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Investment Attractiveness Rankings as Tools for Identification and Selection of Key Factors Determining Investment Attractiveness of Countries

Rankingi atrakcyjności inwestycyjnej jako narzędzia identyfikacji i selekcji kluczowych czynników determinujących atrakcyjność inwestycyjną krajów

Summary
Investment attractiveness rankings can provide valuable insights for investors, businesses, and policy-makers. However, it is important to consider both the pros and cons associated with these rankings. Investment attractiveness rankings often employ standardized metrics and methodologies, providing a consistent framework for evaluating countries. This can help investors make more informed decisions by relying on objective and comparable data. It is important to view investment attractiveness rankings as one tool among many for evaluating investment opportunities. They can provide useful insights but should be used in conjunction with other research and due diligence to make well-informed investment decisions.

The main goal of the undertaken research is to present the essence and specificity of various rankings of investment attractiveness of countries (regions) and to indicate the main advantages and disadvantages of individual rankings used to assess the attractiveness of countries.

Three of the five general techniques investigated are primarily concerned with finding hidden threats, consequently overlooking the potential of the host region. At the same time, in some circumstances, potential rewards can offset all present risks for the investor. This is a common occurrence in rapidly rising economies in transition. In turn, specialized procedures outperform universal ones in terms of information coverage but fall short in terms of operational component.

Keywords: international competitiveness, attractiveness rankings, foreign direct investments

Streszczenie
Rankingi atrakcyjności inwestycyjnej mogą dostarczyć cennych informacji inwestorom, przedsiębiorstwom i decydentom. Ważne jest jednak, aby wziąć pod uwagę zarówno zalety, jak i wady związane z tymi rankingami. Rankingi atrakcyjności inwestycyjnej często wykorzystują znormalizowane wskaźniki i metodologie, zapewniając spójne ramy oceny krajów. Może to pomóc inwestorom w podejmowaniu bardziej świadomych decyzji, opierając się na obiektywnych i wiarygodnych danych. Rankingi atrakcyjności inwestycyjnej należy postrzegać jako jedno z wielu narzędzi do oceny możliwości inwestycyjnych. Mogą one dostarczać przydatnych informacji, ale powinny być

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wykorzystywane z rozwagą w połączeniu z innymi badaniami w celu podejmowania świadomych decyzji inwestycyjnych.

Głównym celem podjętych badań jest przedstawienie istoty i specyfiki różnych rankingów atrakcyjności inwestycyjnej krajów (regionów) oraz wskazanie głównych zalet i wad poszczególnych rankingów wykorzystywanych do oceny atrakcyjności krajów.

Trzy z pięciu badanych ogólnych technik polegają przede wszystkim na wyszukiwaniu ukrytych zagrożeń, w konsekwencji pomijając potencjał danego regionu. Jednocześnie, w niektórych przypadkach, potencjalne korzyści mogą zrównoważyć wszystkie obecne zagrożenia dla inwestora. Jest to powszechne zjawisko w szybko rozwijających się gospodarkach w okresie przejściowym. Procedury wysoce wyspecjalizowane przewyższają procedury uniwersalne pod względem zakresu informacyjnego, ale nie spełniają swojej funkcji operacyjnej.

Słowa kluczowe: konkurencyjność międzynarodowa, rankingi atrakcyjności, bezpośrednie inwestycje zagraniczne

Introduction

The primary goal for any economic system, regardless of its scale, is to ensure sustainable and progressive development. Achieving this requires the system's ability to attract investment resources, as investment attractiveness largely determines the system's competitiveness in different markets in terms of capital, labor, and innovation (Misztal & Kulakou, 2024).

When deciding where to invest capital, it is critical for an investor to have as complete and reliable information as possible about both the benefits (growing markets, cheap labor, infrastructure development, etc.) and potential risks (economic, political, legal, etc.) that await him in the destination country. Only with a complete information picture based on both statistical indicators of the country's development and expert assessments can a balanced defensible decision be made that reduces the possibility of inefficient investment location. As a result, both internal and foreign investors must conduct a thorough examination of the investment climate before making any final decisions on capital investment execution.

