

**Monitoring and Analysing Foreign Investment:
How to Build Sustainable Institutions**

Table of Contents

- 1. Introduction.....1
- 2. Legal and Institutional Framework.....4
 - 2.1. Overview.....4
 - 2.2. Institutional Responsibilities and Interests.....5
 - 2.2.1. Statistics Offices.....5
 - 2.2.2. Central Banks6
 - 2.2.3. Investment Promotion Agency7
 - 2.2.4. Ministry of Finance8
 - 2.2.5. Other Government Agencies8
 - 2.2.6. Stock Exchange.....9
 - 2.2.7. Private Sector Organisations9
 - 2.2.8. Academic and Research Organisations.....10
 - 2.3. Coordination.....10
 - 2.3.1. Overall Coordination Structures.....10
 - 2.3.2. Coordination during a Project Cycle13
 - 2.4. Legal Mandates and Confidentiality.....16
 - 2.4.1. Institutional Mandates.....16
 - 2.4.2. Legal Mandates for Coordination.....19
- 3. Human Resources21
 - 3.1. Overview.....21
 - 3.2. Staff and Recruitment21
 - 3.2.1. Technical Skills and Project Cycle21
 - 3.2.2. Efficient Work Practices.....23
 - 3.2.3. Staff Numbers.....24
 - 3.3. Hiring and Retaining Staff26
 - 3.3.1. Job Descriptions27
 - 3.3.2. Qualifications and Experience28
 - 3.3.3. Training and Technical Assistance29
 - 3.3.4. Staff Motivation, Development and Working Environment29
- 4. International Data Codes and Standards.....32
 - 4.1. Overview.....32
 - 4.2. Foreign Assets and Liabilities.....32
 - 4.2.1. IMF Balance of Payments Manual (BPM5).....33
 - 4.2.2. GDDS, SDDS, and related initiatives37
 - 4.3. Investor Intentions and Perceptions.....41
 - 4.4. Corporate Social Responsibility.....45
- 5. Monitoring Systems.....51
 - 5.1. Overview.....51
 - 5.2. Surveys51
 - 5.2.1. Investor register, sampling, and reference numbering.....52
 - 5.2.2. Coordinating and rationalising surveys.....53
 - 5.2.3. Form design and testing.....55

5.2.4.	Managing Fieldwork.....	55
5.2.5.	Managing Fieldwork and Data	57
5.3.	“Non-Survey” Sources.....	61
5.3.1.	Domestic Sources	62
5.3.2.	International Sources.....	64
5.4.	Recording and Compilation Software.....	66
6.	FPC Analysis and Action Plans	69
6.1.	Existing Analysis and Strategy	69
6.2.	Analytical and Strategy Needs	71
6.3.	Capacity-Building and Institutional Arrangements.....	78
7.	Political Priority, Action and Evaluation	81
7.1.	Political Profile of FPC.....	81
7.2.	Implementing Recommendations	83
7.2.1.	Implementing Policy Action Plans.....	83
7.2.2.	Implementation of Capacity Building Recommendations.....	85
7.3.	Capacity Evaluation	88
8.	Partnership with the Private Sector.....	91
8.1.	Overview.....	91
8.2.	Why a Partnership?.....	91
8.3.	Organisation of the Private Sector	92
8.4.	Awareness Campaigns.....	96
8.4.1.	Awareness seminars.....	96
8.4.2.	Media campaigns	97
8.4.3.	Ad hoc Awareness Measures	99
8.5.	Technical Exchanges	100
8.6.	Feedback of Results.....	102
8.6.1.	Closing results dissemination seminar	102
8.6.2.	Publication/dissemination of results	103
8.6.3.	Data quality, integrity, and public access	105
8.7.	Policy Changes.....	107

Table of Figures

Figure 1	Indicative Distribution of NTF and Secretariat Functions	12
Figure 2	Links between Lead Department and NTF	12
Figure 3	Project cycle.	14

List of Tables

Table 1	Bank of Namibia – Qualifications and Experience.....	28
---------	--	----

List of Boxes

Box 1 Best Practice in Legal Mandates17

Acronyms and Abbreviations

AfDB	African Development Bank
AFRITAC	African Technical Assistance Centre
BCEAO	<i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> (Central Bank of West African States)
BEAC	<i>Banque des Etats de L'Afrique Centrale</i> (Bank of Central African States)
BOP	Balance of Payments
BOPSY	Balance of Payments Statistics Yearbook
BPM4	IMF Balance of Payments Manual, 4 th Edition
BPM5	IMF Balance of Payments Manual, 5 th Edition
CBP	Capacity Building Programme
CEMAC	<i>Communauté Économique et Monétaire de l'Afrique Centrale</i> (Economic and Monetary Community of Central Africa)
CEMLA	<i>Centro de Estudios Monetarios Latinoamericanos</i>
CEO	Chief Executive Officer
CEPAL	Comisión Económica para America Latina
CFA	Communauté française d'Afrique
COMESA	Common Market for Eastern and Southern Africa
CS-DRMS	Commonwealth Secretariat Debt Recording and Monitoring System
CSR	Corporate Social Responsibility
CARTAC	Caribbean Technical Assistance Centre
DMFAS	UNCTAD Debt Management Financial and Analysis System
DQAF	IMF's Data Quality Assessment Framework
EAC	East African Community
FPC CBP	Foreign Private Capital Capacity Building Programme
GDDS	General Data Dissemination System
IIP	International Investment Position
IMF	International Monetary Fund
IPA	Investment Promotion Agency
MEFMI	Macroeconomic and Financial Management Institute of Eastern & Southern Africa
NGO	Non-Governmental Organisation
NTF	National Taskforce
OECD	Organisation for Economic Co-operation and Development
OTAM	Office of Technical Assistance Management
PSED	Private Sector External Debt
ROSC	Reports on the Observance of Standards and Codes
SADC	Southern African Development Community
SDDS	Special Data Dissemination Standard
TA	Technical Assistance
UEMOA	<i>Union Economique et Monétaire Ouest Africaine</i> (West African Economic and Monetary Union)
UNCTAD	United Nations Conference on Trade and Development
WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West African Monetary Zone

1. INTRODUCTION

Since the 1980s, the volatility of international capital markets, facilitated by the removal of capital controls by most economies, has provoked multiple global economic crises. As a result, the international community has come to see the economic policy benefits to low-income countries (and to the world economy) of improving their monitoring of international private capital flows. Better monitoring is supposed to improve the transparency of data and thereby encourage stability of private capital. In addition, as low-income countries become more open to sophisticated financial markets including short term debt and portfolio flows, monitoring should improve policy responses to these flows.

However, the international community has failed to admit how difficult such monitoring is. It has established international codes and standards for monitoring, however, firstly, the vast majority of economies worldwide are not meeting these standards. Most low-income countries (and even most OECD economies) are unable to meet such codes without a major reinforcement of the institutions responsible for monitoring. Often they are working on the basis of highly unreliable secondary data such as a guesstimated proportion of the approvals made by an investment promotion agency, or a residual in the Balance of Payments (BOP) once other line items have been estimated. Secondly, monitoring serves little purpose on its own, unless the data collected are used for analysis and proactive policymaking by low-income countries and the international community, to stabilise private capital. Indeed, to the degree that better data track the volatility of private capital more accurately, without analysis and policy response they are likely to exacerbate

volatility and crises, by misdirecting investment promotion and macroeconomic policy efforts, and magnifying investors' "herd behaviour".

As a result of such concerns, the Governments of Switzerland and the United Kingdom have established since 2000 a Foreign Private Capital Capacity Building Programme (FPC CBP), whose aim is to create sustainable institutions for monitoring, analysing and improving policies related to international private capital¹. Aware of the problems in their existing monitoring and analysis, 47 countries in Africa, Latin America, and the Caribbean have benefited from the programme². In executing its activities, the programme liaises closely with the Commonwealth Secretariat, International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD) and the World Bank, as well as various OECD central banks and statistics offices to ensure that it is always benefiting from international best practices.

Due to their involvement in the programme and their commitment to adopting best practices, the participating countries have made extensive progress in reinforcing

¹ The programme is implemented by the Banque centrale des États de l'Afrique de l'Ouest (BCEAO), and the Banque des États de l'Afrique Centrale (BEAC), the Centro de Estudios Monetarios Latinoamericanos (CEMLA), Development Finance International (DFI), the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), and the West African Institute for Financial and Economic Management (WAIFEM). The Governments of Denmark, Sweden, Switzerland, the United Kingdom, and the European Union, as well as 14 developing countries have funded it. It has also benefited from inputs by all the relevant international organisations (Commonwealth Secretariat, IMF, OECD, UNCTAD, and the World Bank Group) as well as major OECD economies (Australia, Belgium, Canada, New Zealand, Poland and the United Kingdom).

² Since 1997, the Programme has worked with: Argentina, The Bahamas, Barbados, Benin, Bolivia, Botswana, Burkina Faso, Cameroon, Central African Republic, Chad, Chile, Republic of Congo, Costa Rica, Côte d'Ivoire, Equatorial Guinea, Ethiopia, Gabon, The Gambia, Ghana, Guinea-Bissau, Guyana, Honduras, Jamaica, Kenya, Lesotho, Malawi, Mali, Mauritius, Mexico, Mozambique, Namibia, Nicaragua, Niger, Nigeria, Paraguay, Peru, South Africa, Senegal, Swaziland, Tanzania, Trinidad and Tobago, Togo, Uganda, Uruguay, Venezuela, Zambia, Zimbabwe.

institutional structures, and in improving monitoring, analysis, dissemination, and policymaking. This publication draws the key lessons of the programme in how to achieve such institutional improvements. It complements other documentation available on the technical and analytical lessons of the programme³.

Each key aspect of institutional reinforcement is dealt with in one of the remaining chapters: these include institutional and legal structures (Chapter 2), human resources, management and working environment (Chapter 3); international data codes and standards (Chapter 4); monitoring systems (Chapter 5), FPC analysis and development financing strategy (Chapter 6); political commitment, transparency and capacity for self-evaluation (Chapter 7), and building partnerships with the private sector (Chapter 8).

3 On technical lessons, see Baball (2002) on private sector debt, Scheun and Bhinda (forthcoming) on BOP monitoring, and the many technical resources available on www.fpc-cbp.org. On analytical lessons see Martin and Rose-Innes (2004), and Rose-Innes, Martin, Rogers et al (forthcoming).

2. LEGAL AND INSTITUTIONAL FRAMEWORK⁴

2.1. OVERVIEW

The first key prerequisite for sustainable monitoring and analysis of foreign private capital is a clear and comprehensive legal and institutional framework. However, experience shows that there is no a priori superior framework or lead institution. The key to success is strong coordination among the wide range of public and private sector data analysts and users of data, through formal national “Taskforces”, committees or working groups.

The benefits of such coordination include:

- Promoting understanding and dialogue among public and private bodies
- The unique access to certain investor groups afforded by investment promotion agencies, line ministries, and private sector chambers and associations
- Stronger combined legal mandates for data collection of multiple institutions
- Comparative advantages for fieldwork, compilation, analysis, and dissemination
- Pooling scarce financial and personnel resources by minimising duplicative effort
- Minimising the burden on an over-surveyed investor community
- Sharing data and analysis to enhance public and private sector decision making
- Coordinated input into policy formulation, and regional and international initiatives

There are three key aspects of legal and institutional structures: clearly defined responsibilities (Section 2.2); effective coordination (2.3); and legal mandates (2.4).

⁴ Institutional names and structures vary across countries; therefore this publication uses generic titles.

2.2. INSTITUTIONAL RESPONSIBILITIES AND INTERESTS

One of the problems in implementing international codes and standards for BOP data has been that statistics agencies and/or central banks in developing countries have insufficient resources or mandates, resulting in inability to collect data or low response rates. The FPC CBP has found that the most effective route is to involve several public and private sector agencies.

2.2.1. Statistics Offices

Statistics agencies are in all countries supposed to be the key data custodians, and compilers of National Accounts and BOP data. They are also the key counterparts to international statistical initiatives such as the IMF General Data Dissemination System (GDDS), which establish and monitor the international codes and standards for collecting data. They usually have the strongest legal powers to collect data from any group in the country, through a Statistics Act. In addition, they usually have the highest level of expertise among government agencies in defining who to monitor (investor registers and samples), how to conduct the monitoring (especially through survey methods and fieldwork) and to check data quality, and a considerable network of regional offices to assist with data collection. However, due to financial and personnel constraints, and because central banks have a clear institutional interest in analysing such data, in most countries they have mandated central banks to lead in collecting BOP data. Even where they have not, countries have found that statistics office interests are best served by cooperating with other agencies through coordination bodies, focussing their activity on the areas where they have greatest expertise and on disseminating overall statistics. If the Statistics Office leads data collection, the

Government Statistician provides political leadership, and a National Accounts or the Economic Surveys Department houses the FPC Unit coordinating the technical work.

2.2.2. Central Banks

Central banks use foreign private capital data in their role as policy advisors and implementing agencies on BOP and reserves management. Several have been given the mandate of Statistics Offices for BOP data compilation because they have higher levels of financial and personnel resources, and are also therefore the BOP counterpart to international initiatives on codes and standards, they often seem ideally placed to lead data collection efforts.

It is also vital to ensure that all relevant departments of the Central Bank participate. These can include the Research and/or Statistics Departments (compilation, analysis, methodology, data quality), which will often coordinate monitoring and analysis; Debt Department (if it approves or monitors private sector external debt (PSED)); Foreign Exchange Department (relations with and reporting from foreign exchange bureaux and commercial banks); Supervision (for links with commercial banks and non-bank finance institutions); and Public Relations (for awareness campaigns and results dissemination). These need to be coordinated at Governor level, to ensure political commitment and leadership, and that data influence research and policy outcomes.

However, many Central Bank Acts justify collection of data only from the financial sector, and have had to be revised during this programme to widen the scope of their mandate for data collection. They often also have insufficient financial or personnel resources, or

experience of organising fieldwork across the different regions of the country. As a result, many Central Banks have struggled to collect data. They often therefore benefit from close coordination with other (statistics, investment promotion) agencies with country-wide offices and more experience of survey fieldwork.

2.2.3. Investment Promotion Agency

Some low-income countries have independent Investment Promotion Agencies, which are usually legally empowered to collect data from investors in return for granting investment licences. In other cases, countries have insufficient resources to maintain IPAs and have therefore instead established a small equivalent unit within a Ministry (eg Ministry of Commerce, Industry or Development). Such units have invaluable access to the private sector, which can help promote its awareness and input into methodology, comprehensiveness of investor lists, responses to surveys, dissemination of results, crosschecking of data with IPA approvals, and analysis of results for promotion purposes.

Most such units or agencies try to conduct surveys of investors, usually on obstacles to investment, and occasionally on their actual investment and borrowing. However, many have been wrongly encouraged to cut back on their research and analysis functions in recent years in order to concentrate on facilitation and promotion – even though research and analysis is essential to successful promotion and facilitation. Units within Ministries are even shorter of resources. As a result, surveys are often infrequent or executed by donors or international organisations using IPAs or academic bodies as “post boxes”, response is often poor, and coverage of investors may be limited to particular groups, e.g. TNCs. In addition, due to poor coordination with statistics offices and central banks, the

data do not necessarily comply with Balance of Payments Manual 5 (BPM5) definitions, or GDDS periodicity and timeliness.

Therefore IPAs are usually anxious to cooperate with other government and private sector agencies, especially if they can gather data on investor perceptions as well as on actual amounts of investments. As with central banks, it is important that various departments are represented (eg Research, Investment Promotion, Facilitation), coordinated by the CEO.

2.2.4. Ministry of Finance

In some countries, the Ministry of Finance through its debt management unit may be charged with approving or monitoring PSED, and with conducting overall debt sustainability analysis, including that of private sector debt. In some cases (notably the CFA Franc Zone) it also chairs the national BOP statistics committee which collects data on all foreign investment. However, unless it has powers of approval, it does not usually have any mandate to collect data, and therefore it is essential for it to cooperate with agencies in a National Taskforce (NTF), which will often be chaired by the Minister, Permanent Secretary or Secretary General.

2.2.5. Other Government Agencies

Other agencies collect or use related data from the private sector. They can therefore enter into a mutually beneficial arrangement with the NTF, coordinating or merging surveys, sharing data and analysis, and disseminating results. These include Ministries of Trade and Industry, Ministries of Economic Development or Planning, sectoral Line Ministries (for

example for key investment sectors such as Tourism or Mining) and regulatory bodies (for example for the financial sector), the Registrar General of companies (which is supposed to register all companies but is often very poorly resourced with incomplete information in low income countries – see 5.2.1), and occasionally a Ministry for Private Sector Development.

On the other hand, it is very important not to involve Internal Revenue, Tax or Customs Services, so as to allay strong and widespread private sector concerns about whether data might be shared with or cross-checked against those of the tax authorities and result in new tax demands, which can compromise response rate and accuracy.

2.2.6. Stock Exchange

Most low-income countries now have national or regional stock exchanges. Where these are open to foreign investors, they can provide data and sometimes analysis to NTFs on market value of portfolio equity and debt for (albeit a limited number of) listed enterprises, and on the activities of brokers.

2.2.7. Private Sector Organisations

As the primary data supplier and as a partner in national development strategies, it is paramount to include the private sector in NTFs. Many countries have overall umbrella bodies such as Chambers of Commerce, who can represent the private sector, but in some, representation is split among multiple private sector associations (representing sectors, regions or ethnic groups) who may have to be included. Many chambers and associations also survey their members on perceptions or investment trends, and it is important to

minimise duplication and maximise public-private cooperation by trying to conduct joint surveys. This can also ensure that their methodology on trends complies with BOP needs, and that their perception surveys are not designed so as to push concerns of individual sectors or investor groups, and are conducted in a statistically representative and professional manner. They have contributed greatly to promoting responses from and disseminating results to their members, improving the investor register and sample design, and ensuring that analysis and policies respond to their members' concerns.

2.2.8. Academic and Research Organisations

Some NTFs seek input from local academic and research bodies for analysis. In addition, they may need to coordinate with them when they are charged by international organisations to carry out potentially duplicative surveys.

2.3. COORDINATION

2.3.1. Overall Coordination Structures

Whichever institutions are involved in monitoring and analysis, it is vital to have a clear lead institution. These can vary while in most countries the Central Bank or the Statistics Office is the lead institution, there are also examples of successful leadership by Ministries of Finance, Planning or Economic Development.

