJ indicated that the geographic allocation of its inward FDI position statistics was based on the UIC rather than on an immediate country basis. While it is good that the CBJ intends to compile statistics according to the

UIC, the top priority should be given to compiling the statistics on an immediate partner country basis when statistics by partner country are re-introduced with the new FDI survey currently being designed. Statistics by immediate partner country will enable participation in the IMF's CDIS and enhance comparability with partner country statistics.

For the classification of FDI statistics by industry, the classification for inward investment is straightforward with the classification based on the economic activity of the direct investment enterprise being the standard. However, the CBJ indicates that its classification by economic activity for inward investment is based on the activity of the non-resident direct investor. On the other hand, the classification is not as straightforward for outward investment statistics where the classification could be either by the economic activity of the resident direct investor or by the economic activity of the foreign direct investment enterprise. While BMD4 recommends that countries compile outward FDI statistics by both the industry of the direct investor and the direct investment enterprise, it recognizes that this is unlikely to be possible. Therefore, it gives slight preference to the compilation according to the industry of the direct investment enterprise. For outward statistics, this would provide information on the industries that the economy's MNEs are choosing to invest in overseas. However, both presentations can be useful. The CBJ indicates that its outward FDI statistics are classified according to the activity of the non-resident direct investment enterprise. Among OECD economies, 20 compile detailed outward investment statistics according to the industry of the foreign direct investment enterprise and 21 compile according to the industry of the direct investor, of which 7 countries compile according to both (table 4).

3.1.3. Recommendations

The CBJ currently disseminates an almost complete set of FDI statistics and generally follows the guidance on coverage by using the 10 percent of voting power threshold for defining FDI and the FDIR for identifying all of the entities in a direct investment relationship. In addition, there is good coverage of the special cases, such as construction enterprises and operators of mobile equipment. Nevertheless, we offer the following recommendations for some areas that could be improved.

The key recommendations are:

- Publish the components within the different statistical series, such as equity, reinvested earnings, and intra-company debt within FDI transactions. These components are important for analysts in understanding the developments within FDI. It would also be useful to publish FDI income receipts.
- Re-introduce regular implementation of an FDI survey, given that such a survey has not been conducted since 2009 and publish FDI positions and transactions by partner country according to the extended directional principle. All of the pieces of information needed to implement the extended directional principle are available in the system. Information by partner country is among the most useful for FDI analysis. First priority should be given to presenting the statistics by immediate partner country, which would also enable Jordan's further participation in the IMF's CDIS.
- Publish FDI position and transactions by detailed industry. This set of statistics should again use the extended directional principle. This presentation is very useful to analysts as it enables the identification of the economic sectors most attractive to foreign investors as well as the relative importance of foreign investment across sectors within the economy. It can also help analysts determine whether FDI is helping the country diversify its economy.

Other recommendations include:

- Ensure that the new FDI survey improves coverage of intra-company debt and fellow enterprises to ensure completeness of FDI.
- Ensure that the new FDI survey separately identifies resident SPEs within FDI statistics.
- After the statistics by immediate investing country have been developed, the CBJ can develop the UIC presentation for inward FDI positions by partner country, on a supplemental basis. This could be based on the identification of the UCP, which is already collected for implementing the extended directional presentation. This presentation is relatively straightforward to implement and can provide important information on who a country's ultimate investing partners really are.

3.2 Accuracy

The accuracy of data is the degree to which the data correctly estimate or describe the quantities or characteristics they are designed to measure. Accuracy refers to the closeness between the values provided and the (unknown) true values. Accuracy has many attributes, and, in practical terms, there is no single aggregate or overall measure of it. Key to improving accuracy is the use of reliable data sources and sound estimation methods.

Sound data sources and estimation methods are keys to ensuring the accuracy of FDI statistics. Statistical surveys are considered to be a necessary part of the compilation system for FDI statistics because it is the only way to collect all of the information on intra-firm transactions needed to completely follow the international guidelines for FDI statistics. In practice, countries often rely on a multitude of data sources to compile their FDI statistics; by using information available from other sources, they reduce the reporting burden on companies. For estimation methods, it can be difficult to estimate for non-response due to the volatile nature of some components of FDI statistics.

This section begins with an assessment of the data sources used to compile FDI statistics by the CBJ. It, then, discusses estimation methods. Finally, it discusses the valuation methods for FDI positions. A discussion of valuation methods is included in this section because the valuation of FDI equity positions at market values often requires the collection of specific information and the use of estimation methods.

3.2.1 Data sources

Almost all OECD countries use a statistical survey system to compile FDI statistics (table 5), including the five major OECD investors in Jordan. In the exploratory survey, the CBJ indicated that it uses a survey system for both inward and outward FDI. However, this survey, which was conducted every two years, has not been conducted since 2010. According to the metadata Jordan provided to the IMF, the FDI survey conducted in 2010 covered 2008/2009. The CBJ indicated that it is designing a new FDI survey and that it will possibly be conducted annually. The CBJ is developing the survey in conjunction with the Department of Statistics, who will conduct the survey, and the Jordan Investment Commission. Additional data sources include published reports such as company accounts, press reports, and administrative data for inward investment including information from the Ministry of trade and industry, from the Amman Stock Exchange and from the Department of Land and Survey. All of these are data sources used by OECD countries as well. The CBJ indicated that they plan to conduct a comprehensive review of available data sources, including identifying additional sources such as financial statements and sectoral questionnaires.

Table 4. How many OECD countries use a survey system to compile FDI statistics?

	OECD	IT	BE	US	FR	DE
FDI transactions	28	√	√	√	√	√
FDI income	30	√	√	√	√	√
FDI positions	31	√	√	√	√	√

Source: OECD Metadata survey on BMD4.

Reporting requirements are mandatory in all but one OECD country, and confidentiality is protected by Law in all but two countries (table 6). In Jordan, companies are required by Law to report, and confidentiality of the information is also required by Law.

Table 5. What is the legal framework in OECD countries for compiling FDI statistics?

	OECD	IT	BE	US	FR	DE
Reporting requirements are:						
Compulsory	31	√	√	√	√	√
Voluntary	1					
Confidentiality of respondents is protected by Law	32	√	√	√		√

Source: OECD Metadata survey on BMD4.

