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Anton Andriienko

*PhD in Public Management and Administration,
Junior Researcher of the Department of Analysis and
Forecasting of International Trade,
State Scientific Research Institute for Informatization and Economic Modeling
ORCID: <https://orcid.org/0000-0001-7780-0557>*

THE GEOMETRY OF TRUST: DIGITALIZING COMMUNITY ASSETS AS A CATALYST FOR SUBNATIONAL INVESTMENT IN EMERGING MARKETS

The study substantiates a multi-level governance model for the digital transformation of subnational investment promotion within the “InvestMap Communities” ecosystem. By synthesizing Robert Shiller’s narrative economics with the Asset-Based Community Development framework, the research demonstrates how georeferenced asset visualization mitigates risk premiums for international capital in post-crisis regions. Scientific novelty lies in the conceptualization of an institutionalized digital infrastructure that ensures project viability after donor support via a strategic Exit Strategy. The article concludes that this digital counter-narrative effectively reduces information asymmetry and transaction costs, facilitating the transition of territorial communities into active participants of the global investment market.

Keywords: digital transformation, investment promotion, narrative economics, risk premium, asset mapping, regional development, communities, ABCD, foreign direct investment.

Андрієнко Антон Олегович

*доктор філософії з публічного управління та адміністрування,
молодший науковий співробітник відділу аналізу та
прогнозування міжнародної торгівлі,
Державний науково-дослідний інститут
інформатизації та моделювання економіки*

«ГЕОМЕТРИЯ ДОВІРИ»: ЦИФРОВІЗАЦІЯ АКТИВІВ ГРОМАДИ ЯК КАТАЛІЗАТОР ІНВЕСТИЦІЙ НА РЕГІОНАЛЬНОМУ РІВНІ НА РИНКАХ, ЩО РОЗВИВАЮТЬСЯ

Стаття присвячена комплексному дослідженню та теоретичному обґрунтуванню багаторівневої моделі управління цифровою трансформацією залучення інвестицій у територіальні громади України в умовах післявоєнного відновлення. Об’єктом аналізу є екосистема “InvestMap Communities”, яка розглядається як цифрова інфраструктура для подолання інформаційної асиметрії між міжнародними інвесторами та субнаціональними можливостями. Автор доводить, що традиційні моделі допомоги мають трансформуватися у стійкі ринкові рішення, де громади є активними суб’єктами глобального інвестиційного ринку. Дослідження базується на теорії наративної економіки Роберта Шиллера для пояснення механізму зниження «ризикової премії», що супроводжує інвестиції у кризові регіони. Через цифрову візуалізацію активів екосистема створює контрнарратив, замінюючи абстрактні уявлення про ризики даними про промислові майданчики та інженерні мережі. У роботі розкрито архітектуру моделі, що охоплює донорське фінансування через LDFF, кураторство Міністерства економіки, доквілля та сільського господарства України, регіональний нагляд та локальне управління даними. Особливу увагу приділено методології Asset-Based Community Development (ABCD), яка переорієнтує фокус громади з дефіцитів на наявні ресурси, перетворюючи мешканців на співвиробників економічної вартості. Дослідження класифікує активи на наявні об’єкти (brownfields) та «м’які» активи, зокрема людський капітал та інституційні зв’язки. Прозорі дані у системі GIS знижують транзакційні витрати для підприємств, які розглядають можливості релокації. Наукова новизна полягає в концептуалізації механізму інституціоналізації цифрової інфраструктури через стратегію виходу (“Exit Strategy”), що передбачає перехід права власності до державних органів та забезпечення життєздатності проєктів після завершення підтримки від GIZ чи ПРООН. Це гарантує, що екосистема стане постійним інструментом деризиків та сприятиме економічній стійкості територій. Результати підтверджуються дорожньою картою, яка забезпечує відповідність проєктів вимогам EU Sustainable Finance Agenda та стимулює приплив капіталу в банківські проєкти на рівні громад. Цифровізація є фундаментальною умовою інституційного виживання громад у глобальному середовищі.

Ключові слова: цифрова трансформація, залучення інвестицій, наративна економіка, ризикова премія, картографування активів, регіональний розвиток, громади, ABCD, прями іноземні інвестиції.



