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**SELECTED ISSUES OF IMPORTANCE
FOR THE FUTURE OF THE ESCWA REGION****STRENGTHENING EXPERTISE AND NETWORKING IN THE FIELD OF
FOREIGN DIRECT INVESTMENT IN ESCWA MEMBER COUNTRIES**

1. Economic liberalization is taking place in many parts of the region; however, foreign direct investment (FDI) is still much lower in ESCWA member countries than in other developing countries. FDI flows into Western Asia averaged an estimated US\$ 1.6 billion between 1991 and 1995. The region attracted only about 0.5 per cent of world FDI in 1997. Further, FDI inflows are concentrated in a small number of countries, namely Egypt and Saudi Arabia, which account for around two thirds of the regional total.
2. The modest volume of FDI and the wide disparity in regional distribution is caused by several factors, including weak or inadequate regulatory, policy and institutional frameworks, the lack of an enabling or supportive business environment, and limited market access and differences in comparative costs. Moreover, it is not uncommon for several government agencies to deal with foreign investment projects, depending on which economic sector is involved.
3. As an initial step in addressing the investment situation, action should be taken to initiate comprehensive improvements in the system of reporting FDI-related data. The scarcity, unreliability and inconsistency of data and the absence of an effective system of data collection and evaluation represent serious constraints to the formulation of FDI policies and strategies. There is also a shortage of studies assessing the impact of FDI on economic development, in particular its role in opening new markets, fostering exports, facilitating technology transfer, and improving skills and management techniques.
4. The ESCWA secretariat is addressing these concerns during the present biennium and will continue to do so in the next biennium. Serious efforts are currently under way to secure extrabudgetary funds to achieve more comprehensive results. A US\$ 500,000 project aimed at strengthening FDI networking and expertise in ESCWA member countries has been devised for the dual purpose of stimulating FDI growth and filling FDI-related data gaps in the region.
5. Within this context, the ESCWA secretariat will direct its efforts towards (a) enhancing the capacity of government agencies in the member countries for compiling, disseminating and analysing data on FDI through the application of international methodological standards, so that the countries in question are able to independently maintain a high-quality, accurate FDI database; (b) strengthening networking between investment promotion offices and concerned agencies in the region to facilitate the exchange of expertise and experience; and (c) assisting member countries in formulating policies and adopting measures to promote FDI inflows.

6. ESCWA has joined forces with the United Nations Conference on Trade and Development (UNCTAD) to achieve these goals. The latter possesses expertise in the implementation of the standards referred to above. Project activities will be carried out through interaction with institutions and government agencies in the region to facilitate the achievement of the project's capacity-building objective.
