

Nikola Makojevic¹, Petar Veselinovic², Aleksandra Fedajev³

MULTICRITERIA APPROACH IN BUSINESS ENVIRONMENT RANKING: CASE OF NEW EU AND TRANSITION COUNTRIES

The aim of this paper is to provide comparison between new EU member state and transition countries related to business environment improvements and rank them according to the results of multicriteria analysis. We have analyzed 22 countries during 2006–2010, looking at their environmental improvements such as reforms of institutions, government policies and overall national infrastructure. We have compared changes in business environment and FDI movements, establishing relation between the mentioned indicators. The analysis has shown significant differences between the EU member states and non members, where business environment is much stronger in the first group. Further, we have seen significant FDI decline in new EU countries, leading to the conclusion that those countries are more sensitive to international economic changes.

Keywords: transition, structural reforms, business environment, foreign direct investments, economic growth and development.

Нікола Макоєвіч, Петар Веселинович, Олександра Федаєв

БАГАТОКРИТЕРІАЛЬНИЙ ПІДХІД ДО ОЦІНЮВАННЯ БІЗНЕС-СЕРЕДОВИЩА НА ПРИКЛАДІ НОВИХ ЧЛЕНІВ ЄС І КРАЇН ІЗ ПЕРЕХІДНОЮ ЕКОНОМІКОЮ

У статті наведено порівняння нових країн-членів ЄС і країн з перехідною економікою стосовно поліпшення бізнес-середовища, складено їх рейтинг відповідно до результатів аналізу за кількома критеріями. Проаналізовано дані по 22 країнах за 2006–2010 рр. за такими позиціями: покращення стану навколишнього середовища, реформи інститутів, державної політики та національної інфраструктури в цілому. Описано зміни в бізнес-середовищі і потоках прямих іноземних інвестицій, встановлено зв'язки між заданими показниками. Аналіз показав суттєві відмінності між членами ЄС та державами, які не є членами, бізнес-середовище виявилося набагато стійкішим у першій групі. Крім того, відзначено значне зниження прямих іноземних інвестицій в нових членах ЄС, що приводить до висновку, що ці країни є більш чутливими до міжнародних економічних змін.

Ключові слова: перехідний період, структурні реформи, бізнес-середовище, прямі іноземні інвестиції, економічне зростання і розвиток.

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Никола Макоевич, Петар Веселинович, Александра Федаев

МНОГОКРИТЕРИАЛЬНЫЙ ПОДХОД К ОЦЕНКЕ БИЗНЕС-СРЕДЫ НА ПРИМЕРЕ НОВЫХ ЧЛЕНОВ ЕС И СТРАН С ПЕРЕХОДНОЙ ЭКОНОМИКОЙ

В статье приведено сравнение новых членов ЕС и стран с переходной экономикой относительно улучшения бизнес-среды, составлен их рейтинг в соответствии с результатами анализа по нескольким критериям. Проанализированы данные по 22 странам за 2006–2010 гг. по таким позициям: улучшение состояния окружающей среды, реформы институтов, государственной политики и национальной инфраструктуры в целом. Описаны изменения в бизнес-среде и потоках прямых иностранных инвестиций, установлены связи между упомянутыми показателями. Анализ показал существенные

¹ PhD, Assistant Professor, University in Kragujevac, Serbia.

² PhD, Associate Professor, University in Kragujevac, Serbia.

³ Assistant, University of Belgrade, Serbia.

различия между членами ЕС и государствами, не являющимися членами, бизнес-среда оказалась гораздо устойчивее в первой группе. Кроме того, отмечено значительное снижение прямых иностранных инвестиций в новых членах ЕС, что приводит к выводу, что эти страны являются более чувствительными к международным экономическим изменениям.

Ключевые слова: переходный период, структурные реформы, бизнес-среда, прямые иностранные инвестиции, экономический рост и развитие.

