

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Azerbaijan:

Direct Investment Compilation Practices, Data Sources and Methodology

Contact person:

Ms. Svetlana Kerimova
Chief
Balance of Payments Division
Statistics Department
National Bank of Azerbaijan Republic
R. Behbudov str., 32
Baku AZ1014
Azerbaijan

Telephone: (99412) 931122, extension 242
Fax: (99412) 930657
E-mail: Kerimova.Svetlana@nba.az

Direct Investment in Azerbaijan

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

DIRECT INVESTMENT IN AZERBAIJAN
BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the National Bank of Azerbaijan (NBA) within the balance of payments framework on the equity capital component of direct investment financial flows only, with a timeliness of 2.5 months after the end of the reference period. These data are not disseminated in the national publications, but are reported to the IMF for publication.

Data on the income on equity (dividends and distributed branch profits) are compiled, but are reported to the IMF as total direct investment income only.

Separately identifiable data on (i) income on debt (interest), (ii) reinvested earnings and (ii) other capital are not compiled.

In addition, quarterly data showing gross direct investment in Azerbaijan, disinvestments of direct investment in Azerbaijan, and “net” direct investment in Azerbaijan are disseminated in the NBA’s monthly *Bulletin of Banking Statistics*, and on the NBA website (<http://www.nba.az>), as well as in the local media.

Revision Practices

The data are final when first released and are not subject to revision.

There are no differences in the revision practices between the aggregate data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in sectoral coverage between the aggregate data disseminated in the national publications and those reported to the IMF for publication.

Data Collection Method

The data are collected using a mixture of an aggregate basis and an individual transactions basis, and reporting requirements are compulsory.

Data Sources

The data are compiled from (i) a quarterly enterprise survey conducted by the NBA of the 11 resident direct investment enterprises that are members of the international oil consortia (IOC), (ii) Customs data on noncash acquisitions of equity, (iii) information provided by the State Oil Fund (SOFAZ) on oil bonuses, and (iv) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system (but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions) for transactions of the non-oil sector. Data obtained from a quarterly enterprise of non-oil sector enterprises conducted by the State Statistical Committee (SSC), published annual company reports of the IOC enterprises resident in Azerbaijan, and press reports are also used for cross-checking the data.

There are no differences in the data sources between the aggregate data disseminated in the national publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by the SSC and is updated semi-annually using information from (i) the international trade system’s list of exporters/importers, (ii) the ITRS list of transactors, (iii) registers

maintained by government licensing and regulatory authorities, industry associations, and other departments within the statistical agency, (iv) the financial press, and (v) compulsory direct investment surveys conducted by the SSC. The same business register is used to compile the inward direct investment transactions and position data, but a different register is used to compile the outward direct investment transactions and position data.

Geographic Classification

Data showing breakdowns by (i) country, and (ii) regions/economic zones (CIS countries and rest of the world), are compiled by the NBA for the direct investment financial flows (equity capital) data only. The debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral data are not used in the compilation of the data. The data are not disseminated and are not available on request.

Data showing breakdowns by (i) country, and (ii) regions/economic zones, for the direct investment income are not compiled.

Industrial Classification

Not applicable. Data showing breakdowns by industrial activity are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Azerbaijan

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Azerbaijan is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is not based on the ownership of each individual nonresident investor or group of related nonresident investors, but instead is calculated by combining the holdings of all nonresident investors in the enterprise. No value threshold is used to identify resident direct investment enterprises. Incorporated enterprises are treated differently from unincorporated enterprises, as nonresidents are not permitted to invest in unincorporated enterprises, such as branches.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other. (Data on other capital transactions are not compiled.)

Enterprises in Azerbaijan are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, and (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) interest receivable/payable of incorporated enterprises is included, and (ii) debt repayments receivable/payable of incorporated enterprises are excluded. Contrary to the COPC, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are included. (Unincorporated enterprises are not applicable as nonresidents are not permitted to invest in unincorporated enterprises, such as branches, in Azerbaijan.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover incorporated enterprises only. (Unincorporated direct investment enterprises are not applicable in Azerbaijan, as nonresidents are not permitted to invest in unincorporated enterprises, such as branches.) The data are based on estimates of earnings and the data sources do not provide sufficient information to determine whether, in accordance with the international standards, (i) the data are recorded on the date they are declared payable, (ii) the data are recorded gross of withholding taxes, and (iii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries. (SPEs primarily engaged in financial intermediation for a group of related enterprises have not occurred to date.)

