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Інвестиції в інфраструктурні проекти в глобальній економіці / Investments in Infrastructure Projects in the Global Economy

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АНОТАЦІЯ

Нонго Шірлумун Джемс. Інвестиції в інфраструктурні проекти в глобальній економіці. – Рукопис.

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У дипломній роботі розглянуто теоретичні основи формування інвестицій. Здійснено оцінку залучення інвестицій в інфраструктурні проекти в різних країнах світу та Україні. Визначено заходи уряду щодо залучення інвестицій в інфраструктурні проекти.

ANNOTATION

Nongo Shirlumun James. Investments in infrastructure projects in the global economy. – Manuscript.

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Master thesis is devoted to the theoretical foundations of the formation of investment. In the research paper the theoretical basis for The estimation of attracting investment in infrastructure projects around the world and Ukraine. The measures of the government to attract investment in infrastructure projects are suggested.

РЕЗЮМЕ

Дипломна робота містить 98 сторінок, 2 таблиці, 6 рисунків, список використаних джерел із 60 найменувань.

Метою дипломної роботи є аналіз розвитку теоретичних положень і практичних рекомендацій щодо визначення напрямків зростання інвестицій в інфраструктурні проекти.

Об'єктом дослідження є заходи приваблення інвестицій в інфраструктурні проекти.

Предметом дослідження є теоретичні і практичні підходи до вивчення інвестицій в інфраструктурні проекти.

Одержані висновки та їх новизна: полягають у визначенні заходів уряду по залученню інвестицій в інфраструктурні проекти і вектори для збільшення інвестицій в інфраструктурні проекти.

Ключові слова: інвестиції, ВВП, уряд, інфраструктурні проекти.

RESUME

Thesis contains 98 pages, 2 tables, 6 figures, list of sources with 60 titles.

The aim of the thesis is to analyze the development of theoretical positions and practical recommendations for vectors for increasing the Investment in infrastructure project.

The object of research is the implementation of measures to attract the investment in infrastructure project.

The subject of research is the theoretical and practical approaches to the study the Investment in infrastructure project.

The resulting conclusions and innovation: to determine the measures of government to attract the investment in infrastructure project and the vectors for increasing the Investment in infrastructure project.

Keywords: Investment, GDP, government, infrastructure project.

CONTEXT

Introduction:

The development of any state linked to the dynamics of investment processes, structural and qualitative upgrading of production and creation of market infrastructure. What. carried out intensive investment, the faster is reproductive process, the more effective market transformation taking place.

Therefore, any research related to the essence and the basic concepts of the investment process, problems of formation of an investment portfolio, investment choice of forms and methods of managing these processes is certainly relevant.

Market changes in Ukraine's economy requires clearly defined and effective management concepts and categories relating to investment relations. .

With financial and economic point of view investment can be defined as long-term investments of economic resources to create and receipt of net profit in the future, which exceeds the total value of the initial investment.

In manual provides definitions of "investment" and "investment", submitted by the Law of Ukraine "On investment activity", these issues are also dealt with macro- and microeconomic positions.

From the macroeconomic point of view of investments is considered part of the total cost, taking into account the costs of new means of production (real productive investment), investment in new housing and increase inventory. That investment - is part of the gross domestic product that has not been consumed in the current period, which provides growth capital in the economy.

In microeconomics, investment - the process of creating a new capital in tangible and intangible areas.

Real investments in the financial sphere are divided into groups:

- Investments designed to improve production efficiency;

- Investments in expansion of production;

- Investment in the creation of new industries or new technologies (e.g. innovative form of investment).

Areas of investment are considered the author of the review answers the following questions: What are investing? How long? For what purpose?

The criteria used for the first time in the classification of investments and reflect the systematic approach describing economic relations in investment.

There classifying investment forms developed in the writings of Blanca I., A. and M. Nedashkivska transplanted, providing more signs of classification and determine sources of investment and how the investment (direct and indirect investments).

The manual provides a list and description of investment (physical and legal entities, state). Describe specific functionality and participants of the investment process. The object of investment activity can be any property, property rights and intellectual values.

Also set out guidelines for the development of investment portfolio by generating investment projects. We consider the types of portfolios and the principles of their formation.

In this paper, the features of innovation, the main innovation strategies and state innovation policy. Describe approaches to risky investments (venture business).

The following chapters are dedicated sources of financing investments: own involved lent. Also considered are special sources of financing investments.

Investment planning is seen as the process of making decisions on investments in various forms in accordance with the strategy of the investor taking into account the factors of time, risk, yield and so on. We consider the following model investment planning as an investment project, business plan and budget.

Defining investment needs - and multivariate multi task, which depends on the financial situation and objectives investor and the investee state investment environment.

If we consider the investment a new production, the necessary volume of financing includes all stages of the life cycle of investment ideas.

The need to finance the current needs of investors established in the design of the current balance on the future. One method of determining the additional financing needs is the design balance sheet of the expected sales volume method (percentage of the sale).

After determining the total investment needs, the goal of structuring the capital, that is a reasonable choice of funding sources and the most favorable ratio of own, borrowed and borrowed funds. Describe the indicators by which is determined by the ratio of own, borrowed capital and debt.

Referrals principles of formation of an investment portfolio in financial literature is seen as a stock portfolio. One of the most common approaches to portfolio securities in developed countries is the principle balance of the stock market when the market portfolio and the structure is formed of securities most important stock market participants with their periodic updating. Substantiated choice of certain types of securities as investment targets, depending on the stock market and investor strategies.

After considering the general principles of choice considered investees:

- Areas of investment portfolio strategies;

- Diversification of assets;

- Optimization of the timing of investment;

- Model stock diversification of investment (time and space).

Considering all these factors allow investors to form a balanced, in terms of return and risk portfolio.

Most existing approaches to evaluating the results of any activity can be divided into the following groups:

- Traditional methods of assessing the effectiveness by determining the ratio between revenues and expenditures;

- Accounting approaches to the calculation results, carried out on the basis of accounting;

- Discount techniques that substantiate the theory of the time value of money.

Thus, the manual has consistently set methodological bases of investment types and main characteristics of the investment, investment planning and funding of investments.

Actuality of research the structure.

Background research. The main problem in the investment sphere Ukraine is the lack of financial resources and little possibility of their involvement. Because of the often ill-conceived financial policies in Ukraine almost lost funds from private and institutional investors: no household or domestic and foreign investors - entities are in no hurry to invest in the real economy. Currently, the primary task of the state is to provide a stimulating processes of accumulation and effective use of investment resources in accordance with the prospects of innovative development.

Improvement of the investment process requires decisive action of the state as the macro and micro levels. First, public investment management process ensures the preservation of jobs and priorities and often leads to support unprofitable but important for national security sectors and industries. Furthermore, public investments are essential to the viability of the economy and the creation of productive and social infrastructure. Second, private investment management process aims tend to maximize profits. However, this goal is not always coincide with the goals of social policy.

Effective use of investment resources that are unable to attract the Ukrainian economy, the need to increase investment and social functions determine the relevance and significance of the research topic of course work.

The object of study is the economic course of the company.

Purpose of the study - the concept, composition and structure of investments

The methodological and methodical basis of research are modern theory of investment. Various aspects of the problems of labor devoted to AI Kredisov AA transplant, A. Lifting, SE Pivovarova, SK Reverchuka, NI Reverchuk, I. G. Skomorovych and several other authors.

The study is based on a systematic approach using the following methods: structural analysis, comparative, historical, prediction.

The aim of the course is to study concepts and structure of investment.

The aim of the work is due to perform the following tasks:

- Explore nature and to determine the classification of investments;

- Describe the types and structure of capital investments;

- Identify trends in species over time investments;

- To draw conclusions.

For commonly defined capital investment - is regularly undertaken long-term capital expenditure on fixed assets reproduction and social infrastructure of the company.

Given the functional focus distinguish gross and net capital investment. Gross capital investment - the total amount of one-time capital costs for simple and expanded reproduction of production assets and social infrastructure, and clean - costs only on the extended play. The value of the net investment is easy to calculate; for that the total volume of capital investments necessary to eliminate the amount of depreciation that is used is known to be a simple reproduction of fixed assets and other property companies

According to current business systems planning and accounting of the investments include:

1) the cost of construction works;

2) the cost of all types of production equipment and credited to fixed assets and inventory tools;

3) other capital work and costs. The latter include: the cost of land; work with deep exploratory drilling for oil, gas and thermal water; design work; scientific research; the cost of acquired patents and licenses; operating costs of preparing personnel for enterprises that are built, the cost of non-titular temporary structures needed for the construction of production facilities and more.

Relationship between the listed types of capital expenditures characterizing element-technological structure of capital investments. The positive trend in the dynamics of the structure of capital investment is gradually increasing the share of expenditure on equipment, tools and accessories for the relative decrease in the proportion of the value of construction works.

In the investment policy of enterprises and their voluntary associations is very important to make informed decisions about reproductive structure of capital investments, which reflects the ratio of long-term costs for simple and advanced (technical re-equipment and reconstruction and expansion of existing businesses, new construction) reproduction of fixed assets. The main trend in reproductive structure of capital investments in recent years is the significant increase in the share of expenditure on technical re-equipment and reconstruction of existing enterprises in most sectors of the production sphere.

The results of special studies and experts, the best (or close to it) can be regarded as the cost on simple and expanded reproduction of capital assets, which is respectively 35 and 65% of total gross capital investments. It is in this proportion is now changing reproductive structure of gross investments in companies in various sectors and economic sectors of Ukraine. Value of individual particles of the total amount of net capital investment of approximately: modernization and reconstruction of existing industrial enterprises – 50- 60; expanding businesses - 15-20; new construction - 20-35%.

Priority direction of capital investment in technical upgrading, renovation and expansion of existing businesses will continue in the short term economic development of Ukraine.

The forecasting (planning) capital investments in enterprises covering two ongoing series stages: first - calculation of the required amount of real (productive) investment in the accounting period (year, several years); second - identify specific sources of their funding.

Chapter 1.

1: 1 Investment is the basis for the development of enterprises and individual sectors of Ukraine's economy as a whole. The economic activity of enterprises is largely characterized by the amount and forms of ongoing investment.

The term "investment" comes from the Latin "invest", meaning enter. "But the word is often interpreted as investment in fixed assets for profit. However, the Law Ukraine .Pro investment" from 18.09.1991 . Defines investment as cash, property and intellectual values invested in business and other activities for profit or achieving social effect.

To decide this issue, we turn to its economic nature. Essence - a set of needed deep connections and relationships that define the main features, characteristics and trends of a material system. Essence only reveals the depth, steel, internally necessary causal relationships between economic phenomena and processes.

In a broader interpretation investments are investing to further increase it. This capital gain shall be sufficient to compensate the investor rejection of the use of available funds for consumption in the current period, reward him for his risk, to return the loss of inflation in the future.

Consequently, investments are closely related to the capital increase. However, to achieve this, you must first invest and where most people give up some benefits from consumption to save a certain amount, then they would invest. That is, we have another economic phenomenon - the preservation of capital.

In real life, people tend to place part of their income from deposit and investment. "Instead of taking bread now, they may wish to build new machines in order to foster the production of food for consumption in the future. In short, we must recognize that the ultimate goal of people provides investment or capital formation, not just current consumption "- an interpretation of the nature of investments by Samuelson.

In any developed society, people should use part of the production capacity for capital formation, not for consumption. Therefore, the economic nature of the investment is not in consumption and in production. This net national product includes all consumer goods and services and the amount of net investments, which represent a total investment, reduced the amount of depreciation.

Calculation of net investments you might consider the example of detecting changes in the population, if only to calculate fertility rates, while not subtracting indicators characterizing mortality, we get an exaggerated idea of the net change in population. The same considerations apply to the sum of the value of buildings and equipment, net growth is always calculated as the birth rate (the new capital), less mortality (depreciation of capital).

Consider a few examples of the process of capital accumulation. It means a significant role to play - the buildings, equipment, growth of which is directly proportional to capital gains.

If the net investment equal to zero, stock capital will not increase. Updated tools work according to the degree of wear, i.e. the cost of their improvement will be the sum of depreciation. Economic growth in this case is observed.

If not just change worn tools of labor, but also add to them new, to increase the stock of goods, the size of the capital increase, as will increase the value of the net investment. Thus there is economic growth, provides enhanced playback performance indicators.

Therefore, studying the dynamics of the net investment, you can get an idea of the nature of economic development of society.

If a capital gain is due not only monetary investment, but property and intellectual, they can be considered investments.

Investment depends on the dynamic elements of economic growth system, as well as elements that are outside politics, government taxes and spending, legislative measures etc.

This extreme volatility of investment is an important point that must be emphasized. Our industrial system can create many things but it can’t guarantee that the value of such investments will that is necessary to ensure full employment without causing inflation and unemployment. As for the forces that generate spending process, there is no regulator, if not carried out careful and well thought-out policies in the fiscal area (taxes and government spending) and monetary activities (activities of the central bank).

In the event that the tax burden is too high, incomes significantly reduced. High taxes will mean a decrease in their real disposable income, and this, in turn, points to reduce their consumer spending. Reducing consumption leads to a reduction of net national product and employment that adversely affect investment. Thus, the high tax burden in Ukraine is a factor unfavorable investment climate. It is necessary to expand the system of incentives aimed at encouraging investment in manufacturing.

This system includes:

- a system of accelerated depreciation;
- the system of benefits that exempt from taxation or lowers the tax amount.

Ukraine has stimulated investment activity, though not sufficient. According to the Law of Ukraine "On taxation of corporate profits" to the fixed assets of 3 can apply accelerated depreciation. Amount of funds or value of property received by the taxpayer in the form of direct investment in corporate law, imitated the taxpayer does not include in gross income. Investments in the form of fixed assets received for the formation of integral property complex, not subject to VAT. According to Law number 93 exemptions from customs duties property imported into Ukraine as a contribution of the foreign investor in the initial capital of legal entities, which have the status of companies with foreign investments.

Government, setting excessive depreciation allows businesses to display in the accounting records of profits as the cost of production money spent.

Benefits for accelerated depreciation of fixed assets used in all developed countries. Yes, France can be the first year of service to write off 50% of the equipment. In Japan, accelerated depreciation was applied already in the 50's. Since 1981 the US has a tax credit for research investment.

Reducing the size of income tax by overstating depreciation leads to an increase in net income, growth investments. Reducing tax rates for income, the government can create incentives for investment.

Capital expenditures as economic category - a system of monetary relations associated with the movement of value advanced in the long order in fixed assets from the date of allocation of funds until their reimbursement.

In Ukraine, investments account for about 85% of all investments. The problem is that the fixed assets physically and mentally worn out and rising inflation devalued own funds accumulated through depreciation. So far, they can‘t be a source of renewal and purchase of fixed assets.

Different groups of economists interpret differently the notion of depreciation alone - a process of carrying value of fixed assets for the product produced;

others - as the accumulation of money from the sale of the product, and then - the use of these funds for the reproduction of fixed assets.

In theory, the value of depreciation is the sum of the carrying amount of assets between the beginning and the end of their service life.

At present depreciation not ensure full recovery of assets. Inflation affects their book value. So the price of purchased 5 years ago of fixed assets is much lower compared to their fair value at the date. Funds administered by past investments, can’t be compared with the current, either physically or economically. Physically - so that may be needed repair parts, which is not produced. Cost - because their book valuation in monetary terms does not reflect the real situation, the real value of today. Accordingly, depreciation over the years can’t provide proper repair or restoration of assets now.

Given the above, it is investing in fixed assets due to depreciation of assets, we will have an increase in net investment. And here - and economic growth. Because depreciation as source of investments does not justify its purpose. The reproduction process requires investment support to foreign investors.

One of the specific mechanisms to take account of inflation, is the Law of Ukraine "On Profit Tax", which provides for indexation of the book value of fixed assets.

Indexation coefficient calculated by the formula: C = (I -10): 100, where - the index of inflation, the result of which is held by indexation.