Almost all of the OECD countries that collect data on FDI from surveys make use of a business register (table 7). It can be difficult to keep a business register for FDI surveys up-to-date because firms can enter and exit the FDI universe in a number of different ways. For example, a firm can enter as a new establishment or an existing firm can be purchased by a foreign investor; similarly, a firm can exit the universe by being shut down, but it can also be sold to a domestic investor. To ensure that their business registers are kept up-to-date, OECD countries use a wide variety of different sources to update them. Table 7 indicates that France uses the list of transactors from its ITRS system, information from various business registers of other statistical and non-statistical authorities, press reports, direct investment surveys and commercial databases. The Bureau of Economic Analysis in the United States uses business registers maintained by tax and other statistical authorities, press reports, direct investment surveys themselves and commercial databases. Italy uses industry associations, direct investment surveys but also information from the Chamber of Commerce. Belgium use a basis all companies, which have to report annual accounts to the National Bank of Belgium. The CBJ indicates that it uses a business register to conduct its survey of both inward and outward FDI. The sources for maintaining the business register include information from investment promotion agencies, the business register from another statistical agency, a business register from government regulatory and licensing authorities, a business register from tax authorities, stock exchange authorities, and a debt register. By having the Department of Statistics carry out the new FDI survey, the CBJ could make use of the Department of Statistics business register by helping the Department to identify FDI firms in their business register. This has several advantages, including the possibility that additional statistics on FDI firms could be developed jointly with the Department in the future.

Table 6. How many OECD countries use a business register?

	OECD	IT	BE	US	FR	DE
Use of a business register	30	√	√	√	√	
Sources used update the business registers:						
International transactions reporting system list of transactors	7				√	
Investment promotion agencies	1					
List of exporters and importers from the international trade system	3					
Business register of another statistical authority	11			√	√	
Business register from government regulatory and licensing authorities	12				√	
Business register from tax authorities	11			√		
Stock exchange authority	4				√	
Industry associations	2	√				
Debt register	1					
Press reports	14			√	√	
Compulsory direct investment surveys	11	√		√	√	
Voluntary direct investment surveys	1					
Commercial databases	6			√	√	
Other	7	√	√			

Source: OECD Metadata survey on BMD4.

3.2.2. Estimation methods

According to the response to the questionnaire, the survey conducted by the CBJ is a threshold survey in which firms falling below the reporting threshold do not report. The survey sample is expanded to produce estimates for the population. For companies not included in the sample or that do not respond, they are recorded according to their paid-in capital collected from the Ministry of Trade and Industry.

For positions, Jordan indicated in the metadata for IIP it provided to the IMF that its FDI positions are estimated using the accumulation of FDI flows, which is not recommended under the latest international standards. This method fails to account for factors that can have a significant impact on FDI positions, including cumulative reinvested earnings, depreciation of fixed assets, and holding gains and losses at the direct investment enterprise. Instead of the accumulation of FDI flows, the international guidelines recommend other methods, such as measuring positions at Own Funds at Book Value according to the books of direct investment enterprises.

3.3.3. Valuation

The international guidelines recommend the use of market values to value FDI positions. One reason for this is that the other components of the IIP are measured at market values, so this ensures consistency across the IIP. However, for direct investment enterprises, it can be difficult to produce market values because the equity is often not listed. Therefore, it is often necessary to use alternative measures to develop estimates of FDI positions at market value. BPM6 and BMD4 both offer a variety of methods to estimate market values for unlisted equity. Because differences in valuation can often be an important source of bilateral asymmetries in FDI data, the international community is looking at more standardisation of methods to produce market value. For example, the IMF recommends that countries use own funds at book value in reporting on the CDIS because one of the goals of that survey is to allow countries to make bilateral comparisons in the hopes that they will be able to resolve them and improve their data.

As already mentioned, FDI positions that are currently disseminated by the CBJ as part of the IIP correspond to the accumulation of FDI flows, which is not recommended under

the latest international standards. Nevertheless, for bilateral FDI positions that were compiled from the 2010 FDI survey for the IMF CDIS, the CBJ indicates that it values listed equity positions at market value and unlisted equity positions at own funds at book value adjusted with recent transaction prices. These are both among the methods described in BMD4 for estimating the market value of unlisted equity. Own funds at book value is the shareholder's equity in the balance sheet of the direct investment enterprise and is equivalent to the book value on the direct investment enterprise's books when International Financial Reporting Standards (IFRS) are followed. This method brings the value of the position closer to current period prices by permitting the revaluing of tangible and financial assets.¹¹ Because this is a common method for countries to use, it is the recommended valuation method in the IMF's CDIS. The recent transaction prices method represent an 'arm's length' price between an independent buyer and seller, where neither party is under compulsion or duress to engage in the transaction. It should be applied to transactions that have occurred within the past year. As table 8 shows, 29 OECD countries use own funds at book value for valuing at least part of their positions, including Belgium, France, Germany and Italy. The United States use book values according to U.S. Generally Accepted Accounting Principles, which would result in estimates similar to own funds at book value. The CBJ indicates that market value, face value, nominal value, and book value are used for various debt instruments.

Table 7. How do OECD countries value unlisted equity positions statistics by partner country and industry?

	OECD	IT	BE	US	FR	DE
Recent transaction price	2					
Own funds at book value	29	√	√		√	√
Net asset value including goodwill and intangibles	1					
Net asset value excluding goodwill and intangibles	1					
Market capitalisation method	1					
Present value of future earnings	0					
Apportioning global value	0					
Historic or acquisition cost	1					
Accumulation of FDI equity flows	2					
Stock market price index applied to accumulated FDI equity flows	0					
Book value	2			√		
Other	2					

Source: OECD Metadata survey on BMD4.

3.3.4. Recommendations

The CBJ uses a survey as its main data source, in line with the practice of many countries as surveys are the best way to collect the information needed to measure FDI statistics. However, this survey has not been conducted since 2010, and they are in the process of developing a new FDI survey. They supplement the survey with other data sources; these other data sources are in line with what many other countries use. Due to the complex nature of FDI statistics, it is often necessary to rely on a number of different data sources and to combine them in a way that provides the needed information. The key recommendations are:

- The priority is to develop the new FDI survey and explore increasing the frequency of the surveys to an annual basis;

¹¹ It does not permit the recognition of certain intangible assets, and some assets may remain valued at nominal or historic cost.

- Carry out the plan to explore other possible data sources to strengthen the estimation of FDI statistics; and
- Explore applying the own funds at book values method to FDI positions published as part of the IIP (as opposed to accumulation of flows which are currently used) and to enable your participation in the IMF's CDIS.

