

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.

## **Kazakhstan:**

### **Direct Investment Compilation Practices, Data Sources and Methodology**

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#### **Direct Investment in Kazakhstan**

- **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 KAZAKHSTAN

### 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 Kazakhstan (NBK) 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 *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). 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 year are revised every six months and the quarterly data for the previous two years are revised once a year 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 30 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 significant 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 on an aggregate basis and the reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled primarily from quarterly enterprise surveys of resident enterprises. In addition, information from the Ministry of Finance on the sales of shares and real estate belonging to government authorities is used as a primary data source for the data on equity capital. An international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions, is used as a secondary data source for all components, as is information obtained from the exchange control authorities. Company accounts of resident enterprises are used as an additional secondary data source for the data on reinvested earnings, and a debt register is used as an additional secondary data source for the data on other capital. Information from the investment approval authorities on approvals to invest are used as an additional data source for the data on equity capital and other capital. Press reports and bilateral sources are also used for cross-checking the data.

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 NBK and is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, the corporate affairs authorities, and other departments within the NBK, (v) a debt register, (vi) the financial press, and (vii) compulsory enterprise surveys. The same business register is used to compile the inward direct investment transactions and position data, and the outward 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 NBK and disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). Quarterly data showing breakdowns by country for the direct investment income data are compiled by the NBK. These data are not disseminated, but are available on request. The data cover 70 countries and bilateral data are used in the compilation of the 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 income from investment in Kazakhstan during the first 9 months of 2003 (ranked in descending order) were: the United States, the Netherlands, the United Kingdom, Turkey, and Italy. The five countries with the largest amount of direct investment financial flows into Kazakhstan during the first 9 months of 2003 (ranked in descending order) were: the United States, Switzerland, the United Kingdom, the Netherlands, and Italy.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBK showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones: (i) the CIS countries, and (ii) the Eurasian Economic Community. The data for direct investment financial flows are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). The data for direct investment income are not disseminated, but are available on request with a timeliness of 3 months after the end of the reference period.

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

### **Industrial Classification**

Quarterly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the NBK and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). Quarterly data showing breakdowns by industrial activity for the direct investment income data are compiled by the NBK. These data are not disseminated, but are available on request. The data show a breakdown for 54 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).

Both the data on direct investment income and 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 income from investment in Kazakhstan during the first 9 months of 2003 (in descending order) were: (i) extraction of crude petroleum and natural gas, (ii) refined petroleum products, (iii) manufacture of basic metals, (iv) pipeline transport, and (v) wholesale and retail trade. The five industrial activities with the largest amount of direct investment financial flows into Kazakhstan during the first 9 months of 2003 (in descending order) were: (i) extraction of crude petroleum and natural gas, (ii) geophysical surveys, (iii) manufacture of food products, (iv) manufacture of basic metals, and (v) pipeline transport.

Quarterly data are compiled by the NBK for the direct investment financial flows data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request, with a timeliness of 3 months after the end of the reference period. The five highest ranking partner countries during the first 9 months of 2003 (ranked in descending order) for which breakdowns by industrial activity are

made available were: the United States, Switzerland, the United Kingdom, the Netherlands, and Italy. Data showing a breakdown by both industrial activity and main partner country for the direct investment income data are not compiled.

Data showing a breakdown by both industrial activity and region/economic zone are not compiled for the direct investment income data or for the direct investment financial flows data.

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 made available on request, and the aggregate inward data on direct investment income and direct investment financial flows reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in Kazakhstan**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Kazakhstan 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. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises. (A threshold of USD 100,000 is used only for registration with the NBK of foreign direct investment inflows.) 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 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 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.

Enterprises in Kazakhstan 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**

In accordance with the international standards, the “Current Operating Performance Concept” (COPC) is used to calculate direct investment earnings. Specifically, (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 not included, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) 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, and (iii) 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, dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable. (Beginning

with data for 2004, dividends and distributed branch profits for both incorporated and unincorporated enterprises will be recorded primarily on the date they are declared payable, with the remainder being recorded on the date they are payable.)

#### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and 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, (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, (iii) the data 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, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

#### **Treatment of Income on Debt (Interest)**

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) 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. In accordance with the international standards, (i) 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, (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, and (iii) the data are recorded on an accrual basis.

#### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference shares, and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover 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, (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. Contrary to the international standards, the data include transactions associated with permanent debt between affiliated banks, which are classified under equity capital rather than under other capital. (Permanent debt is defined as loan capital representing a permanent interest.)

#### **Treatment of Other Capital**

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. 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. In accordance with the international standards, (i) 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, (ii) the data include non-participating preference [preferred] shares, 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, (i) the data do not include transactions associated with permanent debt between affiliated financial intermediaries, and (ii) the data do not include transactions associated with permanent debt between affiliated banks, which are instead classified under equity capital.

In 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, the entire amount of the loan/debt outstanding is treated as direct investment lending by the guarantor and recorded under "Direct Investment in Kazakhstan: Other Capital: Increase in Liabilities to Direct Investors" at the time the guarantee is invoked.

#### **Treatment of Reverse Investment**

Transactions involving reverse investment are treated in accordance with the international standards in all applicable instances.

Assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Instances where, assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, the direct investment enterprise owns less than 10 percent of its nonresident direct investor, are not applicable, as no such instances have occurred to date.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Kazakhstan by nonresidents of mobile equipment involving aircraft and drilling rigs. Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Kazakhstan by nonresidents of construction enterprises. Quasi-corporations arising from the operation in Kazakhstan by nonresidents of mobile equipment involving ships are not applicable, as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established in Kazakhstan by nonresidents at present.

#### **Treatment of Special Purpose Entities (SPEs)**

Not applicable. There are no SPEs established in Kazakhstan by nonresidents at present.

#### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Kazakhstan by nonresident enterprises and nonresident individuals. Land and buildings purchased in Kazakhstan by nonresident enterprises and nonresident individuals on long-term leases are not included.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in Kazakhstan by nonresidents is included in the direct investment data, and (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. Contrary to the international standards, some expenditure related to natural resources exploration in Kazakhstan by nonresidents is classified under other capital, rather than equity capital, depending on the accounting practices of the individual reporting enterprises. Instances of the shutdown of a direct investment enterprise established in Kazakhstan by nonresidents for natural resource exploration have not occurred to date.

#### **Exchange Rate Conversion**

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction, although some are converted at the average exchange rate for the period.

## DIRECT INVESTMENT IN KAZAKHSTAN

### 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 Kazakhstan (NBK) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). 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 year are revised every six months and the quarterly data for the previous two years are revised once a year 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 30 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 significant 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. (Prior to the data for 2001 the data covered only the banking sector.)

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 on an aggregate basis and the reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled primarily from quarterly enterprise surveys of resident enterprises. Information obtained from the exchange control authorities is used as a secondary data source for all components. Press reports are also used for cross-checking the data. The perpetual inventory method (a method for deriving position data from transactions data) is not used in the compilation of the data.

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 position data. The register is maintained by the NBK and is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, the corporate affairs authorities, and other departments within the NBK, (v) a debt register, (vi) the financial press, and (vii) compulsory enterprise surveys. The same business register is used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

## **Geographic Classification**

Quarterly data showing breakdowns by country for the inward direct investment position data are compiled by the NBK and disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). The data cover 70 countries and bilateral data are used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country” basis. The five countries with the largest amount of direct investment in Kazakhstan as at the end of the first 9 months of 2003 (ranked in descending order) were: the United States, the United Kingdom, the Netherlands, Italy, and Russia.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBK showing breakdowns of the inward direct investment position data for the following regions/economic zones: (i) the CIS countries, and (ii) the Eurasian Economic Community. The data are not disseminated, but are available on request with a timeliness of 3 months after the end of the reference period.

