

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.

## **Romania:**

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

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#### **Direct Investment in Romania**

- **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 ROMANIA**  
**BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA**

**A. Compilation Practices and Data Sources**

**Data Availability**

Separately identifiable monthly data are compiled by the National Bank of Romania (NBR) within the balance of payments framework on (a) two of the three components of direct investment income, namely: (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. These detailed data are not disseminated in the national publications but are reported to the IMF for publication (quarterly rather than monthly).

Monthly data showing total direct investment income and total direct investment financial flows are disseminated with a timeliness of 6 weeks after the end of the reference period in the NBR's *Monthly Bulletin* and on the NBR website <http://www.bnro.ro> under the publications section.

Data on reinvested earnings are not compiled at present. However, there are plans to begin to compile annual estimates of reinvested earnings with effect from the data for 2004, with a timeliness of 12 months after the end of the reference year.

**Revision Practices**

The data are preliminary when first released. The data for the current year are revised once a year at the time of the compilation of the annual balance of payments data to take account of updated source data on other capital transactions. The revised data are disseminated once a year, 9 months after the end of the reference year, at which time they are considered to be final, that is, up to 18.5 months after their first release.

The revised status of the data is not clearly identified in the disseminated data and the general public are not informed of the reasons for the revisions. The historical data are revised back five years 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 individual transactions basis, and reporting requirements are compulsory.

**Data Sources**

The data for equity capital and income on equity (dividends and distributed branch profits) are compiled primarily from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions. Customs data are used as a secondary data source for estimates of noncash acquisitions of equity capital. The data for other capital and income on debt (interest) are compiled from information obtained from a debt register. There are plans to introduce an annual enterprise survey in the future.

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 not used to compile the inward direct investment transactions data at present. However, there are plans to introduce a register beginning in 2004. The register will be maintained by the NBR and will be updated on an ongoing basis using information from (i) a register maintained by the corporate affairs authorities, and (ii) the financial press. The same business register will be used to compile the inward direct investment transactions and position data, but no register will be used for the outward direct investment transactions and position data.

### **Geographic Classification**

Not applicable. Data showing breakdowns by country or regions/economic zones are not compiled at present. However, there are plans to begin to do so with effect from the data for 2004.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled at present. However, there are plans to begin to compile breakdowns using the National Economic Activities Classification system, which is based on NACE, with effect from the data for 2004.

## **B. Methodology**

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

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Romania 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, 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 indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include 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 Romania 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 used to calculate direct investment earnings. Specifically, (i) deductions are not 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 excluded, (iii) interest receivable/payable is not included, and (iv) 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 both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) net, rather than gross, of any withholding taxes, and (ii) on the date they are paid, rather than the date they are declared payable. However, there are plans to begin to record dividends and distributed branch profits on the date they are declared payable and gross of withholding taxes beginning with the data for 2004. 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, 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.

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

Not applicable. Data on reinvested earnings are not compiled at present, although there are plans to begin to do so with effect from the data for 2004.

### **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) trade credits, and (iii) financial leases. The data do not include interest on (i) short-term loans, and (ii) bonds and money market instruments. In accordance with the international standards, the data do not include interest on (i) financial derivatives, and (ii) 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, and (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. Contrary to the international standards the data are recorded on a paid basis, rather than on an accrual basis.

### **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 include other non-voting stocks (shares). Participating preference [preferred] shares are not relevant in Romania at present. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

### **Treatment of Other Capital**

The other capital transactions data cover (i) long-term loans, (ii) trade credits, and (iii) financial leases. The data do not cover (i) short-term loans, and (ii) bonds and money market instruments, although there are plans to begin to include these instruments with effect from the data for 2004. Non-participating preference [preferred] shares are not relevant in Romania at present. 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) 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 include transactions associated with permanent debt between affiliated banks. (Permanent debt is defined as subordinated loans extended for a period of more than five years.) Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated financial intermediaries.

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 cannot be identified from the present data sources.

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

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Romania 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".

Assuming that the direct investment enterprise is a resident of Romania and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are not treated in accordance with the international standards because of difficulty in identifying these transactions in the present data source. Specifically, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities" rather than as "Direct Investment in Romania: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans" rather than as "Direct Investment in Romania: Other Capital: Increase in Claims on Direct Investors". There are plans to review the possibility of classifying these transactions correctly in the future following the introduction of new data sources.

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

In accordance with the international standards, the direct investment data include activities of quasi-corporations involving the operation in Romania by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

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

In accordance with the international standards, the direct investment data include activities of offshore enterprises established in Romania by nonresidents.

