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REPORT ON THE SURVEY OF IMPLEMENTATION OF METHODOLOGICAL STANDARDS FOR DIRECT INVESTMENT

This report was prepared jointly by the OECD and IMF secretariats.

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May 1999

International Monetary Fund
Statistics Department

and

Organisation for Economic Co-operation and Development
Directorate for Financial, Fiscal and Enterprise Affairs

FOREWORD

The Report on the Survey of Implementation of Methodological Standards examines the statistical measurement of foreign direct investment (FDI) in OECD and IMF Member countries. It provides an essential tool for FDI analysts and policy makers while preparing the ground for improving compliance with the agreed international standards of FDI data collection set by IMF and OECD. The conclusions and the analysis are based on the information for ninety-six countries collected through a comprehensive survey on methodological standards and data collection methods organised under the auspices of the IMF Committee on Balance of Payments Statistics and the OECD Working Party on Financial Statistics. The results of the report allowed the OECD to organise a Workshop on FDI Statistics in March 1999 to undertake further work on FDI methodology and data collection methods, to which IMF and other international agencies were closely associated. The complete details of the survey are recorded in an Internet database that can be accessed by officials from IMF and OECD Member countries and by international organisations.

The work relating to the survey and its database as well as the resulting report was jointly undertaken by the IMF Statistics Department and the OECD Directorate for Financial, Fiscal and Enterprise Affairs. The survey and the report were prepared by Mr. Rene Piche, Economist (IMF) and Ms Ayse Bertrand, Head of Financial Statistics Section (OECD). However, this exercise could not have been carried out without the contribution of the large network of experts on foreign direct investment statistics who participated in the survey.

The present report was reviewed and approved by the IMF Committee on Balance of Payments Statistics and the OECD Working Party on Financial Statistics. The report was examined and deristricted by the OECD Committee on International Investment and Multinational Enterprises.

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1. Introduction

1. In May 1997, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) launched the *Survey of Implementation of International Methodological Standards for Direct Investment* (SIMSDI), after consulting with the IMF Committee on Balance of Payments Statistics (the Committee) and the OECD Working Party on Financial Statistics (WFS)[1]. The survey is a comprehensive study of data sources, collection methods, and dissemination and methodological practices for foreign direct investment (FDI) statistics. Similar surveys were conducted in 1983 by the OECD concerning OECD Member countries, and in 1991 by the IMF's Working Party on Measurement of International Capital Flows (*Godeaux Report*), the latter concerning 38 of the largest reporters of FDI statistics.

2. 114 countries replied to the 1997 survey, a very encouraging response rate indicating the importance that national compilers attach to these data. This report presents the survey results on data collection and dissemination, as well as on the methodological issues, focusing on the major weaknesses in national FDI compilation systems.

2. Background to the Survey

3. At its October 1995 meeting, the Committee decided to review the progress countries were making in implementing the FDI standards set out in the fifth edition of the *Balance of Payments Manual* (*BPM5)* and the third edition of the OECD's *Benchmark Definition of Foreign Direct Investment* (*Benchmark*). The OECD was approached about the possibility of conducting a joint Fund/OECD survey. This approach was timely because the OECD Council Recommendation, adopted in July 1995, had mandated the WFS to continue the collection of information on FDI statistics, accompanied by notes describing the areas where the methodology used by Member countries differed from the *Benchmark*. At its October 1996 meeting, the Committee supported a joint Fund/OECD inquiry, of Fund and OECD Member countries, which would determine the extent to which countries have adopted the international standards for FDI statistics.

3. The 1997 FDI Survey

4. Three objectives were set for the survey:

- To discover the extent to which Member countries have adopted the recommendations on FDI statistics made in *BPM5* and the *Benchmark*. Consequently, the survey included questions on all the major methodological issues related to the measurement of FDI.

- To obtain standardised information on data sources, collection methods, and dissemination practices (e.g., availability, periodicity, timeliness, revision policy, breakdowns) from the Member countries.

- To facilitate the exchange of information between reporting countries. Consequently, the survey form was designed with a view to providing a set of easily comparable metadata (information about data) on FDI statistics. The survey form was also designed to identify

1. The title of the OECD Group of Financial Statisticians was changed to Working Party on Financial Statistics in the second half of 1998.

countries that would make available their survey information to IMF and OECD Member countries.

5. The survey form was designed as a multiple choice questionnaire. This design was intended to reduce, as much as possible, the time required by compilers to complete the form, while covering all the major issues. It was understood that the multiple choice design meant that uncommon practices might not always be explicitly reported. Therefore, room was provided for comments throughout the survey form. A draft survey form was circulated for comments in March 1997 to all members of the Committee. The OECD circulated the same draft to the WFS for discussion at the meeting held on April 9-10, 1997. The comments from the Committee members and the WFS participants were incorporated to the survey form that was sent for completion to all OECD Member countries and most IMF Member countries in late-May 1997. A working procedure was established so that the Fund and OECD could share a common database to process the results from the joint survey. This database is maintained on the Internet[2], and is both user-restricted and password-protected to insure data confidentiality. The Fund and OECD have designed and implemented a series of automated data checks, as the survey contains over 600 responses per fully completed form. These automated edits impute responses for some questions for which no response is made, based on other information in the completed questionnaire, and perform consistency checks.

6. The survey form was sent to 171 IMF Member countries (of which 29 were also OECD Member countries). The form was made available in the English, French, Spanish and Russian languages to insure a higher response rate and to facilitate the comprehension of the questions, thus improving the quality of response. As of end-July 1998, 114 countries had responded to the questionnaire. All 29 OECD countries have returned the completed form, while 85 of the 142 IMF but non-OECD Member countries have done the same. The response rates from non-OECD European countries and Western Hemisphere countries were very good, with over 70 per cent of these countries completing and returning the form, while over 60 per cent of Asian countries did the same. Approximately 45 per cent of African and the Middle Eastern countries returned the completed questionnaire to the IMF. **Appendix II** provides a complete list of the survey respondents, classified according to the above mentioned regions.

7. The overall quality of the survey responses was very satisfactory. The editing process suggested that the questions were generally understood and that countries' submissions were in most cases internally consistent. In a few instances where countries had difficulty completing the detailed questions, the information that they provided in comments or about their future plans was very useful. A few countries that are still developing their systems for compiling FDI statistics preferred not to complete the form but provided letters indicating their future plans in this area. A total of 18 countries either provided letters or completed only the third part of the questionnaire, which provides room for the identification of the respondent and description of specific plans for future changes regarding FDI compilation. However, these countries were excluded from the analysis of the survey results that focused only on 96 countries, distributed as follows: 29 OECD countries, 15 African countries, 13 Asian countries, 16 European countries, 2 Middle Eastern countries, and 21 Western Hemisphere countries.

8. The survey responses are recorded in a database that was jointly developed on the Internet by the IMF and OECD. Only officials from the Member countries of these two organisations as well as the secretariats of other international organisations are entitled to access the information stored in this database which is password protected.[3] The intention is to continue revising the details recorded for each country on

2. The database is to be found on the website of the OECD and was designed with the assistance of Information Technology and Network Services (OECD).

3. Following the recommendations of the IMF Balance of Payments Committee, IMF and OECD secretariats will seek authorisation from the countries that participated in the survey to make the database accessible to the public at large.

a regular basis. This process will allow an accurate description of data sources, dissemination practices and use of methodological standards in each country over time.

4. Summary Results of the 1997 Survey

4.1 Changes since the 1992 IMF "Report on the Measurement of International Capital Flows (Godeaux Report)"

9. The *Godeaux Report* found that reported global outflows on FDI exceeded reported global inflows. Set out below are the most significant sources of the discrepancy as identified by the *Godeaux Report* and the position as now indicated by the 1997 SIMSDI.

1. *The failure of many countries to compile data on reinvested earnings was identified by the Godeaux Report as the most important source of the global discrepancy.* The 1997 SIMSDI results indicate that over three-fourths of OECD countries compile reinvested earnings data. The 1991 survey used for the *Godeaux Report* indicated that half of the 22 industrial countries in the survey sample were not compiling reinvested earnings. In 1997, 6 of these previous non-reporters compile data on reinvested earnings and 3 others have future plans for the collection of these data. Currently, 23 OECD countries include reinvested earnings in their statistics. The SIMSDI results indicate that 44 non-OECD countries also compile reinvested earnings for inward FDI statistics, which represents about two-thirds of the non-OECD respondents. However, less than 50 per cent of these countries compile outward reinvested earnings data.

2. *The failure to follow international standards in relation to short-term financing between affiliated enterprises*. The *Godeaux Report* indicated that data on short-term loans between affiliated enterprises were included in the FDI statistics of only a minority of the countries included in the survey sample. The 1997 SIMSDI results indicate that almost 80 per cent of the OECD countries and over 60 per cent of the non-OECD countries include short-term loans between affiliated enterprises in FDI. Notwithstanding this improvement, there are still many OECD countries that include these flows in the *other investment* component of the financial account.

3. *The failure of many countries to record and properly classify the activities of "Special Purpose Entities" (SPEs) of multinational enterprises*. The 1997 SIMSDI results indicate that financial transactions between SPEs and affiliated enterprises are recorded in the FDI statistics of over 80 per cent of the OECD countries that report the establishment of SPEs in their economy or the establishment of SPEs abroad by resident enterprises. However, only about half of non-OECD countries record the transactions between SPEs and their affiliated enterprises in FDI statistics.

4. *The failure of many countries to record cross-border real estate transactions.* The *Godeaux Report* indicated that a significant number of countries were excluding all cross-border purchases and sales of real estate in reporting FDI flows, while many additional countries were excluding "non-commercial" real estate transactions from the statistics. The 1997 SIMSDI results indicate little improvement compared with the practices described in the *Godeaux Report*. Only 20 OECD countries cover cross-border real estate transactions by enterprises and 18 cover such transactions by individuals. A small proportion of non-OECD countries include these transactions in FDI statistics, as only 28 countries (about 40 per cent) include real estate transactions in the reporting economy when they are conducted by non-

resident enterprises, while 22 countries (or about one-third of respondents) include these transactions in the statistics when they are conducted by non-resident individuals.

5. *The failure of many countries to properly classify investment by affiliates in their parent companies*. The 1997 SIMSDI results indicate that only 4 OECD countries and 11 non-OECD countries record the acquisition of equity capital by the direct investment enterprise in its direct investor in strict conformance with the recommendations of the international manuals. According to the international standards, all financial transactions of resident direct investment enterprises with foreign direct investors should be recorded by the country of the direct investment enterprise as *direct investment in the reporting economy*; symmetrically, all financial transactions with foreign direct investment enterprises should be recorded by the country of the direct investor as *direct investment abroad.* For the instances of reverse investment or cross-participation, such as the acquisition of equity capital by the direct investment enterprise in its direct investor, the direct investment enterprise acquires an interest in its direct investor. That interest should be regarded as an offset to capital invested by the direct investor and is equivalent to recording a disinvestment by the direct investor. However, many OECD countries record these transactions as *portfolio investment*. In cases in which the equity participation is at least 10 per cent in both directions, two direct investment relationships are established. Reverse investment transactions in equity capital or in the form of other instruments should then be recorded as direct investment claims and liabilities in both directions; that is, as *direct investment in reporting economy* and as *direct investment abroad,* for each economy as appropriate. In the instances when two direct investment relationships are established, the acquisition of equity capital by the direct investment enterprise in its direct investor is recorded according to the international standards by 21 OECD countries and 24 non-OECD countries.

4.2 Other Major Findings.

10. One of the major objectives of the SIMSDI was to discover the extent of adoption by the Member countries of the recommendations on FDI statistics depicted in *BPM5* and the *Benchmark*. Listed below are the major findings from the survey results regarding the status of implementation of the methodological standards for the measurement of direct investment.

1. *The international manuals recommend that 10 per cent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) establishes a direct investment relationship* - the so-called “10 per cent rule”. The 1997 SIMSDI results indicate that about three-fourths of OECD and non-OECD countries apply this recommendation for the identification of direct investment relationships. 24 OECD countries currently apply the 10 per cent rule, 3 are in the process of implementing it and the others do not use a predetermined threshold. Many of the non-OECD countries responding to the survey that do not apply the 10 per cent rule rely on investment approval authorities for the collection of their FDI statistics and only a few of them indicated future plans to adopt the 10 per cent rule.

2. *Direct investment statistics should cover all enterprises in which the investor directly or indirectly has a direct investment interest.* This means that once the 10 per cent “across the border” link is achieved with an enterprise, certain other enterprises related “down-the-line” to the first enterprise will also be regarded as direct investment enterprises. As a result, the FDI statistics should cover transactions between the direct investor and the first enterprise and certain of its affiliates and between the affiliates themselves if they are in different countries.

The OECD's specification of this group of enterprises is referred to as the "Fully Consolidated System". The 1997 SIMSDI indicate that 22 OECD countries and 36 non-OECD countries take account of indirectly owned direct investment enterprises in their statistics. However, the procedures to determine the existence of indirect relationships between enterprises and the coverage of transactions between indirectly owned concerns vary considerably between countries. The SIMSDI results indicate that 35 countries, of which 13 are OECD countries, include earnings data of indirectly owned FDI enterprises and that 31 countries, of which 13 are OECD countries, classify equity and other capital transactions between enterprises that belong to the same group of related enterprises as FDI transactions. Despite these results, only 15 countries indicate that they fully comply to the rules of the "Fully Consolidated System".

3. *International standards state that both realised and unrealised capital gains and losses should be excluded from the calculation of reinvested earnings data*. The international manuals recommend that earnings of FDI enterprises be measured according to the rules of the "*Current Operating Performance Concept*" (COPC), under which earnings of an enterprise are its income from normal operations and before allowing for non-recurring items and capital gains and losses. However, of the countries that compile reinvested earnings data, about half of OECD countries and a large number of non-OECD countries incorporate realised or unrealised capital gains or losses. The *BPM5* and the *Benchmark* also recommend that earnings data be calculated net of any provision for depreciation of fixed capital, but only half of OECD and non-OECD countries follow this recommendation. Overall, only 13 countries fully apply the rules of the COPC when measuring reinvested earnings.

4. *Direct investment income data should be recorded on an accrual basis, that is recording dividends as they are declared payable and income on debt as it is accruing.* The 1993 *System of National Accounts* (SNA93) recommends that distributive transactions that are based on the enterprises' decision when to distribute income or make transfer, such as dividends, be recorded as of the moment they are declared payable. However, the BPM5 and *Benchmark* provide differing recommendations in that regard, as the *BPM5* recommends recording dividends "as of the date they are payable"[4] and the *Benchmark* recommends using a "due for payment" basis. Nevertheless, the survey questionnaire focused on determining the number of countries that were using a paid (cash) basis for measuring dividends, as compared with the "payable" basis recommended by *BPM5.* The results indicate that most OECD countries record dividends as they are paid. This departure from the accrual principle is largely a result of the primary data source used for recording FDI income data. A large number of these OECD countries rely on an international transactions reporting system for recording dividends flows and, as this is basically a settlement based reporting system, it mostly provides information on a cash basis. Largely for this same reason, about half of OECD countries and almost 60 per cent of non-OECD countries record interest on a paid basis, instead of as it is accruing.

5. *The BPM5 and the Benchmark recommend that all external financial assets and liabilities should be measured at current market prices as of the date involved.* However, the international manuals recognise that book values from the balance sheets of direct investment enterprises are generally utilised to determine the value of the stock of direct investments. The SIMSDI results indicate that 19 of the 25 OECD countries that compile FDI position data use

4. To record dividends as of the date they are "payable" should be read as short-hand for the more explicit "declared payable" that is used in the SNA93.

book value to determine the stock of FDI assets and liabilities, although 5 of these countries also use market value as the second most frequent valuation method.

6. Work undertaken in one economy by a construction enterprise resident in another economy should be regarded as being done by a direct investment enterprise resident in the economy in which the work is being carried out if: i) production is maintained for one year or more, ii) a separate set of accounts is maintained for the local activities and iii) income tax is paid to the host country. About one-fourth of OECD countries and even fewer non-OECD countries apply this recommendation for construction enterprises that do not establish a separate legal corporation in the host country.

11. SIMSDI was also designed to provide standardised information on FDI reporting practices, data sources, and availability of geographical and industrial allocation of the data. The survey results indicate that, despite the progress of recent years, many countries still do not disseminate FDI data on a regular basis. For example, over 30 per cent of non-OECD countries do not report statistics to the IMF Statistics Department on direct investment in the reporting economy and more than one half of these countries do not report statistics on direct investment abroad. All OECD countries report FDI statistics to international organisations with the exception of one country which temporarily interrupted data reporting due to the implementation of the new balance of payment compilation system. FDI position data are disseminated by approximately three-quarters of the OECD countries but less than 30 per cent of the non-OECD countries report these data. When reporting data, two-thirds of OECD countries have two data dissemination cycles; the “most timely” FDI statistics are monthly or quarterly data usually available about 10 weeks after the end of the reference period while the “most comprehensive” FDI statistics are most often annual data disseminated between 30 to 52 weeks after the end of the reference period. Disseminated data are compiled using data sources that vary across the countries. Over half of the OECD countries rely on an international transactions reporting system (ITRS) for the “most timely” transactions data, while the “most comprehensive” transactions data are usually based on data collected from enterprise surveys. Non-OECD countries also rely largely on these two sources, although the information collected by exchange control and investment approval authorities represent the primary data source for 30 per cent of these countries. Geographical breakdowns of FDI data are available from most OECD countries, which bodes well for the bilateral exchange of the data. However, only about half of non-OECD countries compile FDI financial flows with geographical breakdowns.

12. The remaining 6 sections of the report describe the survey results on FDI data availability and sources, the application of the international methodological standards regarding the definition of direct investment enterprise and direct investor, the components of direct investment capital, the components and measurement of direct investment income, the valuation of FDI position data, and special types of direct investment relationships or transactions, that warrant mention.

Box 1. A note on the tables

The tables indicate the number of countries that follow a certain procedure or apply a specific methodology. The tables contain 7 rows; one for each of the 6 regions, corresponding to the country classification used in the IMF *International Financial Statistics* publication, plus one row for the total number of responding countries. The responses are additive vertically and show the total number of countries following a specific procedure. The number in brackets beside each region (OECD, Africa, Asia, Europe, Middle East and Western Hemisphere) represents the number of countries that responded to the section of the questionnaire used to build the table. The number in brackets may be higher than the number of responding countries included in one table cell as countries may not apply the described methodologies or not have responded to the question. Each table cell must be treated individually and the responses provided in one cell cannot be analysed in combination with responses provided in other cells of the same table row. Responses are only additive within a table cell, but not across a table row.

For example:

<table>
<tr><th rowspan="2">Region</th><th rowspan="2">Countries that apply the 10 per cent equity threshold</th><th rowspan="2">Countries that use a per cent of ownership different from the 10 per cent threshold</th><th colspan="2">Countries that apply the 10 per cent threshold but allow for a qualification to the threshold:</th></tr>
<tr><th>Countries that Include enterprises in which the investor has a voice in the management but owns less than 10 per cent of ordinary shares or voting power</th><th>Countries that Exclude enterprises in which the investor has no voice in the management but owns more than 10 per cent of ordinary shares or voting power</th></tr>
<tr><td>OECD (29)</td><td>21</td><td>5</td><td>8</td><td>4</td></tr>
<tr><td></td><td colspan="2">cell 1</td><td>cell 2</td><td>cell 3</td></tr>
</table>

A total number of 26 countries apply one of the two procedures described in cell 1, while 8 countries apply that of cell 2 and 4 countries that of cell 3.

