

IFC-ECB-Bank of Spain Conference: “External statistics in a fragmented and uncertain world”

12-13 February 2024

Compiling external statistics in Egypt: challenges and way forward¹

Shireen Fahmy, Rehab Abdelfattah Ibrahim and Sara
Mahmoud,
Central Bank of Egypt

¹ This contribution was prepared for the conference. The views expressed are those of the authors and do not necessarily reflect the views of the European Central Bank, the Bank of Spain, the BIS, the IFC or the other central banks and institutions represented at the event.

Compiling External Statistics in Egypt:

Challenges and Way forward

Shireen Fahmy, Sara Mahmoud, Rehab Abdelfattah¹

Central Bank of Egypt

Abstract

This paper sheds light on the challenges faced by statistical compilers with regard to data collection, compilation, and dissemination of external statistics. We address country-specific experience – the Egyptian Case. This paper provides details on the current methods used to compile External Sector Statistics (ESS) in Egypt, presenting the main challenges faced and suggesting possible way forwards to overcome such challenges. The paper tackles the standard Components of the Balance of Payment (BOP) as its main aim is to take a critical look at some of the issues in compilation and analysis with the intention of developing new efficient estimation techniques. The demand for precise, comprehensive, and timely external sector data has increased to account for times of high economic uncertainty especially since the Covid-19 pandemic had a huge impact on external statistics. The paper will suggest several way forwards and possible initiatives to produce high quality reliable data where statistical sources such as: surveys, micro and macro data are blended and used to complement the traditional sources of data.

Key words: External Statistics, Balance of Payments, Compilation

¹ The views expressed in this paper are those of the authors and do not necessarily represent the views of the CBE

Table of Contents

List of abbreviations -----	2
Introduction -----	3
Compilation Practices in Egypt -----	4
Data Sources of External Sector Statistics -----	4
External Sector Statistics Compilation Current Status -----	5
Key Challenges facing Egypt in compiling: -----	8
Goods-----	8
FDI -----	9
Net Unrequited Current Transfers -----	10
Moving Forward Regarding: -----	11
Meeting the international guidelines -----	11
Enhancing private transfers -----	11
Measuring digital goods -----	13
Enhancing the quality of FDI data -----	14
Conclusion -----	15
References-----	16
Appendix -----	17

List of abbreviations:

BOP: Balance of Payment

CAPMAS: Central Agency for Public Mobilization and Statistics

CBE: Central Bank of Egypt

FRA: Financial Regulatory Authority

GAFI: General Authority for Investment & Free Zones

Introduction:

The pandemic and, more recently, geopolitical conflicts, among which is the Russian-Ukrainian war, posed significant challenges to the compilation and dissemination of external statistics, necessitating, among other things, the creation of new, more effective estimation techniques and dissemination channels during periods of high economic uncertainty.

Reliable statistics are of major importance for evidence-based policymaking. The Central Bank of Egypt (CBE) is responsible for the compilation of the external sector statistics (ESS) in Egypt, as they play a major role as key economic indicators and determinants for policy formulation, providing an overview and comprehensive information on a country's economic relationships with the rest of the world.

However, reliance on regular sources of data for compiling ESS became challenging, particularly after the outbreak of the COVID-19 pandemic. The CBE concluded that traditional methods of compilation have significant limitations as the pandemic's emergence underlined the need for reliable alternative external sector data sources to ensure continuity in the production of ESS even during times of high economic uncertainty. The sudden stop in the economic activity impacted the main data sources used to compile ESS, which shed light on several challenges that were exacerbated by the pandemic, such challenges include delays in processing and compiling of data, lack of coordination between regulatory authorities, in addition to the impacts on the level of detail and quality of external sector data.

This paper sheds light on the challenges faced by statistical compilers with regard to data collection, compilation, and dissemination of external statistics. We address country-specific experience – the Egyptian Case. The paper will tackle the compilation practices in Egypt and will mainly focus on the data sources of ESS, the current status of compiling external statistics, the challenges facing the compilation and dissemination process, along with several way forwards and possible initiatives to produce reliable data to overcome current challenges.

