

BRIEF METHODOLOGY AND PRACTICE OF CALCULATION OF FOREIGN DIRECT INVESTMENTS (FDI) IN GEORGIA

Foreign investments are divided into three functional categories: Foreign Direct Investments (FDI), Portfolio Investments and Other Investments.

FDI represents an important component of the most important financial instrument of our country – Balance of Payment. It was calculated in Georgia in accordance with methodology, Balance of Payment Manual, prepared by the International Monetary Fund (IMF) (IMF, Washington, USA, 1993, Fifth edition) since 1997 and now it is calculated in accordance with Balance of Payment and International Investment Position Manual, (IMF, Washington, USA, 2008, Sixth edition). Besides, for the purposes of accurate definition of FDI, correct identification of production links and accurate calculations OECD Benchmark Definition of Foreign Direct Investment (Organization for Economic Cooperation and Development (OECD), Paris, France, 2008, Fourth edition) as well as The Coordinated Direct Investment Survey Guide, issued by the IMF in December 2008, are used.

FDI is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Direct investment covers not only initial transaction of capital investment, but also all further transactions between direct investor and direct investment enterprise.

Investor, who owns no less than 10% of the shares of an enterprise or equivalent of such participation, is regarded as a direct investor. Direct investors may be individuals, incorporated or unincorporated private or state owned entities.

Main sources of information on FDI are quarterly and annual statistical surveys on external economic activities of enterprises conducted by Geostat. In addition to this information is received from the Ministry of Economy and Sustainable Development of Georgia and Ministry of Finance and Economy of Ajara Autonomous Republic on entities privatized by non-residents. National Bank of Georgia collects, processes and quarterly submits to Geostat information from financial sectors of Georgia, namely information on FDIs in commercial banks, insurance companies and micro finance organizations.

Statistical survey on external economic activities of enterprises currently involves all regions of Georgia (controlled territories). Selection of the entities for the survey is based on the following criteria:

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- an enterprise has non-resident founder;
- runs export-import transactions;
- has taken a loan from non-residents or has given loan to non-residents;
- has deposits at non-resident banks;
- owns 10% and more of equity capital of a non-resident enterprise;
- renders service to or receives service from non-residents.

The list of selected companies is updated quarterly by activities and classification of founders.

FDI can be broken down into the following three categories: equity capital, reinvestment and other capital.

The data has been processed by investor countries since 1997. The survey instruments (questionnaires) undertook certain changes in 2007, which allowed to process data by sectors of economy as well based on sphere of principal activities of enterprises. Information on FDI can be presented by types of various information sources as well. Since 2009 FDI data are available by geographical regions of Georgia and starting from 2016 FDI are breakdown by main 3 components (datasets are available since 2014). Since March 2018 the Geostat started compiling FDI data in an integrated format (datasets are available from 2016).

Preliminary data are published quarterly, on the 70th day after completion of the reporting period. Preliminary annual data is generated by summing up four quarter data. The preliminary annual data is corrected on the basis of annual survey data on August 15 of the next year.

Adjusted data always differs from the preliminary ones. One of the main reasons is that enterprises submit adjusted income statement indicators once a year.

As the FDI is a financial category and not just an investment in fixed assets, its positive and negative value are conditioned by the international methodological framework and standards.

In general, the reasons for reduction of FDI could be: selling shares by non-resident to a resident, reclassification of non-resident direct investor to portfolio or other investor, reduction of liabilities towards nonresident direct investor by a resident enterprise.

Notice: Detailed methodology is available at:

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