Since the inflation rate reflects inflation in consumer goods and services but does not meet the price index for certain fixed assets indexation can ensure that their book value fair value.

The economic essence of the formula is that indexation of assets held with some "lag" the pace of inflation. The only advantage - the right to object to reduce the company tax in addition to the amount of accumulated depreciation.

Classification of investments

Classifications division of investment.

Investment - is long-term capital investment in the business to obtain a certain income (profit).

Anyone who has capital and invests it in a particular trade deal, called the investor and the process of investing - investment. In any business activity investors may be both legal and natural persons, i.e. enterprises and individual owners of capital.

Depending on where the invested capital (within the country or abroad), distinguish between domestic and foreign investment.

Inward investment - an investment capital (money) in one country in the company of the same country.

Foreign investment - an investment in the company of foreign capital. All internal and external investments can be private or public. In turn, foreign investments are divided into direct and portfolio.

Direct - a capital investment abroad. their value is not less than 10% of the cost of a project.

Portfolio - foreign investment up to 10% of the capital project, carried out with their help.

By type of assets included in the investment portfolio, investments are divided into financial, real and intellectual.

Financial investments mean the use of available capital for acquisition (purchase) of shares, bonds and other securities issued by business or government.

Real investment - an investment of capital in different areas and industries to update existing and create new wealth. These investments provide to obtain much more profit. Real investment has got a name or industrial investments.

For functional orientation distinguish gross and net investment.

Gross capital investment - the total amount of one-time capital costs for simple and expanded reproduction of production assets and social infrastructure.

Net capital investment - costs only on their extended play. The value of the net investment is calculated as follows: a total investment withdrawn depreciation used is known to be a simple reproduction of fixed assets and other assets of the company.

According to existing business systems planning and accounting of the cost of investments includes:

1) The value of construction works;

2) The cost of purchasing all kinds of production equipment and credited to fixed assets and inventory tools;

The value of all works and other capital expenditures:

1) the cost of acquisition and cultivation of land;

2) cost of drilling of deep oil;

3) cost of purchased patents, licenses and so on.

Depending on the specific production capital costs have different reproductive technology and cell-structure.

Cell structure and technology - is the percentage ratio between the various elements (areas of investment) investment.

Reproductive structure is the ratio of long-term costs for basic and expanded reproduction of fixed assets and expenses only to their extended play: for new construction, expansion of existing enterprises, modernization and reconstruction. In other words, the reproductive structure of capital - the ratio between gross and net investment.

More economic nature of investment clarifies classification, built on the different characteristics.

As such future use:

- types of investments;
- objects of investing;
- nature of participation in investment;
- regional basis:
- investment period;
- type of ownership;
- forms of participation of the investor;
- the degree of risk;
- forms of reproduction.

Classes Investment Company

Classification of investments.

Types of investments can be divided into:

- funds, special bank deposits, shares and other securities;
- nmovable and immovable property;
- property rights related to copyright, experience and other types of intellectual property;
- a set of technical, technological, commercial and other knowledge, designed in the form technical documentation, skills and work experience necessary for the organization of any type of production, but not patented (know-how);
- the right to use land, water resources, buildings, structures, equipment and other property rights;
- other values.

With respect to the objects of investing investments understood as:

- real investment, or investing in physical (buildings, equipment, etc.) and intangible (patents, licenses, know-how, technological and design work in the form of documentation, software, etc.) assets;
- financial investments or investing in various financial instruments - securities, deposits, trust bank deposits.

By the nature of participation in the investment process investment is divided into the following types:

- direct, involving personal involvement in choosing the investor and the investee investing;
- indirect, made through various financial intermediaries (investment funds and companies) that accumulate and place, on your own financial means most effective way. These mediators are involved in the management of the investee, and the profits are distributed among customers. Investments in securities managed as a whole, also called portfolio made.

In the territorial aspect considered investment:

- domestic investment or economic agents of the State;

- foreign - investment of foreign legal entities, individuals, foreign states, international governmental and non-governmental organizations;
- foreign - investing in investment objects outside the territory of the country (the purchase of securities of foreign companies, property, etc.).

Over the period of investment agreed to provide investment:

- short, usually lasting no more than one year (short-term deposits, savings certificates);
- medium-term (3 years);
- long-term, lasting more than one year.

By ownership investment is divided into:

- private vehicles of citizens, non-state enterprises, non-governmental organizations;
- State funded from the budget of different levels, public enterprises and institutions.

Forms investor participation suggest:

- partial participation in the acquisition of new businesses or parts in existing plants (equity participation in a limited liability company);
- establishment of companies fully owned by the investor, or acquisition of existing enterprises;
- purchase of movable or immovable property through direct acquisition or in the form of stocks, bonds and other securities;
- acquisition of concessions for use of natural resources, land use rights and other property rights.

For risk investments are divided into the following types:

- risk-free;
- risk.

Factors investment policy and their ranking

Any investment related to investment activities of the company, which is a process of study and implementation of the most effective forms of capital investments aimed at expanding the economic potential of the company.

For the investment of the company producing investment policy. This policy is part of a development strategy and overall policy management profit. It is to select and implement the most effective forms of capital investment to expand the scope of operations and the formation of investment income.

To implement the investment policy of the company developed an investment program that is a combination of real investment projects, grouped by industry, regional and attractive for investment (investment attractiveness) signs. The program is the only facility management and developed depending on various factors that may affect the preferences of the investor.

Investment attraction - general characteristic of the advantages and disadvantages of individual objects of investment positions for a particular investor molded his criteria.

Bold driving level (ranking factors) involves setting goals and establishing ways to achieve this goal. This is always released main (leading) link, using methods of factor analysis and structuring issues.

Factor analysis - a procedure for establishing power or influence factors on the effective function of the sign (the useful effect of investment, elements of total cost, productivity, etc.) for the purpose of ranking factors for the development plan of organizational and technical measures to improve the function.

The application of factor analysis requires a lot of preparatory work and time-consuming installation model calculations.

Ranking factors investment policy - a method comparison evaluations of various factors on the degree of influence or other criteria. The method involves the compilation series, in which different factors are considered as the increase or decrease their significance without quantitative evaluation.

Ranking factors made by their elasticity index. Factor with the highest coefficient of elasticity is assigned the first rank, and it is the most important.

Given the need to overcome the subsequent recession and the limited financial capacity of the state investment policy is expected to perform the following principles:

- consistent decentralization of the investment process through the development of various forms of ownership, increasing the role of internal (own) sources of savings to finance their enterprise investment projects;
- State support for enterprises through centralized investments;
- allocation of limited centralized capital investments and public financing of investment projects for production purposes is strictly in accordance with the federal target programs and exclusively on a competitive basis;
- strengthening state control over a target expenditure of the federal budget;
- improving the regulatory framework to attract foreign investment;
- significant expansion of the joint state and commercial finance investment projects.

1: 2 The infrastructure market. The essence and functions.

In the economic context of Western scholars use this term to characterize the industries that provide the development of material production (roads, bridges, ports, airports, power lines, etc.). Therefore, in the most general terms as infrastructure began to understand the basis, the internal structure of the economic system. These two interpretations common in modern literature. Thus, in "Economic Encyclopedia" edited Abalkin infrastructure defined as "network in which the supply of products between remote from each other economic agents, as well as industries that operate these networks." In "Modern economic dictionary" prepared by Russian scientists, infrastructure described "as a set of industries, companies and organizations that belong to them, types of activities designed to ensure that the normal functioning of the production and circulation of goods and livelihoods." This definition gives and "Great Dictionary of Economics" and other publications.

The disadvantages of these definitions are ignoring economic (including social) forms in this category, and therefore focus on its technological aspect and the lack of subject-object approach.

Infrastructure (as a category of economic mode of production) - a set of basic industries and economic relations between people in the course of their activities to ensure the conditions of production, circulation, distribution and consumption of goods and services and appropriate social form. It is in the process of specialization, cooperation, exchange activities and other forms of technical and economic relations of production comes from one entity to another. Critical infrastructure as a category of economic mode of production is organizational and economic relations.

Infrastructure (in the economic sense) - a set of basic industries (or material basis of the economic system) and a set of economic relations (especially relations of economic ownership), emerging and developing countries in the process of human activity on the use of infrastructure and attribution conditions and results of such activities, and state regulation of these industries.

The effective functioning of a modern market economy is largely dependent on the activities of market institutions as the stock exchange, banks, dealers and brokerage houses, employment, information and commercial, wholesale marketing and supplying organizations, rental and leasing, investment and financial funds, savings banks, credit cooperatives, trade houses and others.

The system for companies and organizations that provide movement of goods, capital, labor, securities and services, called the infrastructure market.

Enterprises infrastructure plays an important role in the economy of developed countries. They provide a link between the main actors of economic relations - producers and consumers, providing them with necessary services that enhance efficiency, accelerate the promotion of products to consumers directly, on the other hand - carried accumulation of free cash resources and facilitate their redistribution in sector and between sectors.

By providing various intermediary services to businesses and households, institutions, infrastructure roll out a number of important functions. Among them, it is advisable to select the following:

1) bring the goods directly to the consumer;

2) provide feedback between producers and consumers;

3) accumulation of temporarily free funds and monetary regulation;

4) the implementation of the redistribution of resources between different sectors and within sectors.

Establishment of infrastructure investing, trustees, insuring different types of business.

Infrastructure is also in macroeconomic regulation - with the help of state has anti-inflationary measures, policies aimed at increasing employment, counteracting cyclical fluctuations in the economy. Thus, the economic infrastructure significantly affect the economic system as a whole.

Important subjects are infrastructure and commodity exchanges and exchange work. Commodity exchange - an association of individuals and entities who carries out wholesale trading operations standards and samples in a special place. In exchange concluded an agreement for the sale of goods prices up, forming supply and demand of goods.

Commodity Exchange performs the following functions:

1) balances supply and demand;

2) organizes market commodity and raw materials;

3) stimulating market development;

4) serves as the economic indicator (index).

Basic elements and subsystems of modern market infrastructure.

Major infrastructure include various kinds Exchange Commission (the most important objects), auctions, fairs, banks, insurance companies, information centers, advertising agencies, chambers of commerce, consulting and auditing companies, and others.

Exchanges are divided into universal and specialized. Exchange, which traded separate product or group of products called specialized. And those that sell a wide range of products called universal.

Stock Exchange - basic institution of modern infrastructure, within which operate and develop economic relations in the purchase and sale of securities of joint stock companies, bonds, government loans, exchange places of intermediaries, as well as raise funds for long-term investment on which there is assigning additional product.

Its founders are separate individuals and credit and financial institutions. If necessary, founders can extend its range by selling stock seats. Exchange members or state agencies that control its activity, determine the specific conditions under which new members (only highly profitable company) may be admitted to exchange trading. In the process of admission to the conditions of trading and economic relations are developing property. Also, check on the exchange affects the prestige of the company, facilitating access to capital markets, promotes the appreciation of its shares, expanding the circle of shareholders. Most American corporations (the number of shareholders reaches three or more million) centralize large amounts of money that helps accelerate investment processes, increase the power of corporations, centralization of ownership in the hands of monopolies.

Buying and selling shares on the stock exchange intermediary engaged. If an intermediary buys securities at their own expense or at the expense of credits, and then sells them at a higher price, it is in the US OTC market called the dealer, the chief mediator on the main stock exchange in New York - a specialist, and other agents that bind specialist buyers or sellers - brokers. For brokerage brokers receive compensation or an agreement between the customer or taxes in accordance with the established stock exchange committee. For the successful conduct brokerage broker can save money and become a dealer. So in the process of emerging mediators owners, subjects of economic ownership form of economic implementation of which is appropriation reward.

The current stock market is characterized by significant volume of OTC turnover that is made by phone, fax, computer network. Its scope due to high financial commissions, cost of services exchange and other factors. In the mid 90-ies of XX century. The value of transactions on the stock market with a turnover of almost equaled the leading New York Stock Exchange. OTC securities sold at a premium to the price (or buy at a discount), a dealership profits. The object of the sale over the counter market - securities of small and medium-sized corporations, not included in the list of exchange and government bonds.

The relations of economic ownership arise and develop in the process of setting rate securities, especially when they wobble. On the stock price impact type derivatives transactions on the exchange, which is the bulk of the exchange operations in most developed countries (there are also cash transactions where payment of securities held immediately or within the next 2-3 days) and whose shares are sold, and their payment takes place within one month. Overall, the share price determined by the level of dividends they generate, supply and demand and the level of interest.

Implementation of the stock exchange of its functions is impossible without the regulatory role of the state. In terms of active formation of global securities market (these processes in 1997 and joined some extent Ukraine) state:

1) the legislation governing the formation of joint stock companies, issuance of securities, registers them before entering the market and oversees the process, and the financial condition of investment institutions;

2) sets the tax rate on income from securities transactions;

3) establish a system of information support for the securities market;

4) is the subject of economic relations in this market (released into circulation government securities, etc.);

5) affects the functioning of the securities market through monetary policy of the central bank;

6) establish a system to protect investors from losses insuring investments and others. In the process of regulating state relations and developing economic ownership. Critical infrastructure is a commodity exchange.

Commodity Exchange (in economic terms) - a highly organized form of wholesale trade, within which (shape) emerge and develop economic relations, including relations between the parties appropriation (primarily companies) trade in the sale of goods in a real and futures turnover through a mechanism different prices (buying and corrupt), speculative transactions, insurance transactions and so on.

(Commodity exchanges are divided into international and national, universal and specialized. The most important centers of international trade, accounting for over 90% of international exchange sales are in the United States, Britain and Japan ^ Back to universal markets sell industrial and agricultural goods in specialized - some Related products or groups of products.

In exchange turnover there are two types: real and futures. The first involves shift goods from the seller to the buyer. At such supplies account for 10% of world trade. By selling futures kinds of turnover of the goods (such as the upcoming harvest), conclude futures contracts, because the movement of goods is not required. The amount of the annual turnover of 150 futures exchanges exceeded the late 90s of XX century. With trillion dollars. (Out of total turnover on commodity exchanges more than 12 trillion dollars.) In trade over 50 commodities.

The difference between the contract price on the day of its signing and the price on the day of performance pay or the seller (if the price rose) or the buyer (if the price is reduced). Often these two types of sales related. Thus, the firm that sells the real goods in exchange for delivery in the future may yet buy the right for other goods (futures contracts), the same amount of goods and supplies that term.

In case of possible damage caused by the change in market prices in the future, futures contracts insuring (so-called hedging). The most common method of hedging is making forward transactions. Hedging operations - the main area of activity of commodity exchanges.

Commodity exchange in Ukraine there are only formally, because they are oriented to trade real parties (the real kind of turnover), while in developed countries view futures turnover takes 90% {Another important part of the infrastructure is the exchange of labor (with the story in terms of its called labor exchange) and

Exchange of labor (in economic terms) - Economic relations of property, including a relationship assignment in the process of collecting and providing information about the availability of jobs, help the unemployed and other services, finance jobs, promote training and retraining, employment regulation and so on.

Mediation between employees and employers performing public exchange / In the US, in the mid-90s of XX century. were up to 2 thousand.

In some countries (UK, France, etc.). Exchange not only keep records of the unemployed, but also help them pay. If the unemployed refuse the proposed exchange of their release from payment of unemployment funds. There are also private employment agencies mediation and mediation office. Private employment agencies contribute to certain categories of workers (agricultural workers, teachers, etc.). Large companies usually have specialized centers for the selection of employees, their certification and possible promotion to a higher position and more.

The relations of economic ownership in exchanges of labor can be seen in the activities of the State Employment Service of Ukraine. The service concludes contracts with citizens during their employment (pay fare, per diem) pay the cost of training and retraining to establish a student scholarship provides interest-free loans for business and others. To finance these costs created by the State Employment Fund. Sources of funds in the fund is mandatory deductions of enterprises, employment service funds received for paid services to enterprises and organizations, voluntary contributions of public organizations, foreign companies, and others.

Another element of modern infrastructure is currency exchange. In economic terms - is the institution in which the operations on regular, orderly foreign exchange trading according to supply and demand, and on this basis to develop and function relationship of appropriation.

