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.

Nigeria:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Nigeria

- **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 NIGERIA

BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

A.   Compilation Practices and Data Sources

Data Availability: Preliminary annual (calendar year) data on (i) direct investment income (income on equity only), and (ii) direct investment financial flows (other capital only) are disseminated with a timeliness of 1 month after the end of the reference year. Data on (i) reinvested earnings, (ii) income on debt (interest), and (iii) equity capital, are not compiled at present.

Revision Policy: The data are revised 6 months after the end of the reference year, and become final 24 months after their first release.

Data Coverage: No major industrial sectors are excluded from the data. However, the enterprise coverage of the data is very limited, although there are plans to introduce an enterprise survey with more comprehensive coverage in 1-2 years.

Data Collection Methods: Data are collected on an aggregate basis, and reporting requirements are voluntary.

Data Sources: The data are compiled primarily from annual enterprise surveys of direct investment enterprises in Nigeria. Secondary data sources used are: (i) an international transactions reporting system (ITRS), and (ii) information from exchange control authorities and investment approval authorities. Published sources, such as company accounts, are also used as a supplementary data source. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, and (ii) registers maintained by industry associations.

Geographic Classification: Annual (calendar year) data showing country breakdowns for direct investment income and direct investment financial flows are disseminated with a timeliness of 6 months after the end of the reference year. The transactor principle, rather than the debtor/creditor principle, is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both direct investment income and direct investment financial flows by regions or economic zones for: (i) the group comprising the United States, the United Kingdom, and Western Europe, and (ii) Others. The five countries/regions with the largest amount of direct investment flows into Nigeria during 2001 (ranked in descending order) were: Western Europe, the United Kingdom, the United States, and Asia.

Industrial Classification: Annual data showing breakdowns by industrial sector for direct investment income and direct investment financial flows are disseminated with a timeliness of 6 months after the end of the reference year. 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 disseminated showing breakdowns of direct investment income and direct investment financial flows by industrial sector/region or economic zone for: (i) the group comprising the United States, the United Kingdom, and Western Europe, and (ii) Others. Data showing breakdowns by industrial sector/partner country are not compiled.

B.   Methodology

Definition of Direct Investment Enterprises in Nigeria: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Nigeria is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, the definition also includes enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management as evidenced by (i) representation on the Board of Directors, (ii) participation in policy-making, (iii) material inter-company transactions, (iv) interchange of managerial personnel, and/or (v) provision of technical information. No value threshold is used to identify direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly-Owned Direct Investment Enterprises: The "Fully Consolidated System" (FCS) recommended in the international standards is partially applied. Contrary to the FCS, the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises. However, in

accordance with the FCS, the direct investment financial flows data include the other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. (Data on equity capital are not compiled at present.) Enterprises in Nigeria 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 the COPC, deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes. However, contrary to the COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are included. Contrary to the international standards, when a direct investment enterprise makes a loss, the net loss is not recorded as negative reinvested earnings. (Data on reinvested earnings are not compiled at present.)

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover both incorporated enterprises and 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: Not applicable. Data on reinvested earnings are not compiled at present.

Treatment of Income on Debt (Interest): Not applicable. Data on income on debt (interest) are not compiled at present.

Treatment of Equity Capital: Not applicable. Data on equity capital are not compiled at present.

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, and (iii) trade credits. The data do not cover: (i) short-term loans, (ii) financial leases, and (iii) financial derivatives. 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. Contrary to the international standards, the data do not include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries. However, no instances of permanent debt have been identified to date.

Treatment of Reverse Investment: Loan transactions involving reverse investment are not treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Nigeria 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, contrary to the international standards, loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment Abroad: Increase in Claims on Affiliated Enterprises". When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in Nigeria: Increase in Claims on Direct Investors". (Data on equity capital transactions are not compiled at present.)

Treatment of Quasi-corporations: Not applicable. Quasi-corporations involving the operation in Nigeria by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises, cannot be identified at present.

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

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, activities of SPEs established in Nigeria by nonresidents are generally included in the direct investment data. There are no SPEs established in Nigeria by nonresidents that have the sole purpose of financial intermediation.

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

Treatment of Natural Resources Exploration: In accordance with the international standards, the direct investment data include expenditure related to natural resources exploration in Nigeria by nonresidents.

However, this expenditure is incorrectly classified as other capital, rather than equity capital. (Data on equity capital are not compiled at present.)

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN NIGERIA

INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")

Not applicable. Position data on direct investment in Nigeria are not compiled.

NIGERIA: DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

Not applicable. Transactions data on direct investment abroad are not compiled.

NIGERIA: DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")

Not applicable. Position data on direct investment abroad are not compiled.