

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.

Botswana:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Botswana

- **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 BOTSWANA
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary annual (calendar year) data, the most timely 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 1 month after the end of the reference period. More comprehensive annual (calendar year) data are disseminated 9 months after the end of the reference period. There are plans to improve the periodicity of the data to quarterly in the future.

Revision Policy: The data are subject to revision for 12 months after their first release, at which time they are considered to be final.

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

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

Data Sources: The data are compiled primarily from quarterly and annual enterprise surveys of direct investment enterprises in Botswana. Information from (i) published sources, such as company accounts, and (ii) an international transactions reporting system (ITRS), are used as secondary data sources. The most timely data are estimates based in part on the results of the quarterly surveys for the reference year, which has a sample size of approximately 10 percent of the sample used for the annual survey. The most comprehensive data are derived from the annual survey results for the reference year. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the ITRS's list of transactors, and (ii) registers maintained by government licensing and regulatory authorities.

Geographic Classification: Annual data showing country breakdowns are compiled, but not disseminated, for direct investment financial flows (but not direct investment income). 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 showing breakdowns by regions or economic zones are not compiled.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated for direct investment income and direct investment financial flows, with a timeliness of 12 months after the end of the reference period, at the time of the release of the annual report of the Bank of Botswana. 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 industrial sector/partner country are disseminated, but data showing breakdowns by industrial sector/region or economic zone are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Botswana: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Botswana is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, the data also include enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by participation in policy making. 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 fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Botswana are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (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. Contrary to COPC, deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes. In accordance with COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not 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 both incorporated enterprises and 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 both incorporated enterprises and 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): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. Contrary to the international standards, the data include interest from financial derivatives. In accordance with the international standards, the data (i) do not include interest from deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries, and (ii) are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. 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, (v) trade credits, and (vi) 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. 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Botswana 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, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”, rather than as “Direct Investment in Botswana: Increase in Claims on Direct Investors” in both instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Botswana by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

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

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Botswana by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Botswana by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings in Botswana by nonresident enterprises and individuals. However, there are considered to be significant gaps in the coverage of the data.

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

Exchange Rate Conversion: Transactions involving direct investment income are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Transactions involving financial flows are converted at the rate prevailing at the end of the period in which the transactions are recorded.

DIRECT INVESTMENT IN BOTSWANA
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data, the most timely data, on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 1 month after the end of the reference period. More comprehensive annual (calendar year) data are disseminated 9 months after the end of the reference period. There are plans to improve the periodicity of the data to quarterly in the future.

Revision Policy: The data are subject to revision for 12 months after their first release, at which time they are considered to be final.

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 Botswana. Information from (i) published sources, such as company accounts, and (ii) an international transactions reporting system (ITRS), are used as secondary data sources. The most timely data are derived by adding transactions for the reference year to the position data obtained from the survey for the previous year. The most comprehensive data are derived from the survey results for the reference year. 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 ITRS's list of transactors, and (ii) registers maintained by government licensing and regulatory authorities.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 9 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data breakdowns by regions or economic zones are not compiled. The five countries with the largest amount of direct investment in Botswana as at the end of 2000 (ranked in descending order) were: South Africa, Luxembourg, the United Kingdom, Israel, and the United States.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 12 months after the end of the reference period, at the time of the release of the annual report of the Bank of Botswana. 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 industrial sector/partner country are disseminated, but data showing breakdowns by industrial sector/region or economic zone are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Botswana: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Botswana is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management. However, the data also include enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by participation in policy making. 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 fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Botswana are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as

through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and 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 Botswana.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) 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 involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data do not exclude positions between affiliated financial intermediaries involving claims and liabilities related to usual 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Botswana 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, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in Botswana: Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Botswana by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

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

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Botswana by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Botswana by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings in Botswana by nonresident enterprises and individuals. However, there are considered to be significant gaps in the coverage of the data.

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

Valuation: In accordance with the international standards, the data for equity capital are recorded primarily at market values. However, some survey respondents report their positions at book values, which are either net asset values or the directors' valuation. The data for other capital are recorded at market values.

Exchange Rate Conversion: The exchange rate prevailing at the end of the period is used to convert foreign currencies into the unit of account.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary annual (calendar year) data, the most timely 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 1 month after the end of the reference period. More comprehensive annual (calendar year) data are disseminated 9 months after the end of the reference period. There are plans to improve the periodicity of the data to quarterly in the future.

