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on the topic:

« INTERNATIONAL INVESTMENT ACTIVITY OF UKRAINE »

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INTRODUCTION

International investment activity of the country is essential for any country. The value of research of such a topic is conditioned by the need to boost the economy based on strengthening its investment base. That is why Ukraine should increase the efficiency of attracting foreign investments to the economy of the country. After strengthening, the economy of Ukraine may begin to invest more abroad and receive advantages from such activity, but for now, in order to develop Ukraine needs to involve funds abroad.

The formation of a developed open market economy directed on the socio-economic and political development of Ukraine at the present stage. In addition, the most essential condition for attracting foreign investment to our country is the formation of an effective mechanism for improving the efficiency of attracting foreign investment in the economy of Ukraine and increasing the level of investment attractiveness.

The relevance of the research topic is also determined by the need to attract foreign investment to solve both strategic and current problems of financial, economic and social development of Ukraine. At the same time, the imperfection of the legislative framework and the legal regulation of the relations between the state and the foreign investor, defects in the customs legislation, excess of powers of state officials and corruption, unstable foreign political and economic situation, the imperfection of the tax incentive system deter foreign investors.

Thus, in order to receive foreign investments into the Ukrainian market, the problems mentioned above should be eliminated. In order to improve the functioning of the investment attraction mechanism, it is necessary to implement effective measures aimed at improving the infrastructure and continuing to grow the business. Thus, the investment climate will be more favorable, which will subsequently entail an influx of foreign investment into the country's economy. The main task of foreign investment is not only to provide additional financial investment in the economy but also to meet the host country's need for new progressive methods of production and means of production.

At the same time, new industrial relations are being formed in the recipient country, which allows more efficient use of available foreign capital. Increasing foreign investment is not only the basis of recovery processes, but also a factor in reducing unemployment, increasing tax revenues to the budget, improving the level of management, increasing competition in the national economy, and developing the social sphere.

It should be mentioned that the problematic of the investment climate of Ukraine, the effective investment policy of the government, attracting foreign investment into the Ukrainian economy and determination of the attractive sectors for the economic development to the economy of Ukraine considered in the works of such scientists as Buryak A., Skorobogatova N.E., Kovtun N.V.[5], Kolyada O.V.[7], Fedorchuk O.S.[7], Chernyshov L.O., Sazanova V.V., Lukyanenko D.G.[10], Korepanov G.S.[11], Koval G., Markevich K. L., Zadoya A.O.[29] and others. However, the escalation of political and economic crisis and these phenomena caused a sharp decline in foreign investment sharpness further scientific development problems of foreign investment remains relevant.

The purpose of the study is to deepen theoretical and methodological provisions of investment activity of Ukraine and propose recommendations for developing a mechanism for improving the efficiency of attracting foreign investment in the Ukrainian economy and activate investing abroad in the future.

According to the aim of the study, in the process of the research, such tasks were carried out, and determined the structure of the work:

- evaluation of international investment activity of Ukraine;
- analysis of the structure and dynamics of international investment activity of the country;
- estimation of factors of influence on investment flows of Ukraine;
- analysis of results of international investments in the country;
- prior areas and ways of development for the international investment of Ukraine;

- forecast evaluation of the implementation of the proposed measures for the development of international investment activity of Ukraine.

In the course of work, the author has used such general scientific methods and techniques as scientific abstraction, modelling, analysis and synthesis, methods of grouping, comparison, economic-statistical, graphic, as well as methods of systematization and scientific generalization.

The object of the study is the process of investment activity of Ukraine and its structure and components on the stage of the formation of the economic stability of the country.

The subject of the study is the methodology of organizational, economic and financial relations, which reflect the provision of increasing and optimal structure of investments, mechanisms of efficiency of their realization in the modern Ukrainian economy.

Methods of the study. The methodology of the study is based on the generalization of some theoretical provisions of different concepts of domestic and foreign scientists, which discusses the main directions of the topic. To achieve this goal and solve the main tasks, author has used a set of general scientific and special research methods: methods of systematization, grouping and generalization to determine the peculiarities of formation of the mechanism of attracting foreign investments in the economy of Ukraine (p 1.1); economic and statistical method for analysis of tendencies of the structure and dynamics of foreign investments in the economy of Ukraine (p 1.2); method of ratings and method of coefficients for determining the effectiveness of the current mechanism for attracting foreign investment in the Ukrainian economy (p 2.1); method of structural analysis was used in the process evaluation of the results of international investments in Ukraine (p 2.1); method of theoretical analysis and synthesis to study prior areas and ways its development (p 3.1); structural analysis methods used in the process of developing proposals to reform the mechanism of increasing the efficiency of attracting foreign investment in the Ukrainian economy (p 3.2).

