INVESTIGATING THE POLITICAL AND REGULATORY CONTEXT OF CORRUPTION AND FOREIGN DIRECT INVESTMENT IN POST-SOVIET COUNTRIES

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Abstract

This article considers the ongoing academic debate surrounding the impact of corruption on investments (Lestari et al., 2022). The aim of the study is to analyze the relationship between corruption and foreign direct investment (FDI) inflow in post-Soviet countries and to examine anti-corruption-related factors influencing investment activity. The investigation employs quantitative and qualitative research methods. The authors analyze secondary data from the World Bank (WB) and Transparency International (TI), examining the dynamics of FDI as well as the corruption perceptions index (CPI) for 15 post-Soviet countries from 2013 to 2022. Upon computing Pearson's correlation coefficients, no significant association between these two indicators was found. In this regard, the authors assumed that the inelastic demand for specific resources in developing nations outweighs the discouraging effect of corruption. These observations correspond to the findings of Abdella et al. (2018). Furthermore, instances of notable fluctuations in CPI rankings accompanied by significant FDI growth were examined, with a focus on the associated political and regulatory context. To explore this, the authors analyze "gray literature" from 2013 to 2022, highlighting significant events within countries. Findings establish a cause-and-effect relationship between these events, the changes in CPI, and FDI.

Keywords: Anticorruption Policy, Corruption Perception, Post-Soviet, Investment Attraction, Foreign Direct Investment, Private Investments

1. INTRODUCTION

It is recognized that good-quality institutions encourage investors to deal with host countries and mitigate any concerns they may have regarding the allocation of new projects (Battaglia et al., 2021). One indicator reflecting the quality of institutions is corruption (Buitrago & Camargo, 2021). Within the theoretical framework of the impact of corruption on investment inflows, two key concepts are discernible, around which scholarly debates revolve. The first concept pertains to the adverse effects of corruption on the economy, often referred to as the "grabbing hand". This notion posits a decline in investment attractiveness in countries with higher levels of corruption (Karim et al., 2018; Hajdini et al., 2023). Conversely, another scholarly discourse, grounded in the theory of the "helping hand", challenges this relationship between corruption levels and the volume of investments attracted (Fernández-Torres et al., 2018). Moreover, investment activity, as economic engagement between countries, depends on different factors and country-specific advantages and disadvantages. Sometimes, benefits such as natural resources or a convenient geographic location outweigh other negative factors (Eissa & Elgammal, 2020).

The aim of this article is to analyze the interconnection between corruption perception level and the volume of foreign investment attracted in post-Soviet countries. Additionally, it aims to examine the political and economic anti-corruption factors that influence the influx of foreign direct investment. Post-Soviet countries are a promising region from a researcher's point of view, with a common background. Despite significant national and religious differences, the roots of corruption in these countries are similar.

Among the wide range of studies exploring the corruption-foreign direct investment (FDI) relationship, there have been quite a few investigating the effects at the sub-regional level. In particular, studies focused on post-Soviet countries are scarce, and thus this study contributes to the scholarly body of knowledge.

Based on the existing literature gap, the authors set up the following research questions:

RQ1: What is the relationship between the level of corruption (measured by the corruption perceptions index [CPI]) and the influx of foreign direct investment (FDI) in post-Soviet countries?

RQ2: What anticorruption factors matter to foreign investors when making decisions about investing in another country?

The research questions are addressed by quantitative and qualitative research methods, based on secondary data from the World Bank (WB) and Transparency International (TI), as well as content analysis of "gray literature". This study is highly relevant and significant as it is anticipated to offer valuable insights to policymakers and other stakeholders engaged in combatting corruption and investment attraction practices.

The structure of the article is as follows. In Section 2, the literature review and research questions are provided. Next, in Section 3, the research methods are described. In Section 4, researchers conduct an empirical analysis of the relationship between the dynamics of CPI and FDI, and employ content analysis. Section 5 discusses the results. Finally, Section 6 concludes the paper and presents the limitations of the research and prospects for further research.

2. LITERATURE REVIEW AND HYPOTHESES

Internationally, researchers theoretically and empirically investigated corruption and its impact on investments. Generally, these researches can be divided into two mainstreams.

