

**Nineteenth Meeting of the
IMF Committee on Balance of Payments Statistics
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UN Expert Meeting on Capacity Building in the Area of FDI: Data Compilation and Policy Formulation in Developing Countries and the Ninth Session of the Commission on Investment, Technology and Related Financial Issues as Relevant for FDI Statistics

Prepared by the United Conference on Trade and Development

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**UN Expert Meeting on Capacity Building in the Area of FDI: Data
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By

United Nations Conference on Trade and Development

The Expert Meeting on "Capacity Building in the Area of FDI: Data Compilation and Policy Formulation in Developing Countries", convened in accordance with the decision taken by the Commission on Investment, Technology and Related Financial Issues at its ninth session was held from 12 to 14 December 2005 and provided a forum for discussing key issues on FDI data compilation, analysis, and policy formulation in developing countries.

The objectives of the expert meeting were 1) to raise the awareness of member states regarding internationally accepted standards with respect to FDI data collection and reporting systems; 2) to discuss problems facing developing countries (particularly least developed countries (LDCs)) in providing timely and accurate information on FDI and on the activities of TNCs, to enable policymakers to make well informed decisions; and 3) to share the expertise of various national and regional agencies on ways of addressing challenges and problems.

The meeting was attended by a large number of government officials and national experts from some 50 countries, as well as representatives of other international (e.g. IMF, OECD, Eurostat, UNIDO) and regional (e.g. Caricom, Pacific Islands Forum) organizations, and some non-governmental organizations, with proven expertise on balance of payments and TNC statistics. Most of these representatives – including those from developing countries – came from capitals in their respective countries.

Based on the note prepared by the UNCTAD Secretariat (TD/B/COM.2/EM.18/2) as well as 49 papers and presentation materials submitted by experts, discussion took place on the following agenda items:

- Quality of FDI data: how good are they?;
- New developments in FDI statistics;
- FDI data issues and problems;
- Data on the activities of TNCs;
- Improving the measurement of FDI and TNC activities; and
- Policy implications: what can be done?

Main messages of the Expert Meeting

Based on the experiences of the experts and the information they shared about methodologies and challenges in compiling FDI statistics, five criteria were identified to assess the quality of FDI data – reliability, comparability, usefulness, comprehensiveness and timeliness.

The Experts also emphasized the importance of FDI data for analyzing a country's participation in the world economy and as a basis for formulating appropriate policies. The need to collect reliable, accurate, timely and comparable statistical information on FDI (on a balance of payments basis) and on the overall activities of TNCs (complementary to FDI data) was stressed by many experts. Such information is necessary for policy makers to formulate policies that will help their country achieve their development objectives.

The nature and responsiveness of the institutional framework in any given country play major roles in determining how effectively a given set of policies relating to FDI data collection and compilation will be implemented. Some experts put forward suggestions on how to strengthen the institutional capacity at both the national and regional levels. In some countries, national task forces (including central banks, national statistical offices and investment promotion agencies) have been created to ensure cooperation between different institutions.

Experts recognized that regional cooperation, as well as cooperation between developing and developed countries, had a role to play in this regard. The case of ASEAN's collaborative efforts in the collection and reporting of FDI statistics was discussed with much interest. The collaboration on FDI statistics among ASEAN member countries is part of a broader regional approach to facilitating and encouraging FDI, resulting in the establishment of the ASEAN Working Group on Foreign Direct Investment Statistics. The objective of this Working Group is to establish comparable approaches of measuring, collecting and reporting FDI statistics on a timely basis to provide policymakers in the region with a regional perspective on FDI flows.

Some delegates thought that, in addition, the sharing of data by more advanced countries on their outward FDI statistics could be particularly helpful for developing countries in need of more information. Experts also noted the importance of improving the communication between the private sector and data collecting agencies.

Experts from developing countries called for more technical assistance and capacity building to help their countries improve data compilation. LDCs, being among the least equipped to absorb growing demands for FDI statistics, will need technical assistance and funding if they are to carry out some of the statistical activities that are necessary for them to get a better understanding of the extent and role of FDI in their economy. Requests were made to international organizations to play a more active role in that area. Specifically, UNCTAD should increase its technical assistance, for example, by providing guidance on methods for data collection on TNCs' operations data.