Compilation Practices in Egypt:

Data sources of ESS

The compilation of ESS in Egypt is managed mainly by the central bank, with the cooperation of other institutions **as shown in Table 1**. In Egypt, data related to the trade balance in the current account, such as the proceeds and payments of general merchandise exports and imports, are reported by banks, while petroleum exports and imports are reported by the Ministry of Petroleum. Data concerning the service balance in terms of the travel item is mainly based on a survey conducted in collaboration between Central Agency for Public Mobilization and Statistics (CAPMAS) and the Ministry of Tourism, and data concerning the transportation item is mainly extracted from ITRS. Moreover, data concerning official transfers is mainly derived from foreign exchange records as well as the Ministry of International Cooperation, while data concerning private transfers, of which workers' remittances, is derived from foreign exchange records in addition to the Banking Supervision Sector at the CBE; however, a fixed percentage (20%) of informal remittances is estimated using a survey conducted by CAPMAS. The CBE derives data for the financial account mainly from foreign exchange records, Financial Regulatory Authority (FRA), and General Authority for Investment & Free Zones (GAFI). Finally, the CBE derives data for the capital account from foreign exchange records.

Table (1): Data sources of ESS in Egypt

BOP Components	Data source
BOP	The Fifth Edition of the BOP Manual (BPM5)
Trade Balance Exports & imports (petroleum and other)	Banks and Ministry of Petroleum
Services Balance Transportation 2)Travel 3) Government Other services: 4) Insurance	ITRS 2)Survey collaborated by Ministry of Tourism and CAPMAS 3) Foreign exchange records 4) Foreign exchange records 5) Foreign exchange records

5) Other business services (communication services, Royalties and license fees, computer services, subscription to magazines, newspapers, Insurance services, others)	
Current transfers: Official transfers Private transfers (of which worker's remittances)	Foreign exchange records and Ministry of International Cooperation. Foreign exchange records, the Banking Supervision Sector at the CBE, while the informal transfers are estimated by a survey conducted by CAPMAS
Capital Account	Foreign Exchange Records
Financial Account 1) Direct Investment abroad 2) Direct Investment in Egypt 3) Portfolio Investment abroad 4) Portfolio Investment in Egypt 5) Other Investment and Reserve Assets	1) Foreign Exchange Records 2) Foreign Exchange Records, Ministry of Petroleum, GAFI and FRA. 3) Foreign exchange records 4) FRA, CBE External Debt Statistics Department & Department for Securities. 5) CBE External Debt Statistics Department, Banking Supervision Department, Ministry of Petroleum, CBE Accounting Department & Foreign Exchange Records.

Source: SDDS-Economic Research-Central Bank of Egypt

ESS Compilation Current Status in Egypt:

The CBE collects and analyzes the monetary, banking and financial data, information and statistics, and solely prepares and publishes the BOP data by virtue of Law No. 194 for the year 2020 regarding the Central Bank and the Banking Sector. The compilation of Egypt's BOP statistics, concepts and definitions follows the BOP Manual 5th edition issued by the IMF. This section reveals the current status of CBE's methodology of compiling the BOP data as follows:

First: Current Account Components:

Trade balance:

- **Goods:**

In Egypt, data on goods transactions are accounted for in the BOP such that entries for general merchandise exports f.o.b. cover proceeds of exported goods and are adjusted to include petroleum exports. While entries for general merchandise imports c.i.f. cover payments for imported goods and are adjusted to include imports financed by foreign in-kind loans and grants, in addition to petroleum imports excluding purchases of bunker fuel by Egyptian ships and aircraft abroad; such imports are adjusted on a f.o.b. basis by deducting freight and insurance at an estimated rate of 12.5 percent of the c.i.f. value (i.e., 2.5 percent for insurance and 10 percent for freight). Accordingly, Credit entries for goods procured at ports by carriers cover sales of bunker fuel to foreign ships and aircraft, whereas debit entries cover purchases of bunker fuel by Egyptian ships and aircraft abroad.