It is also essential to have a clear coordination structure. This is variously known as a NTF, BOP Committee, or working group. It need not include all agencies with an interest in collecting or using the data: it has worked much better when only 2-5 core agencies are involved (for example, the Central Bank, Statistics Office, IPA, Stock Exchange and a

private sector chamber). It needs to have a mandate to involve other organisations when needed on particular points such as awareness, sample, methodology, response rate, data, analysis, or dissemination.

Coordination structures have functioned most efficiently with firm political leadership and commitment (reflected in institutional work-plans, clear division of responsibilities based on mandates and strengths, transparent reporting, and policy advocacy), and close technical coordination based on wider institutional mandates. They usually need:

- **Chair**, usually a Director-General or Director from the lead agency, who oversees the exercise, and keeps policymakers, donors and technical cooperating partners briefed.
- **Coordinators** at Director level, who deputise for the Chair, are drawn from the same department if work is centralised in one agency, or from other agencies.
- **Secretariat**, to organise efficient flow of information and resources, which is usually most effectively located in the same department as the Chair, and in a technically knowledgeable unit, to promote rapid response to decisions, and organise training, data storage, maintenance of the investor register, and analysis.
- **Supervisors** to oversee conduct of the technical work in consultation with the Secretariat, including survey fieldwork, data quality approval, production of outputs for analysis etc. They may be principal or senior economists or statisticians.
- **Enumerators** to conduct fieldwork, preliminary data quality checks, and sometimes data inputs, who may be at the level of assistant to senior economist or statistician, dedicated field officers from a Statistics Office, or occasionally hired students.
- **Teams** to provide expertise for particular tasks such as:

- Software design or adaptation of the CBP generic version (headed by IT Directors)
- Data inputting by staff, enumerators, or clerks (headed by a Supervisor)
- Analysis and report writing (usually headed by Directors of Research)

Figure 1 summarises the functional arrangements of a NTF and the NTF Secretariat.

Figure 1 Indicative Distribution of NTF and Secretariat Functions

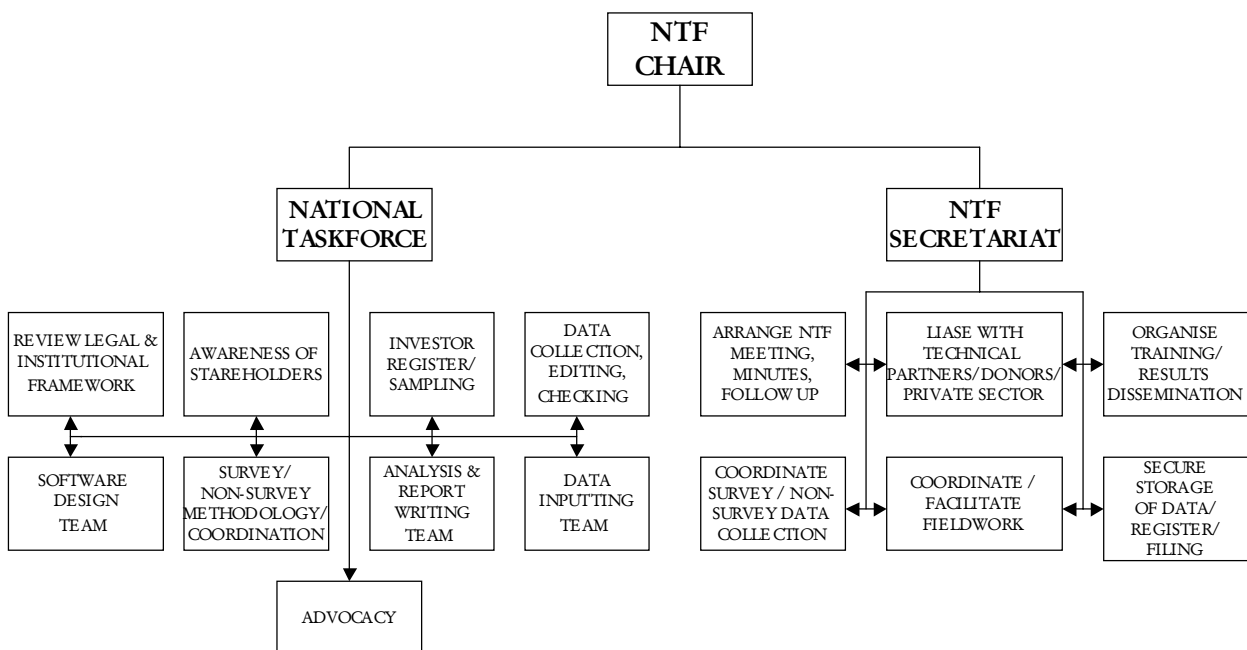
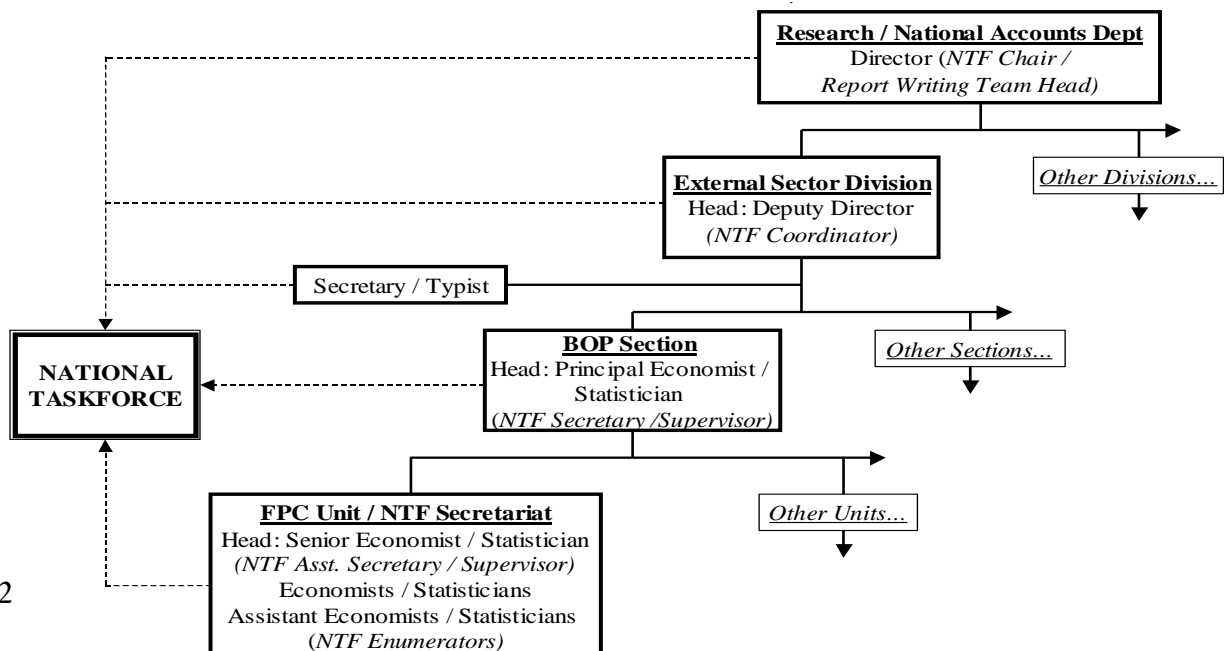


Figure 2 summarises the structure of the lead institution and NTF.

Figure 2 Links between Lead Department and NTF



Several other types of coordination are needed:

- Internal coordination within agencies to ensure chief executives and other departments are kept informed of progress. This has been enhanced greatly by adding the exercise as an agenda item to existing cross-departmental meetings (such as Board meetings in a Central Bank or Ministry), rather than creating a new layer of bureaucracy. This is especially true when interest in the results cuts across many departments.
- Coordination with donors (if a country asks donors for funds) and international organisations (to provide information, ask for technical support, and avoid duplicative surveys).
- Coordination with wider government-private sector initiatives (to ensure maximum awareness of monitoring and analysis).
- Coordination with other countries' NTFs (to share best practices).

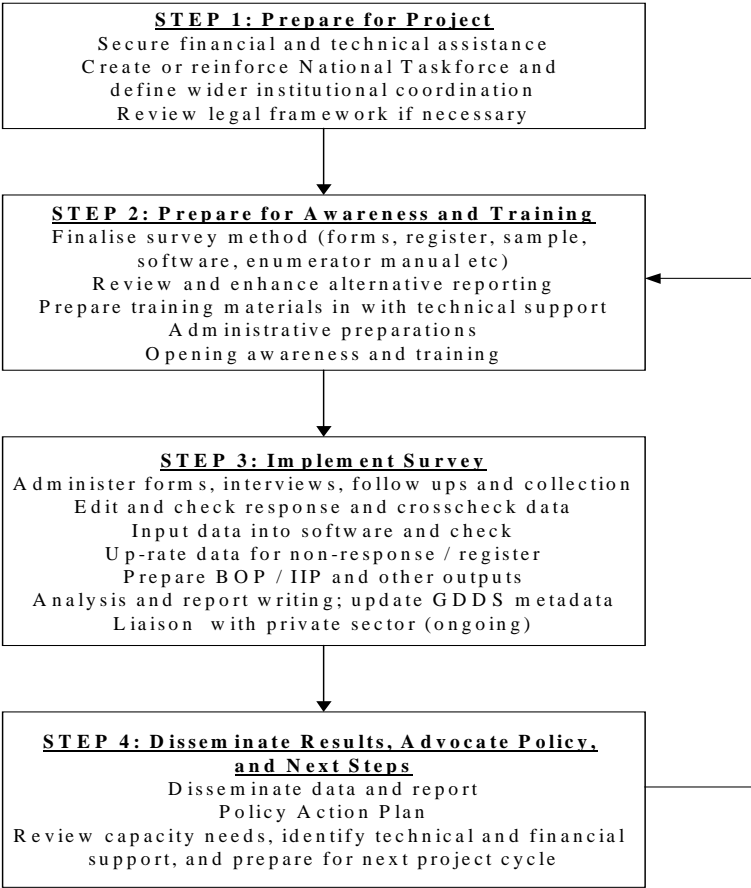
2.3.2. Coordination during a Project Cycle

How does coordination work in practice? The FPC CBP helps countries to meet international best practice to conduct benchmark surveys every 5 years, and sample surveys annually (moving eventually to semi-annual or quarterly). A project cycle might

take 12-15 months for a benchmark survey, 9-12 months for a sample annual survey, and 3 months for a quarterly survey.

Figure 3 presents a typical project cycle.

Figure 3 Project cycle.



Tasks during a cycle would typically include:

- **Reviewing legal and institutional arrangements:** budget constraints and seeking extra resources, changing composition of the NTF (key political and technical staff or institutional restructuring), new legislation, liberalisation or revised international codes and standards and their effects on methodology and training. All of these assessments

need to be conducted jointly by all institutions to ensure that they are comprehensive and realistic.

- **Updating the investor register and defining the sample:** this can be coordinated by a central bank, Statistics Office, or IPA, but requires input from all members of the coordination structure. Sampling technique might be led by the Statistics Office, but needs agreement from other agencies on the filters to be used.
- **Designing survey and non-survey methodology:** all institutions need to consult on methodology, so as to harmonise and reduce the number of related surveys, including those by non-members of the NTF, check compliance with international codes and standards, ensure the data needs of all members are fulfilled, and check user-friendliness with private sector representatives.
- **Sensitising the private and public sectors:** ensuring that investment promotion agencies and private sector representatives maximise their roles.
- **Training enumerators and team members:** maximising participation as resource-persons and trainees by relevant staff from all agencies.
- **Conducting surveys:** dividing up the sample of enterprises among the participating agencies and enumerators to target a group of respondents (eg, IPA on its clients; stock exchange on listed companies and fund managers; central bank on financial sector) and monitoring survey progress in coordinated fashion.
- **Collecting non-survey data:** virtually all members of a task force can supply such data for cross-checking surveys (foreign exchange, bank supervision, stock exchange etc).
- **Checking data quality:** technical staff from all participating institutions need to be trained to perform preliminary data quality checks in the field.

- **Designing, testing and training in software:** though usually one institution will enter data into the software, ideally multiple institutions should be in a position to produce output reports and analysis.
- **Producing preliminary data and uprating it using office estimation:** while the data entry unit will usually conduct office estimation, it will often need to consult other agencies ministries for advice on particular sectors.
- **Preparing analytical reports:** typically analysis is divided among several agencies, with the central bank leading on BOP, investment promotion agencies and private sector chambers on perceptions, etc.
- **Disseminating results:** coordination is vital as all agencies should disseminate at national, regional and international levels to their clients through publications and websites. through networks with other countries, to counterpart international organisations (eg BOP/Codes to IMF, FDI to UNCTAD etc) and their funding donors.
- **Evaluating capacity and preparing the next cycle:** all members of the Taskforce need to update jointly their self-assessment of capacity, and decide on future assistance and funding needs, and institutional financial and personnel contributions.

Please see the FPC CBP website for more details on the project cycle.

2.4. LEGAL MANDATES AND CONFIDENTIALITY

2.4.1. Institutional Mandates

The leading member(s) of any national task force need(s) to have a clear and credible legal mandate to compile the necessary data from the target groups and to reassure them that data will be treated in strictest confidence. This must be backed by realistic financial and other penalties for non-response by the private sector, or breach of confidentiality by

officials of institutions collecting the data (and by oaths of secrecy signed by all involved in data collection and analysis).

Most countries use the Statistics Act, the Central Bank Act, a Foreign Exchange Act and/or an Investment Promotion Act to define mandates and penalties: it is desirable that all relevant acts should contain information provisions in order to reinforce the combined mandates of the institutions. Legal penalties are often very out of date and insignificant given inflation and devaluation of the local currency, and therefore lack credibility. One priority for many countries has been to revise legislation, in order to strengthen mandates or to increase penalties, but new Acts can take several years to get through parliament.

Box 1 Best Practice in Legal Mandates

The Bank of Guyana, which revised its Act in 1998 to support the introduction of a new BPM5-compliant survey system, provides a best practice for legal mandates and confidentiality:

Section 34 of the Act provides the legal mandate:

- (1) The Bank shall be responsible for the preparation of the BOP accounts and the external assets and liabilities position of the country
- (2) In addition to any other powers which it may exercise under this Act or any other law, the Bank may, from time to time, by notice in writing, demand from any person and financial institution information on foreign transactions that it may require for the discharge of its functions and responsibilities under this Act and the Bank may require such

person to submit to the Bank at such times and in such manner or form as the Bank may specify, such reports of such person's foreign operations as may be necessary and such person shall comply with the demand within the period specified in the notice

- (3) Any person from whom information is demanded under subsection (2) who -
- a. fails or neglects to supply the information in the time specified;
 - b. supplies information which he knows or has reason to believe is false in any material particular; or
 - c. wilfully or recklessly withholds any material information, shall be guilty of an offence and shall be liable upon summary conviction to a fine of not more than one hundred and seventy-five thousand dollars for each day the offence continues.

Section 17 provides an excellent guarantee of confidentiality

- (1) Any information obtained by the Bank under this Act shall be confidential and shall be used by the Bank solely for the performance of its functions under this Act.
- (2) Except for the purpose of the performance of his duties or the exercise of his functions or when lawfully required to do so by any court or under the provisions of any law, a Director, officer, or other employee or agent of the Bank, shall not disclose to any person any information which he has acquired in the performance of his duties or the exercise of his functions.
- (3) Any person who contravenes subsection (1) or (2) shall be liable on summary conviction to a fine of fifty thousand dollars and to imprisonment for six months.

The Bank of Guyana requires staff to sign a Preservation of Secrecy Declaration.

Legal sanctions and penalties, and guarantees of confidentiality are essential to increasing private sector response, and must be made clear in letters sent to the private sector, and at all awareness creation events. However, they are rarely if ever used: only one example has been cited across more than 50 countries, where penalties were invoked as a last resort for public refusal to respond by a very large investor. Similarly, it is very rarely necessary to apply sanctions to government officials as confidentiality is almost always maintained. Countries have recognised instead that the most effective way to obtain a high response and accurate data is through moral suasion, and reassurances on confidentiality.

2.4.2. Legal Mandates for Coordination

Any coordination structure can also have its mandate legally reinforced, to demarcate responsibilities among its members and ensure its sustainability. More often, countries agree letters dividing labour (signed at a technical level), or inter-institutional memoranda of understanding (signed at chief executive level). The latter are vastly preferable, though they can take some time to implement while lawyers check documents, because they ensure that chief executives are fully committed to sustainability and accountability for the responsibilities of their agencies: to reduce delay, more detailed terms of reference can be annexed describing tasks and responsibilities, coordination and information sharing. Ideally these should be multi-annual to facilitate planning and enhance sustainability.

Bolivia provides a best practice, where the Ministry for Economic Development, National Statistics Institute, Central Bank, and Confederation of Private Sector Employers have a comprehensive 4-year *Agreement for FDI Surveys in Bolivia*, covering: the aims and role of each agency, the legal framework, budget and financial contributions, coordination and

technical continuity, functions of the Coordination Unit and Technical Group, and provisions for modifying the agreement. It is signed by the heads of each agency.

3. HUMAN RESOURCES

3.1. OVERVIEW

Each of the tasks listed in section 2.4 has implication for human resources – staff time and skills - and therefore for institutional work programming, staff recruitment and training. They demand in-depth knowledge by high calibre staff, continuity in employment, cover for absence, and mechanisms for transfer of skills to new employees.

This chapter describes how countries are building sustainable systems for staff and recruitment (Section 3.2), qualifications, experience, training, motivation, compensation and assessment (Section 3.3).

3.2. STAFF AND RECRUITMENT

The most important function to guarantee high quality monitoring and analysis of foreign private capital is senior-level management and leadership, throughout the different stages of the exercise. This includes coordinating the collection of survey and non-survey data, and controlling the quality of data and analysis. At most stages, monthly (or during fieldwork weekly) coordination meetings are needed.

3.2.1. Technical Skills and Project Cycle

Many technical level skills are needed, including: enumerators for fieldwork, programmers for software design, staff for data entry and checking, and economists and statisticians.

