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METHODS OF SELECTION OF INVESTMENT PROJECTS IN PRACTICE OF LOCAL GOVERNMENTS

Abstract: The attainment of the development of the local government unit requires a certain investment projects. The decision to implement or reject the investment is a complex process. Since the accuracy of forward-looking decisions depends on the competitiveness of the city or district, investment decisions can be divided into three groups: decisions corrugated rejection or acceptance of a particular investment project, decisions concerning the selection of an investment option among several competing, and decisions about the must unitable development program). In the first part of the article the autor shows the essence of simple statistical methods: the utility value analysis, the synthetic index method and taxonomic methods. In addition the autor presents a method of dynamic comparison of investment project by NPV and IRR. In the empirical part the autor evaluates fundamental investment projects in Baltic Sea spa town Kołobrzeg in Poland. Case study is based on data from the Multi-Year Financial Plan for the years 2013-2018 and the budget 2013. In conclusion, after comparing the results of different methods, you will find considerable variation order of preference of decision-making in the implementation of project, using different methodology of choice. Assessment of the effectiveness of investment projects should be made by applying the package methods, as the simplified point method used so far seems to be too unreliable. The problem, however, presented to the city in Poland, is universal to other European Union countries, including Slovakia.

Keywords: local development, investment project, local government, classification methods

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Introduction

Making an optimal investment decision in practice of local governments is not an unequivocal issue: most often we have to deal with a situation in which the investment project is to achieve several objectives simultaneously. This requires making decisions based on several criteria. A classic example of such a situation is the need to choose between a project that brings direct income while not complying with other requirements, for example, environmental ones, and a project that generates a lower income but meets the requirements of environmental protection.