On the foreign exchange market are carried out following types of operations:

1) agreements with members of the exchange for the purchase or sale of foreign currency according to the market rate (which is determined based on purchasing power and currency fluctuations of supply and demand);

2) determine the market rate of foreign currencies;

3) making payments in national and foreign currency according to the exchange concluded on agreements;

4) The operations of the central bank to support the market rate of the currency, including through currency intervention.

Foreign currency trading on the stock exchange may only be made members of the Exchange at their own expense or at the expense of its customers (enterprises of the country and authorized banks - not members of the exchange), then such currency is referred to a special account and may be used in specific purposes.

Currency exchange (in political economy aspect) - an institution which in the course of trade in foreign currencies supported by central bank market rate of the currency among the participants there are relations of economic ownership over the appropriation of proceeds from currency fluctuations, foreign exchange and speculation in this market etc.

In Ukraine the end of 1999 there were 340 exchanges, 203 commercial banks, investment companies and 1,330 funds, 2,250 audit companies, 262 insurance companies, 390 credit unions. In 1992 there were registered 429 exchanges, including 113 - Universal 176 - commodity and commodity, 32 - Agriculture, 27 - stock and affiliates 81 - others. Since 1996 the volume of transactions concluded in all kinds of exchanges grew at about 6 times - from 1.15 billion USD. to 6.79 billion USD. The largest volume of concluded transactions rose agricultural markets, but in general the volume of transactions on the size of GDP insignificant.

Clarification of the nature of commodity-money relations, their structures and infrastructure enables you to explore the mechanism of market equilibrium, the interaction of supply and demand.

Scientists who worked on the rationale of investment theories determined that the driving force of economic progress are innovation and investment - is a source of strength. Investment theory first mentioned in the 16-17 centuries, proponents of the current mercantilist, where money is the main source of investments and investing in trade. However, the term "investment activity" is not singled out in a separate category.

Classical political economy investments interpreted as the accumulation of capital, ie the growth of material and material mass of means of production and economic growth in general. We determined the number of credit money in the economy insignificant factor in investment demand.

Marxists define as a form of investment capital accumulation, the substantial holder function as ownership of developing material accumulation. Innovations are the subject of investing. The dependence of employment on investment in innovation.

Marzhinalistov investments realized during the exchange to meet the needs of today to meet them in the future.

Keynesians the term "investment" understood the purchase of new capital goods liquid material nature. Identified the concept of "investments" with the term "savings". This is a period of income that was not spent on consumption. Investments - current capital increase due to the production of a certain period.

Neokeynesians defined investments as investments in material and cash.

A representative of the current "modern synthesis" investment interpreted as a waiver of certain values currently in favor of uncertain value in the future.

Modern theories of investments and their impact on the dynamics of economic development

Scientists determined the investment Soviet space as a system of economic relations with the movement of value. The defining moments of the formation of this concept is the definition: a process of investment of cash resources and as an economic category. Paid great attention to research sources of funding for capital investments and the role of banks as loans and financing. Determined costly and resource approaches to the treatment of investments. Negative aspects of investment during this period are: identification of investment capital investment, no concept of financial investments, securities not used.

Examining the process of establishing the theory of investment in the world can say that various economic trends, reveal the essence of the term "investment" based on understanding components of teaching conceptual apparatus, factors and motives formation of investment.

To study the modern theories of investment in our state and determine the positive and negative impact on the dynamics of economic development (Table 1)

Modern Ukrainian interpretation of this term has two areas of development, namely:

1. Treatment of scientists (A. Blank, A. Peresada, B. Gubsky). Investments - an investment of capital in all its forms in order to ensure its growth in the next period, getting current income or solve certain social problems.

2. The legal interpretation. Investments - all types of property and intellectual values invested in the facilities business and other activities, which resulted formed earnings (income) or social effect is achieved.

Table1

Modern theories of investments and their impact on the dynamics of economic development. Investments as an economic category.

Theories of investments and their main representatives	Definition of investment in the economic category	Effect of theories on the dynamics of economic development	
		Determinative	Negative
1	2	3	4
Modern Ukrainian idea			
Treatment of scientists (A.Blank, A.Peresada, B. Gubsky)	Investments - an investment of capital in all its forms in order to ensure its growth in the next period, getting cur-ing income or solve certain social problems	- Attention to the expected rate of net profit, bank interest and inflation, affecting investment; - Created a series of laws and regulations governing investment activities; - By leverage of direct and indirect actions of the government on macroeconomic investment; - Set the goal of government regulation, leveling cyclical trends, inhibition of excess investment activity in periods of growth and encouraging investment in times of recession.	

Thus, having an analytical study of investment, we can say that the development of investment theories characterized by achievements in ensuring competitiveness and investment attractiveness of sectors of economic development. At every stage of modern theories of investment allocated defining and negative traits. Today a negative impact on the dynamics of economic development of our country has a weak legal support. This demonstrates the need for targeted regulation and adjustment of articles of general and special legislation to get rid of contradictions.

1: 3 Contents of investment and management principles form its goals and objectives. Considering the main goal of investment activity, it should be noted that it is inextricably linked with the main objective of business enterprises in general, and exercised it in the same complex. With the development of investment theories and approaches have changed economists to determine the main purpose of investment, and ultimately, researchers formulated three basic approaches.

Representatives of classical economic theory argue that the main purpose of the investment and other business enterprises is to maximize profits. According to Adam Smith's theory of profit maximization of individual entities will lead to the maximization of social welfare. The high level of company profits can be achieved by a high level of investment risk, generating threat of bankruptcy, but because the market conditions to maximize profits is one of the most important tasks of the company or investment criteria for evaluating the effectiveness of certain types of its investments.

According to the theory of sustainable economic growth, which is constantly evolving, the main purpose of investment is to ensure the financial balance of the enterprise during its operation and development. Realization of this goal provides long crisis-free development of the company and the gradual expansion of its business in the investment.

Representatives of modern economic theory the main purpose investment company believed to maximize the welfare of owners of the company that receives concrete expression in maximizing the value of the company. This approach is shared by all modern theorists in the field of investment management that, in their opinion, he realizes the best financial interests of the owners of the company (profit and risk, taking into account the time factor).

Considering the above, IA Blank said that the main goal of investment management is to ensure the maximization of welfare owners of the company in current and future periods.

The main objective of investment activity - providing the most effective ways to implement the investment strategy. In implementation of the main goal of investment management mechanism should be aimed at solving such critical tasks or objectives, and in particular to ensure:

- Rapid economic development of the company, its competitiveness through effective investments;

- Maximum return (or yield) or achieving social effect of the investment company;

- Minimize risks in implementing investment and investment activities;

- Optimal liquidity and investment opportunities for rapid reinvestment of capital changes in external and internal conditions for investment activities;

- Sufficient investment resources and optimization (forms and methods of all sources) and consistency of their structure with forecast;

- Financial stability and solvency in investing activities (forecasts on the impact of investment activity on the level of their financial stability and solvency);

- Searching for effective ways to accelerate the implementation of the current investment program for enterprise and investment projects.

In general, investors have the right to act as customers, investors, creditors, customers, and perform other functions of the investment process.

Users of investment activity can serve both individuals and legal entities, state and municipal authorities, foreign governments and international organizations, which created the aforementioned objects and are required to ensure their proper use.

Regarding user investor unless it is a user (which is permissible), has the right to self-selection volume and direction of investment efficiency, control the use of investment, competition to attract investment project performers and others.

Currently, the investment sphere Ukraine characterized by an almost complete absence of institutional investors that can attract private capital and concentration in the hands of state financial resources, effective use of the mechanism of which has not yet been worked out.

Comparability and economic interests of organic investment in terms of economic growth is the basis of expanded reproduction, balancing social needs and economic opportunities for their satisfaction, establishing a balance in future between now and the environment.

Between the efficiency of investment and the pace of economic development of the enterprise there is a direct connection.

Companies based on the need for professional management of several dozen investment positions, usually considered investment, managed as a unit, as a portfolio of investments in a broad sense.

Determining the value of various forms of investment at certain stages of a promising period due primarily to the functional orientation of the company. Thus, the institutional investors that operate mainly in the stock market, the main form of long-elect its financial investments and real investments made by them only to the extent permitted by law for each of these groups of investors.

Enterprises engaged in production activities, choosing mostly real investments (in the form of capital investments, purchases of privatization, etc.), allowing to develop economically and more rapidly develop new products, penetrate new product and regional markets. Financial investments of such companies are usually associated with short-term investments of temporarily surplus funds or to establish control (influence) the activities of individual companies.

In forms of investment value in the long term significantly affects the life cycle stage of the company (except these institutional investors, which are installed beyond this value). Thus, in the earlier stages ("birth", "child" and "youth") overwhelming share of investment is a real character, and only in the later stages of slightly expanding field of financial investments.

The ratio of real and financial investments affected by certain size. In large enterprises the share of investments is always higher than that of small and medium firms.

Finally, on the above ratio affects the general state of the economy, defining the situation of certain segments of the investment market. In an uncertain development of the economy, high inflation, a permanent change in the tax policy of real investment efficiency is significantly reduced while increasing investment risk. At such times more effective are financial investments, particularly short-term (provided that the profitability of these investments exceeds the rate of inflation).

Portfolio (in the narrow sense) real investments that are preferred for enterprises engaged in production activity also occurs in several stages, based on the objectives and scope of investment resources.

Namely:

- search is real investment projects and their feasibility;

- review and assessment of business plans for investment projects;
- Primary selection of investment projects aggregated criteria: compliance of project economic strategy and company image; towards sectorial and regional diversification of future investments;
- level of development of the project and its provision of basic factors of production required investment and the period incurred prior to the operation of the project, the projected payback period, the level of investment risk, etc.;
- examination of investment projects selected by the criterion of efficiency (profitability);
- examination of investment projects selected by the criterion of risk;
- examination of investment projects selected by the criterion of liquidity;
- Final selection of investment projects in the current portfolio considering its optimization and provide the necessary diversification of investment.

If a criterion is the priority objective in the formation of the portfolio (high yield, safety, etc.), the need for further optimization arise. If you need to balance individual goals can be balanced portfolio by optimizing the ratio of return projects and risk, profitability and liquidity, etc.

Based on objective conditions, forming optimal investment portfolio in the broad and narrow sense, or selecting individual project real investment, enterprise, realizing he provided investment resources, creating new production capacities, increasing the technical and organizational level of the manufacturing process and stability of the company as a whole.

CONCLUSION

Investment is a key element of the functioning of the economic system, thereby determining the possibility of the wealth of society and its economic growth. During the course of market reforms, especially in recent years, Russia has made some progress. Thus, according to the Center for Macroeconomic Analysis and Short-term Forecasting and Institute of Economic Forecasting RAS results first half 2002 in the production left ambiguous impression. On the other - there is a clear acceleration of economic dynamics, on the other hand, the economic recovery is localized almost exclusively in the food industry. This leads, in particular, to the fact that signs of economic recovery very little effect on the dynamics of GDP.

The main factors contributing to the decrease in investment activity were:

- slowing economic growth; *
- slowdown in real income, the hosted public; *
- relatively high inflation early in the year; *
- some deterioration of the financial situation of industrial enterprises; *
- minor amounts of public investment since the beginning of the year; *
- accelerating dynamics of imports; *
- a high percentage of commercial loans; *
- realization of significant cost of servicing the public external debt; *
- high tax burden on the real economy; *
- lack of effective transformation of savings into investments.

In the current age structure of capital, its physical and moral deterioration, investment is insufficient for effective structural policies and the renewal of fixed assets. For example, the degree of depreciation of fixed assets of large and medium organizations amounted to the beginning of 2002 approximately 47.2%, including machinery and equipment - 62.9%, vehicles - 59.3%.

The share completely worn out machinery and equipment amounted to 30.6%, vehicles - 14.1%. Machinery and equipment most worn in trade, degree of wear was 80.7% and the proportion of completely worn - 39.8%, agriculture - 66.4% and 33.8%, industry - 62.7% and 32.9%, construction - 57% and 27.8% respectively .

Vehicles most worn in agriculture, the degree of wear is 64.5% and the proportion of completely worn - 27.8%, transport - 62.4% and 12.2%, construction - 52.2% and 18.5% and industry - 49.0% and 17.1% respectively.

In the industrial equipment increasing share of old equipment which served for more than 20 years.

By results of 2001 the volume of accumulated foreign investments in the Russian economy amounted to 35.624 billion dollars. Including direct investments - 18.169 billion dollars. Portfolio investment - 1230 million. and other investments - 16.225 billion dollars.

Over 2001 foreign investments in the Russian economy amounted to 14.258 billion USD., Or increased by 30.1% to the corresponding period last year, including direct investments - 3.98 billion dollars. (Down 10.1%), portfolio investments - 451 million. (Increase in 3.1 times), other investments - US $ 9.827 billion . (An increase of 53.9%).

The main reason economic slowdown is worsening financial position of most industrial enterprises, which profit in the absence of a developed banking system and financial markets remains a major source of investment.

In 2001 and 2002 work continued on the development and improvement of the legal framework in the investment area. Thus, the Federal Commission for the Securities Market adopted a Resolution of 23 November 2001 r. Number 29 "On approval of the procedure for the admission of equity securities issued by issuers incorporated in, and turnover is expected through foreign trade organizer in the securities market, to the initial placement outside the Russian Federation. " The Regulation defines the list of documents required for submission of the Federal Commission for the Securities Market in order to obtain authorization; sets the terms of application for a permit; identifies causes, according to which can be denied permission.

January 11, 2002 The Russian government adopted a decree "On measures to develop mortgage crediting in the Russian Federation", 8 May 2002 and has made changes to it.

January 29, 2002 the Federal Law № 10-FZ "On Amendments and Additions to the Federal Law" On Leasing "." This law aims to improve investment performance through financial leasing.

In April 2002 Russian government announced its decision to withdraw from the capital of banks. These banks about 400. Most of them - small regional banks with capital of less than $ 10 million. However, there are also a number of large, including "Converse bank" and "Transkredytbank" who have shares of 25% of the capital of 40 Russian banks.

The State Duma passed the first reading the draft law "On mortgage equity securities." The bill establishes the possibility of issuing two types of mortgage securities, mortgage bonds (mortgage deed) and mortgage certificates of participation. The adoption of this law will require changes and additions to a number of existing and currently accepted laws. Is it possible in this case to ensure the efficiency created mortgage securities market - will practice. Meanwhile, the experience of Europe and the United States offers a basis for the development of our country securities market.

It should be noted that, unfortunately, the Russian stock market is still in its infancy. Portfolio (financial) investments in shares, bonds and other securities, directly related to the title of ownership, entitling them to receive income from the property, not widely known. Most blood pressure is on the verge of bankruptcy due to various factors, objective and subjective.

Growth of GDP according to the "oil pipe" leaves little hope for a prosperous situation on the world oil market. Since the "oil donation" is not able to put on your feet all the other industries in the hallway and the destruction of social services, must consistently engage in raising capital in the real economy. In this respect, Russia is playing much other countries for financial resources, moreover, is not reduced capital flight due to unfavorable investment climate.

Unfortunately, most companies rely on two main sources of funding: state budget and bank loans.

As the CEO, managing partner "Pro-Invest Consulting", the President of the Guild of Investment and Financial Analysts (HYFA) Ydrysov A. B .: "Over 90% of registered FCSM emissions were not used to attract additional capital, and for redistribution of property.

However, the vast majority (over 60%) existing Russian companies have the following characteristics: *

- unstable financial situation; *
- lack of liquidity of financial support and the opportunity to provide reliable guarantees on loans; *
- the early stage of business development despite the venerable age of assets and a rich history; *

- low current value brtznesa; *
- low productivity; *
- inefficient management.

Thus, the phase of most Russian companies characterized by high risk. "

Indeed, the need for investment far exceeds your budget allows, it is an indisputable fact. So first of all need professional investment institutions, which, unfortunately, is almost absent in the country. If they wanted the state is not able to meet the financing needs of enterprises. State compared to them has never been and is unlikely to be effective for obvious reasons investors. Therefore, it should create conditions for attracting investment, i.e. investment climate.