5. Data

5.1 Data Availability

13. The *BPM5* and the *Benchmark* recommend that foreign direct investment statistics should be compiled as part of balance of payments and international investment position statistics. Consequently, countries are expected to collect and disseminate FDI data according to the standard components of *BPM5*: ***direct investment income, direct investment transactions*** and ***direct investment position***. The ***direct investment income*** component is broken into *income on equity* and *income on debt* while ***direct investment transactions*** are subclassified into *equity capital, reinvested earnings*, and *other capital* (intercompany

transactions). ***Direct investment position*** data are subdivided into *equity capital plus reinvested earnings* and *other capital.* Although some progress was achieved in the recent years as more and more countries properly record relevant international transactions according to *BPM5* recommendations, many countries still do not compile and report FDI data according to the standard *BPM5* components. Tables 1 to 3 show the number of countries that report FDI statistics to international organisations and indicate the periodicity of available data.

5.1.1 Reporting to International Organisations

***Table 1*. Data reporting to international organisations**
(by number of countries)

Region	Countries that report FDI statistics for the following components					
	Direct investment income		Direct investment financial flows		Direct investment position data	
	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)*	28	27	28	27	25	24
Africa (15)	11	12	13	10	5	4
Asia (13)	8	5	10	9	5	4
Europe (16)	13	11	14	11	9	8
Middle East (2)	1	2	-	1	-	-
West. Hem. (21)	21	5	20	5	4	1
Total (96)	**82**	**62**	**85**	**63**	**48**	**41**

* One OECD country temporarily interrupted data reporting to the international organisations due to the implementation of its new balance of payments system.

OECD Countries

14. The vast majority of the 29 OECD countries report FDI income and financial flows data to the IMF and/or OECD on a regular basis. However, Mexico only compiles and disseminates data for inward direct investment but does not report data for outward direct investment abroad. Also, fewer countries report direct investment position statistics, as 25 OECD countries disseminate these data.

Non-OECD Countries

15. Over 80 per cent of the 67 non-OECD countries report FDI statistics to the IMF, although many of these countries only report FDI income and financial flows data for inward direct investment. As a result, only half of non-OECD countries also report statistics for outward direct investment. This difference is particularly significant for Western Hemisphere countries. The majority of these countries rely on exchange controls or investment approval authorities as their primary data source for compiling FDI

statistics. Most investment approval authorities are concerned with direct investment in the reporting economy and, as a result, the compilers need to supplement this data source in order to collect information on outward investment. About one-third of non-OECD countries report position data to the Fund, and these reporters are mostly European non-OECD countries.

16. It is encouraging to observe that, of all the countries included in the survey analysis, 44 indicate that they have future plans to compile FDI position data, 27 for FDI income data and 23 for FDI financial flows.

5.1.2 Periodicity of Disseminated Equity Capital Data

17. Data dissemination refers to all the means by which data are made available to the public while the periodicity refers to the frequency of compilation of the data. The speed of dissemination of the data, or timeliness, is an important quality of statistical information. The timeliness is measured as the number of weeks, months or years after the end of the reference period (or the reference date for position data) and dissemination of the data. Because of the importance of providing timely data, many countries choose to collect and compile preliminary FDI data that can be released rapidly after the end of the reference period. Often, these countries later compile revised FDI statistics based on more comprehensive regularly available data sources. In SIMSDI these two sets of FDI statistics are referred to as the "most timely data"[5] and the "most comprehensive data"[6], respectively.

18. Tables 2 and 3 examine the periodicity of the "most timely" and the "most comprehensive" inward equity capital data disseminated by countries. It however should be noted that survey results also provide similar information for all the standard components of FDI statistics.

OECD Countries

19. Over 60 per cent of OECD countries disseminate their most timely FDI financial flows data on a monthly basis. With the exception of Hungary, Japan, Korea, Norway, Poland and Turkey, these are all European Union (EU) countries. The availability of monthly balance of payments data is among the requirements for accessing the European Monetary Union, which explains why so many European countries disseminate monthly FDI statistics. About two-thirds of OECD countries disseminate, in addition, a set of quarterly or annual "most comprehensive" transactions data. Whether they are disseminated on the basis of the "most timely" or "most comprehensive" data, position data are provided annually by over three-quarters of OECD countries that compile such data.

Non-OECD Countries

20. The periodicity of FDI transactions data vary substantially among non-OECD countries, although half of the respondents disseminate their "most timely" data with a quarterly periodicity, including a large number of Asian and European non-OECD countries. On the other hand, African and Western Hemisphere countries often compile and disseminate their most timely transactions data with an annual periodicity.

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5. ***Most timely data*** refer to the direct investment statistics first disseminated; that is with the shortest lapse of time between the end of the reference period (or the reference date) and dissemination of the data.

6. ***Most comprehensive data*** refer to the direct investment statistics disseminated and based on the most comprehensive regularly available data sources. These data may be preliminary and subject to revision.

***Table 2*. Periodicity of the "most timely" and "most comprehensive" equity capital transactions data for direct investment in the reporting economy**
(by number of countries)

Region	Periodicity of the most timely transactions data			Periodicity of the most comprehensive transactions data		
	Monthly	Quarterly	Annual	Monthly	Quarterly	Annual
OECD (29)	18	7	4	5	6	7
Africa (15)	2	3	7	2	-	4
Asia (13)	2	8	-	1	5	2
Europe (16)	5	9	2	2	7	2
Middle East (2)	-	1	1	-	-	1
West. Hem. (21)	1	8	10	-	3	11
Total (96)	**28**	**36**	**24**	**10**	**21**	**27**

***Table 3*. Periodicity of the "most timely" and "most comprehensive" equity capital position data for direct investment in the reporting economy**
(by number of countries)

Region	Periodicity of the most timely position data			Periodicity of the most comprehensive position data		
	Monthly	Quarterly	Annually	Monthly	Quarterly	Annually
OECD (29)	1	4	19	-	2	12
Africa (15)	-	1	4	-	1	2
Asia (13)	1	2	2	1	1	2
Europe (16)	-	5	4	-	4	4
Middle East (2)	-	-	-	-	-	-
West. Hem. (21)	-	2	2	-	-	1
Total (96)	**2**	**14**	**31**	**1**	**8**	**21**

As observed with OECD countries, about two-thirds of non-OECD countries also disseminate a set of “most comprehensive” transactions data that are in majority annual data. Position data disseminated by non-OECD countries are either quarterly or annual data.

5.1.3 Timeliness and Revision Policy

OECD Countries

21. In the OECD area, the availability of “most timely” data usually varies between 5 to 12 weeks after the end of the reference period. Only 3 countries, New Zealand, Ireland, and Belgium, need between 15 to 24 weeks after the end of the reference period to compile and disseminate their data. As expected, the most comprehensive data are available after a longer delay, which varies between 30 to 52 weeks. However, in about one-third of the countries, data are compiled always based on the same data sources. Hence there is only one set of data, although data are not final but are still subject to revisions.

22. Regarding revision policies, OECD countries have the longest delays before disseminating their final FDI data. About one-third of these countries require between 2 to 4 years before making available their final data. In the other extreme, about one-third provide final data within a year after the end of the reference period. The rest of OECD countries disseminate their final FDI data 1 to 2 years after the end of the reference period.

Non-OECD Countries

23. Most European non-OECD countries disseminate their FDI transactions data very rapidly, within 2 to 3 months after the end of the reference period. A large number of African and Asian countries take about one year for compiling and disseminating their FDI statistics, while Western Hemisphere countries most frequently take about 9 months. Non-OECD countries, on average, undertake a less extensive revision process than OECD countries and, as a result, provide their final data more rapidly. This is especially true of African countries as all these countries, except 3, provide their final FDI data within a year after the end of the reference period. In many African countries, this delay corresponds to the timeliness of the “most timely” data. Most European non-OECD and Western Hemisphere countries complete their revision process in 12 to 18 months after the end of the reference period. Finally, Asian countries most frequently require 2 years for providing final FDI data.

5.2 Data Sources

24. When compiling the “most timely” and the “most comprehensive” transactions data, the various sources used have an impact on the ability of the compilers to implement the international recommendations regarding FDI statistics. In most countries, compilers use several data sources. There are three major sources for FDI statistics: enterprise surveys, international transactions reporting systems

(ITRS)[7], and data from exchange control authorities or investment control authorities. The IMF *Balance of Payments Compilation Guide* reviews the advantages and disadvantages of these three main data sources[8].

5.2.1 Data Sources for Transactions Data

***Table 4*. Primary data sources for the "most timely" transactions data**
(by number of countries)

Region	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Other (published sources, bilateral sources, press reports)	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	12	11	18	18	2	-	-	-
Africa (15)	7	5	5	3	6	3	1	-
Asia (13)	6	6	5	3	3	1	-	1
Europe (16)	9	7	5	5	1	1	1	-
Middle East (2)	-	-	1	1	1	-	-	1
West. Hem. (21)	6	2	2	1	12	5	4	1
Total (96)	**40**	**31**	**36**	**31**	**25**	**10**	**6**	**3**

OECD Countries

25. Table 4 demonstrates that enterprise surveys and ITRS are the two primary data sources used by OECD countries for compiling the "most timely data". A very large proportion of EU countries rely on ITRS, while enterprise surveys are relatively more popular outside Europe. Japan and the Netherlands use both enterprise surveys and ITRS as primary data sources, while Korea and Turkey use both ITRS and data from exchange or investment control authorities, although this last data source is relatively unpopular in OECD countries. Table 5 shows that there is an important difference in the primary data sources used for the most comprehensive transactions data as compared to the most timely data; the majority of OECD countries rely on enterprise surveys instead of ITRS. This shift towards enterprise surveys could be explained by the requirement to produce reinvested earnings data, which is not possible when relying exclusively on an ITRS.

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7. An ITRS measures individual balance of payments cash transactions (passing through the domestic banks and foreign bank accounts of enterprises) and non-cash transactions and stock positions. Statistics are compiled from forms submitted to domestic banks and from forms submitted by enterprises to the compiler.

8. See IMF *Balance of Payments Compilation Guide* paras 696-698.

***Table 5*. Primary data sources for the "most comprehensive" transactions data**
(by number of countries)

Region	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Other (published sources, bilateral sources, press reports)	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	13	11	8	8	2	-	-	-
Africa (15)	6	5	2	-	6	3	-	-
Asia (13)	6	5	3	3	3	1	1	1
Europe (16)	9	4	3	3	2	1	1	-
Middle East (2)	-	-	1	1	1	1	-	-
West. Hem. (21)	4	3	1	1	13	5	-	3
Total (96)	**38**	**28**	**18**	**16**	**27**	**11**	**2**	**4**

Non-OECD Countries

26. When compiling most timely data, non-OECD countries largely rely on enterprise surveys as their primary data sources. However, over one-third of non-OECD countries use data from exchange control or investment approval authorities as the primary sources for compiling FDI data. This data source is commonly used by countries of the Western Hemisphere, as well as African countries.

5.2.2 Data Sources for Position Data

OECD Countries

27. The "most timely" position data are largely compiled using enterprise surveys, as only 3 OECD countries, as shown in Table 6, rely on an ITRS as compared to 19 that use enterprise surveys. Only 8 countries in the OECD area use the perpetual inventory method, accounting for exchange rate changes as well as price changes, when compiling the position data. These results highlight the difficulties associated to the measurement of position data based on a perpetual inventory method,[9] which is the only way to compile position data using an ITRS.

9 . ***Perpetual inventory method***: the process of deriving stocks from transactions data is known as the perpetual inventory method. Via this method, for which a stock estimate for some base point in time is required, the compiler may calculate the value of a stock at the end of a period as being equal to the value of the stock at the beginning of the period plus the impact of transactions and non-transactions changes in the value of the stock during the period.

***Table 6*. Primary data sources for the "most timely" position data**
(by number of countries)

Region	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Other (published sources, bilateral sources, press reports)	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	19	18	3	3	-	-	2	-
Africa (15)	4	3	1	1	2	1	-	1
Asia (13)	7	5	2	3	3	1	1	2
Europe (16)	7	5	2	1	1	-	-	-
Middle East (2)	-	-	1	1	1	1	-	-
West. Hem. (21)	3	1	-	-	5	3	3	2
Total (96)	**40**	**32**	**9**	**9**	**12**	**6**	**6**	**5**

***Table 7*. Primary data sources for the "most comprehensive" position data**
(by number of countries)

Region	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Other (published sources, bilateral sources, press reports)	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	12	12	1	1	-	-	-	-
Africa (15)	4	4	1	1	2	1	-	1
Asia (13)	6	5	3	2	3	1	2	1
Europe (16)	6	7	1	1	1	-	-	-
Middle East (2)	-	-	1	1	1	1	-	-
West. Hem. (21)	2	2	-	-	5	3	1	2
Total (96)	**30**	**30**	**7**	**6**	**12**	**6**	**3**	**4**

Non-OECD Countries

28. As indicated by the results of Tables 6 and 7, non-OECD countries also largely rely on enterprise surveys for compiling FDI position data. For these countries, data from exchange control or investment approval authorities remain the second most frequently used data source.

5.3 Geographical and Industrial Allocation

5.3.1 Availability of Geographical and Industrial Breakdowns

29. The SIMSDI results also provide information on the types of geographical and industrial breakdowns of FDI statistics and the level of details available in each country. These breakdowns correspond to the details included in the statistical questionnaire of OECD/EUROSTAT[10] designed for data collection by these institutions.

OECD Countries

30. Table 8 indicates that over 85 per cent of OECD countries can provide geographical breakdowns of FDI financial flows and that about three-quarters can provide geographical breakdowns of FDI position data. This bodes well for the bilateral exchange of the data. Information on industrial breakdowns is almost as commonly available, as shown in Table 9. Many OECD countries can provide such breakdowns, unless they are related to income flows. However, fewer countries can provide information on both industrial and partner country breakdowns taken together.

***Table 8*. Availability of geographical breakdowns of FDI income, financial flows and position data**
(by number of countries)

Region	Countries compiling geographical breakdowns of FDI:					
	Income		Financial flows		Position data	
	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	23	22	25	22	22	19
Africa (15)	6	4	7	7	3	3
Asia (13)	8	5	6	7	5	7
Europe (16)	5	5	10	7	7	6
Middle East (2)	-	-	-	-	-	-
West. Hem. (21)	5	3	9	4	4	1
Total (96)	**47**	**39**	**57**	**47**	**41**	**36**

10. EUROSTAT: Statistical office of the European Communities.

***Table 9*. Availability of industrial breakdowns of FDI income, financial flows and position data**
(by number of countries)

Region	Countries compiling industrial breakdowns of FDI:					
	Income		Financial flows		Position data	
	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	15	14	21	18	21	18
Africa (15)	4	2	7	5	2	1
Asia (13)	4	4	7	5	5	4
Europe (16)	3	2	6	4	6	5
Middle East (2)	-	-	-	-	-	-
West. Hem. (21)	6	1	10	4	4	1
Total (96)	**32**	**23**	**51**	**36**	**38**	**29**

Non-OECD Countries

31. A significantly lower proportion of non-OECD countries can provide geographical breakdowns of FDI transactions or position data. Less than half of non-OECD countries compile FDI financial flows data by country and just over one-quarter can provide FDI position data by countries.

5.3.2 Geographical Allocation of FDI Data

32. The principle used for the geographical allocation of FDI transactions will have, all other things being equal, an important impact on the bilateral comparison of the data. Countries may allocate FDI transactions to the country to which the funds are paid to or received from, even if this is not the country of the direct investment enterprise or direct investor; this allocation principle is referred to as the *transactor principle*. On the other hand, the geographical allocation could be based on the country of the direct investment enterprise or direct investor, even if the amounts paid or received are to or from another country; this is known as the *debtor/creditor principle*. Although there are no definite recommendations regarding the regional allocation of FDI transactions, the *BPM5* recommends that position data be allocated in respect of the *debtor/creditor principle*. Consequently, countries that allocate FDI transactions in respect of the *transactor principle* would need a reconciliation item to bridge the difference between the regional balance of payments entries and the position data. Equally important, the allocation of position data might vary considerably depending on whether the geographical allocation is based on the immediate host or investing country or on the ultimate host or investing country. The *BPM5* and the *Benchmark* recommend that position data be allocated in respect of the immediate host or investing country, although the *Benchmark* also recommends that separate accounts be maintained based on the country of ultimate ownership.

***Table 10*. Allocation of geographical FDI transactions data**
(by number of countries)

Region	Countries compiling geographical breakdowns in respect of the:			
	Debtor/creditor principle		Transactor principle	
	Inward	Outward	Inward	Outward
OECD (29)	18	16	9	9
Africa (15)	5	5	3	4
Asia (13)	5	3	2	2
Europe (16)	7	6	1	-
Middle East (2)	-	-	-	-
West. Hem. (21)	8	4	4	2
Total (96)	**43**	**34**	**19**	**17**

***Table 11*. Allocation of geographical FDI position data**
(by number of countries)

Region	Countries compiling geographical breakdowns in respect of the:			
	Immediate host/investing country		Ultimate host/investing country	
	Inward	Outward	Inward	Outward
OECD (29)	24	21	7	5
Africa (15)	1	1	-	-
Asia (13)	7	3	-	-
Europe (16)	8	6	2	2
Middle East (2)	-	-	-	-
West. Hem. (21)	4	4	2	2
Total (96)	**44**	**35**	**11**	**9**

OECD Countries

33. Over 60 per cent of OECD countries allocate geographical breakdowns of transactions data in respect of the debtor/creditor principle, avoiding the need for a reconciliation item between balance of payments entries and position data. However, almost a third of OECD countries use the transactor principle for the regional allocation of FDI transactions. Most of these countries rely on an ITRS, showing the limitations of a settlement based system for the regional allocation of FDI transactions. Table 11 indicates

that OECD countries follow the recommendation for the allocation of position data, as these data are allocated in respect of the immediate host/investing country by the 24 countries that compile position data. All 5 countries that compile position data in respect of the ultimate host/investing country also compile these data in respect of the immediate host/investing country, as recommended by the international manuals.

Non-OECD Countries

34. About 70 per cent of non-OECD countries compile geographical breakdowns of transactions data in respect of the debtor/creditor principle. As observed for OECD countries, the recommendation regarding the regional allocation of position data is largely implemented by non-OECD countries. Among the 4 countries that compile position data in respect of the ultimate host/investing country, 2 countries also compile this information in respect of the immediate host/investing country.

6. Definition of Direct Investment Enterprise and Direct Investor

35. The *Benchmark* and the *BPM5* define the concept of foreign direct investment as international investment by a resident entity in one economy in an enterprise resident in another economy with the objective of obtaining a lasting interest. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction establishing the relationship between the two entities and all subsequent transactions between them and among affiliated enterprises, both incorporated and unincorporated.