The scientific novelty of the research is to systematize the results of the analysis of the peculiarities of the state's investment activity at the present stage and to develop on the basis of the analysis of the proposals for reforming the mechanism of increasing the efficiency of attracting foreign investments in the Ukrainian economy in order to increase its efficiency and end provide economic growth.

On the topic of the final qualifying paper, an article was written and published in the collection of master's articles "International Economics. Collection of Scientific Articles of Students. Part Two. Kyiv National University of Trade and Economics, 2019".

Structure and scope of work. The master's work consists of an introduction, three sections, conclusions, a list of references used and applications. The total volume of work is 61 pages. Materials of the study contain 6 tables, 7 figures, and 9 applications. The list of sources used contains 30 names.

PART 1

EXPLORATION OF INTERNATIONAL INVESTMENT ACTIVITY OF UKRAINE

1.1. Evaluation of investment activity of Ukraine

The international investment activity of Ukraine plays a significant role in the economic development of Ukraine. Unfortunately, the economy of Ukraine cannot provide the needed level of investment activity by itself, but for the last few years' situations improved. At this stage of economic development in Ukraine, investment is one of the main ways of solving important problems: increasing the level of economic development and improving the quality indicators of economic activity at different levels. That is why the exploration of the international investment activity of Ukraine is relevant and significant.

Attracting foreign investment enables the recipient country to benefit from a number of benefits, the main ones being improved balance of payments; transfer of the latest technologies and know-how; integrated use of resources; development of export potential and reduction of dependence on imports; achievement of socio-economic effect (increase of employment level, development of social infrastructure, etc.). At the same time, the use of foreign investments for the country is a potential source of threats, such as exploitation of raw materials and pollution of the environment, increasing the level of dependence of the country on foreign capital, reducing the level of competitiveness of domestic producers, transfer of capital abroad.

Attracting long-term foreign investments, as well as intensifying their "promotion" activities during almost all the years of Ukraine's independence, was one of the priorities of its economic policy, defined by some official documents. However, unfortunately, the results today are disappointing, and large Western investors are wary of Ukraine[1].

Undoubtedly, there are a number of attractive investment factors in Ukraine that contribute to the expansion of its investment ties: large capacity and virtually unlimited domestic market from most commodities positions; geographical location at the intersection of major transport routes between Europe and Asia; relatively cheap and at the same time skilled labor; scientific potential; developed infrastructure (availability of ports, bridges, airports, warehouses, communication systems, water supply) and more.

The main goal of the investment policy of the government should be the attraction of foreign direct investments, and the stimulation of investment activity.

The situation in the investment market is contradictory. On the one hand, the military conflict with Russia and the temporarily occupied territory of Ukraine provides high risks for foreign investors. That is why, since the beginning of this situation in 2014, the size of investment flows has decreased significantly.

For January 1st, 2019, Ukraine received a lower amount of FDI comparing with the same date but in 2014 (Table 1.1).

Table 1.1

Foreign direct investments inflow in Ukraine (2014 – 2019), bln. doll. USA[2]

Year (data on January 1st)*	FDI inflow**	% of the total amount
2014	53,70	24,42
2015	38,36	17,44
2016	32,12	14,61
2017	31,23	14,20
2018	31,61	14,37
2019	32,88	14,95
Total	219,90	100,00

*Here and after all data taken from UkrStat presents FDI in/from Ukraine at the reporting date by the cumulative result

** Here and after only available data was used as some information is not disclosed to ensure compliance with the requirements of the Law of Ukraine "On State Statistics" on the confidentiality of statistical information.

As can be seen from Table 1.1 amount of received foreign direct investments at the beginning of 2014 is higher than at the beginning of 2015. The start of Russian aggression and related to this military situation on the east of Ukraine can explain such changes. The number of investments afterwards only decreased until the beginning of

the 2018th. In addition, it worth mentioning, that the percentages of FDI inflows since 2016 in the total amount of analyzed period are almost on the same level, moreover, the systematic inflow has been increasing since 2017th.

