

This metadata describes the compilation practices, sources and methodology in use in 2001. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

## **Croatia:**

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

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### **Direct Investment in Croatia**

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

### **Direct Investment Abroad**

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

**[Glossary of Direct Investment Terms and Definitions](#)**

## DIRECT INVESTMENT IN CROATIA

### BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 3 months after the end of the reference period.

**Revision Policy:** Revisions relate almost entirely to revisions of the survey sample, which is subject to change on a continuous basis. The data are considered to be final 9 months after they are first disseminated.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory. Reporting institutions provide the data on a monthly basis.

**Data Sources:** The data are compiled primarily from quarterly enterprise surveys of direct investment enterprises in Croatia. A secondary data source is the external debt database of the Croatian National Bank (the central bank). A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the international trade system's list of exporters/importers, (ii) the International Transactions Recording System (ITRS) list of transactors, (iii) registers maintained by industry associations, and by other departments within the statistical agency, (iv) the financial press, and (v) nonresident sources, such as partner country data. There are plans to develop two additional sources for updating the business register, namely, the Central Depository Agency, and the Securities Commission.

**Geographic Classification:** Quarterly data showing country breakdowns are disseminated for direct investment financial flows, with a timeliness of 3 months, and are compiled, but not disseminated, for direct investment income. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) European developed countries; (ii) Other developed countries; (iii) European developing countries; (iv) Other developing countries; and (v) International financial institutions. The five countries with the largest amount of direct investment flows into Croatia during 2000 (ranked in descending order) were: Luxembourg, Austria, the United States, Germany, and Italy.

**Industrial Classification:** Quarterly data showing a breakdown by industry are disseminated for direct investment financial flows, with a timeliness of 3 months, and are compiled but not disseminated for direct investment income. The data are based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also compiled at the four-digit level of the “National Classification of Activities”, which is consistent with the Nomenclature generale des Activites economiques dans les Communautés Europeennes (NACE) used by Eurostat. Data showing breakdowns by (i) industrial sector/partner country and (ii) industrial sector/region or economic zone are compiled and are available on request for: (i) European developed countries; (ii) Other developed countries; (iii) European developing countries; (iv) Other developing countries; and (v) International financial institutions.

#### B. Methodology

**Definition of Direct Investment Enterprises in Croatia:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Croatia is 10 percent ownership by a nonresident investor. This criterion is applied regardless of whether the investor has an effective voice in management, in accordance with the international standards, except in the case of foreign investment funds where additional criteria involving an effective voice in management are applied, such as Representation on the Board of Directors. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In addition, a value threshold is applied and investments with a value of less than 100,000 Croatian kuna (approximately US\$ 12,500) are not included in the data. Unincorporated enterprises are

treated differently from incorporated enterprises, as, unlike incorporated enterprises, unincorporated enterprises are not obliged by law to report their transactions.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended in the international standards is not applied at present. 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 between resident enterprises and nonresident enterprises of the same group of related enterprises. However, there are plans to implement the FCS in the near future. Enterprises in Croatia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes. However, contrary to COPC, realized and unrealized capital gains and losses, write-offs and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover incorporated enterprises, but not for unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover incorporated enterprises, but not for unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but in the month in which the decision on the distribution of dividends and branch profits is made.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives (which are not applicable in Croatia at present), 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, the data are compiled on an accrual basis.

**Treatment of Equity Capital:** The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) non-cash acquisitions of equity, such as through the provision of capital equipment. Other non-voting stocks (including participating preference shares) are not included. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments; (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable in Croatia at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Croatia and the direct investor is a nonresident: (i) 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, equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment in Croatia: Increase in Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, activities of quasi-corporations involving the operation in Croatia by nonresidents of drilling rigs are included in the data. Quasi-corporations arising from the operation in Croatia by nonresidents of (i) ships, aircraft, and other mobile equipment, and (ii) construction enterprises, are not applicable at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established in Croatia by nonresidents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established in Croatia by nonresidents at present.

**Treatment of Land and Buildings:** Contrary to the international standards, the data do not include purchases and sales of land and buildings in Croatia by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration in Croatia by nonresidents. Although the data are included only if the expenditure is undertaken by a resident legal entity, this is considered to be always the case.