2.1. Studies supporting a negative impact of corruption on investments

The pioneers of the theory, known as "grabbing hand", argued that corruption leads to deterioration in the quality of institutions and economic decline, thus discouraging investments. Mauro (1995) found that corruption lowers investment. Dabour (2000) identified corruption as a determinant of foreign direct investment because it increases expenditures, thereby lowering business efficiency. Wei (2000a) emphasizes that a rise in corruption within the host government would result in a decrease in FDI coming in. Continuing the research Wei (2000b) also confirmed that the amount and kind of capital inflows into capital-importing nations are impacted by corruption. Specifically, corruption significantly lowers inward FDI. The findings from the analysis conducted by Bhavan (2020) also indicate that FDI inflows increase when investors perceive the level of corruption in these countries favorably for investment.

The University of Massachusetts' researchers found that corruption negatively impacts investment and this aligns with previous research findings (Habib & Zurawicki, 2002). Additionally, another study showed that for every 1% increase in corruption, there is a roughly 9.1% decline in FDI inflow. The authors also suggest that countries with high corruption levels but significant FDI inflows could double their inward FDI if they reduce corruption (Alemu, 2012).

Although skeptics of the anti-corruption agenda point out that some corrupt countries have succeeded in economic performance, an empirical study showed that a one-standard-deviation rise in corruption levels causes approximately a three-point drop in investment rates percentage-wise (Kaufmann et al., 2007). Thus, Al-Sadig (2009) proves a negative impact of corruption on FDI by demonstrating an approximate 11% decrease in FDI inflows per person. However, the author emphasizes that based on the research evidence "foreign investors value the quality of institutions more than the level of corruption in the location selection" (Al-Sadig, 2009, p. 289). This underlines the crucial role of high-quality intuitions without questioning the negative impact of corruption. More recently, followers of the "grabbing hand" theory have conducted a variety of studies, proving the negative relationship between corruption and investment activity through panel data analysis. Karim et al. (2018) examined the relationship between corruption and FDI in ASEAN-5 and concluded that countries with less corruption and larger market size are more attractive to overseas investors. Conducting a meta-regression analysis, Gök (2023) concluded that corruption impedes the flow of FDI. Zakharov (2019)

found a strong negative impact of corruption on regional investment in fixed capital in Russia. Hajdini et al. (2023) reported that every one-unit increase in CPI causes FDI to fall by 0.165 in Western Balkans countries, which means that corruption harms investment activity.

Cruz et al. (2023) conducted research examining the association between corruption and FDI in natural resources in Latin American and Caribbean countries. The authors argue that resource FDI in LAC nations is positively correlated with the absence of corruption. Therefore, lower levels of FDI in natural resources are linked to higher levels of corruption.

Comparing studies on the impact of corruption on investment inflows, one can conclude that recent studies further develop the early idea of a negative relationship by studying the influence of other independent variables on this relationship.

2.2. Studies arguing a mixed effect of corruption on investments

Some researchers argue that a high level of corruption does not always negatively affect investment. Thereby, Barassi and Zhou (2012) revealed that corruption has a positive effect on FDI stock levels after accounting for multinational enterprises (MNEs) location choices, which lends some credence to the idea that corruption plays a "helping hand" function in the economy. In general, the followers of this theory develop the idea that increasing control of corruption leads to more bureaucracy when starting a business, thereby negatively affecting the economy (Fernández-Torres et al., 2018). In this regard, corruption acts as "grease" for FDI (da Silva Mariotto Onody et al., 2022). However, according to Krifa-Schneider et al. (2022), a corrupt environment can attract investments initially, but it is not a prudent long-term choice.

Notably, some researchers conclude that corruption is a result rather than a cause, and the main thing that influences both corruption and FDI is a regulatory burden (Mudambi et al., 2013). Authors emphasize that if corruption is perceived as a result of a regulatory burden, its direct impact on FDI is "statistically insignificant" (Mudambi et al., 2013, p. 507). Remarkably, some researchers highlight different impacts of corruption on FDI. According to Cuervo-Cazurra (2006), not all foreign investors are equally affected by corruption. FDI in countries with high levels of corruption is likely to be further restricted by investors from nations where bribing is illegal. Bribery overseas becomes more expensive because of these rules. Investors from high-corruption nations do not seem to be limiting their FDI in other high-corruption nations, because they are aware of such conditions. They might even go so far as to target corrupt countries (Cuervo-Cazurra, 2006).

