

**DEVELOPING THE METHODOLOGY OF ASSESSING
THE POTENTIAL OF COUNTRIES FOR INVESTMENT
CLIMATE ASSESSMENT: CASE OF UKRAINIAN
ECONOMY**

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The objective realities of the 21st century life are the following: the instability in the development of world business processes, the disproportion of the economic state of the countries of the world due to the strengthening of the interstate exchange nonequivalence, the limitation of innovation progress and technological achievements of the developed countries, a critical and increased competition between the leading countries for the distribution of world markets, as well as limited resources. The effectiveness of public administration is one of the main driving forces to combat growing disparities, an increased competitiveness of states and to ensure their sustainable economic growth.

The basic mechanism to ensure the economic development stability is to refocus the Ukrainian economy to a long-term development vector and to extrapolate the state economic problems to strategic planning of the state national economy development for the medium and long term perspective.

One of the important conditions of stable development of the national economy is to improve investment climate management at the macro level. In Ukraine the problem of intensification of investment processes is subject to ongoing scientific discussions related to the research of factors affecting the investment climate, diagnostics development of the state management of investment climate, analysis of individual aspects of the investment process at the macro-, meso- and micro levels.

The effective functioning of the investment policy in modern conditions of instability and chaotic economic environment requires the improvement of all organizational-economic mechanism of investment, including the development of an integrated concept for investment climate management in the national economy. Therefore, the deepening of theoretical, organizational and methodological bases of management of investment climate in Ukraine's economy deserves special attention. Modern stage of development of Ukraine's economy is characterized by the pursuit of an ambitious goal to ensure sustainable economic growth at the expense of system

technological upgrading and economic restructuring. The financial crisis, the consequences of which are felt around the world, demonstrated the unwillingness of most companies to work in the unstable conditions of the external economic environment [1]. The basis for investment climate management in Ukraine's economy should be based on the principles of state regulation, expressed in state financial support for the development of: price, competition policy, infrastructure development, search directions of anti-crisis structural investment policy in Ukraine. However, a complete scientific study of the problems of investment climate management in an unstable economic environment has not been carried out. So, poorly designed questions remain regarding the conduct of rating evaluation of state management of investment climate in the national economy. Scientific and theoretical and practical significance of the decision of the question led to the choice of the topic. Evaluation of the investment climate of Ukraine's economy and its impact on the dynamics of flows of international investment has gained relevance given the transformational nature of the economy, multi-vector and impermanence development strategies. There are three most typical approaches to the evaluation of the investment climate: risk tools, narrowed tools and factor tools [3].

The first approach is narrowed; it is based on an evaluation of the aggregate macroeconomic indicators. However, this method ignores the objective correlation of investment with other resource development factors, though attracted by the comparative simplicity of the analysis and calculations. Narrowed approach to the assessment of the investment climate. In addition, this approach is not devoid of subjectivity, which to some extent distorts the actual picture of the investment climate of the state. The second approach to the analysis of the investment climate – factor – meets most of the methodological requirements and is based on evaluation of a set of factors [4]. In the framework of factor approach, the authors propose to calculate individual evaluation of investment potential and investment risk, allowing you to fully determine the significance of individual factors in the implementation of the project. This approach is based on the identification of any factor, characteristic, which determines the investment attractiveness of the state: «the market reaction of the state», «state image» and so on. It is versatile and it can be used to analyze systems of different levels. The advantages of this approach include: the interaction of many factors, i.e., a differentiated approach when determining the investment climate. However, this approach has the disadvantage, such as opacity, the methods of isolation of factor characteristics of the investment climate.

The third approach is risk. Under this approach considers two components: investment potential and investment risk. Investment potential is estimated on the basis of macroeconomic performance and investment risks are assessed from the standpoint of the probability of loss of investment income.

There are two key tools that are used to evaluate the investment climate in the state: credit ratings and economic indexes. They characterize the components, indicators and management factors of the investment climate, which limits the level of sparseness of the information and provides the target orientation of rating assessment of the needs of the subjects of management of investment climate in the national economy. International and national rating agencies evaluation of investment

activity in the economy, and not the investment climate, as such. This stresses the importance of establishing an effective system of state management of the investment climate of the national economy to ensure sustainable long-term strategic development of the investment climate and growth in the inflow of foreign investment capital.

Currently, Ukraine has no single and generally accepted methodology to assess the investment climate that would ensure the creation of a nation-wide classification system of indices for the components listed further: the components of the investment environment (institutional environment, investment risk, investment potential) and investment climate indicators (investment attractiveness, investment image, investment activity). This situation is due to the low level of development of the national economy, while publications of various ratings and information surveys confirm that the vast majority of ratings and indices are aimed at determining the investment potential based on the level of economic development of a region, rather than across the whole territory of the state, and conduct only an assessment of investment attractiveness, which is an integral part of the investment climate, rather than a comprehensive supervision over the investment climate state in the economy of the country. The analysis of foreign methods for investment climate assessment allows to conclude that the construction of an index in accordance with the criterion of the investment climate state shall be based on a situation system analysis and a comprehensive search for possible ways of its further development determining the factors that influence the investor's decision and further implementation of investment projects.

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