Enumerators for fieldwork

Fieldwork is extremely labour intensive. It includes delivering forms, training and assisting respondents to complete the form, following up response, on-site data editing and checking, and collecting and forwarding returns. Experiences have shown that each enumerator needs to allow around 1 working day per enterprise to allow for delays due to flaws in the sampling frame (such as non-locatable, closed, non-existent, not relevant or newly identified enterprises). Over time this has been reduced to a maximum of 0.5 days as automatic response improves. The number of enterprises per enumerator depends on the time allowed for the exercise and the budget for enumeration. Each group of 5 enumerators should be led by a supervisor, conducting basic checks on progress and data quality. Optimal statistics office practice has shown that each group of 5 supervisors should be lead by a supervisor, who defines priorities and reports on progress to the NTF. Ideally permanent staff conduct the fieldwork so as to retain capacity within NTF institutions, but sometimes it is necessary to supplement them with temporary students.

Programmers for software design

Countries either use their own preferred software platforms (eg, Oracle or Excel), or change to CBP software which is based in MS-Access (chosen as it is widely known and easy to support) to store data. To avoid delays due to problems with software design, an IT Team needs to be involved closely in the NTF, to reflect any changes in data forms in the software, and troubleshoot during the data entry and output stages.

Staff for data entry and checking in the software

These can be enumerators, secretaries, or preferably, dedicated clerks. The work can be spread over a longer period, simultaneous with data collection, and with regular breaks, to reduce staff needs and risks of error.

Economists and statisticians

Economists and Statisticians are needed for designing the investor register and sample, checking and editing data, office estimations and up-rating. Enumerators perform preliminary data checks on returns in the field, but supervisors usually need to recheck forms before their approval for entry into software. They also need to cross-check many forms against company financial statements. Additionally, economists or other senior staff are needed for analysis and report writing. A team usually led by the Director of Research in the Central Bank, with a representative at director level from each main public and private institution, devotes concentrated blocks of time to prepare analysis, with intensive support from technical staff.

3.2.2. Efficient Work Practices

A key means of saving time at all stages of the process is to conduct tasks simultaneously rather than sequentially. Examples of this are: enumerators editing and checking returns while they continue to collect others, supervisors checking and approving returns while continuing to supervise enumeration, and data entry staff entering data before all forms have been received.

Another is to apply the most complex techniques selectively: for example uprating for individual companies only for the largest, and checking individual questions only to those known to pose problems to respondents due to complexity or reticence.

The most skilled staff members in each area also need to train their fellows. The CBP has found that it has been possible to rapidly hand over responsibility for training to national staff, replacing the roles of external assistance (who can instead focus on quality control and introducing new methodology). However, the NTF must establish and maintain a pool of experts from participating institutions, responsible for training during awareness and training events at the start of an exercise, refresher training of officers going into the field for the first time, data quality training during fieldwork, software related training for IT experts, data entry clerks and checkers, and analytical training at the report writing stage (led by the Central Bank and involving other agencies). In general each institution tends to specialise in its core area: the central bank in BOP issues; the statistics office in fieldwork; and the IPA in investor perceptions.

3.2.3. Staff Numbers

There is no rule for deciding the number of technical staff. However, prior to the launch of each cycle, the National Task Force needs to consider:

- **Frequency of data collection:** annual collection will be much less onerous than quarterly, and most NTFs have started with annual data because they have insufficient resources for quarterly.

- **Detail of data collection:** the greater the level of detail collected, the higher the demands. For example, loan-by-loan private sector debt data will require more fieldwork, data processing and analysis.
- **Sample size and geographical distribution:** initial benchmark surveys require comprehensive survey registers, increasing staff time for data management, fieldwork, editing, inputting and checking. After 2-3 cycles countries use their knowledge of enterprises to define smaller samples and streamline staff needs (e.g. South Africa, Namibia). Wider geographical distribution also requires more staff for in-country travel: it is preferable to involve regional offices of NTF members, allowing headquarters to focus on main investment centres, and quality controlling work in the regions.
- **Response rate and data quality required:** visiting enterprises to gain responses and check data or fill gaps is highly labour intensive (depending on private sector cooperation) and produce diminishing returns. Countries need to decide up front on a realistic response rate to aim for (which guarantees coverage of all major sectors, enterprises and data items), beyond which office estimation is more time-effective. Over time response rates should rise and demands on staff time fall.
- **Resource constraints:** each institution faces funding and staffing constraints, needs to take into account competing high-priority needs, and has to think about long-term sustainability. It therefore often has to increase or decrease staff allocation gradually or use part-time or temporary staff to ensure sustainability.

The FPC CBP has helped national institutions to analyse all of these issues, taking into account staff time needs in previous exercises, and potential for efficiency savings, managers

need to decide on the number of staff and the periods during which they will be committed full time to the exercise. It is particularly vital to ensure that lead units are adequately staffed for coordination.

3.3. HIRING AND RETAINING STAFF

Attracting, developing, and retaining quality staff poses one of the greatest challenges. The FPC CBP has also helped institutions to use their established hiring practices with maximum efficiency – for example planning ahead hiring in their next annual budget, drafting comprehensive job descriptions, hiring competitively externally and internally, and having transparent procedures for short-listing candidates based on skills and experience, and for interviewing candidates using technical tests and simulation of situations likely to occur in each post. All of these technical procedures are best led by the most knowledgeable technical department of the agency, with the human resource department guaranteeing transparency and efficiency.

Retaining existing staff is equally important, and can be highly problematic if agencies are under-resourced, or if FPC monitoring and analysis tasks are given low emphasis within institutions. Many countries see rapid rotation of staff, due to higher paid careers in the private sector or international organisations. Even within institutions which are successful in retaining staff, there may be a need to plan for study leave or mobility within the agency. Staff continuity at director and technical levels is crucial, especially for lead agencies.

Four aspects of hiring and retaining staff deserve more analysis: job descriptions; qualifications and experience; training and technical assistance; and motivation, staff development and working environment.

3.3.1. Job Descriptions

All the tasks involved in monitoring and analysis, as defined in inter-institutional agreements supporting the NTF, need to be integrated into institutional work plans and individual job descriptions for newly hired or existing staff. These need to reflect the nature of the assignment (full- or part-time), and peaks and troughs in demand in stages of a cycle, to avoid clashes with other key institutional tasks. They should detail the role of the position in the NTF (and its subsidiary teams such as report writing, software etc) as well as within the institution, reporting relationships (within the lead institution and commitments to staff from other participating institutions), objectives of the post, specific duties and responsibilities, and required experience and qualifications.

Detailed duties and responsibilities would mirror the stages in the project cycle, and describe coordination with staff performing other functions especially for junior level posts. Middle to senior level descriptions will be more flexible to reflect the balance between analytical and management functions, and division of labour with staff of other agencies.

3.3.2. Qualifications and Experience

Institutions often have indicative levels of qualifications and experience for hiring or promoting staff. For example, Bank of Namibia recommends minimum standards and are illustrated in Table 1.

Table 1 BANK OF NAMIBIA – QUALIFICATIONS AND EXPERIENCE

Research / National Accounts Department	Qualifications and experience
Director	Postgraduate Degree (preferably Doctorate) in economics or statistics; minimum of 15 years analytical and management experience in a similar environment
Deputy Director	Postgraduate Degree (preferably Doctorate) in economics or statistics; minimum of 10 years analytical and management experience in a similar environment
Principal Economist / Statistician (BOP Section Head)	Postgraduate Degree (Doctorate or Masters) or equivalent qualification in economics or statistics; minimum of 5 years analytical and management experience in a similar environment
Senior Economist / Statistician (Foreign Private Capital Unit Head)	Good degree in economics or statistics (preferably Masters); minimum of 3 years working in analytical environment with some management functions. Previous experience in BOP work
Economist / Statistician	Good numerate degree or equivalent in economics, mathematics, business studies, statistics or other similar discipline; minimum of 1 year working in analytical environment. Previous experience in BOP work
Assistant Economist / Statistician	Good numerate degree or equivalent in economics, mathematics, business studies, statistics or other similar discipline; interest in working in statistics

Preference for doctorates from Principal Economist level upwards reflects a strong analytical or policy advisory mandate which necessitates high academic qualifications. However, as staff are promoted, management skills also become more essential. In addition, institutions can often experience great difficulty in attracting high-quality university graduates with a strong interest in statistics, and this “hampers the developmental and pioneering work of the compilation unit” (Robinson, 2003), making

training and motivation vital to upgrading skills and retaining the best of the staff recruited.

3.3.3. Training and Technical Assistance

To upgrade staff skills, countries source technical assistance from various international, regional, and national bodies. However, most missions and training provided focus on technical issues, and can often be too theoretical and not sufficiently adapted to national needs. The CBP has specialised in assistance designed to build sustainable management skills and institutional structures, as well as support on technical issues. The CBP responds to country need by providing training for all stages of the project cycle, through:

- Demand Assessment Missions prior to the launch of an exercise (recommending legal, institutional, and methodological arrangements, and awareness creation and training)
- Opening Awareness seminars for all stakeholders and Training for staff
- Follow Up Mission(s) during implementation to transfer additional skills (for example in software use, data up-rating or analysis of results)
- Closing Dissemination conferences for all stakeholders, linked to preparations for the next exercise.

At all stages it updates assessments of country capacity and revises assistance provided. It relies predominantly on peer-to-peer training, information-sharing and contact among countries to share experiences and best practices, and long distance quality control.

3.3.4. Staff Motivation, Development and Working Environment

Staff motivation is often seen as largely a question of pay and benefits. However, public sector institutions (apart from Central Banks) find it difficult to compete with terms and

conditions offered by international organisations or the private sector, and prospects for improving compensation are limited, notably by the need for comparability with other units.

As a result, non-financial motivation is vital. This can include:

- Career progression. Clearly signalled paths for career progression every 2-4 years, with promotion based on merit, and new posts sufficiently challenging but not increasing responsibility too quickly as to be daunting. Often turnover towards the top of an institution is vital to allow regular promotion further down, as is giving preference to suitably qualified internal candidates in filling middle and senior level vacancies.
- Job satisfaction. This can be provided by government attention to FPC issues and impact of staff work on policy changes, acknowledgement of the work and role of individuals in the exercises, allocation of greater resources to these functions, and clear strategies for their enhancement over time. Varied and challenging job descriptions using diverse technical and management skills can also help.
- Staff assessments, and capacity-building and development plans. These should be tailored to individual needs based on discussions with each staff member, and should include management development training as well as increasing technical skills, and longer-term internships and attachments as well as short courses. They should also be reviewed annually.
- Use (and where possible remuneration) of staff skills for training others in country and in other similar countries, as well as opportunities to learn from study visits overseas.

Finally, the staff working environment is important: this includes high-quality and well-maintained office equipment, adequate office supplies and workspace; regular electricity supplies, access to internet and transport facilities, and secretarial/support services.

Ideally, every agency needs a clear manual of operational procedures covering legal and institutional frameworks, objectives, job descriptions, information sharing practices, human resources, recruitment and training procedures and staff and unit capacity building plans.

4. INTERNATIONAL DATA CODES AND STANDARDS

4.1. OVERVIEW

The monitoring aspect of the Programme has needed to meet (or exceed) international data codes and standards to optimise benefit to users, facilitate cross-country comparisons, and provide consistent reporting to donors and international institutions.

While the international community has defined several sets of detailed guidelines and standards for monitoring foreign assets and liabilities, countries have been left to struggle with conflicts among these objectives, trying to work around them in the context of low resources. On the other hand, there has been virtually no attention paid to assisting low-income countries to monitor investor perception according to best practices, or corporate social responsibility (CSR) according to the best practice standards established in international initiatives; most such monitoring remains internationally-driven even if it occurs at the national level (or in the case of CSR virtually non-existent at the national level). This chapter explains why such codes and standards are important, and highlights the heavy demands which monitoring and analysing them can make on countries.

4.2. FOREIGN ASSETS AND LIABILITIES

The key standards for foreign assets and liabilities (including PSED) are: the IMF *Balance of Payments Manual 5th Edition*; General Data Dissemination System and Special Data Dissemination Standard.⁵

⁵ See Scheun and Bhinda (forthcoming) for technical information.

4.2.1. IMF Balance of Payments Manual (BPM5)

Attaining BPM5 standards

Many countries have moved or are in the process of moving from the previous standard - the *Balance of Payments Manual 4th Edition* (BPM4) - to BPM5. As BPM5 is much more complex with respect to private capital, it is more demanding to compile. In addition, until recently some units of international organisations were requesting data in BPM4 format even if countries had changed to BPM5, because BPM4 format was compatible with their own forecasting tools. As a result, countries have needed to maintain two sets of data. They therefore need more and better-trained staff. An additional challenge has been the revision of historical time series into BPM5 format which has proved very complex.

However, the technical and financial resources to support this complexity are not usually available. As a result, progress to the new standards has often been extremely slow, or the new standards have been nominally implemented, but most of the data are low quality (derived from residuals in the BOP, or proxies such as the percentage of investment approvals which is estimated to have been realised). Thus, while data presentation may have been reorganised, and data are submitted on time, the data are of limited value.

The speed and effectiveness of transition to BPM5 also depends on the quality of external technical assistance. The IMF has long provided high-quality BOP courses, at the IMF Institute in Washington (where places for each country are very limited), through regional partners such as those working on the FPC CBP (BCEAO/BEAC, CEMLA, MEFMI and WAIFEM), and through a network of regional training institutes including the Joint Africa Institute in Tunis and the Joint Latin America Institute in Brazil. More recently the IMF

has decentralised its Technical Assistance (TA) so as to respond more rapidly and directly to country demand, by establishing regional Technical Assistance Centres (including 2 East and West African Technical Assistance Centres (AFRITACs) for Africa, and 1 Caribbean Technical Assistance Centre (CARTAC) for the Caribbean), coordinated by the Office of Technical Assistance Management (OTAM) in Washington, which also provide training courses on statistical issues⁶.

The IMF also provides technical assistance missions, organised by Washington or the regional TACs. Most are short-term diagnosis missions which review statistics, make recommendations for improvement, and leave generic methodology behind for the country to adapt and implement. The implementation of the recommendations tends to depend on whether a country has sufficient financial resources, technical capacity and political will⁷.

Occasionally, the IMF supplies longer-term (e.g. 2-3 year) resident advisors or a series of short-term missions, which provide deeper assistance in introducing and launching new methodology, and in reinforcing institutional and legal arrangements. These tend to provide much more in-depth assistance and often make efforts to tailor methodology to country needs, and to sensitise policymakers and the private sector on why BOP data are important. However, they have had lasting benefits in the poorest countries only when they are genuinely oriented to building capacity rather than implementing work themselves.

6 For more details, see <http://www.imf.org/external/np/exr/facts/afritac.htm>

7 For IMF assistance on GDDS and the Data Quality Assessment Framework, see 4.2.3 below.

Overall, in spite of its generally high technical quality, conventional technical assistance has not been a very effective way to help the poorest countries to implement international standards sustainably. Much more is achieved by genuinely capacity-building assistance (including the best examples of IMF assistance) which takes account of legal and institutional conditions, human and financial resources, and political and private sector commitment, establishes clear plans for countries to fund such activities and train new staff themselves, and creates opportunities for experience sharing among countries.

Adapting reporting formats to BPM5

When enhancing methodology to meet BPM5, the lead institution needs to review its survey and direct reporting mechanisms. However, the complexity of BPM5, requiring data on items which cannot be captured directly through the banking system (such as reinvested earnings and offshore borrowing) means surveys are becoming predominant.

In survey form design, testing and application, one of the key challenges for many of the poorest countries receiving such short term missions has been to rationalise numbers of forms left by IMF Statistics missions, and adapt them to local circumstances (for example to the types of private capital the country has). Where the IMF has not organised such missions, countries have contacted their peers in the region to obtain user-friendly forms, or sought capacity-building support from external sources to adapt international standards to local circumstances. Forms also need to be tested on the private sector for user-friendliness, and the private sector sensitised to the benefits it can get from responding, through focus groups at awareness events, or private sector associations. Some countries

choose to pilot a survey first, although this adds to time and costs (see also Chapter 7). However, countries which have not adapted and tested forms or sensitised the private sector have suffered low numbers and quality of responses, sharply reducing data accuracy.

For **direct reporting**, changes to codes and standards affect the type of information required from commercial banks, non-bank financial institutions, foreign exchange bureaux, money transfer companies etc. Countries need to review their reporting formats regularly, and conduct awareness and training sessions for the institutions when any major changes are introduced, so as to ensure their full cooperation.

Anticipating new BPM methodology

Another important aspect is the need to review national methodology to keep up with forthcoming developments. Typically, reviews of international statistical methodology have taken place around once every 10-15 years, and last about 4-5 years. In 2004, the IMF commenced a thorough review of BPM5 in response to international economic, financial, and accounting developments, the need for consistency with other statistics methodology, and the desire to increase emphasis on the IIP. A first draft is scheduled for December 2006, and a final draft in English in 2008, to be translated thereafter (see also IMF⁸ and Ibarra 2004).

Countries can keep in touch with possible changes through IMF-led Committees on BOP Statistics and Technical Expert Groups (in this case direct investment, other BOP/IIP

⁸ Refer to the *Balance of Payment Statistics* newsletter vol.12 no.1 (<http://www.imf.org/external/pubs/ft/bop/news/pdf/1205.pdf>), The BPM5 revision site (<http://www.imf.org/external/np/sta/bop/bopman5.htm>) and the SNA review site (<http://unstats.un.org/unsd/nationalaccount/aeg.htm>).

issues and customs unions), which include representatives from each developing region. The technical implications for compilers and analysts are covered in Scheun and Bhinda (forthcoming). The changes fall into five types: reclassifications for consistency, revised definitions, new concepts, emphasis of existing standards, and wider scope to cover analysis.

However, in terms of institutional and practical issues, they are likely to raise all the same questions as BPM5 (such as revising legal and institutional frameworks, additional staff training, sensitising policymakers and the private sector, training private sector staff, establishing consistent time series, migrating data to new formats, changes to survey and direct reporting forms etc). All of these have important potential institutional, financial and capacity-building support implications. A few countries may even find themselves moving from BPM4 to the revised BPM5 in 2008-09. However, the changes are likely to be much less significant than in moving from BPM4 to BPM5, and greater consistency and clarity may also help to streamline data collection. But additional emphasis on existing standards and new analytical suggestions (while promoting better data and analysis) will also place an additional burden on low-income countries, especially for tasks related to analysis.

4.2.2. GDDS, SDDS, and related initiatives⁹

Most developing countries now subscribe to the IMF General Data Dissemination System (GDDS), or the Special Data Dissemination Standard (SDDS).¹⁰ Both aim at certain levels

⁹ The dissemination and transparency aspects of GDDS and SDDS are discussed in Chapter 8.

of data coverage, frequency of collection, timeliness of reporting, and quality and transparency of dissemination.