It should be noted here that the consumer of information on the results of assessing the investment attractiveness of a country (or a separate region) is not only the business community, but, and sometimes even to a greater extent, government authorities at various levels. As a rule, such assessments serve as a valuable source of information about the most problematic issues in various spheres of the state's life that hinder its normal development. The availability of reliable and timely information that reflects reality adequately is the key to the formation of

a successful investment policy with clearly defined priorities, which allows attracting investments in precisely those sectors that really need them.

Hence, the main goal of the research is to present the essence and specificity of various rankings of investment attractiveness of countries (regions) and to indicate the main advantages and disadvantages of individual rankings used to assess the attractiveness of countries.

1. Literature review – factors of investment attractiveness

The investment climate is shaped by a complex set of interrelated factors, and investors consider a combination of different economic and non-economic determinants when making decisions. Countries that create an environment of political stability, economic growth, strong infrastructure, transparent regulations, and open markets tend to be more attractive to both domestic and foreign investors.

Numerous attempts to identify the criteria for categorizing the premises that lead to an increase in the company's involvement in activities on international markets are found in the literature on the issue, and these efforts are crucial for determining the consequences that follow. In the literature on the topic, motivations, such as seeking resources, looking for markets, increasing the company's productivity, and gaining strategic assets and competencies, are most commonly mentioned (Dunning & Lundan, 2008).

Bellak, Leibrecht and Damijan (2009) show that a high corporate income tax rate reduces the profitability of foreign direct investment. Economically developing countries are viewed as appealing destinations for FDI inflows due to their comparative advantages, which include low labor costs, compelling pro-investment government policies, an abundance of raw materials, and massive natural resources. Nonetheless, given their limited financial resources and the heavy pressure on the budget deficit, it is fair for the governments of these nations to levy high tax rates in order to provide enough budget revenues. In today's economy, tax competition among countries to attract foreign direct investment is becoming a worldwide issue. Investors frequently examine tax rates between nations with similar-sized and geographically distributed markets.

Wei (2000) gathered data from forty-five countries. The model was estimated using the Tobit method. The study's findings revealed that corruption has a negative impact on foreign direct investment inflows. Using panel and cross-sectional data, Abed and Davoodi (2002) explored the relationship between per capita FDI flows in transition economies and levels of corruption. The findings

indicate that nations with lower levels of corruption attract more foreign direct investment (FDI). However, when an institutional reform control variable was added to the model, the corruption variable lost significance. This analysis thus reveals an important conclusion: institutional change, rather than corruption reduction, is more significant for attracting foreign direct investment (FDI) inflows to diverse countries.

Economou, Hassapis, Philippas and Tsionas (2017) investigated FDI inflow drivers in 24 OECD and 22 developing (non-OECD) countries from 1980 to 2012, employing both classic fixed effects and a dynamic panel approach. The study's most substantial finding was that lagged FDI, market size, gross capital creation, and corporation taxes all had a significant impact on FDI inflows in OECD nations.

Kumari and Sharma (2017) conducted research on the impact of the size of the host country's market on foreign direct investment flows. These studies, while not conclusive, provide evidence for the macroeconomic factors influencing foreign direct investment inflows in both industrialized and developing countries. According to studies on the impact of efficiency on FDI flows, the degree of human capital development and associated costs has a significant impact on the country's FDI intake. According to Braconier, Norbäck and Urban (2005), lower labor costs improve a country's ability to attract foreign direct investment. Human capital is a significant driver of foreign direct investment flows.

Zheng (2009) examined and analyzed the determinants of foreign direct investment inflows in India and China taking into account both host and home country characteristics. His research found that labor costs, market growth, country political risk, imports, and policy liberalization were the most important drivers for both countries. Cultural and geographical distance considerations were crucial for Indian FDI, but market size, exports, and borrowing costs were key for Chinese FDI.

Kim and Yang (2014) used the panel quantile regression model to examine the factors that influenced FDI inflows to Korea between 1995 and 2012. They discovered that GDP, employment, and human resource education levels in the host country were significant predictors of FDI inflows only when the inflow was modest. However, corruption and anti-environmental investment levels were statistically significant predictors of middle- and high-level FDI inflows.