Remarkably, Petrou and Thanos (2014), support both points of view regarding the negative and positive effects of corruption and argue they might be both valid but at different degrees of corruption. Hence, the "grabbing hand" perspective is endorsed in situations characterized by "low to moderate levels of corruption", while the "helping hand" viewpoint gains traction in instances of high corruption.

Despite the unambiguous evidence that corruption negatively affects FDI inflows, based on the data from 46 countries in Asia and the Pacific region between 2006 and 2013, there were no such relationships for countries with only low and middle income (Canare, 2017). Empirical results confirm a significant positive relationship between the intensity of anti-corruption measures and a company's research and development (R&D) investment in China (Gan & Xu, 2019). The nature of corruption is significant in terms of its impact on investment. In countries with quite predictable corruption regimes — where investors seeking favors from public officials eventually obtain them — the negative impact on investment is far less than in countries with an unpredictable corruption environment (Campos et al., 1999). However, in developing a theoretical framework for investment in a corrupt environment, Hanousek et al. (2021) found that the investments of multinational corporations (MNCs) and their subsidiaries are influenced more by uncertainties in finance and the judiciary system than by corruption.

Another research revealed an asymmetrical impact of corruption on FDI depending on the "corruption distance". This concept implies the difference between the levels of corruption in a host and home country. Corruption distance significantly affects the decisions of investors regarding project allocation (Godinez & Liu, 2015). Yet, some countries remain attractive for investors, despite the high level of perceived corruption and other factors. Panao (2022) found that multinationals tend to ignore corruption in their target country because they still trust in local institutions. Abdella et al. (2018) observe that corruption does not have a significant impact on FDI in BRIC countries (Brazil, Russia, India, and China). In these nations, other economic factors such as low labor costs, large consumer markets, and abundant natural resources take precedence. Yuan et al. (2022) also conclude a similar statement based on research for 35 African countries. The authors found that even though Chinese investors prefer to make investments in low-corrupt developing countries, the exception is resource-rich host countries.

The debate continues about the extent to which corruption affects investment. Various authors argue what conditions make corruption useful in attracting investment, and what environment encourages investors to ignore corruption when making decisions. Most of the evidence was collected empirically, based on cross-country data, taking into account certain limitations. This direction of research is promising at present.

Given the difference in views on the impact of corruption on investment activity, the authors put forward the following hypotheses:

H1: There is a negative relationship between the dynamics of corruption perceptions index (CPI) and foreign direct investment (FDI) in post-Soviet countries.

H2: Political events and regulatory measures cause changes in corruption perceptions index (CPI) and foreign direct investment (FDI).

3. METHODOLOGY

In this study, the authors used both quantitative and qualitative research methods.

The basis for the quantitative analysis was 2012–2022 data on 15 post-Soviet countries, the latest available at the time of the study for both indicators. The common historical and geographical background determines the choice of these countries.

First, the authors employed data on the CPI score by TI to measure the perceived level of corruption. This index generally accurately reflects when differences in perceived corruption across countries are significant and when they are not (Saisana & Saltelli, 2012). TI scores the level of perceived corruption from 0 to 100, with the highest score in low-corrupt countries and the lowest score in high-corrupt countries. Second, data on net inflows of foreign direct investment (FDI, current US$) published by the World Bank were used. The methodology of collecting the statistics on FDI (WB) includes obtaining data from the International Monetary Fund (IMF), Balance of Payments database, supplemented by data from the UN Conference on Trade and Development and official national sources (World Bank, n.d.).

Then, to determine the relationship between the two indicators, the authors manually calculated the annual dynamic of both CPI and FDI in 15 countries in 2013–2022, percentage-wise.

Taking into account that changes in CPI may have a delayed effect on the FDI, the Pearson correlation coefficient applying a time shift of one year forward to the FDI dynamic while comparing with CPI trends was additionally calculated.

Two variables are jointly normally distributed data. Therefore, to study the relationship between the dynamic of *CPI* and *FDI*, according to Schober et al. (2018) authors computed the Pearson correlation coefficients for each country, using the following computational eq. (1):

$$r_{xy} = \frac{\sum (X - \overline{X})(Y - \overline{Y})}{\sqrt{\sum (X - \overline{X})^2 (Y - \overline{Y})^2}} \qquad (1)$$

where r_{xy} is the correlation coefficient, X and Y are the values of the variables, $\overline{X}$ and $\overline{Y}$ are the arithmetic mean of the variables.