GDDS is much easier for low-income countries to attain, as it is a set of guidelines, and therefore the countries subscribing range from those aiming to meet the basic guidelines, to those far beyond them but not yet reaching SDDS levels. On the other hand, SDDS (while ideal) is more technically demanding because it is a fixed and higher standard. As a result, virtually no low-income countries have attained SDDS, though some countries with more advanced systems such as Bolivia, are planning moves to SDDS.

Coordination with IMF GDDS, SDDS, and related initiatives

The IMF has GDDS and SDDS monitoring units in its Statistics Department. It has run a series of regional seminars to introduce the systems, and assisted them in preparing “metadata” describing sources and methods of compilation, and plans for improvement. It has also appointed regional GDDS contact points/advisors who monitor progress and suggest more in-depth assistance where necessary.

Each country appoints a national counterpart on GDDS or SDDS. In addition, there may be contact points for particular data, such as the Head of the Central Bank or Statistics Office BOP Unit for the BOP. The counterpart is responsible for overseeing the regular

¹⁰ The following countries have participated in FPC CBP events as of July 2005 are signatories to GDDS: The Bahamas, Benin, Bolivia, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Republic, Gabon, The Gambia, Ghana, Guinea Bissau, Ivory Coast, Jamaica, Kenya, Malawi, Mali, Mozambique, Nicaragua, Niger, Paraguay, Senegal, Tanzania, Togo, Trinidad and Tobago, Uganda, and Zambia; and to SDDS: Argentina and Uruguay.

update and submission of metadata to the IMF, which is then loaded onto the IMF Dissemination Standards Bulletin Board, and publicly accessible¹¹.

The IMF also conducts missions to assess compliance with the standards and codes including BPM5 (known as Reports on the Observance of Standards and Codes or ROSCs), using the IMF's Data Quality Assessment Framework (DQAF), and taking into account GDDS or SDDS. The ROSCs make recommendations for improvement, and are posted on the IMF website¹².

Implications for countries

GDDS, ROSCs and DQAF have important implications for institutional work planning and staffing (the hosting of regular missions, submission of metadata and contributing to/commenting on reports). These include:

- **The trade-off between data quality and timeliness.** The IMF, OECD, and low-income countries acknowledge an initial trade-off between improving data and timely reporting. The GDDS timeliness guideline for reporting BOP data within 6 months of the reference period has been extremely challenging for low-income countries, especially given poor initial enterprise registers, and delays in private sector response. Many countries have therefore submitted estimated lower-quality data, or surveyed only small (often unrepresentative) samples, in order to meet the timeliness guideline. Even with strong institutional coordination, initial comprehensive benchmark surveys, which are vital to generate benchmark registers from which time series and samples can

¹¹ <http://dsbb.imf.org/Applications/web/dsbbhome>

¹² For more information on all these initiatives, visit <http://dsbb.imf.org>.

be generated, will take 12-15 months in poorly-resourced countries, missing the timeliness criterion by a large margin. However, countries are aware that it is vital to keep the delay as short as possible, to ensure data are useful for policymaking, and are moving to meet the timeliness guideline by switching to surveys of smaller but reliable samples after the initial benchmarks, making more use of office estimation and up-rating to make data representative, and using means other than fieldwork (e-mail, post, internet) to implement surveys once they have built favourable relations with enterprises which can take up to three years.

- **The trade-off between frequency and quality/timeliness.** The GDDS frequency guideline for BOP data is annual, with the aim of moving to quarterly. SDDS sets quarterly compilation as standard. Increased frequency can place a major burden on countries with capacity and resource constraints, by magnifying the problems discussed above under timeliness. Some countries have tried to introduce quarterly surveys, but failed to collect data on time, and fallen back on semi-annual or annual collection, with estimates for interim quarters (ideally using office estimation). A decision to collect more often than annually should be based on whether a country needs more frequent data, asking the following questions:

1. *What types of data should be collected more frequently?* This depends on the economic impact of particular flows. For example, PSED may be needed quarterly, to avoid seasonal disruptions to foreign exchange markets¹³.

13 Periodicity for reporting loan terms and conditions may differ from that for transactions. This may be fixed frequency (South Africa), at the time a loan is being considered if approval is required (Malawi), or a fixed time after the loan is signed if no approval required (Indonesia). See Baball (2002:24-25) for further information.

2. *How could this aim be met?* Compilers need to assess national capacity, the availability of supplementary technical and financial resources, and private sector readiness to supply data more frequently. On this basis they can establish a timetable for increasing frequency gradually, perhaps involving further reductions in sample sizes.

4.3. INVESTOR INTENTIONS AND PERCEPTIONS

The statistical standards discussed in the previous section have been formulated on the basis that reporting these data will encourage stability of international capital flows. However, in practice, investors indicate that data presented in a “BOP” format are of little help to them in taking investment decisions and therefore have no influence on stability. If data are to be useful for analysis, they need to go well beyond BOP specifications, in particular including breakdowns of data by industrial classification, source country and region, and much more detailed data on types of financial flows and their prospects, as also acknowledged by the OECD.¹⁴ In practice, adding these types of data to BOP/IIP questionnaires adds immensely to the analytical value of data for both government and investors, so these types of questions are standard practice in FPC CBP programmes.

If the international community really wants to increase the stability of FPC in developing countries, the key data to collect are on investor perceptions and intentions: what is influencing investors to make their investment decisions and to keep investing, and whether they intend to increase, maintain or reduce their investments. These are also the

14 For more information refer to IMF/OECD (2003), “Foreign Direct Investment Statistics: How Countries Measure FDI 2001” via <http://www.imf.org/external/pubs/ft/fdis/2003/index.htm>.

issues on which the private sector most wishes to give its opinions and, by providing an opportunity for investors to express their key concerns to government, and therefore reassuring respondents that the surveys are designed to promote private sector interests, combining questions on these issues with exercises to collect FAL data has proven to increase response rates dramatically.

Astonishingly, no international guidelines exist for collecting these data. Nevertheless, in the FPC CBP, NTFs have designed best practice guidelines for the types of questions to ask, which are then adapted to national circumstances.

The key types of data to collect are:¹⁵

- Breakdowns of BOP data by industrial sector, source country and destination region within the host country
- Factors that encouraged the initial investment
- The impact of economic policy, finance, politics and governance, infrastructure, labour, health, and environment factors on the decision to invest
- The investment intentions of investors in the short- and medium term
- Which sources of information investors use for decision-making (and suggested improvements for content, accessibility, and transparency of information provided by NTF member institutions).

Another key contrast is between investors who are already on the ground (who tend to have more subtle and nuanced – and therefore policy-relevant views on the key issues), and

¹⁵ More details on the methodology for collecting these data are in Scheun and Bhinda (forthcoming).

those (frequently non-investors in a particular country) who are often questioned at an international level in their headquarters about that country, and may reply in a much less well-informed manner.

Countries have also found it vital to solicit views on these issues from local as well as foreign investors. Too many international initiatives have focussed on promoting foreign investment, but the most useful have realised that neglecting local investors can be highly counterproductive, because it risks giving them less advantageous investment conditions (an “uneven playing field”), and thereby crowding out a potentially vibrant resident sector, and undermining efforts to encourage joint ventures and linkages between foreign and local business communities. In addition, there is growing evidence that potential foreign investors use evidence of local investors prospering as a powerful determinant of their own investment, and to identify potential partners, competitors or local suppliers.

Some developing countries have no similar exercises to collect such information, but others involved in the FPC CBP have needed to coordinate with apparently similar exercises generally led by international organisations, donors or accounting companies. Where they have genuinely similar aims in terms of building capacity (as has been the case with joint work between the NTF and the Chamber of Commerce in Cameroon, cofinanced by the FPC CBP and SNV), such coordination has provided an opportunity to combine efforts and reduce the burden on the private sector.

However countries have found that many other exercises are not really similar or overlapping for several reasons:

- They are often implemented by external consultants and therefore not designed to build national capacity.
- Where they are implemented by national organisations they tend to be the “property” of one organisation and donor, and coordination among national institutions and donors is not adequately promoted. Indeed, in some countries, donors have supported several related exercises in an uncoordinated way, wasting funds and reducing private sector response by overburdening them with multiple questionnaires.
- The role of local officials is limited to that of distributors and collectors of forms, without any adaptation of questionnaires to national needs and circumstances.
- Their samples are usually much smaller, and often confined to foreign investors.
- They are often one-off or highly infrequent exercises.
- They rarely cover the range of issues discussed above. Indeed, most other opinion exercises focus only on administrative barriers and delays to investment, economic and political freedom, governance, and sovereign ratings¹⁶.

In addition, some Central Banks conduct surveys of business confidence, and analyse and disseminate the results (e.g. The Gambia). These are generally of a high quality and well responded to, contributing to the work of a wider range of users. However, the focus tends to be for macroeconomic purposes and forecasting, and does not include the input of other interested parties such as investment promotion agencies, or line ministries. They are often also addressed to a somewhat smaller sample of enterprises. In these cases there is scope for

¹⁶ Examples include administrative barriers (World Bank Foreign Investment Advisory Service), corruption (Transparency International), economic freedom (Heritage Foundation, Fraser Institute), political freedom and human rights (Freedom House), FDI potential and performance (UNCTAD), surveys of households and citizens (Afrobarometer), or sovereign ratings (Standard and Poors, Moodys, Fitch IBCA, Institutional Investor, Euromoney, Economist Intelligence Unit, Coface, PRS Group).

further public and private coordination, to support a regular nationally-owned investor perception survey.

All such exercises should therefore ideally be nationally designed and led, by cooperation between government and the private sector, in one comprehensive and regular survey. Donors and international organisations should support such nationally-led exercises, and draw on their results for their own analysis, avoiding duplication.

4.4. CORPORATE SOCIAL RESPONSIBILITY¹⁷

At the international level it is acknowledged that, beyond their macroeconomic contribution to development by paying taxes and adding to GDP and exports, enterprises can make a major contribution to poverty reduction and sustainable development at the micro firm level through CSR - their policies on employment/employee welfare, and social and environmental issues, as well as by improving corporate governance and discouraging corruption.

Indeed, a bewildering range of international initiatives, codes and standards exist to facilitate this process. The most widely recognised include those of the OECD, World Bank, International Labour Organisation, International Organisation for Standardisation, and United Nations. There are also several additional initiatives by the private sector, NGOs, or various combinations of parties that either set up their own codes, or seek to

¹⁷ For more technical details of CSR methodology, see Scheun and Bhinda (forthcoming).

implement those of others. There is a strong case for rationalisation and coordination of such initiatives in the international arena.

More important, it is often difficult for countries to keep track of the latest developments, because most awareness creation and consultation on these initiatives takes place with multinational corporations and in the countries in which they are headquartered. Initiatives are not necessarily coordinated with the governments of the low-income countries in which these companies operate, so that most countries are not aware of many of the standards. The OECD has attempted to widen the coverage of its Multinational Guidelines to non-OECD countries, by using “OECD National Contact Points”. These are usually diplomatic, donor, or commercial representatives, charged with monitoring corporate behaviour and discussing it with the corporate head offices in their own OECD countries. However, these contact points do not systematically seek input from local public or private institutions in low-income countries.

In addition, though most developing countries declare that “promotion of the private sector” is a key component of their development and poverty reduction strategies, they have little or no idea whether the private sector is actually making such a contribution, because no national institutions collect such information, and information collected by OECD countries and international organisations is not systematically shared with developing countries. As a result, private sector development sections of Poverty Reduction Strategy Papers, and many other private sector development documents, focus on what government can do to help the private sector grow faster, forgetting what the private sector can do through CSR.

Nevertheless, governments and the private sector in the countries are always very keen to find out what companies are doing. As a result, the countries participating in the FPC CBP can generally use surveys to collect information on CSR and determine investors' contributions to poverty reduction, without fear of any overlap with international initiatives.

There are many different definitions of CSR, covering the impact of corporate behaviour in the market, the workplace, the community, and the environment. In terms of stakeholders, this covers impact on its shareholders, clients, commercial partners and suppliers, employees and unions, NGOs and government, and the local and national communities.

One important distinction (Baker) is between what are often presented as the "US approach", largely limited to philanthropic donations to charitable causes (and therefore vulnerable to termination as "peripheral to core business" if an enterprise experiences difficulties) and the "European approach", which involves managing the "core" business in a socially responsible way, to enhance competitiveness and wealth creation (and is therefore more likely to be sustained regardless of business conditions). Many US-style corporations would presumably regard the more comprehensive approach as an unnecessary intrusion into their business practices.

In addition, CSR can be monitored and analysed in two ways. The first relates to processes and management issues: for example, whether companies have policies to enhance positive

effects of their behaviour, the degree to which that policy is formally approved and successfully implemented, and the degree and transparency/independence of its audit and reporting. The second method involves much more precise and quantified assessment, of actual expenditures and precise impact of corporate activity. Many multinational corporations are far more advanced on paper than in practice.

Two other aspects are important. First, the above initiatives are guidelines rather than regulations, and thus they are non-binding: application is through a mixture of moral suasion, and convincing companies that CSR will enhance their image and/or profits. Second, they are primarily designed for large multinational corporations, and therefore may be inappropriate to smaller local companies which lack formal codes of practice, but often spend higher amounts on socially or environmentally “responsible” interventions.

What does this mean for monitoring and analysing CSR at a national level? NTFs need to:

- **Take account of international codes, standards and initiatives**, by keeping up to date with their development, consulting and representatives of organisations implementing them such as resident OECD “contact points”, UN and World Bank offices, and NGOs, but adapt questionnaires to national priorities.
- **Coordinate with any other government agencies** already collecting CSR-related data, such as Ministries of Labour, the environment, and other line ministries, and include them in the NTF if appropriate.
- **Consult the private sector (especially local investors)** to identify key issues for CSR monitoring and analysis, preferably through a process such as that of formulating a poverty reduction strategy, taking into account national circumstances and priorities.

- **Formulate questions to add to survey forms**, keeping them as short and unintrusive as possible to encourage maximum response (as with FAL and IP, companies will reject immediate introduction of excessive questions, while accepting gradual extension of questions into new areas over several surveys).
- **Identify which body would be best placed to lead analysis**: generally this is likely to be the IPA, the poverty reduction strategy coordination agency, or a private sector associations.
- **Use results to redesign investment promotion strategies**, *by* identifying corporate best practices which may be promoted more widely, including “competitions” or awards for enterprises making best contributions in particular areas, and providing benchmark standards against which the performance of potential new entrants may be assessed (as well as incentives for maximising CSR implementation).
- **Track changes in corporate behaviour in line with policy**, and report these to the private sector at awareness creation events, and to coordinators of international initiatives.

It is also important to remember that a considerable amount of information can be collected without surveys – from reports to IPAs, company reports, the local or international media, websites tracking international initiatives, or NGOs tracking corporate behaviour. As with investor perceptions, these sources can also be used to verify information collected directly from investors.

Given the general lack of experience on these issues in most low-income countries, this is likely to be the area in which the most staff training and institutional capacity-building are

needed – in order to ensure that low-income countries themselves are empowered to monitor the contribution private sector investors are making to national development.

5. MONITORING SYSTEMS

5.1. OVERVIEW

This chapter looks at the diverse systems needed to collect and record data successfully and sustainably. Building on Chapter 3, it analyses institutional arrangements and management processes¹⁸ for surveys, “non-survey” methods, and software. Ideally, a country will have in place all three aspects, regardless of its degree of external sector liberalisation. Even many countries with full capital controls (such as Mozambique) are not able to achieve automatic non-survey reporting of all foreign private capital. When liberalising the sector, even gradually, countries can attempt to retain automatic reporting, but data coverage and quality is likely to decline, pushing them to rely more on surveys (Malawi for example, captures most flows via commercial bank automatic reporting, but can get stocks and reinvested earnings only from an enterprise survey). If a country liberalises rapidly without retaining an automatic reporting system, it will need to rely largely on enterprise surveys while it adapts alternative mechanisms to liberalisation and convinces enterprises to resume automatic reporting alongside the surveys. In any case, survey and other sources are useful cross-checks, and both need to be stored and analysed in software.

5.2. SURVEYS

To optimise the management and quality of survey data, NTFs need to address: investor register, sampling, and enterprise reference numbering; coordination and rationalisation of forms; form design; administration of questionnaires; fieldwork; and data checking/editing.

¹⁸ Refer to Scheun and Bhinda (forthcoming) for complementary technical discussion.

5.2.1. Investor register, sampling, and reference numbering

In a country conducting FAL surveys for the first time, the institution leading on investor register maintenance and sample design needs to initiate contact with, and obtain and reconcile information from, as wide a variety of sources as possible, including:

- Previous lists from BoP and other (eg household or industrial) surveys
- Databases held for other purposes by NTF members or other agencies (eg, investment approvals, private sector association members, company registrars, lists of sectoral investors held by line ministries, lists of investors in privatisations of public enterprises, central bank or other regulators' lists of sectoral investors)¹⁹
- The media, the internet and local knowledge of new business openings
- International and regional sources (donors, embassies, business associations)

There is no ex ante certainty as to which sources are best, as they have varied greatly across countries. However, information from the Company Registrar is generally very poor in many low-income countries²⁰. Countries become more familiar with their investor community as they gain experience with surveys, checking the initial lists during fieldwork, and are then well-placed to judge the quality of different sources, and narrow their use.

¹⁹ Another possible source is the VAT or tax register, but if this is used, it must be made clear to the tax authorities that there will not under any circumstances be any return flow of data from the survey results to them.

²⁰ This is because company registrars are under-resourced, and not computerised. They have major problems obtaining information from the private sector, in spite of a legal mandate that requires investors to report regularly. Their records are therefore highly inaccurate, and have complicated fieldwork immensely. There is a strong need to support the reinforcement of Company Registrar offices as a priority.

More experienced countries update the register and sample on a rolling basis, using automatic procedures which draw on changes to other registers and databases, as well as tracking the media and collecting new data from international and regional sources. They can also use censuses or benchmark surveys every 5 years for more thorough revision.

In establishing the register, it is essential that all NTF members are consulted to ensure that their preoccupations (such as sectors, regions, source countries or size of projects) are taken into account. The same is true when countries switch to smaller sample surveys, as the quality of the register improves. All NTF members also need to agree on and use a unique reference number for each enterprise, which is carried forward to subsequent surveys (and preferably reconciled with numbers used in non-survey reporting and other databases). This helps to protect data confidentiality, and facilitates paper and electronic data storage, and enterprise-level time series checks.