3.3 Credibility

Credibility is defined as the confidence that users place in those products based simply on their image of the data producer. Confidence by users is built over time. One important aspect is trust in the objectivity of the data. This implies that the data are perceived to be produced professionally in accordance with appropriate statistical standards, and that policies and practices are transparent. For example, data are not manipulated, nor their release timed in response to political pressure.

The institutional framework in Jordan supports the credibility of its FDI statistics. The fact that the CBJ is the only agency that produces FDI statistics clearly enhances the authority of statistics produced by the CBJ and reduces confusion among users. In a system that relies on statistical surveys as its primary data source, the credibility of the survey system is a fundamental component of the credibility of the FDI statistics. As discussed above, the compulsory reporting requirements, and data collection accompanied by a promise of confidentiality are important factors in enhancing credibility because they improve reporting and raise confidence of data reporters of the care with which their data are handled. Having the Department of Statistics, a statistical agency, will also enhance the credibility of the statistics based on the new survey.

There are other determinants of the credibility of the statistics. Having adequate staff resources and ensuring that they have the needed training to carry out the survey and compile the statistics is required. The CBJ indicates that staff attend national, regional, and international workshop and the training course from the BPM6 Compilation Guide. It can also be valuable to provide training in other disciplines, such as survey design, statistical sampling and estimation techniques, disclosure analysis, and financial accounting standards to properly interpret the information collected. In addition to training in the international guidelines, the CBJ trains its staff in computer and data processing. Adherence to the international guidelines for compiling the statistics, transparency about data sources and methods, and subscribing to the Special Data Dissemination Standard of the IMF are important ways to demonstrate credibility in the compilation and dissemination of FDI, and other, macroeconomic statistics.

However, there are additional steps that could be taken to enhance the credibility. Recommendations include:

- Increase the transparency of your data compilation system by posting a methodology for the compilation of FDI statistics that is accessible to data users that allows them to understand and assess the data sources, estimation methods, and compilation methods used in producing the detailed statistics by partner country and by industry. It can also be useful to identify departures from the international standards in the methodology. Links to methodologies of OECD countries are included in the metadata information included in the OECD FDI statistics database and could provide useful examples of methodologies to follow.
- Develop and publish a measure of the response rate based on the coverage of some aspect of the FDI universe, such as the position, that provides a better indication of

the portion of the universe covered by reported data than simply the portion of the number of firms reporting does. If a sufficiently high response rate can be attained, then users will have more confidence in the results.

- Ensure that staff members are trained in relevant disciplines, including estimation and imputation methods, disclosure analysis, and financial accounting to better interpret the responses of companies. Finally, survey systems can require more human resources to run than ITRS systems, and, so, it should be determined that staffing is adequate to properly conduct the survey and validate the data collected.
- Ensure adequate IT resources to conduct the survey, including the development of an on-line reporting platform and automated data validation and processing routines. Not only does the development of these tools save on human resources, but it can reduce the chance that human error will affect the statistics.
- In addition to subscribing to the Special Data Dissemination Standard (SDDS), it will also be valuable to participate in other international exercises, such as the CDIS.
- Finally, personnel attending national, regional, and international workshops and training courses from the BPM6 Compilation Guide should continue in the future.

3.4 Timeliness

The timeliness of data reflects the length of time between their availability and the event or phenomenon they describe, but considered in the context of the time period that permits the information to be of value and still acted upon. The concept applies equally to short term or structural data; the only difference is the timeframe.

The CBJ currently produces and publishes timely FDI aggregate series as part of the BOP and IIP accounts. Jordan subscribes to the IMF SDDS, which was established to guide IMF members that have, or might seek, access to international capital markets in the provision of their economic and financial data to the public. In accordance with the SDDS guidelines, quarterly FDI transactions, income and positions are compiled and published three months after the reference period. These data are available on the IMF Dissemination Standards Bulletin Board¹², which provides a link to the country specific SDDS report (http://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/New%20HTML/NSDP_2010.HTML).

The CBJ used to compile inward and outward FDI positions by partner country and by industry, based on an FDI survey, which was last conducted in 2010. Therefore, the most recent data refer to 2009, and it is not published on the Central Bank website.

Structural FDI statistics by partner country and by industry can take a longer time to produce than FDI aggregates compiled for the purpose of the BOP and IIP. OECD recommends to its member countries that inward and outward FDI transactions, positions and income statistics by partner country and by industry be compiled annually and reported at **T+9 months**. The reporting deadline, fixed on 30 September each year, is similar to Eurostat and the IMF for the reporting of FDI and CDIS statistics. This deadline would be difficult to change due to the established data processing and revision cycles. A few European countries report their FDI statistics by industry details at T+ 21 months to the OECD, as per the requirements of Eurostat. The reporting deadline is well respected by OECD member countries: during the September 2018 reporting exercise, 27 countries reported their FDI statistics for the reference year 2017 to the OECD by the end of October 2018, 5 countries

¹²<http://dsbb.imf.org/pages/sdds/countrylist.aspx>

reported between November and December 2018 and 3 countries reported in the course of January 2019.

The recommendation for timeliness: While calendars of releases for BOP and IIP FDI aggregates are available from the IMF SDDS platform, many OECD countries also publish a release calendar for the dissemination of the FDI aggregate statistics (as part of BOP/IIP) and for the annual detailed FDI statistics by partner country and by industry on their national sources websites. It would be valuable for the users if the CBJ could publish release calendars for the aggregates and for detailed FDI statistics that will be compiled and published based on the new FDI survey. While FDI aggregates as part of BOP and IIP are currently disseminated according to SDDS standards, it is important that FDI positions by geographic and by industry detail are also disseminated to the public in a timely fashion. The OECD recommends at T+9 months to its member countries. The OECD does not recommend compiling and publishing such statistics with more than a two-year time lag to provide users with timely structural information.

3.5 Accessibility

Accessibility reflects how readily the data can be located and accessed. The range of different users leads to such considerations as multiple dissemination formats and selective presentation of metadata. Thus, accessibility includes the suitability of the form in which the data are available, the media of dissemination, and the availability of metadata and user support services. It also includes whether the user has reasonable opportunity to know that the data are available and how to access them.

FDI aggregates are available on the CBJ website, and can be found under the general section of 'Statistics'. This broad section is further divided into different main sub-sections, of which 'Monthly Statistical Bulletin', 'Annual Statistical Bulletin', 'Statistical Database', 'SDDS' and 'External sector statistics' all include links to FDI aggregate statistics.