To interpret the strength of correlation coefficients, authors used the classification, according to Hinkle et al. (2003):
- 0.90 to 1.00 (-0.90 to -1.00) — very high positive (negative) correlation;
- 0.70 to 0.90 (-0.70 to -0.90) — high positive (negative) correlation;
- 0.50 to 0.70 (-0.50 to -0.70) — moderate positive (negative) correlation;
- 0.30 to 0.50 (-0.30 to -0.50) — low positive (negative) correlation;
- 0.00 to 0.30 (-0.00 to -0.30) — negligible correlation.

As Sedgwick (2012) recommends, in case of small sample size (which is ten in the study), linear correlation coefficients require being larger to be significant, that is, to be closer to 1 or to –1.

To test for the significance of the correlation, the authors employed a calculation of the p-value for each correlation coefficient.

All the calculations were conducted using the Excel 2013 software application.

Further, the authors manually analyzed the data to identify individual fluctuations (sharp jumps) of CPI and FDI. Then, to increase the understanding of the research question, as a qualitative method of research, researchers focus on analyzing the content of Internet resources publishing country reports, reviews, and news lines. Since the boundaries between corruption and its context are not always explicit, in this study authors used multiple data sources for evidence, by Yin (2018). Considering the limit of resources and the specificity of the research subject, a purposeful sampling method while conducting the content analysis was employed (Palinkas et al., 2015). Studying practical cases of significant events related to corruption allowed us to identify the causes of some sharp improvements in CPI and FDI dynamics, and to gain a more in-depth insight into the understanding of the nature of investor's decisions.

The search strategy was as follows. The sample of 50 sources covered a diverse range of spheres related to the research topic, including academic publications, reports from government and non-governmental organizations, conference proceedings, white papers, industry reports, and news articles. This broad selection aimed to capture a comprehensive understanding of the topic by incorporating various perspectives and types of information. To collect the relevant sources, the authors utilized online search engines Google and Bing to identify media articles from reputable news outlets. Furthermore, manual searches were conducted on the websites of relevant organizations and institutions. The selection of sources followed a systematic process to ensure the inclusion of high-quality and relevant information. The primary selection criterion was the relevance of the source to the research topic, which are politics, economics, and public policy. Once the sources were identified and selected, a rigorous data extraction process was conducted. Relevant information from each source, such as key findings, themes, and arguments, was systematically extracted and documented.

To ensure the accuracy and consistency of the content analysis, inter-rater reliability checks were performed.

To enable further exploration, several alternative methodologies merit consideration. Quantitative research employing alternative variables characterizing corruption levels and investment activity is a viable method for measuring their relationship. Investigating the impact of political and economic contexts on these variables warrants the inclusion of independent variables such as the *World Bank political stability index* and the *ease of doing business index* in the model. When considering qualitative research approaches, conducting case studies across the countries under consideration holds promise for gaining deeper insights into the impact of political and economic events on corruption levels and FDI inflows.

4. RESULTS

Table 1 represents the dynamics of CPI and FDI changes in post-Soviet Union countries from 2013 to 2022 percentage-wise.

Table 1. Dynamics of CPI and FDI changes in 2013–2022 in post-Soviet Union countries, %