5.2.2. Coordinating and rationalising surveys

The NTF needs to rationalise and coordinate related surveys. There are constant pressures to launch new uncoordinated exercises through public or private sector agencies, so NTF agencies need to keep in constant touch at political and technical levels. They need to check at four levels:

- With other units, divisions and departments in their institution
- Among all member institutions of the NTF
- With other national public, private and academic bodies not represented on the NTF
- With donors and international organisations to pre-empt funding multiple exercises.

Often, convincing other actors requires investing extensive technical time to agree how methodologies can be harmonised or merged (for example in Burkina Faso or Cameroon where surveys were recently merged by government and the Chamber of Commerce). In particular, while surveys may appear to be collecting related information, detailed examination may reveal that data are defined differently. This makes harmonisation especially difficult for aspects of surveys which have to comply with international codes and standards (especially where these conflict!).

Technical work needs to be followed by written confirmation of agreement to merge exercises at the political level. Once agreement has been reached, the agencies must notify the merger to other stakeholders such as funders, to avoid future funding approaches. This can also have the advantage of combining different donors' and government/private sector agencies' funds towards the same aim rather than wasting them in duplication (as well as reducing "survey fatigue" among investors). However, it can be problematic if institutions have different agendas, such as keeping staff posts funded using donor finance. It is typically best for NTFs to try to continue to mobilise the same amounts of funding as before, but to convince donors to cofinance with one another, to fund national staff rather than international consultants, and to use their funds to support enhanced analytical work rather than multiple data collection exercises. The most difficult exercises to coordinate with are those which are part of regional or global initiatives, and therefore the international organisation or donor insists on maintaining separate exercises, and execute their surveys through non-NTF agencies (e.g. academics).

If merger is not possible, the NTF needs to try to reduce survey fatigue by removing any duplicative questions, using the same concepts and definitions, and ensuring that surveys are conducted at different times during the year. It should keep investors closely informed by telling them in advance which surveys are being issued, by whom, under what mandate, and with what target group and content. It is also needed to explain carefully how they relate (or not) to other surveys, and when the data and analysis will be published.

5.2.3. Form design and testing

As indicated above, part of rationalisation would involve designing new or enhancing existing survey forms. This would usually be led by the central bank or Statistics Office on the FAL, and the IPA with the private sector on the investor perception and corporate social responsibility. Designers would need to take into account the degree of controls, and availability and quality of non-survey data sources, and therefore to review the form annually.

The NTF then needs to test the forms. This may be on a pilot group of private sector representatives, for example, at an awareness event for stakeholders, or, via private sector representation on a NTF, or if time and resources permit, through a formal pilot survey.

5.2.4. Managing Fieldwork

The success of the survey depends on high quality management of fieldwork. Enumerators (after prior training in technical issues, interview techniques, enumeration practices and project implementation) administer and collect the questionnaire, interview respondents as necessary, and conduct initial data checks and edits. They may be staff of participating

institutions, or may be hired specifically for the exercise in which case more training is needed. Supervisors and managers organise their work. It is of course vital to plan in advance the allocation of staff time and the duration of the different stages of the fieldwork (see 3.2).

Supervisors assign enterprises to each enumerator, and identify the person within the enterprise to which enumerators should deliver the questionnaire (and approach for its completion), as well as providing any background information on the enterprise. The Enumerator's first visit is to explain the purpose of the survey and its technical content, convince the respondent that compliance is mutually beneficial to national development, underline legal mandates and confidentiality, and promise full feedback of results to help with enterprise decision-making. At the end of the interview (whether face-to-face or by telephone), the enumerator should arrange any additional meeting; agree a date for completing the questionnaire and how it will be returned.

After each contact, Enumerators should complete a table reporting on the date and name/title/best method of contact, the outcome, any necessary follow-up, and the date agreed for return of the questionnaire. The Enumerator should also advise the Supervisor on any changes to contact details, eliminate enterprises from the register if they are non-locatable or closed, recommend methodology improvements based on feedback, and indicate any concerns/reasons they may have about non-response, so that appropriate steps can be taken to generate response. These details are vital to ensure that any other member of the team can track response and follow-up themselves if necessary.

Thereafter, the enumerator needs to maintain dialogue and contact up to the moment of response (with particular intensity around each deadline), to make sure the enterprise sticks to the agreement. Frequently questionnaires get lost or forgotten inside enterprises. Enterprises may also be unable to meet originally agreed response deadlines. Revisits should be kept to a minimum to save time and resources, but it is usually necessary to collect completed questionnaires in person – though over time some enterprises should become confident enough to reply by post or Internet.

This is the most crucial and labour intensive stage, requiring highly efficient management to ensure that enterprises are pushed sensitively to respond, and that enumerators and supervisors have advance-planned access to all the communications and transport resources needed to facilitate their work. Even if a contact person in senior management initially agreed to return the questionnaire, the NTF may need to follow up at a more senior level, even through Chief Executives for key large enterprises.

Finally, enumerators must check forms while at the company and before accepting responses as final, so that they can ask final questions to the company and have reliable data before noting any points for follow and submitting the form to the Supervisor.

5.2.5. Managing Fieldwork and Data

Managers need a comprehensive management system to track project implementation, in order to focus resources on attaining the highest coverage, and the best quality data, in the time available. This section looks at the tools needed including an Enumerator Manual, fieldwork and data management tables, and team meetings.

Tools are not enough on their own: it is vital to have divided clearly among the NTF members the responsibilities for coordination of fieldwork to ensure focus on the largest and most representative companies, technical support to the enumerators in the field, and quality control of individual responses as soon as they arrive.

Enumerator Manual

A manual is essential to field officers because it will allow them to perform their functions much more effectively, building on any training received, and thereby to achieve a higher response rate. It should include the following elements:

- Copies of the forms and covering letters
- A copy of the survey implementation timetable and key deadlines for the survey, including dates for any meetings between enumerators and other NTF members
- Instructions on the enumerator's role – how they are expected to administer the forms, follow-up for high-quality response and report on progress (see above).
- Responses to questions respondents may ask about the project (whether technical or about mandate/confidentiality/feedback/usefulness to the respondent)
- Hints on preparing for enterprise visits (e.g. the best person to meet, prior knowledge on the enterprise, prioritising issues to be addressed and time management etc)
- Concepts and definitions used on the questionnaire
- Documentation describing legal Mandate to collect data, and data confidentiality
- NTF staff contact details, especially of the supervisor to which they will need to submit enumeration reports, and the people they will need to contact to answer any questions posed by respondents, and to resolve any logistical/practical/financial issues

- Details of all Enterprises to be surveyed, with those assigned to the enumerator clearly identified, including any background information such as a previous survey return, press information etc
- Evaluation and performance indicators for enumerators

The CBP supplies a generic version of a manual to NTFs, for adaptation to country needs.

Fieldwork and data management tables

The CBP also supplies the NTF with a generic management tool to track fieldwork progress, which follows the entire sequence of the survey. It allows for the immediate identification of bottlenecks and methods to overcome them. It covers four different stages:

- Register: this allows enumerators to identify whether enterprises exist and are being surveyed, or have not been located or have been closed, and to add new enterprises found in the field to the register.
- Administration and Validation. This allows enumerators and managers to track implementation of the survey (the dates when forms were distributed, interviews held, forms returned (with or without any FPC entered), and data initially checked by enumerators and cross-checked by supervisors– or whether and why forms have still not been returned or checked) and to reallocate resources to overcome bottlenecks.
- Processing and Checking: this allows data processors and supervisors to track implementation of data entry into software and checking of the entry, as well as processing and checking of the overall results using the checks built into the software.
- Progress Rates: these give management summaries to track the rates of response, coverage, validation and processing, allowing them to redirect resources among tasks as

necessary, and especially to focus limited time and resources on enterprises which are the largest, or most important for sector and region representation.

The NTF secretariat should update this table (on the basis of inputs from all staff) weekly or even more frequently during the peak periods of enumeration and data processing – obviously requiring clear and effective channels of communication between enumerators, supervisors and coordinators, regional offices and HQ.

Fieldwork and data management meetings

At the same time, it is vital for senior staff to hold regular strategy meetings, to discuss the information in the reports, and address problems as quickly as possible. Such meetings may decide to: reallocate enterprises among enumerators, move enumerators to new regions / zones, deciding on the relative priority of follow-up, editing and checking, and approval of returns; and alerting senior officials to the need for their intervention. This is especially vital when countries (as is best practice) conduct many tasks simultaneously (for example, data checking and inputting concurrently with fieldwork). Each meeting would produce a summary report for senior officials with an assessment of progress, and making recommendations on work programming, staff, equipment, and financial needs.

A final meeting at the end of the enumeration and checking process should also draw lessons for reviewing the sample list / investor register, identifying the most able staff in each task, and revising questionnaires, which will be useful in future surveys and in identifying staff training and reallocation needs.

Once the enterprise level information has been agreed, it is necessary to finalise the database. This usually involves advanced office estimation techniques to take account of non-response, to extrapolate the survey data to the investor register, to perform time series checks, and to prepare the BOP, IIP, and other formats for analysis and dissemination. Trained economists and statisticians perform these complex tasks, and are drawn usually from the Central Bank, and, depending on its capacity and mandate, the National Statistics Office. The final database then needs to be cleared at the political level, which may take some time to obtain closure. It is therefore essential to give as much notice as possible to the political heads for when the preliminary database will be released to them, and keep them periodically updated on its status

5.3. “NON-SURVEY” SOURCES

Where they are readily available and of high quality, non-survey sources are much cheaper than surveys, and increase the efficiency and timeliness of reporting. They also enable cross-checking of the quality and coverage of survey data. However, often they have been abolished under liberalised regimes, or have not been adapted to their needs.

A broad range of non-survey sources have to be employed to capture information. NTF as a multi-institutional, public-private sector entity is well placed to coordinate collection and quality assessment of this information. However, non-survey sources often have methodology, coverage and valuation techniques different from those of surveys, making it impossible to disaggregate data into the components required for BOP compilation and detailed analysis. Some collection may also require establishing links with a wider range of organisations (diverse line ministries, international organisations, NGOs and academic

bodies). To avoid discarding non-survey sources in favour of surveys, NTFs need to have clear place strategies to reinforce non-survey data, including revising financial institution reporting forms to make them consistent with BPM5, and training the institutions in their use.

5.3.1. Domestic Sources

Sources include government agencies, private sector, stock exchanges and the media.

Government Bodies

In countries with exchange controls, non-survey automatic reports often indicate foreign exchange transactions to the Central Bank. On the other hand, frequently such systems omit transactions which do not pass through the financial system (such as offshore transactions and reinvestment of retained earnings) and have poor levels of compliance and accuracy. The main non-survey source in liberalised economies is reporting on financial transactions through direct reporting from financial sector institutions to the Central Bank. Yet, often such forms are not adequate to capture BOP transactions correctly, and need to be revised. In addition, investment promotion agencies, line ministries, sector-specific regulatory agencies, privatisation supervisors and “free zones” may receive automatic reports of data. However, this tends to be reported at the moment of authorising transactions (for example investment approvals) and therefore may bear little relationship to actual transactions, and is rarely broken down by different types of (equity and non-equity) financing, classified in BOP format, or containing items needed for investor perception and CSR.

Even where methodology is revised to make it compatible with BPM5 and include other issues, most non-survey sources have only partial coverage of FPC. This is because they cover only some investors, take only a snapshot of the initial investment, or omit data which do not pass through the financial system, and do not take account of changes in market valuation. As a result, except in a few countries where all enterprises are obliged to submit regular reports including stocks and transactions outside the financial system, most non-survey returns are used only for cross-checking survey data.

Private Sector

Information may be available from the private sector in several forms:

- Financial statements: although generally not produced in line with BPM5, these include much data for crosschecking, and a basis for office estimation. In low-income countries, statements may be easy to obtain for commercial banks (supplied to the Central Bank), multinationals, and some large local enterprises, and are even available on some company websites. However, many smaller enterprises do not have approved financial statements, or do not supply them to company registrars.
- Enterprises also publish information on profits and dividends in the local media, but these are often in more summary form (and therefore less useful) than statements.
- Private sector agencies may also compile BOP and investor perception related data on the part of their members, and make it available via bulletins and websites.

Domestic and other stock exchanges

Stock exchanges provide market value of equity for listed enterprises, but very few enterprises are listed in low-income countries. They also give information on some

portfolio debt transactions, but often fail to request residency details to comply with BPM5.

Media and other sources

Financial and economic media, company publications, press releases and websites, and embassy trade attaches are important sources of information on new investment, but rarely provide accurate non-survey data which are compatible with BPM5. NTFs should use all these resources as background information to cross-check against survey and more formal non-survey data, and to brief enumerators before they go into the field.

5.3.2. International Sources

It is important to distinguish two types of international data: those from source country sources (BIS/OECD), which provide a useful cross-check with host country data and can even be formally reconciled with host country data where there are large discrepancies; and those based on host country data (Bretton Woods and UN), which should be based on the latest national survey or non-survey data.

BIS-IMF-OECD-World Bank Statistics on External Debt

The BIS publishes statistics on PSED, based on creditor and market sources. However, its data do not cover supplier credit which is not channelled through banks, or private placements of debt securities.

IMF

The *Balance of Payments Statistics Yearbook (BOPSY)* is based on reports from member central banks, using exchange control or survey systems. It is also often several years out of date, preferring to wait until data are definitive. *IMF Country Reports* are also based on host country central bank data, but often fail to use the latest data if these might involve changes in historical time series which have not been fully justified to the IMF. The *World Economic Outlook* publishes aggregate net direct, portfolio and other investment, based on aggregating the national statistics, or using creditor sources for estimates.

OECD

The OECD FDI database comprises data from the investing country, broken down by recipient country. While coverage is limited to OECD only, this is valuable information for crosschecking, as it is the sole compilation of data from the source country.

UNCTAD

The *World Investment Report* publishes FDI data annually, based on information from host countries, supplemented where necessary by IMF and OECD data and staff estimates. Typically such data are collected from IPAs. Quality is thus dependent on the monitoring systems a country has in place, and whether the IPA reports the latest data to UNCTAD.

World Bank

Global Development Finance takes figures from the primary sources listed above to compile overall data on private capital flows. It most often relies on BOPSY, supplemented by debtor country data on PSED. World Bank country reports use GDF or BOPSY data.

International data are therefore mainly useful either as a means of cross-checking national data, or in order to ensure whether national data are being used by those sources which purport to rely on national data. In either case, it is important to attempt the maximum reconciliation of data with these sources, to be sure that they are transmitting an accurate picture of FPC – given that they have a much wider reach than national publications. It is also vital in such reconciliation to check differences in methods for compilation. A final useful check with international data is with the metadata on the IMF GDDS or SDDS website, to ensure that they are accurately reflecting country monitoring practices.

5.4. RECORDING AND COMPILATION SOFTWARE

To compile, analyse, and present data effectively, countries need computerised tools: but most do not have them (except for private sector debt) and need to design their own, or adapt CBP-supplied generic tools.

The software needs to:

- Store data over time from survey and non-survey sources in necessary detail.
- Sort the information into categories, e.g. by financial instrument, by FAL versus investor perception, by country, sector, region, etc.
- Allow checks for consistency and completeness, e.g. it should enable a check that the total stock of equity or any other instrument should be equal whether broken down by sector, country, or region. Gaps indicate possible problems in inputting (which should be checked in the first instance), or response (which should be checked subsequently with any follow ups with enterprises or office estimations made accordingly).

- Generate outputs including building and checking aggregate time series, checking data by enterprise over time, analysis, and preparation of BOP and IIP statements.
- Be adaptable for changes in methodology due to new types of flows, and codes and standards.
- If required, assist in fieldwork management, e.g. by tracking response rate and coverage by region or sector of economic activity.
- Share data across participating departments and institutions, requiring compatibility with other software packages, including those used for loan-by-loan recording.
- Assist in maintaining investor register and sample (e.g. identifying enterprises that had not responded, those that did not report FAL, and split by sector and region).

Countries with established monitoring systems may already have software within one key institution, with a strategy to make all information systems compatible. However, where required, the CBP supplies generic data entry and analysis software in Access® (which is simple to adapt to country needs), and advises on functionalities for other systems.

It is preferable for a country to have one software system for FAL, perception and CSR data. However, this can be supplemented by loan-by-loan PSED data recording in purpose-built software such as the Commonwealth Secretariat Debt Recording and Monitoring System (CS-DRMS), or the UNCTAD Debt Management Financial and Analysis System (DMFAS). In this case, the NTF needs to ensure data are shared beyond the units using these systems, for reporting and analysis.

The software usually resides in a lead institution (the Central Bank or Statistics Office) and is managed by a Software Team established within the NTF. This team may include other institutions, within the NTF, which contribute to design, data entry and checking, or preparation of outputs for analysis or publication. Communication between the NTF and the software team is vital to ensure that software responds to the needs of analysts, and provide advice on design requirements.

6. FPC ANALYSIS AND ACTION PLANS²¹

Monitoring FPC effectively by collecting high-quality data is not an end in itself. The data must be used for analysis, and the results of analysis for formulating and implementing strategies for macroeconomic growth and stability, private sector development, investment promotion and facilitation, and poverty reduction. Only implementing a comprehensive action plan for FPC (preferably combined with public sector financing into an overall national development financing strategy) can help to mobilise the most appropriate financing, and to ensure that stable and sustainable private capital flows make the maximum contribution to sustainable national development.

As a result, FPC CBP reports include comprehensive regular analysis of FPC and macroeconomic issues, investor perceptions/intentions and CSR, as well as analysis of specific sectors or regions, and financing instruments or techniques, adapted to national priorities. This section outlines the quality of existing analysis and strategies, why better analysis and strategies are important, and how to improve them by building capacity.

6.1. EXISTING ANALYSIS AND STRATEGY

Many developing countries have been so obsessed with reporting data to meet international codes and standards, that their analytical output has been generally very limited. What is prepared often includes descriptions of BOP trends by the Central Bank or Statistics Office. Such analysis usually contains virtually no information on the different financing

²¹ For details of analytical methodology, see Scheun and Bhinda (forthcoming). For analytical findings of the programme, see Rose-Innes et al (forthcoming).

types (except in BOP language which is incomprehensible to the investor), of the source countries or destination sectors or regions of the investment. There is even less analysis of the macroeconomic causes or effects of the flows, or of their costs or sustainability. In part because of the poor quality of some data reported to meet GDDS guidelines, the focus of the resulting policy has also often been dubious.