Services balance

- **Transportation:**

The compilation of the credit entries for the transportation item in the BOP covers amounts received by Egyptian shipping and airline companies for navigation and passenger services. Other transportation covers receipts of Suez Canal dues and receipts of the Sumed Oil Pipeline (Suez Mediterranean Pipeline) for transporting foreign companies' oil. As for the debit entries, they cover amounts transferred to foreign navigation and airline companies for freight and passenger services, repairs of aircrafts & ships and rental of planes from abroad, as well as payments for freight adjusted by adding 10 percent (the value of payments, on c.i.f. basis).

- **Travel:**

As for the compilation of the Travel item in the BOP, the credit entries are based on multiplying the number of nights spent by tourists in Egypt and the average expenditure per night based on a survey conducted in collaboration between CAPMAS and the Ministry of Tourism. However, separate details are not available for business and personal travel. On the other hand, debit entries cover expenditures of government officials and private employees traveling abroad, pilgrimage, expenditures of students studying abroad, training, technical and educational missions, and expenditures abroad for medical care.

Investment Income balance

Current transfers:

- **Net Unrequited Current Transfers:**

The Compilation of Net Unrequited Current Transfers depends on whether these transfers are official, private transfer or other transfers. First, **Official Transfers** data are collected so that credit entries cover grants and donations received in cash and in kind by the Egyptian government, the entries also include receipts for social security contributions. Conversely, debit entries cover contributions to international organizations for administrative and budgetary expenditures, and

grants and donations paid by the Egyptian government. Second, **Private Transfers, particularly Workers Remittances**, are compiled so that credit entries cover remittances received from Egyptians working abroad in addition to 20 percent representing the transfers through informal channels, estimated by the Egypt Household International Migration Survey (Egypt-HIMS) conducted by the CAPMAS. Whereas debit entries cover remittances abroad by foreign workers in Egypt. Third, other transfers data (for credit entries) cover grants and donations received from charitable and religious organizations and transfers recorded as pensions to residents, while debit entries cover pensions paid to non-residents by Egyptian insurance companies, as well as grants, donations and gifts given by Egyptian residents to charitable and religious organizations abroad.

Second: Capital and Financial Account Components:

- Capital Account:

The capital account (on a net basis) is broken down into: capital transfers (including the transfer of ownership of fixed assets or debt forgiveness), and acquisition or disposal of non-produced nonfinancial assets (land, subsoil assets, patents, copyrights, trademarks and franchises).

- Portfolio Investment:

Entries for portfolio investment abroad cover net amounts transferred abroad by residents for the purchase of foreign securities (which cover interest and dividends earned on bonds and securities). Portfolio investment in Egypt covers net transactions in foreign currencies (sales and purchases) of Egyptian securities (less than 10%) by nonresidents.

- Foreign Direct Investment (FDI):

Entries for direct investment abroad cover net amounts remitted abroad for investment and purchases of real estates and loans provided to Egyptian companies branches abroad, while entries for direct investment in Egypt cover cash inflows, net outflows, as recorded in the capital and operation accounts of the joint venture companies operating in Egypt, loans from mother company as well as remittances received for the purchase of real estate in Egypt by nonresidents. Data are drawn from the foreign exchange records. The entries for direct investment in Egypt also covers direct investment in petroleum sector (inflows) net outflows according to the data of the Ministry of Petroleum, reinvested earnings for direct investment in Egypt provided by the GAIFI (which updated the data in accordance with a new method for compiling FDI and its earnings to include all undistributed realized earnings, according to Law No. (141/2019) that was passed in July 31, 2019 and Clause No. (14) of Article No. (74) of the Investment Law No. (72) for 2017..The new method allows GAIFI to request information and data needed to calculate flows and stocks of direct and indirect foreign investments, starting from Q1 2018/2019). The entries also include data of foreigners' purchases of Egyptian securities (that are equal or greater than 10%) according to the (FRA).