Countries		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Armenia	CPI	105.9	102.8	94.6	94.3	106.1	100.0	120.0*	116.7*	100.0	93.9
	FDI	69.7	117.5	45.3	181.3	75.7	105.6	37.6	58.4	625.5	272.4
Azerbaijan	CPI	103.7	103.6	100.0	103.4	103.3	80.6	120.0	100.0	100.0	76.7
	FDI	49.5	169.1	91.4	111.2	63.7	48.9	107.2	33.7	-336.7	262.0
Belarus	CPI	93.5	106.9	103.2	125.0*	110.0*	100.0	102.3	104.4	87.2	95.1
	FDI	153.5	82.9	88.7	75.5	102.4	111.8	89.3	109.4	88.3	131.1
Estonia	CPI	106.3	101.5	101.4	100.0	101.4	102.8	101.4	101.4	98.7	100.0
	FDI	61.4	162.3	-40.2	-129.4	187.5	71.0	247.7	118.5	203.5	20.8
Georgia	CPI	94.2	106.1	100.0	109.6*	98.2	103.6	96.6	100.0	98.2	101.8
	FDI	108.1	175.5	94.5	95.7	116.3	67.6	105.9	39.9	229.7	160.5
Kazakhstan	CPI	92.9	111.5	96.6	103.6	106.9	100.0	109.7*	111.8*	97.4	97.3
	FDI	73.4	73.0	90.0	261.8	27.6	7.4	1056	193.1	63.1	107.9
Kyrgyzstan	CPI	100.0	112.5*	103.7	100.0	103.6	100.0	103.4	103.3	87.1	100.0
	FDI	234.6	56.0	333.5*	54.1	-17.3	-134.5	280.0	-99.4	-56.3	128.6
Lithuania	CPI	108.2*	103.8*	101.8	101.8	101.8	100.0	96.6	101.8	103.5	100.0
	FDI	113.5	46.5	290.2	113.6	117.5	93.9	264.2	131.2	66.0	23.1
Latvia	CPI	105.6*	101.8	101.7	100.0	100.0	100.0	101.7	100.0	101.7	101.6
	FDI	91.5	105.6	77.8	41.3	354.8	35.7	262.7	84.2	396.6	32.7
Moldova	CPI	97.2	100.0	94.3	90.9	103.3	106.5	97.0	106.3	105.9	108.3
	FDI	96.3	143.0	65.3	38.7	171.0	196.5	172.6	31.1	248.0	151.3
Russia	CPI	100.0	96.4	107.4*	100.0	100.0	96.6	100.0	107.1*	96.7	96.6
	FDI	136.8	31.8	31.1	474.8	87.8	30.8	364.0	29.6	426.7	-99.0
Tajikistan	CPI	100.0	104.5	113.0	96.2	84.0	119.0	100.0	100.0	100.0	96.0
	FDI	117.1	115.3	139.0	53.2	76.9	118.9	96.4	50.1	78.9	207.4
Turkmenistan	CPI	100.0	100.0	105.9	122.2	86.4	105.3	95.0	100.0	100.0	100.0
	FDI	91.4	133.9	79.4	73.7	93.0	77.0	115.4	77.5	89.6	72.7
Ukraine	CPI	96.2	104.0	103.8	107.4	103.4	106.7	93.8	110.0*	97.0	103.1
	FDI	55.2	18.8	-23.4	-2084.8	89.1	135.2	116.5	1.2	2616	4.6
Uzbekistan	CPI	100.0	105.9	105.6	110.5*	104.8*	104.5*	108.7*	104.0*	107.7*	110.7*
	FDI	92.9	116.9	128.8	159.7	108.1	34.7	370.8	74.6	131.6	109.8

*Note: * The most notable annual improvements of CPI followed by significant growth of FDI in the year of observation or a year later.*
Source: Authors' elaboration based on data from the WB and TI, calculated by dividing nominal values of indicators in the reporting year by the corresponding value of the previous year.

In Table 1, one can observe multidirectional trends in CPI score and FDI inflows. To test the relationship between the variables in each of the countries under consideration, the authors conducted a correlation analysis (Table 2).

According to Table 2, the Pearson correlation coefficient (Rp) takes values from negative (min -0.521) to positive (max 0.515). Whilst in ten countries the correlation coefficients are negative, that is, a decrease in corruption leads to an increase in *FDI*, in five countries the association is positive, that is, an increase in corruption leads to a drop in *FDI*. Almost in half of the countries (46.7%), the correlation between *CPI* and *FDI* dynamics is negligible, while one-third experienced a low correlation, and in two countries (Belarus and Moldova), correlation is moderate.

Pearson correlation coefficients calculated with *FDI* offset one year forward increased in most countries or experienced slight changes, except in Moldova and Uzbekistan, where the coefficient, on the contrary, decreased from 0.515 to 0.256 and from 0.446 to -0.443 respectively. Nevertheless, the total proportion of countries experienced negligible correlation even growing up to two-thirds (75%), with low correlation in three countries (20%), and a moderate one in one country only (Azerbaijan).