The Bank of Russia puts the problem of transition for several years to control the money supply system based mainly on indirect regulation of interest rates. This system will allow for more accurate and efficient "adjustment" money supply according to the demand of the economy for money. It is assumed that the level of long-term rates in the economy will be determined by the profitability of operations in the government securities and short-term - interest rates on instruments of the Bank.

In order to form effective mechanisms to influence the level of interest rates in the economy, as well as providing operational management of the money supply, in 2003 the Bank of Russia intends to significantly increase the volume of open market operations and refinancing economy. Is expected to actively engage a wide range of instruments both short-term and medium and long term, including: repos, currency swaps, pawn loans, intraday credit and loans "overnight" deposit transactions, the sale of government securities.

Such is the state of the Russian economy and its development prospects.

There is quite a large literature on the evaluation of investment projects. Legislation for its appearance partly completed release in June 1999 "guidelines for the evaluation of investment projects" (second edition). I think that readers acquainted with them could help eliminate gaps in this important area of human knowledge.

One of the purposes of this tutorial - answer some questions relating to part educational and part professional knowledge. This allows students to avoid getting certain information not included in the curriculum, because some sections of the book is aimed at professionals.

In the book of John. D. Williams "Perfect Primer strategist or the theory of strategic games" (M .: "Soviet Radio", 1960) is very true words: "generally accepted scientific writings say about important things exactly the same as for non-essential, namely once, and then stay in the confidence that important information is displayed in the minds of readers. " Remembering these things and at the same time knowing the main focus of the monograph as a textbook, the author of the most important things written more than once. The attentive reader will detect this after reading the second part of the book.

The book does not claim the possibility of solving all problems arising in the stock market and the justification of investment projects and specific activities. Given that there is a regulatory framework for calculating the efficiency of investment, science does not stand still. There are new nontrivial tasks that require appropriate solutions. The author encourages readers seeking more than is written in the proposed tutorial, turn to magazines such as "securities market" and "Investments in Russia", which regularly publishes interesting articles theorists and practitioners, as well as a number of domestic and foreign publications on the issue of improving the efficiency of financial and real investment.

Chapter 2.

2.1 Many economists in different times paid attention to international investment. In this regard, there are various theories that justify the nature, causes and patterns of foreign investment.

The theory of competitive advantage. According to this theory of the benefits associated with ownership of valuable assets (ownership advantage theory). These advantages due to the presence of valuable assets that a company can use to penetrate the markets of other countries, acting by means of foreign direct investment (PP). The structure of these assets may include, for example, advanced technology, well-known brand or the possibility of obtaining economies of scale. As an example, the company Caterpillar, which is built on the territory of Asia, Europe, Australia, North and South America to be able to get benefits from patented technology and brand, which gained worldwide fame. For this reason, the main competitor Caterpillar, the company Komatsu, built their plants in Asia, Europe, and sat down.

The theory of competitive advantages associated with the ownership of valuable assets, only partially reveals the reasons for direct investment abroad. In particular, the theory does not explain why the company should give preference to enter the foreign market through private rather than to use their competitive advantage in the international market in other ways, for example, through exports, expansion of activity in franchising or selling licenses to use own technology to foreign companies. For example, the company McDonald’s successfully operates in the international market using the franchise as the primary method of discovery of fast food restaurants McDonald’s worldwide, while Boeing company meets consumer demand on foreign markets through export of its products.

The theory of internalization. Internalization theory provides an answer to the above question on the basis of the concept of transaction costs.

Transaction costs (transaction costs) - is the cost of the transaction, that the costs associated with the negotiation of a contract, track conditions specified therein, as well as bringing the contract into effect. The management company must be decided how best to do business: to buy or build their own businesses abroad and manage it or to conclude a contract with a foreign firm to company management on the basis of a franchise agreement, licensing agreement or supply agreement.

According to the theory of internalization (internalization theory), prefer direct investments (in other words, the release of the product will be marketed in the international market should be carried out within the corporation) must if the costs of negotiation of a contract, tracking indicated it conditions and activation contract with another company higher compared to the costs required by the direct investment capital in their overseas business. For example, the main competitive advantage of Toyota - a high quality products and advanced technology. To achieve these benefits to foreign companies via contracts with other firms in the relevant works hard. Thus, the company Toyota advantageous to support the work of businesses by assembling cars in other countries.

From the theory of internalization conclude that in the case of low transaction costs companies more profitable to contract with foreign firms and to carry on business in the international market through the sale of licenses for the use of their trademarks or rights to open businesses in a franchise. For example, the company McDonald’s has achieved significant success in selling franchises to open quick-service restaurants under the brand McDonald’s. Since the company was able to achieve greater success in the reduction of transaction costs at the conclusion of agreements with franchisees, she continues to use franchising as the main method of doing business abroad.

Dunning Eclectic theory. The theory reveals the causes internalization out companies on the international market through foreign direct investment. However, this theory does not answer the question of why should be placed overseas production capacity of the production - regardless of whether these are the power company itself whether its contractors. In other words, the company gets competitive advantages of placing production in other Countries?

Solving this problem is devoted eclectic theory, developed by John Dunning (John Dunning).

Eclectic Theory (eclectic "c theory) - a universal theory of foreign direct investment, combining the analysis of three aspects of doing business in foreign markets:

1) the benefits of ownership of valuable assets;

2) the advantages of placing production abroad and benefit from the internalization process of production or services. According to this theory the process of direct investment in foreign companies affects both the international commercial activities of the company and on its internal corporate activities. According to

Dunning eclectic theory of doing business abroad through foreign direct investment expedient if the following conditions:

1. Availability of competitive advantages due to possession of valuable assets. The company must have unique competitive advantages that would allow it to compete with foreign companies in their markets. Among the assets that can provide such competitive advantage is a trademark patented technology, the ability to obtain economies of scale and so on. For example, a company Caterpillar has named three advantages in the competition, which is in Brazil with local companies.

2. The presence of the advantages of placing production facilities abroad. Doing business with accommodation capacities abroad should be more favorable compared with the placement capacity in domestic enterprises. For example, the company produces Caterpillar bulldozers in companies located in Brazil, allowing you to get benefit from lower labor costs in the country, and avoid high tariff barriers on export products produced by American businesses of the company.

3. The presence of the benefits of internalization business. Businesses must be profitable to operate their businesses abroad, the local hire an independent firm to perform the corresponding operations. The exercise of such control gives the company advantages in the following cases: when bringing the contract to implement and monitor actions stipulated in the contract a local company requires large expenditures; when a local company illegally appropriates patented technology; when the inappropriate actions of local harm the reputation of the company and its trademark.

<u>The classical theory of international investment.</u> Its essence is as follows: inputs tend to gravitate to locations where it can be achieved the highest returns. Motive factors are moving the search for more profitable use of resources. The theory states that the larger accumulation of capital in the country, the more likely that it will export capital abroad. In a country where there is a tendency to increased unemployment and reduced wages, the probability of migration of labor to countries with relatively high wage employment.

This explanation movement of factors of production, combined with the classical theory of trade is quite logical. Countries where a lot of capital tend to export capital-intensive goods and foreign investment capital. Countries where a lot of manpower, would export labor-intensive products and labor will emigrate in richer countries. Differences between classical trade theory and the classical theory of investment only in that the former is based on the premise that the factors of production internationally barely move, and trading can be done freely; the second prerequisite - mobility of factors of production, despite the presence of certain restrictions. Difficulties and restrictions to the movement of investment than towards international exchange. This tough immigration restrictions and direct state control, and strict regulation of foreign direct investment, etc. However, in the postwar decades scope of the international movement of financial resources of the developed countries is growing steadily. In the 80 - 90-ies. XIX century. export finance capital began ahead in its pace as GDP growth and growth in general merchandise exports of developed countries. Only one volume of direct foreign investments reached at the beginning of the 1990s. More than $ 1 trillion.

Classical political economy, assuming the absence of free movement of factors of production between countries, saw one of the characteristics of international trade in that it serves as a substitute for the international mobility of productive resources. The neoclassical theory of investment, assuming mobility of factors suggests interchangeability of international trade and international movement of productive resources.

The development of the classical theory of investment. Classical theory reveals the basis for investment decisions, but it represents too generalized, without showing the complex mechanism of realization of capital investment impulse. To understand why there were separate firms can profit opportunities of investment: capital abroad, need a comprehensive and detailed analysis of the reasons for which firms export capital.

These can include the following features:

- Reduce risk through geographical diversification;

- The use of market imperfections;

- Improving the efficiency of production and sales activities.

The obvious motive is the possibility of direct investments more efficiently produce goods outside the country based. The efficiency of the production process will increase when the branch opened in the place where the lowest production factors. For example, many US clothing manufacturers opened their branch companies in Hong Kong and Korea, as labor - an important factor in production - it was relatively cheap. Now the circumstances have changed. For example, in Hong Kong workforce no longer cheap. Hong Kong, with a population of 6 million people creating GDP, equal to 21% of GDP in China. According to these layout economic conditions of the textile industry moved from Hong Kong to the western provinces of China. And in Hong Kong booming international services sector, organized fairs, congresses, created International Exhibition Center and more.

Increase efficiency also possible if the activity is carried out near the sources of raw materials. Many US oil companies engaged in oil processing in the same countries where it is produced, as is more efficient than transporting crude oil to the US for further processing. Also likely to increase the efficiency when products are made near the market, where it will be implemented. For the service provider, proximity to customers is particularly important. Advisory, insurance and financial services can be provided much more efficiently if the company has an office in the host country.

The company can increase revenue stream, reducing the risks associated with their activities. This can be achieved through geographical diversification. The dispersal of capital reduces the risk because it is unlikely that all investment firms gave either low (or high) returns. Domestically, the company can spray its capital by investing in mutual non-related industries, but it is realistic that these transactions will be associated with the successes and failures of the national economy. In contrast, firms reduce the risk of spraying activity between countries. Since the rise and downs in different countries do not occur simultaneously, by starting operations abroad, the company is able to stabilize the revenue stream.

The next reason international direct investment - the use by market imperfections. The term "imperfect" does not necessarily mean that the market mechanism is something wrong. In many cases, by this we mean a departure from the strict framework of the theory of the economy of free competition.

Gaps in the market can have a number of forms. Stephen Haymer Kayndlberher and Charles were among the first economists who have suggested as motive equity individualized product. Their argument was based on the observation that the company is developing certain abilities and advantages in developing their individual products. Opening foreign operations allows firms to "export" these capabilities and benefits to other countries where they will prove their profitability. In classical economic theory assumes that these same capabilities and benefits can be easily achieved by foreign competitors, and therefore the company will have no incentive to act abroad. But Charles S. Haymer and Kayndlberher noticed that these benefits become a form of protection of specialized knowledge, technology or patents that are inaccessible to foreign firms.

Gaps in the market can take the form of increasing economies of scale (economies of scale) when the costs do not rise in direct proportion to output. As a result, reduced unit costs due to large volume production. For example, automobile construction companies achieve economies of scale, producing various components in different parts of the world. Specialization of enterprises in the manufacturing of chassis, powertrain, body and others. more efficient in terms of lower production costs than the concentration of the production process in one place. Thus, the production chain car "Ford Escort", made in Europe, covering dozens of companies in 15 countries: the US, Japan, Britain, the Netherlands, Sweden, Belgium, Norway, of Denmark, Germany, Austria, Switzerland, Italy, Spain, Canada France.

In the production, economies of scale exist in other activities. For example, the company can achieve economies of scale in the financial sector, making work overseas because it has access to the markets of foreign capital. In marketing many products and services, economies of scale and obvious - the golden arches logo and the McDonald's "Coca-Cola" recognized in more than 50 countries.

Other market imperfections originate from institutional factors. Governments often establish trade barriers in the form of tariffs (taxes on exported goods) and quotas (quantitative restrictions on imported goods). The only way to get access to the market in the implementation of these barriers - direct investment. For example, "Toyota", partly in response to controlling imports of Japanese cars in the US, has opened a branch in America his production. But, again, these trade barriers may hinder and make expensive import of obtaining needed to produce domestically and therefore logically placed near sources of raw materials branch.

The theory of the life cycle of trade and investment. International trade theory lifecycle Raymond Vernena considered as investment theory and trade. But she, moreover, is of great importance for the analysis of foreign direct investment. R. Vernon suggested that trade and investment ties depend on the stage of the life cycle is the company's products. These stages have a big impact on international trade and investment.

In theory, the life cycle is expected that the development and introduction of new products often occurs in developed countries. One reason for this is that in developed countries is more scientific and technological capacity to develop new products. The second - is that the richer countries there are a demand for new products. Moreover, the company that represents the new products may only want to place domestic production base. Since it is unlikely that the new products immediately started price competition, at the very beginning of the company not to open their production to the point where costs are minimized.

Thus, the company can be placed where the product was developed, where you can watch the production process and regulate it.

At the stage of the emergence of a new product is selling most of the domestic market. But once the product enters the stage of growth, the demand for it arises in other developed countries with similar tastes and incomes. To meet this demand, the company began to export their products, allowing it to continue growth phase, characterized by an increase in sales and increase profits. However, the success of the product may cause competition from foreign producers, who are likely to appear superior to the exporter. First, the sale of goods in the country is not subject to quotas and tariffs. Second, a significant decrease transport expenses on delivery of goods from producer to consumer. Thus the stage of maturity in exporting firm there is a strong incentive to resort to direct investments rather than trade that existed before. This motivated the desire to avoid tariffs and transport costs and protect its position in the foreign market. Moreover, the level of demand at this stage justifies an increase in production capacity.

When the pressure of competition is stronger, the transition from the stage of maturity to decline, forcing firms to achieve minimum costs. There is an incentive to move production to developing countries where low labor costs. If at the beginning of direct investments were motivated choice of markets, then further investment in developing countries, due to the need to reduce production costs.

2.2 The economic literature investment project is considered, on the one hand, as an activity that involves the implementation of measures to achieve the goal, and the other - is a system of organizational, legal and corporate and financial documents necessary to implement specified measures, which contain a description of them.

Thus, you can define a set of project documents that contain system related in time and space and resources consistent with organizational measures and actions aimed at economic development of the company. The investment project describes the contents and conditions of implementation of relevant measures to achieve these goals (development of technical and technological base of production or activity, organization of production of new products, implementation of new methods and forms of activity, etc.), with the resource constraints. Thus, the project - an investment share that provides investment resources to achieve specific intended results and is a set of interrelated activities that are aimed at achieving the objectives during a limited budget for your trip. Investment planning is a component of investment, is a form of planning and implementation of investments.

The investment project defines the purpose, which aims to achieve enterprise investment strategy combined with timing to an end. This project is a realistic assessment of the company and its capabilities should be the general plan of activities and a tool evaluating the effectiveness of management.

Careful study of the project creates future investor confidence in the reliability of their investment and Management Company provides the most complete picture of the situation of the company.

Investment projects have several key characteristics: dimension - an opportunity to quantify the expected results or activities; time horizon - a typical limited the development and the reality of the project; clear definition of related consecutive events that are associated with specific activities; target orientation.

In the investment project details the scientific, technical, technological, organizational, social, financial and other aspects of economic activity. Carefully designed investment project provides experts and leaders answer the following key questions: what necessary volume of investment costs for the project; how is expected to attract investment in the project; Investment in this project could be attractive to potential investors; to pay off term committed to the project investment costs; that economic efficiency (financial profitability) project; or suitable nominated in the project business ideas to practical implementation; which organizational training should be carried out to create a new business; what benefits will be offered over business competitors; whether sufficient domestic market for the products of the company; will be organized as providing production resources business; whether the qualifications of workers and company managers for the project?

The investment project - a basis for evaluating the prospects of the company, it is an effective means of bringing new ideas to people potentially invest their financial resources in the project.

Thus, the investment project helps realistic assessment put forward ideas, document, evaluate them, determining the cost-effectiveness and implementation of reality, and provide a way to manage the process of implementation of the project.