Challenges facing the compilation of ESS in Egypt

ESS concerns and challenges are constantly evolving, particularly post COVID-19 pandemic, reflecting new data sources in compiling and disseminating external statistics. This section provides detailed challenges that face Egypt in compiling ESS as follows:

First: Goods:

➤ Digital products:

- In recent years, e-commerce has flourished in Egypt as a result of the outbreak of COVID-19 pandemic which forced social isolation. The e-commerce market size reached USD 7.88 billion in 2023². This has accelerated the process of strengthening the digital transformation and created challenges for accurately measuring cross-border e-commerce involving goods, related to high-frequency and low-value transactions.
- Overseas e-commerce should technically be captured in the BOP statistics as either a good or a service an import or an export. However, digital products purchased over the Internet are intangible and often not declared to customs. Shipments below a certain amount may also not be captured in trade statistics.
- Data on cross border e-commerce is poorly collected in Egypt and isn't clearly classified in BOP statistics. Challenges³ in measuring international e-commerce transactions, in particular those undertaken by the households are: (1) these are usually small-scale transactions that may not be captured via ITRS; (2) settlement payments may be on a net basis (possibly via a clearing house) or nontraditional payment systems—payment card network—may be used; (3) households surveys may not properly capture these transactions; (4) shipment of goods may be made via postal and courier services; and (5) it is difficult to estimate the fees associated with transactions intermediated by trade e-platforms, such as eBay or Amazon. In principle, charges for electronically delivered products are included in services, while goods ordered by electronic means and supplied across the border are generally classified as goods.

➤ Data accuracy:

- There is discrepancy between data of exports and imports collected from bank records (by the CBE for compiling BOP data) and data collected by the Customs authority. This dissimilarity in data sources could lead to some discrepancies in definition of trade, trade partners and in the valuation of goods traded between countries concerned.

² <https://www.mordorintelligence.com/industry-reports/egypt-e-commerce-market>

³ <https://www.imf.org/external/pubs/ft/bop/2014/pdf/guide.pdf>

Second: FDI:

➤ **Data Accessibility:**

The division of duties for compilation and dissemination between different agencies, which are the FDI Unit (FDIU) of GAFI and CBE, presents several challenges for the quality of the FDI statistics in Egypt.

➤ **Data accuracy:**

- Not all of the components of the FDI statistical series, released by the CBE, are published. FDI inflows include the two major components of FDI: equity and reinvestment of earnings and debt, but only reinvestment of earnings is included in the former category. Income receipts cover only dividends from abroad while income payments should cover dividends, reinvested earnings for sectors other than petroleum, as well as interest from the petroleum sector.
- Direct investment relationships identification problem: because the ownership structures of multinational enterprises (MNEs) can be quite complicated, it can be difficult to make sure that all of the entities under the influence of a common direct investor are identified. In Egypt, Major investors use different methods for identifying direct investment relationships, for example, the United Kingdom uses the FDIR (Framework for Direct Investment Relationships); the United States use the Participation Multiplication Method (PMM); Italy uses a simplified Direct Influence/Indirect Control (DIIC) method.
- Outward FDI statistics which are disseminated by the CBE as part of BOP and IIP statistics do not separately identify debt, while inward statistics cover loans from foreign investors to their Egyptian affiliates but appear to mix them with equity capital.
- Most, if not all, of the financial transactions of SPEs⁴ (which are funds that are simply passing into and out of an economy on its way to other destinations, which are also called pass-through capital or capital-in transit) distort the country patterns of FDI statistics and cause double-counting in the statistics. While the funds that pass through SPEs do not have much impact on the economy in which they are resident, BPM6 points out that it is important to cover them in the BOP and IIP accounts because (1) they are an integral part of a direct investor's financial transactions with affiliated enterprises; (2) the exclusion of these funds from direct investment would distort and understate direct investment financial flows at the aggregate level; and (3) the inclusions of these data in direct investment promotes symmetry and consistency among economies" (BPM6, paragraph 6.34). This would result in accurate measures of direct investment into and out of the economy by removing FDI that involves funds simply passing through the economy via SPEs on their way to other destinations, which have little or no impact on the host economy.
- Although GAFI indicated that SPEs are present in Egypt, and the new system developed by GAFI allows for the identification of SPEs; however, information related to SPEs in Egypt is not yet separately available nor published.