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

## **Industrial Classification**

Quarterly data showing breakdowns by industrial activity for the inward direct investment position are compiled by the NBK and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). The data show a breakdown for 54 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).

The inward position data 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 in Kazakhstan as at the end of the first 9 months of 2003 (in descending order) were: (i) extraction of crude petroleum and natural gas, (ii) geophysical surveys, (iii) manufacture of food products, (iv) manufacture of basic metals, and (v) pipeline transport.

Quarterly data are compiled by the NBK for the inward direct investment position data showing a breakdown by both industrial activity and main partner country. These data are not disseminated, but are available on request, with a timeliness of 3 months after the end of the reference period. The five highest ranking partner countries as at the end of the first 9 months of 2003 (ranked in descending order) for which breakdowns by industrial activity are made available were: the United States, the United Kingdom, the Netherlands, Italy, and Russia.

Data showing a breakdown by both industrial activity and region/economic zone are not compiled for the inward direct investment position data.

There are no differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns disseminated in the national publications and made available on request, and the aggregate inward position data reported to the IMF for publication.

## **B. Methodology**

### **Definition of Direct Investment Enterprises in Kazakhstan**

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Kazakhstan 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. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by



combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises. (A threshold of USD 100,000 is used only for registration with the NBK of foreign direct investment inflows.) 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. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other 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. However, the data do include other capital positions between resident enterprises and indirect nonresident direct investors or affiliated enterprises in some instances.

Enterprises in Kazakhstan 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.

#### **Treatment of Equity Capital and Reinvested Earnings**

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (ii) participating preference shares, and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover 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, (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. Contrary to the international standards, the data include positions associated with permanent debt between affiliated banks, which are classified under equity capital, rather than under other capital. (Permanent debt is defined as loan capital representing a permanent interest.)

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, (iii) the data 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, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. (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 Kazakhstan.)

#### **Treatment of Other Capital**

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. 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. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (ii) the data include non-participating preference [preferred] shares, (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, (i) the data do not include positions associated with permanent debt between affiliated financial intermediaries, and (ii) the data do not include positions associated with permanent debt between affiliated banks, which are instead classified under equity capital.

In 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, the entire amount of the loan/debt outstanding is treated as direct investment lending by the guarantor and recorded under "Liabilities: Direct Investment in Kazakhstan: Other Capital: Liabilities to Direct Investors" at the time the guarantee is invoked.

#### **Treatment of Reverse Investment**

Positions involving reverse investment are treated in accordance with the international standards in all applicable instances.

Assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Instances where, assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, the direct investment enterprise owns less than 10 percent of its nonresident direct investor, are not applicable, as no such instances have occurred to date.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation in Kazakhstan by nonresidents of mobile equipment involving aircraft and drilling rigs. Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Kazakhstan by nonresidents of construction enterprises. Quasi-corporations arising from the operation in Kazakhstan by nonresidents of mobile equipment involving ships are not applicable, as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

Not applicable. There are no offshore enterprises established in Kazakhstan by nonresidents at present.

#### **Treatment of Special Purpose Entities (SPEs)**

Not applicable. There are no SPEs established in Kazakhstan by nonresidents at present.

#### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include ownership of land and buildings in Kazakhstan by nonresident enterprises and nonresident individuals. Land and buildings owned in Kazakhstan by nonresident enterprises and nonresident individuals on long-term leases are not included.

#### **Treatment of Natural Resources Exploration**

In accordance with the international standards, (i) expenditure related to natural resources exploration in Kazakhstan by nonresidents is included in the direct investment data, and (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. Contrary to the international standards, some expenditure related to natural resources exploration in Kazakhstan by nonresidents is classified under other capital, rather than equity capital, depending on the accounting practices of the individual reporting enterprises. Instances of the shutdown of a direct investment enterprise established in Kazakhstan by nonresidents for natural resource exploration have not occurred to date.