**Exchange Rate Conversion:** Transactions are converted to Croatian kuna at the exchange rate prevailing on the day of the transaction. For the purpose of compiling the balance of payments data in U.S. dollars, the monthly data are converted to USD using the average exchange rate for the corresponding month.

**DIRECT INVESTMENT IN CROATIA**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Annual data on (i) equity capital and reinvested earnings, and (ii) other capital, are compiled but are not yet disseminated. It is planned to begin disseminating quarterly data with a timeliness of 3 months with effect from data for the first quarter of 2002.

**Revision Policy:** Not applicable—data are not yet disseminated.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of direct investment enterprises in Croatia. A secondary data source is the external debt database of the Croatian National Bank (the central bank). The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from: (i) the international trade system’s list of exporters/importers, (ii) the International Transactions Recording System (ITRS) list of transactors, (iii) registers maintained by industry associations, and by other departments within the statistical agency, (iv) the financial press, and (v) nonresident sources, such as partner country data. There are plans to develop two additional sources for updating the business register, namely, the Central Depository Agency, and the Securities Commission.

**Geographic Classification:** Annual data showing country breakdowns are compiled, but not disseminated. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) European developed countries; (ii) Other developed countries; (iii) European developing countries; (iv) Other developing countries; and (v) International financial institutions. The five countries with the largest amount of direct investment in Croatia as at the end of 2000 (ranked in descending order) were: Germany, the United States, Austria, Luxembourg, and Italy.

**Industrial Classification:** Data showing a breakdown by industrial sector are not compiled at present, although there are plans to begin to do so in 2002 for the end 2001 data.

**B. Methodology**

**Definition of Direct Investment Enterprises in Croatia:** In accordance with the international standards, the basic criterion for defining direct investment enterprises in Croatia is 10 percent ownership by a nonresident investor. This criterion is applied regardless of whether the investor has an effective voice in management, in accordance with the international standards, except in the case of foreign investment funds where additional criteria involving an effective voice in management are applied, such as Representation on the Board of Directors. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In addition, a value threshold is applied and investments with a value of less than 100,000 Croatian kuna (approximately US\$ 12,500) are not included in the data. Unincorporated enterprises are treated differently from incorporated enterprises, as, unlike incorporated enterprises, unincorporated enterprises are not obliged by law to report their transactions.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) the international standards is not applied at present. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity capital and other capital position data. However, there are plans to implement the FCS in the near future. Enterprises in Croatia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** Data on equity capital and reinvested earnings are compiled but not disseminated at present. The data cover the following types of position data affecting equity capital and reinvested earnings: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) non-cash acquisitions of equity, such as through the provision of capital equipment, and (iv) reinvested earnings. The data

do not cover other non-voting stocks, including participating preference shares. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises, and, contrary to the international standards, are recorded not in the period in which they are earned, but instead in the month in which the decision on the distribution of dividends and branch profits is made. (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 Croatia.)

**Treatment of Other Capital:** Data on other capital are compiled but not disseminated at present. The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable in Croatia at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Croatia and the direct investor is a nonresident: (i) 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, equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Liabilities: Direct Investment in Croatia: Claims on Direct Investors".

**Treatment of Quasi-corporations:** In accordance with the international standards, activities of quasi-corporations involving the operation in Croatia by nonresidents of drilling rigs are included in the data. Quasi-corporations arising from the operation in Croatia by nonresidents of (i) ships, aircraft, and other mobile equipment, and (ii) construction enterprises, are not applicable at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established in Croatia by nonresidents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established in Croatia by nonresidents at present.

**Treatment of Land and Buildings:** Contrary to the international standards, the data do not include ownership of land and buildings in Croatia by nonresident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration in Croatia by nonresidents. Although the data are included only if the expenditure is undertaken by a resident legal entity, this is considered to be always the case.

**Valuation:** Although the data are reported at book value, efforts are made to reflect the market value, as recommended in the international standards. Enterprises are obliged to report their book values at current market prices, and to indicate if this is not possible. Data that have not been adjusted by the enterprises to current market prices are adjusted to market value by the compilers using data from the stock market index.

**Exchange Rate Conversion:** The exchange rates used to convert foreign currencies into the unit of account are (i) the exchange rate prevailing on the day to which the position data relate, for the data on equity capital; and (ii) the exchange rate prevailing on the day the transactions took place, for the data on other capital.

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

**A. Compilation Practices and Data Sources**

**Data Availability:** Quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 3 months after the end of the reference period.