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Problem statement. The global landscape of foreign direct investment (FDI) has undergone a profound shift, with inflows to developing countries contracting from a pre-crisis average of 3% of GDP to less than 2% in recent years [15]. For emerging markets, particularly those navigating the complexities of post-conflict reconstruction and institutional fragility, the challenge of attracting international capital is exacerbated by a high “Risk Premium” that reflects not only tangible structural barriers but also subjective perceptions of instability [8]. Ukraine stands at a critical juncture where the state budget and traditional donor aid are insufficient to meet the magnitude of reconstruction requirements, given that the country currently allocates 27.2% of its GDP to security and defense needs [13]. This necessitates a fundamental shift from traditional aid models to sustainable, market-driven solutions that empower local communities to become active participants in the global investment ecosystem. Digital transformation emerges as the primary vehicle for this transition, as the “InvestMap Communities” ecosystem represents an integrated digital infrastructure designed to bridge the information gap between international investors and subnational opportunities. While business-friendly policy environments and the removal of regulatory barriers are critical to the decisions of multinational enterprises, the primary obstacle at the subnational level remains information asymmetry [15]. Lack of transparency regarding georeferenced assets leads to a “market for information” failure, where parent companies and their location advisors are reluctant to consider new sites that are not already “on their map” [14].

Analysis of recent research and publications. The study of subnational investment promotion is deeply situated within the broader literature on economic governance and the role of Investment Promotion Agencies (IPAs). Research by Wells and Wint [14] consistently demonstrates that IPA contributions are most pronounced in developing countries where they serve as essential tools to overcome information asymmetries. However, traditional models often focus on “marketing a country” at the national level, neglecting the critical role of subnational entities in managing localized data and providing aftercare services to investors.

To address this gap, it is essential to integrate contemporary perspectives on regional policy and economic narratives. In the context of Ukraine's recovery, Stepan Davymuka [1] argues that regional policy has transformed into a critical factor for ensuring territorial integrity and security. Davymuka emphasizes that innovative tools – such as industrial parks, IT clusters, and smart-specialization – represent the most rational path for compensating human capital losses and preventing technological lagging behind the EU. His concept of “regional innovation system modules” at the community level provides a strategic framework for the digitalization of services and assets proposed in this study.

The theoretical foundation is further enriched by Robert Shiller’s “Narrative Economics” [11], which

posits that viral stories and explanations shape individual decision-making and drive economic fluctuations. In financial markets, these narratives act as scripts during times of uncertainty. Research by Hirshleifer et al. [6] supports this by showing that “war discourse” and disaster narratives create a measurable “disaster premium,” which significantly affects market returns. Similarly, Sharpe et al. [10] demonstrate that the tonality of narratives accompanying economic forecasts serves as a powerful signal for future economic performance.

Methodologically, the transition toward proactive community development is supported by the work of Phillips and Pittman [2], who advocate for the integration of finance and marketing considerations into community strategic planning. This shift is operationalized through the Asset-Based Community Development (ABCD) framework pioneered by Kretzmann and McKnight [3]. Unlike traditional needs-based models that focus on local deficits, ABCD prioritizes the identification and mobilization of existing community capacities and assets, transforming residents from passive “clients” of services into active “co-producers” of economic value.

The purpose of the article. The primary objective of this article is to substantiate the “InvestMap Communities” ecosystem as a multi-level governance model for the digital transformation of subnational investment promotion. This study aims to explore the interplay between international donor funding, national policy coordination, and local data management, utilizing Shiller’s Narrative Economics to explain the reduction of the Risk Premium. Furthermore, the research evaluates the effectiveness of the ABCD framework in mapping hard and soft assets and proposes a sustainable roadmap for the institutionalization of digital investment infrastructure in post-crisis territories.

Summary of the main research material. The digital transformation of regional investment promotion requires a sophisticated governance architecture that operates through a vertical integration model ensuring technical compliance and strategic coherence across four levels. At the highest level, international donor funding provided by agencies such as UNDP and GIZ acts as the catalyst for innovation and de-risking, with the Local Development Finance Facility (LDFF) serving as a strategic tool to resolve bottlenecks in loan utilization [13]. By integrating de-risking instruments and blended finance, donors create a protective layer for international capital, transforming reconstruction priorities into bankable projects capable of attracting investment from global financial institutions [8]. The Ministry of Economy, Environment and Agriculture of Ukraine serves as the national policy anchor, aligning subnational efforts with the EU Sustainable Finance Agenda and ensuring that digital platforms are part of a single, coherent ecosystem [12]. This coordination reduces regulatory fragmentation and establishes a framework that mobilizes private capital for climate-resilient growth while overseeing the implementation of voluntary transparency standards [13]. Regional oversight focuses

on quality assurance and georeferencing, providing technical training to municipal representatives in information management and GIS to ensure that data entered at the local level is accurate and compliant with national spatial data requirements [13]. Local data management is where the primary asset mapping occurs, shifting the focus from local deficits to identified strengths and potentials of the community [3].