#### **Valuation of Assets and Liabilities**

The data on equity capital for listed enterprises are recorded primarily at market values. However, the equity capital of some listed enterprises are recorded at book values, which are the values recorded in the accounting

records of the individual reporting enterprises. The data on equity capital for unlisted enterprises are recorded at book values, which are the values recorded in the accounting records of the individual reporting enterprises.

The data on other capital are recorded at book values, which are the values recorded in the accounting records of the individual reporting enterprises.

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**

All positions 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

#### A. Compilation Practices and Data Sources

##### Data Availability

Separately identifiable quarterly data are compiled by the National Bank of Kazakhstan (NBK) within the balance of payments framework on (a) two of the three components of direct investment income: (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. (Prior to data for 2001, data on income on equity (dividends and distributed branch profits), and income on debt (interest) were not compiled, because the amounts involved were too small.) These data are disseminated with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). The data are also reported to the IMF for publication.

Data on reinvested earnings are not compiled at present because the amounts involved have been too small. However, it is planned to begin to compile these data beginning in 2004-2005.

##### Revision Practices

The data are preliminary when first released. The quarterly data for the current year are revised every six months and the quarterly data for the previous two years are revised once a year 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 30 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 significant 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 on an aggregate basis and the reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled primarily from quarterly enterprise surveys of resident direct investors. An international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, and cash transactions made through the foreign bank accounts of enterprises, but not noncash transactions, is used as a secondary data source for all components, as is information obtained from the exchange control authorities. Press reports are also used for cross-checking the data.

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 outward direct investment transactions data. The register is maintained by the NBK and is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other

statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, the corporate affairs authorities, and other departments within the NBK, (v) a debt register, (vi) the financial press, and (vii) compulsory enterprise surveys. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

### **Geographic Classification**

Quarterly data showing breakdowns by country for the direct investment income data and direct investment financial flows data are compiled by the NBK. These data are not disseminated, but are available on request with a timeliness of 3 months after the end of the reference period. The data cover 19 countries and bilateral data are not used in the compilation of the data.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The two countries with the largest amount of direct investment income from investment abroad by residents of Kazakhstan during the first 9 months of 2003 (ranked in descending order) were: Uzbekistan, and the Netherlands. The five countries with the largest amount of direct investment financial flows from Kazakhstan during the first 9 months of 2003 (ranked in descending order) were: Russia, Kyrgyzstan, the Netherlands, China, and Cyprus.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBK showing breakdowns of both the direct investment income and direct investment financial flows for the following regions/economic zones: (i) the CIS countries, and (ii) the Eurasian Economic Community. The data are not disseminated, but are available on request with a timeliness of 3 months after the end of the reference period.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns made available on request, and the aggregate outward data on direct investment income and direct investment financial flows reported to the IMF for publication.

### **Industrial Classification**

Quarterly data showing breakdowns by industrial activity for direct investment income data and direct investment financial flows are compiled by the NBK. These data are not disseminated, but are available on request. The data show a breakdown for 27 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).

Both the data on direct investment income and direct investment financial flows are classified on the basis of the industrial activity of the resident direct investors. The two industrial activities with the largest amount of direct investment income from investment abroad by residents of Kazakhstan during the first 9 months of 2003 (in descending order) were: (i) wholes and retail trade, and (ii) extraction of crude petroleum and natural gas. The five industrial activities with the largest amount of direct investment financial flows from Kazakhstan during the first 9 months of 2003 (in descending order) were: (i) monetary intermediation, (ii) extraction of crude petroleum and natural gas, (iii) manufacture of basic metals, (iv) accounting and book-keeping consultancy, and (v) land transport.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled for the direct investment income data or for the director investment financial flows data.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity breakdowns made available on request, and the aggregate outward data on direct investment income and direct investment financial flows reported to the IMF for publication.

## **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. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, 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 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 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.

Enterprises in Kazakhstan 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**

In accordance with the international standards, the "Current Operating Performance Concept" (COPC) is used to calculate direct investment earnings. Specifically, (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 not included, (iii) interest receivable/payable is included, and (iv) debt repayments receivable/payable are excluded.