Based on FPC CBP experience in low-income countries, some investor perception surveys have included more in-depth analysis of the causes of investor perception and behaviour, and possible policy responses, but most of this is done by external consultants. There is virtually no systematic analysis of CSR or FPC's contribution to sustainable development and poverty reduction at the firm level – analysis is of what government can do to help investors but virtually never of what investors can contribute to national development. The analytical methodology in these areas is usually not adapted to national needs, but tailored to producing international documents which are comparable across countries and regions. The questions asked quite frequently reflect a bias towards “small government” – i.e. reducing bureaucracy, liberalisation – rather than asking about what government can invest more energy in (infrastructure, health, education). Analysis is often conducted on an ad hoc or irregular basis, allowing little analysis of trends in response to policy change. Analysis is often too focussed on national issues and not enough on global capital market trends. On the other hand, it usually focuses on foreign investors only, attaching insufficient priority to the concerns and needs of local entrepreneurs, or to private sector holdings of assets overseas. Finally, most countries fail to integrate analysis of private and public sector finance in order to assess national development financing prospects and develop a national financing strategy.

Most important, existing analysis has often led to erroneous policy conclusions. As a result, potential stakeholders including government, the private sector, international organisations, donors, and academic bodies, find most of the analysis of limited use for helping with their own policy decisions on how to support national development (see 6.2), and national public and private sector stakeholders do not own or therefore want to use the analysis sufficiently – in part because there is rarely sufficient feedback to them of the analytical results and their policy implications.

Therefore they have based policy on (often poorly-informed or biased) interpretations of experiences in other countries. This has led to several types of poor policies:

- *Passivity*: most commonly in the 1990s among developing countries desperate to attract foreign private capital and develop their private sector, accepting passively and offering tax holidays to every offer of financing for the private sector (whether through aid, foreign equity investment or private sector debt)
- *Poorly focused pro-activity*: centring their efforts to promote investment on historically important source countries rather than new dynamic source countries, or on natural resource-based sectors that can easily attract FDI without promotion efforts
- *Antipathy*: in the 1970s and 1980s, many countries opposed FDI on the basis of a belief that it would undermine or make no contribution to national development and some governments and civil society groups still hold these beliefs.

6.2. ANALYTICAL AND STRATEGY NEEDS

To define policies correctly, countries require several types of FDI-related analysis.

The first stage is *basic disaggregated analysis of the FAL*, including:

- **Scale** (preferably at market value), especially in relation to other economic variables, which shows that FPC is much larger than believed and worthy of policy attention.
- **Composition by instrument** and trends in each instrument, to identify which instruments require more careful or frequent monitoring and policy response, and assist the private sector to track availability of (and diversify) financial instruments. In particular, it is essential to analyse the “maturity profile” of FDI, looking at the period over which initial investment is repatriated to assess its permanence.
- **Direction of flows by source country** to identify new countries for investment promotion agencies to target, and which sectors to target for existing countries, as well as helping the private sector identify the source countries of their competitors. One key factor to examine here is the proportion of flows coming from non-OECD countries and the need to change investment promotion policies accordingly.
- **Direction of flows by sector** to help define priorities for supporting key sectors for national development and poverty reduction, and to provide information to investors on which sectors are under-invested and might have scope for high returns. It is especially important to examine the degree of sectoral diversification in investment, which appears to be growing in many countries, while nevertheless bringing out clearly any risks of overconcentration of investment in individual sectors or enterprises.
- **Direction of flows by region** to inform policymakers and investors on which poorer regions to target with infrastructure and other policies to attract investment.

Countries should also **cross-analyse the different breakdowns** to explain, for example why investors in different sectors use different types of financing instruments or why

investors from different source countries choose different sectors. As they collect more data, they should attempt econometric analysis of time series.

Where **foreign assets** held by residents are significant, countries need the same type of disaggregated analysis (the types of instruments, where they are being held and in what sectors), in order to assess their potential policy impact, how to convince residents to return their assets to the country, and how to help them to diversify their portfolios abroad in order to reduce risk or increase returns.

The second stage relates FAL to its *macroeconomic causes and effects*. This includes understanding the impact on FAL of trends and policies in the real sector and growth; BOP, exchange rates and foreign exchange availability; monetary and financial sector development and availability of domestic financing to complement foreign finance; and budget and government spending/taxes. This facilitates decisions on whether to change macroeconomic policies to stabilise and encourage FAL. It also involves analysing the macroeconomic impact of different types of FAL: on growth (disaggregated by sector), savings and investment; the BOP, exchange rate, and reserves levels; monetary policy and financial development; and fiscal revenue. This informs policy actions on which FAL to promote.

The third stage is analysis of **investor perceptions and intentions**, which should:

- Be as comprehensive and unbiased as possible, reflecting the concerns of national public and private sector agencies. This means including a wide range of questions on

economic and financial conditions, political and governance issues, infrastructure and government services, labour, education, environment, health, and market conditions

- Distinguish clearly between factors influencing the initial decision to invest and those currently influencing decisions on future investment plans
- Ask questions about future investment intentions (not just trends but what new funds will be spent on – e.g. diversification, human capital, technology or trade)
- Include the views of resident as well as non-resident investors (as well as preferably the views of those who have decided not to invest or international TNC headquarters of those who are not yet investing).

More advanced analysis here would disaggregate and cross-analyse findings to take account of groups with different interests, perceptions and intentions (e.g. exporters vs. importers, different source countries and sectors). It should also compare the views of investors with reality (through objective analysis of comparable indicators for other countries) to assess what is really influencing FAL and avoid erroneous policy responses. Finally, it should analyse trends over time, to assess effects of policy changes.

This analysis helps investment promotion agencies to identify, assess, prioritise, and respond to factors affecting the decision to invest, as well as to make medium term investment forecasts. On this basis governments may refine a range of investment promotion and other related policies, encouraging investors to increase flows.

A fourth stage is **analysis of corporate social responsibility**, assessing the effect of corporate “non-financial” behaviour on labour, health, the environment and other issues

that affect poverty and national development. Depending on the types of questions included, this can include analysis of the existence of overall policies and intentions, or more precise analysis of amounts spent on CSR in relation to turnover and profits, or of the impact of CSR policies on personnel (gender and ethnic equity, balance between expatriates and nationals, staff skills improvement and community education; staff and community health; working and wider environmental conditions). It should also distinguish clearly between enterprises which regard CSR as “charity” and those which take a much broader view including paying taxes to improve public infrastructure, and involving the workforce and community in business decisions. Such analysis helps government to determine how FPC is contributing (and can contribute more) to sustainable development and poverty reduction, and feed into national poverty reduction strategies, and how government can design incentives for better performance. It can also indicate to investors best practices which they can emulate. (See also section 4.4)

A fifth stage covers **sustainability analysis**. This includes:

- **Costs** (dividends/remittances for equity and interest/principal payments for debt, as well as present values of financing streams) **and terms** (such as maturity profiles)
- **Profitability/returns** (net operating profits; returns on investment; and price gains on portfolio investment)
- **Structures of finance**, using debt/equity and FDI/other capital ratios
- **Risks** relating to potential currency, interest rate and profitability fluctuations
- **Investor behaviour** (reinvestment or repatriation of earnings, repayment or expansion of intra-company debt; changes of financing structures) and the factors influencing it
- **Net flows** (inflows minus outflows) **and net transfers** (net flows minus interest or dividends)

- **Econometric volatility analysis** as data series (over time or disaggregated by sector/source country etc) are built
- **Disaggregating** all these assessments by sector, source country etc
- Applying similar analysis to resident **assets** held overseas
- **Comparing costs** with those of other countries, non-traditional instruments such as Build-Operate-Transfer or derivatives, and domestic financing sources.
- Most important - assessing what national, regional or global **factors** influence these variables (e.g. contagion, market and enterprise behaviour, exogenous shocks to commodity prices, or global interest rate trends).

Building on these aspects, countries can then assess **prospects for sustainability of different types of FAL**, by projecting net flows and transfers, and net present values of flows compared to income streams based on potential changes in costs, maturity profiles, returns and structures of financing²². Another useful source for such projections is the analysis of future investment intentions under investor perceptions, but these should be adjusted by comparing past expressed intentions with actual execution rates. They can also analyse **vulnerability** – for example by looking at debt to equity ratios to assess which sectors or enterprises have excessive debt exposure, costs of financing to assess which companies are not accessing financing competitively, and profitability to assess (based on returns expected in the sector) whether investment is sustainable.

²² For example, PSED analysis can be factored into overall national debt sustainability analysis, assessing public and private sector debt stock, service and PV ratios compared to GDP, export earnings and foreign exchange reserves. Similar ratios can also be calculated for equity FAL.

Based on all of this analysis, government can then design an action plan for maximising the sustainability of FPC and its contribution to national development. This involves working out the policy implications of each analytical finding, turning policy implications into precise actions, and deciding who will be responsible for implementing them, during what period, and with what priority, as well as whether any additional capacity-building assistance is needed. Obviously in formulating such plans it is essential to take account of the policy measures being implemented as a result of other initiatives (see also 6.1.4).

The final stage is to merge analysis of private sector finance into a framework which takes into account public sector finance, and development of the domestic financial sector, and allows the design of a **national development financing strategy**. Such a strategy should contain portfolio analysis of recent trends in FAL, foreign official financing and debt relief, government domestic debt, and national private and public savings and investment. It should also forecast possible trends (using the FPC sustainability analysis discussed above), and simulate different scenarios for future national development based on projected measures to improve the sustainability of development financing, the development financing needed for growth and poverty reduction. The most important component of the scenarios is the likely behaviour of investors, including the impact of volatility of FPC on the economy, of macroeconomic 'shocks' on FPC behaviour, and of an improved policy for mobilising higher-quality and more stable finance on growth and poverty reduction. The strategy should include policy recommendations for mobilising the maximum amount of stable, low-cost, low-risk finance, of the highest quality for growth and poverty reduction, targeting priority sectors and regions, in the context of an action plan based on detailed national self-assessment of priority needs.

All such analysis is essential to designing macroeconomic strategies to promote sustainability and reduce vulnerability, for example by improving overall national debt and foreign exchange reserve management. However, it can have an equally powerful impact on private sector behaviour, because better information can help companies to obtain more favourable terms, adopt more sustainable financing strategies and improve corporate governance (provided that the analysis is presented in non-technical language - not in “BOP speak”).

For details of analytical conclusions of this type, see Rose-Innes, Martin, Rogers et al (forthcoming).

6.3. CAPACITY-BUILDING AND INSTITUTIONAL ARRANGEMENTS

Most developing countries lack the staff time, skills or structures to conduct the more advanced aspects of such analysis (and in some countries to conduct any analysis). There is also virtually no training provided to public sector officials in the more advanced aspects of analysis, and therefore a crying need for comprehensive capacity-building in this area.

Therefore countries need to work out how to revise terms of reference for units and staff in order to ensure adequate attention is given to analysis. The NTF needs to establish a team dedicated to analysis and report writing, identifying contributors and coordinating inputs to the report, supervising the preparation of and finalisation of drafts, and organising publication and dissemination.

This will often involve personnel from units within participating agencies which are different from those conducting data collection (for example the Research Department of the Central Bank rather than a statistics or surveys department, or the Research Department of an IPA rather than the Investment Promotion/Facilitation department). It is important to capitalise to the maximum on the skills of those used in conducting analysis, by involving them in the team, rather than trying to have the data collection team write the analysis, which is likely to lead to lower-quality analysis. It is therefore vital that there is close liaison between those units which have collected and validated the data, and those which are conducting the analysis – so that the data validators can explain any problems with data and produce the correct output report from whichever software is being used for recording. There is also a need for a full agreement on the acceptability of data from survey or non-survey sources (or on how to combine the sources to produce the best overall data), across all institutions, so as to have a clear basis for analysis, and especially for explaining any changes compared to previous data.

Usually the Central Bank takes a lead in FAL/IIP/BOP and macroeconomic analysis (with inputs from other macroeconomic policymaking institutions such as Ministries of Finance or Development), which can then link into its production of BOP/IIP-related periodicals and reports. Typically, econometric skills are also stronger in the Central Bank and therefore it leads on sustainability analysis. However, the IPA or private sector bodies are usually better placed to cover investor perception and CSR analysis, and whichever institution has led the conduct of surveys is usually designated to write about the methodology, problems, lessons of the survey and assess data quality improvements. All institutions involved need to contribute to executive summaries, introductory chapters and

the policy action plan, as well as commenting on drafts of one another's' chapters, to make sure that they all own the outcome of the report. Once the analysis is complete, the next steps are to approve and implement the action plan, and to disseminate the analysis and action plan (see 7.1).

7. POLITICAL PRIORITY, ACTION AND EVALUATION

This chapter looks at the vital role of policymakers. Above all, they need to afford FPC management high political priority. Political priority and leadership is crucial to effective statistical and macroeconomic management, and poverty reduction. As argued in Chapter 6, the only way to transform analysis into action is for policymakers to discuss within Government and to approve a sustainable “Development Financing Strategy”. This also means discussing it with and convincing other stakeholders (civil society, donors, local and foreign investors), Government, communicating the strategy regionally and internationally, and monitoring the implementation of policy lessons (see 7.1)

Policymakers are also key to ensuring the NTF has the human resources, access to capacity building support, and external and national financial support, to perform its compilation, analysis and dissemination functions sustainably, and to a high standard. They need to be determined to reduce reliance on external technical and financial assistance, and to increase local responsibility by reforming institutions, building staff capacity and increasing national financial contributions (7.2)

Finally, they need constantly to evaluate progress in FPC monitoring and management, to identify key capacity weaknesses, and provide new technical and financial solutions (7.3).

7.1. POLITICAL PROFILE OF FPC

The profile of FPC management in government discussions depends partly on the frequency with which it is raised in Cabinet meetings and other high level government

fora, including meetings between policymakers and private sector representatives. The discussions should include agreement on data, its policy implications, and policy responses via FPC strategies, with success measured by the extent to which recommendations are agreed at the meetings.

To avoid duplication and ensure policy coherence, it is best to hold these discussions in existing national and regional fora, which may need to be widened to include all public, private and academic bodies, foreign and local investors, and civil society representatives. Examples of existing fora include Poverty Reduction Strategy Paper discussions, Presidential Investment Fora, private sector association events, donor events for their investors, investment promotion forums and trade fairs organised by the IPA. Many NTF institutions are not used to policy dialogue with investors and most have little or no discussion with wider civil society, or have not covered topics such as investor perceptions and CSR. So the NTF needs to include private sector representation, and use the contact networks of all its members (especially private sector associations and IPAs). It also needs to consult with line ministries that work with civil society on health, education, labour, or environmental issues.

Topics for discussion could include how to increase data quality and private sector and civil society access to information (including advance notice of data collection, analysis, and policy design timetables), private sector feedback on additional key policy measures to improve the investment climate, macro/regional/sectoral policy responses to FAL and investor perception findings, how to improve CSR behaviour, and how to implement all these policy actions through NTF members' actions.

Maintaining a predictable data collection and dissemination timetable in line with GDDS, has proved to be a major challenge to countries in the initial stages of implementation. This reflects two factors: that benchmark surveys usually take 15-18 months; and that allocation of financial or human resources is delayed. However, as top officials recognise the benefits of the exercise and allocate more resources, as the private sector understands the exercise and its benefits and becomes more responsive, and as countries move to smaller and quicker sample surveys, the NTF can establish fixed work plans. This is especially important in countries collecting data more often than annually (Bolivia, Guyana, Trinidad and Tobago), to avoid knock-on delays to future monitoring cycles.

Policymakers also need to assist monitoring or management at strategically important points in a project cycle. For example, they encourage responses from key enterprises, by leading initial awareness events, signing press releases, engaging in debate in the media, and leading events to disseminate analysis and policy action plans. Policymakers in Malawi, Tanzania and Uganda have also dramatically enhanced investor response rates by coordinating high-level meetings of key groups, at which they address investors' confidentiality concerns and underline the benefits of the exercise to all stakeholders (see also Chapter 8).

7.2. IMPLEMENTING RECOMMENDATIONS

7.2.1. Implementing Policy Action Plans

A good analytical report with a strong financing strategy and policy action plan is not enough. It is also vital to ensure policymaker-level approval of the policy action plan, to

allow them to make firm commitments to policy change during events organised to disseminate analytical reports. This is particularly true because there are often policy recommendations emerging from other sources such as external consultant reports or selective consultations with investors (which may well be less representative of national analysis or investor opinions). This approval is best achieved through firstly, discussion in whichever national forum is responsible for decisions on macroeconomic policy, private sector development and investment promotion strategies and secondly, formal approval by the Cabinet (to ensure a consistent approach among Ministries) and Parliament (to ensure legal and constitutional force). However, these may frequently be different bodies, requiring discussion of recommendations in several fora – or a joint meeting of them all. It is essential to ensure that the private sector bodies which are members of the taskforce are fully represented in such discussions.

Once approval has been achieved, dissemination of the plan is equally vital. It is important that it be discussed with and preferably accepted by the local private sector and civil society stakeholders involved in the construction of the national development strategy (such as trades unions and civil society organisations), as well as by the international donor community. Some governments have decided to develop private sector strategies through discussions with these stakeholders while formulating national development strategies, in which case FPC analysis and suggested policy action plans can be a key input. The strategy should also be disseminated at key international meetings including Consultative Groups and Round Tables, investment conferences and promotion missions, with ongoing briefings for politicians, so as to ensure their fullest continuing support.

Finally, responsibility for implementation is best divided among chief executives of institutions according to their mandate for policy change: economic ministries and the central bank for macroeconomic policy; investment promotion agencies and private sector bodies for investment promotion and CSR; and all agencies involved in the NTF for identifying further capacity-building needs and how to fulfil them through action plans.

Turning improved analysis into implementation of a coherent development financing strategy is a difficult process, fraught with many hurdles including convincing a private sector which does not see why it is in its interest for government to have a strategy, and a donor community of which many members do not believe in public sector capacity-building in this area. However, it can provide all sides with a vastly better basis for decisions and policies than the current inaccurate data, selective private sector opinions expressed in seminars and conferences, and extremely limited analysis. The results of the FPC CBP have already provided policymakers, the private sector and donors with vital new analysis and policy suggestions, leading to re-examination of external sector liberalisation, fiscal incentives for investment, investment promotion and reserves management policies. The challenge in phase III of the FPC CBP will be to make FPC policy action plans the key basis for national private sector development financing strategies.