Table 2. Pearson correlation coefficients between CPI and FDI changes in 2013–2022 in post-Soviet Union countries, %

Countries	Rp		R^2	P-value	Rp lag*		R^2	P-value
	value	strengths			value	strengths		
Armenia	-0.373	low	0.139	0.288	-0.341	low	0.166	0.370
Azerbaijan	-0.176	negligible	0.031	0.628	0.589	moderate	0.347	0.095
Belarus	-0.521	moderate	0.271	0.123	-0.157	negligible	0.025	0.687
Estonia	-0.036	negligible	0.001	0.922	0.089	negligible	0.008	0.820
Georgia	-0.033	negligible	0.001	0.929	0.161	negligible	0.026	0.678
Kazakhstan	0.403	low	0.163	0.248	0.448	low	0.200	0.227
Kyrgyzstan	0.237	negligible	0.056	0.510	0.451	low	0.203	0.223
Lithuania	-0.348	low	0.121	0.324	0.226	negligible	0.051	0.558
Latvia	-0.045	negligible	0.002	0.902	-0.174	negligible	0.030	0.655
Moldova	0.515	moderate	0.265	0.128	0.256	negligible	0.066	0.506
Russia	-0.133	negligible	0.018	0.715	0.052	negligible	0.003	0.895
Tajikistan	0.248	negligible	0.061	0.490	0.237	negligible	0.056	0.539
Turkmenistan	-0.407	low	0.166	0.243	0.188	negligible	0.035	0.627
Ukraine	-0.481	low	0.231	0.159	-0.021	negligible	< 0.001	0.957
Uzbekistan	0.446	low	0.199	0.196	-0.443	low	0.196	0.232

*Note: * Pearson correlation coefficients calculated with FDI offset one year forward.*

Moreover, as Table 2 indicates, the R-square value for the pair of variables is < 0.50, that is, weak structural models, and P-value > 0.05, that is, there is no coefficients' significance, according to Hair et al. (2011). Thus, the empirical method did not reveal a significant correlation between the two

variables for all the countries, which indicates that *H1* was not confirmed.

Manual analysis of data for individual countries showed that in certain periods, growth in the *CPI* score was accompanied by a significant increase in *FDI* inflows (Table 1). Table 3 illustrates the most significant political and economic events in 2013–2022 for those countries having sharp improvements in both *CPI* and *FDI* within a close period.

Table 3. The significant growth of CPI score and FDI inflows in terms of the most sufficient local events in the political and economic sphere in post-Soviet countries

Country	CPI score growth, %	FDI inflows growth, %	Significant political and economic events
Armenia	2019 – 120.0% 2020 – 116.7%	2021 – 625.5% 2022 – 272.4%	The new Prime Minister Nikol Pashinyan came to power in 2018 and made anti-corruption reform a priority. The authorities have prioritized improving its position in international rankings, believed to encourage corporations to do business in Armenia, and have established measures to ensure a better investment climate (Organized Crime and Corruption Reporting Project [OCCRP], 2018).
Belarus	2016 – 125.0% 2017 – 110.0%	2017 – 102.4% 2018 – 111.8%	By 2016, the authorities had reduced administrative and licensing procedures for businesses and simplified startup, tax administration, and ownership registration procedures. Progress was made in reducing the tax burden on businesses. The government expanded the mandate of the Trade Ministry to include antimonopoly enforcement (aiming to ensure a more competitive environment where needed) (IMF, 2016).
Georgia	2016 – 109.6%	2017 - 116.3%	In 2015, Georgia's government after intensive public consultations approved a new Anti-Corruption Strategy and 2015–2016 Anti-Corruption Action Plan. The new Strategy and its Action Plan were developed based on an evaluation of the achievements of the previous policy and took into consideration other corruption studies and reports (Organization for Economic Co-operation and Development [OECD], 2016). In 2016, the European Court of Human Rights in a judgment within "The case of Merabishvili v. Georgia" decides that the former prime Minister's rights under Article 18 of the European Convention on Human Rights had been broken (European Court of Human Rights, 2016).
Kazakhstan	2019 – 109.7% 2020 – 111.8%	2019 – 1056.0% 2020 – 193.1%	The main political event of 2019 was the resignation of the country's President N. Nazarbayev (Official website of the President of the Republic of Kazakhstan, 2019). In the same year, according to the results of direct elections, K. Tokayev won office and became the new president of Kazakhstan.
Kyrgyzstan	2014 – 116.5%	2015 – 333.5%	In 2014, the two largest auctions in history for the sale of subsoil use licenses took place in Kyrgyzstan. The license for the right to conduct prospecting work at a placer gold deposit was sold to a Turkish company for $670,000, and the license for antimony mining was sold to a local investor for $4.5 million (Ernst and Young Audit LLC [EYA], 2015).
Lithuania	2013 – 108.2% 2014 – 103.8%	2015 – 290.2%	In 2012, law enforcement-initiated corruption cases against the deputy mayor of Vilnius for taking bribes. The criminal service of the customs department disclosed the biggest case ever of systemic corruption at the Medininkai international border crossing point, as a result, 30 customs officials were arrested for accepting bribes when illegally managing the lines at the border with Belarus. In 2012, the government lost the parliamentary elections to a center-left party. Additionally, a newly established party (Way of Courage, Drąsos Kelias) that had raised allegations of judicial corruption, entered parliament in October 2012 (Bertelsmann Stiftung's Transformation Index [BTI], 2014).
Latvia	2013 – 105.6%	2014 - 105.6%	In December 2013, Latvia became a new member of the euro area to share the same currency, among 18 Member States of the European Union (European Commission, 2014).
Moldova	2020 – 106.3% 2021 – 105.9% 2022 – 108.3%	2021 – 248.0% 2022 – 151.3%	In 2020, Maia Sandu won the election and became the president of the Republic of Moldova, the first Moldova female president (Presidency of the Republic of Moldova, n.d.).
Russia	2015 – 107.4% 2020 – 107.1%	2016 – 474.8% 2021 – 426.7%	In 2015, a leading opposition politician, former Deputy Prime Minister of Russia Boris Nemtsov, was killed in Moscow (BBC News, 2015). The agreement on the creation of the Eurasian Economic Union came into force (Chatham House, 2022).
Ukraine	2020 – 110.0%	2021 - 2616.4%	In 2019, the High Anti-Corruption Court was established in Ukraine (U4 Anti-Corruption Resource Centre, n.d.).
Uzbekistan	2016 – 110.5% 2019 – 108.7%	2019 – 370.8%	In 2016, Shavkat Mirziyoyev was elected as president, following the death of Uzbekistan's former leader (Eurasian Research Institute [ERI], n.d.).