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

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) 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, and (iii) 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, dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable. (Beginning with data for 2004, dividends and distributed branch profits for both incorporated and unincorporated enterprises will be recorded primarily on the date they are declared payable, with the remainder being recorded on the date they are payable.)

#### **Treatment of Reinvested Earnings and Undistributed Branch Profits**

Not applicable. Data on reinvested earnings are not compiled at present because the amounts involved have been too small. However, it is planned to begin to compile these data beginning in 2004-2005.

#### **Treatment of Income on Debt (Interest)**

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not include interest on (i) bonds and money market instruments, and (ii) 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. In accordance with the international standards, (i) 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, (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, and (iii) the data are recorded on an accrual basis.

### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference shares, and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover 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, (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. Contrary to the international standards, the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are classified under equity capital, rather than under other capital. (Permanent debt is defined as loan capital representing a permanent interest.)

### **Treatment of Other Capital**

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. (Prior to 2002, the amounts for trade credits were too small to be reflected in the data sources.) The data do not cover (i) bonds and money market instruments, and (ii) financial leases, which have not occurred to date. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) changes in insurance company technical reserves, (iii) loan/debt guarantees provided by direct investors or related direct investment enterprises, 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. In accordance with the international standards, (i) 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, (ii) the data include non-participating preference [preferred] shares, 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 transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified under equity capital,

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

### **Treatment of Reverse Investment**

Transactions involving reverse investment are treated in accordance with the international standards in all applicable instances.

Assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises" and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Instances where, assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, the direct investment enterprise owns less than 10 percent of its nonresident direct investor, are not applicable, as no such instances have occurred to date.

### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Kazakhstan of mobile equipment involving aircraft. Quasi-corporations arising from the operation abroad by residents of Kazakhstan of (i) construction enterprises, and (ii) mobile equipment involving ships, and drilling rigs, are not applicable, as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Kazakhstan are included in the direct investment data.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Kazakhstan are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Kazakhstan that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital. (Transactions of SPEs with affiliated banks and affiliated financial intermediaries involving permanent debt have not occurred to date.)

#### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings abroad by enterprises and individuals resident in Kazakhstan. Land and buildings purchased abroad by enterprises and individuals resident in Kazakhstan on long-term leases are not included as these have not occurred to date.

#### **Treatment of Natural Resources Exploration**

Not applicable. Expenditure related to (i) natural resources exploration abroad by residents of Kazakhstan, and (ii) bonus payments made by residents of Kazakhstan to the host country for the right to undertake exploration for natural resources have not occurred to date.

#### **Exchange Rate Conversion**

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction, although some 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 Kazakhstan (NBK) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings (equity capital element only), and (b) other capital, and are disseminated with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). 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 year are revised every six months and the quarterly data for the previous two years are revised once a year 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 30 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 significant 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. (Prior to the data for 2001 the data covered only the banking sector.)

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 on an aggregate basis and the reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled primarily from quarterly enterprise surveys of resident direct investors. Information obtained from the exchange control authorities is used as a secondary data source for all components. Press reports are also used for cross-checking the data. The perpetual inventory method (a method for deriving position data from transactions data) is not used in the compilation of the data.

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 outward direct investment position data. The register is maintained by the NBK and is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the ITRS's list of transactors, (iii) other statistical collection forms, (iv) registers maintained by government licensing and regulatory authorities, the corporate affairs authorities, and other departments within the NBK, (v) a debt register, (vi) the financial press, and (vii) compulsory enterprise surveys. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

## **Geographic Classification**

Quarterly data showing breakdowns by country for the outward direct investment position data are compiled by the NBK and disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). The data cover 19 countries and 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. The five countries with the largest amount of direct investment from Kazakhstan as at the end of the first 9 months of 2003 (ranked in descending order) were: the Netherlands, Russia, Kyrgyzstan, the Czech Republic, and the British Virgin Islands.