INTERNATIONAL EXPERIENCE THE IMPLEMENTATION OF THE INVESTMENT POLICY.

Modernization and intensive development of priority industries in the US led to the need to enhance cross-sectorial transfusion of capital relative increase industrial capital in cash. But in the 70's and early 80's, when there was this process, it did not happen primarily because of lack of necessary amounts of capital. In such circumstances, foreign capital in the US contributed to overcoming negative factors for further economic development. Compared to other developed countries laws US legislation on foreign investment is considered mild. On the inflow of foreign capital in 80 years significantly affected the results of restructuring of overall regulation: no restrictions on the amount of exports and imports; introduction of new tax and depreciation policies; reducing direct state intervention in private business problems and creating favorable conditions for the latter only methods of economic regulation of economic activity.

The process of liberalization of the US economy has attracted the attention of foreign investor’s highly effective investment capital. Exceptional role in attracting foreign investment in the United States played an increasing rate of the loan. The cause capital inflows may also be currency devaluation. Thus, due to the devaluation of the US dollar, Swiss franc and Japanese yen foreign companies became more profitable to move production to the United States.

Given the fact that the US remained a major exporter of capital, the government of that country resorted to certain restrictive measures on its export and created a system of incentive instruments to use capital mainly in the domestic economy. In the 90 years was approved a law that gave banks the opportunity to create international bank branches and make international transactions with the United States on the same conditions as their branches abroad. As a result, the US received additional source of capital accumulation. High levels of interest rates on loans along with low inflation and favorable forecasts of price increases caused significant inflow of foreign investment in the US economy. Cancellation of taxes on dividends paid to foreign owners of securities contributed to the spread of shares among foreigners. According to the law on taxation in the United States guaranteed the absence of any discrimination that led to the creation of branches majority foreign investors in this country.

The system measures the federal government is supplemented by special programs to attract foreign capital state governments. These programs provide for a system of preferential crediting and insurance of foreign investments, provision of land for the construction industry and others. For foreign investors open access to the results of research and development carried out by local universities; provides information on the availability and amounts of raw materials, energy and water resources, the state of transport links and more. Terms of business benefits include placement in a particular location, due to the need for proportional development of industries within a particular state.

Of great interest is the English system of attracting foreign investment. Britain is the leader in Europe with capital imports. Today the country's subsidiaries operate almost all of the 100 largest US corporations, subsidiaries of leading European multinationals, as well as Japanese factories for the production of electronic goods.

UK almost captured a significant share of investment coming to Europe with both the West and the East. It concentrated more than 40% of all US assets in the EU. At least half of Japanese investments in Europe account for just UK.

This contributed most to the following factors:

- effective restructuring and improving domestic economic situation in the country;
- the desire of foreign companies to occupy new markets for their products; reduce transportation costs; high profit margins due to relatively low labor costs.

In the 70 years Britain experienced economic difficulties due to shortage of raw materials, inflation, currency shocks. Therefore, foreign investors did not show much activity on their capital investment in the UK economy. Economic exchange Conservative government has changed the situation. The essence of this course was to strengthen the market trends in the economy, the transition from Keynesian theory of economic management to monetarism. In 1979 was abolished foreign exchange and other restrictions on the activities of private companies, and this greatly facilitated the movement of capital. The policy of "open door" to foreign banks provided almost free access to the domestic capital market, and now more than 500 foreign banks have their offices in London.

The intensity of the process of attracting foreign investments is also affected by the current UK tax system. Tangible investment incentives are no taxes on investment in equipment and reduce them by 79% for investment in the construction of buildings.

In the UK there is a system of public tender care for major investment projects, which cost at least 0.5 million. Pounds. The maximum rate may be half the cost of the project.

Creating a "new enterprise zones", "areas of free ports," "new towns" also helped to attract foreign capital. For such zones characterized by preferential tax regimes and the possibility of duty-free export products.

Attraction of foreign investment in France contributed denationalization, gross profit growth of business firms, tax and credit incentives, low level of interest rates on loans and so on.

One of the factors inflow of foreign capital to France was a government monetary policy in the 90 years in which the important role played advantageous for the country regulating interest rates. One of the priorities of the government was to maintain a stable exchange rate of the franc against the US dollar and the German mark by tight control over inflation. The French Government has tough regulation of foreign investments in the country in respect of non-member countries. France has a developed financial market, the power and activity second only to a similar US and UK institutions. In this country there is an effective system of incentives as their own and foreign investments to development priorities and leading industries. To encourage the construction of industrial facilities, College of Economic and Regional Development of France provides subsidies to investors, the amount of which reaches 25% of all investment in land and equipment that are bought in the first three years of construction. In recent years, widely used long-term soft loans at low interest. There is also a preferential tax regime for companies operating in the so-called enterprise zones France.

China's success in reforming the economy in recent years exercised related to the government's policy of attracting foreign investment. As a result of economic reforms in the country established a relatively efficient system of taxation of foreign individuals and legal entities, characterized by flexibility, providing great benefits and simplification of tax procedures. A key element of modern China's foreign economic strategy is the creation of special economic zones (SEZs) and coastal cities open to foreign investors.

According to the rules established by the state to reduce tax rates for joint and foreign enterprises in SEZs except tax benefits for companies with foreign capital, there are additional benefits: reducing by half the income tax; reduction of tax rates on dividends; exemption in case of transfer of profits outside China; duty-free import of materials and supplies, and even a significant proportion of consumer goods.

The success of China in attracting foreign direct investment business generally associated with the creation in large parts of the country's favorable investment climate is a complex material and institutional conditions that give investors the opportunity to reduce production costs to a level lower than the average in the world. The components of the investment climate is the low cost of labor, the right to use the land relatively cheap, acceptable level of industrial and social infrastructure in areas of preferential investment economically prudent taxation, preferential immigration and customs regulations; favorable currency and customs legislation. To attract the maximum possible amount of resources from abroad, due attention is paid to large investment projects which are realized on the basis of joint enterprise. If a joint enterprise with a total investment of up to 3 mln. USD. The United States is entitled to a maximum loan of 43% of their investments, then the object value of 10-30 mln. USD. and more loans are 1.5-2 times the own funds. Pretty attractive areas of foreign investment in China's economy began production, sale and service of advanced computer systems and the automotive industry. It is estimated that each dollar invested in the economy of China, gives US 6-8. US profits.

Given the experience of foreign capital in other countries can determine interference in the implementation of this process: the lack of appropriate investment climate; imperfect market mechanism; unstable political situation; low level of business and professional training of entrepreneurs; lack of interested partners; lack of attractive investment projects; destructive tax system; the lack of an effective system of investment insurance; excessive monopoly in the economy; extremely high level of inflation; the unresolved issue of private ownership of land; no convertibility of the currency.

2.3 Infrastructure Projects in Ukraine: Current Situation Problems and Prospects.

As we know, investments called investment funds in the reproduction of capital (and its support increase). Investments sold through direct spending, loans, purchase of securities.

The economic crisis in our country accompanied by a reduction in investment activity. The reduction of capital is faster than the decline in production. Most of the investment resources of our country are own funds - 75.2% of the total, 24.8% at the expense of centralized capital investments.

In Ukraine, the factors that affect the investment process are in such a state that they can’t promote this process. However, international experience shows that the solution to the crisis is not possible without increased investment. Thus, increased investment slows economic crisis and the way out of the crisis without a significant increase in investment impossible.

However, monetary reform in Ukraine was a factor in stabilizing the economy, which should consolidate and strengthen the conduct of real, not declarative reforms. It is about fighting inflation. It is known that high inflation makes absolutely ineffective accumulation of funds aimed at long-term projects. Reducing inflation makes it possible to normalize the financial situation of enterprises, stimulate increase in production.

On the overall economy significantly affects tax legislation in Ukraine has a number of drawbacks. Therefore, in the future should include reducing the tax burden on the production, differentiation of tax rates depending on the priority areas of production, the use of tax benefits (vacation) the taxation of profits used for further development.

On the costs and profits of enterprises significantly influenced by depreciation. Implementation of the enterprises accelerated depreciation would give them a chance in the short term, increase profits, and therefore deductions for investments.

Worldwide investment financing largely takes the form of credit. However, due to the imperfections of our banking system and the economy overall investment loans are now almost not available. The banking system of Ukraine is unable adequately to lend domestic producers. The process of reducing the credit of commercial banks at escalating arrears businesses. One of the reasons for this situation - lack of credit risk insurance business and bank deposits.

If insurance system can significantly increase and a source of investment, as savings. In Ukraine, the population keeps its savings in hard currency. Despite the relatively low current consumption, according to some estimates, the amount of savings up to 10 bln. Dollars. USA. If a suitable environment, these tools would work on economic development. It should also establish mechanisms for involvement in the economy and the legalization of "shadow" capital funds and resources which, according to the Government, equal official.

One of the sources of domestic financing is tightening control over foreign economic operations, ensuring the return of export earnings.

Of particular importance in reducing domestic investment has international assistance the country. It is given in the form of loans and investments. Foreign loans to our economy reached a significant size, but are mainly used for current consumption. Often Ukraine gets "connected" loans, the provision of which involves the use of these funds to purchase goods in the creditor country.

Ukrainian economy is in need of capital for the construction of new, reconstruction and modernization of existing enterprises. Such foreign aid is insignificant and is less than $ 40 per capita. This is much less than in other countries in transition. Unfortunately, foreign analysts consider our country as a region of almost 100% risk investments.

The worn-out and self-destroying infrastructure networks and facilities in Ukraine, coupled with the economic crisis, have drawn the considerable attention of the Government to infrastructure projects as a potentially effective vehicle to minimize the consequences of the crisis on the economy. The issue of improving the infrastructure was also brought to life by the growing demand for qualified services from the market. Another important driver is that Ukraine desperately needs infrastructure improvement in the light of the coming European Football Championship to be held in Ukraine in 2012. In November 2008 the Government adopted a special program aimed at supporting large-scale infrastructure projects. What has happened since?

The Ukrainian government has taken a number of practical actions in this direction at the legislative level. First of all, the primary Ukrainian laws regarding concessions and especially road concessions, housing supply and construction of utilities were amended and supplemented with up-to-date provisions. Secondly, a number of laws aimed at overcoming financial instability were adopted. A specific law on general principles of public-private partnership was drafted though it has not yet been enacted. The Ukrainian budget reserved special funds aimed at providing government guarantees to private investors, especially in road concessions and Euro-2012 related projects. Recently adopted regulations also open up additional opportunities in terms of financing infrastructure projects. For example, the recently adopted On Concession for Construction and Exploitation of Automobile Roads Acts of Ukraine provide for such a new financing instrument as infrastructure bonds. In the conditions of the global financial crisis, there is undoubtedly a need to finance infrastructure products with “long-term” money.

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Along with legislative changes a number of new infrastructure tenders were announced by central government and local municipalities. However, there continued to be limited activity in the infrastructure sector. Although a number of projects have been announced, just a few real projects have been noted, and no large new contracts have been awarded. At the moment, Ukraine’s infrastructure sector continues to be subdued, with little sign of actual activity on the ground.

As an example, in July the government announced plans to launch an auction for the construction of Lvov airport. However, it has been postponed a few times due to a lack of investors. According to the Infrastructure Project Finance Ratings, developed by the “Business Monitor International”, which provide a globally-comparative, numerically-based assessment of the risks facing major infrastructure projects, which will in turn affect the source, availability and cost of finance, Ukraine came last out of 20 countries assessed in Europe. The key factors negatively affecting Ukraine in terms of infrastructure projects are lack of political stability, a poor competitive environment together with a lack of public or private financing.

Despite all the problems, Ukraine is still being considered as a promising market for infrastructure projects and the Ukrainian Government is trying to make efforts to attract the attention of private business to infrastructure projects. The Ukrainian prime minister and other key political figures held a series of official meetings with foreign governments and investors, where infrastructure projects supported by the state of Ukraine were suggested for their participation. European, Chinese, Korean, Iraqi, Libyan, Russian and European businesses are among potential partners.

The energy sector is also of great interest to investors, including biofuel and implementation of Kyoto instruments. It should be noted that OECD countries will have to purchase around 2 billion tons of surplus emission allowances to meet their commitments under the Kyoto Protocol. There is likely to be significant competition in this market since transition a economies together have about 6 billion tons of surplus allowances; and about 29% are available in Ukraine alone. Ukraine alone also has the potential to achieve emission reductions of the order of 2.7 billion tones through energy saving investments in the power, industry, water and district heating sectors (20%); methane capture from gas transmission and distribution systems, coal mines and landfills (21%); energy efficiency improvements across all sectors including the residential sector (40%); as well as investments in renewable energy, agriculture and forestry.

A number of investment pledges for upgrading infrastructure have been announced, including USD 1.66 for road works and USD 473 million for railways. This makes the Ukrainian market interesting for infrastructure projects. Potential infrastructure activities will be definitely fueled by preparations for the UEFA 2012 European Football Championship.

As stated in the Ukraine Infrastructure Report Q4 2009 in the transport sector, a number of ports in Ukraine have announced large investment plans. However, with trade activity down, revenues down, and limited public or private money available, the plans seem fairly ambitious. A lack of funds is also hampering extending the Kiev underground, with new subway stations now not likely to be open until 2010. The biggest news in the transport sector was the granting of a USD 400 million loan from the World Bank for the Roads and Safety Improvement Project for Ukraine. The lion’s share of the funds, USD 298.50 million, will go towards renewing a 120 km section (between Borispil and Lubny) of the Kiev Kharkov-Dovzhansky highway (the M-03). It is hoped the project will improve the safety and efficiency of Ukraine’s roads.

Experts say that the combined amount of money invested in the organization of Euro-2012 in Ukraine and Poland will be close to EUR 38 billion, and projects implemented in Ukraine will account for approximately 40% of this sum. One third of the total cost of the preparatory work for Euro-2012 in this country will be spoken for by road construction projects.

In the meantime, experts of Vasil Kisil & Partners are involved in advancing the domestic legislative frameworks through the implementation of Public-Private Partnerships (PPP), which will provide the necessary legal basis for implementation of large investment projects, i.e. airports, ports, roads, bridges, mines, upgrading of communal services, etc. We continuously advise various Government institutions as well as private clients in public tenders, property finance and leasing, concession of public assets and services, helping them draft and negotiate public private partnerships (PPP) & concession agreements, feasibility studies, regulatory issues, royalties and tariffs.

The promotion of the PPP concept today ranks highly not only on the political agenda of many countries, but it has also become a declared policy target of leading international finance institutions such as the World Bank, EIB and EBRD. In a similar way, for more than a decade the European Commission has tried to encourage increased private participation in infrastructure finance. This is clearly set out in the European Commission's White Paper on European transport policy.

In reality PPPs represent a balance between, on the one hand, complexity and transaction costs, and on the other, advantages from optimal risk allocation, cost/time discipline created by having private sector interests in efficiency, the advantages of competition and innovation, the optimization of lifecycle costs and an output-based service-oriented payment system.

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CONCLUSIONS

The strategy of investment activity are important scientifically justified identify priority areas of investment, their compliance with the public interest, program objectives of national revival of Ukraine quickly overcome the economic crisis and achieving stabilization and growth of the economy. It is the priority

Scientific and technological progress should be the maximum target investment and innovation activities and resources. The development of current and future high-tech industries can claim only those countries that are able to provide a high level of science, technology, education, culture, organization and management of labor discipline.

The economy of Ukraine in this respect there was a difficult situation. State that fail due to an acute economic crisis, losing a reliable source of necessary investment. And now, trying, though with considerable delay, reviving and intensifying the policy of playing as a basis for stabilization and renewal of national commodity production, exposed to the opposition of some political and economic forces. The concentration of financial capital in the areas of new structures, outstanding shadow banking system and who do not seek productive investment essentially inhibits the reproduction process, economic stabilization and growth.