36. The *Benchmark* and the *BPM5* define a direct investment enterprise as an incorporated or unincorporated enterprise in which a direct investor, who is resident of another economy, has 10 per cent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). The direct investor is an individual, an incorporated or unincorporated private or public enterprise, a government, associated groups of individuals or enterprises that has a direct investment enterprise in an economy other than those in which the direct investors reside. The numerical guideline of ownership of 10 per cent of ordinary shares or voting stock determines the existence of a direct investment relationship.

37. Although the 10 per cent equity threshold is specified in the *Benchmark* and *BPM5*, some countries choose to allow for two types of qualifications to the numerical guideline. First, if a direct investor owns less than 10 per cent of an enterprise but has an effective voice in the management, the transactions between the investor and the enterprise is then included in direct investment statistics. Second, if the investor owns 10 per cent or more, but does not have an effective voice in management, the enterprise is excluded from the statistics. The application of these two qualifications is not recommended by the *Benchmark* and *BPM5*.

38. The next two sections examine the extent to which countries adhere to the international standards for the identification of direct investment enterprises and direct investors resident of the reporting economy, while the third section examines how various countries account for indirectly owned direct investment enterprises in FDI statistics.

6.1 Identification of Direct Investment Enterprises

***Table 12*. The definitions applied for the identification of direct investment enterprises resident in the reporting economy**
(by number of countries)

Region	Countries that apply the 10 per cent equity threshold	Countries that use a per cent of ownership different from the 10 per cent threshold	Countries that apply the 10 per cent threshold but allow for a qualification to the threshold:		Countries that apply a value threshold when identifying FDI enterprises	Countries that apply a differing treatment for incorporated and unincorporated enterprises
			Countries that Include enterprises in which the investor has a voice in the management but owns less than 10 per cent of ordinary shares or voting power	Countries that exclude enterprises in which the investor has no voice in the management but owns more than 10 per cent of ordinary shares or voting power		
OECD (29)	24	6	7	2	4	3
Africa (15)	11	2	2	0	-	-
Asia (13)	10	2	-	0	1	-
Europe (16)	14	2	3	-	3	1
Middle East (2)	2	-	-	-	1	-
West. Hem. (21)	16	1	2	1	1	1
Total (96)	**77**	**13**	**14**	**3**	**10**	**5**

OECD Countries

39. More than three quarters of OECD countries apply the 10 per cent equity threshold for the identification of direct investment enterprises resident in the reporting economy. 24 OECD countries use

the 10 per cent threshold, while the 3 countries that currently use a different per cent of ownership (Germany, Italy and New Zealand) are in the process of implementing the 10 per cent criterion. Remaining countries do not rely on a pre-determined percentage of foreign ownership for the identification of resident direct investment enterprises. For example, the Netherlands uses a lasting interest in an enterprise and influence on policy making as the criterion to identify a resident direct investment enterprise. There are 7 countries that apply one of the two qualifications to the 10 per cent rule that involve a degree of judgement. Belgium, Hungary, Japan, Mexico, Norway, Poland (until 1997) and Switzerland include in FDI statistics the transactions between a resident enterprise and its direct investor when the investor has an effective voice in management, although the investor does not own 10 per cent or more of the enterprise. Another qualification to the threshold, not shown in Table 12, is applied by Portugal. When the total foreign ownership in a resident enterprise is greater than a certain percentage, the transactions between the enterprise and its foreign investors are recorded in FDI, even though no single investor owns 10 per cent or more of the enterprise. The threshold of total foreign ownership used in Portugal is 20 per cent.

40. Only 4 of the 29 OECD countries apply a value threshold when identifying inward direct investment enterprises. Three countries include only enterprises with a total balance sheet value higher than a pre-determined threshold, while 2 countries request detailed information for transactions for which values are higher than a pre-determined threshold. Finally, 3 countries apply a differing treatment when identifying incorporated and unincorporated direct investment enterprises. The Netherlands capture only flows from unincorporated enterprises and would not record position data for these enterprises while the Belgium FDI survey does not include unincorporated enterprises. As the law does not allow foreigners to establish unincorporated enterprises in Turkey, these enterprises are not covered in the statistics.

Non-OECD Countries

41. About 80 per cent of non-OECD countries apply the 10 per cent threshold for the identification of direct investment enterprises resident in the reporting economy. Seven countries use a different threshold and apply a percentage of foreign ownership that normally varies between 20 and 25 per cent for the identification of a resident direct investment enterprise. There are 7 countries that do not apply a percentage of foreign ownership to identify a resident direct investment enterprise. Most of these countries rely on data provided by the investment approval authorities for the collection of their FDI statistics and include any resident enterprises in which non-residents own equity capital providing them with a voice in management. Seven non-OECD countries that apply the 10 per cent criterion include transactions between a resident enterprise and its direct investor when the investor owns less than 10 per cent but has an effective voice in management while 1 country excludes from the FDI statistics transactions of enterprises in which the direct investor has no effective voice in the management. Finally, 6 of the 67 non-OECD countries apply a value threshold when identifying a direct investment enterprise, and 2 countries apply a differing treatment for the identification of incorporated and unincorporated direct investment enterprise.

6.2 Identification of Direct Investors

OECD Countries

42. For OECD countries, the survey results on the application of the recommendations for the identification of direct investors resident in the reporting economy are similar to those obtained for the identification of resident direct investment enterprises, except for Mexico, which does not compile outward FDI statistics. 21 countries apply the 10 per cent equity threshold, while 4 countries (Germany, Italy,

***Table 13*. The definitions applied for the identification of direct investors resident in the reporting economy**
(by number of countries)

Region	Countries that apply the 10 per cent equity threshold	Countries that use a per cent of ownership different from the 10 per cent threshold	Countries that apply the 10 per cent threshold but allow for a qualification to the threshold:		Countries that apply a value threshold when identifying FDI enterprises	Countries that apply a differing treatment for incor-porated and unincor-porated enterprises
			Countries that include enterprises in which the investor has a voice in the management but owns less than 10 per cent of ordinary shares or voting power	Countries that exclude enterprises in which the investor has no voice in management but owns more than 10 per cent of ordinary shares or voting power		
OECD (29)	21	5	8	4	4	2
Africa (12)	10	-	-	3	-	-
Asia (11)	5	3	-	-	2	-
Europe (14)	12	1	-	1	2	1
Middle East (2)	1	-	-	-	-	-
West. Hem. (7)	6	1	2	2	2	-
Total (75)	**55**	**10**	**10**	**10**	**10**	**3**

Korea and New Zealand) apply a percentage of equity ownership that varies between 20 and 25 per cent to identify a resident direct investor. The Netherlands apply the notion of lasting interest and influence on policy making in the direct investment enterprise. There are 8 OECD countries that include in FDI statistics transactions between resident direct investors and affiliated non-resident enterprises when investors have an effective voice in the management although they own less than 10 per cent of the enterprise. Canada and Korea exclude from FDI statistics resident direct investors that own 10 per cent or more but do not have an effective voice in the management of the direct investment enterprise. Four OECD countries apply a value threshold for the identification of direct investors; they exclude from the statistics transactions for which the value is below a certain threshold, or for which the total net asset value of the participation in the enterprise abroad is below a pre-determined threshold. Finally, 2 OECD countries apply a differing treatment when identifying incorporated and unincorporated direct investors.

Non-OECD Countries

43. About 70 per cent of non-OECD countries apply the 10 per cent equity threshold to identify a direct investor in the resident economy. This proportion is calculated based on the 46 countries that compile outward FDI statistics. The majority of the 12 countries that do not apply the 10 per cent equity threshold rely on data from investment approval authorities or an international transactions reporting system. Only 4 of these 12 countries apply a percentage of ownership, which varies between 20 and 25%, to identify a resident direct investor. Two non-OECD countries include investors that have an effective voice in the management of the direct investment enterprise although they do not own 10 per cent or more of equity participation, while 6 non-OECD countries exclude investors that own 10 per cent or more of a non-resident enterprise but do not have an effective voice in the management. Six of the 46 non-OECD countries apply a value threshold when identifying a direct investor and one country applies a differing treatment of incorporated and unincorporated direct investors.

6.3 Indirectly Owned Direct Investment Enterprises

44. Direct investment enterprises include those entities that are:

- subsidiaries (a non-resident investor owns more than 50 per cent);
- associates (a non-resident investor owns between 10 and 50 per cent); and
- branches (unincorporated enterprises wholly or jointly owned by a non-resident investor) of the direct investor.

A direct investment relationship is established when a direct investor either directly or indirectly owns a direct investment enterprise. As a result, once the 10 per cent “across-the border” direct investment link is achieved with an enterprise, certain other enterprises related “down the line” to the first enterprise will also be regarded as direct investment enterprises. Hence, the definition of direct investment enterprise extends to:

- branches and subsidiaries of subsidiaries of a direct investor (that is, a subsidiary of a non-resident investor owns more than 50 per cent);
- enterprises in which subsidiaries of a direct investor have equity participation between 10 and 50 per cent (i.e. non-resident associates); and
- subsidiaries of non-resident associates of a direct investor.

45. Moreover, direct investment enterprises that are considered to be in a direct investment relationship with a direct investor are also considered to be in direct investment relationships with each other. The OECD *Benchmark Definition* and the *Balance of Payments Compilation Guide* describe the scope of both directly and indirectly owned enterprises that, in principle, should be included in the definition of direct investment. For convenience, this approach is referred to as the *Fully Consolidated System* (FCS).

***Table 14*. Countries that take account of indirectly owned FDI enterprises in their statistics**
(by number of countries)

Region	Countries that include earnings data of indirectly owned FDI enterprises	Countries that classify all equity and other capital transactions within a group of related enterprises as FDI without consideration of the per cent of equity held by these enterprises in each other	Countries that apply the Fully Consolidated System	
			Partially	Fully
OECD (29)	13	13	12	10
Africa (15)	6	5	5	3
Asia (13)	4	4	6	1
Europe (16)	5	6	7	1
Middle East (2)	1	1	1	-
West. Hem. (21)	6	2	12	-
Total (96)	**35**	**31**	**43**	**15**

OECD Countries

46. There are 22 OECD countries which indicate that they take account of indirectly owned direct investment enterprises in their statistics, although the types of transactions recorded and the procedures for determining the coverage of indirectly owned FDI enterprises vary considerably from one country to another. There are 13 OECD countries that endeavour to include earnings of indirectly owned direct investment enterprises in the FDI statistics. There are also 13 OECD countries that include all equity and other capital transactions between resident and non-resident enterprises that belong to the same group of related enterprises in the FDI statistics. These transactions refer to those other than the ones between the immediate direct investment enterprise and the immediate direct investor and they are often referred to as transactions between “fellow” subsidiaries. The international manuals recommend that equity and other capital transactions between enterprises that belong to the same group of related enterprises be classified as FDI transactions, without consideration of the per cent of equity held by these enterprises in each other. Although most OECD countries try to apply the general guidelines of the FCS, detailed information on country practices will require further investigation. Therefore, information in Table 14 will have to be used with some caution.

Non-OECD Countries

47. A significant number of non-OECD countries attempt to include transactions with indirectly owned FDI enterprises in the statistics. There are 22 non-OECD countries that endeavour to include in their earnings data the relevant share of earnings of indirectly owned FDI enterprises, while 18 record transactions between resident and non-resident enterprises that belong to the same group of related enterprises as FDI transactions. However, many of these countries have data collection systems that are not very well developed and that often rely on data provided by investment approval authorities. Of the 36 countries that apply the general guidelines of the FCS, only 5 say that they fully apply the rules of the FCS.

7. Direct Investment Capital Transactions

48. Direct investment capital is the capital provided by the direct investor - either directly or through other enterprises related to that investor - to the direct investment enterprise, or it is the capital received by the direct investor from the direct investment enterprise. Direct investment capital includes equity capital, reinvested earnings, and other capital involved in various intercompany debt transactions. Direct investment capital includes only the amounts provided; for example, funds for which the direct investor merely makes the arrangements or guarantees repayment are not considered direct investment capital.

7.1 Components of Direct Investment Capital Transactions

49. Equity capital covers equity in branches, shares (whether voting or nonvoting) in subsidiaries and associates, and other capital contribution like the provision of machinery - which constitutes part of the capital of the direct investment enterprise - by a direct investor to a direct investment enterprise. Equity capital also covers the acquisition by a direct investment enterprise of shares in its direct investor. However, non-participating preference shares are not part of equity capital but are treated as debt securities and included under other direct investment capital.

50. Reinvested earnings are the direct investors' shares (in proportion to equity held) of the undistributed earnings of the direct investment enterprises. They are conceived of as providing additional capital to the direct investment enterprises. Reinvested earnings are recorded as income with an offsetting capital transaction.

51. Other capital (or inter-company debt transactions) covers the borrowing and lending of funds, including debt securities and trade credits, between direct investors and direct investment enterprises and between two direct investment enterprises that share the same direct investor. Debt claims on the direct investor by the direct investment enterprise are also recorded as direct investment capital.

7.1.1 Equity Capital Transactions

OECD Countries

52. All OECD countries except one include transactions in voting and non-voting stocks between a direct investor and its direct investment enterprise as part of FDI statistics. Over three-fourths of the respondents also include the measurement of reinvested earnings in FDI, while non-cash acquisition of equity, such as through the provision of capital equipment, is included in the statistics of about two-thirds of OECD countries.

***Table 15*. The components of FDI equity capital transactions included in the statistics**
(by number of countries)

Region	Countries that include in their FDI equity capital transactions		
	Transactions in voting and non-voting stocks	Reinvested earnings	Non-cash acquisition of equity
OECD (29)	28	23	19
Africa (15)	6	6	7
Asia (13)	7	9	7
Europe (16)	11	9	13
Middle East (2)	2	2	2
West. Hem. (21)	10	18	18
Total (96)	**64**	**67**	**66**

Non-OECD Countries

53. Just over half of non-OECD countries include transactions in listed or unlisted voting stocks or other non-voting stocks in FDI statistics. This is a surprising result as many of these countries report FDI equity capital flows to the IMF Statistics Department for inclusion in the *Balance of Payments Statistics Yearbook*. Many non-OECD economies have very small or non-existent organised stock markets and do not include in FDI statistics transactions in listed voting stocks, but these countries often include equity capital participation by non-residents in resident enterprises, such as the purchase of enterprises. However, many of the countries that report FDI equity capital flows to the IMF Statistics Department did not indicate in their survey responses that transactions in unlisted voting stocks or other non-voting stocks were recorded in FDI statistics. There could have been a misunderstanding by some respondents on the actual meaning of “stocks” which was intended to include any holding of shares or equity in an incorporated enterprise. Two-thirds of non-OECD countries include data on reinvested earnings, while over 70 per cent record non-cash acquisition of equity in the FDI statistics. The large number of countries recording non-cash acquisition of equity could be linked to the fact that many non-OECD countries rely on investment approval authorities for the collection of the FDI statistics. This administrative data source often provides information on the provision of capital equipment registered for approval. However, there could be significant time lags between approval and actual investment and some of these approved investments may never take place.

7.1.2 Other Capital Transactions

***Table 16*. The components of FDI other capital transactions included in the statistics**
(by number of countries)

Region	Countries that include in their FDI other capital transactions:				
	Long-term loans	Short-term loans	Financial leasing	Trade credits	Bonds and money market instruments
OECD (29)	25	23	13	17	14
Africa (15)	8	8	4	7	4
Asia (13)	10	10	4	7	3
Europe (16)	14	12	6	10	4
Middle East (2)	-	-	-	-	-
West. Hem. (21)	13	10	3	12	1
Total (96)	**70**	**63**	**30**	**53**	**26**

OECD Countries

54. Table 16 shows that the coverage of the various debt instruments used in the transactions between affiliated enterprises varies considerably among OECD countries. Around 85 per cent of OECD countries record long-term loans between affiliated enterprises in their FDI statistics, while almost 80 per cent of OECD countries report short-term loans. However, other inter-company debt flows, such as financial leasing, trade credits, and bonds and money instruments, are not as well covered in the FDI statistics. About half of OECD countries record transactions in bonds and money market instruments between affiliated enterprises in FDI statistics; this proportion is based on 24 countries, excluding the 5 countries which indicated that these transactions would never occur in their economy.

Non-OECD Countries

55. About one-third of non-OECD countries do not include long-term loans between affiliated enterprises in FDI statistics, while around 40 per cent of them do not include short-term loans. Very few non-OECD countries include transactions in bonds and money market instruments between affiliated enterprises as FDI transactions, although half of non-OECD countries reported that such transactions never occur in their economy. This means that about one-third of countries that observe these flows record them as FDI. Just under half of non-OECD countries do not include trade credits between affiliated enterprises, while only 17 countries compile information on financial leasing operations between affiliated enterprises in FDI.

7.1.3 Transactions of Financial Intermediaries

56. The *Benchmark* and the *BPM5* recommend that, for intercompany transactions between affiliated banks and affiliated financial intermediaries, only those transactions associated with permanent debt and equity capital should be recorded under FDI. Deposits and other claims and liabilities related to usual banking transactions of depository institutions and claims and liabilities of other financial intermediaries are classified under *portfolio investment* or *other investment*.

***Table 17*. Transactions between affiliated banks and affiliated financial intermediaries**
(by number of countries)

Region	Countries that record in FDI the transactions between affiliated banks for:			Countries that record in FDI the transactions between affiliated financial intermediaries for:		
	Equity capital	Permanent debt	Other claims and liabilities related to usual banking transactions	Equity capital	Permanent debt	Claims and liabilities related to transactions other than those on equity and permanent debt
OECD (29)	25	18	1	25	19	6
Africa (16)	5	4	4	4	3	3
Asia (13)	7	6	3	8	5	1
Europe (16)	14	8	5	8	6	4
Middle East (3)	2	0	1	2	-	1
West. Hem. (21)	16	12	10	13	2	8
Total (96)	**69**	**48**	**24**	**60**	**35**	**23**

OECD Countries

57. For equity capital transactions between affiliated banks, the recommendations of the international manuals are followed by most OECD countries. Belgium and Turkey do not record any transactions between affiliated banks in FDI, while three countries indicated that these transactions do not occur in their economy. However, transactions associated with permanent debt between affiliated banks are excluded from the FDI statistics of 7 OECD countries (Austria, Belgium, Denmark Luxembourg, Mexico, Norway and Turkey) while these transactions reportedly do not occur in the Czech Republic, Iceland and Korea. New Zealand includes other long-term banking transactions -- other than those included in equity capital and permanent debt -- under direct investment, if conducted between related institutions, while all short-term banking transactions are recorded under *other investment*. Overall, very similar results are obtained when transactions between affiliated financial intermediaries are considered, except that 5 OECD countries classify claims and liabilities related to transactions other than those on equity capital and permanent debt of affiliated financial intermediaries as FDI, which is a departure from the international standards.

Non-OECD Countries

58. About two-thirds or 44 non-OECD countries include equity capital transactions between affiliated banks in the FDI statistics while one-third, contrary to international standards, include usual banking transactions between affiliated banks in the FDI statistics. Transactions in equity capital between affiliated financial intermediaries are included in the FDI statistics of approximately 50 per cent of the non-OECD countries, while 25 per cent of the countries, contrary to international standards, classify claims and liabilities related to transactions other than those on equity capital and permanent debt of affiliated financial intermediaries in the FDI statistics.