Research conducted by Dellis, Sondermann and Vansteenkiste (2017) indicates that basic rights, such as the rule of law, property rights, or regulatory efficiency, are important for FDI decisions, but well-functioning labor and product markets are also important factors for foreign investors. In addition, such determinants of FDI inflows as labor costs, the size of the target market, the trade openness

of the recipient country, and its propensity to tax economic entities are equally important for potential investors.

Moreover, according to the findings of a study done by Lee, Kang and Lee (2024) across 178 nations between 1996 and 2019, developing economies rely heavily on economic indicators to draw foreign direct investment. Additionally, it is demonstrated that social indicators have a comparatively greater impact on FDI inflows in industrialized economies than economic indicators. Lastly, in both established and developing economies, there is a weak and statistically insignificant correlation between institutional variables and FDI inflows.

2. Research methods

Various methodologies have been developed to analyze the investment climate (attractiveness) of countries and areas based on research undertaken by rating agencies, business schools, and scientific and research institutions. The number and composition of the examined indicators vary between techniques, as do the methods used to estimate their qualitative and quantitative features, evaluation ranges, and so on. It should be noted that the sets of elements that comprise the investment climate are often arbitrary and, in some cases, subjective.

The analysis will consist of two stages:

1. Initial (general) analysis: its main task is the general assessment and comparison of the studied methodologies;
2. Component (detailed) analysis: it aims to select the most universal, significant and frequently used factors in assessing the investment climate.

Taking into account the fact that in the last three decades a number of approaches have been developed to assess the investment attractiveness of post-Soviet economies the first part of the analysis will consist of two sub-stages.

At the first sub-stage, it is supposed to examine the most common universal methodologies in international practice, such as:

- Harvard Business School methodology;
- "Euromoney" magazine methodology;
- BERI Index;
- Forbes magazine methodology;
- The Venture Capital and Private Equity Country Attractiveness Index.

In addition, the World Bank group's actions for the Doing Business and Business Enabling Environment projects will be reviewed. Previous research has developed a classification of the factors influencing a country's (region's)

investment climate into seven major groups: economic and financial, political, legal, geographic, socio-demographic, technological, and infrastructural (Kulakou, 2021). This classification will serve as the basis for a detailed investigation of the category under consideration. This will enable us to discover not just specific factors, but also broad themes that experts emphasize when conducting comparative assessments of investment attractiveness (Misztal & Kulakou, 2024).

It should be noted that the techniques of grouping specific factors within the frameworks of various methodologies varied slightly from those given by us. For example, Euromoney magazine's methodology classifies soft infrastructure components (development of the social environment, medicine, and so on) as structural hazards, but we recommend classifying them as socio-demographic factors. Within the framework of this study, in order to unify the analysis, we will follow the author's approach to determinant grouping.

There are numerous techniques to analyze and categorize methodologies for assessing investment climate (attractiveness) in the scientific literature, depending on the criteria used. The most prevalent criteria include the following:

1. The approaches behind the evaluation (risk, factorial, integral-factor al, etc.; Narolina, 2007; Sheveleva & Nacheva, 2012).
2. Assessment objectives (identifying dangers or determining the region's potential, identifying investment-attractive places, etc.; Yakushev & Mazilov, 2020).
3. Balanced qualitative and quantitative assessments (Khusnullin, 2009).
4. The format in which the final results are presented (rating scale, matrix, general quantitative assessment, etc.; Vakulich & Kliuchnyk, 2018).

Furthermore, during the analysis, researchers often concentrate on the approaches' comparative characteristics, the assessment of their advantages and disadvantages, and the set of estimated indicators (Alexandrova, 2015). While appreciating the importance of all of the methodologies explored, it is worth noting that the bulk of them disregard certain critical criteria for methodology analysis and classification. In our opinion, such factors include the approach's intricacy (i.e., applicability) and information coverage (i.e., how comprehensively the methodology depicts present opportunities and threats).

As a result, after researching numerous ways to comparative analysis and methodology categorization for analyzing the investment climate, we determined that a comparative analysis of the techniques would be conducted within the context of our study using four primary criteria. The classification will be based on the Applicability matrix that we built.