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

In accordance with the international standards, activities of SPEs established in Romania by nonresidents are included in the direct investment data, with no exceptions. In the case of SPEs established in Romania by nonresidents that have the primary purpose of financial intermediation, contrary to the international standards, (i) transactions with affiliated banks and affiliated financial intermediaries (except those involving equity capital and, in the case of transactions with affiliated banks, permanent debt) are not excluded from the data, as those transactions cannot be identified from the present data sources, and (ii) permanent debt transactions with affiliated financial intermediaries are excluded from the data.

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

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in Romania by nonresident enterprises and nonresident individuals. No instances of purchases of land and buildings on long-term leases have been identified to date.

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

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

**Exchange Rate Conversion**

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

## DIRECT INVESTMENT IN ROMANIA

### 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 Romania (NBR) within the international investment position (IIP) framework on (a) equity capital, and (b) other capital. These data are disseminated with a timeliness of 6 weeks after the end of the reference period in the NBR's *Monthly Bulletin* and on the NBR website <http://www.bnro.ro> under the publications section. The data are also reported to the IMF for publication.

Data on reinvested earnings are not compiled at present. However, there are plans to begin to compile annual estimates of reinvested earnings with effect from the data for 2005, with a timeliness of 12 months after the end of the reference year.

##### Revision Practices

The data are preliminary when first released. The quarterly data for the previous two years are revised once a year to take account of updated source data on other capital positions. The revised quarterly data for the previous two years are disseminated once a year, 9 months after the end of the reference year. The data become final up to 27.5 months after their first release.

The revised status of the data is not clearly identified in the disseminated data and the general public are not informed of the reasons for the revisions. The historical data are revised back five years 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 individual transactions basis and reporting requirements are compulsory.

##### Data Sources

The data for equity capital are compiled primarily from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions. Customs data are used as a secondary data source for estimates of noncash acquisitions of equity capital. The data for other capital are compiled from information obtained from a debt register. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data, but no adjustments are made for price changes, exchange rate changes, and other nontransaction changes. There are plans to introduce an annual enterprise survey in the future.

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 not used to compile the inward direct investment position data at present. However, there are plans to introduce a register beginning in 2004. The register will be maintained by the NBR and will be updated on an ongoing basis using information from (i) a registers maintained by the corporate affairs authorities, and (ii) the financial press. The same business register will be used to compile the inward direct investment transactions and position data, but no register will be used for the outward direct investment transactions and position data.

### **Geographic Classification**

Not applicable. Data showing breakdowns by country or regions/economic zones are not compiled at present. However, there are plans to begin to do so with effect from the data for 2004.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled at present. However, there are plans to begin to compile breakdowns using the National Economic Activities Classification system, which is based on NACE, with effect from the data for 2004.

## **B. Methodology**

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

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Romania 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, 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 the 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. Data on reinvested earnings are not compiled at present.

Enterprises in Romania 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 include other non-voting stocks (shares). Participating preference [preferred] shares are not relevant in Romania at present. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Data on reinvested earnings are not compiled at present, although there are plans to begin to do so with effect from the data for 2004.



### **Treatment of Other Capital**

The other capital position data cover (i) long-term loans, (ii) trade credits, and (iii) financial leases. The data do not cover (i) short-term loans, and (ii) bonds and money market instruments, although there are plans to begin to include these instruments with effect from the data for 2004. Non-participating preference [preferred] shares are not relevant in Romania at present. 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) 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 include positions associated with permanent debt between affiliated banks. (Permanent debt is defined as subordinated loans extended for a period of more than five years.) Contrary to the international standards, the data do not include positions associated with permanent debt between affiliated financial intermediaries.

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 cannot be identified from the present data sources.

### **Treatment of Reverse Investment**

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Romania 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".

Assuming that the direct investment enterprise is a resident of Romania and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are not treated in accordance with the international standards because of difficulty in identifying these positions in the present data sources. Specifically, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities" rather than as "Liabilities: Direct Investment in Romania: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans" rather than as "Liabilities: Direct Investment in Romania: Other Capital: Claims on Direct Investors". There are plans to review the possibility of classifying these positions correctly in the future following the introduction of new data sources.

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

In accordance with the international standards, the direct investment data include activities of quasi-corporations involving the operation in Romania by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

### **Treatment of Offshore Enterprises**

In accordance with the international standards, the direct investment data include activities of offshore enterprises established in Romania by nonresidents.

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

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

transactions cannot be identified from the present data sources, and (ii) permanent debt transactions with affiliated financial intermediaries are excluded from the data.