7.2 Instances of Reverse Investment

59. Reverse investment transactions relate to circumstances where a direct investment enterprise has acquired a financial claim on its direct investor. The *Benchmark* and the *BPM5* recommend that, for the economy of the direct investment enterprise, the acquisition of financial assets by direct investment enterprises in foreign direct investors should be recorded as "*direct investment in reporting economy, claims on direct investors*" in the instances when the equity participation by the direct investment enterprise in its direct investor is not sufficient to establish a direct investment relationship in its own right. Symmetrically, for the economy of the direct investor, these transactions with foreign direct investment enterprises should be recorded as "*direct investment abroad, liabilities to affiliated enterprises*". These reverse investment transactions are recorded on a directional basis, based on the direction of the direct investment relationship.

60. In the instances when the equity participation is at least 10 per cent in both directions, two direct investment relationships are established. Equity and other capital transactions between enterprises that have direct investment relationships in both directions are recorded as direct investment claims and liabilities in both directions; that is, as *direct investment in reporting economy* and as *direct investment abroad*, as appropriate. These transactions are recorded on the asset-liability principle; all assets are recorded as *direct investment abroad* and all liabilities as *direct investment in the reporting economy.*

61. Tables 18 and 19 show how countries record the acquisition of equity capital and the provision of a loan by a direct investment enterprise resident of the reporting economy into its direct investor, when the FDI relationship is in one direction only (Table 18) and when two direct investment relationships exist (Table 19).

7.2.1 Reverse Investment as Disinvestment by the Direct Investor

OECD Countries

62. When the acquisition of equity capital by a resident direct investment enterprise in its direct investor is not sufficient to establish a direct investment relationship in both directions, only 5 OECD countries follow the international recommendations and record such transactions based on the directional principle as *direct investment in the reporting economy*. On the other hand, 3 countries record these transactions according to the asset-liability principle as *direct investment abroad*. In about half of the instances, reverse equity capital transactions are classified as *portfolio investment*.

63. In the instances when the FDI relationship is in one direction only, the provision of a loan by the resident direct investment enterprise to its direct investor is recorded according to the international standards by 11 OECD countries. Of these 11 countries, 9 record such transactions as *direct investment in reporting economy, increase in claims on direct investors*, while 2 countries record the transactions as

direct investment in reporting economy, decrease in liabilities to direct investors. Such classifications mean that these transactions are treated as disinvestment flows, according to the international recommendations. Contrary to international standards, 5 OECD countries apply the asset-liability principle and 5 countries record these transactions as *other investment* and not in the FDI statistics.

***Table 18*. Reverse investment: investment by a resident direct investment enterprise in its direct investor when the FDI relationship is established in one direction only**
(by number of countries)

Region	Countries that record the acquisition of equity by the direct investment enterprise in its investor according to the:				Countries that record the provision of a loan by the direct investment enterprise to its investor according to the:			
	Directional principle, as:		Asset-liability principle	As portfolio but not in FDI statistics	Directional principle, as:		Asset-liability principle	As other invest-ment but not in FDI statistics
	Increase in claims	Decrease in liabilities			Increase in claims	Decrease in liabilitie s		
OECD (23)	4	1	3	13	9	2	5	5
Africa (7)	3	-	2	2	2	-	2	2
Asia (9)	2	1	2	4	2	1	2	4
Europe (11)	4	0	1	4	4	1	2	3
Middle East (1)	-	-	-	1	-	-	-	1
West. Hem. (15)	2	1	3	9	1	2	1	11
Total (64)	15	3	11	33	18	6	12	26

Non-OECD Countries

64. For non-OECD countries, the response rate to the questions on reverse investment was only about 60 per cent of the response rate normally recorded for most questions in the survey. A few respondents indicated that such transactions never occur in their economy, or that their data collection system would not capture them. Thirteen non-OECD countries classify instances of reverse equity capital investment by resident direct investment enterprises on a directional basis, according to the international standards. Eight countries follow the asset-liability principle and record these reverse investment transactions as *direct investment abroad*, instead of recording such transactions as disinvestment in *direct investment in reporting economy*. Twenty countries report the instances of reverse equity capital transactions as *portfolio investment* and not in the FDI statistics. The results obtained in the instances of reverse loan transactions are almost identical to these observed for reverse transactions in equity capital.

7.2.2 Reverse Investment as Direct Investment Abroad

***Table 19*. Reverse investment: investment by a resident direct investment enterprise in its direct investor, when two FDI relationships are established**
(by number of countries)

Region	Countries that record equity capital transactions between enterprises for which two FDI relationships are established according to the:			Countries that record other capital (loan) transactions between enterprises for which two FDI relationships are established according to the:		
	Asset-liability principle	Directional principle, as: (based on the direction of the original FDI relationship)		Asset-liability principle	Directional principle, as: (based on the direction of the original FDI relationship)	
		Increase in claims	Decrease in liabilities		Increase in claims	Decrease in liabilities
OECD (22)	21	-	1	16	3	3
Africa (7)	3	2	2	2	1	2
Asia (10)	4	4	2	3	4	1
Europe (10)	10	-	-	7	1	-
Middle East (1)	1	-	-	1	-	-
West. Hem. (17)	6	10	1	3	7	1
Total (69)	**45**	**16**	**6**	**32**	**16**	**7**

OECD Countries

65. In the OECD area, 21 countries follow the international recommendations and record the equity capital flows from a resident direct investment enterprise in its direct investor based on the asset-liability principle, that is as *direct investment abroad*, when the equity participation by the direct investment enterprise in its direct investor is sufficient to create a direct investment relationship in both directions. Only one country records these flows according to the directional principle in *direct investment in the reporting economy*, which is a departure from the international standards. The provision of a loan by the direct investment enterprise to its direct investor is recorded by 16 OECD countries that classify these transactions appropriately based on the asset-liability principle in the instances when two direct investment relationships are established. Six countries apply the directional principle and, contrary to international standards, record the provision of a loan by a resident direct investment enterprise in its direct investor as *direct investment in the reporting economy* as an offset to capital invested by the direct investor.

Non-OECD Countries

66. Twenty-four non-OECD countries follow the international standards and record reverse equity capital transactions on the asset-liability principle when two direct investment relationships are established. However, 21 countries record these transactions on a directional principle; for example, in the instances when the acquisition of equity by a direct investment enterprise resident of the reporting economy in its foreign direct investor is sufficient to establish a direct investment relationship in its own right, such

transactions are recorded as *direct investment in reporting economy,* which is a departure from the international standards. A smaller number of non-OECD countries responded to the question on reverse loans, as fewer non-OECD countries record transactions on inter-company debt in the FDI statistics. Sixteen non-OECD countries classify the provision of a loan by a resident enterprise to a non-resident enterprise that has a direct investment relationship in both directions on the assets-liabilities principle. Seventeen countries record these reverse loan transactions on the directional principle, while many non-OECD countries classify the provision of a loan by a resident enterprise that has a direct investment relationship in both directions with its direct investor as *other investment* and not in the FDI statistics.

8. Direct Investment Income

8.1 Components of Direct Investment Income

67. The components of FDI income comprise dividends and distributed branch profits, reinvested earnings and income on debt. The dividends include all dividends declared payable in the period to the direct investor less dividends declared payable by the direct investor to the direct investment enterprise. Reinvested earnings and undistributed branch profits comprise the direct investors' shares - in proportion to equity held - of (1) earnings that foreign subsidiaries and associated enterprises do not distribute as dividends and (2) earnings that branches and other unincorporated enterprises do not remit to direct investors. The income on debt is the interest accrued during the period by the enterprise to the direct investor, less the interest accrued during the period by the direct investor to the enterprise.

***Table 20*. The components of FDI income included in the statistics**
(by number of countries)

Region	Countries that include in their FDI income statistics:					
	Dividends		Reinvested earnings		Income on debt	
	Inward	Outward	Inward	Outward	Inward	Outward
OECD (29)	27	26	22	20	22	21
Africa (15)	10	8	6	5	5	5
Asia (13)	10	6	9	5	7	6
Europe (16)	14	10	9	7	9	8
Middle East (2)	2	2	2	1	1	1
West. Hem. (21)	19	12	18	13	15	1
Total (96)	**82**	**64**	**66**	**51**	**59**	**42**

OECD Countries

68. The majority of OECD countries (27) compile dividends payments by direct investment enterprises resident in the reporting economy (inward) while 26 countries compile dividends receipts by direct investors resident in the reporting economy (outward). Distributed branch profits are also compiled

by most OECD countries, as only 7 countries do not include these statistics in their FDI income data. At least 20 OECD countries include reinvested earnings, both for inward and outward FDI, in the direct investment income statistics. Belgium and Italy currently do not measure reinvested earnings but have indicated plans to start the collection of these data soon. The other countries that do not collect data on reinvested earnings are Austria, the Czech Republic, Hungary, Korea and Spain, while Mexico and Turkey only collect reinvested earnings data on inward direct investment. Just over two-thirds of OECD countries compile interest on inter-company loans and debt as FDI income, while three countries (France, Belgium and Turkey) record this income as *other investment income* instead of FDI income.

Non-OECD Countries

69. Over 80 per cent of non-OECD countries compile dividends for inward FDI, but only about half include dividends receipts by a resident direct investor in FDI income. A similar situation is portrayed for the measurement of reinvested earnings, as over two-thirds of non-OECD countries compile these statistics for inward investment, while less than half do the same for outward FDI. Many countries, including China, the Philippines, Thailand, Russia, and the Bahamas do not include reinvested earnings in their FDI statistics. Only about half of non-OECD countries include the income on inter-company debt in FDI statistics. Although over 70 per cent of the Western Hemisphere countries record the income payments related to inter-company debts for direct investment in the reporting economy, only 1 country (Costa Rica) compiles these income flows for outward FDI.

8.2 Measurement of Earnings

70. In measuring earnings, the *Benchmark* and the *BPM5* recommend that the compilers use the *Current Operating Performance Concept* (COPC), where earnings of an enterprise are its income from normal operations and before allowing for non-recurring items and capital gains and losses. Operational earnings of the direct investment enterprise should be reported after deducting provisions for depreciation of capital and for income and corporation tax charged on these earnings. Direct investment earnings should not include any realised or unrealised capital gains or losses made by either the direct investment enterprise or the direct investor, or write-offs, such as inventory write-offs, write-offs of intangibles, write-offs of bad debts or on expropriation without compensation. Many enterprises are using the *All-inclusive Concept* to measure earnings, for which income is after allowing for all items (including capital gains and losses) causing any increase or decrease in the shareholders' or investors' interests during the period, other than dividends and any other transactions between the enterprise and its shareholders or investors. Because data for many countries are available only on an all-inclusive basis, those countries that report earnings on either an operating basis or all-inclusive basis should collect and publish supplementary information on holding gains and losses and other extraordinary items. This practice would enhance international comparability for both flows and stock positions.

***Table 21*. The components of earnings included in the statistics**
(by number of countries)

Region	Earnings statistics that: make allowance for: Depreciation of capital	Earnings statistics that: make allowance for: Host-country corporation taxes	Earnings statistics that: include: Capital gains or losses	Earnings statistics that: include: write-offs	Countries that apply the COPC*
OECD (24)	16	15	15	14	10
Africa (13)	8	9	7	7	-
Asia (8)	5	3	3	3	2
Europe (14)	2	8	6	6	-
Middle East (2)	1	1	-	-	-
West. Hem. (21)	13	18	11	6	1
Total (82)	**45**	**54**	**42**	**36**	**13**

* COPC: Current Operating Performance Concept

OECD Countries

71. Table 21 shows that, when measuring FDI enterprises' earnings, more than half of the OECD countries make allowance for depreciation of capital and host-country income and corporation taxes. One half include capital gains or losses and write-offs. However, the results do not imply that about half of OECD countries follow all of these rules taken together when measuring earnings. Instead, the survey responses show that there are four categories of respondents:

1. 7 OECD countries do not make allowance for provisions for depreciation of capital or corporation taxes and include capital gains and losses in earnings data;
2. 8 countries make allowance for depreciation of capital or corporation taxes, but include capital gains and losses;
3. 3 countries do not make allowance for depreciation of capital or corporation taxes, and do not include capital gains and losses, and;
4. 10 countries apply the COPC while 4 countries did not answer the questions on the measurement of earnings.

The disparity in the methodologies used for the measurement of earnings is an important issue for OECD countries, as it will lead to various inconsistencies in the data on reinvested earnings.

Non-OECD Countries

72. The survey responses are showing a situation very similar to that described for OECD countries, with no common rules followed when measuring FDI enterprises earnings. Although about half the countries make allowance for depreciation of capital, and two-thirds for host-country corporation taxes,

only 3 countries apply the rules of the COPC as a large proportion of countries include realised and unrealised capital gains and losses and write-offs when measuring earnings.

8.3 Time of Recording of Income

73. In principle, all investment income flows should be recorded at the time of accrual. Interest income should be recorded on an accrual basis, which is a continuous method of recording that matches the cost of capital with the provision of capital, reinvested earnings should be recorded in the periods in which the underlying profits are earned, and dividends should be recorded as of the date they are declared payable. With respect to dividends, the time of accrual depends on the unit's decision when to distribute income or make transfer. The *BPM5* refers to the recording of dividends "as of the date they are payable." This recommendation could lead to some misunderstanding, as it could be viewed as meaning the date at which dividends are "due for payment." This issue was addressed in the *IMF Balance of Payments Textbook* which uses the terms "declared payable"[11], in accordance with the accrual principle for the time of recording dividends. On the other hand, the *Benchmark* recommends that dividends should be recorded as they are "due for payment".[12]

74. In the SIMSDI questionnaire, the issue related to the differing recommendations of the *BPM5* and *Benchmark* on the time of recording dividends was not addressed. The survey responses provide information on the number of countries that rely on a paid (cash) basis for recording dividends. However, as the *BPM5* recommendation to record dividends "as of the date they are payable" might, incorrectly, be understood as meaning "due for payment", the survey does not clearly indicate the countries that have fully adhere to the accrual accounting for the recording of dividends.

***Table 22*. Time of recording of FDI income transactions**
(by number of countries)

Region	Countries that record						
	Dividends as of the date they are:			Reinvested earnings in the periods they were earned	Income on debt as it is:		
	Payable	Paid	Other		Accruing	Paid	Other
OECD (29)	5	22	1	16	9	12	1
Africa (15)	3	5	-	6	2	3	-
Asia (13)	6	2	1	8	4	3	-
Europe (16)	4	10	-	7	5	4	1
Middle East (2)	-	1	-	-	-	1	-
West. Hem. (21)	9	8	1	14	3	8	1
Total (96)	**27**	**48**	**3**	**51**	**23**	**31**	**3**

11. Refer to paragraphs 397 and 406 of the IMF *Balance of Payments Textbook*, 1996.

12. *Benchmark*, Paragraph 28.

OECD Countries

75. Over 70 per cent of OECD countries record dividends as of the date they are paid. That departure from the international standards will have an impact on the time of recording dividends whenever dividends are not paid on the date they are declared payable. The data collection systems used by reporting countries are a major factor in determining the ability of a country to applying the international standards. For instance, 7 of the 22 OECD countries that record dividends on a paid basis use an international transactions reporting system (ITRS) as their main data source, while 5 of the 6 countries that record dividends on a payable basis use enterprise surveys as their main data source. Australia is the only country that indicated that “payable” meant that dividends are recorded at “books close date” meaning that they are recorded at the time they become a claim or a liability in the books of the enterprise, whether or not they are actually paid in that period, in accordance with the accrual principle.

76. Sixteen OECD countries follow the international recommendations for the time of recording reinvested earnings and record them in the period in which the underlying profits were earned. Among the 7 OECD countries that do not follow that rule, some explained that the reinvested earnings were recorded in the period in which the dividends were payable or paid.

77. Half of the OECD countries record interest on direct investment debt on a paid (i.e. cash) basis. The table excludes those countries that record interest on inter-company debt as *other investment income*. New Zealand records interest on a “due for payment” basis, a procedure recommended in the fourth edition of the *Balance of Payments Manual* (*BPM4*). That time of recording will be modified as New Zealand is implementing the *BPM5*.

Non-OECD Countries

78. Dividends are recorded on a paid basis by 26 non-OECD countries, while 22 record dividends on a payable basis. Chile indicated that, because of different data sources used to collect inward and outward FDI, the time of recording is different for the recording of dividends debits and credits. Over half of non-OECD countries report reinvested earnings in the period they were earned. A few countries record reinvested earnings in the period in which the decision to pay the dividends was taken, or in the period when they were calculated. While only about half (37) of non-OECD countries include the income on inter-company debt in their FDI statistics, the recommended accrual principle is used by 14 of these countries, and 19 are recording interest on the date the were paid. Two countries, Bulgaria and Argentina, still follow the *BPM4* recommendation and record interest on a due for payment basis.

9. Direct Investment Position Data

9.1 Valuation of Assets

79. In principle, all external financial assets and liabilities should be measured at current market prices as of the dates involved. However, there are some recognised departures from the market price principle. For direct investment, book values from the balance sheets of direct investment enterprises are generally used to determine the value of the stock of direct investment. If these balance sheet values are recorded on the basis of current market value, they would be in general accordance with the principle. If they are based on historical cost or on interim but not current revaluation, such balance sheet values would not conform to the principle.

***Table 23*. Valuation of assets**
(by number of countries)

Region	The number of countries that value FDI equity capital stock using:	
	Market value	Book value
OECD (22)	3	19
Africa (3)	1	2
Asia (6)	4	2
Europe (8)	3	5
Middle East (1)	1	-
West. Hem. (5)	-	5
Total (45)	**12**	**33**

OECD Countries

80. The vast majority (75 per cent) of the 25 OECD countries that compile FDI international investment position data use book values from the balance sheets of direct investment enterprises or investors as the most frequent valuation method when compiling the equity position of direct investment enterprises and direct investors, although 5 of these countries also use market value as the second most frequent valuation method when compiling data on direct investment position.

Non-OECD Countries

81. Fourteen of the 23 non-OECD countries that compile direct investment position data rely on book values for the valuation of the stock of equity capital. Six of these 14 countries also use market value to compile FDI position data or adjust book values to market valuation. The other 9 countries compile FDI position data based on market value.

10. Special Cases

82. There are some types of enterprises or activities that warrant mention in reference to particular aspects. The survey examined how some of these special cases were treated in FDI statistics, namely international construction activities; the operation of mobile equipment; cross-border real estate transactions; transactions with offshore enterprises and special purpose entities; and the treatment of natural resources exploration.

10.1 Construction Enterprises and Mobile Equipment

83. In certain instances, an enterprise will produce goods and services outside of its own economy, but not establish a separate legal corporation in the host economy. According to the *Benchmark* and the *BPM5*, if production is maintained for one year or more, and a separate set of accounts is maintained for

the local activities and income tax is paid to the host country, then a quasi-corporation should be established, for balance of payments compilation purposes, in the host economy, which is in a direct investment relationship with its parent. This recommendation should be followed with regard to the activities of construction enterprises. A similar standard applies when an enterprise in one economy installs machinery and equipment in another economy. An enterprise that operates mobile equipment in another economy is considered to have a centre of economic interest in the other economy if the operations are accounted for separately and are recognised as that of a separate enterprise by the tax and licensing authorities of the other economy. Then under these conditions, production should be attributed to the economy in which it occurs as that of an enterprise that is in a direct investment relationship with the parent company that has established the operations in the other economy.