1. Introduction.

Since the beginning of the transition period, economic policymakers emphasized FDI inflow's significance for dynamic GDP growth rates. They emphasized the fact that along with money, FDI brings new technologies and know-how, influencing national economy's changes. Jensen (2006), Pelinescu and Radulescu (2009) indicate FDI's positive effects on economic trends in transition countries. Demekas et al. (2007) found positive effects of FDI in transfer of knowledge and technology, increasing productivity and competitiveness, along with export increasing. A strong institutional infrastructure enables efficient functioning of market, while a weak one disables efficacy of market laws and creates space for corruption (Meyer, K. E., Estrin, S., Bhaumik S. K. and Peng M. W., 2009).

In literature, two opposite theories could be found. First, emphasizing exogenous or gravity factors as presented in papers of Lankes, H. P. and Venables, A. J., (1996), Bevan, A. A. and Estrin, S., (2000); Carstesten, K., and Toubal, F., (2004).

Second saying that endogenous factors are more important for FDI attraction (Demekas, D., Horvath, B., Ribakova, E. and Wu, Y., 2007). By analyzing 164 countries in the period 1996–2006, Buchanan, Quan and Meenakshi (2011) concluded that the quality of institutional infrastructure had a significant positive impact on the volume and stability of FDI inflows, which affects economic growth in the surveyed countries. Fabry and Zeghni (2010) went step forward and concluded that the members and potential candidates for the EU membership have better quality institutional infrastructure, which occurred the more efficiently functioning and therefore the greater inflow of FDI.

Investigating developing countries in the period 1976–2005, Alguacil, Cuadros and Orts (2011) found that stable macroeconomic and institutional environment is much more important for FDI attraction than state policy and promotion. Analyzing 32 developing countries, Morisset and Lumenga-Neso (2002) concluded that extensive and expensive administrative procedures in some countries discourage foreign investors. Baniak, Cukrowski and Herczynski (2005) investigated the impact of macroeconomic stability, fiscal and administrative regulations and the legislation volatility on inward FDI in transition countries and they found that unfavorable macroeconomic stability, restrictive administrative and tax procedures, and variable and inefficient legal system have significant impact on reducing the foreign capital inflow.

In this paper business environment endogenous determinants will be analyzed, influenced by authorities' decisions in transition countries. Business environment will be analyzed through: goods market efficiency, financial sector reform, privatization progress, state governance, administrative procedures length, infrastructure, taxation, and macroeconomic stability. All these factors are introduced by international finan-

cial institution with same methodology making them possible for intercountry comparison.

The goods market efficiency will be looked through price liberalization, trade and forex system and competition policy. All these indicators are defined by European Bank for Reconstruction and Development (EBRD) in its transition reports.

In this paper indicator of financial system development are the ones used by EBRD: banking sector reform and liberalization of interest rates, insurance and non-banking financial institutions and interest rate spread. Development of financial system in transition countries requires the strengthening of competition, the entry of experienced financial institutions and effective regulation (European Bank for Reconstruction and Development, 2007).

Progress in privatization has a significant effect on the inflow of foreign capital. Private firms have a larger initiative to increase productivity and profitability, private ownership motivate entrepreneurs to seek new business opportunities, creates corporate culture and conditions for acquisition (Bevan, A., Estrin, S. and Meyer, K., 2004). The privatization process will be looked through EBRD indicators: large privatization, small privatization and the share of private sector in GDP.

The efficiency of government in the country is an important determinant of business environment. The political risk can be defined as a risk that sovereign authority in country could suddenly change "game rules" that affect business in a country (Busse, M. and Hefeker, C., 2007). If a country is characterized by greater political instability, investors are reluctant to invest waiting for new, favorable information before they invest in a risky country (Desbordes R., 2007). Extent of corruption depends on the country's economic development and its institutional environment, and it is characteristic for low-income countries, where it is one of the major constraints for growth and development (Emerson, P., M., 2006).