The accessibility of quarterly FDI aggregates published as part of the BOP and IIP is well ensured on the CBJ website. At the time of writing, FDI financial flows assets and liabilities are available as part of the BOP report within the *Monthly Statistical Bulletin*, published under the *Statistics* section. Information is available in Excel format (under the sub-heading 'External sector data'), for the four latest calendar years up to 2017 and the eleven latest quarters up to Q3 2018. However, FDI aggregate income credits and debits from the BOP current account are not available from those reports, which only contain total income debits and credits. FDI aggregate positions as part of IIP are also published in the Monthly Bulletin, as part of 'IIP-Assets' and 'IIP-Liabilities' sub-headings. FDI flows are available for the four latest calendar years up to 2017 and the eleven latest quarters up to Q3 2018. The same information is also available under the 'External sector' sub-section of the main *Statistics* section. FDI flows as part of BOP in the above mentioned reports are not available with instrument breakdown, nor in the SDDS national page. For FDI positions, the reinvested earnings series is available, but it appears that equity and debt instruments are combined.

Long historical series of FDI aggregate flows can be found on the Annual statistical Bulletin under the *Statistics* section, as part of BOP according to BPM5. BPM6 based series are only available for the four most recent years (2014-2017) at the time of writing. However, FDI flows aggregates for 2014-2017 published as part of BOP-BPM5 and BOP-BPM6 are identical, so the user can use the BPM5 report to construct longer time series for FDI aggregate flows. For FDI positions as part of IIP, it seems that there is no easy way to access longer historical series.

Inward and outward FDI positions by partner country and by industry last compiled based on the FDI survey conducted in 2010 are not disseminated on the CBJ website.

In terms of metadata accessibility, the CBJ publishes methodological information related to the compilation of BOP statistics under the Fifth edition of the IMF Balance of Payment Manual (BPM5) available from the Statistics/SDDS section. Similarly, BOP and IIP related metadata available from the IMF BOP and IIP database relate to BPM5, while the CBJ disseminates BOP and IIP data according to BPM6.

The following recommendations could be considered by the CBJ to improve the accessibility of FDI statistics and to further increase their relevance and credibility:

- While FDI flows series published as part of BOP are easily accessible, the accessibility of FDI income series as part of BOP and of FDI positions as part of the IIP could be improved if users could extract longer historical series, as is possible for FDI flows, from the *Time series* database. It would also be valuable if detail by instrument for flows, income and positions were available for time series extracts of the BOP and IIP. These two developments would facilitate FDI trends analysis for users and the identification of revised BOP FDI income and of IIP FDI data.
- BOP FDI flows are accessible from the *Statistics/Monthly statistical bulletin* and *Statistics/Annual statistical bulletin*. It would be useful for users if the *Statistics/External sector* not only included IIP related information, but also BOP information. External sector is a common terminology where users will expect to find IIP and BOP related information.
- Once FDI flows and positions by partner country and by industry detail based on the new FDI survey are available, it would be valuable if they were disseminated and downloadable into Excel format, and clearly identified through a dedicated section separate from the BOP and IIP sections as many OECD countries do. For example, an ‘FDI by partner country and by industry’ section could be created under *Statistics/External sector*.
- Many OECD countries include a specific section for FDI by partner country and by industry in their national sources of FDI statistics, as the CDIS and BMD4 call for the compilation of FDI statistics by partner country and by industry according to the extended directional principle while the BOP and IIP aggregates based on BPM6 are presented on an asset/liability basis.

3.6 Interpretability

Interpretability reflects the ease with which the user may understand and properly use and analyse the data. The adequacy of definitions of concepts, of target populations, of variables and of terminology underlying the data and information describing the limitations of the data, if any, largely determines the degree of interpretability.

FDI statistics is one of the more complicated areas of statistics for users to understand and use because the users may not be familiar with the BOP and IIP concepts that underlie the data. As such, providing guidance to help them understand and use the statistics is very important. An important part of this guidance is providing references to the international standards that can help users understand the statistics. In addition, providing metadata and methodologies (as discussed above) can also be very useful. Finally, providing an analysis with the dissemination of FDI statistics can be very useful by, for example, helping users understand the trends and movements in the statistics. The CBJ indicates that they do provide

such an analysis with the release of its FDI statistics. The elements to include in an analysis of FDI statistics are discussed further below in section IV.

Another tool that can help users better interpret the statistics is to publish a table reconciling the changes in the FDI position from one period to the next by showing how much of the change during the period was due to transactions and how much was due to other changes. It is useful to further break these other changes into valuation changes and other changes in volume. The valuation changes can be further broken down into exchange rate changes, which reflect the impact that changes in exchange rates have on instruments that are denominated in a currency other than the one the accounts are presented in, and other price changes, which reflect all changes to the market value of an instrument that are not attributable to exchange rate changes or transactions. Other changes in volume arise from a number of reasons, including debt cancellations or write-offs, liquidations, expropriations, and reclassifications (such as when an existing equity position in portfolio investment is reclassified to FDI because an additional purchase pushed the ownership over the 10% level).¹³ Presenting these changes as suggested in table 9.1 of BPM6 helps users understand the sources of changes in the position.

3.7 Coherence

Coherence reflects the degree to which the data are logically connected and mutually consistent. Coherence implies that the same term should not be used without explanation for different concepts or data items; that different terms should not be used without explanation for the same concept or data item; and that variations in methodology that might affect data values should not be made without explanation. If two data series purporting to cover the same phenomena differ, the differences in time of recording, valuation, and coverage should be identified so that the series can be reconciled. Coherence has four important sub dimensions: within a dataset, across datasets, over time, and across countries.

Table 8. Coherence of BOP and IIP FDI series published by the Central Bank of Jordan and the IMF

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
FDI flows													
<i>USD million</i>													
Assets													
CBJ	163	-138	48	13	72	28	31	5	16	83	1	3	7
IMF	163	-138	48	13	72	28	31	5	16	83	1	3	7
Liabilities													
CBJ	1984	3544	2622	2826	2413	1689	1486	1548	1947	2178	1600	1553	2030
IMF	1984	3544	2622	2827	2413	1688	1486	1548	1947	2178	1600	1553	2030
FDI positions													
<i>USD million</i>													
Assets													
CBJ										608	609	613	619
IMF	450	312	360	372	444	473	504	509	525	608	609	613	619
Liabilities													
CBJ										29059	30629	32163	34250
IMF	13229	12713	19013	20406	20761	21899	23385	24933	26946	29059	30629	32163	34250

Note: It was not easy to retrieve historical FDI positions from the CBJ website, therefore only FDI positions for 2014 on are shown. FDI flows and positions in millions of Jordan Dinars were converted into USD millions by the OECD using average period exchange rates for flows and spot end rates for positions.