For a comparative analysis of investment climate assessment methodologies, we selected the following key characteristics:

- information coverage – the number of analyzed determinants and groups (out of 7 selected groups);
- ease of use – the complexity of the analysis algorithm and whether special knowledge and skills are required for its implementation;
- the range of approaches being used – i.e. on the basis of what kind of assessment is carried out: are these only expert assessments, or is there a quantitative analysis, integral indicators, etc.;
- availability of information – how easy it is to access the information needed for analysis.

Each criterion will be evaluated on a four-point scale:

- "-" – negative assessment,
- "-/+" – more negative assessment with a positive component,
- "+/-" – more positive assessment with a negative component,
- "+" – positive assessment.

In essence, these criteria separate two primary components: informational (information coverage) and operational (breadth of approaches employed, ease of use, and ability to retrieve critical information). To provide a more visual depiction of the analysis results, we developed a matrix of ways for measuring the investment climate (attractiveness) (AM). It is comprised of four group quadrants, each of which is further divided into four quadrants for ease of assessment. Thus, its overall dimensions are 4x4. The matrix's horizontal axis represents the level of information coverage (information component), while the vertical axis represents the average value of estimates of the breadth of the approaches utilized, ease of use, and information availability (operational component).

The assessment of each component is given on a four-point scale, by analogy with the system used in the previous step:

- "-" – 1 point,
- "-/+" – 2 points,
- "+/-" – 3 points,
- "+" – 4 points.

Fractional estimates are also possible, such as 0.5, 1.75, etc. Points determine which of the sixteen squares the technique falls into (an intermediate position is also possible in the case of fractional ratings).

Group quadrants have the following aliases:

- aliens – low information coverage and complexity of use (ratings: 1;1, 1;2, 2;1, 2;2);

- guides for beginners – low information coverage but easy to use (ratings: 1;3, 1;4, 2;3, 2;4);
- macadamia nuts – hard to crack, but very informative (ratings: 3;1, 4;1, 3;2, 4;2);
- stars – very informative and easy to use (ratings: 3;3, 3;4, 4;3, 4;4).

Grading will be based on a critical analysis of the information and expert opinions of the authors of the research.

2.1. Harvard Business School (HBS)

The Harvard Business School technique is based on peer reviews. It focuses on determining the level of risk to the investor in the host region. This technique assesses the following: legislative circumstances for international and domestic investors; the feasibility of capital export; the state of the national currency; the political scenario; the inflation rate; the ability to use national capital. There are eight main determinants in total, each with a set number of points. The end result is a complete measure of the risk of investing cash in the country's economy. Its value can range from 8 to 100 points: the higher this indication, i.e. the closer its value is to 100 points, the lower the degree of risk and vice versa (Kosobutskaya, 2019).

The quantity of indicators assessed, as well as the fact that the analysis is conducted solely by experts, indicate that this is a very narrow approach with a high level of subjectivity in the assessment. This approach has the advantage of being relatively simple. Furthermore, despite the fact that qualitative analysis requires specialized knowledge and abilities, gathering the necessary data is quite simple. The majority of the relevant data is available to the public.

2.2. Euromoney

Euromoney magazine's methodology broadens the number of indicators evaluated and incorporates a quantitative indicator of sovereign debt into the Euromoney Country Risk (ECR) expert assessments.

The Euromoney Country Risk assesses a country's investment risk, such as the risk of bond default, the risk of direct investment loss, the risk to global business relations, and so on, using a qualitative model that seeks expert opinion on risk variables within a country (90 per cent weighting) and combines it with a basic quantitative value (10 per cent weighting). To calculate the overall Euromoney Country Risk score, five categories are weighted. The four qualitative

expert assessments are: political risk (35 per cent weighted), economic risk (35 per cent), structural risk (10 per cent), and access to foreign capital markets (10 per cent). The numeric figure is derived from sovereign debt indicators (10 per cent). When applying political, economic, and structural assessments to a 100 point scale for the qualitative average only (rather than the full Euromoney Country Risk score), the following weighting is used: political 45 per cent, economic 45 per cent, and structural 10 per cent (Euromoney, 2011).