Treatment of Reinvested Earnings and Undistributed Branch Profits

Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

Treatment of Income on Debt (Interest)

Not applicable. Data on income on debt (interest) are not compiled.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. Other non-voting stocks (shares), including participating preference [preferred] shares, are not applicable in Azerbaijan. In accordance with the international standards, the data include equity transactions between nonfinancial direct investment enterprises resident in Azerbaijan and nonresident affiliated financial intermediaries. Equity transactions between affiliated banks and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, are not applicable in Azerbaijan, as nonresidents are not permitted to invest in the banking or financial intermediation sector in Azerbaijan.

Treatment of Other Capital

Not applicable. Data on other capital are not compiled.

Treatment of Reverse Investment

Not applicable. Reverse investment involving equity transactions has not occurred to date. Data on other capital are not compiled.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Azerbaijan by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in Azerbaijan by nonresidents.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in Azerbaijan by nonresidents.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings in Azerbaijan by nonresident enterprises and nonresident individuals.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) the equity capital data include expenditure by nonresidents related to natural resources exploration in Azerbaijan, (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in Azerbaijan by nonresidents for natural resource exploration, no transactions are recorded in the balance of payments statistics.

Exchange Rate Conversion

All transactions, including the transactions obtained from the ITRS, are converted at the average exchange rate for the period.

DIRECT INVESTMENT IN AZERBAIJAN

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the National Bank of Azerbaijan (NBA) within the international investment position (IIP) framework on the equity capital and reinvested earnings component only. These data are disseminated with a timeliness of 2.5 months after the end of the reference period in the NBA’s monthly *Bulletin of Banking Statistics* and on the NBA website www.nba.az. These data are also reported to the IMF for publication.

Data on other capital are not compiled.

In addition, inward direct investment position data are compiled outside the international investment position framework and disseminated in the State Statistical Committee (SSC) *Statistical Yearbook*.

Revision Practices

The data are final when first released and are not subject to revision.

There are no differences in the revision practices between the aggregate data disseminated in the NBA publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the aggregate data disseminated in the NBA publications and those reported to the IMF for publication. However, there are differences in the coverage, particularly in the coverage of the oil sector, between the data compiled and disseminated in the SSC publication and those reported to the IMF for publication.

Data Collection Method

The data are collected using a mixture of an aggregate basis and an individual transactions basis, and reporting requirements are compulsory.

Data Sources

The data are compiled from (i) a quarterly enterprise survey conducted by the NBA of the 11 resident direct investment enterprises that are members of the international oil consortia (IOC), (ii) Customs data on noncash acquisitions of equity, (iii) information provided by the State Oil Fund (SOFAZ) on oil bonuses, and (iv) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system (but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions) for transactions of the non-oil sector. Data obtained from a quarterly enterprise of non-oil sector enterprises conducted by the SSC, published annual company reports of the IOC enterprises resident in Azerbaijan, and press reports are also used for cross-checking the data. The perpetual inventory method (a method for deriving position data from transactions data) is used. Adjustments are made for exchange rate changes only, and no adjustments made for price changes, or for other nontransaction changes.

There are no differences in the data sources between the aggregate data disseminated in the NBA publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the SSC and is updated semi-annually using information from (i) the

international trade system's list of exporters/importers, (ii) the ITRS list of transactors, (iii) registers maintained by government licensing and regulatory authorities, industry associations, and other departments within the statistical agency, (iv) the financial press, and (v) compulsory direct investment surveys conducted by the SSC. The same business register is used to compile the inward direct investment transactions and position data, but a different register is used to compile the outward direct investment transactions and position data.

Geographic Classification

Data showing breakdowns by (i) country, and (ii) regions/economic zones (CIS and the rest of the world) are compiled by the NBA for the inward position data. The data are not disseminated and are not available on request.

In accordance with the international standards, the data are compiled on an "immediate country" basis. Bilateral data are not used in the compilation of the data.

Industrial Classification

Not applicable. Data showing breakdowns by industrial activity are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Azerbaijan

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Azerbaijan is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is not based on the ownership of each individual nonresident investor or group of related nonresident investors, but instead is calculated by combining the holdings of all nonresident investors in the enterprise. No value threshold is used to identify resident direct investment enterprises. Incorporated enterprises are treated differently from unincorporated enterprises, as nonresidents are not permitted to invest in unincorporated enterprises, such as branches.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is not applied. Specifically, the data do not include all equity positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other. (Data on reinvested earnings and other capital positions are not compiled.)

Enterprises in Azerbaijan are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. Other non-voting stocks (shares), including participating preference [preferred] shares, are not applicable in Azerbaijan. In accordance with the international standards, the data include equity positions between nonfinancial direct investment enterprises resident in Azerbaijan and nonresident affiliated financial intermediaries. Equity positions between affiliated banks and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, are not applicable in Azerbaijan, as nonresidents are not permitted to invest in the banking or financial intermediation sector in Azerbaijan.

Data on reinvested earnings are not compiled.