7.2.2. Implementation of Capacity Building Recommendations

Political commitment is reflected in the success of government efforts to reinforce sustainable legal institutional frameworks, human resources and financial commitments.

Policymakers are vital in pushing through enhancements to legal provisions to keep pace with the latest data requirements, inter-institutional coordination mechanisms, and concerns about data confidentiality. This has been accomplished through the revision of Acts to reinforce mandates and confidentiality (The Gambia, Guyana, Uganda), the creation of Units or Divisions to monitor and manage FPC (Uganda, Tanzania, The Gambia), and the signing of NTF inter-institutional agreements bound by law (Bolivia, Uganda). They are also central to reinforcing the key Units or Departments of NTF member institutions, by promoting staff training and designing clear career paths.

A key issue is who should provide training. The NTF should design a clear path to reduce its dependence on external support, by ensuring that a large number of staff are well trained to provide a pool of national trainers. FPC CBP countries have gradually reduced external needs. Initially, less experienced countries may provide basic training on BOP/IIP/PSED concepts themselves, but rely on external support for more advanced training. More experienced countries now perform in-house training on all monitoring and analysis of trends, composition and causes (Bolivia, Malawi, Tanzania, Trinidad and Tobago, Uganda), drawing on external expertise only to share other countries' experiences, train in more advanced techniques (such as time series development, and sustainability analysis) and quality-control data and analysis. Nevertheless, policymakers also need to allow for rapid staff turnover, which might require increased external assistance.

The most sustainable way to build capacity is through well-run regionally-owned organisations, which know their member countries' needs, because they define regional and national priorities by consulting their members. They cooperate with external

assistance providers to update methodology regularly, while adapting implementation to national needs to enhance ownership. They minimise costs (contributing to financial sustainability) by encouraging appropriate experience-sharing among members (using regional experts to train in other member countries) rather than by providing assistance through their staff.

Policymakers also take the key decisions in mobilising financing, by:

- Allocating their own budgets to FPC monitoring and management, especially in better resourced agencies such as the Central Bank and Finance Ministry. IPAs and leaders of private sector associations can also contribute resources to NTF efforts. Requirements need to be identified, and resources confirmed and allocated, well in advance of agencies' annual budgeting cycles. In principle, 3-5 year financing agreements are preferable (with annual updates to take account of changed needs). Financial commitments need to be reflected in inter-institutional agreements.
- Playing a lead role in mobilising initial donor financing. This is especially true where donors have decentralised decisions on funding to the national level, or will allocate financing only via pooled funds allocated to several projects, rather than specific support for FPC. Such pooled funds can be Statistics Strategic Plans (Kenya), Financial Sector Support Programmes (Ghana) or Private Sector Support Programmes (Zambia). Pooled funding arrangements often take much longer to get off the ground than individual projects, can be subject to complex procurement arrangements, and may need to be mobilised via agencies which are not core members of the NTF (such as the Finance Ministry), severely delaying FPC monitoring and management activities. As a

result, countries should plan up front to reduce donor support and increase local financing gradually, in order to ensure long-term financial sustainability.

7.3. CAPACITY EVALUATION²³

Policymakers will also want to ensure they are genuinely building sustainable national capacity. One aspect of this will be in meeting their commitments to international data standards (GDDS or SDDS) on data coverage, periodicity, timeliness, transparency, integrity and dissemination. They will therefore demand reports from national counterparts for those standards, so as to address any remaining capacity-building challenges. However, they need to ensure a wider system is in place to enable evaluation of progress in creating analytical and policymaking capacity, as well as identifying gaps in all areas and their causes and prioritising further actions needed to improve sustainability.

The evaluation methodology needs to be simple, transparent, objective, comprehensive, and able to facilitate comparison with other countries making the same efforts. This is in order to allow policymakers to review progress efficiently, and take decisions to reinforce capacity, based on the recommendations of NTF members. Such a system also allows regional organisations to compare needs and progress in their constituent countries, and target training and other support more effectively, international organisations to complete their own assessments in a consistent manner (for example verifying Reports on the

²³ For details of the FPC CBP evaluation system, and latest results of country progress, see www.fpc-cbp.org

Observance of Standards and Codes, or GDDS/SDDS metadata), and donors to assess projects they are supporting, and future priorities for assistance.

The FPC CBP evaluation system fulfils all of these criteria, covering the following areas:

I	Capacity to Comply with International Codes and Standards
II	FPC Policy Action Plan
III	Legal and Institutional Framework
IV	Management, Supervision, and Working Environment
V	Acceptance of Data, Analysis, and Policy
VI	Trained Team Available to Monitor and Manage FPC
VII	Human Resources
VIII	Conduct of Surveys
IX	Non-Survey Reporting Mechanisms
X	Recording and Compilation
XI	FAL and Macroeconomic Analysis
XII	Investor Perception and CSR Analysis
XIII	Political Priority and Leadership
XIV	Transparency, Evaluation and Control

Each of these areas is broad, but has sub-criteria that allow countries to go into more detail. For example, an NTF can assess separately its analytical capacity in FAL and macro issues including FAL sustainability, investor perception and corporate social responsibility. In each of these areas it can assess the effectiveness of political and technical coordinating bodies in generating analysis, the quality of the analysis, the quality of the policy recommendations generated, and the resulting policy changes.

Depending on their priorities, countries may weight certain areas more heavily. For example, a country that has attained high capacity in FAL analysis might want to attach more weight to investor perception and CSR analysis. Assessments of many criteria also vary across and between institutions (especially for human resources where some NTF

institutions may be much better-staffed than others), and here the average score should be taken for all relevant institutions and departments, with important divergences explained, unless only one institution is responsible (e.g. for GDDS compliance).

A well-functioning and realistic self-evaluation by countries is therefore the best way to assess progress in building capacity, because (in contrast to external evaluations) it leads to full ownership of the assessment and therefore implementation of its results. While needing to be independently quality-controlled, it provides the best guidance to all stakeholders for future priorities in building institutions for FPC monitoring, analysis and policy change.

8. PARTNERSHIP WITH THE PRIVATE SECTOR

8.1. OVERVIEW

A key goal of FPC monitoring and analysis should be to create partnerships between public and private sectors. A first step is integrating private sector bodies into the NTF (see Chapter 2). This chapter looks at wider interaction between the NTF and the business community. It examines why all sides benefit from partnership, regardless of variations in private sector organisation across countries, and identifies ways to enhance partnership through awareness creation, increased private sector response to data demands, and results dissemination to go beyond international data codes and standards, to provide information useful to decision making for all stakeholders. It concludes by analysing how FPC-related policy changes can benefit the private sector.

8.2. WHY A PARTNERSHIP?

Partnership in monitoring and analysis benefits compilers and users of data from Government and the private sector. Government requires accurate data to promote dialogue with the private sector in an increasingly business-led environment, and to formulate policy in a consultative and transparent manner. It wants to increase investor confidence and trust in government actions, seeking an attractive investment climate, to attract more significant and higher-quality foreign and local private investment.

Private sector representatives on the NTF recognise that cooperation strengthens the influence and role of the private sector in policymaking. They use data for their own

decision-making, and in defining needs of their members to help them source foreign-local joint ventures, cheaper debt finance, more competitive suppliers, or new markets abroad. They also improve their relations with government and civil society by promoting more socially and environmentally responsible practices.

Enterprises require explanation of the objectives for collecting data, assurance of confidentiality, and indication of how data will be used, as well as training in responding to technically complex surveys. They seek to express their opinions (e.g. via investor perception surveys) on government economic policy, and expect their views to be reflected in feedback to them by policymakers, and in sustainable, stable and predictable policy response. They also acknowledge that the aggregate data and analytical results can help them take better-informed business decisions.

8.3. ORGANISATION OF THE PRIVATE SECTOR

Partnership needs to take account of how the business community is organised. Its degree and effectiveness of organisation varies greatly across countries, defining the methods and effectiveness of communication channels for inexperienced public sector bodies.

Most countries have associations and chambers representing priority sectors, such as a bankers' association, or a chamber of commerce and industry. However, not all sectors are represented by chambers: some, which are "insulated" from and have major influence over the economy by virtue of their scale and multinational structure (for example, mining or petroleum), do not form associations, preferring to represent their views to the government unilaterally.

Most countries also have chambers or associations defined by region (with common interest on regional development policy and infrastructure) or group (exporters). Some countries also have overall umbrella “private sector associations” (e.g. Ghana, Nicaragua, Uganda) or employers’ associations (e.g. Bolivia), which are intended to play a coordinating role. All such key associations should be included.

Not all private chambers are “private”. In Cameroon, there are two chambers, one publicly and one privately funded. Both have broad membership and are mandated to represent their members’ views. In such cases it is vital for the NTF to work closely with chambers regardless of their funding sources.

Sometimes Government solicits private sector influence selectively and directly. This happens in smaller countries, which tend to have fewer chambers, relying on prominent individual investors to speak for wider interests. In Guyana and Zanzibar, the NTF has preferred to establish constructive relations with such individuals, to encourage wider partnership. It also happens in the context of Presidential or Ministerial trade or investment promotion initiatives needing the backing of high profile investors at home and abroad (e.g. Ghana, Guyana, Tanzania).

Foreign investors are also often organised by country of origin. For example, South Africa and Britain have organised associations in several countries, which network via a central association in the home country. Italian and American chambers operate in Nicaragua, crosscutting the country’s sector-specific chambers, and enterprises may therefore be

members of more than one association. Nicaragua's American Chamber also includes local and other nationalities, with the wider aim of strengthening trade and investment ties with the US. Local donor offices may also seek to network with investors from their own countries, and represent their interests via a commercial attaché. For example, the British High Commission in The Gambia coordinates investment promotion meetings with visiting British investors, the West Africa Business Association, and the Gambia Chamber of Commerce and Industry. The NTF can reap tremendous benefits by coordinating with such bodies: promoting the advantages of FPC monitoring and management but is unlikely to include them among its members in order to avoid creating excessively large coordination structures.

Ethnic, religious or family ties are also common criteria for private sector organisation. However, these ties may be very complex and therefore the NTF needs to understand them clearly, for example distinguishing among different "Asian" community groups.

Overall, private sector representation structures vary greatly. Bolivia has a very comprehensive structure, with almost all regions and sectors having their own chamber, but all coming under a single umbrella organisation, the Confederation of Private Employers, which is mandated to coordinate and represent their interests nationally. The Confederation is therefore the member of the NTF – though from time to time the interests of its members diverge. Burkina Faso and Nicaragua also have a single chamber representing all private sector associations and investors, which are key members of the NTF. Some countries (such as The Gambia) have many sector associations, making outreach and cooperation more complex, and requiring relevant core NTF members (The

Gambia Chamber of Commerce and Industry and The Gambia Investment Promotion and Free Zones Authority) to make much greater efforts to create a public-private partnership.

The effectiveness of associations in representing their members' interests depends on the human and financial resources at their disposal, their degree of organisation, access to high level channels of networking, their degree of representation and coverage of their constituency, and their ability to ally with other associations or interest groups. Some are extremely well organised, with departments for research and advocacy, and budgets to conduct member surveys and publish findings, making them independently influential in government policy. Nevertheless, they tend to regard cooperation in joint public-private initiatives as another important way to increase their policy input. Others do not have sufficient resources to fulfil these functions, restricting their independent influence and making them enthusiastic to cooperate with government in monitoring and analysing FPC.

This discussion has focused on the "formal" sector. However, all countries have "informal" sectors of economic activity. These vary in scale and degree of sophistication, and in most countries tend to be smaller to medium sized operators, without FAL. However, in some cases, the informal sector is well organised in sectoral groups, and engages in FPC transactions. Governments need to establish links between the NTF and these groups.

8.4. AWARENESS CAMPAIGNS

Building partnership begins with a campaign of awareness, at all stages of monitoring and analysis, to address investor concerns, seek their cooperation, increase understanding of technical requirements, and disseminate analytical findings and policy action plans. This needs to be as cost-effective as possible, but should include existing public-private fora, events to launch and close a survey, use of national media, and other means of publicity.

8.4.1. Awareness seminars

Several countries “announce” new monitoring and analysis methods or cycles, with an awareness seminar, to present objectives, implementing partners and their roles, methodology and implementation, and to address private sector concerns about confidentiality and involvement in the process, to ensure their cooperation.

The list of private sector invitees should include all key associations, as well as individual investors reflecting the survey sample, notably large enterprises accounting for most assets and liabilities, as well as all key regions, sectors and source countries. The level of private sector participation is also critical, requiring the participation of chief executives to ensure views reflect enterprise views, and mobilise cooperation. If the business community is spread across several locations, the NTF may host a series of shorter “satellite” events (e.g. Bolivia, Cameroon, Malawi), to avoid the cost of bringing all investors to one centre, as well as the risk that chief executives will not attend the central location. Even if private sector participation is limited, the audience and outreach of seminars is made much wider via the media (see 8.4.2).

There is no single best format for these events: different practices have worked in different countries. For example, some favour shorter “breakfast meetings” so executives may attend on their way to work (e.g. Bolivia, Nicaragua, Trinidad and Tobago), while others favour events with more space for longer presentations and discussion (e.g. Burkina Faso, Cameroon, The Gambia, Tanzania, Uganda). But in several cases it has been found that the briefer the event, the better the participation to the end (and the more focused the presentations, the more positively the private sector evaluates the event). The most effective format varies from country to country, and its design should spring from close consultation on the preferences of the target audience.

For a seminar to achieve its goals, NTF institutions need to be represented at a high level (Minister, Governor, Executive Director) so as to attract high-level private sector representation and media interest, as well as by technical staff to present plans for (and reply to questions about) methodology and implementation. High profile private sector speakers should be asked to provide presentations containing constructive criticism while emphasising their cooperation with the overall exercise, to help overcome the doubts of any other enterprises. Interventions by international organisations, donors and representatives of other countries can also put the exercise into a wider context, and underline the advantages for all stakeholders.

8.4.2. Media campaigns

Countries have identified numerous media promotion options which, if well targeted, have far wider outreach potential than awareness events. These include:

- Inviting TV, radio, and press to opening awareness and closing dissemination seminars, at which press conferences and releases are arranged.
- Organising articles or media appearances by policymakers, or discussing the subject on topical programmes.
- Publishing announcements in key newspapers, business magazines or on bulletins and websites of NTF members, to build awareness, recall response deadlines, or publish and discuss the results.

Quality rather than quantity of journalism is more important: the most effective coverage has resulted from targeting journalists with technical knowledge, and some appreciation as to the rationale and importance of the exercise. Some countries easily identify such candidates, while others may need to train journalists in key concepts. Some NTFs (Malawi, Uganda) and regional organisations (WAIFEM) host training seminars for selected journalists in technical issues, and brief them regularly on key developments.

Second, effective presentation in the media needs to bear in mind the applicability, time of broadcast, language and popularity of a particular show so as to optimise viewing by the target audience. Other important factors are whether the medium is international, regional or national, and linking the story to other current stories (such as major new investments) to ensure topicality.

Third, media campaigns have costs. While some public bodies and private associations have public relations departments with budgets for such exercises, this is usually not the case in low-income countries, underlining the need for a targeted approach coordinated with other

initiatives. Media campaigns led by high-profile policymakers attract media attention, as do “exclusives” of different angles on stories limited to a few journalists (e.g. one or two each from newspapers, radio, and television). Sometimes open debates between supporters and critics of the exercise can be very productive in overcoming private sector fears and underlining the benefits of their participation.

8.4.3. Ad hoc Awareness Measures

Reflecting the prominence of private sector development, there is vibrant debate in many low-income countries via a rapidly increasing number of nationally and internationally organised forums and special initiatives. This presents NTF with a range of options for liaising with the private sector, to discuss methodology, data, analysis and policy actions. These meetings are usually well publicised, and attract top-level, sometimes Presidential, participation (e.g. Ghana, Guyana, Tanzania). If slots are available in the timetable, NTFs should use these vehicles to launch surveys or disseminate results, or to brief the private sector on progress in the exercise and promote cooperation.

NTFs should also make full use of other fora to promote the exercise, including meetings hosted by central banks for financial institutions, meetings of private sector associations, and donor meetings with their expatriate investors. However they need to avoid “meeting proliferation”, by prioritising meetings based on their likely contribution to successful monitoring and analysis (based on their timing during the cycle, participants and agendas).

If a group of key investors do not respond, NTF policymakers can organise a special meeting for their chief executives, supported by a press release, which has ensured participation in many countries.

8.5. TECHNICAL EXCHANGES

Technical exchanges are vital in ensuring that investors supply the highest-quality data. The complexity of survey forms means that the private sector often requires technical support at awareness seminars and during survey implementation.

The awareness seminar to launch a survey provides an excellent forum for testing methodology, especially when the country has limited budget or time for a pilot survey. As enterprise financial managers would be expected to provide the assets and liabilities data, they need to attend, bringing copies of their financial statements where available. The NTF can then present the forms to them, and organise working groups designed to obtain private sector views on implementation methods and timetables, as well as explaining technical concepts including how data requested corresponds with financial statements.

During the survey, telephone help lines have proved extremely useful helpful in allowing the private sector to ask questions relating to form content, collection, or delivery. In addition, the NTF should allocate enterprises to specific enumerators (ideally with continuity over several years), to encourage response through strong personal relations, and to enhance data quality as enumerators familiar with an enterprise are better able to assess quality.

As discussed in Chapter 5, it is vital to establish a comprehensive tracking database of survey execution to aid effective, well timed liaison with enterprises. This includes key contact details such as the enumerator responsible for each enterprise, primary and secondary contact points within the enterprise, and clear deadlines for private sector actions. Over time, as relations improve, much of the dialogue may be conducted via email or telephone. In some countries it is essential for an accurate and timely response to visit enterprise headquarters in neighbouring countries. This poses a greater challenge in building relations given cost and time implications of such travel. On the other hand, enterprises usually respond more positively to the effort made to visit them.

Results dissemination events (see 8.6.1) give the opportunity for investors and NTF to compare notes on their technical experiences, and address challenges so as to improve the next exercise. Investors may comment on the user friendliness of the questionnaire, the quality of support received from enumerators in the field or by telephone and how this may be improved. NTF may report on how it perceived data quality, and problems encountered in obtaining information.

Many countries administer “feedback questionnaires” on methodology and implementation. Regular feedback is necessary to maintain private sector cooperation, given staff turnover within enterprises, new enterprises coming into the sample, and changes to the methodology.