2.2.1. Qualitative assessments

economic risk: participants rank each country about which they know from 0 to 10 across six sub-factors to get a score out of 100. The economic risk categories are as follows: bank stability/risk, GNP outlook, unemployment rate, government finances, and monetary policy/currency stability. Political risk: participants rate each country about which they know from 0 to 10 across five sub-factors to get a score out of 100. The political risk categories are as follows: corruption; government non-payments/non-repatriation; government stability; information access/transparency; institutional risk; and regulatory and policy environment.

Structural risk: participants rank each country for which they have expertise on a scale of 0 to 10 across four sub-factors, yielding a score of 100. The structural risk categories are as follows: demography, physical infrastructure, labour market/industrial relations, and soft infrastructure. Access to international capital markets: participants rate each country's accessibility to international markets on a scale of 0 to 10 (0 = no access, 10 = full access). These scores are averaged and weighted at 10 per cent (Soina-Kutishcheva, Yarkova, Luneva, Piskunova & Naplekova, 2020).

2.2.2. The quantitative score factors – debt indicators

The quantitative score factors – debt indicators are calculated using the following ratios from the World Bank's Global Development Finance figures: total debt stocks to GNP (A), debt service to exports (B); current account balance to GNP (C). Developing countries which do not report complete debt data get a score of zero.

The combined Euromoney Country Risk score ranges from qa0 to 100 and represents the actual sum of expert evaluations of specific variables derived through calculation and analysis. The technique for generating the rating, as well as the composition of the evaluation indicators, are continuously updated

to reflect changes in the worldwide market scenario. This is done to increase the accuracy of the assessment and the appropriateness of the results produced.

However, it should be highlighted that, while the number of evaluated indicators has increased in comparison to the HBS approach, their collection is still insufficient to account for all of the variables considered by investors. Adding a quantifiable indicator of national debt lessens the level of subjectivity in estimates to some extent, but we believe it remains significant. The algorithm and the set of indicators assume the presence of specialized knowledge. The specificity of a number of criteria being analyzed limits access to relevant information as well as independent application of the approach.

2.3. Forbes (factor)

Forbes magazine's methodology includes selecting parameters that reflect various aspects of the region's economic life, as well as compiling a rating of regions that clearly shows each's position relative to others in terms of investor attractiveness (Egorova, 2020).

This methodology includes six groups of factors that describe many aspects of economic life: the economic situation (crisis resistance), socio-demographic features, infrastructure, population purchasing power, personal comfort, and business climate. Each parameter is assigned a score, with higher scores indicating better results. The summary indicator is a weighted average value of the groups. The qualities of the business atmosphere have the highest weight among the groups, whereas indications of personal comfort have the lowest weight (Bulatova, 2018).

In terms of a number of characteristics, this technique differs from the approaches outlined previously. The variations are mostly in the infrastructural component of the investment climate (including the cost of residential and industrial real estate, as well as the cost of connecting to electricity grids), with the development of small businesses being taken into account. This strategy, like the preceding ones, is based mostly on expert opinions. This allows us to discuss the subjective nature of factor selection and assessment. The range of assessed indicators suggests poor information coverage. Despite the minimal number of indicators under examination, the algorithm of this methodology is sophisticated and time-consuming. Also, according to some experts, there is no objective criterion of reliability in this technique (Bulatova, 2018).

Despite the labor intensity of the process, the Forbes methodology has several advantages, including practical feasibility, relative accessibility for investors, international recognition, and the ranking of indicators based on their significance to the final result, which allows for more accurate consideration of capital owners' interests. It should also be noted that this strategy is recommended for usage when an investor must select between numerous priority possibilities, as it requires completing a comparison examination.

2.4. Index BERI (risk)

Business Environment Risk Intelligence employs the BERI index, which assesses the overall quality of the country's business climate. This indicator consists of three components: the Operations Risk Index (ORI), the Political Risk Index (PRI), and the Remittance and Repatriation Factor. The methodology allows for an expert assessment of 15 basic business hazards (Kudasov & Timokhina, 2018).