The duration of administrative procedures is also quite important for foreign capital attraction. Foreign investors in the situation of complicated procedures often decide to invest in another country or even for illegal business (Morisset, J. P. and Lumenga-Neso, O., 2002). Effective regulation in this area implies creation of uniform rules and their consistent implementation (World Bank and the International Finance Corporation, 2010). Quality of administrative procedures will be looked through World Bank Doing Business Reports' indicators: starting business, dealing construction permits and registration of property.

The infrastructural aspect of business environment has great influence on investor decisions. Infrastructure includes a wide range of elements. Well-developed transportation infrastructure allows investors reduce initial costs and increase operational efficiency through more efficient distribution of goods (Kang, S. J., Lee, H. S., 2007). The infrastructure development will be analyzed using the EBRD indicators: telecommunication, electricity and roads.

Tax policy is also quite important for FDI attraction because tax favorable environment make foreign investors more interested in long-term investing. This is particularly important for small and medium enterprises that contribute to job creation and economic growth of a country (World Bank, International Finance Corporation, 2010). Tax policy will be analyzed using World Bank Doing Business Reports' indicators: total tax rate, number of payments during the year and time required to pay tax.

There is a strong interdependence between macroeconomic stability and foreign capital inflow. For transition countries, this correlation is actually a vicious cycle, since these countries are characterized by significant macroeconomic fluctuations and frequent changes in macroeconomic policy (Jinjarak Y., 2007). Business in terms of strong inflationary pressures means increasing uncertainty and costs for investors (Trevino J. L., Thomas E. D. and Cullen J., 2008). Macroeconomic stability will be analyzed using the International Monetary Fund indicators: inflation, public debt and payment balance.

2. Methodology.

Considering the defined groups of determinants constituting business environment in one country, business environment comparative analysis in 22 countries can be seen as a multicriteria analysis. The aim of this multicriteria analysis is ranking numerous alternatives from best to worst, based on a large number of opposing criteria. Multi-criteria analysis as a decision aid (Multicriteria Decision Aid – MCDA) is one of the fastest growing field of operational research in the last 20 years and it is used in almost all areas (Behzadian, M., Kazemzadeh, R. B., Albadvi, A. and Aghadasi, M., 2010). One of the most commonly used methods of multicriteria analysis is PROMETHEE GAIA method, developed by Brans, Vincke and Marshal in the late XX century (Brans, J. P. and Mareschal, B.; Brans, J.P., Mareschal, B. and Vincke, Ph., 1984; Brans, J.P. and Vincke, Ph., 1985).

PROMETHEE GAIA is an adequate method for solving problems whose aim is multicriteria ranking of final set of alternatives (in this case – countries) based on a number of criteria that need to be maximized or minimized. For each alternative calculated its value is expressed in preferences (Tomic-Plazibat, N., Aljinovic, Z. and Pivac, S., 2010). Thereby, each alternative is evaluated based on the two preference flows. Positive preference flow $\phi^+(P)$ indicate how much is a given alternative better than the other (by all criteria). Accordingly, the higher this preference flow is, the better is alternative. The negative flow of preference $\phi^-(P)$ indicates how much given alternative is worse than the rest, and therefore if this flow is lower, the alternative is better. After that, the PROMETHEE method accounts net preference flow $\phi(P)$ as the difference between these two flows (Marasovic, B. and Babic, Z., 2011):

$$\phi(P) = \phi^+(P) - \phi^-(P) \quad (1)$$

On the basis of such calculated net preference flow, final ranking of alternatives is performed, from the best one, with the highest net preference flow, to the worst one, with the lowest net preference flow. To calculate mentioned flows, PROMETHEE method requires the specification of appropriate parameters for each criteria (Brans, J.P., Vincke, Ph., 1985; Brans, J.P., Mareschal, B. and Vincke, Ph., 1984):

- a) Direction of preference, minimizing or maximizing;
- b) Weight coefficients, indicating the importance of certain criteria;
- c) Adequate preference function, that converts the difference between the two alternatives in the level of preference, which ranges from 0 to 1. In PROMETHEE the following preference functions are available: linear, usual, U-shape, V-shape, level and Gaussian;
- d) Preference threshold (ρ), which represents the minimum deviation that a decision maker considers important for decision-making;

e) Indifference threshold (q), which represents the maximum deviation that a decision maker considered irrelevant for decision-making.