The analysis of foreign investment in Ukraine shows that today this young independent state has not created proper framework to attract capital from abroad. Therefore, the essential conditions to attract investments is to stabilize the macroeconomic environment and improving laws and regulations. But at the same time, these issues can’t be solved without a common socio-economic stability in the country.

The most significant obstacle for foreign investors in Ukraine is imperfect relevant legislation. Attempts to improve regulations for the purposes of Ukraine, as well as the motivation of foreign partners led to frequent changes in Ukrainian legislation. Until recently proposed a single legislative act that would be sufficiently developed, universal. Compounding the situation and adjusting practice regulations during their movement from the upper to the lower levels of government. This is due to the fact that laws and regulations are often declarative. So lower levels of government treat them on your own.

The main factors hindering the formation of economic environment conducive to attracting investment can be attributed to uncertainty and priorities of market transformation of economy and slowness of privatization.

Policy of Ukraine as a young independent state to intensify the process of attracting investments, primarily related to market social and economic transformation of society. Thus, the creation of general political, legal and institutional conditions conducive to investment is both a prerequisite and the result of successful reforms in our country.

Speaking about foreign investment should take into account international experience, which shows that the most successful in attracting foreign investments reach those countries which, first, put this goal as a priority in its economy, and secondly, the use thus possibly larger set of measures. The main thing here:

- creating an attractive investment climate;
- creating an international image of the country as such, giving investors better than other countries possible.

To summarize, it must be said that the general investment and business climate in Ukraine is complicated. Attracting foreign capital to the country, we should not forget that the current crisis Ukraine will only own efforts. It is not necessary to provide enterprises with foreign investment tax credits, which have Ukrainian employed in the same field. Experience has shown that such a measure has little effect on investment activity of foreign capital, but leads to in the former domestic production enterprises with foreign participation formality applying for tax relief.

It should seek to create a favorable investment climate not only for foreign investors but also domestic. And it is not about to give them money for investment. Ukrainian private capital as needed safeguards against confiscation and arbitrary power, the system of insurance against non-commercial risks, and stable working conditions for the implementation of long-term investment.

The current situation in Ukraine proves that known truth that when there is a need for a total change, then the partial transformation does not give anything, and even lead to negative results. Economic recovery, including the investment and innovation, operation and improvement of the basis of social conditions is possible only by decisive, comprehensive, rapid, transparent and consistent market reforms to release the entrepreneurial initiative to create a competitive environment and economy will provide incentives for effective development.

Chapter 3

3:1 Global Infrastructure Forecast: Growth to Accelerate With Emerging Market Recovery

Global construction growth will accelerate from 2016, after weak emerging market performance dragged down the overall industry in 2014 and 2015. A growing project pipeline will support a recovery in emerging markets, which, when combined with continued strength in developed market construction, will push growth to average 3.4% between 2016 and 2018.

Global Construction Industry Data

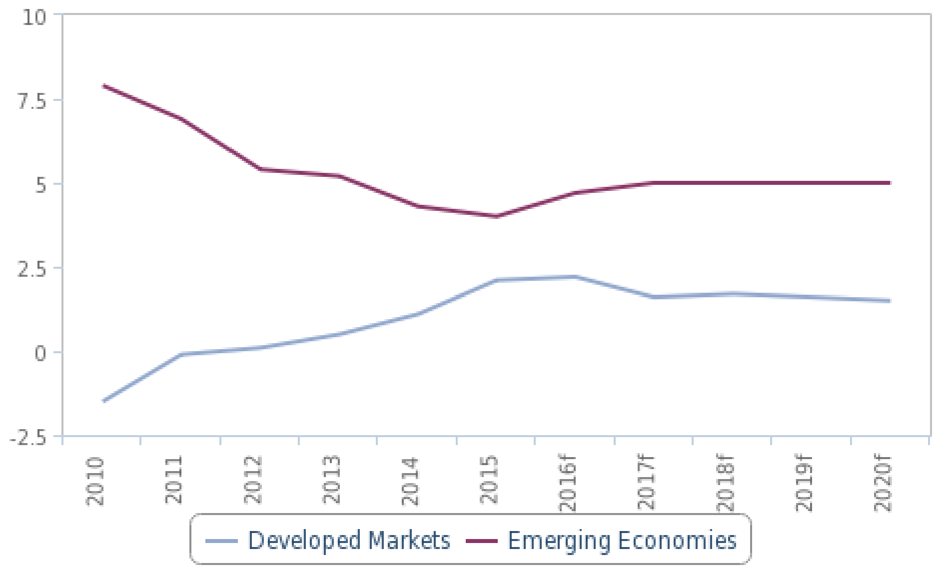
2014	2015	2016f	2017f	2018f	2019f	2020f	
Note: Covers 97.7% of Global GDP, Source: National Statistics, BMI							
World construction industry value, USDbn	4,080.4	3,841.5	3,898.7	4,121.4	4,427.0	4,748.6	5,054.1
World Construction Industry Value, Real Growth, % y-o-y	2.6	3.1	3.4	3.3	3.4	3.4	3.4
World Construction Industry Value, % of GDP	5.3	5.3	5.3	5.3	5.3	5.3	5.3

Global Construction Industry Data							
	2014	**2015**	**2016f**	**2017f**	**2018f**	**2019f**	**2020f**
Note: Covers 97.7% of Global GDP, Source: National Statistics, BMI							
World construction industry value, USDbn	4,080.4	3,841.5	3,898.7	4,121.4	4,427.0	4,748.6	5,054.1
World Construction Industry Value, Real Growth, % y-o-y	2.6	3.1	3.4	3.3	3.4	3.4	3.4
World Construction Industry Value, % of GDP	5.3	5.3	5.3	5.3	5.3	5.3	5.3

A recovery in emerging market construction following a slowdown in 2014 and 2015 will complement continued strength in developed markets to drive overall global construction sector growth acceleration in 2016. For several years, we have seen a narrowing of the growth spread between developed and emerging markets (see chart below), as the former outperformed and the latter was hit hard by falling commodity prices. We estimate that 2015 marked the narrowest spread between the two in growth terms and expect the spread to widen from 2016 as emerging market growth begins to recover - however remaining far narrower than pre-financial crisis levels. We maintain a positive outlook for key developed markets including the UK, Australia, Canada and the US, whilst also anticipating an acceleration in growth in India, Indonesia and other key emerging markets (Brazil being a major exception here), growth in China will also remain strong in 2016, bolstered by projects under the 13th Five Year Plan.

EM Growth To Accelerate

Construction Industry Value Real Growth, % Chg y-o-y



f=BMI forecast, Source: National Statistics, BMI

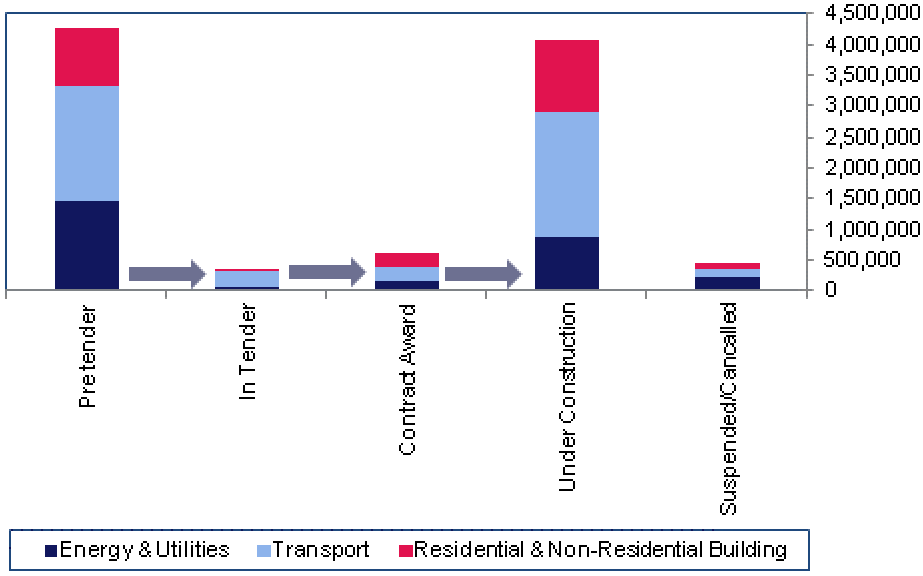
Project Pipeline Insights

The global construction sector will be driven evenly by transport, energy & utilities and residential & non-residential building. Whilst transport projects are dominating the construction sector currently (accounting for the largest portion of projects under construction, see below), we expect the portion of energy and utilities projects to grow in line with the value of projects in the pre-tender phase. Much of this is being driven by mega nuclear and hydropower projects primarily in Asia. We also note a rising portion of water projects in the database.

Projects in the pre-tender phase account for the largest portion of the global pipeline when broken down by status. However, this number is not entirely indicative of future project activity as many of these are financially or technically unfeasible and will likely never move from the drawing board. We highlight greenfield nuclear projects in the UK and the US and high speed rail projects in sub-Saharan Africa as examples of high-value projects which fit this mould. The relatively low number of projects in tender and recently awarded is indicative of the impact of low commodity prices and general economic uncertainty, and is especially impacting emerging markets where a lack of financing and investor appetite is preventing projects moving into the tendering phase. We expect projects to move forward as commodity prices stabilize in 2016, before recovering from 2017.

Transport Focus, But Power Growing Share

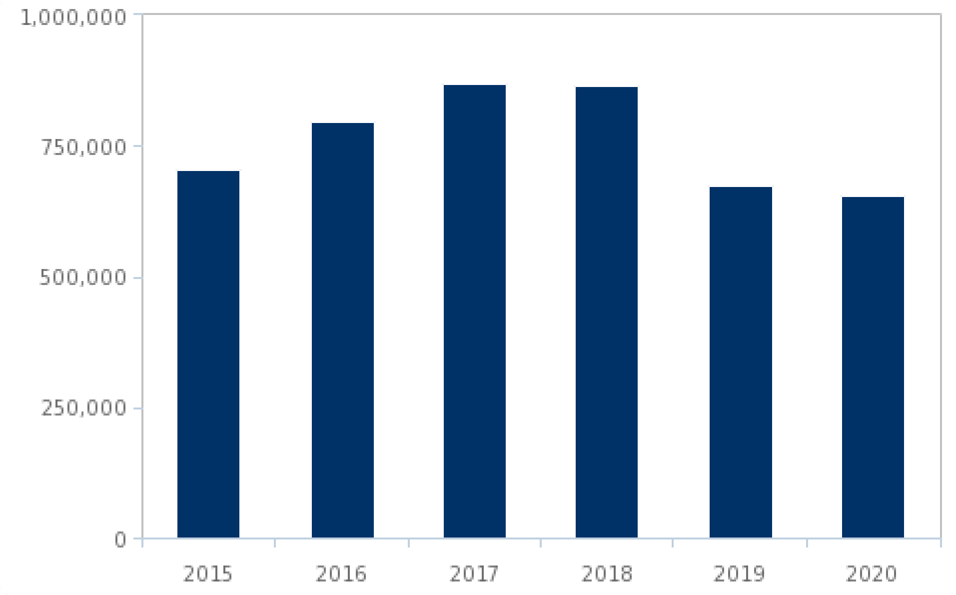
Project Pipeline, Value By Status, USD mln



Currently, a large portion of projects are under construction, equal to USD4.1trn, which is supporting an expansion in construction activity in 2016. A growing number of projects will reach completion over the coming years, peaking in 2017/18, indicating a net loss in pipeline value as more projects are completed each year. As a result we expect that the highest growth period for global construction will be over the coming 12-18 months, in line with our view for growth to accelerate to 3.4% in 2016, before slowing marginally in 2017. Our project database indicates that project completions will drop off from 2019; however, this poses little concern, as it is due to a natural deceleration given project lead times, and, more importantly, we anticipate a recovery in commodity prices from 2017 to prompt new project announcements.

Construction Activity Peaking 2016/17

Value Of Projects, By Completion Year, USDmln



A hedge fund registered the largest single loss in history – $6 billion, more than twice the loss of Long Term Capital Management. In Mexico, millions protested the presidential elections and teachers in Oaxaca threatened revolution. Thailand's elected government was replaced in a military coup. In Hungary, citizens rioted. Hugo Chavez told the UN that the United States of America was run by the 'devil.' This same US of A is now widely thought to be preparing a military strike against Iran. In the homeland, housing registered the first nationwide decline in 11 years. And for the first time in 90 years, America ceased being a net-capitalist nation; now it pays more to foreign creditors than it receives from its overseas investments.

Global Investment Forecast: Reactions are Apathetic

Yet, these remarkable events in the last few days have been greeted by the market, not with shock and awe, but with such a coma-like indifference that we feel like holding a mirror under its nose and taking its pulse.

Venezuela may be run by a fox or a fool, depending on your point of view, but what kind of investor buys its bonds at only 2.3% over U.S. Treasuries? And Thailand may be a nice place to lie on the beach, but investors who lend money to the Thai government for barely a single percentage point more than lending to the U.S. government may have had too much sun.

It is as if someone has put lithium in the Manhattan water supply. And now, the Zen-like calm threatens the entire world financial system.

Markets make opinions. Even sober institutional analysts are enjoying a tranquility normally available only to the brain dead: "The results suggest that the important drivers of volatility reduction seem to be structural, and may therefore have a permanent effect on volatility…"says a study sponsored by the Bank of

International Settlements. After a long period of serenity, investors begin to expect it. They forget that the winds can howl…and the seas can suddenly well up…sink boats and knock down whole cities.

But opinions make markets too. Seeing no menace, investors reach for yield…stretching…grasping…standing on tippy toes…and piling on debt. Not only do they become more exposed to risks…they actually hasten the danger towards them, practically reaching out to grab it. As they do, storm insurance becomes a greater and greater bargain.

Global Investment Forecast: Value-at-Risk

Today's lack of panic is not limited to sovereign debt. On the 14th of September, the Ford Motor Company announced that it would lose $9 billion making automobiles in 2006. There was a time when a loss like that would have caused investors to race for the exits… or at least, the bathroom. But on the 15th of September, trading in Ford debt continued as normal. Investors seemed not to notice – or care.

Nor do investors seem to care that Goldman Sachs, already the biggest 'hedge fund' in the world, is exposing itself to far greater risk than its closest competitors; value-at-risk, the measure by which the security industry calculates its exposure, has gone up 48% for the entire industry, since 2001. But for Goldman, the increase is almost triple that -136%. Another important measure, assets-to-equity, rose 29% for the industry, while it went up 49% for Goldman. Still, in mid-September, Goldman lenders stood willing and able to front the company $1.5 billion, at a rate only 1% point greater than a 10-year loan to the U.S. Treasury.

There is a difference between lending to Thailand or to Goldman Sachs, and lending to the U.S. Treasury. And it is not merely a difference of degree. Thailand may squeeze its citizens. Goldman may swindle its customers. But only the U.S. Treasury has the power to do both.

That is why U.S. Treasuries are regarded as such safe credits. In a storm, it is Treasuries you will probably want to own…not Goldman or Baht bonds. In what circumstances, then, should you run after the meager extra yield? Only when you think storms are long ways away.

Of course, we don't know any more than anyone else what the future holds. We only note, today, the perverse tendency of our species. When seas are calm, we load up our boats so heavily that even a stone thrown in the water would swamp them.

Global Investment Forecast: The IMF's Input

What lends point to this little reflection is a comment by Alexander Kaletsky in the London TIMES. Kaletsky cites an IMF paper with nary a snicker of contempt or mirth: "The IMF this year has stuck its neck out…it has predicted an unprecedented fifth year of rapid growth in the world economy. It has suggested that the world expansion is becoming ever more soundly based…and it has presented persuasive arguments on why this growth could be sustained for years."

The arguments are persuasive to Kaletsky because he already believes them. To the rhetorical question – is this too good to be true? – The columnist answers in the optimistic: "not necessarily."

"The really interesting part of the analysis…deals with some of the longer timer structural underpinning of what looks increasingly like a golden age of global non-inflationary growth…the IMF has now thrown its huge analytical weight behind a number of theories promoted in this column over the past few years."