A more detailed analysis of foreign direct investment dynamics presented in Table 1.2 stated below. Table 1.2 were analyzed such indicators as absolute increase, coefficient of growth, growth rate and rate of increase by chain method.

Table 1.2

Analysis of dynamics of FDI inflow in Ukraine (2014 – 2019), bln. doll. USA[2]

Year (on January 1st)	Foreign direct investments, bln. doll. USA	Absolute increase, bln. doll. USA	Coefficient of growth	Growth rate, %	Rate of increase, %
2014	53,70				
2015	38,36	-15,35	0,71	71,42	-28,58
2016	32,12	-6,23	0,84	83,75	-16,25
2017	31,23	-0,89	0,97	97,22	-2,78
2018	31,61	0,38	1,01	101,20	1,20
2019	32,88	1,28	1,04	104,04	4,04
Avarage	36,65	-4,16	0,92	91,53	-8,47

Absolute growth characterizes how many units' current level is more or less than the level of the base or previous period (in our case, the second one). It is measured in the same units as the analyzed data. According to the data from the table, it can be seen that the decrease is significant - minus 15.35 billion dollars in a year and minus 7.12 billion dollars in total for the next two years, and unfortunately, the following increase is not as rapid as decrease. The average absolute increase, but in our case decrease, is minus 4.16 billion dollars, which means that on this amount each year of corresponding period FDI was decreasing.

The growth coefficient shows how much the level of the current period is more or less than the previous. This indicator expressed in percent is called the growth rate. In addition, the rate of increase shows how many percents' current level is higher or lower than the previous one. Comparing to the January 1st of 2014th year, in 2015, the growth rate was 71.42 %, and minus 28.58% of the increase. On January 1st 2018th starts a very slow increase with only 1.2 percentage, and 4.04 on the same date this year. The

average rate of increase for the corresponding period is minus 8.47 %. Moreover, this result shows negative statistics.

Unfortunately, the decrease in FDI inflows was sizable. Investors have shortened their investments in Ukraine because since the situation on the east begins, our country became unpredictable for doing business and too risky for them.

According to the data from Table 1.3, more detailed information about investment flows. As can be seen, there is no clear regularity or stability. There is no wonder about such a situation, because of the unstable situation in the country.

Table 1.3

Non-resident Direct Investment in Ukraine (Equity) (2015-2019), bill. doll.

USA[2]

	2015	2016	Dynamics 2016/2015	2017	Dynamics 2017/2016	2018	Dynamics 2018/2017	2019	Dynamics 2019/2018
on January 1st	38,36	32,12	-6,23	31,23	-0,89	31,61	376,1	32,88	1,28
Received share capital of non-residents	4,32	4,41	0,08	2,51	-1,89	2,87	0,36	1,26	-1,61
Lost share capital of non-residents	-0,89	-0,90	-0,01	-0,76	0,16	-0,97	-0,21	-0,73	-0,24
Other changes in the value of non-resident equity (change in value, loss, reclassification of investments, etc.)	-8,82	-2,69	6,13	-0,33	2,36	-1,22	0,89	0,31	1,53

Analyzing data from the upper table, the changes could be noticed. Received share capital of non-residents decreased, but increasing changes in the value of non-resident equity, exchange rate difference and no significant changes in the debt instruments offset the difference and the overall dynamics are positive. As of July 1st, 2019, foreign direct investment (FDI) in Ukraine amounted to \$ 33.7 billion, or \$ 0.84 billion, or 2.6% more than at the beginning of the year.

Investments in the first half of this year amounted to \$ 1.2 billion, withdrawals - \$ 728.9 million, other changes in the value of non-resident equity - \$ 309 million, including exchange rate differences - \$ 520.8 million.

Considering the foreign direct investment outflows (Table 1.4), this indicator shows not significant, but the decrease of outflows from the country, which indicates the low activity of the country in investing abroad, and as a result low revenue from invested capital.