The indicator values are assigned using an evaluation scale ranging from 0 (unacceptable) to 4 (extremely favorable). Each indicator has a specific weight in the final conclusion. The weighted score is calculated by multiplying the points on the rating scale by the corresponding weight. The Business Environment Risk Index is calculated by summing the weighted ratings. One of the primary benefits of this method is its adaptability. The computation algorithm itself is rather straightforward. It also gives a ranking of indications based on their value to the end result. At the same time, doing a qualitative assessment necessitates a wide range of specialized knowledge. Obtaining all the information necessary for conducting a full-fledged analysis (on the conditions for interaction between government and business, the degree of bureaucratization, etc.) in the conditions of countries with transitive economies can be associated with certain difficulties, and in some cases it is simply impossible.

2.5. Venture Capital and Private Equity Country Attractiveness Index (VCPEI)

The index assesses countries' attractiveness to investors in the venture capital (VC) and private equity (PE) asset classes. It is a dynamic valuation system that adjusts based on market conditions. The authors of this technique identify six major factors, giving a clear sense of the structure of the final index: Economic

Activity; Depth of Capital Market; Taxation; Investor Protection and Corporate Governance; Human and Social Environment; Entrepreneurial Culture and Deal Opportunities (Venture Capital and Private Equity Country Attractiveness Index, 2021).

These six main drivers cannot be measured individually. Their evaluation is based on sub-criteria that describe the level of development of a specific driver. The sub-criteria might also be structured in two levels. Thus, the index is built on three tiers of indicators. The assessed criteria are dynamic and might vary in response to the market's structure and needs. In the context of this study, as indicators included in our final analysis within the framework of the Venture Capital and Private Equity Country Attractiveness Index assessment methodology, we will primarily consider the second-level sub-criteria, with the exception of cases where the third-level sub-criteria clearly correlate with the groups of determinants we identified previously. Therefore, the main drivers will include:

- Economic Activity: the size of the economy (Total Economic Size), i.e. the volume of GDP; expected GDP growth; unemployment rate;
- Depth of Capital Market: Size of the Stock Market, Stock Market Liquidity (Trading Volume), IPOs and Public Issuing Activity, M&A Market Activity, Debt and Credit Market, Bank Non-Performing Loans to Total Gross Loans;
- Taxation: the level of taxation and non-tax payments (Entrepreneur Tax Inc. and Administrative Burdens);
- Investor Protection and Corporate: Quality of Corporate Governance; Security of Property Rights; Quality of Legal Enforcement, specifically, the independence of judicial power, the effectiveness of the legal framework, the integrity of the legal system, the operation of the rule of law, the quality of legal regulation;
- Human and Social Environment: the level of education of the population and the quality of human capital, the state of the labor market, the level of corruption;
- Entrepreneurial Culture and Deal Opportunities: the level of innovation development; the number of published scientific and technical articles; ease of starting and running a business; ease of closing a business; corporate R&D.

Based on the findings, we can conclude that when determining investment attractiveness, the Venture Capital and Private Equity Country Attractiveness Index professionals use 21 sub-criteria. The overall number of variables analyzed, including the fundamental (third) level, is 46 different

indicators of the country's socioeconomic progress. Given the methodology's details (attractiveness for venture capital and direct investment), the essential factors here are capital market depth, investor protection, and corporate governance.

Despite its specialized nature, this strategy covers more information than the previously stated methods. The analytical algorithm is highly sophisticated, requiring specialized knowledge in a variety of domains. The membership of the evaluation team has a significant impact on the quality of the outcomes. The approach requires access to profile information on the capital market, which might be problematic due to the underdevelopment of such markets in many transitional economies.

Table 1 shows the comparative characteristics of the researched approaches for measuring the investment climate using the previously established analysis criteria.

Table 1. Summary table of comparative characteristics of universal methodologies for assessing the investment climate of countries (regions)

Methodology	Information coverage	Availability of information	Variety of the approaches in use	Ease of use
HBS	-	+/-	-	+/-
Euromoney	-/+	-/+	-/+	-
Forbes	-/+	-/+	-	-/+
BERI	-/+	+/-	-	+/-
VCPEI	-/+	-/+	-/+	-

Source: own preparation.