Treatment of Other Capital

Not applicable. Data on other capital are not compiled.

Treatment of Reverse Investment

Not applicable. Reverse investment involving equity positions has not occurred to date. Data on other capital are not compiled.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Azerbaijan by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in Azerbaijan by nonresidents.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in Azerbaijan by nonresidents.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include ownership of land and buildings in Azerbaijan by nonresident enterprises and nonresident individuals.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) the equity capital data include expenditure by nonresidents related to natural resources exploration in Azerbaijan, (ii) bonus payments made by nonresidents to the host country for the right to undertake natural resource exploration are treated as direct investment and classified under equity capital when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in Azerbaijan by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is made to the liabilities data on direct investment equity capital in the international investment position statistics.

Valuation of Assets and Liabilities

The equity capital position data are the sum of accumulated transactions and no adjustments are made for changes in prices to reflect market values.

Data on other capital position are not compiled.

Exchange Rate Conversion

The data are converted to the unit of account at the exchange rate prevailing at the end of the period.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the National Bank of Azerbaijan (NBA) within the balance of payments framework on the equity capital component of direct investment financial flows only, with a timeliness of 2.5 months after the end of the reference period. These data are not disseminated in the national publications, but are reported to the IMF for publication.

Data on the income on equity (dividends and distributed branch profits) are compiled, but are reported to the IMF as total direct investment income only.

Separately identifiable data are not compiled for (i) income on debt (interest), (ii) reinvested earnings and (ii) other capital.

In addition, quarterly data showing gross direct investment in Azerbaijan, disinvestments of direct investment in Azerbaijan, and “net” direct investment in Azerbaijan are disseminated in the NBA’s monthly *Bulletin of Banking Statistics*, and on the NBA website (<http://www.nba.az>), as well as in the local media.

Revision Practices

The data are final when first released and are not subject to revision.

There are no differences in the revision practices between the aggregate data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in sectoral coverage between the aggregate data disseminated in the national publications and those reported to the IMF for publication.

Data Collection Method

The data are collected on an individual transactions basis and reporting requirements are compulsory.

Data Sources

The data are compiled from (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system (but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions), and (ii) Customs data on noncash acquisitions of equity.

There are no differences in the data sources between the aggregate data disseminated in the national publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by the NBA and is updated on an ongoing basis using information from (i) the ITRS list of transactors, and (ii) registers maintained by government licensing and regulatory authorities, industry associations, and other departments within the statistical agency. The same business register is used to compile the outward direct investment transactions and position data, but a different register is used to compile the inward direct investment transactions and position data.

Geographic Classification

Data showing breakdowns by (i) country, and (ii) regions/economic zones are compiled by the NBA for the direct investment financial flows (equity capital) data only. The debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral data are not used in the compilation of the data. The data are not disseminated and are not available on request.

Data showing breakdowns by (i) country, and (ii) regions/economic zones for the direct investment income are not compiled.

Industrial Classification

Not applicable. Data showing breakdowns by industrial activity are not compiled.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is not based on the ownership of each individual resident investor or group of related resident investors, but instead is calculated by combining the holdings of all resident investors in the enterprise abroad. No value threshold is used to identify resident direct investors. Incorporated enterprises are treated differently from unincorporated enterprises, as the data sources do not provide sufficient information to ensure that all direct investment in branches abroad is treated as outward direct investment, rather than as Other Investment in the balance of payments statistics.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other. (Data on other capital transactions are not compiled.)

Enterprises in Azerbaijan are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

The data sources do not provide sufficient information to determine the extent to which the “Current Operating Performance Concept” (COPC) is used to calculate direct investment earnings. Specifically, the data sources cannot determine whether, in accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are excluded, (iii) interest receivable/payable of incorporated and unincorporated enterprises is included, and (iv) debt repayments receivable/payable of incorporated and unincorporated enterprises are excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover incorporated enterprises. However, the data sources do not provide sufficient information to determine the extent to which unincorporated direct investment enterprises are covered. Contrary to the international standards, the data are recorded (i) on the date they are paid, rather than the date they are declared payable, and (ii) net, rather than gross, of withholding taxes. The

data sources do not provide sufficient information to determine whether, in accordance with the international standards, the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises.

Treatment of Reinvested Earnings and Undistributed Branch Profits

Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

Treatment of Income on Debt (Interest)

Not applicable. Data on income on debt (interest) are not compiled.

Treatment of Equity Capital

The equity capital data cover incorporated enterprises. However, the data sources do not provide sufficient information to determine the extent to which the data cover unincorporated direct investment enterprises. The data cover (i) equity stocks (shares), and (ii) noncash acquisitions of equity, such as through the provision of capital equipment. However, the data sources do not provide sufficient information to determine whether, in accordance with the international standards, the data cover all types of relevant equity shares, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data sources also do not provide sufficient information to determine whether, in accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

Not applicable. Data on other capital are not compiled.