Table 1.4

Foreign direct investment outflow from Ukraine (2014-2019), mln. doll. USA[2]

Year	Foreign direct investment	% in the total amount	Absolute increase, bln. doll. USA
2014	6,70	17,44	
2015	6,46	16,80	-0,25
2016	6,32	16,43	-0,14
2017	6,35	16,51	0,03
2018	6,32	16,45	-0,02
2019	6,30	16,38	-0,03
Total	38,44	100	-0,41
Average	6,41	-	-0,08

Comparing flows of investment in and out of the country, easily seen that difference in the amounts. Companies choose to invest in foreign markets for several reasons, often the same reasons for expanding their operations within their home country. Ukraine has no sources to invest abroad, and no such multinationals will take this role. For today, foreign investments are one of the bigger chances to increase economic efficiency and growth.

Unfortunately, the statistic of inflows by country clarifies the lie of the land is not a positive way.

According to Table 1.5, all the way the most significant amount received from Cyprus and the Netherlands and Great Britain. During six years the number of countries invested in Ukraine stays the same, and except mentioned above also Germany, Swiss, Virgin Islands, Russian Federation, and Austria.

The most substantial increase in FDI in January-June 2019 was recorded from Cyprus - \$ 388.8 million; Netherlands - \$ 295.1 million; Russia - \$ 145.5 million; Switzerland - \$ 100.3 million.^[3]

Table 1.5

Foreign Direct Investment (Equity) from the 8 biggest investors in the Economy of Ukraine (2014-2019) bln. doll. USA[2]

Country	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018	01.01.2019
Cyprus	17,73	11,97	9,89	8,79	8,93	8,88
Netherlands	9,01	6,89	6,09	6,03	6,40	7,06
Great Britain	2,77	2,15	1,79	1,95	1,94	1,96
Germany	2,91	2,11	1,60	1,56	1,68	1,67
Swiss	1,35	1,39	1,39	1,44	1,52	1,54
Virgin Islands (British)	2,28	1,99	1,72	1,68	1,36	1,31
Russian Federation	3,53	1,62	0,34	0,81	0,80	1,01
Austria	2,31	1,35	1,15	1,10	1,04	1,01
Others	11,82	8,89	8,14	7,87	7,94	8,45
Total	53,70	38,36	32,12	31,23	31,61	32,88

For analysis of dynamics rate of increase by a chain, the method is used, all data presented in Application A (dynamics calculated as absolute decrease/increase of the calculated year to basic year, in our case, it is 2014 year). According to both Table 1.5 and Application, A Cyprus through the years stays the leader by investments to Ukraine, though the amount is decreasing. The amount of investment received from Cyprus from the total is 33,01% on the January 1st 2014th, and 27.01% on the same date for the 2019th and the difference in percentage in the total amount are only minus 6%.

At the same time, FDI from the Netherlands in total amount increasing and the difference between the first and last explored years only minus 11%, and comparing to other largest investors it is the second-lowest indicator.

It is worth to realize that most pre-war FDI is originated in Ukraine (and Russia) and enter through special-purpose entities. Although the uncertainty surrounding the military conflict with Russia limits investment, the Ukrainian government will have to overcome long-lasting obstacles to foreign direct investment if it hopes to increase the chances of attracting real foreign capital to the country.

Table 1.6 presented data about top six countries, which received the most of investments from Ukraine.

Table 1.6

Foreign Direct Investment (Equity) to the 6 biggest recipients of the investments from Ukraine (2014-2019) bln. doll. USA[2]

Country	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018	01.01.2019
Cyprus	5,93	5,93	5,92	5,93	5,93	5,93
Russian Federation	0,38	0,20	0,12	0,14	0,15	0,12
Latvia	0,10	0,09	0,07	0,07	0,06	0,07
Virgin Islands (Great Britain)	0,03	0,03	0,05	0,06	0,06	0,06
Hungary	0,02	0,02	0,01	0,01	0,02	0,02
Netherlands	0,01	0,01	0,01	0,01	0,01	0,01
Others	0,24	0,19	0,12	0,12	0,09	0,08
Total	6,70	6,46	6,32	6,35	6,32	6,30

The situation is quite clear as through the research period Cyprus in the first place, and it is one of the offshore zones. In 2017, the Tax Code of Ukraine (Article 39) clarified the calculation of income tax in transfer pricing. 27.12.2017 The Cabinet of Ministers has adopted a new List of relevant states (territories). This list includes 63 of the 65 offshore areas identified by the previous Offshore List (CMU Ordinance No.977-r of 16.09.2015) and several other states/territories (85 in total). Some of these states are not “classic offshore” in the conventional sense, but belonging to a non-resident counterparty is a sign of classifying business transactions with them as “controlled” and applying the relevant tax adjustment principles.

