

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

Ecuador:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Ecuador

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

Direct Investment Abroad

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

Glossary of Direct Investment Terms and Definitions

DIRECT INVESTMENT IN ECUADOR
BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, and reinvested earnings only), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 70 days after the end of the reference period. These are the most timely data. More comprehensive annual (calendar year) data are disseminated with a timeliness of 70 days after the end of the reference period. Data on income on debt (interest) are not compiled at present.

Revision Policy: The data become final two years after their first release, following the inclusion of data on the transactions of petroleum enterprises provided by the Ministry of Energy and Mines.

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

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

Data Sources: Both the most timely and the most comprehensive data are compiled primarily from data obtained from information obtained from (i) the Ministry of Mines and Energy, (ii) the Superintendence of Companies, and (iii) individual direct investment enterprises. Published sources, such as company accounts, are used as a secondary data source. The quarterly data on reinvested earnings are estimates based on the annual data, which are derived from the company accounts, divided into four equal amounts. Press reports, and bilateral data are used for cross-checking the data. A business register of enterprises involved in direct investment is not maintained.

Geographic Classification: Quarterly and annual data showing country breakdowns for direct investment financial flows (but not direct investment income) are disseminated with a timeliness of 70 days after the end of the reference period. 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 of direct investment financial flows by regions or economic zones for: (i) the Andean Pact, (ii) the rest of America, (iii) Europe, and (iv) Other Countries. The five countries with the largest amount of direct investment flows into Ecuador during the period from 1990 through 2000 (ranked in descending order) were: the United States, Canada, Italy, Argentina, and Spain.

Industrial Classification: Quarterly and annual data showing breakdowns by industrial sectors for direct investment income and direct investment financial flows are disseminated with a timeliness of 70 days after the end of the reference period. 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 showing breakdowns by (i) industrial sector/region or economic zone, and (ii) industrial sector/partner country, are not compiled at present.

B. Methodology

Definition of Direct Investment Enterprises in Ecuador: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Ecuador is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. 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. In accordance with the FCS, the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises. However, contrary to the FCS, 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. Enterprises in Ecuador 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: In accordance with the international standards, the "Current Operating Performance Concept" (COPC) is used to calculate earnings of direct investment enterprises. Specifically, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not included. Contrary to the international standards, when a direct investment enterprise makes a loss, the net loss is not recorded as negative reinvested earnings.

Treatment of Income on Equity (Dividends and Distributed Branch Profits): The data cover incorporated enterprises, but not unincorporated enterprises. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) gross of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: The data cover incorporated enterprises, but not unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

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

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. The data do not cover other non-voting stocks (including participating preference shares). 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 long-term loans only. The data do not cover: (i) bonds and money market instruments, (ii) short-term loans, (iii) financial leases, (iv) trade credits, and (v) 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.

Treatment of Reverse Investment: Not applicable. No instances of reverse investment have been identified to date.

Treatment of Quasi-corporations: Not applicable. There are no quasi-corporations involving the operation in Ecuador by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises, at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Ecuador by nonresidents at present.

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

Treatment of Land and Buildings: Not applicable. Purchases and sales of land and buildings in Ecuador by nonresident enterprises and individuals cannot be identified at present.

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

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 ECUADOR
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are compiled but not disseminated. There are plans to begin to disseminate the data with a timeliness of 6 months after the end of the reference period in 1-2 years time.

Revision Policy: Not applicable. The data are not yet disseminated.

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

Data Collection Methods: Reporting requirements are voluntary.

Data Sources: The data are compiled from published sources, such as company accounts. The perpetual inventory method (a method for deriving position data from transactions data) is also used, with no adjustments for price changes or exchange rate changes. Press reports and bilateral data are used for cross-checking the data. A business register of enterprises involved in direct investment is not maintained.

Geographic Classification: Not applicable. Data showing country breakdowns or breakdowns by region or economic zone are not compiled.

Industrial Classification: Not applicable. Data showing breakdowns by industrial sector are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Ecuador: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Ecuador is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. 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. In accordance with the FCS, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the other capital position data. (Position data on equity capital are not compiled at present.) However, not all indirectly-owned enterprises can be identified. Enterprises in Ecuador 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. The data cover: (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, in accordance with the international standards, are recorded in the period in which they are earned. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Ecuador.)

Treatment of Other Capital: Data on other capital are compiled but not disseminated. The data cover long-term loans only. The data do not cover: (i) bonds and money market instruments, (ii) short-term loans, (iii) financial leases, (iv) trade credits, and (v) 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) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. Contrary to the international standards, the data do not 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: Not applicable. No instances of reverse investment have been identified to date.

Treatment of Quasi-corporations: Not applicable. There are no quasi-corporations involving the operation in Ecuador by nonresidents of (i) mobile equipment, such as ships, aircraft, drilling rigs, and (ii) construction enterprises, at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Ecuador by nonresidents at present.

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

Treatment of Land and Buildings: Not applicable. Ownership of land and buildings in Ecuador by nonresident enterprises and individuals cannot be identified at present.

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

Valuation: Contrary to the international standards, the data are recorded at book values, rather than at market values. The book values used are the historical costs.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.

ECUADOR: DIRECT INVESTMENT ABROAD
BALANCE OF PAYMENTS ("TRANSACTIONS DATA")

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

ECUADOR: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION ("POSITION DATA")

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