***Table 24*. Construction enterprises and mobile equipment**
(by number of countries)

Region	Countries that follow the *Benchmark* and *BPM5* recommendations with regard to:			
	Construction enterprises		Mobile equipment	
	Inward	Outward	Inward	Outward
OECD (29)	7	8	6	5
Africa (15)	3	3	3	3
Asia (13)	2	1	2	2
Europe (16)	4	4	1	1
Middle East (2)	1	1	1	1
West. Hem. (21)	1	1	4	-
Total (96)	**18**	**18**	**17**	**12**

OECD Countries

84. Only 7 OECD countries follow the international standards for construction enterprises operating in the host country and owned by foreign investors and regard the activities of the construction enterprise as that of a resident enterprise in a direct investment relationship with its parent company. Eight OECD countries apply the recommended standards for outward FDI and record the flows of relevant transactions associated with the construction activities undertaken abroad by resident construction enterprises in their FDI statistics, with proper entries to other items of the balance of payments. Only 6 OECD countries include transactions involving mobile equipment according to the recommendations when the mobile equipment operates in their economy for one year or more, while 5 do the same when the equipment is owned by a resident enterprise and operates abroad. Approximately 25 per cent of OECD countries indicated that activities such as construction work undertaken in one economy by an enterprise resident in another or the operation of mobile equipment in the territory of one economy by an owner resident of another never occur in their economy. Therefore, about two-thirds of OECD countries do not follow the *Benchmark* and the *BPM5* recommendations regarding these activities when they involve their economy.

Non-OECD Countries

85. Only 11 non-OECD countries follow the *Benchmark* and the *BPM5* recommendations for construction work undertaken in their economy and for the operation, in their territory, of mobile equipment owned by residents of another economy. However, over 60 per cent of the non-OECD respondents indicate that such type of activities do not occur in their economy.

10.2 Foreign Ownership of Land

86. By convention, all land and buildings located within the economy must be regarded as being owned by a resident unit (except structures owned by a foreign government). If the actual owner is non-resident, he is treated as if he has transferred his ownership to a resident notional institutional unit that is deemed to own the land and buildings. The non-resident has a financial investment in this notional unit, which is therefore a direct investment enterprise.

***Table 25*. Foreign ownership of land**
(by number of countries)

Region	Countries that include in their FDI statistics cross-border transactions in real estate with:			
	Non-resident enterprises		Non-resident individuals	
	Inward	Outward	Inward	Outward
OECD (29)	20	19	18	17
Africa (15)	6	6	5	5
Asia (13)	4	4	4	4
Europe (16)	6	3	2	2
Middle East (2)	1	2	1	2
West. Hem. (21)	11	3	10	2
Total (96)	**48**	**37**	**40**	**32**

OECD Countries

87. More than 65 per cent of OECD countries record transactions in land and buildings by non-resident enterprises in FDI statistics and around 60 per cent that of non-resident individuals. Norway and the United States specified that only the investments by individuals conducted with a commercial purpose would appear in the FDI statistics.

Non-OECD Countries

88. Only about one-third of non-OECD countries are recording cross-border real estate transactions by enterprises in the statistics, a coverage that drops to about one-fourth when transactions by individuals are considered. Among the respondents, Singapore, Thailand and Hong Kong, China include real estate

transactions in their FDI statistics, while China, Indonesia, and the Philippines do not include these transactions in FDI.

10.3 Offshore Enterprises and Special Purpose Entities

89. According to international standards, the residency of so called *offshore enterprise* is attributed to the economies in which they are located without regard to the special treatment they may receive by the local authorities. This applies to enterprises engaged in the assembly of components manufactured elsewhere, in trade and financial operations, and to those located in special zones. The financial flows between the offshore enterprise and its direct investor should be included in the FDI statistics. Other difficulties arise in recording FDI because of the treatment of so-called *Special Purpose Entities* (SPEs) of multinational enterprises. SPE's are (1) generally organised or established in economies other than those in which the parent companies are resident and (2) engaged primarily in international transactions but in few or no local operations. They are either defined by their structure (e.g., financing subsidiary, holding company, base company, regional headquarters), or their purpose (e.g., sale and regional administration, management of foreign exchange risk, facilitation of financing of investment). Since these SPEs are an integral part of the organisational structure of a multinational enterprise, their transactions that arise from direct investment relationship should be reflected in the FDI statistics.

10.3.1 The Recording of Transactions of Offshore Enterprises

***Table 26*. Offshore enterprises**
(by number of countries)

Region	Transactions between resident offshore enterprises and affiliated non-resident enterprises		Transactions between non-resident offshore enterprises and affiliated resident enterprises	
	Included in the FDI statistics	Not included in the FDI statistics	Included in the FDI statistics	Not included in the FDI statistics
OECD (22)	11	5	15	5
Africa (8)	8	-	5	-
Asia (6)	3	3	2	1
Europe (9)	5	2	5	3
Middle East (1)	-	-	-	1
West. Hem. (17)	5	7	4	8
Total (63)	**32**	**17**	**31**	**18**

OECD Countries

90. Less than 40 per cent of OECD countries that report the establishment of offshore enterprises in their economy (and in a direct investment relationship with non-resident enterprises) record their relevant transactions in FDI statistics. Fifteen OECD countries include financial transactions between non-resident offshore enterprises and affiliated resident enterprises, which represents almost three-fourths of OECD

countries reporting the activities of non-resident offshore enterprises in which a resident direct investor has an interest.

Non-OECD Countries

91. Approximately 40 per cent of non-OECD countries do not include transactions of resident offshore enterprises with affiliated enterprises in FDI. The data exclude the activities of offshore enterprises established in countries such as Hong Kong, China, the Philippines and Member countries of the Eastern Caribbean Central Bank region (the ECCB compiles balance of payments data for Antigua and Barbuda; Dominica; Grenada; St. Kitts & Nevis; St. Lucia; and St. Vincent and the Grenadines).

10.3.2 The Recording of Transactions of Special Purpose Entities

***Table 27*. Special purpose entities**
(by number of countries)

Region	Transactions between resident SPEs and affiliated non-resident enterprises		Transactions between non-resident SPEs and affiliated resident enterprises	
	Included in the FDI statistics	Not included in the FDI statistics	Included in the FDI statistics	Not included in the FDI statistics
OECD (20)	15	4	16	4
Africa (9)	7	2	3	-
Asia (6)	5	1	4	1
Europe (6)	5	1	5	1
Middle East (1)	-	1	-	1
West. Hem. (14)	2	12	4	8
Total (56)	**35**	**20**	**32**	**14**

OECD Countries

92. Fifteen OECD countries record the transactions between resident SPEs and their affiliated non-resident enterprises in their FDI statistics. This number represents around 80 per cent of the OECD countries that indicated the establishment of SPEs in their reporting economy or established abroad by resident enterprises. Only Ireland, Luxembourg (inward only) Netherlands and Norway (outward only) indicated that such enterprises were established in their economy or abroad and their relevant activities not recorded as FDI statistics.

Non-OECD Countries

93. Only 19 non-OECD countries record in FDI statistics transactions between resident SPEs and their affiliated non-resident enterprises and 16 countries do the same for transactions between non-resident SPEs and their affiliated resident enterprises. These countries represent almost two-thirds of the non-OECD countries that observe the activities of SPEs in their economy, or that of SPEs established abroad

and in a direct investment relationship with resident enterprises. However, statistics from the Bahamas or Member countries of the ECCB do not include the activities of SPEs.

10.4 Natural Resources Exploration Included in FDI

94. When a direct investment enterprise is set up for exploration of natural resources, related exploration expenditures are treated as capital expenditures in the *System of National Accounts 1993 (SNA93)*. Inward investment flows from the investor abroad for such expenditures are recorded in the balance of payments under FDI. If the exploration proves unsuccessful and results in a shutdown of the enterprise, the *BM5* and the *Benchmark* recommend that no further balance of payments entries are recorded, but a negative stock adjustment be made in the International Investment Position of the two economies involved. However, this last recommendation differs from the *SNA93* which recommends that the residual capital stock be amortised using the average service lives similar to those used by mining and oil corporations in their own assets. This difference needs to be reviewed.

***Table 28*. Natural resources exploration**
(by number of countries)

Region	Countries that record in FDI statistics the expenditures in natural resources exploration in one economy by an enterprise resident of another	
	Inward	Outward
OECD (24)	12	12
Africa (9)	5	4
Asia (9)	4	1
Europe (7)	2	1
Middle East (1)	1	1
West. Hem. (18)	8	2
Total (68)	**32**	**21**

OECD Countries

95. Half of the OECD Countries that report natural resources exploration activities conducted by non-residents in their economy, or abroad by resident enterprises, do not include the expenditures related to such activities in the FDI statistics.

Non-OECD Countries

96. Twenty non-OECD countries include the expenditures of non-resident enterprises related to natural resources exploration activities in their economy in FDI statistics. Only 8 non-OECD countries follow the same recording procedure for exploration activities conducted abroad by resident enterprises, which represents only one-third of the non-OECD countries that are aware of such activities by resident enterprises.

APPENDIX I

CHARACTERISTICS OF OECD COUNTRIES

List of Tables

***Table 1.* Data reporting to international organisations**

OECD countries	**Countries that report FDI statistics for the following components:**					
	Direct investment income		**Direct investment financial flows**		**Direct investment position data**	
	Inward	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**
Australia	yes	yes	yes	yes	yes	yes
Austria	yes [(1)]	yes [(1)]	yes	yes	yes	yes
Belgium	yes [(1)]	yes [(1)]	yes	yes	yes [(1)]	yes [(1)]
Canada	yes	yes	yes	yes	yes	yes
Czech Republic	yes [(1)]	yes [(1)]	yes	yes [(1)]	yes	yes [(1)]
Denmark	yes [(1)]	yes [(1)]	yes	yes	yes	yes
Finland	yes	yes	yes	yes	yes	yes
France	yes	yes	yes	yes	yes	yes
Germany	yes	yes	yes	yes	yes	yes
Greece [(2)]	no	no	no	no	no	no
Hungary	yes [(1)]	yes [(1)]	yes [(1)]	yes [(1)]	yes	yes [(1)]
Iceland	yes	yes	yes	yes	yes	yes
Ireland	yes [(1)]	yes [(1)]	yes	yes [(1)]	no	no
Italy	yes	yes	yes	yes	yes	yes
Japan	yes	yes	yes	yes	yes	yes
Korea	yes	yes	yes	yes	yes [(1)]	yes
Luxembourg [(3)]	yes [(1)]	yes [(1)]	yes	yes	yes [(1)]	yes [(1)]
Mexico	yes	no	yes	no	yes	no
Netherlands	yes	yes	yes	yes	yes	yes
New Zealand	yes	yes	yes	yes	yes	yes
Norway	yes	yes	yes	yes	yes	yes
Poland	yes	yes	yes	yes	yes	yes
Portugal	yes [(1)]	yes [(1)]	yes	yes	no	no
Spain	yes	yes	yes	yes	yes [(1)]	yes [(1)]
Sweden	yes [(1)]	yes [(1)]	yes	yes	yes	yes
Switzerland	yes	yes	yes	yes	yes	yes
Turkey	yes [(1)]	yes [(1)]	yes	yes [(1)]	no	no
United Kingdom	yes	yes	yes	yes	yes	yes
United States	yes	yes	yes	yes	yes	yes
Total OECD (29)						
Yes	***28***	***27***	***28***	***27***	***25***	***24***
No	***1***	***2***	***1***	***2***	***4***	***5***

(1) Statistics reported only to IMF. Detailed statistics requested by the OECD are not available.
(2) Information for Greece will be available as a result of the new data reporting system, which is currently being implemented.
(3) Statistics for Luxembourg are provided by Belgium in aggregate form for both countries.

***Table 2.* Periodicity of the "most timely" and "most comprehensive" equity capital transactions data for direct investment in the reporting economy**

OECD countries	Periodicity of the most timely transactions data			Periodicity of the most comprehensive transactions data		
	Monthly	Quarterly	Annual	Monthly	Quarterly	Annual
Australia		Q			Q	
Austria (1)	M					
Belgium	M			M		
Canada		Q			Q	
Czech Republic		Q			Q	
Denmark (1)	M					
Finland	M					
France (1)	M					
Germany (1)	M					
Greece	M				Q	
Hungary (1)	M					
Iceland		Q				A
Ireland			A			A
Italy	M			M		
Japan	M			M		
Korea	M			M		
Luxembourg (1)			A			
Mexico		Q				A
Netherlands (1)	M					
New Zealand			A (2)			A (2)
Norway (1)	M					
Poland	M					A
Portugal (1)	M					A
Spain	M				Q	
Sweden	M					
Switzerland (1)			A			
Turkey	M			M		
United Kingdom		Q				A
United States		Q			Q	
Total OECD (29)						
Monthly	***18***			***5***		
Quarterly		***7***			***6***	
Annual			***4***			***7***

(1) There is no difference between "most timely" and "most comprehensive" transactions data.
(2) Fiscal year.

***Table 3*. Periodicity of the "most timely" and "most comprehensive" equity capital position data for direct investment in the reporting economy**

OECD countries	Periodicity of the most timely position data			Periodicity of the most comprehensive position data		
	Monthly	Quarterly	Annual	Monthly	Quarterly	Annual
Australia		Q			Q	
Austria (1)			A			
Belgium (2)						
Canada			A			A
Czech Republic		Q			Q	
Denmark (1)			A			
Finland	M					A
France			A			A
Germany			A			A
Greece			A			A
Hungary (1)			A			
Iceland			A			A
Ireland			A			A
Italy (1)			A			
Japan (3)						A
Korea (2)						
Luxembourg (1)			A			
Mexico (1)			A			
Netherlands (1)			A			
New Zealand			A (4)			A (4)
Norway (1)			A			
Poland (1)			A			
Portugal (5)						
Spain (1)		Q				
Sweden			A			A
Switzerland (1)			A			
Turkey (5)						
United Kingdom		Q				A
United States			A			A
Total OECD (29)						
Monthly	1			0		
Quarterly		4			2	
Annual			19			12

(1) There is no difference between "most timely" and "most comprehensive" position data.
(2) Response not available (only for annual international investment position data as a result of flows).
(3) Position data available are only "most comprehensive".
(4) Fiscal year.
(5) FDI position data are not available.

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Table 4. Primary data sources for the "most timely" transactions data

OECD countries	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Bilateral sources		Other (published sources, press reports)	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
Australia	p	p	no	no	no	no	no	no	s	s
Austria	no	no	p	p	no	no	no	no	s	s
Belgium	s	s	p	p	no	no	no	no	t	t
Canada	p	p	no	no	t	t	t	t	t	t
Czech Republic	p	no	no	no	no	no	no	no	s	no
Denmark	no	no	p	p	no	no	no	no	s	s
Finland	p	p	s	s	no	no	no	no	no	no
France	s	s	p	p	no	no	no	no	t	t
Germany	no	no	p	p	no	no	no	no	no	no
Greece	s	s	p	p	no	no	no	no	no	no
Hungary	no	no	p	p	no	no	no	no	no	no
Iceland	no	no	p	p	no	no	no	no	no	no
Ireland	p	p	no	no	no	no	no	no	t	t
Italy	no	no	p	p	no	no	no	no	no	no
Japan	p	p	p	p	no	s	no	no	no	no
Korea	no	no	p	p	p	s	no	no	no	no
Luxembourg	p	p	no	no	no	no	no	no	s	s
Mexico	s	no	no	no	no	no	no	no	no	no
Netherlands	p	p	p	p	no	no	no	no	no	no
New Zealand	p	p	no	no	no	no	no	no	no	no
Norway	t	t	p	p	no	no	no	no	t	t
Poland	no	no	p	p	no	no	no	no	no	no
Portugal	no	no	p	p	s	s	t	t	no	no
Spain	no	no	p	p	no	no	no	no	no	no
Sweden	t	t	p	p	no	no	no	no	s	s
Switzerland	p	p	no	no	no	no	no	no	t	t
Turkey	no	no	p	p	p	no	no	no	t	t
United Kingdom	p	p	no	no	no	no	no	no	s	s
United States	p	p	no	no	no	no	no	no	s	s
Total OECD (29)										
p = primary	12	11	18	18	2	0	0	0	0	0
s = secondary	4	3	1	1	1	3	0	0	8	7
t = tertiary	2	2	0	0	1	1	2	2	7	7
no = not a data source	11	13	10	10	25	25	27	27	14	15

***Table 5*. Primary data sources for the "most comprehensive" transactions data**

OECD countries	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Bilateral sources		Other (published sources, press reports)	
	Inward	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**
Australia	p	p	no	no	no	no	no	no	s	s
Austria	no	no	no	no	no	no	no	no	no	no
Belgium	s	s	p	p	no	no	no	no	t	t
Canada	p	p	no	no	t	t	t	t	t	t
Czech Republic	p	no	no	no	no	no	no	no	s	no
Denmark	no	no	no	no	no	no	no	no	no	no
Finland	p	p	s	s	no	no	no	no	no	no
France	no	no	no	no	no	no	no	no	no	no
Germany	no	no	no	no	no	no	no	no	no	no
Greece	s	s	p	p	no	no	no	no	no	no
Hungary	no	no	no	no	no	no	no	no	no	no
Iceland	p	p	no	no	no	no	no	no	no	no
Ireland	p	p	no	no	no	no	no	no	t	t
Italy	no	no	p	p	no	no	no	no	no	no
Japan	p	p	p	p	no	s	no	no	no	no
Korea	no	no	p	p	p	s	no	no	no	no
Luxembourg	p	p	no	no	no	no	no	no	s	s
Mexico	p	no	no	no	no	no	no	no	no	no
Netherlands	no	no	no	no	no	no	no	no	no	no
New Zealand	p	p	no	no	no	no	no	no	no	no
Norway	no	no	no	no	no	no	no	no	no	no
Poland	p	p	s	s	t	t	no	no	t	t
Portugal	no	no	no	no	no	no	no	no	no	no
Spain	no	no	p	p	s	no	no	no	no	no
Sweden	t	t	p	p	no	no	no	no	s	s
Switzerland	no	no	no	no	no	no	no	no	no	no
Turkey	no	no	p	p	p	no	no	no	t	t
United Kingdom	p	p	no	no	no	no	no	no	s	s
United States	p	p	no	no	no	no	no	no	s	s
Total OECD (29)										
p = primary	***13***	***11***	***8***	***8***	***2***	***0***	***0***	***0***	***0***	***0***
s = secondary	***2***	***2***	***2***	***2***	***1***	***2***	***0***	***0***	***6***	***5***
t = tertiary	***1***	***1***	***0***	***0***	***2***	***2***	***1***	***1***	***5***	***5***
no = not a data source	***13***	***15***	***19***	***19***	***24***	***25***	***28***	***28***	***18***	***19***

Table 6. Primary data sources for the "most timely" position data

OECD countries	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Bilateral sources		Other (published sources, press reports)	
	Inward	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**
Australia	p	p	no	no	no	no	no	no	no	no
Austria	p	p	s	s	no	no	no	no	no	no
Belgium	no (1)	no (1)	p	p	no	no	no	no	no	no
Canada	p	p	no	no	t	t	t	t	s	s
Czech Republic	no	no	no	no	no	no	no	no	no	no
Denmark	p	p	s	s	no	no	no	no	no	no
Finland	p	p	t	t	no	no	no	no	no	no
France	no	p	s	t	no	no	no	no	p	s
Germany	p	p	no	no	no	no	no	no	t	t
Greece	p	p	t	t	no	no	no	no	no	no
Hungary	s	no	no	no	no	no	no	no	p	no
Iceland	p	p	no	no	no	no	no	no	no	no
Ireland	p	p	no	no	no	no	no	no	t	t
Italy	no	no	no	no	no	no	no	no	no	no
Japan	no	no	no	no	no	no	no	no	no	no
Korea	no	no	no	no	no	no	no	no	no	no
Luxembourg	p	p	no	no	no	no	no	no	s	s
Mexico	p	no	no	no	no	no	no	no	no	no
Netherlands	p	p	s	s	no	no	no	no	no	no
New Zealand	p	p	no	no	no	no	no	no	no	no
Norway	p	p	no	no	no	no	no	no	t	no
Poland	p	p	t	t	t	s	no	no	t	t
Portugal	p	no	no	no	no	no	no	no	s	no
Spain	no	no	p	p	s	no	no	no	no	no
Sweden	no	no	p	p	no	no	no	no	s	s
Switzerland	p	p	no	no	no	no	no	no	t	t
Turkey	no	no	no	no	no	no	no	no	no	no
United Kingdom	p	p	no	no	no	no	no	no	no	no
United States	p	p	no	no	no	no	no	no	t	t
Total OECD (29)										
p = primary	***19***	***18***	***3***	***3***	***0***	***0***	***0***	***0***	***2***	***0***
s = secondary	***1***	***0***	***4***	***3***	***1***	***1***	***0***	***0***	***4***	***4***
t = tertiary	***0***	***0***	***3***	***4***	***2***	***1***	***1***	***1***	***6***	***5***
no = not a data source	***9***	***11***	***19***	***19***	***26***	***27***	***28***	***28***	***17***	***20***

(1) Belgium: the results of the FDI survey (flows and stocks) are still under analysis.