Source: Central Bank of Jordan and IMF.

¹³ See BMD4 paragraphs 228-259 for a discussion of recording valuation changes and other volume changes.

Coherence across FDI datasets published by Jordan and other international organisations can be assessed by comparing FDI statistics published as part of BOP and IIP by the CBJ and by the IMF (Table 11). At the time of writing, FDI flows and positions published by both institutions were fully consistent. However, FDI income could not be compared with IMF data as FDI income aggregates are not available separately from total income in the BOP current account reports disseminated by the CBJ.

Lack of coherence across statistics presented in different locations and in different contexts can be very problematic for users and erodes their confidence in the statistics. For the time being, given that the CBJ only disseminates aggregate FDI flows and positions as part of BOP and IIP, the sources for incoherence are limited. Once the CBJ starts publishing annual bilateral FDI positions by partner country and by industry as well as other detailed statistics in the longer run for FDI flows and income, incoherence may arise with FDI aggregates published as part of BOP and IIP. While it can be difficult, there are steps that can be taken to enhance coherence and explain why differences exist. Recommendations to enhance coherence include:

- In most OECD countries, differences between FDI statistics published as part of BOP/IIP and FDI statistics by partner country and by industry are due to the asset/liability presentation versus directional presentations, differences in the timing of revisions, and, for selected countries, to valuation methods or the use of different data sources. In the future, if Jordan has plans to implement and publish the directional principle for its FDI statistics by partner country and by industry, we suggest that a reconciliation table between the two presentations be available on the CBJ website. The WGIIS has developed a standard table that countries can use as part of their dissemination of FDI statistics to explain the relationship between the asset/liability and directional presentations. The table is based on a reconciliation table used by the Swiss Central Bank and is available in Annex 2 of the present document.

4. Analysis of FDI statistics

As discussed above in the section on interpretability of the statistics, providing an analysis with the publication of FDI statistics can be very useful to users of the statistics. FDI statistics can be particularly difficult for users to understand and interpret as not all of the concepts are familiar. In addition, when there is a requirement to protect the confidentiality of company-sensitive information, it can be difficult for users to understand what is underlying the movements from one period to the next. It is possible to convey this information to data users in an analysis accompanying the release of the statistics. In the first section below, some information that can be included in an analysis of FDI statistics is presented. This is followed by a description of some useful indicators that can be constructed using FDI statistics. In both cases, the focus is more on analysing the impact of FDI on the reporting economy and less on BOP or IIP analysis because the former is more the focus of BMD4; BPM6 provides information on BOP and IIP analysis. Finally, the last section discussed two horizontal projects at the OECD that use FDI statistics.

4.1 Information to include in an analysis of your FDI statistics

When releasing FDI statistics, it is important to include an analysis explaining the major changes in the series. For financial flows, it can be useful to examine the detail by the components of FDI financial transactions even if that detail is not published. Financial flows consist of three components: equity capital, reinvestment of earnings, and intercompany debt. Equity capital is often associated with new investments, such as greenfield or M&As, even

though it can also reflect capital contributions or other restructuring. Nevertheless, equity capital flows are often taken as a sign of the amount of new investments a country is attracting or making. Reinvestment of earnings is the portion of earnings that the parent decides to reinvest in the affiliate rather than receive as a dividend. This component of financial flows tends to be the least volatile. Changes in the reinvestment of earnings can reflect both changes in the earnings of affiliates and in the share of earnings that parents choose to distribute. The reinvestment ratio is the share of earnings that the parent reinvests; it can be an indication of the parent's perception of investment opportunities available through the affiliate: if the parent sees the opportunity to make profitable investments in its affiliates, the parent might choose to reinvest more money in them. However, many other factors can influence the share of earnings reinvested. For example, if the parent is in need of cash, they might pay higher dividends. Intercompany debt is usually the most volatile component of total financial flows and is often driven by the short term financing needs within a company rather than larger overall macroeconomic phenomena. As such, intercompany debt is often the most difficult aspect of financial flows to explain. Intercompany debt flows can often switch direction as large loans are received and then paid off.

By explaining the movements in the components of financial flows is important because it can provide insights into the nature of FDI and whether the investment climate in a country is improving or not. For example, identifying whether a large increase in inflows is due to an increase in equity capital, reinvested earnings, or intercompany debt can be useful. For each of these it can help to provide more information. For example, it can be helpful to specify whether an increase in equity capital flows was due to investments in existing affiliates or due to new investments in the country. For reinvested earnings, it can be useful to identify if a decrease is due to a drop in earnings overall for affiliates or a drop in the share that direct investors were choosing to reinvest. Each of these reasons has different implications for the overall understanding of what is behind the movements. For example, a drop in inward investment due to repaying an intercompany loan would be interpreted differently from a drop in inward investment due to a drop in equity capital flows.

This type of information can be conveyed in such a way as to protect confidentiality by the use of words to describe the importance of different factors. For example, saying that the increase in equity capital flows was largely or mostly driven by new investments conveys to the user that this was an important factor without having to divulge a specific number or share that could be considered sensitive. Saying that the drop in inflows was largely due to repayment of intercompany debt but sell-offs also contributed conveys the relative importance of these factors without, again, providing specific figures that could be sensitive.

Positions are the accumulated value of direct investments measured at a specific point in time, such as the end of a quarter or of a year. The inward position indicates the overall value of foreign direct investors' investment in the reporting economy, and the outward position indicates the degree of penetration of resident direct investors in foreign countries. The change in the position from one point in time to the next is due not only to the financial flows during the period but also to changes in prices, exchange rates, and other changes in value, such as the write-down of assets. It is important to provide this information to users to help them understand what is driving the change in position. Looking at how the position has changed over time, can give an indication of structural changes in the economy, such as opening up to foreign investment.

4.2 Indicators

This section gives some examples of indicators that can be constructed using FDI statistics. These indicators can provide information to answer common questions about FDI.