After defining parameters, PROMETHEE methodology is used, which includes the next steps (Behzadian, M., Kazemzadeh, R. B., Albadvi, A., Aghdasi, M., 2010):

1. First, deviation basis on compare pair of alternatives is calculated:

$$d_j(a,b) = g_j(a) - g_j(b), \tag{2}$$

where $d_j(a,b)$ represent the differences between the value of alternatives a and b according to each criteria.

2. Then, the chosen function of preferences is used:

$$P_j = F_j [d_j(a,b)] \quad j = 1, \dots, k, \tag{3}$$

where $P_j(a,b)$ represents the preferences alternative a for each alternative b within every criteria, as function of $d_j(a,b)$.

3. Further, the general index of preferences is calculated:

$$\forall a, b \in A \quad \pi(a,b) = \sum_{j=1}^k P_j(a,b) w_j, \tag{4}$$

where $\pi(a,b)$ stands for the weighted sum $P_j(a,b)$ for each criteria, while w_j stands for the weighted j criteria coefficient.

4. Then, positive and negative course of preferences are calculated:

$$\phi^+(a) = \frac{1}{n-1} \sum_{x \in A} \pi(a,x) \tag{5}$$

$$\phi^-(a) = \frac{1}{n-1} \sum_{x \in A} \pi(a,x) \tag{6}$$

where ϕ^+ represents positive and ϕ^- negative preferences values for each alternative.

5. Finally, positive and negative courses of preferences are used to calculate net flow of preferences and rank alternative:

$$\phi(a) = \phi^+(a) - \phi^-(a), \tag{7}$$

where $\phi(a)$ stands for net course for each alternative.

In this work alternatives are 22 surveyed countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, Serbia, Armenia, Azerbaijan, Belarus, Estonia, Georgia, Hungary, Kyrgyzstan, Latvia, Lithuania, Moldova, Slovakia, Slovenia, Ukraine and Poland) ranked according to 24 determinants grouped into 8 clusters which are given in Table 1. To avoid subjective determination of weights, each of 24 determinants was assigned the same weight coefficient (100%: 24 = 4.1667), making possible to evaluate government ability to provide investors most favorable business environment, regardless their preferences. Determinants' values with greater variation as the preference function, linear function is assigned with the indifference threshold at 5% and the preference threshold of 30%. At the same time, determinants with small range of variation, V-shape function is assigned with the preference threshold of 20%. Based on these parameters countries' ranking is performed for each year respectively in 2006–2010. Hence, every year represents a particular scenario.

Table 1. Determinants of business environment

Determinants		Weight coefficient	Type	Preference function
Goods market efficiency	Price liberalization ¹	4.1667	Max.	V-shape p=20
	Trade and forex system ¹	4.1667	Max.	V-shape p=20
	Competition policy ¹	4.1667	Max.	V-shape p=20
Financial sector reform	Banking sector reform and liberalization of interest rates ¹	4.1667	Max.	V-shape p=20
	Insurance and non-banking financial institution ¹	4.1667	Max.	V-shape p=20
	Interest rate spread ²	4.1667	Min.	Linear q=5 and p=30
Privatization level	Large privatization ¹	4.1667	Max.	V-shape p=20
	Small privatization ¹	4.1667	Max.	V-shape p=20
	Share of private sector in GDP ³	4.1667	Max.	Linear q=5 and p=30
Government	Rule of law ⁴	4.1667	Max.	V-shape p=20
	Political stability and absence of violence ⁴	4.1667	Max.	V-shape p=20
	Control of corruption ⁴	4.1667	Max.	V-shape p=20
Administrative procedures	Starting business ⁵	4.1667	Min.	Linear q=5 and p=30
	Dealing construction permits ⁵	4.1667	Min.	Linear q=5 and p=30
	Registration of property ⁵	4.1667	Min.	Linear q=5 and p=30
Infrastructure	Telecommunications ¹	4.1667	Max.	V-shape p=20
	Electrical energy ¹	4.1667	Max.	V-shape p=20
	Roads ¹	4.1667	Max.	V-shape p=20
Tax paying	Total tax rate ⁵	4.1667	Min.	Linear q=5 and p=30
	Number of payments during the year ⁵	4.1667	Min.	Linear q=5 and p=30
	Time required to pay taxes ⁵	4.1667	Min.	Linear q=5 and p=30
Macroeconomic stability	Inflation ⁶	4.1667	Min.	Linear q=5 and p=30
	Public debt ⁶	4.1667	Min.	Linear q=5 and p=30
	Payment balance ⁶	4.1667	Max.	Linear q=5 and p=30