Table 7. Primary data sources for the "most comprehensive" position data

OECD countries	Enterprise surveys		International transactions reporting system (ITRS)		Exchange control or investment approval authorities		Bilateral sources		Other (published sources, press reports)	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
Australia	p	p	no	no	no	no	no	no	no	no
Austria	no	no	no	no	no	no	no	no	no	no
Belgium	no (1)	no(1)	p	p	no	no	no	no	no	no
Canada	p	p	no	no	t	t	t	t	s	s
Czech Republic	no	no	no	no	no	no	no	no	no	no
Denmark	no	no	no	no	no	no	no	no	no	no
Finland	p	p	t	t	no	no	no	no	no	no
France	no	no	no	no	no	no	no	no	no	no
Germany	p	p	no	no	no	no	no	no	t	t
Greece	p	p	t	t	no	no	no	no	no	no
Hungary	no	no	no	no	no	no	no	no	no	no
Iceland	p	p	no	no	no	no	no	no	no	no
Ireland	p	p	no	no	no	no	no	no	t	t
Italy	no	no	no	no	no	no	no	no	no	no
Japan	p	p	s	s	no	no	no	no	no	no
Korea	no	no	no	no	no	no	no	no	no	no
Luxembourg	no	no	no	no	no	no	no	no	no	no
Mexico	no	no	no	no	no	no	no	no	no	no
Netherlands	no	no	no	no	no	no	no	no	no	no
New Zealand	p	p	no	no	no	no	no	no	no	no
Norway	no	no	no	no	no	no	no	no	no	no
Poland	no	no	no	no	no	no	no	no	no	no
Portugal	no	no	no	no	no	no	no	no	no	no
Spain	no	no	no	no	no	no	no	no	no	no
Sweden	p	p	no	no	no	no	no	no	no	no
Switzerland	no	no	no	no	no	no	no	no	no	no
Turkey	no	no	no	no	no	no	no	no	no	no
United Kingdom	p	p	no	no	no	no	no	no	s	s
United States	p	p	no	no	no	no	no	no	t	t
Total OECD (29)										
p = primary	***12***	***12***	***1***	***1***	***0***	***0***	***0***	***0***	***0***	***0***
s = secondary	***0***	***0***	***1***	***1***	***0***	***0***	***0***	***0***	***2***	***2***
t = tertiary	***0***	***0***	***2***	***2***	***1***	***1***	***1***	***1***	***3***	***3***
no = not a data source	***17***	***17***	***25***	***25***	***28***	***28***	***28***	***28***	***24***	***24***

(1) Belgium: the results of the FDI survey (flows and stocks) are still under analysis.

***Table 8*. Availability of geographical breakdowns of FDI income, financial flows and position data**

OECD countries	**Countries compiling geographical breakdowns of FDI:**					
	Income		**Financial flows**		**Position data**	
	Inward	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**
Australia	yes	yes	yes	yes	yes	yes
Austria	yes	yes	yes	yes	yes	yes
Belgium	yes	yes	yes	yes	no (1)	no (1)
Canada	yes	yes	yes	yes	yes	yes
Czech Republic	no	no	yes	no	yes	no
Denmark	yes	yes	yes	yes	yes	yes
Finland	yes	yes	yes	yes	yes	yes
France	yes	yes	yes	yes	yes	yes
Germany	yes	yes	yes	yes	yes	yes
Greece	yes	yes	yes	yes	yes	yes
Hungary	no	no	no	no	yes	no
Iceland	yes	yes	yes	yes	yes	yes
Ireland	no	no	no	no	-	-
Italy	yes	yes	yes	yes	yes	yes
Japan	yes	yes	yes	yes	yes	yes
Korea	no	no	no	no	no	no
Luxembourg	no	no	no	no	no	no
Mexico	yes	-	yes	-	yes	-
Netherlands	yes	yes	yes	yes	yes	yes
New Zealand	yes	yes	yes	yes	yes	yes
Norway	yes	yes	yes	yes	yes	yes
Poland	yes	yes	yes	yes	yes	yes
Portugal	yes	yes	yes	yes	- (1)	- (1)
Spain	yes	yes	yes	yes	no	no
Sweden	yes	yes	yes	yes	yes	yes
Switzerland	yes	yes	yes	yes	yes	yes
Turkey	no	no	yes	no	-	-
United Kingdom	yes	yes	yes	yes	yes	yes
United States	yes	yes	yes	yes	yes	yes
Total OECD (29)						
Yes	23	22	25	22	22	19
No	6	6	4	6	4	6
Response not available or not applicable	0	1	0	1	3	4

(1) Belgium and Portugal: The new survey is expected to provide the breakdown for position data.

***Table 9*. Availability of industrial breakdowns of FDI income, financial flows and position data**

OECD countries	**Countries compiling industrial breakdowns of FDI:**					
	Income		**Financial flows**		**Position data**	
	Inward	**Outward**	**Inward**	**Outward**	**Inward**	**Outward**
Australia	yes	yes	yes	yes	yes	yes
Austria	no	no	no	no	yes	yes
Belgium	no	no	no	no	no	no
Canada	yes	yes	yes	yes	yes	yes
Czech Republic	no	no	yes	no	yes	no
Denmark	no	no	yes	yes	yes	yes
Finland	yes	yes	yes	yes	yes	yes
France	no	no	yes	yes	yes	yes
Germany	yes	yes	yes	yes	yes	yes
Greece	yes	yes	yes	yes	yes	yes
Hungary	no	no	no	no	yes	no
Iceland	yes	yes	yes	yes	yes	yes
Ireland	no	no	no	no	-	-
Italy	yes	yes	yes	yes	yes	yes
Japan	no	no	no	no	no	no
Korea	no	no	no	no	no	no
Luxembourg	no	no	no	no	no	no
Mexico	yes	-	yes	-	yes	-
Netherlands	yes	yes	yes	yes	yes	yes
New Zealand	no	no	no	no	no	no
Norway	yes	yes	yes	yes	yes	yes
Poland	yes	yes	yes	yes	yes	yes
Portugal	no	no	yes	yes	- (1)	- (1)
Spain	no	no	yes	yes	no	no
Sweden	yes	yes	yes	yes	yes	yes
Switzerland	yes	yes	yes	yes	yes	yes
Turkey	no	no	yes	no	-	-
United Kingdom	yes	yes	yes	yes	yes	yes
United States	yes	yes	yes	yes	yes	yes
Total OECD (29)						
Yes	15	14	21	18	21	18
No	14	14	8	10	5	7
Response not available or not applicable	0	1	0	1	3	4

(1) Portugal: The new survey is expected to provide the breakdown for position data.

Table 10. **Allocation of geographical FDI transactions data**

OECD countries	**Countries compiling geographical breakdowns in respect of the:**			
	Debtor/Creditor principle		**Transactor principle**	
	Inward	**Outward**	**Inward**	**Outward**
Australia			TP	TP
Austria			TP	TP
Belgium			TP	TP
Canada	D/C	D/C		
Czech Republic	D/C			
Denmark	D/C	D/C		
Finland	D/C	D/C		
France			TP	TP
Germany	D/C	D/C		
Greece			TP	TP
Hungary	-	-	-	-
Iceland	D/C	D/C		
Ireland	-	-	-	-
Italy			TP	TP
Japan			TP	TP
Korea	D/C	D/C		
Luxembourg	D/C	D/C		
Mexico	D/C			
Netherlands	D/C	D/C		
New Zealand			TP	TP
Norway	D/C	D/C		
Poland	D/C	D/C		
Portugal	D/C	D/C		
Spain			TP	TP
Sweden	D/C	D/C		
Switzerland	D/C	D/C		
Turkey	D/C	D/C		
United Kingdom	D/C	D/C		
United States	D/C	D/C		
Total OECD (29)				
Debtor/Creditor principle (D/C)	18	16		
Transactor principle (TP)			9	9

Table 11. **Allocation of geographical FDI position data**

OECD countries	**Countries compiling geographical breakdowns in respect of the:**			
	Immediate host/investing country		**Ultimate host/investing country**	
	Inward	**Outward**	**Inward**	**Outward**
Australia	IM	IM		
Austria		IM	UL	
Belgium	IM[(1)]	IM[(1)]	UL[(1)]	UL[(1)]
Canada	IM	IM		
Czech Republic	IM			
Denmark	IM	IM	UL	UL
Finland	IM	IM		
France	IM	IM		
Germany	IM	IM	UL	
Greece	IM	IM		
Hungary	IM			
Iceland	IM	IM		
Ireland	-	-	-	-
Italy	IM	IM		
Japan	IM	IM		
Korea	IM	IM		
Luxembourg	IM	IM	UL	UL
Mexico	IM			
Netherlands	IM	IM		
New Zealand	IM	IM		
Norway	IM	IM		
Poland	IM	IM		
Portugal	-[(2)]	-[(2)]	-	-
Spain	-	-	-	-
Sweden	IM	IM	UL	UL
Switzerland	IM			UL
Turkey	-	-	-	-
United Kingdom	IM	IM		
United States	IM	IM	UL	
Total OECD (29)				
Immediate host/investing (IM)	***24***	***21***		
Ultimate host/investing (UL)			***7***	***5***

(1) Belgium: The information will be based on the FDI survey.
(2) Portugal: The new survey will provide position data by immediate host/investing country.

Table 12. The definitions applied for the identification of direct investment enterprises resident in the reporting economy

OECD countries	Countries that apply the 10 per cent equity threshold	Countries that use a per cent of ownership different from the 10 per cent threshold	Countries that apply the 10 per cent threshold but allow for a qualification to the threshold		Countries that apply a value threshold when identifying FDI enterprises	Countries that apply a differing treatment for incorporated and unincorporated enterprises
			Countries that include enterprises in which the investor has a voice in the management but owns less than 10 per cent of ordinary shares or voting power	Countries that exclude enterprises in which the investor has no voice in the management but owns more than 10 per cent of ordinary shares or voting power		
Australia	yes	no	no	no	no	no
Austria	yes	no	no	no	yes	no
Belgium	yes	no	yes	no	no	yes
Canada	yes	no	no	no	no	no
Czech Republic	yes	no	no	no	no	no
Denmark	yes	no	no	no	no	no
Finland	yes	no	no	no	no	no
France	yes	no	no	no	no	no
Germany	no	yes	no	yes	yes	no
Greece	yes	no	no	no	no	no
Hungary	yes	no	no	no	no	no
Iceland	yes	no	no	no	no	no
Ireland	yes	no	no	no	no	no
Italy	no	yes	-	-	yes	no
Japan	yes	no	yes	no	no	no
Korea	yes(1)	no	no	no	no	no
Luxembourg	yes	no	no	no	no	no
Mexico	yes	no	yes	no	no	no
Netherlands	no	yes	yes	yes	yes	yes
New Zealand	no	yes	no	no	no	no
Norway	yes	no	yes	no	no	no
Poland	yes	no (2)	yes	no	no	no
Portugal	Yes	yes	no	no	no	no
Spain	yes	no	no	no	no	no
Sweden	yes	no	no	no	no	no
Switzerland	yes	no	yes	no	no	no
Turkey	no	yes	-	-	no	yes
United Kingdom	yes	no	no	no	no	no
United States	yes	no	no	no	no	no
Total OECD (29)						
Yes	***24***	***6***	***7***	***2***	***4***	***3***
No	***5***	***23***	***20***	***25***	***25***	***26***
Response not available or not applicable	***0***	***0***	***2***	***2***	***0***	***0***

(1) Korea applies 10 per cent threshold only for inward investment but uses 20 per cent for outward investment.
(2) Except for total ownership in a resident which is based on 20 per cent.

Table 13. **The definitions applied for the identification of direct investors resident in the reporting economy**

OECD countries	Countries that apply the 10 per cent equity threshold	Countries that use a per cent of ownership different from the 10 per cent threshold	Countries that apply the 10 per cent threshold but allow for a qualification to the threshold		Countries that apply a value threshold when identifying FDI enterprises	Countries that apply a differing treatment for incorporated and unincorporated enterprises
			Countries that include enterprises in which the investor has a voice in the management but owns less than 10 per cent of ordinary shares or voting power.	Countries that exclude enterprises in which the investor has no voice in the management but owns more than 10 per cent of ordinary shares or voting power.		
Australia	yes	no	no	no	no	no
Austria	yes	no	no	no	yes	no
Belgium	yes	no	yes	no	no	yes
Canada	yes	no	yes	yes	no	no
Czech Republic	no	no	-	-	no	no
Denmark	yes	no	no	no	no	no
Finland	yes	no	no	no	no	no
France	yes	no	no	no	no	no
Germany	no	yes	no	yes	no	no
Greece	yes	no	no	no	no	no
Hungary	yes	no	no	no	no	no
Iceland	yes	no	no	no	no	no
Ireland	yes	no	no	no	no	no
Italy	no	yes	-	-	yes	no
Japan	yes	no	yes	no	no	no
Korea	no	yes	yes	yes	no	no
Luxembourg	yes	no	no	no	no	no
Mexico	-	-	-	-	-	-
Netherlands	no	yes	yes	yes	yes	yes
New Zealand	no	yes	no	no	no	no
Norway	yes	no	yes	no	no	no
Poland	yes	no	yes	no	yes	no
Portugal	yes	no	no	no	no	no
Spain	yes	no	no	no	no	no
Sweden	yes	no	no	no	no	no
Switzerland	yes	no	yes	no	no	no
Turkey	no	no	-	-	no	no
United Kingdom	yes	no	no	no	no	no
United States	yes	no	no	no	no	no
Total OECD						
Yes	***21***	***5***	***8***	***4***	***4***	***2***
No	***7***	***23***	***17***	***21***	***24***	***26***
Response not available or not applicable	***1***	***1***	***4***	***4***	***1***	***1***

Table 14. **Countries that take account of indirectly owned FDI enterprises in their statistics**

OECD countries	**Countries that include earnings data of indirectly owned FDI enterprises**	**Countries that classify all equity and other capital transactions within a group of related enterprises as FDI without consideration of the percent of equity held by these enterprises in each other**	**Countries that apply the Fully Consolidated System**	
			Partially	***Fully***
Australia	yes	yes		fully
Austria	no	yes	partially	
Belgium	no	yes	partially	
Canada	yes	yes		fully
Czech Republic	no	no		
Denmark	yes	yes		fully
Finland	yes	yes		fully
France	no	no	partially	
Germany	no	yes	partially	
Greece	no	no	partially	
Hungary	no	no		
Iceland	yes	yes		fully
Ireland	yes	no		fully
Italy	no	no	partially	
Japan	no	no		
Korea	no	no		
Luxembourg	no	no	partially	
Mexico	yes	yes		fully
Netherlands	no	yes		
New Zealand	yes	yes	partially	
Norway	yes	no		fully
Poland	no	no		
Portugal	no	yes	partially	
Spain	no	no	partially	
Sweden	yes	yes		fully
Switzerland	yes	no		fully
Turkey	no	no		
United Kingdom	yes	no	partially	
United States	yes	no	partially	
Total OECD (29)				
Yes	***13***	***13***	***-***	***-***
No	***16***	***16***	***-***	***-***
Partially	***-***	***-***	***12***	***-***
Fully	***-***	***-***	***-***	***10***

Table 15. **The components of FDI equity capital transactions included in the statistics**

OECD countries	**Countries that include in their FDI equity capital transactions:**		
	Transactions in voting and non-voting stocks	**Reinvested earnings**	**Non-cash acquisition of equity**
Australia	yes	yes	no
Austria	yes	-	yes
Belgium	yes	no (1)	no
Canada	yes	yes	yes
Czech Republic	yes	-	-
Denmark	yes	yes	yes
Finland	yes	yes	yes
France	yes	yes	yes
Germany	yes	yes	yes
Greece	yes	yes	no
Hungary	yes	no	no
Iceland	yes	yes	-
Ireland	yes	yes	yes
Italy	-	-	-
Japan	yes	yes	yes
Korea	yes	yes	yes
Luxembourg	yes	yes	no
Mexico	yes	yes	yes
Netherlands	yes	yes	yes
New Zealand	yes	yes	no
Norway	yes	yes	yes
Poland	yes	yes	yes
Portugal	yes	yes	yes
Spain	yes	no	yes
Sweden	yes	yes	yes
Switzerland	yes	yes	yes
Turkey	yes	yes	no
United Kingdom	yes	yes	yes
United States	yes	yes	yes
Total OECD (29)			
Yes	***28***	***23***	***19***
No	***0***	***3***	***7***
Response not available or not applicable	***1***	***3***	***3***

(1) Belgium: It is planned to include reinvested earnings as from 1999.