4.2.a Ratio of FDI to GDP

Users are often interested in understanding the role that FDI plays in both home and host countries. A common way to judge the importance of FDI to an economy is to compare the size of the outward and inward financial and income flows and positions to GDP. By normalising these measures by GDP, it allows for comparisons across countries. For these indicators, the statistics on a directional basis excluding resident SPEs are best to use in answering these questions because they distinguish between inward and outward investment and because they exclude funds that are simply passing through the economy on their way to another destination via SPEs.

Such measures show the extent of globalization through FDI at a given point in time. For example, the ratio of inward direct investment financial flows to GDP shows the relative attractiveness of the economy to FDI for that time period, and the ratio of inward and outward stocks to GDP shows the extent of globalisation of the economy at a point in time. Looking at how these indicators change over time can shed light on the role of FDI in globalizing the economy over time and can provide information on structural changes in direct investment, such as greater openness to foreign investment. Looking at stocks can give a clearer picture as flows can be significantly affected by one-time events.

GDP is often used to normalize FDI flows and stocks because it is widely available on a timely basis. However, there are other statistics that can provide meaningful measures of the importance of FDI to an economy, including inward investment as a share of gross fixed capital formation. However, care should be taken in interpreting this ratio as FDI flows may be related to changes in ownership of existing capital rather than the formation of new capital, such as with mergers and acquisitions.

4.2.b Top investing partners

Users are often interested in identifying the most important investing partners. It is possible to construct an indicator showing inward investment for a particular country over total inward investment. These can be constructed with either financial flows or positions, depending on the question; if the question is which country is the most important source of FDI in a particular period, say the most recent quarter, then flows can be used. If instead the question is asking for the most important investing countries on a long term basis, then positions should be used. For inward investment, there are two possible series that can be used to answer this question. The first is the standard series by immediate partner country; it is the most widely available. The second is the supplemental series by ultimate investing country. While this is preferable because this series identifies the country of the investor who ultimately controls the investment, it is not as widely available and is available for positions only.

For outward investment, again it is best to use directional statistics excluding resident SPEs. However, these statistics will not give a very precise picture when parents in a country channel FDI through SPEs in other countries. For that, it would be necessary to have statistics that look through non-resident SPEs, or, even better, statistics by the ultimate host country. The development of such statistics is being discussed in the WGIIS, but they are not yet available.

4.2.c Top industries for FDI

This can be answered using the standard series by industry of the affiliate and constructing indicators as discussed above for identifying the most important industries for

FDI. However, the outward investment statistics may again give a distorted picture of the most important industries if parents are channelling their FDI through non-resident SPEs.

4.2.d Rates of return on FDI

The rate of return is an indication of the profitability of an investment. The simplest way to calculate the rate of return is as earnings compared to the stock of investment. It is possible to compare the rates of return on both outward and inward investment to rates of return in the domestic economy as a whole to see how they compare to all businesses for a country. Looking at rates of return over time can indicate whether investments in resident enterprises are becoming more profitable and whether those enterprises are becoming more competitive, but it is important to note that cyclical or structural factors can affect rates of return. It is also possible to compare rates of return on FDI to other types of investment, such as portfolio investment.

4.2.e BOP or IIP analysis

BPM6 provides more examples of BOP and IIP analysis, but it may be useful to have one example. Examining the composition and size of a country's liabilities and assets can shed light on its vulnerability to crises. By providing consistent information on the composition and size of assets and liabilities by functional category of investment (for example, direct investment or portfolio investment) and by instrument (for example, equity or debt), a country's IIP provides important insights into how vulnerable its economy is to external market conditions. For example, assessing the share of total debt liabilities in direct investment is important because the returns to creditors of debt liabilities in direct investment depend on the performance of the debtor. In contrast, the returns to creditors on debt liabilities in portfolio investment do not depend on the performance of the debtor but are required even if the debtor is in difficulty, and, hence, pose a greater risk to the economy. For these types of analyses, the aggregate statistics presented according to the asset/liability principle are the most appropriate to use.

4.3 OECD horizontal projects using FDI statistics

At the OECD, FDI statistics are being used to inform policy making. For example, the OECD is carrying out a large project on Base Erosion Base erosion and profit shifting (BEPS), which refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. Over 100 countries and jurisdictions are collaborating to implement measures to tackle BEPS. Many indicators are required to measure a phenomenon as complicated as BEPS, and FDI statistics are used in some of these indicators. For example, high levels of FDI relative to GDP could be due to tax avoidance. However, it could also be due to a positive investment climate, so care must be taken in interpreting these indicators. Another example is comparing rates of return on FDI investment in SPEs and non-SPEs in an economy, which could indicate use of SPEs to avoid taxes. Complete description of indicators can be found here: <http://www.oecd.org/ctp/measuring-and-monitoring-beps-action-11-2015-final-report-9789264241343-en.htm>

Another project that the OECD is pursuing is the integration of FDI income statistics into the Trade in Value Added (TiVA) Framework. The core TiVA indicators identify the value added in each country in the production of goods and services that are consumed worldwide. However, TiVA indicators do not currently consider the role of investment in these global value chains. The OECD is working to address this gap in a number of ways, one of which is integrating FDI income into the TiVA framework. This will shed light on an

important discussion on how the income that is generated from FDI is distributed and how much of that income 'sticks' within the host economy. While one of the main contributions of TiVA is the splitting of exports into domestic and foreign (i.e., imported) value added parts, only some parts of the value added of foreign-owned firms are expected to remain in the economy; these 'sticky' parts include wages and taxes. However, the other part – the operating surplus or profits – is typically less 'sticky' because it accrues to the foreign parent. It is the foreign parent that decides whether these profits are reinvested in the affiliate or are repatriated to the home country. This is not a negligible part: OECD AMNE data indicate that around 45% of value added produced by foreign owned firms consists of operating surplus and hence can (potentially) be repatriated. Integrating FDI income into the TiVA framework is an important first step to develop statistics on the role of foreign investment in GVCs and the income it generates, as well as in the broader effort to better capture ownership information in economic statistics.

5. Summary of recommendations

The goal of this project was to review the FDI statistics compiled by Jordan to assess their compatibility with the international guidelines for compiling FDI statistics (BPM6 and BMD4); to assess the data sources and estimation methods used; and to examine the feasibility and the usefulness of compiling additional series, such as inward FDI positions by ultimate investing country. The OECD used its framework for reviewing the quality of macroeconomic statistics in the review. This framework examines seven dimensions of quality: relevance, accuracy, credibility, timeliness, accessibility, interpretability, and coherence. The work was carried out largely through a questionnaire for the CBJ and examination of metadata provided by Jordan to the IMF for BOP and IIP.