⁴ Special Purpose Entities (SPEs) are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in any economy. As such, it can be difficult to identify the residency of SPEs

Third: Net Unrequited Current Transfers:

The are several challenges facing the compilation of remittances such as:

- **Estimation of informal remittances:**

Remittances are a challenge to measure because there are many ways for individuals to send and receive money in numerous small transactions through various channels. Estimates of informal remittances in Egypt currently depend on a fixed percentage of 20% estimated based on Egypt Household International Migration Survey (HIMS)⁵ conducted by CAPMAS representing transfers through informal channels. The latest HIMS was published in 2013, and was conducted then against a background of a lack of detailed data on the determinants and consequences of international migration in Egypt. Consequently, the percentage of 20% might not reflect current figures of informal remittances especially since the percentage is not being updated on a regular basis.

- **Identifying transaction channels:** Transaction channels are wide and varied, and accounting for all the various channels is extremely difficult, especially the informal sources through which remittances are sent.

- **Comparison of Remittances Data with other countries:** Egypt is still currently depending on BPM5 to compile its BOP statistics and carry out its analysis, while other countries have fully migrated to BPM6, which makes it extremely hard to compare remittances data across countries. This problem will be further accentuated with counties migrating to BPM7 when Egypt hasn't even fully migrated to BPM6 yet.

⁵ The survey was carried out as part of the 'Mediterranean Household International Migration Survey' Programme (MED-HIMS), which is a joint initiative of the European Commission /Eurostat, ILO, IOM, LAS, UNFPA, UNHCR, and the World Bank, in collaboration with the National Statistical Offices of the Arab Countries in the southern and eastern Mediterranean region.

Moving forward:

This paper presents the techniques used by Egypt to tackle the aforementioned challenges and make progress in enhancing the external statistics compilation framework in Egypt. The paper will suggest several ways forward and possible initiatives to produce high-quality, reliable external sector data where statistical sources such as micro and macro data are blended and used to complement the traditional administrative sources of data, as follows:

1) Regarding meeting the international guidelines in compiling data:

The CBE is in the final stages of migrating to the 6th edition of the BOP Manual issued by the IMF (BPM6).

2) Regarding enhancing private transfers (worker's remittances):

- The CBE is planning to further enhance the usage of ITRS depending on the direct approach of reporting, as direct reporters have greater knowledge of their transactions and are able to convey more accurate information.
- The CBE is also planning to further collect transactional-level data through ITRS enabling in-depth analysis of remittance data. The quality control will be designed to ensure the robustness of the statistics based on bank settlements, taking advantage of the fact that banks will continue to report information on international settlements on an operation-by-operation, client-by-client basis, where each SWIFT message, incoming and outgoing, is captured by the central bank's statistical system and aggregated for BOP compilation for analytical purposes to better measure the origin, destination, currency, sex, volume, and value; hence, resulting in a micro database for each settlement to enhance the compilation of private transfers.
- The CBE is planning to reach out for technical assistance in conducting a remittances survey in collaboration with other concerned authorities as an additional step in the CBE's initiatives of obtaining population-based estimates and collecting valuable information to improve the quality of remittance statistics. (Sample questions from the suggested survey can be found in the appendix of the study.)
- Several initiatives were taken under the supervision of the CBE to make access to financial services easier, safer, and less expensive with their main aim being the formalization of remittance flows and encouraging the switch from informal to formal channels. For instance, several service providers in Egypt either launched or are in their final stages of launching an international money remittance service, such as InstaPay, Fawry, and Orange as follows:

- InstaPay⁶:

The CBE is in advanced negotiations with the central banks of Saudi Arabia, the United Arab Emirates, and Jordan to allow financial transfers to customer accounts instantly in Egypt using mobile phones via the "InstaPay" application, starting 2024.