***Table 16*. The components of FDI other capital transactions included in the statistics**

OECD countries	**Countries that include in their FDI other capital transactions:**				
	Long-term loans	**Short-term loans**	**Financial leasing**	**Trade credits**	**Bonds and money market instruments**
Australia	yes	yes	-	yes	yes
Austria	no	no	no	no	no
Belgium	yes	yes	yes (1)	no	no
Canada	yes	yes	yes	yes	yes
Czech Republic	-	-	-	-	-
Denmark	yes	yes	no	no	no
Finland	yes	yes	yes	no	no
France	yes	yes	no	no	no
Germany	yes	no	no	no	no
Greece	yes	yes	yes	yes	yes
Hungary	yes	yes	yes	yes	yes
Iceland	yes	yes	-	yes	-
Ireland	yes	yes	yes	yes	yes
Italy	-	-	-	-	-
Japan	yes	yes	no	no	yes
Korea	yes	no	no	no	no
Luxembourg	yes	yes	no	yes	no
Mexico	yes	yes	yes	yes	no
Netherlands	yes	yes	no	yes	no
New Zealand	yes	yes	yes	yes	yes
Norway	yes	yes	no	no	yes
Poland	yes	yes	yes	yes	yes
Portugal	yes	yes	yes	yes	yes
Spain	yes	yes	no	yes	no
Sweden	yes	yes	yes	yes	yes
Switzerland	yes	yes	yes	yes	yes
Turkey	no	no	no	no	no
United Kingdom	yes	yes	no	yes	yes
United States	yes	yes	yes	yes	yes
Total OECD (29)					
Yes	***25***	***23***	***13***	***17***	***14***
No	***2***	***4***	***12***	***10***	***12***
Response not available or not applicable	***2***	***2***	***4***	***2***	***3***

(1) Belgium: Financial leasing is included if information is available.

Table 17. Transactions between affiliated banks and affiliated financial intermediaries

OECD countries	Countries that record in FDI the transactions between affiliated banks for:			Countries that record in FDI the transactions between affiliated financial intermediaries for:		
	Equity capital	**Permanent debt**	**Other claims and liabilities related to usual banking transactions**	**Equity capital**	**Permanent debt**	**Claims and liabilities related to transactions other than those on equity and permanent debt**
Australia	yes	yes	no	yes	yes	no
Austria	yes	no	no	yes	no	no
Belgium	yes	no	no	yes	no	no
Canada	yes	yes	no	yes	yes	no
Czech Republic	-	-	-	-	-	-
Denmark	yes	no	no	yes	yes	no
Finland	yes	yes	no	yes	yes	yes
France	yes	yes	no	yes	yes	no
Germany	yes	yes	no	yes	yes	yes
Greece	yes	yes	no	yes	yes	no
Hungary	yes	yes	no	yes	yes	yes
Iceland	-	-	-	yes	yes	-
Ireland	yes	yes	no	yes	yes	no
Italy	-	-	-	-	-	-
Japan	yes	yes	no	yes	yes	no
Korea	yes	yes	no	yes	-	no
Luxembourg	yes	no	no	no	no	no
Mexico	yes	no	no	yes	no	no
Netherlands	yes	yes	no	yes	yes	no
New Zealand	yes	yes	yes	yes	yes	yes
Norway	yes	no	no	yes	yes	no
Poland	yes	yes	no	yes	-	no
Portugal	yes	yes	no	yes	yes	no
Spain	yes	yes	no	yes	yes	yes
Sweden	yes	yes	no	yes	yes	no
Switzerland	yes	yes	no	yes	yes	no
Turkey	no	no	no	no	no	no
United Kingdom	yes	no	no	yes	no	no
United States	yes	yes	no	yes	yes	yes
Total OECD (29)						
Yes	***25***	***18***	***1***	***25***	***19***	***6***
No	***1***	***8***	***25***	***2***	***6***	***20***
Response not available or not applicable	***3***	***3***	***3***	***2***	***4***	***3***

***Table 18.* Reverse investment: investment by a resident direct investment enterprise in its direct investor, when the FDI relationship is established in one direction only**

OECD countries	Countries that record the acquisition of equity by the direct investment enterprise in its direct investor according to the:				Countries that record the provision of a loan by the direct investment enterprise to its direct investor according to the :			
	Directional principle, as:		Asset-liability principle	As portfolio but not in FDI statistics	Directional principle, as:		Asset-liability principle	As other investment but not in FDI statistics
	Increase in claims	Decrease in liabilities			Increase in claims	Decrease in liabilities		
Australia	yes	no	no	no	yes	no	no	no
Austria	no	no	no	yes	no	no	no	yes
Belgium	no	no	yes	no	no	no	yes	no
Canada	no	no	yes	no	no	no	yes	no
Czech Republic	-	-	-	-	-	-	-	-
Denmark	no	yes	no	no	no	no	yes	no
Finland	no	no	no	yes	yes	no	no	no
France	no	no	no	yes	-	-	-	-
Germany	no	no	no	yes	no	no	yes	no
Greece	no	no	no	yes	no	no	no	yes
Hungary	yes	no	no	no	yes	no	no	no
Iceland	yes	no	no	no	yes	no	no	no
Ireland	-	-	-	-	-	-	-	-
Italy	-	-	-	-	-	-	-	-
Japan	no	no	no	yes	no	no	no	yes
Korea	no	no	no	yes	no	no	no	yes
Luxembourg	no	no	no	yes	no	no	no	yes
Mexico	-	-	-	-	-	-	-	-
Netherlands	no	no	yes	no	no	no	yes	no
New Zealand	no	no	no	yes	yes	no	no	no
Norway	-	-	-	-	-	-	-	-
Poland	-	-	-	-	-	-	-	-
Portugal	yes	no	no	no	yes	no	no	no
Spain	no	no	no	yes	yes	no	no	no
Sweden	no	no	no	yes	no	yes	no	no
Switzerland	-	-	-	-	no	yes	no	no
Turkey	-	-	-	-	-	-	-	-
United Kingdom	no	no	no	yes	yes	no	no	no
United States	no	no	no	yes	yes	no	no	no
Total OECD (29)								
Yes	***4***	***1***	***3***	***13***	***9***	***2***	***5***	***5***
No	***17***	***20***	***18***	***8***	***12***	***19***	***16***	***16***
Response not available or not applicable	***8***	***8***	***8***	***8***	***8***	***8***	***8***	***8***

Table 19. **Reverse investment: investment by a resident direct investment enterprise in its direct investor, when two FDI relationships are established**

OECD countries	**Countries that record equity capital transactions between enterprises for which two FDI relationships are established according to the:**			**Countries that record other capital (loan) transactions between enterprises for which two FDI relationships are established according to the :**		
	Directional principle, as: (based on the direction of the original FDI relationship)		**Asset-liability principle**	**Directional principle, as: (based on the direction of the original FDI relationship**		**Asset-liability principle**
	Increase in claims	**Decrease in liabilities**		**Increase in claims**	**Decrease in liabilities**	
Australia	no	no	yes	no	no	yes
Austria	no	no	yes	no	no	yes
Belgium	no	no	yes	no	no	yes
Canada	no	no	yes	no	no	yes
Czech Republic	-	-	-	-	-	-
Denmark	no	no	yes	no	no	yes
Finland	no	no	yes	no	no	yes
France	no	no	yes	-	-	-
Germany	no	no	yes	no	no	yes
Greece	no	no	yes	no	no	yes
Hungary	no	no	yes	no	no	yes
Iceland	no	no	yes	no	no	yes
Ireland	-	-	-	-	-	-
Italy	-	-	-	-	-	-
Japan	no	yes	no	no	yes	no
Korea	no	no	yes	no	no	yes
Luxembourg	no	no	yes	yes	no	no
Mexico	-	-	-	-	-	-
Netherlands	no	no	yes	no	no	yes
New Zealand	no	no	yes	yes	no	no
Norway	-	-	-	yes	no	no
Poland	-	-	-	-	-	-
Portugal	no	no	yes	no	no	yes
Spain	no	no	yes	no	no	yes
Sweden	no	no	yes	no	yes	no
Switzerland	no	no	yes	no	yes	no
Turkey	-	-	-	-	-	-
United Kingdom	no	no	yes	no	no	yes
United States	no	no	yes	no	no	yes
Total OECD (29)						
Yes	***-***	***1***	***21***	***3***	***3***	***16***
No	***22***	***21***	***1***	***19***	***19***	***6***
Response not available or not applicable	***7***	***7***	***7***	***7***	***7***	***7***

Table 20. The components of FDI income included in the statistics

OECD countries	Countries that include in their FDI income statistics:					
	Dividends		Reinvested earnings		Income on debt	
	Inward	Outward	Inward	Outward	Inward	Outward
Australia	yes	yes	yes	yes	yes	yes
Austria	yes	yes	no	no	no	no
Belgium	yes	yes	no	no	no	no
Canada	yes	yes	yes	yes	yes	yes
Czech Republic	no	no	no	no	no	no
Denmark	yes	yes	yes	yes	yes	yes
Finland	yes	yes	yes	yes	yes	yes
France	yes	yes	yes	yes	no	no
Germany	yes	yes	yes	yes	yes	yes
Greece	yes	yes	yes	yes	yes	yes
Hungary	yes	yes	no	no	yes	yes
Iceland	yes	yes	yes	yes	yes	yes
Ireland	yes	yes	yes	yes	yes	yes
Italy	no	no	no	no	no	no
Japan	yes	yes	yes (1)	yes (1)	yes	yes
Korea	yes	yes	no	no	yes	yes
Luxembourg	yes	yes	yes	yes	yes	yes
Mexico	yes	no	yes	no	yes	no
Netherlands	yes	yes	yes (1)	yes (1)	yes	yes
New Zealand	yes	yes	yes	yes	yes	yes
Norway	yes	yes	yes	yes	yes	yes
Poland	yes (1)	yes	yes (1)	yes	yes	yes
Portugal	yes	yes	yes	yes	yes	yes
Spain	yes	yes	no	no	yes	yes
Sweden	yes	yes	yes	yes	yes	yes
Switzerland	yes	yes	yes	yes	no	no
Turkey	yes (1)	yes (1)	yes (1)	no	no	no
United Kingdom	yes	yes	yes	yes	yes	yes
United States	yes	yes	yes	yes	yes	yes
Total OECD (29)						
Yes	***27***	***26***	***22***	***20***	***22***	***21***
No	***2***	***3***	***7***	***9***	***7***	***8***

(1) Only for incorporated enterprises.

Table 21. **The components of earnings included in the statistics**

OECD countries	**Earnings statistics that:**				**Countries that apply the COPC (1)**
	make allowance for:		**include:**		
	Depreciation of capital	**Host-country corporation taxes**	**Capital gains or losses**	**Write-offs**	
Australia	yes	yes	no	no	yes
Austria	no	no	yes	yes	no
Belgium	no	no	yes	yes	no
Canada	yes	no	no	no	yes
Czech Republic	-	-	-	-	-
Denmark	-	-	-	-	-
Finland	yes	yes	yes	yes	no
France	yes	yes	yes	yes	no
Germany	no	no	yes	yes	no
Greece	yes	yes	yes	yes	yes
Hungary	-	-	-	-	-
Iceland	no	yes	yes	yes	yes
Ireland	yes	yes	no	no	yes
Italy	no	no	no	no	no
Japan	no	no	yes	no	yes
Korea	-	-	-	-	-
Luxembourg	no	no	yes	yes	no
Mexico	yes (2)	yes (2)	yes (2)	yes (2)	yes (2)
Netherlands	yes	yes	no	no	no
New Zealand	yes	yes	no	no	yes
Norway	yes	yes	yes	yes	no
Poland	yes	yes	yes	yes	no
Portugal	yes	yes	yes	yes	no
Spain	no	no	yes	yes	no
Sweden	yes	yes	no	no	yes
Switzerland	yes	yes	yes	yes	no
Turkey	-	-	-	-	-
United Kingdom	yes	no	no	no	no
United States	yes	yes	no	no	yes
Total OECD (29)					
Yes	***16***	***15***	***15***	***14***	***10***
No	***8***	***9***	***9***	***10***	***14***
Response not available or not applicable	***5***	***5***	***5***	***5***	***5***

(1) Current operating performance concept.
(2) Only for inward investment.

Table 22. Time of recording of FDI income transactions

OECD countries	Countries that record:						
	Dividends as of the date they are:			Reinvested earnings in the periods they were earned	Income on debt as it is:		
	Payable	Paid	Other		Accruing	Paid	Other
Australia	no	no[1]	yes	yes	yes	no	no
Austria	no	yes	no	-	-	-	-
Belgium	no	yes	no	-	yes[3]	-	-
Canada	yes	no	no	yes	yes	no	no
Czech Republic	-	-	-	-	-	-	-
Denmark	no	yes	no	no	no	yes	no
Finland	no	yes	no	yes	no	yes	no
France	no	yes	no	no	-	-	-
Germany	no	yes	no	no	no	yes	no
Greece	no	yes	no	no	yes	no	no
Hungary	-	yes	-	-	no	yes	no
Iceland	no	yes	no	yes	no	yes	no
Ireland	yes	no[1]	no	yes	yes	no	no
Italy	-	-	-	-	-	-	-
Japan	no	yes	no	no	no	yes	no
Korea	no	yes	no	yes	no	yes	no
Luxembourg	no	yes	no	yes	yes	no	no
Mexico	no	yes [4]	no	no	no	yes [4]	no
Netherlands	no	yes	no	yes [1]	no	yes	no
New Zealand	no	yes	no	yes	no	no	yes
Norway	no	yes	no	yes	yes	no	no
Poland	yes	no [1,2]	no	yes	no	yes	no
Portugal	no	yes	no	yes	no	yes	no
Spain	no	yes	no	-	no	yes	no
Sweden	no	yes	no	yes	yes	no	no
Switzerland	yes	yes	no	yes	-	-	-
Turkey	no	yes	no	no	-	-	-
United Kingdom	no[1]	yes	no	yes	yes	no	no
United States	yes	no	no	yes	yes	no	no
Total OECD (29)							
Yes	***5***	***22***	***1***	***16***	***9***	***12***	***1***
No	***21***	***5***	***25***	***7***	***13***	***10***	***21***
Response not available	***3***	***2***	***3***	***6***	***7***	***7***	***7***

(1) Yes for distributed branch profits of unincorporated enterprises.

(2) Yes for distributed branch profits of outward investment of unincorporated enterprises.

(3) Estimates based on stock data which provides only a proxy of accrual.

(4) Only for inward investment.

Table 23. Valuation of assets

OECD countries	**The number of countries that value FDI equity capital stock using:**	
	Market value	**Book value**
Australia	most frequent	no
Austria	no	most frequent
Belgium(1)	-	-
Canada	no	most frequent
Czech Republic	no	most frequent (2)
Denmark	no	most frequent
Finland	no	most frequent
France	secondary	most frequent
Germany	no	most frequent
Greece	secondary	most frequent
Hungary	-	-
Iceland	no	most frequent
Ireland	secondary	most frequent
Italy	most frequent	-
Japan	secondary	most frequent
Korea	-	-
Luxembourg	-	-
Mexico	no	most frequent (2)
Netherlands	no	most frequent
New Zealand	most frequent	no
Norway	no	most frequent
Poland	no	most frequent
Portugal	no	most frequent
Spain	-	-
Sweden	no	most frequent
Switzerland	secondary	most frequent
Turkey	-	-
United Kingdom	-	most frequent
United States	-	-
Total OECD (29)		
Most frequent	***3***	***19***
Secondary	***5***	***0***
No	***13***	***2***
Response not available	***8***	***8***

(1) Belgium: Survey based on book value; International Investment Position adjusted at market value by using indices.
(2) For inward investment only.

Table 24. Construction enterprises and mobile equipment

OECD countries	**Countries that follow the *Benchmark* and *BPM5* recommendations with regard to:**			
	Construction enterprises		**Mobile equipment**	
	Inward	**Outward**	**Inward**	**Outward**
Australia	yes	yes	yes	yes
Austria	no	no	no	no
Belgium	no	no	no	no
Canada	no	no	no	-
Czech Republic	-	-	-	-
Denmark	-	-	no	no
Finland	no	no	no	no
France	no	no	no	no
Germany	no	no	no	no
Greece	-	-	-	-
Hungary	no	no	-	-
Iceland	no	no	no	no
Ireland	-	-	-	-
Italy	-	-	no	no
Japan	yes	yes	-	-
Korea	no	yes	-	-
Luxembourg	no	no	-	-
Mexico	yes	no	yes	no
Netherlands	no	no	no	no
New Zealand	no	no	no	no
Norway	-	-	no	no
Poland	no	yes	-	-
Portugal	yes	yes	yes	yes
Spain	yes	yes	yes	yes
Sweden	no	no	no	no
Switzerland	yes	yes	-	-
Turkey	no	no	no	no
United Kingdom	yes	yes	yes	yes
United States	-	-	yes	yes
Total OECD (29)				
Yes	***7***	***8***	***6*** (1)	***5*** (2)
No	***15***	***14***	***14***	***14***
Response not available or not applicable	***7***	***7***	***9***	***10***

(1) of which: 5 countries also relate to shipping (Australia, Mexico, Portugal, United Kingdom and United States).
(2) of which: 4 countries also relate to shipping (Australia, Portugal, United Kingdom and United States).

Table 25. **Foreign ownership of land**

OECD countries	**Countries that include in their FDI statistics cross-border transactions in real estate with:**			
	Non-resident enterprises		**Non-resident individuals**	
	Inward	**Outward**	**Inward**	**Outward**
Australia	yes	yes	yes	yes
Austria	no	no	no	no
Belgium	yes	yes	yes	yes
Canada	yes	yes	no	no
Czech Republic	-	-	-	-
Denmark	yes	yes	yes	yes
Finland	yes	yes	yes	yes
France	yes	yes	yes	yes
Germany	-	-	-	-
Greece	yes	yes	yes	yes
Hungary	yes	yes	yes	yes
Iceland	no	no	no	no
Ireland	-	-	-	-
Italy	no	no	no	no
Japan	yes	yes	yes	yes
Korea	-	-	-	-
Luxembourg	-	-	-	-
Mexico	yes	no	yes	no
Netherlands	yes	yes	yes	yes
New Zealand	yes	yes	yes	yes
Norway	yes	yes	yes	yes
Poland	yes	yes	yes	yes
Portugal	yes	yes	yes	yes
Spain	yes	yes	yes	yes
Sweden	yes	yes	yes	yes
Switzerland	yes	yes	no	no
Turkey	-	-	-	-
United Kingdom	yes	yes	yes	yes
United States	yes	yes	yes	yes
Total OECD (29)				
Yes	***20***	***19***	***18***	***17***
No	***3***	***4***	***5***	***6***
Response not available	***6***	***6***	***6***	***6***

***Table 26.* Offshore enterprises ***

OECD countries	Transactions between resident offshore enterprises and affiliated non-resident enterprises		Transactions between non-resident offshore enterprises and affiliated resident enterprises	
	Included in the FDI statistics	Excluded from the FDI statistics	Included in the FDI statistics	Excluded from the FDI statistics
Australia	included		included	
Austria				
Belgium	included		included	
Canada			included	
Czech Republic				
Denmark				
Finland				excluded
France			included	
Germany			included	
Greece		excluded		
Hungary		excluded		
Iceland			included	
Ireland		excluded		excluded
Italy	included		included	
Japan			included	
Korea			included	
Luxembourg				
Mexico	included			
Netherlands	included		included	
New Zealand	included		included	
Norway				
Poland				
Portugal	included		included	
Spain	included		included	
Sweden	included		included	
Switzerland		excluded		excluded
Turkey		excluded		excluded
United Kingdom	included			excluded
United States	included		included	
Total OECD (29)				
Included	***11***		***15***	
Excluded		***5***		***5***

* All countries do not report the establishment of off-shore enterprises.

