ANNEX 12

Examples of Foreign Direct Investment Data Collecting and Reporting Methods

639. This annex discusses some examples of the foundations needed to compile foreign direct investment (FDI) data via a survey system. These include data sources, survey design, need for a Business Register, mail-out procedures, data capture, compilation and dissemination practices, legal aspects, timeliness and revision practices.

1. Data sources:

1.1. Questionnaires

640. Statistical questionnaires often constitute the core source of information and are used to obtain information on direct investment from businesses involved in direct investment activities. Depending on the frequency of release of FDI results, quarterly or annual questionnaires can be used. Questionnaires requesting information on the consolidation used by the reporting entities when reporting their operations are also a very useful tool to assess the scope of the reported data. In collecting the data using a survey approach it is generally preferable to have the operation conducted on a statutory basis.

1.2. Administrative data

641. Data gathered from Governments' bodies are often useful to complete the data collected by the questionnaires. Local investment review agencies can also provide a good source of financial data to complement mailing lists of companies. Catalogues showing corporate structures of companies (*e.g.* Who Owns Whom) can also constitute reliable indexes to adequately populate a frame of enterprises likely to be involved in FDI.

1.3. Monitoring of the financial press

642. Monitoring financial information from the business community as published in the financial press is often very important both to highlight the occurrence of and to better assess important FDI transactions. Human resources (*i.e.* financial analysts) need to be devoted to review systematically the financial press. On occasion, it can be necessary to estimate an FDI transaction without making contact with the company because of official release constraints.

1.4. Bilateral sources

643. Reconciliation of data between partner countries can be conducted to validate and try to harmonize one another's statistics. This exercise can be done on a regular basis and

is often very valuable in assessing the quality of direct investment data. The IMF's Coordinated Direct Investment Survey (CDIS) will be an important source of bilateral data for reconciliation purposes.

2. Survey design

644.   Survey design expertise is essential to better assess the proper layout and wording of the questionnaires in relation to respondents. Linkages with accounting terms and financial statements of companies greatly facilitate the completion of questionnaires by respondents.

2.1. *Respondents' relations*

645.   Contact with respondents should be maintained on a regular basis, particularly for the large, complex enterprises. Given the complexity of FDI and the complexities of the structures and operations of many multinational enterprises, it is essential that such contact be maintained at as high a level as possible on both sides on an ongoing basis. In this context, company visits by the compiler are very beneficial to both sides and a team devoted to maintain a good effective working relationship with companies is important. In sourcing data and in efforts to ensure the quality of the FDI results, access to audited company accounts (including management accounts) is crucial and should be pursued vigorously.

2.2. *Business Register (BR):*

646.   A frame of enterprises is needed to incorporate and maintain the list of those included in the FDI survey(s). It has to be designed specifically to include the necessary information for FDI requirements, but, of course, a comprehensive business register may be used for other surveys or other statistical purposes.

647.   Here are some examples of procedures that can provide broad indication on how to maintain a Business Register suited for FDI. When an enterprise is identified, via a newspaper article or any other sources, the precise information about the name and the address of the enterprise should be loaded into the mailing list.

648.   The characteristics and details of the enterprises should then be included in the business register and a determination should be made on the basis of the relevant information whether it should be surveyed for FDI purposes. The business register should also includes historical information about the enterprise from the first time it was surveyed as well as any details of any changes (*e.g.* whether it changed name, address, activity, or ownership or even ceased operations). Here are some of the basic components of a business register:

- Enterprise ID (unique identifier).
- Enterprise name.
- Contact person at the enterprise.
- Address of the enterprise.
- Phone number.
- Fax number.
- Type of enterprise (*e.g.* private corporation or public enterprise).
- Economic activity and Industrial code.

- Institutional sector.
- Country of control code.
- Number of persons engaged.
- Turnover.
- Size of balance sheet.
- FDI Analyst (compiler responsible for the enterprise).
- Type of questionnaire(s) sent.
- Mailing status (yes or no).

649.   The business register should be maintained on an ongoing basis and reflect any updates necessary due to births, deaths or changes applied to an enterprise. Therefore, each time a change is made to an enterprise, it should be reflected in the frame and kept for future reference. The information gathered from surveys, administrative sources or from the financial press is used to build and maintain up to date the business register.

2.3 Mail out and follow-up procedures

650.   Examples of some key elements to be incorporated in mailing procedures are listed below. This information could be maintained in a separate related database – a survey management system (*i.e.* linked to the main register via the enterprise identification number):

- Enterprise identification (unique identifier).
- Response status (mailed, received, in contact, remail, exempt, removed).
- Date mailed.
- Date remailed.
- Date received.
- Date of first follow-up.
- Date of second follow-up.
- Date of third follow-up.
- Date of fourth follow-up.
- Date removed.
- Queries to enterprise (date, matter, contact, outcome, etc.).
- Non-response/quality of response.
- Imputation necessary [Y or N].
- Legal enforcement; etc.