Output and recommendations of the Expert Meeting

Experts agreed on a number of recommendations to be included in the Report of the Expert Meeting (see box below).

Output and recommendations: the way forward

(Extracts from the Chairperson's Summary)

42. Providing increased or enhanced information to UNCTAD would facilitate the analysis of trends and the assessment of the impact of FDI on development. A mechanism

through which developing and transition economies could submit the data on FDI and activities of TNCs to UNCTAD could be established. If implemented, these economies would be encouraged to submit the data to UNCTAD regularly upon compilation. Developed countries and other economies that have already submitted data to other international organizations may, upon the discretion of the country, provide the same data sets to UNCTAD.

44. UNCTAD could also play an expanded important role in institutional capacity building in the field of FDI statistics. Such capacity building has a twofold dimension: one involves developing appropriate tools, such as computer hardware and software and human resources; the other aims at establishing a proper institutional or organizational framework. Such support could include technical and financial assistance from donor countries or institutions.

45. Some experts called for more regional cooperation among relevant institutions in developing countries and economies in transition, to promote a harmonized system for measuring, collecting and reporting statistics on FDI and activities of TNCs. In this respect, the Expert Meeting supports the creation of regional task forces.

46. Experts recognized the value of the discussions that took place during the Expert Meeting and asked UNCTAD to organize similar meetings on FDI statistics and policy formulation on a regular basis, such as annually.

47. Experts also recognized the importance of sharing this information with other groups. For this purpose, experts asked the UNCTAD Secretariat to present this report to the UN Statistical Commission in 2007. Similarly, the Secretariat should inform the IMF's Committee on Balance of Payments Statistics and the OECD's Workshop on International Investment Statistics.

Source: "Chairperson's Summary: Expert Meeting on Capacity Building in the Area of FDI: Data Compilation and Policy Formulation in Developing Countries", Geneva, 12-14 December 2005 (unedited).

Endorsement by the Commission on Investment, Technology and Related Financial Issues

At its tenth session in March 2006 (TD/B/COM.2/71), the Commission recommended the secretariat's implementation of the recommendations and noted UNCTAD's contribution in research and policy analysis, consensus-building and technical assistance, including its advisory services and capacity-building activities.

As a focal point in the United Nations system for investment, UNCTAD should continue to further understanding on FDI and development as part of its research and analysis on productive, beneficial and effective FDI. In the light of the discussions at the current session, UNCTAD should continue its statistical and analytical work on trends, development impact on developing countries and countries with economies in transition, and policy options, including outward FDI from developing countries, internationalization of small and medium-sized enterprises and FDI in natural resources. In this area of work, particular consideration should be given to the needs of LDCs.

Mindful of the need for capacity-building in developing countries in the area of FDI statistics, the Commission requests the UNCTAD secretariat, in cooperation with other relevant organizations, and through development partners' support, to intensify technical cooperation in this field, including assisting developing countries in strengthening regional cooperation among relevant institutions; organizing meetings on FDI statistics and policy formulation on a regular basis; and assessing FDI impact on development, and consider ways and means, including capacity-building, through which the transmission of data on FDI and on activities of TNCs to the secretariat could be facilitated.

Implications for UNCTAD's work in the area of FDI statistics

As a number of country delegates and meeting participants emphasized during these two meetings, there is a need for UNCTAD to pursue its work on statistics on FDI and TNC activities. Developing countries, and LDCs in particular, badly need to improve their statistical collection and reporting systems with respect to FDI. Accurate and timely/comprehensive statistics are not only valuable in themselves, they are essential for the serious analysis of the developmental impact of FDI and for genuinely useful policy recommendations to our clients.

This particular Expert Meeting thus needs to be seen in this broad context, as more a starting point than an end in itself. The call for similar meetings in the future by the Commission, and for bringing the work of the Expert Meeting to the attention of the UN

Statistical Commission and other fora such as the IMF's Balance of Payments Committee and the OECD's Workshop on International Investment Statistics, point in that direction. In cooperation with other international and regional organizations, UNCTAD will be examining possible ways forward. We will examine in particular the following issues: how to strengthen UNCTAD's work on FDI statistics through closer interactions with developing countries, how to bring it to a higher level of international recognition, and how to operationalize the call for similar meetings on FDI statistics in the future.