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

In accordance with the international standards, the equity capital data include ownership of land and buildings in Romania by nonresident enterprises and nonresident individuals. No instances of ownership of land and buildings on long-term leases have been identified to date.

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

In accordance with the international standards, (i) the equity capital data include expenditure by nonresidents related to natural resources exploration in Romania, 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, in instances of the shutdown of a direct investment enterprise established in Romania by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is not made to the liabilities data on direct investment equity capital in the international investment position statistics, as these instances cannot be identified from the present data sources.

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

The data on equity capital for both listed and unlisted enterprises are recorded at market values, which are based on a recent transaction price.

The data on other capital are recorded at book values, which is the historical cost.

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

#### **Exchange Rate Conversion**

The equity capital positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. The other capital positions are converted to the unit of account at the exchange rate prevailing on the date the debt was incurred.

**DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA**

**Data Availability**

Separately identifiable monthly data are compiled by the National Bank of Romania (NBR) within the balance of payments framework on (a) two of the three components of direct investment income, namely: (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. These detailed data are not disseminated in the national publications but are reported to the IMF for publication (quarterly rather than monthly).

Monthly data showing total direct investment income and total direct investment financial flows are disseminated with a timeliness of 6 weeks after the end of the reference period in the NBR's *Monthly Bulletin* and on the NBR website <http://www.bnro.ro> under the publications section.

Data on reinvested earnings are not compiled.

**Revision Practices**

The data are preliminary when first released. The data for the current year are revised once a year at the time of the compilation of the annual balance of payments data to take account of updated source data on equity capital transactions. The revised data are disseminated once a year, 9 months after the end of the reference year, at which time they are considered to be final, that is, up to 18.5 months after their first release.

The revised status of the data is not clearly identified in the disseminated data and the general public are not informed of the reasons for the revisions. The historical data are revised back five years 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 individual transactions basis and reporting requirements are compulsory.

**Data Sources**

The data for all components are compiled from an international transactions reporting system (ITRS), which covers cash transaction made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions. There are plans to introduce an annual enterprise survey in the future.

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 is not used to compile the outward transactions data.

### **Geographic Classification**

Not applicable. Data showing breakdowns by country or regions/economic zones are not compiled at present. However, there are plans to begin to do so with effect from the data for 2005.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled at present. However, there are plans to begin to compile breakdowns using the National Economic Activities Classification system, which is based on NACE, with effect from the data for 2005.

## **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 indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include the 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 Romania 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 used to calculate direct investment earnings. Specifically, (i) deductions are not 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 excluded, (iii) interest receivable/payable is not included, and (iv) 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 both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) net, rather than gross, of any withholding taxes, and (ii) on the date they are paid, rather than the date they are declared payable. 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, 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.

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

Not applicable. Data on reinvested earnings are not compiled.

### **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, 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 interest on (i) financial derivatives, and (ii) 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, and (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. Contrary to the international standards the data are recorded on a paid basis, rather than on an accrual basis.

### **Treatment of Equity Capital**

The equity capital transactions data cover (i) listed voting stocks (shares), and (ii) unlisted voting stocks (shares). The data do not include (i) noncash acquisitions of equity, such as through the provision of capital equipment, and (ii) other non-voting stocks (shares). Participating preference [preferred] shares cannot be identified from the present data source. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

### **Treatment of Other Capital**

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, and (iii) financial leases. Non-participating preference [preferred] shares cannot be identified from the present data source. 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) 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 include transactions associated with permanent debt between affiliated banks. (Permanent debt is defined as subordinated loans extended for a period of more than five years.) Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated financial intermediaries.

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise cannot be identified from the present data source.

### **Treatment of Reverse Investment**

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Romania 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”.

Assuming that the direct investment enterprise is a resident of Romania and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are not treated in accordance with the international standards because of difficulty in identifying these transactions in the present data source. Specifically, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities” rather than as “Direct Investment in Romania: Equity Capital: Increase in Claims on Direct Investors”, and loan transactions are recorded as “Other Investment: Increase in Assets: Loans” rather than as “Direct Investment in Romania: Other Capital: Increase in Claims on Direct Investors”. There are plans to review the possibility of classifying these transactions correctly in the future following the introduction of new data sources.

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

In accordance with the international standards, the direct investment data include activities of quasi-corporations involving the operation abroad by residents of Romania of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

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

In accordance with the international standards, the direct investment data include activities of offshore enterprises established abroad by residents of Romania.