The theories to which Kaletsky refers include two that will be familiar to readers of The Daily Reckoning -one suggests that information technology is paying off…and the other, that globalization is. We don't deny either. But do these twin blessings really calm troubled waters so completely and eternally that the global economy can glide out to sea with the heaviest load of debt in history…and the lightest heart ever recorded?

Of course, we don't get to see tomorrow's weather any sooner than anyone else. Perhaps the IMF is right. Maybe, in the next 12 months, the seas will be as placid and quiet as a strangled nun. We have no way of knowing otherwise.

So far, at least, the great ships of globalized commerce and hedge fund driven hypermarkets have encountered no difficulties. The world economy is on course to grow another 5% or so in the year ahead, claims the IMF. So calm are the seas that the captain has put his feet up and his head back. The lookout has picked up a Sudoku game he is trying to work out. And the passengers are so cocksure that all is well, they have traded their life vests for rubber ducks from Asia…and their lifeboats for pick-up trucks.

Global Investment Forecast: Technology Sailing Smoothly?

As to the new technology and globalization…this crew thinks they invented it. But they are mistaken in that too. This is hardly the first time for either. Back in the '20s, came a burst of new technology even bigger and more powerful than the Information Revolution. Automobiles, electric fans, refrigerators, radios, telephones, and mechanized agriculture – the new technology was breathtaking. And globalization? Back then, too, ships plied the seven seas…laden with pineapples and bananas from plantations in Latin America…tea from

India…rubber from Malaysia…tobacco from Virginia…and automobiles from Detroit.

Even today, Trenton, New Jersey, hangs onto its old motto – now rusty and fraudulent – “Trenton Makes, The World Takes.” In the ’20s, it was burnished and true. Globalized commerce created a boom in Trenton back then. Products from the town and its hinterland were loaded onto transport and shipped all over the world. So still were the seas of international trade…and so obviously fruitful to all concerned was the maritime traffic…that many people back then also thought nothing would ever stir them up.

Prices for Trenton’s properties and Trenton’s companies soared. Trenton became famous as a major manufacturing center for steel, rubber, wire, rope, linoleum and ceramic.

But then came what was supposed never to come. The Great Depression hit Trenton, like the rest of the United States. By 1933, one-tenth of the population of the entire state had become dependent on the government for its living. So bad was the situation that New Jersey gave out begging licenses to the poor after state funds ran out. In 1937, even the local gravediggers went on strike. The landscape had turned so bleak that during the radio broadcast of “The War of the Worlds,” when Orson Welles announced that a “huge, flaming object” had fallen on a farm twenty-two miles from Trenton and extra-terrestrials were on their way, there was widespread panic…as people clogged the highways fleeing the state and others blockaded their homes against the Martians.

Actually, in a strange coincidence, a huge flaming object did descend on New Jersey in 1937. The German zeppelin, Hindenburg – flying loaded with hydrogen – caught fire while approaching a mooring mast in Manchester. It took only half a minute for the blaze to devour the vessel and kill 36 people. It might have been an omen…two years later; the Second World War broke out.

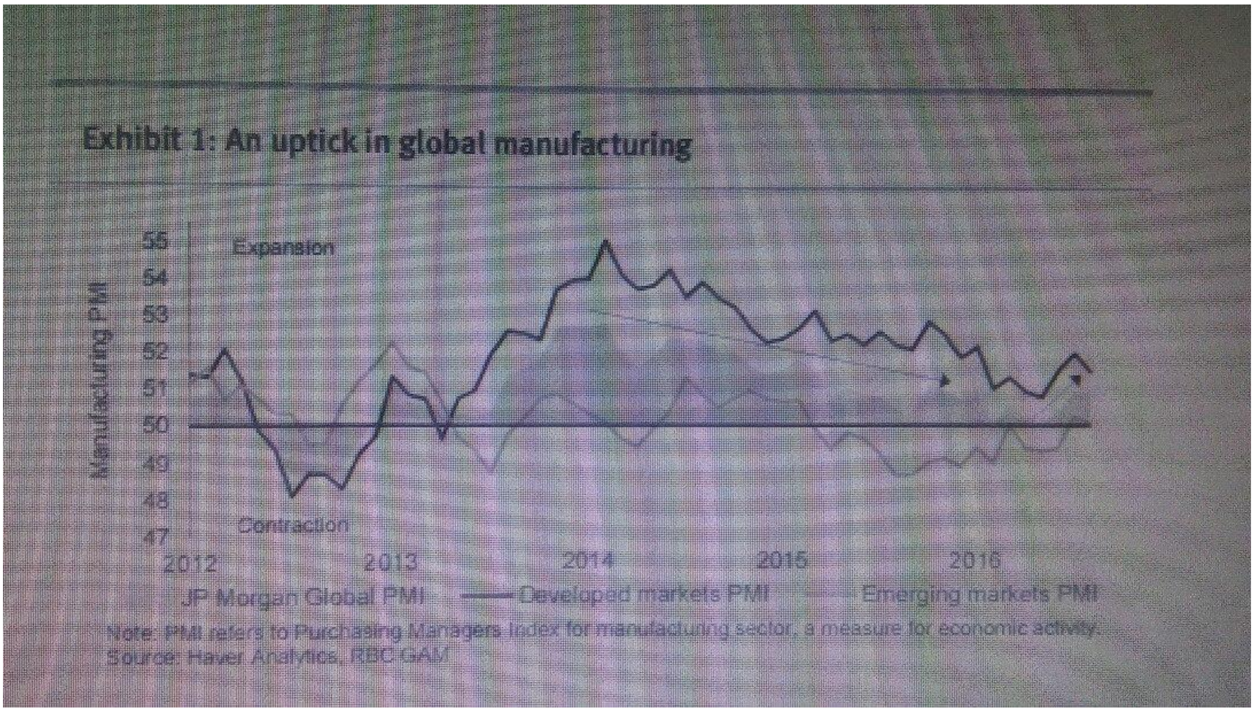
But, there was a bright side to things. While almost 10% of New Jersey’s population was carted off to the war front, the employment situation in the state did finally get better…now, New Jersey shipyards were bustling once again – this time, with the construction of battle ships, aircraft carriers, cruisers and destroyers. All told, the state received 9% of all allied war-related contracts during the war years.

At the height of its boom in the 1920s, New Jersey could never have known that it was on the edge of the worst depression in U.S. history. And it could never have guessed that the bust ahead of it would run so deep and last so long that it would take a world war to fix.

All of America rode low in the water in the 20s, and got swamped in the storms that blew up later. Today, there are only 100 basis points between the gunwale of the world’s safest credit and the water line of one of its riskiest; marine insurance must be a good buy.

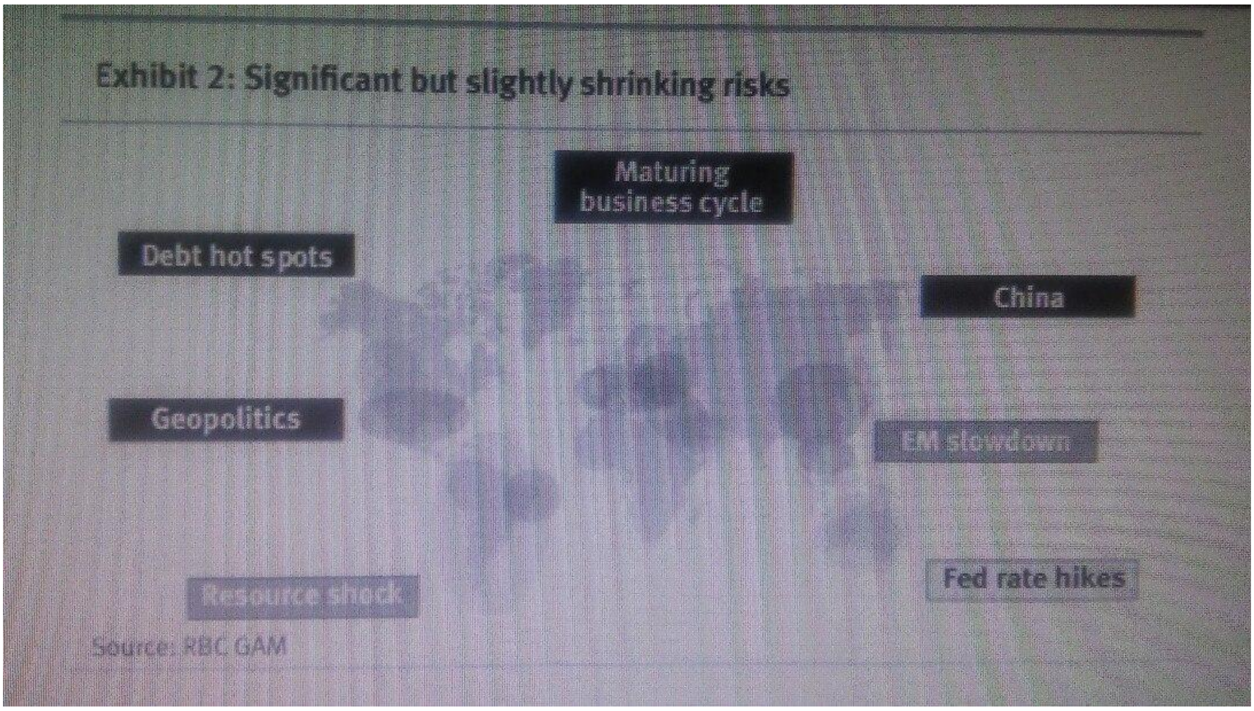
As we reflect back on a quarter that contained one of the most surprising and consequential geopolitical shocks in years – the U.K. vote to leave the European Union (EU) – it is remarkable that financial markets managed to deliver handsome gains to investors and exuded calm.

This improbable outcome was thanks to three other developments. First, economic data flitted pleasantly higher over the summer. Second, global downside risks shrank somewhat. Third, the decline in bond yields over the period seemed to strengthen the “search for yield” mentality, resulting in narrower credit spreads and higher stock valuations.

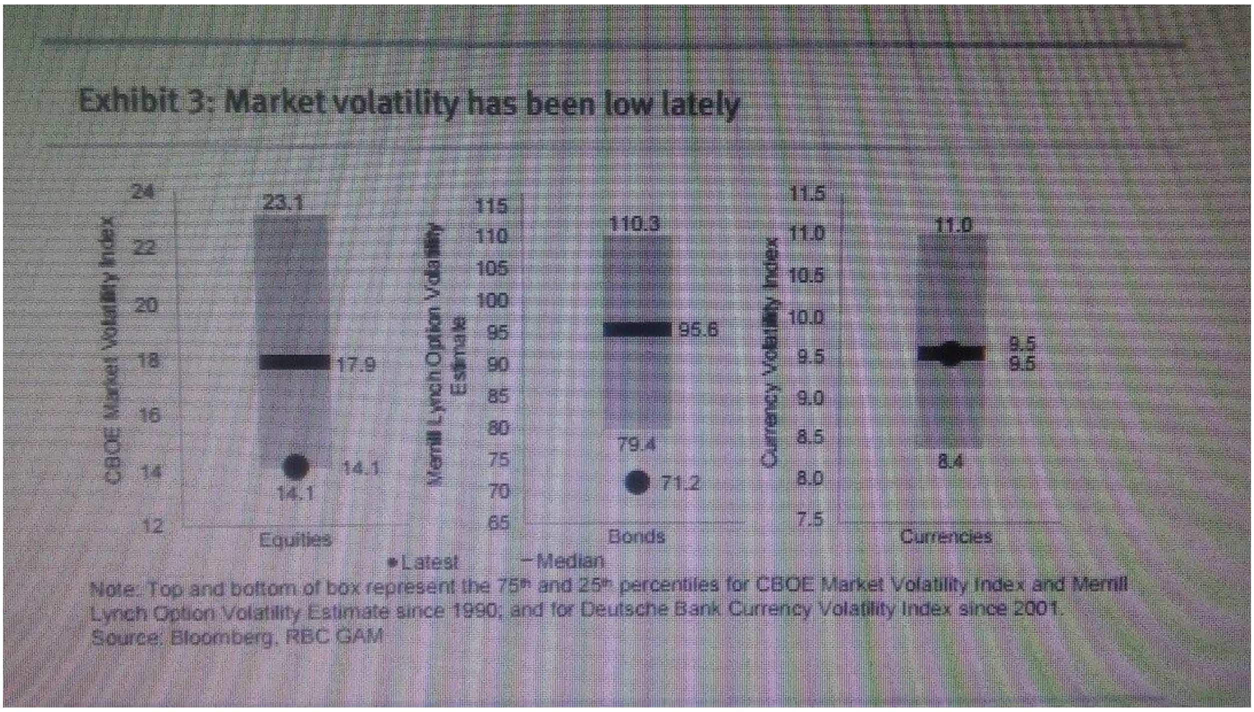


The improved macroeconomic trend is most easily observed via the recent increase in purchasing manager indexes. Global economic surprises have also been largely positive. Corporate earnings, long mired in a slump, are hinting at green shoots, and global trade is no longer decelerating. A tentative uptick in emerging-market growth is particularly welcome, coming as it does after years of downgrades.

Sifting through the most prominent threats to growth it strikes us that several have been shrinking recently. Business-cycle risks are still front and center, but perhaps a bit less acute than before. Chinese downside risks remain sizeable, but our concerns for the country’s housing and debt markets have shrunk slightly. Global debt risks remain enormous, but don’t appear on the cusp of being triggered. Most evidently, the risk of further downside from emerging market economies or commodity prices has been progressively fading for several quarters.

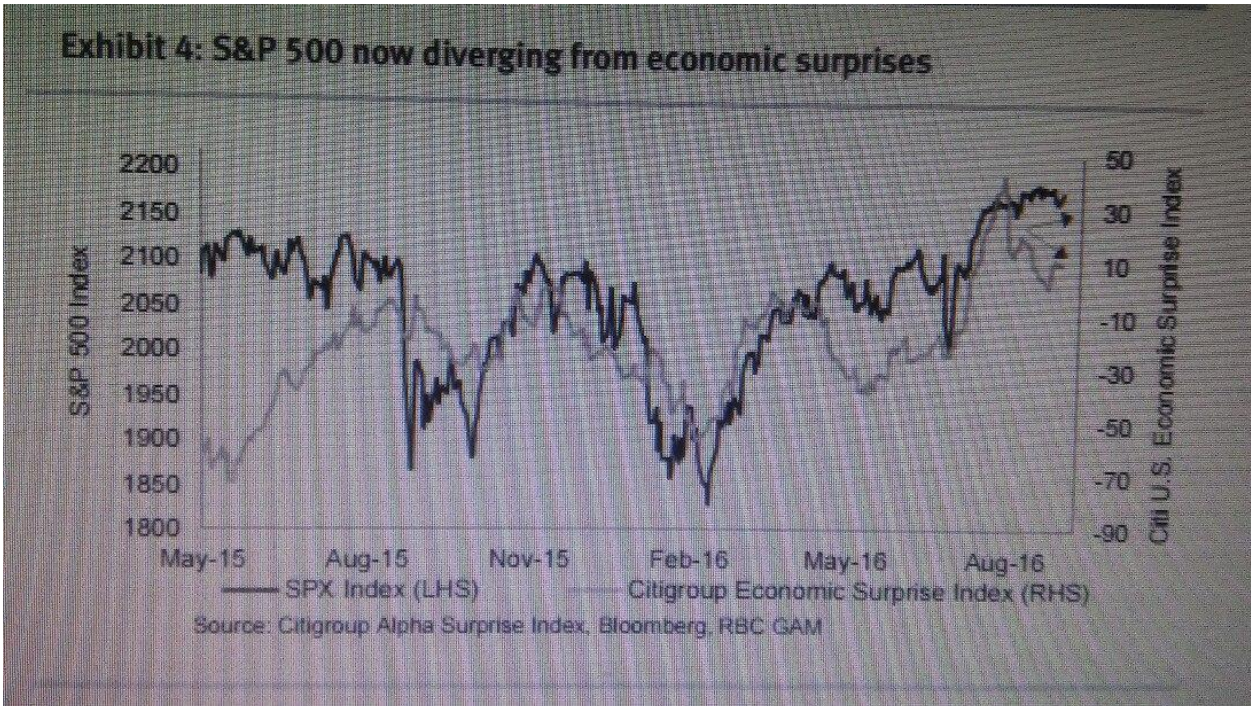


Of course, the task at hand is anticipating the future performance of financial markets, not admiring recent gains. On this front, one source of mild trepidation is that markets are unusually complacent right now Investors expect the recent period of low volatility to persist for both stocks and bonds. The future may well continue to unfurl in an unusually leisurely manner, but it seems more reasonable to budget for something a little bumpier, especially with the many event risks approaching over the fall.