Overall, Jordan compiles aggregate FDI statistics that largely follow the international guidelines with the most serious exception being the measuring of FDI positions through the accumulation of FDI flows. Jordan uses a number of different data sources, as do most countries, in compiling its FDI statistics; it has conducted FDI surveys, considered to be the best source of information for FDI statistics, in the past and is currently developing a new FDI survey in conjunction with the Department of Statistics and the Jordan Investment Commission. It disseminates its FDI statistics in line with the IMF's SDDS. Nevertheless, there are some recommendations that could enhance the quality of Jordan's FDI statistics according to the OECD's Quality Framework.

The key recommendations to enhance the relevance, accuracy, and credibility of the statistics include:

- Publish the components within the different statistical series, such as equity, reinvested earnings, and intra-company debt within FDI transactions.
- Continue to develop the new FDI survey and explore increasing its frequency to an annual basis.
- Publish FDI positions and transactions by partner country according to the extended directional principle. First priority should be given to presenting the statistics by immediate partner country, which would also enable Jordan's participation in the IMF's CDIS. Lower priority should be given to developing the UIC presentation for inward FDI positions by partner country, on a supplemental basis.
- Publish FDI position and transactions by detailed industry. This set of statistics should again use the extended directional principle.

- Carry out the plan to explore other possible data sources to strengthen the estimation of FDI statistics and to improve coverage of intra-company debt and fellow enterprises to ensure completeness of FDI.
- Ensure the use of Own Funds at Book Value estimates for unlisted inward and outward positions to enable your participation in the IMF's CDIS.
- Separately identify resident SPEs within FDI statistics.
- Increase the transparency of your data compilation system by posting a methodology for the compilation of FDI statistics that is accessible to data users that allows them to understand and assess the data sources, estimation methods, and compilation methods used in producing the detailed statistics by partner country and by industry. It can also be useful to identify departures from the international standards in the methodology.
- Ensure that staff members are trained in disciplines related to compiling the statistics, such as survey design, estimation and imputation methods, disclosure analysis, and financial accounting to better interpret the responses of companies. Finally, survey systems can require more human resources to run than ITRS systems, and, so, it should be determined that staffing is adequate to properly conduct the survey and validate the data collected.
- Ensure adequate IT resources to conduct the survey, including the development of an on-line reporting platform and automated data validation and processing routines. Not only does the development of these tools save on human resources, but it can reduce the chance that human error will affect the statistics.
- In addition to subscribing to the SDDS, it will also be valuable to participate in other international exercises, such as the CDIS.
- Finally, personnel attending national, regional, and international workshops and training courses from the BPM6 Compilation Guide should continue in the future.

The key recommendations to enhance the timeliness and accessibility of the statistics include:

- Publish release calendars for the aggregates and for detailed FDI positions that are currently compiled. While FDI aggregates as part of BOP and IIP are currently disseminated according to SDDS standards, it is important that FDI positions by geographic and by industry detail are also disseminated in a timely fashion. The OECD recommends they be disseminated at T+9 months to its member countries. It is not recommended to compile and publish such statistics with more than a two-year time lag so as to provide users with timely structural information.
- While FDI flows published as part of BOP are easily accessible, the accessibility of FDI income series as part of BOP and of FDI positions as part of the IIP could be further improved if users had the possibility to extract longer historical series, as is possible for FDI flows, from the *Time series* database. It would also be valuable if details by instrument for FDI flows, income and positions be available for time series extracts of BOP and IIP.
- BOP FDI flows are accessible from the *Statistics/Monthly statistical bulletin* and *Statistics/Annual statistical bulletin*. It would be useful for users if the *Statistics/External sector* not only included IIP related information, but also BOP

information. External sector is a common terminology where users will expect to find IIP and BOP related information.

- Disseminate annual FDI positions by partner country and by industry details in downloadable Excel format. Clearly identify these detailed statistics through a dedicated section separate from the BOP and IIP sections. For example, an ‘FDI by partner country and by industry’ section could be created under *Statistics/External sector*.

The key recommendations to enhance the interpretability and coherence of the statistics include:

- As discussed above, publication of complete metadata and methodologies can help enhance the interpretability of the statistics.
- Due to the complex nature of FDI statistics and the need to keep the information confidential, publishing an analysis with the release of FDI statistics can be very valuable to help users understand recent developments and trends in FDI.
- It can be useful to publish a table reconciling the changes in position from one period to the next with the financial flows and changes in value.
- In most OECD countries, differences between FDI statistics published as part of BOP/IIP and FDI statistics by partner country and by industry are due to the asset/liability presentation versus directional presentations, differences in the timing of revisions, and, for selected countries, to valuation methods or the use of different data sources. In the future, if Jordan has plans to implement and publish the directional principle for its FDI statistics by partner country and by industry, we suggest that a reconciliation table between the two presentations be available on the CBJ website.

A final recommendation is to ensure that any significant changes introduced to the FDI statistics be accompanied by a communications strategy so that users can understand the changes that were made, why the changes were made, and assess their impact on the statistics.

ANNEX 1. FDI statistics of Jordan

Table A.1. FDI flows in Jordan and MENA countries, in USD millions

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Algeria	1156	1841	1687	2639	2747	2300	2571	1500	1692	1502	-538	1638	1201
Bahrain	1049	2915	1756	1794	257	156	781	1545	3728	1519	65	243	519
Djibouti	22	108	195	228	97	37	79	110	286	153	124	160	165
Egypt	5376	10043	11578	9495	6712	6386	-483	2798	4192	4612	6925	8107	7409
Iraq	515	383	972	1856	1598	1396	2082	3400	-2335	-10176	-7574	-6256	-5032
Jordan	1984	3544	2622	2827	2413	1688	1486	1548	1947	2178	1600	1553	2030
Kuwait	234	121	112	-6	1114	1305	3259	2873	1434	486	285	292	113
Lebanon	2624	2675	3376	4333	4804	4280	3137	3111	2661	2863	2159	2568	2559
Libya	1038	2064	4689	4111	1371	1784	0	0	0	0	0	0	
Morocco	1671	2461	2826	2466	1970	1241	2521	2842	3361	3525	3253	2318	2680
Oman	1538	1596	3332	2952	1486	1243	1629	1365	1612	1286	-2172	2265	2918
Palestina n Authority	36	19	20	52	300	180	239	63	190	160	105	296	203
Qatar							939	396	-840	1040	1071	774	986
Saudi Arabia	12097	18293	24319	39456	36458	29233	16308	12182	8865	8012	8141	7453	1419
Syrian Arab Republic	500	659	1242	1466	2570	1469							
Tunisia	713	3240	1515	2601	1525	1334	433	1554	1059	1025	971	623	810
United Arab Emirates													
Yemen	-302	1121	917	1555	129	189	-518	-14	-134	-233	-15	0	
MENA total	30251	51082	61158	77822	65550	54220	34464	35273	27716	17952	14399	22035	17979
<i>Memo items:</i>													
World	980258	1449006	1979553	1568732	1196915	1483634	1728106	1535270	1588928	1501920	2057817	1909828	1419482
OECD	617818	959024	1309057	841295	690683	716329	895354	728352	788863	669070	1206968	1200472	759827
EU	457701	526498	827616	317123	378807	358376	424946	336348	347418	253451	519177	531044	290202