Two groups of capital mainly form FDI in Ukraine: ones who owned by foreign residents and those controlled by foreign resident companies of Ukraine (Ukrainian capitals were previously withdrawn from the country, usually to offshore jurisdiction - the FDI round trip). The survey of investor countries in the economy of Ukraine

indicates a low share of FDI from developed countries of the world, while the number of offshore zones is quite significant. In this way, offshore investment displaces the capital of developed countries from the Ukrainian economy and provides only quantitative indicators of FDI growth to Ukraine, not qualitative ones.[4].

1.2. Analysis of international investment activity of Ukraine structure and dynamics

Foreign investment inflows, as was discovered in Part 1.1 come from different countries all over the world, but the largest part of them comes from Cyprus. We cannot be sure that these investments Ukraine received directly from non-residents and that they really benefited the country.

We were considering the structure of investments, statistical data about the number of investment inflows into industrial spheres, which countries invested in these areas and about investment inflows through the regions.

As can be seen from Application B the largest recipient of investment is the industrial sector – 10 823,4 million dollars, but since 2014 their amount decreased significantly from 17 681,4 in 2014, despite not significant increasing from 9 667,6 in 2017. The second area is wholesale and retail trade; repair of motor vehicles and motorcycles - 5 476,7 million dollars on January 1, 2019, and this area has not significant fluctuations of inflows since 2014. Almost the same situation with real estate operations – 4 254, 6 million dollars, a little increasing can be noticed, but still lower than in 2014 – 4 768,3 million dollars. Negative dynamics observed in financial and insurance activities, in the 2014 year the amount of investment received was 12 261,4 million dollars compared with 3 640,8 million dollars as of January 1, 2019.

All other indicators show no significant changes, which shows that the percentage of areas stays almost the same, except for the significant decrease in financial and insurance activities. The leading areas of economic activity in terms of capital investment development in 2018 remain industry – 32.9%, wholesale and retail trade; repair of motor vehicles and motorcycles – 16.6 %, real estate operations – 12.9%,

financial and insurance activities – 11.1% an information and telecommunication – 6.7%.

Ukraine invests abroad comparing with inflows quite less then receives, and this amount does not rise above 7 000 million dollars. The detailed structure of the outflows of investments by sectors presented in Application C.

According to the table, almost all flow invested in professional, scientific and technical activities, through analyzing years their amount decreased only for 1.06% comparing 2019 and 2014 years. Based on the analysis of the movement of share capital from Ukraine mainly in non-productive sectors of the economy. This tendency indicates that the state has no investment policy towards concentrating investments on its own territory.

To define the most valuable areas, comparing of the average growth rates for the last few years might show five greatest sectors that lead the recovery process (Figure 1.1 and Figure 1.2) from which the author will describe three of them in Part 3 and some smaller sectors that in the nearest future years could help to support positive dynamics.