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

Data Sources: The data are compiled primarily from quarterly and annual enterprise surveys of residents with direct investment enterprises abroad. Information from (i) published sources, such as company accounts, and (ii) an international transactions reporting system (ITRS), are used as secondary data sources. The most timely data are estimates based in part on the results of the quarterly surveys for the reference year, which has a sample size of approximately 10 percent of the sample used for the annual survey. The most comprehensive data are derived from the annual survey results for the reference year. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) the ITRS's list of transactors, and (ii) registers maintained by government licensing and regulatory authorities.

Geographic Classification: Annual data showing country breakdowns are compiled, but not disseminated, for direct investment financial flows (but not direct investment income). 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 showing breakdowns by regions or economic zones are not compiled.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated for direct investment income and direct investment financial flows, with a timeliness of 12 months after the end of the reference period, at the time of the release of the annual report of the Bank of Botswana. 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 showing breakdowns by industrial sector/partner country are compiled, but not disseminated, and data showing breakdowns by industrial sector/region or economic zone are not compiled.

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. However, the data also include investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management, as evidenced by participation in policy making. No value threshold is used to identify direct investors abroad, 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 fully applied. Specifically, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. Enterprises in Botswana are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (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. Contrary to COPC, deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes. In accordance with COPC, realized and unrealized capital gains and losses, write-offs, and exchange rate gains or losses are not 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 both incorporated enterprises and 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 both incorporated enterprises and 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): The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. Contrary to the international standards, the data include interest from: (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, the data are compiled on an accrual basis.

Treatment of Equity Capital: The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. 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, (v) trade credits, and (vi) 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. 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Botswana 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, equity and loan transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”, rather than as “Direct Investment in Botswana: Increase in Claims on Direct Investors” in both instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Botswana residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

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

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established abroad by Botswana residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Botswana residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Botswana resident enterprises and individuals. However, there are considered to be significant gaps in the coverage of the data.

Treatment of Natural Resources Exploration: Contrary to the international standards, the data do not include expenditure related to natural resources exploration abroad by Botswana residents.

Exchange Rate Conversion: Transactions involving direct investment income are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Transactions involving financial flows are converted at the rate prevailing at the end of the period in which the transactions are recorded.

BOTSWANA: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Annual (calendar year) data, the most timely data, on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 1 month after the end of the reference period. More comprehensive annual (calendar year) data are disseminated 9 months after the end of the reference period. There are plans to improve the periodicity of the data to quarterly in the future.

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Data Sources: The data are compiled primarily from annual enterprise surveys of residents with direct investment enterprises abroad. Information from (i) published sources, such as company accounts, and (ii) an international transactions reporting system (ITRS), are used as secondary data sources. The most timely data are derived by adding transactions for the reference year to the position data obtained from the survey for the previous year. The most comprehensive data are derived from the survey results for the reference year. 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 ITRS's list of transactors, and (ii) registers maintained by government licensing and regulatory authorities.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 9 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data showing breakdowns by regions or economic zones are not compiled. The five countries with the largest amount of direct investment from Botswana as at the end of 2000 (ranked in descending order) were: Luxembourg, the Virgin Islands, Germany, South Africa, and Zimbabwe.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 12 months after the end of the reference period, at the time of the release of the annual report of the Bank of Botswana. 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 showing breakdowns by industrial sector/partner country are compiled, but not disseminated, and data showing breakdowns by industrial sector/region or economic zone are not compiled.

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. However, the data also include investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management, as evidenced by participation in policy making. No value threshold is used to identify direct investors abroad, 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 fully applied. Specifically, the relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. Enterprises in Botswana are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings: The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as

through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and 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 Abroad.)

Treatment of Other Capital: The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) 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 involving deposits, loans, and other claims and liabilities related to usual banking activities. Contrary to the international standards, the data do not exclude positions between affiliated financial intermediaries involving claims and liabilities related to usual 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 not treated in accordance with the international standards in all instances. Assuming that the direct investment enterprise is a resident of Botswana 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, equity and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises", rather than as "Liabilities: Direct Investment in Botswana: Claims on Direct Investors" in both instances.

Treatment of Quasi-corporations: Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by Botswana residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

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

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established abroad by Botswana residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Botswana residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

Treatment of Land and Buildings: In accordance with the international standards, the data include ownership of land and buildings abroad by Botswana resident enterprises and individuals. However, there are considered to be significant gaps in the coverage of the data.

Treatment of Natural Resources Exploration: Contrary to the international standards, the data do not include expenditure related to natural resources exploration abroad by Botswana residents.

Valuation: In accordance with the international standards, the data for equity capital are recorded primarily at market values. However, some survey respondents report their positions at book values, which are either net asset values or the directors' valuation. The data for other capital are recorded at market values.

Exchange Rate Conversion: The exchange rate prevailing at the end of the period is used to convert foreign currencies into the unit of account.