Along with operation research and information technologies, software packages were developed to support decision-making⁴.

3. Findings. The analysis of countries net preference flow ranks countries in the period 2006–2010. The complete results are shown in Table 2. It is showing countries' ranking from year to year. During this period of time, some countries have recorded continuous improvement and some had deterioration status over the time.

⁴ Within this paper Decision Lab software package, developed by Canadian company Visual Decision, was used. This software allows decision-makers improve the quality and reliability of decision-making process, supported by a structured procedure, analytical calculations and computer support (Geldermann, J. and Zhang, K., 2001).

Looking at Bosnia and Herzegovina, which has continuously improved ranking, moving from the 21st position in 2006 to 18th place in 2010. The improvements in Bosnia and Herzegovina's ranking has been primarily due to improvements in the area of trade and forex systems reform, competition policy, banking sector reform, increasing level of privatization (especially in large privatization), shortening the procedures for getting construction permits and property registration, improving road infrastructure, and significant reduction in overall tax rates and the trade deficit compared to other observed countries.

On the other hand, Armenia, Kyrgyzstan and Ukraine during the period continuously deteriorated their position. From 9th place, occupied in 2006, Armenia gradually worsened its position, and at the end of the period it was the 13th. Significant rank deterioration of this country occurred primarily by insufficient improvement in business environment compared to other countries, or maintaining the same status while most countries progressed in all the observed aspects of business environment reforms. The most negative trend was noted in its macroeconomic stability.

Kyrgyzstan is another country that continuously worsened its position during the period, relative to other observed countries. Specifically, in 2006 Kyrgyz Republic occupied the 17th position and over the time, due to worsening of its position, it was ranked 20th in 2010. This deterioration is the result of Kyrgyz Republic unchanged situation in the field of competition policy, banking reform and insurance market and other non-banking financial institutions, the level of privatization, infrastructure development, significant increase of interest spread, the deterioration of government efficiency in the country, insufficient shortening of the time required to starting business as compared to most other countries, increasing the overall tax rate and the worsening macroeconomic situation.

Similarly to Kyrgyz Republic, Ukraine has also worsened the position during the reporting period. In 2006 this country was 18th and in 2010 transferred to the 21th position. This worsening of business environment in Ukraine was due to the unchanged situation in the field of competition policy, the deterioration in the financial sector and the level of privatization, insufficient government efficiency, insufficient shortening procedures for starting business and getting construction permits, increase in the time needed to register property, unchanged infrastructure in the telecommunications and electric power systems, insufficient improvement of road infrastructure and deterioration of macroeconomic stability.

Estonia was at the first place during the entire period. Slovakia, also, did not change its position during the period, it occupied the fourth position. Similar to Estonia, Slovakia's positive flow of preferences is far beyond the negative. Belarus was the last (22nd) during the observed period. In this country, the negative aspects of business environment were far over the positive. It is interesting to note that Hungary and Lithuania in 2007 exchanged places, as a result of improving government efficiency, and then maintained the same position until the end of the period, Hungary, the second and Lithuania, the third.