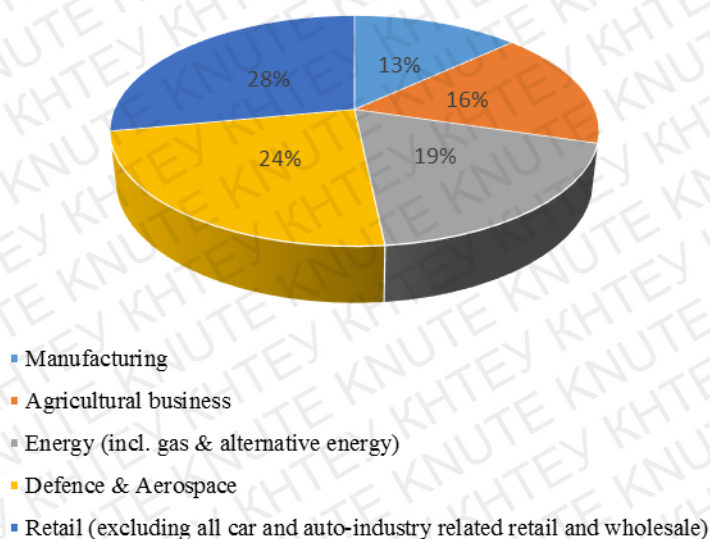


Fig. 1.1 Capital investments growth (average for 3 years)[5], %

Through the Figure 1.1 could be seen the percentage of capital investment growth as average for 3 years calculated by Kyiv Post according to the data of UkrStat, PwC, Deloitte and Concorde, same as Figure 1.2, which shows the size of the sector as contribution into GDP of 2018th or market revenues, depending on relevance. As for Figure 1.1, the first sector by the growth of capital investments is retail with 28 %, the second one is defense and aerospace – 24%, then energy – 19%, agriculture – 16% and 13% in manufacturing accordingly.

However, according to Figure 1.2, energy and agriculture took a lead. Ukraine has a strong potential in all five mentioned areas, and development in these directions would strengthen its position on the world market.

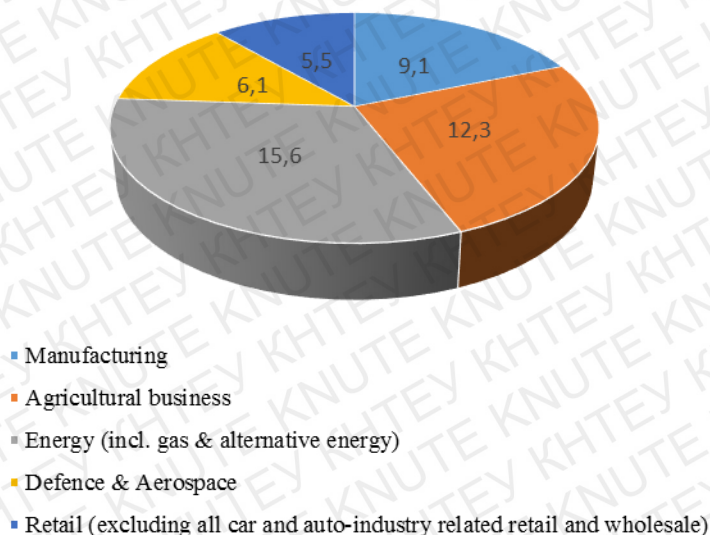


Fig. 1.2 Size of the sector (GDP 2018 contribution or market revenues, depending on relevance)[5], billion USD

Not the least trend analysis is to evaluate the uneven distribution of foreign investment in Ukraine by region. As the experience of developed countries shows, the concentration of production in some regions, which is initially spontaneously formed and, as a result, becomes stable, is difficult to change in the future. The concentration of production is mainly due to the localization of investments in fixed capital and FDI, the growth of which leads to a further concentration of production in individual regions [5].

Data show that foreign investment is unevenly distributed across regions. Thus, in 2014, 6.25% of the population of Ukraine accounted for the city of Kyiv and the share of investments – 48.09%. In 2014, the top five most attractive regions for foreign investors (Kyiv city, Dnipro, Kharkiv, Kyiv, and Donetsk regions) accounted for 79.35% of attracted investments. Moreover, Kyiv always holds the largest share of total FDI, and this percentage is steadily increasing: from 48.09% in 2014 to 52.83% in 2019 (Application D).

All this points to the extremely high differentiation of regions by the level of attracted investment, which is negative for the development of the economy of the

country: there is a rapid development of some regions and the complete decline of others. Although such differentiation is a natural phenomenon. Depression regions exist in any, even highly developed, country.

Estimation of the uneven distribution of investments between regions using the coefficient of localization and concentration [6, p. 150] based on the official population and FDI data (Figure 1.1).