A memorandum of understanding has already been signed with both the central banks of the UAE and Jordan, and the CBE is now negotiating with the Saudi Central Bank to reach a final agreement. The agreement includes allowing financial transfers from banks operating in the three countries, which are the densest in terms of the number of Egyptian workers abroad, to bank accounts in Egypt using the application, where an electronic link will be made with the banks of those countries and entered into the electronic system of the application.

The CBE is studying the viability of adding new features to the application allowing for the collection of detailed data on remittances received or sent abroad. The new features will allow capturing of in-depth information about the transaction with the objective of presenting more granular data in an attempt to improve remittances statistics.

- Fawry⁷:

Fawry is currently in negotiations with Banque Du Caire and Abu Dhabi Islamic Bank to create a digital mechanism for transferring the money of Egyptian workers abroad and disbursing it through the Fawry network, which includes more than 90% of Egypt-based banks. The system is expected to be completed by the end of 2023. The company is putting the final touches on providing the money transfer system for workers abroad in a number of Arab countries, most notably the UAE, as Fawry signed a memorandum of understanding with the "Botim" application, affiliated with the UAE company Astra Tech, and is also in the process of signing similar agreements with other companies in the UAE market. Parallel to the UAE, the company is anticipated to enter a second Gulf country and another in the Arab Levant.

- Orange⁸:

Orange launched an international money remittance service on its digital service Orange cash wallet under the supervision of the CBE, where the service allows the customer to receive any international transfer in the same day free of charge. The customer can receive their international money

⁶ InstaPay is an application with more than 6.2 million users that allows bank customers in Egypt direct access to their local bank accounts, allowing them to transfer money instantly using their mobile device.

⁷ Fawry represents the first banking agent to obtain a license from the CBE to provide banking and financial services to individuals and companies and is the largest financial technology and electronic payments company in Egypt, serving an estimated customer base of 50 million users.

⁸ Orange is one of the world's leading telecommunications operators and is present in 26 countries with a total customer base of 288 million customers worldwide.

remittance in EGP on their Orange cash wallet, and this is available through National Bank of Egypt agencies around the world, customers are also able to cash in and out through ATMs.

3) Regarding measuring digital goods:

To enhance the data on the current account of the BOP, Egypt is looking forward to including cross-border transactions of digital goods and services by households and businesses, through applying the following measurements:

- **Measuring cross-border merchandise E-commerce using customs data:** Egypt is studying the implication of applying the clearance system named **Cross-border E-commerce Information System (CBEIS)** to capture e-commerce transactions (following the Chinese experience). The Customs authority is studying the introduction of a new customs procedure to identify cross border e-commerce transactions through a new code. For this code to be applied, enterprises or their agents must consolidate their declarations in terms of value and quantity by exporter, mode of transport, country of consignment, country of last-known destination, commodity code and port of export.
- **Using pilot survey for Goods cleared as mail parcels and courier deliveries:** For Goods cleared as mail parcels and courier deliveries rather than through CBEIS, **the Egyptian Customs Authority and the Egypt Post in collaboration with the Ministry of Commerce and CAPMAS are contemplating the possibility of carrying out a pilot survey**, targeting enterprises heavily involved in digital trade **using sampling methods to determine the proportion of e-commerce postal parcels**. The statistical value will be derived by multiplying the average price indicated on the parcels by the number of parcels, thus minimizing the impact of price outliers caused by declaration error. Finally, the Egyptian Customs Authority will compile statistics on digital trade in goods by combining customs records and survey information.
- **Granular dataset using the Mastercard network:** Since the Mastercard network has a presence in 210 countries and territories, connected to 20,000 financial institutions and over 80 million merchant locations with more than 2.9 billion cards in force, switching roughly 100 billion transactions in a year, aggregated transaction level data will be used from this network at an industry & sector level by market, measured as a monthly time series. Using the sum of transactions that occur each month, share of e-commerce spending will be estimated, considering that these transactions are strictly cross border, which means they include payments by Egyptian-issued cards to non-resident merchants. The estimation is based on the definition of e-commerce provided by the IMF, OECD, UN, and WTO (2023) "Handbook on Measuring Digital Trade" which is: "The international sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders." The data that can be used from the Mastercard network is; date & time: the date and time in which the transaction occurred; type of card: whether the card is a credit, debit, or pre-paid card; merchant location: the address on record for the merchant where the transaction took place; industry classification: the industry which the merchant is classified as; transaction amount: the value of the transaction made.