Treatment of Reverse Investment

Not applicable. Reverse investment involving equity transactions has not occurred to date. Data on other capital are not compiled.

Treatment of Quasi-corporations

Not applicable. Instances of quasi-corporations arising from the operation abroad by residents of Azerbaijan of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, have not occurred to date.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established abroad by residents of Azerbaijan.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established abroad by residents of Azerbaijan.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings abroad by enterprises and individuals resident in Azerbaijan.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) the equity capital data include expenditure abroad by residents of Azerbaijan related to natural resources exploration, (ii) bonus payments made by residents of Azerbaijan to the host country for the right to undertake natural resource exploration are treated as direct investment and classified under equity capital when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Azerbaijan for natural resource exploration, no transactions are recorded in the balance of payments statistics.

Exchange Rate Conversion

All transactions, including the transactions obtained from the ITRS, are converted at the average exchange rate for the period.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the National Bank of Azerbaijan (NBA) within the international investment position (IIP) framework on the equity capital and reinvested earnings component only. These data are disseminated with a timeliness of 2.5 months after the end of the reference period. These data are not disseminated in the national publications, but are reported to the IMF for publication.

Data on other capital are not compiled.

Revision Practices

The data are final when first released and are not subject to revision.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

Data Collection Method

The data are collected using a mixture of an aggregate basis and an individual transactions basis and reporting requirements are compulsory.

Data Sources

The data are compiled from (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system (but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions), and (ii) Customs data on noncash acquisitions of equity.

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the NBA and is updated on an ongoing basis using information from (i) the ITRS list of transactors, and (ii) registers maintained by government licensing and regulatory authorities, industry associations, and other departments within the statistical agency. The same business register is used to compile the outward direct investment transactions and position data, but a different register is used to compile the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country are compiled by the NBA for the outward position data. These data are not disseminated at present, although there are plans to do so starting in 2005. Bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis.

In addition to the data showing country breakdowns, annual data are compiled by the NBA showing breakdowns by regions/economic zones (CIS and the rest of the world only). These data are not disseminated.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns disseminated in the national publications and the aggregate outward position data reported to the IMF for publication.

Industrial Classification

Not applicable. Data showing breakdowns by industrial activity are not compiled.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. Contrary to the international standards, the 10 percent ownership is not based on the ownership of each individual resident investor or group of related resident investors, but instead is calculated by combining the holdings of all resident investors in the enterprise abroad. No value threshold is used to identify resident direct investors. Incorporated enterprises are treated differently from unincorporated enterprises, as the data sources do not provide sufficient information to ensure that all direct investment in branches abroad is treated as outward direct investment, rather than as Other Investment in the international investment position statistics.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the data do not include all equity capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other. (Data on reinvested earnings and other capital positions are not compiled.)

Enterprises in Azerbaijan are required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital data cover incorporated enterprises. However, the data sources do not provide sufficient information to determine the extent to which the data cover unincorporated direct investment enterprises. The data cover (i) equity stocks (shares), and (ii) noncash acquisitions of equity, such as through the provision of capital equipment. However, the data sources do not provide sufficient information to determine whether, in accordance with the international standards, the data cover all types of relevant equity shares, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, and (iv) other non-voting stocks (shares). The data sources also do not provide sufficient information to determine whether, in accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Data on reinvested earnings are not compiled.

Treatment of Other Capital

Not applicable. Data on other capital are not compiled.

Treatment of Reverse Investment

Not applicable. Reverse investment involving equity positions has not occurred to date. Data on other capital are not compiled.

Treatment of Quasi-corporations

Not applicable. Instances of quasi-corporations arising from the operation abroad by residents of Azerbaijan of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, have not occurred to date.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established abroad by residents of Azerbaijan.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established abroad by residents of Azerbaijan.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include ownership of land and buildings abroad by enterprises and individuals resident in Azerbaijan.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) the equity capital data include expenditure abroad by residents of Azerbaijan related to natural resources exploration, (ii) bonus payments made by residents of Azerbaijan to the host country for the right to undertake natural resource exploration are treated as direct investment and classified under equity capital when there is a clear intention to establish a direct investment enterprise abroad, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Azerbaijan for natural resource exploration, an adjustment to reflect that shutdown is made to the assets data on direct investment equity capital in the international investment position statistics.

Valuation of Assets and Liabilities

The equity capital position data are the sum of accumulated transactions and no adjustments are made for changes in prices to reflect market values.

Data on other capital position are not compiled.

Exchange Rate Conversion

The data are converted to the unit of account at the exchange rate prevailing at the end of the period.