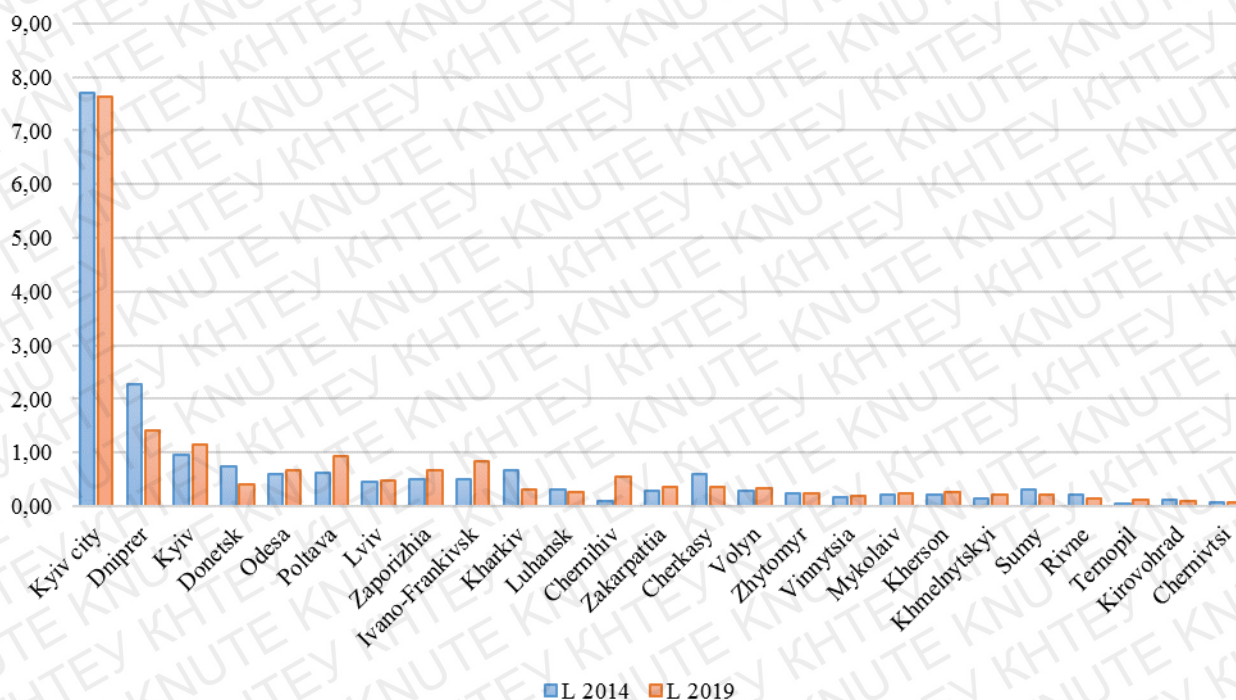


Fig 1.3 The values of localization coefficients in 2014 and 2019 (excluding the temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopol)[2]

From Fig. 1.1 could be seen that in 2014 investments were concentrated in Kyiv, Dniipro and Kyiv region, and in 2019 - only in the capital the level stayed the same, while other regions have lost their attractiveness, and Dniiper, Kyiv regions have almost the same level, much lower than Kyiv city. The level of localization of attracted FDI in Kyiv is 4.9 times higher than the similar indicator of its closest competitor in 2019. If to compare the capital with the region-outsider, the difference is merely striking: in 2014 the concentration of investments in Kyiv was 48.09% when the same indicator of the outsider region was 0.15%, in 2019 – 52.83% against 0.14%. Analyzing the concentration coefficient, it can be argued that the level of FDI concentration is high (48.58 pp in 2014 and 49.67 pp in 2019) and tends to increase.

The analysis of the regional structure of FDI in Ukraine shows that for the last 6 years evidential a steady difference in the attraction of foreign direct investment to

certain administrative and territorial units of the state. In particular, there is a clear tendency towards excessive concentration of foreign direct investment in the capital, and the adjacent region - the total share of Kyiv and Kyiv region as of 2019 accounts for almost 52.8% of the total revenues to the country. Compared to 2014, their share was 48.1%. This tendency can be explained by the fact that foreign investors are mostly majority register companies in Kyiv, and the production facilities are located outside the capital city. Priorities remain in the Dnieper with 16.6 % in 2014 compared with 10.7% in 2019 and Donetsk with 7.1 % in 2014 and 3.9 % in 2019, with their share in FDI decreased at the six-year benchmark. Kharkiv was the third one in 2014 with share 4 % and in 2019 it is on the 10th place with 1.9% The percentage level of regions to total amount differs not significantly and, Kyiv remains the leader in receiving of FDI.[7]

The author wants to mention that in the future it is possible to change the regional structure because the "downside" of Kyiv's popularity among investors is that entering the capital market will require more and more resources, as its niche is currently sufficiently filled. Such costs will eventually be economically unjustified. In this way, investors will switch to regional business opportunities. The future distribution of investment between regions will primarily be related to the concentration of production resources and the development of infrastructure. Special attention will be paid to the loyalty of local authorities and controlling business structures.