4) Regarding enhancing the quality of FDI data:

- Further improvement of data quality is considered to improve FDI statistics through new working arrangement for the data compilation between the CBE, GAFI, the Ministry of Petroleum, CAPMAS, and FRA. With the signing of the protocol between the Ministry of Investment, CBE, and the Ministry of Petroleum in September 2016, **the CBE will begin to disseminate the FDI position statistics compiled by the FDIU in Egypt's International Investment Position once the transition to BPM6 has been completed.** Under the protocol, the FDIU will be responsible for compiling and disseminating the detailed FDI position statistics by partner country and by industry (OECD).
- In terms of coverage, it will be necessary for the FDIU to work closely with the CBE to ensure consistent coverage between the statistics under the responsibility of each agency.
- Coverage of FDI could be improved by ensuring that SPEs⁹ are covered in the aggregate statistics and further by the separate identification of SPEs through benefiting from other country experiences such as the Central bank of Hungary, which adopted some criteria to examine that (1) the number of employees are low (1 to 3 employees); (2) the share of nonfinancial to financial assets is minimal, and these assets consist mostly of equity, long-term loans and securities; (3) they have high capital reserves which they immediately lend or use to purchase equity and branches abroad; and (4) material costs are negligible. This would improve the usefulness and quality of FDI statistics as well as reducing bilateral asymmetries¹⁰.

⁹ Special Purpose Entities (SPEs) are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in any economy. As such, it can be difficult to identify the residency of SPEs.

¹⁰Country experience in this concern: The Central Bank of Hungary works with the Central Statistics Office of Hungary to identify resident SPEs. They use available indicators that capture the main characteristics of the enterprises and to determine that they have minimal links to the domestic economy. The main criteria they examine are: in their balance sheet, the ratio of nonfinancial to financial assets is minimal and these financial assets consist mostly of equity, long-term loans, and securities; they report little turnover, and the turnover they do have derives primarily from exports; the number of staff is very low (1 to 3 persons); they have high capital reserves which they immediately lend or use to purchase equity abroad or establish branches abroad; they have no subsidiary in Hungary or, if they do have a subsidiary in Hungary, it also meets the criteria of an SPE; material costs are negligible; and, finally, the name of the enterprise refers to the offshore nature of the enterprise.

Conclusion:

This paper presented the techniques used by Egypt to tackle the challenges that arose in compiling ESS, particularly post Covid-19 pandemic. Egypt has started a mitigation plan to enhance the quality of external statistics in the fields of remittances, e-commerce and FDI. First, to accurately measure the informal remittances, several initiatives were launched under the supervision of the CBE to encourage the switch of remittances from informal to formal channels through applications like Instapay, Fawry and Orange. Second, to accurately measure e-commerce data, Egypt is studying the implication of applying the clearance system named Cross-border E-commerce Information System (CBEIS) to capture e-commerce transactions, where the Egyptian Customs authority is planning to use the information on orders provided by e-commerce platforms to develop statistical estimates on the overall scale of cross-border e-commerce, using big-data methodologies; besides, Mastercard network will be used to specify e-commerce transactions at granular basis. Third, further improvement of data quality is considered to improve FDI statistics through new working arrangement for the data compilation between the CBE and other institutions to compile and disseminate the detailed FDI position statistics by partner country and by industry.

References

1. Central Bank of Egypt, Internal Manuals and unpublished Documents
2. Zhang,L. Chen, S. (2019)." China's Digital Economy: Opportunities and Risks". IMF Working Paper. WP/19/1.
3. OECD (2020)." OECD Review of Foreign Direct Investment Statistics: Egypt".

Appendix

worker's remittances' Survey Questionnaire:

Section (1): General Information

- i. Name of the respondent (optional)
- ii. Telephone Number (optional)
- iii. Email Address (optional)
- iv. Sex of the respondent
- v. Current marital status
- vi. In which country are you currently residing?
- vii. In which year did you leave Egypt?
- viii. What was your main reason for leaving Egypt?