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

In accordance with the international standards, activities of SPEs established abroad by residents of Romania are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Romania 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 and, in the case of transactions with affiliated banks, permanent debt. Contrary to the international standards, permanent debt transactions with affiliated financial intermediaries are also excluded from the data.

#### **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 Romania. No instances of purchases of land and buildings on long-term leases have been identified to date.

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

In accordance with the international standards, (i) the equity capital data include expenditure by residents of Romania related to natural resources exploration abroad, (ii) expenditure on bonus payments made by residents of Romania 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 abroad by residents of Romania for natural resource exploration, no transactions are recorded in the balance of payments statistics.

#### **Exchange Rate Conversion**

All transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction.

## 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 Romania (NBR) within the international investment position (IIP) framework on (a) equity capital, and (b) other capital. These data are disseminated with a timeliness of 6 weeks after the end of the reference period in the NBR's *Monthly Bulletin* and on the NBR website <http://www.bnro.ro> under the publications section. The data are also reported to the IMF for publication.

Data on reinvested earnings are not compiled.

##### Revision Practices

The data are preliminary when first released. The quarterly data for the previous two years are revised once a year to take account of updated source data on equity capital positions. The revised quarterly data for the previous two years are disseminated once a year 9 months after the end of the reference year. The data become final up to 27.5 months after their first release.

The revised status of the data is not clearly identified in the disseminated data and the general public are not informed of the reasons for the revisions. The historical data are revised back five years 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 individual transactions basis and reporting requirements are compulsory.

##### Data Sources

The data for all components are compiled from an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions. The perpetual inventory method (a method for deriving position data from transactions data) is used to compile the data, but no adjustments are made for price changes, exchange rate changes, and other nontransaction changes. There are plans to introduce an annual enterprise survey in the future.

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 is not used to compile the outward position data.

### **Geographic Classification**

Not applicable. Data showing breakdowns by country or regions/economic zones are not compiled at present. However, there are plans to begin to do so with effect from the data for 2005.

### **Industrial Classification**

Not applicable. Data showing breakdowns by industrial activity are not compiled at present. However, there are plans to begin to compile breakdowns using the National Economic Activities Classification system, which is based on NACE, with effect from the data for 2005.

## **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 the equity 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. Data on reinvested earnings are not compiled.

Enterprises in Romania 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), and (ii) unlisted voting stocks (shares). The data do not include (i) noncash acquisitions of equity, such as through the provision of capital equipment, and (ii) other non-voting stocks (shares). Participating preference [preferred] shares cannot be identified from the present data source. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Data on reinvested earnings are not compiled.

### **Treatment of Other Capital**

The other capital position 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, and (iii) financial leases. Non-participating preference [preferred] shares cannot be identified from the present data source. 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) 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 include positions associated with permanent debt between affiliated banks. (Permanent debt is defined as subordinated loans extended for a period of more than five years.) Contrary to the international standards, the data do not include positions associated with permanent debt between affiliated financial intermediaries.

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise cannot be identified from the present data source.

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

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Romania 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".

Assuming that the direct investment enterprise is a resident of Romania and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are not treated in accordance with the international standards because of difficulty in identifying these positions in the present data sources. Specifically, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities" rather than as "Liabilities: Direct Investment in Romania: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans" rather than as "Liabilities: Direct Investment in Romania: Other Capital: Claims on Direct Investors". There are plans to review the possibility of classifying these positions correctly in the future following the introduction of new data sources.

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

In accordance with the international standards, the direct investment data include activities of quasi-corporations involving the operation abroad by residents of Romania of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

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

In accordance with the international standards, the direct investment data include activities of offshore enterprises established abroad by residents of Romania.

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

In accordance with the international standards, activities of SPEs established abroad by residents of Romania are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Romania 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 and, in the case of transactions with affiliated banks, permanent debt. Contrary to the international standards, permanent debt transactions with affiliated financial intermediaries are also excluded from the data.

#### **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 Romania. No instances of ownership of land and buildings on long-term leases have been identified to date.

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

In accordance with the international standards, (i) the equity capital data include expenditure by residents of Romania related to natural resources exploration abroad, and (ii) expenditure on bonus payments made by residents of Romania 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, in instances of the shutdown of a direct investment enterprise established abroad by residents of Romania for natural resource exploration, an adjustment to reflect that shutdown is not made to the assets data on direct investment equity capital in the international investment position statistics, as these instances cannot be identified from the present data sources.

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

The data on equity capital for both listed and unlisted enterprises are recorded at market values, which are based on a recent transaction price.

The data on other capital are recorded at market values.

### **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.