The success of subnational investment promotion is heavily dependent on the “stories” told about a region, as Robert Shiller’s theory posits that narratives function as social epidemics influencing behavior and risk perceptions [11]. In post-crisis territories, the prevailing narrative is often one of disaster risk, leading investors to demand a high “fear premium” that acts as a barrier to capital entry [6]. The “InvestMap” digital showcase acts as a counter-narrative mechanism, replacing abstract fear with concrete georeferenced data that allows potential investors to see digitized brownfields with precise utility coordinates and transport routes [7]. This transparency reduces the risk premium by providing an unbiased reflection of fair value, which is the present value of expected future cash flows discounted at an appropriate rate. Mathematically, the return on a regional investment $R_{i,t}$ can be modeled as a function of the risk-free rate $R_{f,t}$ and the narrative-based risk premium $P(N_t)$: $R_{i,t} = R_{f,t} + P(N_t)$, where N_t represents the vector of narrative topic distribution at time t . The “InvestMap” ecosystem aims to minimize the disaster component by highlighting resilience and bankable projects. By providing real-time data and monitoring through digital platforms, the recovery narrative remains salient, countering the collective memory of the crisis with a contemporary story of reconstruction [11].

The core methodology for data collection within the ecosystem is the ABCD framework, which categorizes assets into groups to ensure a holistic view of community potential [2]. Unlike traditional needs maps that focus on negative indicators like high unemployment or crime, asset mapping focuses on abilities, skills, and strengths present within the community [3]. Hard assets represent the tangible structural foundation, primarily referring to “brownfields” or abandoned industrial properties that can be transformed into assets for neighbors and neighborhoods [5]. Mapping these properties includes recording fixed structural features, buildings, and transportation routes, georeferenced alongside broadband and technological infrastructure data [4]. Soft assets include human, social, and institutional gifts that

are vital for attracting high-value-added FDI and driving productivity spillovers [8]. Soft asset mapping includes capacity inventories of skills gained at home or work, as well as the identification of community connectors and associations that build social capital. For an investor, the presence of institutional assets such as Business Membership Organizations or “Made in Ukraine” offices represents a critical support structure for public-private dialogue and investment facilitation [13].

A critical challenge for donor-funded digital infrastructure is ensuring its long-term viability once external funding is withdrawn, necessitating an “Exit Strategy” built into project design from the outset [9]. This involves the institutionalization of the digital ecosystem within national frameworks and the transition from top-down donor programs to community-led efforts. Sustainability requires government ownership and the establishment of National Implementation Units that are well-functioning within the relevant national framework for coordination [9]. Institutionalization also involves aligning local asset maps with national development frameworks and international policy dialogue to ensure that the digital showcase becomes a permanent feature of the investment promotion framework. By moving from targeted support to systemic solutions, local business associations and regional administrations develop the capacity and motivation to provide quality services and influence policy independently [13]. The goal is to ensure that the infrastructure remains a viable de-risking tool that continues to reduce transaction costs and foster economic resilience long after the initial donor intervention.

Conclusions. The digital transformation of subnational investment promotion, exemplified by the “Invest-Map Communities” ecosystem, represents a paradigm shift in how emerging markets attract and retain international capital. By adopting a multi-level governance model that integrates donor de-risking, national policy coherence, and local asset mapping, the ecosystem addresses the structural failures of information asymmetry and high transaction costs. Robert Shiller’s theory of Narrative Economics provides the essential lens for understanding the power of the digital showcase, as georeferenced and transparent data serve as a potent counter-narrative to disaster-related risk perceptions. Ultimately, the successful institutionalization of this infrastructure through a robust “Exit Strategy” ensures that territorial communities move from being passive recipients of aid to becoming active co-producers of economic value on the global investment map.

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