8.6. FEEDBACK OF RESULTS

Feedback of results at the end of a survey cycle and the start of the next cycle is essential to fulfil NTF commitment to reporting back, and to sustain dialogue with the private sector. Dissemination demonstrates to investors how their data is used, and provides them with useful information for their decision-making. It therefore improves response rate and data quality, and reduces money and time spent following up data quality and response. Enhanced dialogue between the NTF and investors also improves investment promotion and economic management strategies, corporate social responsibility and anti-poverty actions, and private sector participation in policy action plans relating to national development financing strategy. This section suggests best practices in dissemination to meet international standards for timeliness, quality, integrity, and public access.

8.6.1. Closing results dissemination seminar

Participation, organisation, duration and timetable of these events mirror awareness seminars to launch methodologies (see Section 8.4.1). It is best to target the same participants as in the awareness seminar, also including high profile non-respondents, so as to address their concerns and improve future response.

Policymakers should use the event to emphasise actions government has started to take or intends to take to respond to investor concerns. Investors, donors and international institutions should be encouraged to intervene to underline the benefits of results and policy actions for the private sector. Statisticians should report back on methodological lessons and improvements for future exercises.

Countries may also combine opening and closing seminars, allowing results from the previous survey to be used as a headline to launch the next survey. This approach is more cost effective, and enhances predictability by providing a fixed (at least annual) date that stakeholders can plan around. However, this is not advisable for countries which need an in-depth review of methodology, institutional or other arrangements before embarking on the next cycle.

As mentioned in Section 8.4.3, NTFs may additionally use existing forums for disseminating their results, depending on timing, target audience, and topicality.

8.6.2. Publication/dissemination of results

Results should be published in as much detail as possible. To avoid compromising confidentiality of individual responses, publications may present analysis by sector, region, or source country. Where a couple of individual enterprises dominate a region or sector, it is necessary to seek enterprise permission before presenting the data in a particular way.

Countries typically produce analytical reports of at least 70 pages. Reports may take a long time to complete if many partners are involved, if writing is left until all data are collected, a political signatory is required, or countries are doing such detailed analysis for the first time. Nevertheless, such in-depth analysis is vital every year to ensure maximum utilisation of the data collected, to maintain the level of analytical skills in NTF institutions, and to show public and private sector leaders and the international community the benefits of the exercise. Countries collecting data more often than annually can also produce shorter interim reports.

It is therefore highly desirable to release the data before the analytical report, once it has been approved, and in a format consistent with BOP and IIP reporting. This enables countries to move more closely towards the timeliness standards of GDDS and SDDS, and thereby ensure data is of optimal value to its users. The analysis may be finalised in the meantime, with subsequent release of more detailed, and if necessary revised data.

Several vehicles for dissemination exist, including placing the document on the websites of all participating government and private agencies; inserting links on websites of private agencies consulted but not directly involved; sending out email circulars attaching the report, or linking to the report on another site; publishing summaries in newsletters, bulletins and other information products of participating or otherwise supportive public and private and donor agencies; encouraging additional research by academic bodies, and designing press releases.

Recipients ideally include all national, regional and international stakeholders, such as:

- Those in the survey sample (with letters thanking respondents, and encouragements to non-respondents to respond next time).
- The wider investor register including new investors, who may be brought into the sample in future.
- Private chambers and other investor groups (national and regional).
- Potential investors identified during investment promotion missions or attracted via IPA websites, to provide them with better information and “local success stories”.

- International institutions (BIS, IMF, World Bank, OECD, PARIS21, UNCTAD, UNIDO,) and regional institutions (AfDB, BID, CEMAC, CEPAL, Comesa, EAC, SADC, UEMOA, WAMZ) to ensure that they use the data and analysis. This includes reporting BOP, IIP and metadata to the Bretton Woods institutions for compliance with GDDS or SDDS.
- Source countries for cross-checking against counterpart data (on an aggregate level), and for policy discussions in appropriate international and regional fora.
- Commercial attaches of the source countries.
- Media representatives who will provide future coverage.
- Existing and potential donors, to show evidence of improved data and policy impact, and linkages to wider development goals.

8.6.3. Data quality, integrity, and public access

The GDDS and SDDS set guidelines and standards for data quality, integrity, and public access²⁴. This section outlines how FPC countries are meeting or exceeding them.

Users need information that enables them to make their own judgments about *data quality*. This could include documentation on data sources and methods, and information on any crosschecks carried out to “provide assurance of reasonableness”. Many best practice countries include in their analytical reports, a chapter dealing with these issues in detail, and use this to update their “metadata” (including sources, methods and priorities for improvement) on the IMF website.

²⁴ See IMF (2003) “The General Data Dissemination System”, November, and IMF (1998) “The Special Data Dissemination Standard: Updated Guidance on the SDDS”, February. These papers may be found at <http://dsbb.imf.org>.

Users need assurance as to *data integrity* and the professionalism of the compiler. This may include information on the conditions under which data are compiled (e.g. data confidentiality, independence of the compiler) with supporting acts, identification of internal government access to data before release, identification of ministerial commentary on data upon release, information about revisions, and advance notice about major changes to the methodology. FPC countries are meeting these standards by building awareness of the legal framework, providing information and explanations about revisions, identifying incorporation of data into ministerial speeches, and indicating changes to methodology.

Public access may be enhanced by issuing “advance release calendars” so users know when to expect data, and simultaneous data release to all parties. This provides a challenge to many countries especially during a census/benchmark survey, as the duration may be extended as explained in Chapter 4. However, sample surveys require less time to implement, and therefore permit greater planning and control. Many countries are moving sample surveys, and are in a position to issue advance release calendars. Best practice countries are exceeding these standards by providing information and contact details of those whom the public may contact with questions, and by adopting the proactive technical liaison techniques described in Section 8.5. They are also including compliance with international codes and standards in the country capacity self-evaluation (see Section 7.3).

8.7. POLICY CHANGES

The success of monitoring and analysis should be judged by the extent to which the Government, the private sector and donors implement resulting policy recommendations:

- The FPC CBP assists in efforts to improve macroeconomic response to FAL. NTFs in Bolivia, The Gambia, Malawi, Tanzania and Uganda are using data to make more realistic macro projections and reduce vulnerability to exogenous shocks, as well as data on maturity and investment returns by sector to project future FPC prospects.
- Countries are also looking at sector and firm level data to assess vulnerability, profitability, and financing structures and pre-empt or respond to sudden reversals of flows. They are using data to identify concentrations in particular regions or sectors, or from particular source countries, to advise on policies for diversification.
- Investment Promotion Agencies, ministries, and private sector groups in all countries are using data to improve their targeting of investment promotion by source country, sector of economic activity, and host region. They are also targeting investments, which are more sustainable in terms of their debt/equity ratios, profitability, willingness to reinvest earnings, and costs of capital.
- Many countries are using investor perception data to respond directly to investor concerns. They are publicising the positive factors in order to promote investment, as well as changing government policies to respond to negative concerns.
- Better quality data and analysis are improving the quality of private sector investment decisions. Private sector associations use them to highlight their members' key concerns about the investment climate on a more objective basis, to influence government policy change.

- Most important, the analysis contributes to national poverty reduction strategies by promoting larger, more profitable, and more sustainable investment, identifying priorities for diversifying investment by sector and region, and assessing the contribution of enterprises to poverty reduction via their impact on human resources, technology transfer, the environment, and economic and social infrastructure.

Finally, the results improve governance in various ways. At the macro level, perception data (especially on the transparency, efficiency and speed of decision making of key agencies) guides government to identify policy changes necessary to improve governance and attract investments. Countries can also improve governance of foreign exchange flows and reserve management. Regular consultation with the private sector allows for more transparent and open discussion of policy issues. Finally, information on how enterprises prepare their accounts, and about their governance structures and procedures, encourages improvements in corporate governance and behaviour.

References

Baball, B (2002) *Private Sector External Debt: Main Issues and Challenges for Monitoring*, DRI: London

Bank for International Settlements, Commonwealth Secretariat, Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development, Paris Club Secretariat, United Nations Conference on Trade and Development, World Bank (2001), *External Debt Statistics: Guide for Compilers and Users*, Final Draft, November.

Bank of Guyana Act (1998)

Bank of Uganda, Uganda Investment Authority, and Uganda Bureau of Statistics (2003) *Survey on Private Sector Investment 2003: Manual for Enumerators and Supervisors*, Kampala

Bhinda N., Griffith-Jones S., Leape J, and Martin M. (1999) *Private Capital Flows to Africa: Perception and Reality*, FONDAD: The Hague

European Commission, IMF, OECD, UN, World Bank (1993) *System of National Accounts 1993*, Brussels, Luxembourg, New York, Paris, Washington DC

DFI (2006) “What is the Latest Progress with BPM5 Revision?” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 26, 1st Quarter

DFI (2005) “Countries Advance on International Standards” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 25, 4th Quarter

DFI (2005) “How to Improve Data Timeliness?” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 25, 4th Quarter

DFI (2005) “Policy Impacts of the FPC CBP” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 24, 3rd Quarter

DFI (2005) “IMF Balance of Payments Manual Revision: Implications for Monitoring Foreign Assets and Liabilities” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 23, 2nd Quarter

DFI (2005) “Why Survey Investors’ Perceptions?” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 22, 1st Quarter

DFI (2004) “Development Financing Strategies: Design and Execution” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 21, 4th Quarter

DFI (2004) “FPC: More Advanced Analysis” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 21, 4th Quarter

DFI (2003) “Analysing Foreign Private Capital for Policymakers” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 17, 3rd Quarter

DFI (2003) “Assessing Capacity to Manage Foreign Private Capital” *Strategies for Financing Development: The Newsletter of the HIPC CBP and the FPC CBP*, Issue 16, 2nd Quarter

DFI and Regional Partners (2003) “Foreign Private Capital In Developing Countries: Building Capacity For Analysis And Policymaking: Phase 2 Programme Document”.

FPC CBP (2006) *Generic Enumerator Manual*, DFI: London

FPC CBP (2006) *National Taskforce Manual*, DFI: London

FPC CBP (2006) *Software Users’ Manual*, EIS and DFI: London

FPC CBP (2005) *Training for Trainers Manual*, DFI: London, September

FPC CBP (2005) *Inter-Regional Workshop Manual*, DFI: London, September

FPC CBP (2004) *CEMLA Regional Workshop Manual*, DFI and CEMLA

FPC CBP (2004) *BCEAO and BEAC Regional Workshop Manual*, DFI, BCEAO and BEAC

FPC CBP (2004) “National FPC Management Capacity Assessment Guide”, DFI:
London, April

FPC CBP (2003) “FPC Management: Methodology of Country Capacity Assessments,
DFI: London

FPC CBP (various years and countries) Reports for National Demand Assessment
Missions, Opening Awareness and Training Workshops, Follow Up Missions, and Closing
Results Dissemination Workshops

FPC CBP (various years) *Steering Committee Reports*

Global Reporting Initiative (2002) *Sustainability Reporting Guidelines on Economic,
Environmental and Social Performance 2002*, Boston MA

Government of The Gambia (2002) *Foreign Private Capital Flows in the Gambia*, Banjul,
August

Government of Ghana (2003) *Foreign Assets and Liabilities and Investor Perception in
Ghana*, Accra, May

Government of Guyana (2002) *Private Capital Flows Study*, Georgetown

Government of Malawi Balance of Payments Committee (2003) *Survey on Balance of
Payments and Investor Perception for the Years 2000 and 2001: Supervisors’ and Enumerators’
Manual*, Reserve Bank of Malawi, National Statistics Office, Malawi Investment Promotion
Agency: Lilongwe and Zomba

Government of Malawi (2002), *Private Capital Stocks Survey*, Lilongwe, September

Government of Tanzania (2004), *Report on the Study of Foreign Private Capital Flows in
Mainland Tanzania*, Dar es Salaam, December

Government of Tanzania (2001), *Report on the Study of Foreign Private Capital Flows in Mainland Tanzania*, Dar es Salaam, December

Central Bank of Trinidad & Tobago (2003) *Survey of Private Capital Flows*, Port au Spain, August

Government of Uganda (2002), *Private Capital Flows Survey 2001 Report*, Kampala, July

Government of Uganda (2002) Memorandum of Understanding Between Bank Of Uganda, Uganda Bureau Of Statistics, and Uganda Investment Authority

Government of Zambia (2003) *Foreign Assets and Liabilities and Investor Perception Survey Report*, Lusaka, October

Ibarra, R (2004) “Revision of BPM5”, Presentation to the CEMLA Regional Workshop, September

IFC / World Bank *Equator Principles for Commercial Banks*, Washington DC

ILO (1998) *ILO Declaration on Fundamental Principles and Rights at Work*, Geneva

IMF (2005) “The Work of the IMF Committee on Balance of Payments Statistics”, *Balance of Payments Newsletter* Vol.12, No.1, Statistics Department, IMF

IMF (2005) “Progress on the Work of Updating the BPM5”, *Balance of Payments Newsletter* Vol.12, No.1, Statistics Department, IMF

IMF (2005) “Nicaragua: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessments Using the Data Quality Assessment Framework”, IMF Country Report No. 05/426, Washington DC, USA: International Monetary Fund, December

IMF (2005) “The Gambia: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessments Using the Data Quality

Assessment Framework”, IMF Country Report No. 05/421, Washington DC, USA: International Monetary Fund, November

IMF (2005) “Kenya: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessments Using the Data Quality Assessment Framework”, IMF Country Report No. 05/388, Washington DC, USA: International Monetary Fund, October

IMF (2005) “Republic of Mozambique: Report on the Observance of Standards and Codes —
—
Data Module — Update”, Country Report No. 05/278, Washington DC, USA: International Monetary Fund, August

IMF (2005) “Tanzania: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessments Using the Data Quality Assessment Framework”, IMF Country Report No. 04/82, Washington DC, USA: International Monetary Fund, March

IMF (2005) “Malawi: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessments Using the Data Quality Assessment Framework”, IMF Country Report No. 05/60, Washington DC, USA: International Monetary Fund, February

IMF (2005) “Zambia: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessments Using the Data Quality Assessment Framework”, IMF Country Report No. 05/30, Washington DC, USA: International Monetary Fund, January

IMF (2004) “Revision of the Balance of Payments Manual, Fifth Edition (Annotated Outline)”, IMF Statistics Department, April

IMF (2004) “Burkina Faso: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, and Detailed Assessment Using the Data Quality Assessment Framework”, IMF Country Report No. 04/87, Washington DC, USA: International Monetary Fund, March

IMF (2003) “The General Data Dissemination System Document”, Washington DC, USA: International Monetary Fund, November

IMF (2003) “Data Quality Assessment Framework — Generic Framework, Washington DC, USA: International Monetary Fund, July

IMF (2003) “Republic of Mozambique: Report on the Observance of Standards and Codes—Data Module, Response by the Authorities, Detailed Assessment Using the Data Quality Assessment Framework”, IMF Country Report No. 03/71, Washington DC, USA: International Monetary Fund, March

IMF (2002) *International Investment Position: A Guide to Data Sources*, Washington DC, USA: International Monetary Fund

IMF (2002) “The Fund’s Africa Capacity Building Initiative”, April 23, Washington DC, USA: International Monetary Fund

IMF (1998) “The Special Data Dissemination Standard: Updated Guidance on the SDDS”, Washington DC, USA: International Monetary Fund

IMF (1996) *Balance of Payments Textbook*, Washington DC, USA: International Monetary Fund

IMF (1996) “Guide to the Data Dissemination Standards”, Provisional, Washington DC, USA: International Monetary Fund

IMF (1995) *Balance of Payments Compilation Guide*, Washington DC, USA: International Monetary Fund

IMF (1993) *Balance of Payments Manual*, 5th Edition, Washington DC, USA: International Monetary Fund

IMF *Balance of Payments Statistics Yearbook*, various issues, Washington DC, USA: International Monetary Fund

IMF *World Economic Outlook*, various issues, Washington DC, USA: International Monetary Fund

IMF Data Standards Bulletin Board for country GDDS metadata (<http://dsbb.imf.org>)

IMF and OECD (2003) “Foreign Direct Investment Statistics: How Countries Measure FDI 2001” Washington DC, USA: International Monetary Fund

ISO (2002) *Environmental Management: The ISO 14000 Family of International Standards*, Geneva

Mallenbaker.net Corporate Social Responsibility News and Resources (<http://www.mallenbaker.net>)

Martin with Rose Innes and Rogers (2006) *Private Investment in Developing Countries: Lessons from Reality*, FPC CBP Series N° 2 (forthcoming)

Martin with Rose-Innes (2004) “Private Capital Flows To Low-Income Countries: Perception And Reality”, Chapter 2 of *Canadian Development Report 2004*, Revised Version, DFI: London

Ministerio de Desarrollo Economico, Instituto Nacional de Estadistica, Banco Central de Bolivia, Confederacion de Empresarios Privados de Bolivia (2003), “Segundo Convenio Interinstitucional Para Encuestas de Inversion Extranjera Directa en Bolivia”

OECD (2006) *OECD Guidelines for Multinational Enterprises: OECD National Contact Points*, 31 March, Paris

OECD (2004) *OECD Principles of Corporate Governance*, Paris

OECD (2001) *The OECD Guidelines for Multinational Enterprises: Text Commentary and Clarifications*, 31 October, Director for Financial, Fiscal, and Enterprise Affairs: Committee on International Investment and Multinational Enterprises, Paris

OECD (1997) *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*, Paris

Orbeta, C (2005) *Review of FPC CBP Phase 2*, DFID: London

Orbeta, C (2002) *Review of FPC CBP Phase 1*, DFID: London

Robinson, F (2003) “Liberalization and the challenges for Balance of Payments Compilation – the Case of Jamaica”, in IFC Bulletin No. 14, February 2003, Irving Fisher Committee On Central Bank Statistics, pp14-19

Scheun and Bhinda (2006) *Monitoring and Analysing Foreign Private Capital: Best Practices*, FPC CBP Series N°3 (forthcoming)

UNCTAD *World Investment Report*, various issues, United Nations, New York and Geneva

World Bank *Global Development Finance*, various issues, IBRD / World Bank, Washington DC

ZIPA, OCGS, BOT (2004), *Zanzibar Investment Report*, Zanzibar

The following sources were also used in preparing this publication:

Websites of participating agencies in National Taskforces (see www.fpc-cbp.org for links)

National methodologies

Inter-institutional agreements

Institutional Acts