In addition to the data showing country breakdowns, quarterly data are compiled by the NBK showing breakdowns of the outward direct investment position data for the following regions/economic zones: (i) the CIS countries, and (ii) the Eurasian Economic Community. The data are not disseminated, but are available on request with a timeliness of 3 months after the end of the reference period.

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

## **Industrial Classification**

Quarterly data showing breakdowns by industrial activity for the outward direct investment position are compiled by the NBK and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the *Bulletin (Vestnik) of the National Bank of Kazakhstan*, and on the NBK website (<http://www.nationalbank.kz>). The data show a breakdown for 27 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).

The outward position data are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment from Kazakhstan as at the end of the first 9 months of 2003 (in descending order) were: (i) extraction of crude petroleum and natural gas, (ii) monetary intermediation, (iii) manufacture of basic metals, (iv) insurance, and v) land transport.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled for the outward direct investment position data.

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

## **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. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, 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 not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) all equity capital and other 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.

Enterprises in Kazakhstan 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.

### **Treatment of Equity Capital and Reinvested Earnings**

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference shares, and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover 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, (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. Contrary to the international standards, the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are classified under equity capital, rather than under other capital. (Permanent debt is defined as loan capital representing a permanent interest.)

Data on reinvested earnings are not compiled at present because the amounts involved have been too small. However, it is planned to begin to compile these data beginning in 2004-2005.

### **Treatment of Other Capital**

The other capital position data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. (Prior to 2002, the amounts for trade credits were too small to be reflected in the data sources.) The data do not cover (i) bonds and money market instruments, and (ii) financial leases, which have not occurred to date. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) changes in insurance company technical reserves, (iii) loan/debt guarantees provided by direct investors or related direct investment enterprises, 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. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (ii) the data include non-participating preference [preferred] shares, 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 positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified under equity capital.

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

### **Treatment of Reverse Investment**

Positions involving reverse investment are treated in accordance with the international standards in all applicable instances.

Assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises" and loan positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Instances where, assuming that the direct investment enterprise is a resident of Kazakhstan and the direct investor is a nonresident, the direct investment enterprise owns less than 10 percent of its nonresident direct investor, are not applicable, as no such instances have occurred to date.

#### **Treatment of Quasi-corporations**

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation abroad by residents of Kazakhstan of mobile equipment involving aircraft. Quasi-corporations arising from the operation abroad by residents of Kazakhstan of (i) construction enterprises, and (ii) mobile equipment involving ships, and drilling rigs, are not applicable, as such activities have not occurred to date.

#### **Treatment of Offshore Enterprises**

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Kazakhstan are included in the direct investment data.

#### **Treatment of Special Purpose Entities (SPEs)**

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Kazakhstan are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Kazakhstan that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital. (Positions of SPEs with affiliated banks and affiliated financial intermediaries involving permanent debt have not occurred to date.)

#### **Treatment of Land and Buildings**

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises and individuals resident in Kazakhstan. Land and buildings owned abroad by enterprises and individuals resident in Kazakhstan on long-term leases are not included, as these have not occurred to date.

#### **Treatment of Natural Resources Exploration**

Not applicable. Expenditure related to (i) natural resources exploration abroad by residents of Kazakhstan, and (ii) bonus payments made by residents of Kazakhstan to the host country for the right to undertake exploration for natural resources have not occurred to date.

#### **Valuation of Assets and Liabilities**

The data on equity capital for listed enterprises are recorded primarily at market values. However, the equity capital of some listed enterprises are recorded at book values, which are the values recorded in the accounting records of the individual reporting enterprises. The data on equity capital for unlisted enterprises are recorded at book values, which are the values recorded in the accounting records of the individual reporting enterprises.

The data on other capital are recorded at book values, which are the values recorded in the accounting records of the individual reporting enterprises.

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

#### **Exchange Rate Conversion**

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.