Note: MENA total aggregate exclude FDI flows (not available) in Libya (2017), the Syrian Arab Republic (2011 -2017), the United Arab Emirates (2005-2017) and Yemen (2017). Data for 2017 was converted into USD millions by the OECD from data collected in national currency from the Central Bank website, using USD average exchange rate.

Source: IMF Balance of Payment database, Central Bank of Jordan and OECD Foreign Direct Investment statistics database

Table A.2. FDI flows in Jordan and selected MENA countries, as a share of GDP

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Algeria	1.1%	1.6%	1.2%	1.5%	2.0%	1.4%	1.3%	0.7%	0.8%	0.7%	-0.3%	1.0%	0.7%
Bahrain	6.6%	15.8%	8.1%	7.0%	1.1%	0.6%	2.7%	5.0%	11.5%	4.5%	0.2%	0.8%	1.5%
Djibouti	3.1%	14.1%	23.0%	23.1%	9.5%	3.3%	6.4%	8.1%	19.7%	9.6%	7.2%	8.5%	8.1%
Egypt	5.7%	8.9%	8.4%	5.6%	3.4%	2.8%	-0.2%	1.0%	1.5%	1.5%	2.1%	2.4%	3.1%
Iraq													
Jordan	15.8%	23.5%	15.3%	12.9%	10.1%	6.4%	5.2%	5.0%	5.8%	6.1%	4.3%	4.0%	5.0%
Kuwait	0.3%	0.1%	0.1%	0.0%	1.1%	1.1%	2.1%	1.7%	0.8%	0.3%	0.2%	0.3%	0.1%
Lebanon	12.2%	12.1%	13.6%	14.8%	13.5%	11.1%	7.8%	7.1%	5.8%	6.0%	4.4%	5.2%	5.0%
Libya	2.2%	3.8%	6.9%	5.6%	2.7%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Morocco	2.7%	3.6%	3.6%	2.7%	2.1%	1.3%	2.5%	2.9%	3.1%	3.2%	3.2%	2.2%	2.4%
Oman	4.9%	4.3%	7.9%	4.8%	3.1%	2.1%	2.4%	1.8%	2.0%	1.6%	-3.2%	3.4%	3.9%

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total outward positions	450	312	360	372	444	473	504	509	525	608	609	613	619
Equity	450	312	360	372	444	473	504	509	525	608	609	613	619
Debt													
Total income credit													
Income on equity credits													
Dividends credits													
RE credits													
Interests credits													
Total asset flows	163	-138	48	13	72	28	31	5	16	83	1	3	7
Equity						28	31	5	16	83	1	3	7
RE													
Debt													

Note: Debt flows are included with equity flows; debt positions are included with equity and reinvested earnings; interests from income on debt are included with income dividends.

Source: IMF Balance of Payment database.

ANNEX 2. Proposed Table to Reconcile the Asset/Liability and Directional Presentations of FDI Positions

By principle and type of capital	Asset/liability principle			Directional principle															Direct investment, net
				Reporting country direct investment abroad							Foreign direct investment in reporting country								
	Direct investment assets ¹	Direct investment liabilities ²	Direct investment, net	Total	Equity capital			Lending and debt securities (net) ³			Total	Equity capital			Lending and debt securities (net) ⁵				
					Total	Equity assets of resident direct investor in direct investment enterprise	Equity liability of resident direct investor to direct investment enterprise	Total ⁴	Assets	Liabilities		Total	Equity liability of resident direct investment enterprise to direct investor	Equity assets of resident direct investment enterprise in direct investor	Total ⁶	Assets	Liabilities		
2014	1393357	903977	489380	1065992	1012748	1012748	0	53244	250601	197357	576612	528787	528787	0	47825	130008	177833	489380	
2015	1485942	966144	519798	1152052	1076258	1076258	0	75794	283806	208013	632254	576413	576413	0	55842	125877	181719	519798	
2016	1532476	999503	532973	1194750	1104038	1104038	0	90712	296488	205776	661777	612049	612049	0	49728	131950	181678	532973	

- 1 Sum of the following four components: Reporting country direct investment abroad, equity assets of resident direct investor in direct investment enterprise + Reporting country direct investment abroad, lending and debt securities (net), assets + foreign direct investment in the reporting country, equity assets of resident direct investment enterprise in direct investor + foreign direct investment in reporting country, lending and debt securities (net), assets.
- 2 Sum of the following four components: foreign direct investment in reporting country, equity liability of resident direct investment enterprise to direct investor + Foreign direct investment in reporting country, lending and debt securities (net), liabilities + Reporting country direct investment abroad, equity liability of resident direct investor to direct investment enterprise + Reporting country direct investment abroad, lending and debt securities (net), liabilities.
- 3 Net lending of reporting country direct investors to direct investment enterprises and other related companies abroad. Other related companies are those companies which are in the same multinational enterprise group as the reporting country direct investor, but which are neither its directly or indirectly owned affiliates nor its direct or indirect investors (i.e. fellow companies).
- 4 Assets minus liabilities.
- 5 Net lending of direct investment enterprises in the reporting country to foreign direct investors and other related companies abroad. Other related companies abroad are those companies which are in the same multinational enterprise group as the resident direct invest enterprise, but which are neither its direct or indirect investors nor its direct or indirectly owned affiliates (i.e. fellow companies).
- 6 Liabilities minus assets.

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