Additionally, we suspect the recent trend of unexpectedly happy economic data may be starting to fade. Economic surprises are beginning to drift back down to a more neutral reading (Exhibit 4) and the autumn's first smattering of purchasing manager indexes suggests a tentative tempering of earlier enthusiasm. To be clear, they are still signaling growth, just of a more pedestrian variety. Let us also not forget that while Brexit has so far been less problematic than expected, it is not entirely consequence-free as policy uncertainty and political risks have indisputably increased.

Weighing these considerations, we have opted to maintain our recommendation for a moderately overweight equity allocation within a balanced investment portfolio. This is motivated primarily by the superior valuations of equities over bonds, and secondarily by our belief that further economic advances remain more likely than not, especially as downside risks have declined slightly.



Styles suggest optimistic outlook.

The recent improvement in economic data has been reflected in the relative strength of value stocks since the early-2016 correction.

Value stocks have outperformed growth stocks since the end of January in what appears to be a reversal of the trend that had been in place for two and a half years. Investors tend to favor value over growth stocks when economic prospects are improving because value stocks, which generally trade at cheaper valuations, tend to be more reliant on the economy's pulse to drive their businesses. Small and mid-cap stocks have also outperformed. Stocks of smaller - companies usually benefit more than large caps when the economy is improving because smaller companies are also frequently more sensitive to changes in economic growth. The chart shows that small and mid-cap stocks have outperformed significantly since January, while the largest companies have underperformed. These trends suggest that the bull market in equities still has some momentum.

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- Hold – We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
- Sell – Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
- Not Rated – There is no investment rating and target price for this security.
- Suspended – The investment rating and price target, if any, for this security, have been suspended. The previous investment rating and price target, if any, are no longer in effect for this security and should not be relied upon.
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DEFINITION of “Investment Advice”

Any recommendation or guidance that attempts to educate, inform or guide an investor regarding a particular investment product or series of products. Investment advice can be professional; that is, the investor pays a fee in exchange for the qualified professional's guidance and expertise, as seen with financial planners; or, investment advice can be amateur in nature, as with certain internet blogs, chat rooms or even conversations.

BREAKING DOWN “Investment Advice”

Investment advice refers to any recommendations regarding an investor's portfolio. Many professionals, including financial planners, bankers and brokers, can provide investors with investment advice that is specific to their financial situation and short- and long-term financial goals. Due to the vast amount of investment advice available, particularly online, an investor may wish to determine the qualifications of the person dispensing the advice prior to making any investments. Ultimately, it is up to the individual investor to decide which investments are most suitable.

The best investment advice ever from Warren Buffett.

Over the years I've dished out lots of investment advice, and I believe I've gotten

it right most of the time. Lately, though, I've wondered: What's the best advice I ever heard? I've been fortunate to hear a lot of excellent advice.

'Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1.'

I'll share a few of my favorite tips. I'm sure you're already familiar with some, but a couple are being published here for the first time.

Everyone is aware of Warren Buffett's most famous piece of investment advice:

"Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1."

Richard Russell, who has been publishing the Dow Theory Letters newsletter since 1958, says much the same thing, but with more teeth: "This may sound naive, but, believe me, it isn't: If you want to be wealthy, you must not lose BIG money. Absurd? Silly? Maybe, but MOST PEOPLE LOSE MONEY in disastrous investments, gambling, rotten business deals, greed, poor timing, in the stock market, in options and futures, in real estate, in bad loans, and in their own businesses."

Here are a few other great gems:

Two are from Ben Franklin:

- "An investment in knowledge pays the most interest."
- "Beware of expenses. A small leak will sink a great ship."
- Vanguard founder John Bogle is known for dozens of memorable quotes (read Bogle's recent interview with MarketWatch's Chuck Jaffe). One I like a lot: "Why look for a needle in the haystack when you can buy the whole haystack?" (In other words, buy index funds instead of individual stocks.)
- Pundits who want to persuade people to do the right things (or who at least want to sound wise) commonly rely on other familiar aphorisms.
- At the top of this list might be this: "Don't invest in anything you don't understand." This is good, as far as it goes. Way too many people get into complex, expensive, risky investments, only to be stunned when things don't turn out for the best.
- The problem is how to know you fully understand any investment more complex than cash or a guaranteed bank deposit?

How does the retirement expert spend his retirement? By helping others with theirs. More articles from author, educator and financial expert, Paul Merriman.

More from Paul Merriman

OK, a bond is relatively straightforward, and so is a share of common stock. But a mutual fund is governed by a legal document called a prospectus. Almost nobody reads it; unless you do, how can you be sure you understand the fund?

Another common example: "If it sounds too good to be true, it probably is." In other words, don't let your hopes trump your common sense. But if you take that literally, you might dismiss two very good deals that are for real: the "miracle" of compound interest and the apparent magic of dollar-cost averaging.

A third: "Cut your losses and let your profits run." This sounds like unassailable common sense. But when you try to put it into practice, it isn't much more helpful than Will Rogers's tongue-in-cheek advice to "buy some good stock and hold it till it goes up, then sell it. If it don't go up, don't buy it."

I promised to include two bits of advice you've not read before.

I asked my friend and longtime writing partner Richard Buck what his own best-ever investment advice would be. His reply: "Make your investment choices as if they were the most important ones in your life — and never forget for a moment that your investments are only a means to what is *really* important."

He went one step further and asked his wife, Susan Pelton, for her best-ever investment advice. This made me quite curious. Susan is very intelligent but has no professional background in finance. As soon as I saw her first three words, I was hooked.

Her advice: "Buy and hold good personal relationships throughout your life, and pay close attention to the choices you make. Diversify your relationship portfolio in terms of age, gender, education and income level. Don't be afraid of drop your poor performers."

Those three sentences pack a lot of wisdom.

Never take an investment risk that doesn't pay a premium for taking that risk over the long term.

Now for my own best-ever advice. It's based on things I learned over the years from lots of smart people. It's firmly rooted in the notion that risks are every bit as important as returns.

I first heard it in 1994 at a conference of academics, and I still think it's the single best piece of investment advice I know: Never take an investment risk that doesn't pay a premium for taking that risk over the long term.

Let me explain by giving a few examples of investments with a history of paying a premium return to those who took the risks involved. The returns below are for the 30-year period 1984 through 2013.

My first example won't surprise you: Stocks are riskier than bonds. And they provided a premium return. The Standard & Poor's 500 Index **SPX, +0.08%** returned 11.1% annually with a standard deviation of 15.5%. (Standard deviation is a statistical measure of volatility or risk; higher numbers represent higher risk.) The Barclays U.S. Aggregate Bond Index returned 7.7%, with a standard deviation of 2.9%. Conclusion: Investors in the S&P 500 took much more risk — and got much more return.

Small-cap stocks are riskier than the large-cap stocks of the S&P. And they provided a premium return. An index of U.S. small-cap stocks had a standard deviation of 20.9% and returned 12.9%. Again, more risk and more return.

The same is true of value stocks. U.S. large-cap value stocks had a standard deviation of 18.6% and returned 13.4% (versus 15.5% and 11.1%, respectively, for the S&P 500). U.S. small-cap value stocks had a standard deviation of 21.2% and returned 14.8% (versus 20.9% and 12.9%, respectively, for the U.S. small-cap index).

Without burdening you with figures, I can report that the same pattern holds for international value stocks, both large and small.

I can't prove this next example with reliable statistics, but I am quite sure that investors who use professional investment advice achieve higher long-term returns than those who make their own decisions. Every DALBAR study that's been released points to that conclusion.

But in one respect hiring an adviser can actually be riskier than doing things yourself. Professional advice costs money, and, as I have said many times, every dollar you pay in expenses is a dollar you no longer own. When you pay that money, you've got no guarantee that it will pay off.

You may notice some investments are missing from this list. You won't find gold, commodity funds, technology funds or penny stocks. Every one has above-average risks — but none of them has paid a long-term premium return. Annualized performance over the same 30-year period:

- Gold: Its standard deviation is 20.1%, but its return is less than 5%. If you're OK with that much risk, U.S. small-cap stocks returned 12.9%.
- Technology stocks: The Nasdaq Composite Index has a standard deviation of 17.8% and returned 8.5%. For less risk than that, you could have had the 11.1% return of the S&P 500.

- Commodities: The Dow Jones Commodity Index has a standard deviation of 15.3% but a return of only 2.1% — less than one-third the return of bonds!
- Penny stocks: Their risks are sky-high, and their returns are essentially a crapshoot.

My best-ever advice certainly isn't all you need to be successful. But it's simple and robust. It applies to anything you can quantify, because it's based on facts, not hype, hope and vague notions. To put my best advice into practice you have to quantify expected risks as well as expected returns.

I hope you'll do just that and increase your probability of long-term success.

Conclusions

So, in this course work revealed the essence of international investment, the main methods of evaluating their management involvement, prospects of attracting foreign investment in Ukraine and the problems associated with this process.

Based on research the following conclusions:

- Foreign investment for the modern world economy is the foundation, the most important form of international economic relations. The subjects of the world economy today are closely linked not only indirectly - through the exchange of goods, but also directly - through capital through production.

- Foreign investment - a capital exported from one country is abroad, where it is transferred as a result do not act implementing concentrated in export of profits, and the process of its creation. Thus, the export of capital - a move it abroad to obtain business profits or percent.

- The basic forms of foreign investment is direct investment and portfolio investment.

Direct investments are investments in a functioning industrial, banking, shopping and other capital in foreign countries that provide the investor control over the enterprise. The share of foreign participation in the share capital of the company that achieves such control in international statistics generally accepted as 25%, but in some countries may differ significantly (-10% in Ukraine).

Portfolio investments are investments in bonds and shares of foreign companies, which in fact is not sufficient to establish direct control of their activities. The main purpose of portfolio investment is profit, not provide direct control of economic activities of the investee.

- By the determinants of foreign investment include: stable macroeconomic policies, the availability of cheap labor, stable monetary and financial system of the recipient country, the implementation of internal structural reforms (privatization, liberalization legislation, the opening of equity markets for foreign investors, easing of exchange controls, debt reduction).

- Among the methods for assessing sustainable attracting investments most often used five main methods. In turn, they can be combined into two groups:

1. Methods based on using the concept of discussion:

- The method of determining the net present value:

- The method of calculating the return on investment;

- The method of calculating the internal rate of return.

2. Methods that do not involve using the concept of discussion:

- The method of calculating the period of return on investment;

- Method for determining the financial return on investment.

- Also, according to experts, for economic stabilization Ukraine needs more than $ 40 billion. Foreign investment, especially:

Metallurgy - $ 7 billion. engineering - $ 5.1 billion., transportation - $ 3.7 billion., chemicals and petrochemicals - $ 3.3 billion .. Instead, the State Statistics Committee, as of July 1, 1997 the total foreign investment was only $ 1,656,800,000.

- To improve the investment climate in Ukraine and, consequently, reduce the gap between the needs of the national economy to foreign investment resources and their actual arrival, you must take the following measures:

1) Improving the legal sphere and, in particular, to ensure the stability of the investment law;

2) Providing the benefits system on priority directions of attracting investments which, according to experts, should include:

- Light and food industry;

- Agricultural processing industry;

- Aerospace and space missiles complex;

- Economic infrastructure;

- Konversovana of VHOS;

- Tourism;

- Other knowledge-intensive and potentially competitive industry.

3) support (financial stability, which is characterized by inflationary trends, the dynamics of exchange rates and financial market;

4) Maximum simplification of procedures regulating relations in the field of foreign investment;

5) Expanding the scope of information for investment by non-residents, systematization and regular updating of a database of investment projects developed according to international approaches.

Thus, savings - is that part of the revenue that is not consumed at any given time and over a period accumulates for future use.

The savings made by firms, households and the state. Saving investment firms - to expand production and increase profits. Households save a number of reasons, including: the motives of pension provision and transfer of inheritance for children to accumulate funds for the purchase of land, real estate and expensive items durables. The difference between revenues and expenditures of the state budget, that surplus in the state budget - a state savings.

At this stage of development Ukraine is not only an attractive environment for independent business, but also an ideal base for the production of goods and services for domestic and foreign markets. There are the following main reasons:

- The most dynamic economy in Eastern Europe;

- Significant markets;

- Cheap and quality labor force;

- Strategically placing;

- The variety of resources.

That is, in the current conditions of the national economy investments play an important role. It should significantly increase the investment attractiveness, develop effective mechanisms to raise funds.

System approach and consideration of ways, directions and suggestions for significantly accelerate and improve investment performance to determine the following main problems in Ukraine, who need to focus and make decisions about their decision, namely:

- Create for investors a favorable investment environment;

- As much as possible in a short time to determine the national, sectorial and regional priorities;

- To form a complex system of government investment activities;

- Consolidate and constantly develop the system of investment resources and expand sources of financing investment;

- To create an effective system of state support of investment activity of individual economic sectors, territories, business entities and investment projects.

Thus all measures to create a favorable investment environment should be grouped around the following areas of investment and investment activity vectors as:

- The legal definition of investment and innovation policy;

- Directing appropriate centralized investment resources to implement priority programs and priorities;

- The creation of high-tech and competitive industries for the future process.

Investments are an integral part of innovation. From the design and implementation of appropriate measures of public investment policy depends on the future direction of development of the investment market. In our opinion, the main priorities should lie in the plane of institutional support for investment activity in the investment market in innovation, improving the regulatory framework so investments. Indeed, investment must be innovative, aimed at preemptive use of energy saving technologies, the development of advanced production technology structures.

Features of infrastructure investment and innovation markets are as unsystematic implementation of state policy in this area - the imperfection of the legal framework, lack of infrastructure market institutions investment in innovation as venture capital funds, which are regulated by the Law of Ukraine "On Joint Investment Institutions (corporate and unit investment funds) "and not directed at implementing innovation projects; lack of sources of financing investment in innovation and capital (not involved considerable investment resources of institutional investors and individuals.

Thus, in 2009 the share of domestic investment companies and funds accounted for 2.1 percent of total capital investments for the first half of 2010 investments in intangible assets amounted -2685500000. USD. or 4, 4% of the total capital investment); total unfavorable government policies to stimulate investment in innovative projects. To date, the main policy document in the investment area is the investment development program for 2002-2010.

(Hereinafter - the Program), the action plan which is not provided at the establishment of investment infrastructure. This program, the more likely is the plan of legislative, organizational and information activities in the investment field.

Law "On innovation activity" is to create specialized state non-bank financial institutions and utilities innovative financial institutions as those that can provide innovation actors for the implementation of innovative projects financial support which types specified in Art. 17 of the Law and by lending or transferring property lease subject to the availability of guarantees refund. Conducted Main Control and Revision Office measures SIFCI, located in the State Agency for Investment and Development showed the unreasonableness of the functioning of the institution. In particular, during the period from January 2007 to August 2009 is not signed any loan agreement or a financial lease agreement for the implementation of innovative project. In March this year the government quashed the state guarantees under SIFCI attract loans for innovative projects (prior resolution of the Cabinet approved the granting of state guarantees in the amount of 8 bln. USD. For liabilities SIFCI).

Thus, in our view, perspective directions of development of market investments in innovation should be the creation of favorable conditions and environment for investment is in intellectual property and innovation, the development of institutions such as venture capital funds innovative development and improvement of the legal framework of investment and innovation.

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