



UNDERSTANDING THE BERI INDEX, WHICH DETERMINES THE RISKINESS OF INVESTMENTS

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At the current stage of market reforms in our country, investment policy is an important factor determining stability, and structural and qualitative changes in the economy. The implemented investment policy makes it possible to create an all-around favorable investment environment for foreign and local investors in our country.

The investment environment creates new opportunities and incentives for effective investment. In other words, the creation of a favorable investment environment ensures the growth of income and the reduction of costs and risks for enterprises. As a result, due to the creation of a favorable investment environment, the growth of labor productivity, the implementation of innovations, the quality and competitiveness of products, the increase of employment of the population, and the increase of tax payments to the budget at various levels are ensured. An all-around favorable investment environment affects the efficiency of enterprises, which leads to the growth of investment-specific income and capital. The main economic factors for the formation of a favorable investment environment are the stable pace of economic development and the presence of market institutions, first of, strong economic legislation, and a developed credit-banking system.

Measures aimed at state support for investment are also of some importance. The analysis of the main directions of improvement of the investment environment shows that most of them are of a long-term nature. The investment environment can be made more attractive by improving investment legislation. Several factors affect the investment climate in the country, and the following factors are the main ones:

- political stability in the country;
- the tax system is correctly established in the country;
- macroeconomic stability;
- convenient geographical location and development of road transport infrastructure.

All the factors mentioned above are important for a foreign investor. That is why in many developed countries there are companies and organizations that evaluate special investment projects, study the investment environment of the

countries in need of investment, and provide accurate conclusions for investors. For example: the authoritative information services of a number of countries, such as Switzerland and Germany, take into account 15 important indicators, each of which is evaluated on a 0-unsatisfactory and extremely favorable scale, to evaluate the economic, political and social state of the country. "BERI" (business environment risk index)[1] is used. The "BERI" index is published 4 times a year for 45-48 countries. The chart below (Table 1) shows them based on their importance for making investment decisions.

Table 1

"BERI" index for assessing the attractiveness of the region for foreign investments [1]

| | |
|--|---|
| Political stability (12 percent) | Attitudes towards foreign investment and profits (6 percent) |
| Devaluation (6 percent) | The degree of nationalization (6 percent) |
| Economic growth rates (10 percent) | The degree of development of the bureaucracy (4 percent) |
| Currency convertibility (10 percent) | The level of costs for wages and labor productivity (8 percent) |
| The degree and quality of fulfillment of contractual obligations (6 percent) | Short-term lending options (8 percent) |
| Opportunities to use experts and services (2 percent) | Local governance and partnership (4 percent) |
| Organization of transport and communication (4 percent) | Balance of payments status (6 percent) |
| | Long-term lending opportunities and conditions for foreign investors to |



contribute their share to the investment
(8 percent)

As can be seen from the diagram, political stability (12 percent) is the most important among the indicators included in the "BERI" index. According to the analysis, Western experts gave the last places in the ratings to Georgia, Syria, Ukraine, and Argentina precisely because of military actions or the escalation of the internal situation.

The essence of this method is that, based on the selection of reputable experts[1], they are offered to assess the country's risk according to 15 main criteria on a 5-point scale (from 0 to 4 points and their sum is equal to 1). In this method, the evaluation criteria and their values are as follows.

- political stability (0.12);
- attitude to foreign investments (0.06);
- risk of nationalization (0.06), if the law of the country envisages expropriation of property without payment, 0 points are assigned;
- probability and level of currency devaluation (0.06);
- the state of the balance of payments (0.06);
- level of bureaucratization of business (0.04);
- economic growth rate (0.1);
- free exchange rate of the currency (0.1);
- the number of fulfillment of contractual obligations (0.06);
- level of labor productivity and wage costs (0.08);
- the possibility of obtaining legal and marketing advice, attracting qualified specialists (0.02);
- organization of communication and transport (0.04);
- relations of state bodies and public organizations (0.04);
- conditions for obtaining short-term loans (0.08);
- long-term loans, obtaining private capital, terms of use (0.08).

In general, "BERI" service is an organization that has gained a great reputation in this regard. This organization analyzes the investment environment in capital-importing countries and determines the risk level of investments. "BERI" service determines the level of danger and risk of investors investing in foreign countries with various indices through the press. Currently, this service organization evaluates the investment climate in more than 55 capital-importing countries with a criterion (score) covering 15 indicators. The higher the country's investment climate score, the more stable it is. The impact of political, economic; and social factors is also taken into account when



calculating these score indices. This organization evaluates not only the current period but also the expected changes in the future.

In conclusion, To determine the strategy, policy and marketing tactics of any manufacturer, it is important to determine the level of country risk. Its distinctive feature is the complexity of calculation and analysis, since the number of evaluation factors is very large. The formation of this index is an illustration of the group expert assessment method and is a tool for determining and analyzing the political and economic stability of countries (regions, areas) of the world.

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