Section (2): Education and Employment

- i. Highest level of education attainment
- ii. In which sector are you currently working?
- iii. Which income category describes your total income?

Section (3): Cash Remittance

- i. In the past 12 months, did you provide any support in cash to family members or friends/ relatives who reside in Egypt?
- ii. In the past 12 months, how often did you send money to Egypt?
- iii. How is the recipient related to you and what is their current economic status?
- iv. In the past 12 months, for what purpose(s) did you send money to recipients in Egypt?
- v. In the past 12 months, how much money in total did you send to the recipients in Egypt?
- vi. In the past 12 months, which service provider(s) did you use to send the cash to recipients in Egypt?
- vii. What was the main reason for choosing a certain service provider?
- viii. How long did it take to avail the cash remitted to the recipient?
- ix. What do you consider as the main challenges of sending money to your recipient in Egypt?

Section (4): Non-Cash/ In-kind Remittance

- i. In the past 12 months, did you provide any support in kind (non-cash items/goods) to family members/friends/ relatives who reside in Egypt?
- ii. If yes, what was the approximate value of the non-cash items/ goods to recipients in Egypt in the past 12 months?
- iii. In the past 12 months, what type of non-cash items/ goods did you send to the recipients in Egypt, the channel used and the main reason for using the selected channel?



Compiling External Statistics in Egypt: Challenges and Way forward

Shireen Fahmy, Sara Mahmoud, Rehab Abdelfattah

Compilation Practices in Egypt:

- **Data sources of ESS**
- **ESS Compilation Current Status in Egypt**
- **Challenges facing the compilation of ESS in Egypt**
- **Moving forward**
- **Concluding**

BOP Components	Data source
<u>BOP</u>	The Fifth Edition of the BOP Manual (BPM5)
<u>Trade Balance</u>	
Exports & imports (petroleum and other)	Banks and Ministry of Petroleum
<u>Services Balance</u>	
1) Transportation	1) ITRS
2) Travel	2) Survey collaborated by Ministry of Tourism and C
3) Government	3) Foreign exchange records
Other services:	4) Foreign exchange records
4) Insurance	5) Foreign exchange records
5) Other business services (communication services, Royalties and license fees, computer services, subscription to magazines, newspapers, Insurance services, others)	
<u>Current transfers:</u>	
1) Official transfers	1) Foreign exchange records and Ministry of International Cooperation.
2) Private transfers (of which worker's remittances)	2) Foreign exchange records, the Banking Sector at the CBE, while the informal transfers estimated by a survey conducted by CAPMAS
<u>Capital Account</u>	Foreign Exchange Records
<u>Financial Account</u>	
1) Direct Investment abroad	1) Foreign Exchange Records
2) Direct Investment in Egypt	2) Foreign Exchange Records, Ministry of Petroleum and FRA.
3) Portfolio Investment abroad	3) Foreign exchange records
4) Portfolio Investment in Egypt	4) FRA, CBE External Debt Statistics Department, Department for Securities.
5) Other Investment and Reserve Assets	

ESS Compilation Current Status in Egypt

- ❑ Current Account Components
- ❑ Capital and Financial Account Components



Challenges facing the compilation of ESS in Egypt

- **Goods: Digital products and Data accuracy**
- **FDI: Data Accessibility and Data accuracy**
- **Net Unrequited Current Transfers**
- **Estimation of informal remittances**

Moving Foreword

- Enhancing the ITRS System
- Measuring cross-border merchandise E-commerce using customs data
- Granular dataset using the Mastercard network
- Using pilot survey for Goods cleared as mail parcels and courier deliveries
- Ensuring that Special Purpose Entities (SPEs) are covered in the aggregate statistics

The Main Message

CBE is deliberate on achieving the goals of the mitigation plan to enhance the quality of external statistics in the fields of remittances, e-commerce and FDI given that these flows are main determinants of the development of Egypt.