Comparing the information in Table 2 from 2006 until 2010, business environment improvements were much stronger in the countries becoming EU members and Croatia as the candidate country. This is suggesting that these countries have a significant advantage over other countries in terms of providing a favorable business envi-

ronment for FDI. To confirm this, we have gathered FDI amounts in all these countries creating 2 groups: one, with strong improvements in business environment and another with weaker results. Then we have summarized FDI across 2 groups and reveal interesting results.

Table 2. Changes in Business Environment 2006–2010

Countries	2006		2007		2008		2009		2010	
	F	Rank	F	Rank	F	Rank	F	Rank	F	Rank
Albania	-0.2256	14	-0.2526	16	-0.1914	14	-0.1975	15	-0.2165	15
Bosnia & Herzegovina	-0.3861	21	-0.3831	21	-0.3737	20	-0.3013	18	-0.3207	18
Bulgaria	0.1921	7	0.1911	7	0.1438	8	0.2226	5	0.2362	6
Croatia	0.0769	10	0.1336	10	0.0652	10	0.0293	12	0.1116	10
Macedonia	0.0518	12	0.0628	13	0.0563	11	0.1914	8	0.192	9
Montenegro	-0.2459	16	-0.2354	15	-0.2791	17	-0.2533	17	-0.2192	16
Romania	0.069	11	0.1439	9	0.1354	9	0.0762	10	0.0571	11
Serbia	-0.37	20	-0.3464	20	-0.4233	21	-0.3557	20	-0.334	19
Armenia	0.1303	9	0.0657	12	-0.0043	13	-0.1142	13	-0.147	13
Azerbaijan	-0.3112	19	-0.3229	18	-0.2289	16	-0.228	16	-0.2497	17
Belarus	-0.5146	22	-0.5795	22	-0.478	22	-0.4729	22	-0.4736	22
Estonia	0.437	1	0.4989	1	0.5209	1	0.5462	1	0.4955	1
Georgia	0.0474	13	0.0657	11	0.0064	12	0.0606	11	0.0227	12
Hungary	0.3917	3	0.4061	2	0.5135	2	0.3929	2	0.4389	2
Kyrgyzstan	-0.2576	17	-0.3181	17	-0.2995	18	-0.3071	19	-0.3593	20
Latvia	0.2958	5	0.2806	5	0.2238	6	0.2064	7	0.2404	5
Lithuania	0.4196	2	0.3822	3	0.3796	3	0.3638	3	0.3901	3
Moldova	-0.2384	15	-0.209	14	-0.2015	15	-0.1532	14	-0.1687	14
Slovakia	0.3084	4	0.3464	4	0.3647	4	0.3264	4	0.292	4
Slovenia	0.1832	8	0.1816	8	0.2419	5	0.2223	6	0.2355	7
Ukraine	-0.3001	18	-0.3249	19	-0.3726	19	-0.4183	21	-0.4316	21
Poland	0.2466	6	0.2132	6	0.2006	7	0.1634	9	0.2082	8

Source: Authors' calculations

The FDI are shown through FDI net inflow using information from World Bank, so there were no methodological differences in the data. As a part of the national accounts of a country FDI refers to net inflows of investment to acquire a lasting management interest (10% or more of the voting stock) in an enterprise operating in an economy other than that of an investor. It is the sum of equity capital, other long-term capital, and short-term capital as shown in the balance of payments. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative).

Table 3. FDI net inflow across countries with strong business environment, 2006–2010