Source: Authors' elaboration.

Table 3 suggests that some events can affect corruption perception and in the short run impact the investors' decision-making. This indicates that *H2* is true. In the discussion section, the results are developed.

5. DISCUSSION

Taking into account that correlation coefficients are normally used for searching for associations between two variables, and do not suggest casual relationships (Clarke & Cooke, 1978; Schober et al., 2018),

the authors have to admit that limitation. However, the initial goal was to determine whether a bidirectional relationship exists. Since the correlation analysis did not reveal significant results for the dynamics of CPI and FDI, a possible explanation can be as follows. With a high degree of probability, in post-Soviet countries, the volume of attracted FDI is influenced by numerous other factors. This influence outweighs the negative effect of corruption. This explanation corresponds to the findings of Abdella et al. (2018), who concluded that Russia, among other BRIC countries (China, India, Brazil), is the exception to the common rule regarding corruption and its effect on investments. In such countries, a wealth of natural resources and a wide domestic market are decisive advantages for potential investors. This appears to be plausible regarding the rest of the post-Soviet countries. For example, historically, the Central Asia region has always been the focus of international interest. Kazakhstan has a high potential for oil and coal. Kyrgyzstan and Tajikistan are rich in hydro energy. Uzbekistan and Turkmenistan own large gas reserves (Zakeri et al., 2022). The countries of Central Asia are of investment interest, primarily China. In addition, the Russian Federation, as a geopolitical heavyweight, is also actively investing in this region. The majority of Chinese investment in countries such as Kazakhstan, Tajikistan, and Kyrgyzstan is in mineral resources and agricultural commodities. Chinese investments abroad, as a rapidly growing and leading source of foreign capital, have many specific aspects under examination. As Lu and Blanton (2024) found, one such aspect is that FDI from China is drowned in host countries with low levels of human rights. In turn, abuse of human rights is often associated with highly corrupt countries. Therefore, the assumption that corruption in Central Asia is not a significant factor for foreign investors appears to be plausible.

According to the classification by Zakharova et al. (2020), based on the analysis of the countries of Central and Eastern Europe, including the Baltics (Estonia, Lithuania, and Latvia) have a safe level of investment security, whilst Russia, Moldova, and Ukraine — in a dangerous zone. The Baltic countries are prosperous in terms of the level of corruption, as well as the economic and political environment. Inward FDI in the Baltics comes primarily from Scandinavia (Finland, Sweden, and Norway), round-trip countries (The Netherlands, Luxembourg, Cyprus), and non-EU-members, such as Russia, Ukraine, United States. Wherein, foreign companies consider the Baltics as a place with cost differences in skilled labour (Cieślik & Gurshev, 2021). This explains the lack of relationship between the dynamics of the perception of corruption level and the volume of attracted FDI in the Baltics.