**Revision Policy:** Revisions relate almost entirely to revisions of the survey sample, which is subject to change on a continuous basis. The data are considered to be final 9 months after the data are first disseminated.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an individual transactions basis, and reporting requirements are compulsory. Reporting institutions provide the data on a monthly basis.

**Data Sources:** The data are compiled primarily from quarterly enterprise surveys of residents with direct investment enterprises abroad. A secondary data source is the external debt database of the Croatian National Bank (the central bank). A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from: (i) the International Transactions Recording System (ITRS) list of transactors, (ii) registers maintained by industry associations, and by other departments within the statistical agency, (iii) the financial press, and (iv) nonresident sources such as partner country data. There are plans to develop two additional sources for updating the business register, namely, the Central Depository Agency, and the Securities Commission.

**Geographic Classification:** Quarterly data showing country breakdowns are disseminated for direct investment financial flows, with a timeliness of 3 months, and are compiled, but not disseminated, for direct investment income. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) European developed countries; (ii) Other developed countries; (iii) European developing countries; (iv) Other developing countries; and (v) International financial institutions. The five countries with the largest amount of direct investment flows from Croatian residents during 2000 (ranked in descending order) were: Bosnia and Herzegovina, Poland, the United Kingdom, Italy, and Slovenia.

**Industrial Classification:** Quarterly data showing a breakdown by industry are disseminated direct investment financial flows, with a timeliness of 3 months, and are compiled, but not disseminated, for direct investment income. The data are based on the industry of the resident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data are also compiled at the four-digit level of the “National Classification of Activities”, which is consistent with the Nomenclature generale des Activites economiques dans les Communautes Europeennes (NACE) used by Eurostat. Data showing a breakdown by industrial sector/ partner country and by industrial sector/region or economic zone are compiled and are available on request for: (i) European developed countries; (ii) Other developed countries; (iii) European developing countries; (iv) Other developing countries; and (v) International financial institutions.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. However, a value threshold is applied and investments with a value of less than 100,000 Croatian kuna (approximately US\$ 12,500) are not included in the data. Unincorporated enterprises are treated differently from incorporated enterprises, as, unlike incorporated enterprises, unincorporated enterprises are not obliged by law to report their transactions.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended by the international standards is not applied at present. 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 between resident enterprises and nonresident enterprises of the same group of related enterprises. However, there are plans to implement the FCS in the near future. Enterprises in Croatia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Measurement of Direct Investment Earnings:** Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate earnings of direct investment enterprises. In accordance with COPC, deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes. However, contrary to COPC, realized and unrealized capital gains and losses, write-offs and exchange rate gains or losses are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover incorporated enterprises, but not for unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover incorporated enterprises, but not for unincorporated enterprises. Contrary to the international standards, reinvested earnings and undistributed branch profits are not recorded in the period in which they are earned, but in the month in which the decision on the distribution of dividends and branch profits is made.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data do not include interest from: (i) financial derivatives (which are not applicable in Croatia at present), 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, the data are compiled on an accrual basis.

**Treatment of Equity Capital:** The data cover: (i) listed voting stocks (shares), (ii) unlisted voting stocks, and (iii) non-cash acquisitions of equity, such as through the provision of capital equipment. Other non-voting stocks (including participating preference shares) are not included. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments; (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Croatia and the direct investor is a nonresident: (i) 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, equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment in Croatia : Increase in Claims on Direct Investors”.

**Treatment of Quasi-corporations:** In accordance with the international standards, activities of quasi-corporations involving the operation abroad by Croatian residents of drilling rigs are included in the data. Quasi-corporations arising from the operation abroad by Croatian residents of (i) ships, aircraft, and other equipment and (ii) construction enterprises, are not applicable at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established abroad by Croatian residents are generally included in the direct investment data.



**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established abroad by Croatian residents at present.

**Treatment of Land and Buildings:** Contrary to the international standards, the data do not include purchases and sales of land and buildings abroad by Croatian resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Croatian residents. Although the data are included only if the expenditure is undertaken by a resident legal entity, this is considered to be always the case.

**Exchange Rate Conversion:** Transactions are converted to Croatian kuna at the exchange rate prevailing on the day of transaction. For the purpose of compiling the balance of payments data in U.S. dollars, the monthly data are converted to USD using the average exchange rate for the corresponding month.

