

Annex-BR-12-2004-01:FDI-01
FOREIGN DIRECT INVESTMENTS

1. **Resident of an economy** - an entity that has a center of economic interest in the economic territory of a country usually indicated by a one-year stay in that economy. The one-year period is suggested only as a guideline and not as an inflexible rule.
References: 5th edition of Balance of Payment Manual (BPM5) (International Monetary Fund); Detailed Benchmark Definition of the Foreign Direct Investment (Organization for Economic Cooperation and Development); and
Glossary of Foreign Direct Investment Terms (Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI) 1993 System of National Accounts
2. **Foreign Direct Investment** – the category of international investment made by a resident entity in one economy (direct investor) with the objective of establishing/obtaining a lasting interest in an enterprise resident in an economy other than that of the investor (direct investment enterprise). “Lasting interest” implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent transactions between them and among affiliated enterprises, both incorporated and unincorporated.
Reference: 5th edition of Balance of Payment Manual (BPM5) (International Monetary Fund); Detailed Benchmark Definition of the Foreign Direct Investment (Organization for Economic Cooperation and Development); and
Glossary of Foreign Direct Investment Terms (Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI)
3. **Registered foreign direct investments** - refer to original/initial and additional paid-up capital investments and contributions by non-residents as single proprietors as approved by the Department of Trade and Industry, or as incorporators and/or stockholders in newly-registered and existing domestic stock corporations and domestic partnerships as approved by the Securities and Exchange Commission. These include acquisition of shares in other SEC-registered companies by newly-registered and/or existing domestic stock corporations and domestic partnerships and exclude inter-company loans and statutory inward remittances and security deposits required from foreign corporations or multinational firms that have been licensed to operate in the Philippines.
Reference: Securities and Exchange Commission RA 7042 or the Foreign Investment Act with its IRR as amended by RA 8179
4. **Approved foreign direct investment** - represent the amount of contribution or share of nonresidents in investment projects within the Philippine economic territory as approved by investment promotion agencies such as the Board of Investments, Philippine Economic Zone Authority, Subic Bay Metropolitan Authority and the Clark Development Corporation, and other government entities as may be created for the same purpose. Approved foreign direct investments do not represent actual investments generated but rather investment commitments, which may or may not be realized immediately or in the future. These consist of equity, loans and reinvested earnings.
Reference: Consolidated FDI Quarterly Reports (NSCB and Inter-Agency Committee on Foreign Direct Investment Statistics)
5. **Foreign Direct Investment in the Philippines Balance of Payments** - all equity investments by nonresidents in the Philippines, except equity securities transacted through the stock exchange that do not exceed 10 percent of the total shares of the resident enterprise. It is assumed that a nonresident investor has a significant influence in management and expresses lasting interest in or relationship with the resident enterprise in which they invest. These include the following major investment:
 5. 1 **Foreign Equity Capital** – comprises: (i) equity in branches; (ii) all shares in subsidiaries and associates (except nonparticipating, preferred shares that are treated as debt securities and included under direct investment, other capital); and (iii) other capital contributions of foreign investors in a direct investment enterprise.

5.2 Reinvested earnings and undistributed branch profits of foreign direct investment enterprises - comprised of foreign direct investors' shares in proportion to equity held, of earnings that foreign subsidiaries and associated enterprises do not distribute as dividends (reinvested earnings), and earnings that branches and other unincorporated enterprises do not remit to foreign direct investors (undistributed branch profits).

5.3 Other foreign direct investment capital - covers the borrowing or lending of funds between foreign direct investors and subsidiaries, branches, and associates - including debt securities, suppliers' credit, and nonparticipating, preferred shares (which are treated as debt securities).

Reference: 5th edition of Balance of Payment Manual (BPM5), International Monetary Fund; 1993 System of National Accounts Detailed Benchmark Definition of the Foreign Direct Investment, Organization for Economic Cooperation and Development); and Glossary of Foreign Direct Investment Terms, Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI) 1993 System of National Accounts

6. **Direct investment enterprise in the Philippines Balance of Payments** - an incorporated enterprise in which a foreign investor owns 10 percent or more of the ordinary shares or voting power for an incorporated enterprise or an unincorporated enterprise in which a foreign investor has equivalent ownership. Ownership of 10 percent of the ordinary shares or voting stock is the guideline for determining the existence of a direct investment relationship. An "effective voice in the management", as evidenced by an ownership of at least 10 percent, implies that the direct investor is able to influence, or participate in, the management of an enterprise; absolute control by the foreign investor is not required.

Reference: 5th edition of Balance of Payment Manual (BPM5), International Monetary Fund 1993 System of National Accounts