Alongside, studying the reasons for sharp single changes in the level of the CPI accompanied by an increase in FDI in the same period or a year later gave the following results. As Table 3 reports, some significant political and economic events with a high rate of plausibility could cause those CPI and FDI to change. Summarizing the data obtained, the authors form the two groups of context in terms of both perceived corruption and investors' expectations, as follows:
- political;
- regulative.

Any major political changes in countries classified as highly corrupt can significantly affect both the level of perceived corruption and investment activity. Especially if such transformations are followed by institutional reforms. The case of Armenia showed that improvements in CPI score and FDI inflows happened right after a new Prime Minister came to power, and made anti-corruption reform a priority. In Kazakhstan, the resignation of the country's President N. Nazarbayev in 2019 had a positive impact on the level of perception of corruption and the volume of attracted investments in 2019–2020. Similarly, in Uzbekistan in 2016 a new president won office after the former leader's death. In 2020, for the first time in Moldova's history, a female president won the election. Typically, the intensification of anti-corruption campaigns and the establishment of economic contacts with foreign partners accompany major political changes. Political will not positively influence anticorruption efforts. Even though this influence might not always be essential, political will is a necessary condition in anti-corruption campaigns, according to Ankamah and Khoda (2018).

Regulative context matters, when decisions taken at the legislative level seriously affect the state of corruption and the business environment. These factors are linked with the procedures for regulating relations between the state and business, but can also be considered separately. As Gardiner (2017) reported, building permits, the approvals of subdivision plans, and other land use-related procedures give public inspectors the opportunity to rent, even in developed countries, and the degree of regulation moderates the effect of corruption, according to Chen and Cheng (2019). The cases of Armenia and Belarus, where improvements in business regulations were established, belong to this group of contextual factors, while the cases of Georgia and Ukraine regarding the approval of anti-corruption programs have rather political implications.

Thus, political and regulatory factors are of contextual importance in the implementation of both anti-corruption policies and measures to attract foreign investors.

6. CONCLUSION

The aim of this study is to analyze the relationship between corruption and FDI inflow in post-Soviet countries, as well as examining the political and economic anti-corruption factors that influence the FDI influx. For this objective, data on the dynamics of CPI and FDI in 15 post-Soviet countries for 2013–2022 were analyzed. The authors hypothesized that there might be a negative relationship between the dynamics of CPI and FDI in these countries. Based on the results of the Pearson correlation analysis, the authors did not find a statistically significant relationship between the two variables. Mostly, the correlation is low or negligible, and when calculated, taking into account the delayed (1-year) influence of the corruption perception index on investment activity (volume of attracted FDI), the results did not fundamentally change. It can be explained by the action of other factors with greater influence. For instance,

the presence of natural resources and raw materials attracts strategic investors to Central Asia and Russia, despite the high level of corruption, meanwhile, the Baltic countries are an attractive region for the EU with cheaper labor. Along with this, to explain certain positive changes in the dynamics of the CPI, accompanied by a sharp increase in FDI inflows, a content analysis to identify the most significant events in the politics and economy of the countries under consideration were conducted. Authors hypothesized that significant policy and regulatory changes could have a positive impact on both corruption and investment inflows. The analysis with a high degree of probability confirmed the presence of such factors in the period under review for the selected sample of countries. These are changes in key political figures, approval of new anti-corruption strategies, and easing of business regulation, among others.

A comprehensive examination of the factors influencing investors' decisions to undertake investment projects in a host country holds significant practical implications for policymakers designing investment strategies in transitioning economies. In the era of globalization and intensifying competition for investments worldwide, comprehending these factors is essential for determining the economic success of developing countries. While corruption undoubtedly affects investment activity, this study did not discern a clear pattern in this regard. Limitations of the study stemmed from the absence of empirical data on investor perceptions of corruption in the host country, necessitating the use of secondary statistics as a data source. Future research endeavors should consider incorporating independent variables such as the World Bank political stability index and the ease of doing business index into the empirical models.

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