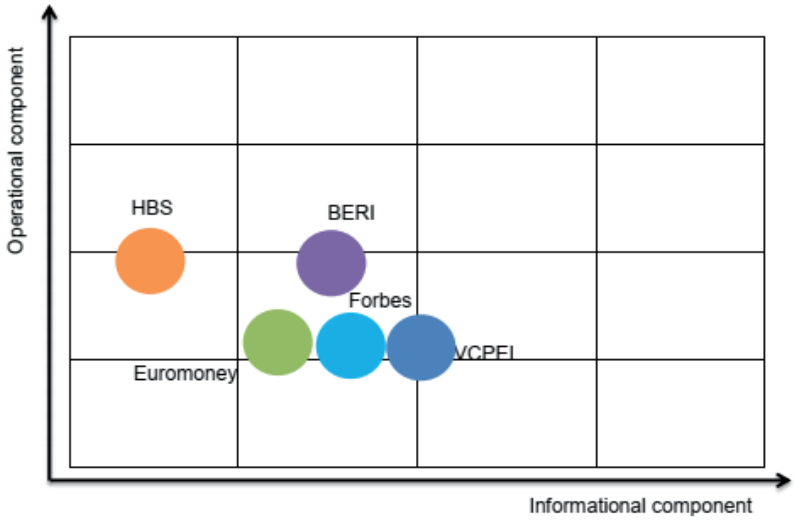
The data in Table 1 allows us to calculate the indicators required to create the applicability matrix (Table 2). Figure below shows a matrix showing the applicability of approaches for assessing the investment climate.

Table 2. Initial data for compiling the applicability matrix

Methodology	Informational component	Operational component
HBS	1	2,3 (5)
Euromoney	2	1,7
Forbes	2	1,7
BERI	2	2,3
VCPEI	2,3	1,7

Source: own preparation.

Figure. The applicability matrix for the five most common universal approaches for assessing nations' investment climates



Source: own preparation.

As we can see, the strategies examined are usually associated with the Aliens group, to some extent. This group is distinguished by a lack of information coverage paired with the difficulty of the assessment. This necessitates a wide range of specialized expertise, the engagement of external experts, and potential challenges in gathering the data required for analysis.

The approach developed by Harvard Business School, along with Aliens, is partly included in the Guides for beginners group. The methodologies under this alias are easy to use, but they give only a basic idea of the investment attractiveness of the country (region).

Conclusion

After reviewing the empirical literature on the drivers of FDI, it becomes clear that there is no agreement across empirical studies on the key determinants of FDI because different types of FDI are influenced by various reasons. As a result, experts and researchers are at odds on the determinants of foreign direct investment. This is owing to significant differences in the views, methodology, and analytical tools used in investigations.

The conducted analysis allowed us to identify a number of characteristic features common to universal methods for assessing the investment climate (attractiveness).

First and foremost, it is important to observe the relatively low amount of information coverage. Climate and geographic (0 out of 5) and technological (2 out of 5) aspects should be identified as the least accounted for. The VCPEI technique deserves its own discussion. Despite the possibility of universal application, this strategy might be considered semi-specialized because it focuses on financial markets. It provides a slightly higher level of information coverage, but not in areas crucial to transition economies.

Regardless of whether some of the approaches employ statistical comparisons in their analyses, all of them, without exception, are based on expert assessments. As a result, the professionalism of the chosen team of assessors determines the quality and reliability of the analysis.

The HBS and BERI approaches are mostly based on data that are easily obtained (GDP, inflation rate, currency stability, etc.). At the same time, Euromoney, Forbes, and VCPEI analyze a number of specialist indicators (labor market conditions, banking system stability, stock market liquidity), necessitating further research and complicating access to this information. A similar situation exists with regard to analysis algorithms. The HBS and BERI methodologies are simpler to implement than the other three approaches.

It should also be noted that three of the five approaches investigated are primarily concerned with finding hidden hazards, hence overlooking the potential of the host region. At the same time, in some circumstances, potential rewards can offset all present risks for the investor. This is a common occurrence in rapidly rising economies in transition.

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