Countries	2006	2007	2008	2009	2010
Bulgaria	7,757,606,832	13,214,535,612	9,981,362,429	3,425,011,633	2,355,423,726
Croatia	3,461,671,522	4,996,124,173	6,027,593,603	3,282,468,397	407,556,396
Romania	11,393,430,000	9,925,000,000	13,883,000,000	4,846,000,000	2,941,000,000
Estonia	1,787,438,952	2,720,030,535	1,748,523,546	1,908,207,586	1,539,110,037
Hungary	19,522,270,605	70,843,211,492	72,540,842,605	4,127,752,015	-42,283,449,518
Latvia	1,664,200,000	2,315,600,000	1,357,400,000	93,500,000	369,000,000
Lithuania	1,840,185,672	2,017,036,656	1,993,056,828	16,071,525	748,454,521
Slovakia	4,166,967,138	3,363,351,115	3,230,821,705	-31,553,524	553,142,912
Slovenia	649,332,359	1,531,374,684	1,936,803,175	-640,763,270	366,161,963
Poland	19,876,000,000	23,651,000,000	14,978,000,000	13,022,000,000	9,104,000,000
Total	72,119,103,080	134,577,264,267	127,677,403,891	30,048,694,362	-23,899,599,963

Source: Calculations based on the World Bank data

Looking at the previous table, we can see that FDI net inflow is much higher in the countries with stronger business environment comparing with second group of countries. These countries succeed to attract more than 250 bln. of US dollars in the observed period. But interestingly, they have increasing FDI net inflow until 2007, the year when the global crisis started, and after they have experienced dramatic FDI net inflow downsizing. In 2007 close to \$130 bln. of FDI entered the observed countries. Only 2 years, after in 2009, just slight over \$20 bln. FDI entered the same group of countries showing the fall of 85%.

Table 4. FDI net inflow across the countries with weak business environment, 2006–2010

Countries	2006	2007	2008	2009	2010
Albania	325,258,317	662,280,000	958,498,924	964,630,947	1,109,557,915
Bosnia & Herzegovina	768,276,100	2,070,789,567	981,785,579	240,108,840	231,539,217
Macedonia	424,155,269	699,092,642	586,953,719	197,089,613	207,463,067
Montenegro	n.a	934,442,371	960,423,121	1,527,258,438	760,440,980
Serbia	4,968,045,047	3,431,919,716	2,996,385,201	1,935,601,654	1,340,235,873
Armenia	453,172,318	698,820,000	935,434,360	777,498,558	570,060,000
Azerbaijan	-583,985,000	-4,748,881,000	14,775,000	473,305,000	563,132,000
Georgia	1,170,077,393	1,750,242,588	1,564,030,345	658,400,606	816,708,509
Kyrgyzstan	182,022,903	207,919,478	376,992,152	189,377,400	437,586,100
Moldova	258,470,000	541,260,000	711,460,000	145,330,000	192,830,000
Ukraine	5,604,000,000	9,891,000,000	10,913,000,000	4,816,000,000	6,495,000,000
Belarus	354,000,000	1,805,300,000	2,180,600,000	1,884,400,000	1,402,800,000
Total	13,923,492,347	17,944,185,362	23,180,338,401	13,809,001,056	14,127,353,661

Source: Calculations based on the World Bank data

On the other side, we have the second group of countries with weak business environment attracting close to \$85 bln. of FDI. They have increasing FDI amount until 2007 and also, have experienced fall until 2010. But this fall was much smaller than in the first group of countries. Hence, this group has experienced FDI fall of 34% if we look at 2007 and 2009. Furthermore we have looked FDI inward and outward movements, using the same source (the World Bank), revealing that decreasing FDI net inflow is due to significant decreasing in FDI inward. This leads to the conclusion that the countries with strong business environment have been more exposed to the world economic crisis than the countries with weak one.

4. Conclusions.

The complexity in reform process is a multicriteria problem, for resolving of which the technique of multicriteria analysis should be used. The result within this paper indicates that the EU member states along with Croatia, which is close to the membership, are far ahead of other surveyed countries in business environment reform. Some countries are experiencing continuous improvement (Bosnia and Herzegovina) or deterioration (Armenia, Kyrgyzstan and Ukraine), some are having fluctuations from year to year, while some (Estonia, Slovakia and Belarus) have kept the same positions over the five-year period. At the same time, the countries with stronger business environment experienced severe FDI decline due to the world economic crisis, leading to the conclusion that they are more exposed to external economic movements.

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