651.   If an enterprise does not return its questionnaire(s) within a certain time period, it is often appropriate to send a number of reminders indicating that their questionnaires are still outstanding.

652.   If the respondent requires more time to complete the questionnaire, the information is to be noted so that the respondent is not sent reminders. In some cases, it may be necessary for compilers to pursue legal enforcement where a survey is mandatory.

653.   Summary counts of questionnaires mailed, received and the percentage outstanding should be easily retrievable from the response log file.

3. Data capture and procedures

3.1. *Data capture*

654. Systems can be put in place to automate the data capture of the questionnaires received (spreadsheets or web systems). This function can improve considerably the quality of the data if thoroughly carried out. The FDI data captured from questionnaires can then be reviewed by financial analysts. Special efforts should be made with respondents involving large transactions or with missing critical information.

3.2. *Procedures*

655. To help the analysts in the validation and manipulation of the massive amount of data being captured, a computer system has to be developed. This system should include all the information on the status of the enterprise, on the data being captured and the other sources of information described above. The description of the following procedures provides examples of the main functions to process the information.

3.3. *Validation of data*

656. This procedure validates the information after the data capture process. An essential part in the validation of the data is the edit function built in the system. This edit function should follow pre-programmed automatic procedures that can identify erroneous data entries and build an error message file to be corrected.

657. Another function should allow the analyst to browse and correct the data when further research, outside of the system, justifies such a correction. In this context, audited company accounts data can be very helpful as can other related information supplied to the same compiling authority or to another public authority, industry body, etc.

3.4. *Imputation and estimation*

658. When conducting a survey, it is normal for some enterprises not to have responded at the time that estimates need to be compiled. Values need to be imputed for these respondents. The imputation process can use information from previous responses from the enterprise, responses from similar enterprises, and information from the financial press and other data sources.

659. It is also common not to send questionnaires to all enterprises known to be involved in FDI relationships. The information collected from selected enterprises may be used to represent the entire population of resident direct investors and direct investment enterprises. This can involve the application of weights (*i.e.* grossing or scaling factors) to reported data. Alternatively, an under coverage adjustment may be based on data from other sources for the non-selected enterprises.

3.5. *Assessment of the quality of the data*

660. The initial estimates of direct investment need to undergo several updates and have to be validated to try to minimise under-coverage in the resulting estimates. The response rate needs to be assessed regularly especially for respondents involved in many and/or large FDI transactions.

3.6. *Dissemination*

661.   As the data need to be reported at the enterprise level, the analyst has to be able to generate reports according to very specific analysis needs. For publication purposes the data need to be available by country, by industry, by sector (*e.g.* public enterprise or private corporation) and one can see the multitude of reports that will be needed for comprehensive analysis of the FDI data.

3.7. *Official releases and publications*

662.   Direct investment data can be released in a very aggregated form (*e.g.* as part of the Balance of Payments program) but also on a more disaggregated basis as requested by this *Benchmark Definition*.

3.8 *Special requests*

663.   The systems need to provide flexibility to be able to tabulate any combination of country, industry and characteristics of direct investment that can be requested.

3.9. *The legal aspects*

664.   A legal authority is needed to ensure that the statistical information is collected: it is compulsory in many countries for the enterprises to complete and return the questionnaires being sent to them by statistical authorities. Enterprises that refuse or neglect to do so may be guilty of an offence and may be subject to legal enforcement procedures.

665.   Statistical legislation is generally necessary to protect confidentiality of the data provided. Such legislation normally prohibits the disclosure of information relating to any individual person, business or organization. Very strict rules need to be applied to protect the direct, indirect or inadvertent disclosure of confidential information. These legal protections are very important as they not only reassure the respondents concerning the security of the information they provide but also can engender a positive response culture. A good level of confidence established with the enterprises in regard to the protection of their data will have a positive impact on the response rate.

3.10. *Timeliness and revision practices*

666.   After estimates referring to a certain period (for transactions) or time point (for positions) are published, it is possible that further information will become available that would cause revisions to the original estimates. This information may result from improved data from respondents, improved compilation processes or other investigations into the data. A balance needs to be found between providing the most accurate information to analysts and lowering analysts' confidence in the data through too-frequent or large revisions. Any compilation system will need to assess the time lag between the survey process and the data dissemination as well as the revision practices.
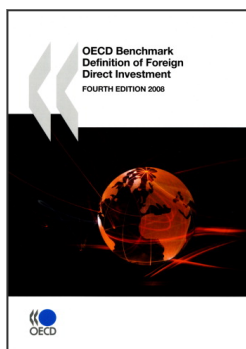
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