**CROATIA: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Annual data on (i) equity capital and reinvested earnings, and (ii) other capital, are compiled but are not yet disseminated. It is planned to begin disseminating quarterly data with a timeliness of 3 months with effect from data for the first quarter of 2002.

**Revision Policy:** Not applicable—data are not yet disseminated.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. A secondary data source is the external debt database of the Croatian National Bank (the central bank). The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis, using information from: (i) the International Transactions Recording System (ITRS) list of transactors, (ii) registers maintained by industry associations, and by other departments within the statistical agency, (iii) the financial press, and (iv) nonresident sources, such as partner country data. There are plans to develop two additional sources for updating the business register, namely, the Central Depository Agency, and the Securities Commission.

**Geographic Classification:** Annual data showing country breakdowns are compiled, but not disseminated. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) European developed countries; (ii) Other developed countries; (iii) European developing countries; (iv) Other developing countries; and (v) International financial institutions. The five countries with the largest amount of direct investment from Croatian residents as at the end of 2000 (ranked in descending order) were: Slovenia, Liberia, Poland, Bosnia and Herzegovina, and Panama.

**Industrial Classification:** Data showing a breakdown by industrial sector are not compiled at present, although there are plans to begin to do so in 2002 for end-2001 data.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. However, a value threshold is applied and investments with a value of less than 100,000 Croatian kuna (approximately US\$ 12,500) are not included in the data. Unincorporated enterprises are treated differently from incorporated enterprises, as, unlike incorporated enterprises, unincorporated enterprises are not obliged by law to report their transactions.

**Treatment of Indirectly-Owned Direct Investment Enterprises:** The “Fully Consolidated System” (FCS) recommended by the international standards is not applied at present. Specifically, the relevant share of indirectly-owned direct investment enterprises is not included in (i) the reinvested earnings data, and (ii) the equity capital and other capital position data. However, there are plans to implement the FCS in the near future. Enterprises in Croatia are not required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, or (ii) identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** Data on equity capital and reinvested earnings are compiled but not disseminated at present. The data cover the following types of position data affecting equity capital and reinvested earnings: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) non-cash acquisitions of equity, such as through the provision of capital equipment, and (iv) reinvested earnings. The data do not cover other non-voting stocks, including participating preference shares. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial

intermediaries. The reinvested earnings data cover incorporated enterprises but not unincorporated enterprises, and, contrary to the international standards, are recorded not in the period in which they are earned, but instead in the month in which the decision on the distribution of dividends and branch profits is made. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

**Treatment of Other Capital:** Data on other capital are compiled but not disseminated at present. The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, and (v) trade credits. Financial derivatives are not applicable at present. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**Treatment of Reverse Investment:** Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Croatia and the direct investor is a nonresident: (i) 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, equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Liabilities: Direct Investment in Croatia: Claims on Direct Investors".

**Treatment of Quasi-corporations:** In accordance with the international standards, activities of quasi-corporations involving the operation of drilling rigs are included in the data. Quasi-corporations arising from the operation abroad by Croatian residents of (i) ships, aircraft, and other mobile equipment, and (ii) construction enterprises, are not applicable at present.

**Treatment of Offshore Enterprises:** In accordance with the international standards, activities of offshore enterprises established abroad by Croatian residents are generally included in the direct investment data.

**Treatment of Special Purpose Entities (SPEs):** Not applicable. There are no SPEs established abroad by Croatian residents at present.

**Treatment of Land and Buildings:** Contrary to the international standards, the data do not include ownership of land and buildings abroad by Croatian resident enterprises and individuals.

**Treatment of Natural Resources Exploration:** In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Croatian residents. Although the data are included only if the expenditure is undertaken by a resident legal entity, this is considered to be always the case.

**Valuation:** Although the data are reported at book value, efforts are made to reflect the market value, as recommended in the international standards. Enterprises are obliged to report their book values at current market prices, and to indicate if this is not possible. Data that have not been adjusted by the enterprises to current market prices are adjusted to market value by the compilers using data from the stock market index.

**Exchange Rate Conversion:** The exchange rates used to convert foreign currencies into the unit of account are (i) the exchange rate prevailing on the day to which the position data relate, for the data on equity capital; and (ii) the exchange rate prevailing on the day the transactions took place, for the data on other capital.