

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.

Ecuador:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Ecuador

- **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 ECUADOR

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Banco Central del Ecuador (BCE) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 3 months after the end of the reference period in the BCE publications *Información Estadística Mensual* and *Boletín Trimestral de la Balanza de Pagos del Ecuador*, and on the BCE website <http://www.bce.fin.ec>. The data are also reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current and previous year are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest quarter. At this time the quarterly data are considered to be final, that is, up to 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are revised as far back as possible in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the 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 the sectoral coverage between the 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 individual transactions basis (exchange control authorities etc) and an aggregate basis (enterprise survey). The reporting requirements are voluntary. However, enterprises are required to register all investment flows with the Superintendent of Companies and/or the National Directorate of Hydrocarbons.

Data Sources

The data for all components are compiled from (i) quarterly enterprise surveys of resident enterprises, (ii) published company accounts of resident enterprises, (iii) information from exchange control authorities, (iv) information from investment approval authorities, which cover investments approved rather than investments actually made, (v) a debt register, and (vi) press reports.

There are no differences in the data sources between the 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 BCE and is updated on a quarterly basis using information from (i) other statistical collection forms, (ii) registers maintained by the government licensing and regulatory authorities, and (iii) a debt register. The same business register is used to compile the inward direct investment transactions and position data.

Geographic Classification

Quarterly data showing breakdowns by country for the direct investment financial flows data are compiled by the BCE and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the BCE publication *Boletín Trimestral de la Balanza de Pagos del Ecuador*, and on the BCE website <http://www.bce.fin.ec>. The data cover 88 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country are not compiled for the direct investment income data.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows into Ecuador during 2003 (ranked in descending order) were: the Cayman Islands, Canada, the United States, Panama, and France.

In addition to the data showing country breakdowns, quarterly data are compiled by the BCE showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the OPEC countries, (ii) the Andean Pact countries, (iii) Rest of America, (iv) Europe, and (v) Other Countries. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the BCE publication *Boletín Trimestral de la Balanza de Pagos del Ecuador*, and on the BCE website <http://www.bce.fin.ec>. Data showing breakdowns by regions/economic zones are not compiled for the direct investment income data.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for the direct investment financial flows are compiled by the BCE and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the BCE publication *Boletín Trimestral de la Balanza de Pagos del Ecuador*, and on the BCE website <http://www.bce.fin.ec>. The data show a breakdown for 9 industrial activities. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity are not compiled for the direct investment income data.

The data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment financial flows into Ecuador during 2003 (in descending order) were: (i) mining and exploration; (ii) construction, (iii) services, (iv) industrial manufacturing, and (v) commerce.

In addition, data are compiled by the BCE for the and the direct investment financial flows showing a breakdown by both industrial activity and region/economic zone. These data are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the BCE publication *Boletín Trimestral de la Balanza de Pagos del Ecuador*, and on the BCE website <http://www.bce.fin.ec>. Data showing a breakdown by both industrial activity and region/economic zone are not compiled for the direct investment income data.

Data showing a breakdown by both industrial activity and main partner country are not compiled.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in Ecuador

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Ecuador 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 calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country, rather than being based on the ownership of each individual nonresident investor or group of related nonresident investors. No value threshold is used to identify resident direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. In accordance with the FCS, respondents are asked to ensure that (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital 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. However, this information is not always available.

Enterprises in Ecuador are not 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

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, deductions are 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 not included. Contrary to the COPC, (i) interest receivable/payable is not included, and (ii) debt repayments receivable/payable are not excluded.

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

The data on dividends and distributed branch profits cover incorporated enterprises, but not unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iii) some dividends and distributed branch profits are recorded on the date they are declared payable. Contrary to the international standards, (i) most dividends and distributed branch profits are recorded on the date they are paid, and some are recorded on the date they are payable (due for payments), rather than the date they are declared payable in both instances, (ii) the data do not 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

The data on reinvested earnings and undistributed branch profits cover incorporated enterprises, but not unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings, and (ii) the data do not include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover incorporated enterprises, but not unincorporated enterprises and include interest on (i) long-term loans, and (ii) short-term loans. The data do not include interest on (i) bonds and money market instruments, (ii) trade credits, and (iii) financial leases. In accordance with the international

standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, (i) the data are recorded on a paid basis, rather than an accrual basis, and (ii) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. In accordance with the international standards, (ii) 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 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. The data do not cover (i) participating preference [preferred] shares, and (ii) other non-voting stocks (shares). In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, 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. Contrary to the international standards, the data do not 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.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, and (ii) short-term loans. The data do not cover (i) bonds and money market instruments, (ii) trade credits, (iii) financial leases, and (iv) non-participating preference shares. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, (i) the data do not include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. In accordance with the international standards, (ii) 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.

Instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise have not occurred to date.

Treatment of Reverse Investment

Not applicable. Equity and loan transactions involving reverse investment have not occurred to date.

Treatment of Quasi-corporations

Not applicable. Quasi-corporations involving the operation in Ecuador by nonresidents 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 in Ecuador by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, activities of SPEs established in Ecuador by nonresidents are not included in the direct investment data.

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 Ecuador by nonresident enterprises and nonresident individuals, as these transactions cannot be identified from the present data sources.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration in Ecuador by nonresidents is included in the equity capital data, (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 Ecuador by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

Most transactions are reported in U.S. dollars, the unit of account. Of the transactions that have to be converted to the unit of account, some are converted at the exchange rate prevailing on the day of the transaction, and the rest are converted at the average exchange rate for the period.

DIRECT INVESTMENT IN ECUADOR

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual data are compiled by the Banco Central del Ecuador (BCE) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated once a year with a timeliness of 6 months after the end of the reference period in the BCE publication *Boletín de la Balanza de Pagos del Ecuador*, and on the BCE website <http://www.bce.fin.ec>. The data are also reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current and previous year are revised each quarter to take account of revised source data and are disseminated quarterly together with the preliminary data for the latest quarter. At this time the quarterly data are considered to be final, that is, up to 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data. The general public are informed of the reasons for the revisions. The historical data are revised as far back as possible in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the 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 the sectoral coverage between the 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 individual transactions basis (exchange control authorities etc) and an aggregate basis (enterprise survey). The reporting requirements are voluntary.

Data Sources

The data for all components are compiled from (i) quarterly enterprise surveys of resident enterprises, (ii) published company accounts of resident enterprises, (iii) information from exchange control authorities, (iv) information from investment approval authorities, which are investment that have been approved, rather than investments actually made, (v) a debt register, and (vi) press reports.

There are no differences in the data sources between the 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 BCE and is updated on a quarterly basis using information from (i) other statistical collection forms, (ii) registers maintained by the government licensing and regulatory authorities, and (iii) a debt register. The same business register is used to compile the inward direct investment transactions and position data.

Geographic Classification

Not applicable. Data showing geographic breakdowns are not compiled for the inward direct investment position data.

Industrial Classification

Not applicable. Data showing industrial activity breakdowns are not compiled for the inward direct investment position data.

B. Methodology

Definition of Direct Investment Enterprises in Ecuador

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Ecuador 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 calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country, rather than being based on the ownership of each individual nonresident investor or group of related nonresident investors. No value threshold is used to identify resident direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is partially applied. In accordance with the FCS, respondents are asked to ensure that (i) the direct investment earnings data include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include all equity and other capital 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. However, this information is not always available.

Enterprises in Ecuador are not 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. The data do not cover (i) participating preference [preferred] shares, and (ii) other non-voting stocks (shares). In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, 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. Contrary to the international standards, the data do not 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.

The reinvested earnings data cover incorporated enterprises, but not unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings, and (ii) the data do not include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Ecuador.)

Treatment of Other Capital

The other capital position data cover long-term loans only. The data do not cover (i) short-term loans, (ii) bonds and money market instruments, (iii) trade credits, (iv) financial leases, and (v) non-participating preference shares. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, (i) the data do not include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. In accordance with the international standards, (ii) 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.

Instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise have not occurred to date.

Treatment of Reverse Investment

Not applicable. Equity and loan positions involving reverse investment have not occurred to date.

Treatment of Quasi-corporations

Not applicable. Quasi-corporations involving the operation in Ecuador by nonresidents 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 in Ecuador by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, activities of SPEs established in Ecuador by nonresidents are not included in the direct investment data.

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 Ecuador by nonresident enterprises and nonresident individuals, as these transactions cannot be identified from the present data sources.

Treatment of Natural Resources Exploration

In accordance with the international standards, (i) expenditure related to natural resources exploration in Ecuador by nonresidents is included in the equity capital data., (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 Ecuador 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 data on equity capital for both listed and unlisted enterprises are recorded at book values, which are historical costs.

The data on other capital are recorded at book values, which are historical costs.

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

Exchange Rate Conversion

Most positions are reported in U.S. dollars, the unit of account. The positions that are not are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS ("OUTWARD TRANSACTIONS") DATA

Not applicable. Transactions data on direct investment abroad are not compiled at present. However, there are plans to begin to do so within 1-2 years.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

Not applicable. Position data on direct investment abroad are not compiled at present. However, there are plans to begin to do so within 1-2 years.