***Table 27.* Special purpose entities ***

OECD countries	Transactions between resident SPEs and affiliated non-resident enterprises		Transactions between non-resident SPEs and affiliated resident enterprises	
	Included in FDI statistics	**Excluded from FDI statistics**	**Included in FDI statistics**	**Excluded from FDI statistics**
Australia	included		included	
Austria	included		included	
Belgium	included		included	
Canada			included	
Czech Republic				
Denmark	included		included	
Finland	included		included	
France	included		included	
Germany	included		included	
Greece				
Hungary				
Iceland				
Ireland		excluded		excluded
Italy				
Japan	included		included	
Korea			included	
Luxembourg		excluded		
Mexico	included			
Netherlands		excluded		excluded
New Zealand	included		included	
Norway				excluded
Poland				
Portugal		excluded		excluded
Spain	included		included	
Sweden	included		included	
Switzerland	included		included	
Turkey				
United Kingdom	included		included	
United States	included		included	
Total OECD (29)				
Included	***15***		***16***	
Excluded		***4***		***4***

* All countries do not report the establishment of SPEs.

Table 28. Natural resources exploration

OECD countries	**Countries that record in FDI statistics the expenditures in natural resources exploration in one economy by an enterprise resident of another**	
	Inward	**Outward**
Australia	yes	yes
Austria	-	-
Belgium	no	no
Canada	yes	yes
Czech Republic	-	-
Denmark	-	-
Finland	no	no
France	yes	yes
Germany	yes	yes
Greece	yes	yes
Hungary	no	no
Iceland	no	no
Ireland	no	no
Italy	no	no
Japan	yes	yes
Korea	-	yes
Luxembourg	no	no
Mexico	yes	no
Netherlands	yes	yes
New Zealand	no	no
Norway	-	-
Poland	-	-
Portugal	yes	yes
Spain	yes	yes
Sweden	no	no
Switzerland	no	no
Turkey	-	-
United Kingdom	yes	yes
United States	yes	yes
Total OECD (29)		
Yes	***12***	***12***
No	***10***	***11***
Not Available	***7***	***6***

APPENDIX II

Country Classification and List of Respondents

(the survey respondents are identified in bold)

OECD Countries	**Africa**	**Asia**	**Europe**	**Middle East**	**Western Hemisphere**
(29 respondents)	*(22 respondents)*	*(16 respondents)*	*(18 respondents)*	*(6 respondents)*	*(23 respondents)*
Australia	Algeria	**Bangladesh**	**Albania**	Bahrain	**Antigua &**
Austria	Benin	Bhutan	**Armenia**	Egypt	**Barbuda**
Belgium	**Botswana**	**Brunei ***	**Azerbaijan**	Iran, I.R. of	**Argentina**
Canada	Burkina Faso	**Darussalam**	Belarus	**Israel**	**Bahamas, The**
Czech Republic	**Burundi**	**Cambodia**	**Bulgaria**	**Jordan ***	Barbados
Denmark	Cameroon	**China, P.R.:**	**Croatia**	**Kuwait**	Belize
Finland	Cape Verde	**Mainland**	**Cyprus ***	**Lebanon ***	**Bolivia**
France	C. African Rep.	**Hong Kong,**	**Estonia**	Libya	**Brazil**
Germany	Chad	**China**	Georgia	Oman	**Chile**
Greece	Comoros	**Fiji**	**Kazakhstan**	Qatar	**Colombia**
Hungary	**Côte d'Ivoire ***	**India**	**Kyrgyz Rep.**	**Saudi Arabia ***	**Costa Rica**
Iceland	Djibouti	**Indonesia**	**Latvia**	**Syrian Arab ***	**Dominica**
Ireland	Equatorial	Kiribati	**Lithuania**	**Rep.**	Dominican Rep.
Italy	Guinea	Lao P. D. Rep.	**Macedonia, ***	United Arab	**Ecuador**
Japan	**Ethiopia ***	Malaysia	**former**	Emirates	**El Salvador**
Korea	Gabon	**Maldives** *	**Yugoslav Rep. of**	Yemen,	**Grenada**
Luxembourg	**Gambia, The ***	Myanmar	**Malta**	Republic of	**Guatemala ***
Mexico	Ghana	**Nepal ***	**Moldova**		Guyana
Netherlands	**Guinea ***	Pakistan	**Romania**		**Haiti**
New Zealand	Guinea-Bissau	**Papua New**	**Russia**		**Honduras**
Norway	Kenya	**Guinea**	**Slovak Rep.**		Jamaica
Poland	**Lesotho**	**Philippines**	**Slovenia**		**Nicaragua ***
Portugal	Liberia	**Singapore**	Tajikistan		Panama
Spain	**Madagascar**	Solomon Islands	Turkmenistan		**Paraguay**
Sweden	**Malawi**	Sri Lanka	Ukraine		**Peru**
Switzerland	Mali	**Thailand**	Uzbekistan		**St. Kitts & Nevis**
Turkey	Mauritania	**Tonga**			**St. Lucia**
United	**Mauritius**	**Vanuatu**			**St. Vincent and**
Kingdom	**Morocco ***	Vietnam			**The Grenadines**
United States	Mozambique				Suriname
	Namibia				Trinidad &
	Niger				Tobago
	Nigeria				**Uruguay**
	Rwanda *				**Venezuela**
	Sao Tomé &				
	Principe				
	Senegal				
	Seychelles				
	Sierra Leone				
	Somalia				
	South Africa				
	Sudan *				
	Swaziland				
	Tanzania				
	Togo				
	Tunisia				
	Uganda				
	Zambia				
	Zimbabwe				

* Indicates countries that completed only the third part of the questionnaire, which provides room for the description of specific future plans, or that provided letters indicating their future plans in the area of FDI statistics. These countries are still developing their FDI compilation system and preferred not to complete the survey form. Thus, they were excluded from the analysis of the survey results.

APPENDIX III

OECD COUNCIL RECOMMENDATION

ON REVISION OF THE OECD BENCHMARK DEFINITION OF FOREIGN DIRECT INVESTMENT

(adopted by the Council at its 856th session on 27 and 28 July 1995)

THE COUNCIL**,**

Having regard to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14th December 1960;

Having regard to the Resolution of the Council of 13th December 1984 on the Terms of Reference of the Committee on International Investment and Multinational Enterprises [C(84)171(Final)] as extended by the Council on 27 September 1990 [C/M(90)17(Final), Item 208];

Having regard to the Recommendation of the Council of 27 February 1992 concerning the revised detailed benchmark definition of foreign direct investment [C(91)80(Final)];

Recognising the improvements that have been achieved in the comparability of data collected on foreign direct investment since the publication of the OECD Benchmark Definition of Foreign Direct Investment in 1983 and the desirability of ensuring that the methodology of the Benchmark continues to reflect the reality of foreign direct investment transactions;

Considering that divergences still exist between the methodology used by some Member countries and the methodology of the Benchmark;

On the proposal of the Committee on International Investment and Multinational Enterprises;

I. **RECOMMENDS** that Member countries continue to take steps to bring their statistical methodology into line with the OECD Benchmark Definition of Foreign Direct Investment as set out in the Report of the Committee on International Investment and Multinational Enterprises (Third Edition) OECD/GD(95)36, thereby providing a comparable basis for users of foreign direct investment statistics.

II. **INSTRUCTS** the Committee on International Investment and Multinational Enterprises, in co-operation with the Group of Financial Statisticians, to continue co-ordinating within OECD the collection of information on international direct investment and multinational enterprises, and to collect and publish at regular intervals stock and flow data on inward and outward foreign direct investment, accompanied by notes describing the areas where the methodology used by Member countries differs from the OECD Benchmark Definition.

III. **DECIDES** to repeal the Recommendation of the Council of 27 February 1992 referred to above.

APPENDIX IV

GLOSSARY OF FOREIGN DIRECT INVESTMENT TERMS

The purpose of this glossary is to help analysts of foreign direct investment to make the best use of the metadata obtained from the 1997 *Survey of Implementatio n of Methodological Standards for Direct Investment (SIMSDI)*. The technical terms used throughout the report on the survey results are defined alphabetically below.

Aggregate basis: (data collection on) information collected through surveys on total transactions made by respondents.

All-inclusive concept: is one of the two main ways of measuring earnings as explained in the International Accounting Standard No.8, “Unusual and Prior Period Items and Changes in Accounting Policy” and is where income is after allowing for all items (including capital gains and losses) causing any increase or decrease in the shareholders’ or investors’ interests during the period, other than dividends and any other transactions between the enterprise and its shareholders or investors.

Asset/liability principle: the financial account of the balance of payments records an economy’s transactions in external financial assets and liabilities. The transactions are classified by (1) functional type of investment (*direct investment*, *portfolio investment*, *other investment*, and *reserve assets*); (2) assets and liabilities or, in the case of direct investment, direction of investment; (3) type of instrument; and, in some cases, by (4) domestic sector and (5) original contractual maturity. This distinction between external assets and liabilities is of primary importance for the functional types of investment other than direct investment. Transactions should be recorded on a straight asset/liability basis; even on the net basis used for recording the financial account in the balance of payments, transactions in financial assets should be shown separately from transactions in financial liabilities.

Balance of payments: statistical system that systematically summarises, for a specific time period, the economic transactions of an economy with the rest of the world. The fifth edition of the IMF *Balance of Payments Manual* provides the conceptual guidelines for compiling balance of payments statistics according to internationally agreed standards.

Bonds and money market instruments: include bonds, debentures, commercial paper, promissory notes, certificates of deposit, and other tradable nonequity securities other than financial derivatives.

Book value: is the value at which an entity records the value of an asset or liability on its balance sheet - whether or not it is regularly revalued to current market value or is recorded on the basis of historical cost or is based on some interim but not current revaluation.

Compulsory reporting: reporting requirements are compulsory when a legislation creates a legal obligation (and usually an appropriate penalty for non-compliance) for reporters to provide the information.

Current operating performance concept: is one of the two main ways of measuring earnings as explained in the International Accounting Standard No.8, “Unusual and Prior Period Items and Changes in Accounting Policy” and is where earnings of an enterprise are its income from normal operations and before allowing for non-recurring items and capital gains and losses.

Data dissemination: refers to all the means by which data are made available to the public.

Debtor/creditor principle: in regard to financial flows, there are two principles that may serve as the basis for regional allocation: the debtor/creditor principle and the transactor principle. Under the debtor/creditor principle, changes in financial claims of the compiling economy are allocated to the country or residence of the non-resident debtor, and changes in liabilities are allocated to the country of residence of the non-resident creditor.

Debt securities: cover all tradable securities, excluding those classified as equity securities. Debt securities include bonds, debentures, notes, etc.; money market or negotiable debt instruments.

Direct investment: is a category of international investment that reflects the objective of obtaining a lasting interest by a resident entity in one economy ("direct investor") in an enterprise resident in an economy other than that of the investor ("direct investment enterprise"). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.

Direct investment enterprise: is an incorporated or unincorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise or the equivalent for an unincorporated enterprise. The numerical guideline of ownership of 10 per cent of ordinary shares or voting stock determines the existence of a direct investment relationship. An effective voice in the management, as evidenced by an ownership of at least 10 per cent, implies that the direct investor is able to influence or participate in the management of an enterprise; it does not require absolute control by the foreign investor.

Direct investment enterprises are defined to comprise those entities that are:

- subsidiaries (a non-resident investor owns more than 50 per cent);
- associates (a non-resident investor owns between 10 and 50 per cent) and;
- branches (unincorporated enterprises wholly or jointly owned by a non-resident investor); either directly or indirectly owned by the direct investor.

As a result, once the 10 per cent “across-the border” direct investment link is achieved with an enterprise, certain other enterprises related “down the line” to the first enterprise will also be regarded as direct investment enterprises. The OECD *Benchmark Definition* and the IMF *Balance of Payments Compilation Guide* describe the scope of enterprises, both directly and indirectly owned, that should be included in the definition. The OECD's specification of this group of enterprises is referred to as the "Fully Consolidated System".

Direct investment relationship: a direct investment relationship is created when an enterprise resident in one economy owns 10 per cent or more of an enterprise resident of another. Direct investment enterprises which are considered to be in a direct investment relationship with a direct investor are also considered to be in direct investment relationships with each other.

Direct investor: is an individual, an incorporated or unincorporated public or private enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises which has a direct investment enterprise -- that is, a subsidiary, associate or branch -- operating in a country other than the country or countries of residence of the foreign direct investor or investors.

Directional principle: unlike other financial investments, direct investment is not recorded in the balance of payments on a strict asset/liability basis. Direct investment is recorded on a directional basis - resident direct investment abroad and non-resident direct investment in the reporting economy. Capital invested by the direct investment enterprise in its direct investor (reverse investment) is regarded as an offset to capital invested in the direct investment enterprise by a direct investor and its related enterprises. That is, such capital is regarded as disinvestment by the direct investor rather than as an asset of the direct investment enterprise.

Dividends: are the distribution of earnings allocated to shares and other forms of participation in the equity of incorporated private enterprises, co-operatives, and public corporations.

Financial derivatives: are financial instruments that are linked to a specific financial instrument or indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right. The value of a financial derivative derives from the price of an underlying item, such as an asset or index. Unlike debt instruments, no principal amount is advanced to be repaid and no investment income accrues. Financial derivatives are used for a number of purposes including risk management, hedging, arbitrage between markets, and speculation.

Immediate host/investing country: the country analysis of direct investment transactions is complicated by holding companies where the ultimate parent enterprise's investment in a foreign country is held through another subsidiary in a third country. Because the principle of classification used in balance of payments regional statistics is based on the change of ownership, direct investment flows should be compiled only in respect of the immediate host/investing country. The same rule apply for the international investment position statement, as liabilities should be classified by the country of residence of the owner of the claim, and assets should be classified by the country of the liability holder. However, it is suggested that the stock of direct investment net assets could also be compiled in respect of the ultimate host or controlling country, as supplementary information.

Income on debt: consists of interest payable - on intercompany debt - to/from direct investors from/to associated enterprises abroad. It covers interest on the borrowing and lending of funds - including debt securities and suppliers' credits- between direct investors and direct investment enterprises.

Indirectly owned direct investment enterprises: as a matter of principle, FDI statistics cover all enterprises in which the direct investor has directly or indirectly a direct investment interest. The scope of enterprises, both directly and indirectly owned, that should be included in the definition is referred to as the "Fully Consolidated System".

Individual transactions basis: information collected for each transaction made by respondents.

International investment position: is the balance sheet of the stock of external financial assets and liabilities of an economy. The concepts and guidelines for compiling international investment position data are comprised in the fifth edition of the IMF *Balance of Payments Manual*.

International Transactions Reporting System (ITRS)**:** an ITRS measures individual balance of payments cash transactions (passing through the domestic banks and foreign bank accounts of enterprises) and non-cash transactions and stock positions. Statistics are compiled from forms submitted to domestic banks and from forms submitted by enterprises to the compiler.

Inward: refers to direct investment in the reporting economy.

Market price: is the amount of money that willing buyers would pay to acquire a financial asset from a willing seller. The use of market price is one of the key principles of balance of payments compilation.

Most comprehensive data: refer to the direct investment statistics disseminated and based on the most comprehensive regularly available data sources. These data may be preliminary and subject to revision.

Most timely data: refer to the direct investment statistics first disseminated; that is with the shortest lapse of time between the end of the reference period (or the reference date) and dissemination of the data.

Offshore enterprises: in balance of payments accounts, the residency of so called "offshore enterprises" is attributed to the economies in which they are located without regard to the special treatment they may receive by the local authorities. This applies to enterprises engaged in the assembly of components manufactured elsewhere, in trade and financial operations, and to those located in special zones.

Outward: refers to direct investment abroad.

Periodicity: refers to the frequency of compilation of the data. The specifications for periodicity are, for flow data, in terms of the longest interval to be represented by a single data point or, for stock data, the longest interval between compilations. For example, the specifications of quarterly periodicity for balance of payments means that one quarter is the longest interval that may be represented by a single estimate.

Perpetual inventory method: the process of deriving stocks from transactions data is known as the perpetual inventory method. Via this method, for which a stock estimate for some base point in time is required, the compiler may calculate the value of a stock at the end of a period as being equal to the value of the stock at the beginning of the period plus the impact of transactions and non-transactions changes in the value of the stock during the period.

Reinvested earnings and undistributed branch profits: comprise direct investors' shares - in proportion to equity held - of earnings that foreign subsidiaries and associated enterprises do not distribute as dividends and earnings that branches and other unincorporated enterprises do not remit to direct investors.

Reverse investment: relates to circumstances where a direct investment enterprise has acquired a financial claim on its direct investor. Because direct investment is recorded on a directional basis, capital invested by the direct investment enterprise in its direct investor (reverse investment) is regarded as an offset to capital invested in the direct investment enterprises by a direct investor and its related enterprises. Such reverse investment transactions are recorded based on the direction of the direct investment relationship and, for the economy of the direct investment enterprise, should be classified as *direct investment in the reporting economy, increase in claims on direct investor*.

Special purpose entities (SPEs) are: (1) generally organised or established in economies other than those in which the parent companies are resident and (2) engaged primarily in international transactions but in few or no local operations. They are either defined by their structure (e.g., financing subsidiary, holding company, base company, regional headquarters), or their purpose (e.g., sale and regional administration, management of foreign exchange risk, facilitation of financing of investment). SPEs should be included as direct investment enterprises if they meet the 10 per cent criteria. SPEs are an integral part of the structure of direct investment networks as are, for the most part, SPE transactions with other members of the group.

Time of recording: The time of recording a transaction and, hence, a holding is governed by the principle of accrual accounting. For financial claims and liabilities a change of ownership is considered to have taken place at (or is proxied by) the time the parties to the transaction record it in their books or accounts. If no precise data can be fixed, the date on which the creditor receives payment or some other financial claim is decisive. For direct investment income data, dividends should be recorded as they are declared payable and income on debt as it is accruing.

Timeliness: refers to the speed of dissemination of the data; that is the lapse of time between the end of a reference period (or a reference date) and dissemination of the data.

Transactor principle: in regard to financial flows, there are two principles that may serve as the basis for regional allocation: the debtor/creditor principle and the transactor principle. Under the transactor principle, changes in the claims and liabilities are allocated to the country of residence of the non-resident party to the transaction (the transactor).

Ultimate host/investing country: the country analysis of direct investment transactions is complicated by holding companies where the ultimate parent enterprise’s investment in a foreign country is held through another subsidiary in a third country. Compiling FDI statistics on income and financial flows based on the ultimate source of flows would require a concept other than the change-of-ownership principle that is recommended in the partner country classification. Therefore, direct investment flows should be compiled only in respect of the immediate host/investing country. The regional allocation of the international investment position statement should also be compiled in respect of the immediate host or investing country. However, it is suggested that the stock of direct investment net assets could also be compiled in respect of the ultimate host or controlling country, as supplementary information.

Valuation of stocks: *BPM5* and OECD *Benchmark* recommend using market price as the basis for valuation. However, it is recognised that, in practice, book values from the balance sheets of direct investment enterprises (or investors) often are used to determine the value of the stock of direct investment.