The rating agency Euro-Rating updated the investment efficiency rating of the regions of Ukraine according to the results of the 1st and 2nd quarters of 2019 (Application E, Application F). In the second quarter of 2019, six regions at once showed maximum investment efficiency. This is the first case since the start of observations by the rating agency Euro-Rating (4th quarter of 2015). However, almost all of these areas were regularly ranked among the leaders of the rating, so there is no reason to consider such a result unusual.

The Kyiv region retained the first place, although its point score immediately fell by 21 units (to 223 points), which may indicate a potential deterioration in the results in the medium term. The only newcomer who had not previously received an ineA rating was the Mykolaiv region.

However, the Mykolaiv region had all the prerequisites to be among the leaders several years ago. Then, according to the results of investment activity (which is estimated based on the data of the volumes of foreign investments, capital investments and completed construction works), the region was in the top three. However, investments in the local economy did not bring immediate returns in the form of an improvement in indicators such as wages, employment of the unemployed, growth in housing construction and retail turnover. As a result, the assessment of the socio-economic efficiency of the Mykolaiv region was, at best, at an average level. Then, over the past two years, a general failure has been observed. Finally, now the region has achieved a balanced growth of indicators and investment activity and socio-economic efficiency. As a result, the highest rating score.

The remaining regions with high results (Dnieper, Lviv, Poltava) were regularly in the highest part of the rating. The exception is Slobozhanshchina, which, like the Mykolaiv region, fell to lower levels. However, the recession was not so long and not so deep.

Nevertheless, the Mykolaiv and Kharkiv regions have not yet consolidated the positive growth dynamics. This means that they are more susceptible to adverse external or internal factors. In two other categories with high ratings (ineB - ineC), there is a very low number of nominees - only three. Largely, the better of these two categories moved to the ineA level in the 2nd quarter of 2019, and there was no substitution from the middle and lower part of the rating.

Apparently, a certain crystallization of regional economies has occurred. Those who actively worked with investors and effectively used the raised funds began to reap the benefits of improving basic economic and social results. Other regions, however, cannot boast of such returns, which leads to their low rating ratings. [8].

CONCLUSIONS TO THE PART 1

Part 1 consists of paragraph one in which was evaluated investment activity of Ukraine and paragraph two in which was analyzed the structure and dynamics of investment inflows and outflows of investments by sectors of economy and regions.

The international investment activity of Ukraine plays a significant role in the economic development of Ukraine. Unfortunately, the economy of Ukraine cannot provide the needed level of investment activity by itself, but for the last few years' situations improved. At this stage of economic development in Ukraine, investment is one of the main ways of solving important problems: increasing the level of economic development and improving the quality indicators of economic activity at different levels. That is why the exploration of the international investment activity of Ukraine is relevant and significant.

There are a number of attractive investment factors in Ukraine that contribute to the expansion of its investment ties: a large capacity and virtually unlimited domestic market from most commodities positions; geographical location at the intersection of major transport routes between Europe and Asia; relatively cheap and at the same time skilled labor; scientific potential; developed infrastructure (availability of ports, bridges, airports, warehouses, communication systems, water supply) and more. However, for the last few years, macroeconomic instability and military conflict of the East of Ukraine decreased the attractiveness of the country for investors.

The amount of received foreign direct investments at the beginning of 2014 is higher than at the beginning of 2015. The number of investments afterwards decreased until the beginning of the 2018th. In addition, the author wants to mention, that the percentages of FDI inflows since 2016 in the total amount of analyzed period are almost on the same level, moreover, the step-by-step inflow has been increasing since 2017th.

It is worth noting that a large proportion of foreign investment in Ukraine comes from offshore funds and are of primary origin from Ukraine. The majority of foreign investors are citizens of Ukraine who have registered companies abroad, because due to the high level of corruption and significant investment risk, non-residents who do not

have insiders in the political and business environment of Ukraine, do not dare to invest in the economy of our country. In addition, according to the Ministry of Finance, in 2018, the majority of FDI in Ukraine is the return of Ukrainian offshore funds and the recapitalization of banks.

Comparing flows of investment in and out of the country, easily seen that difference in the amounts. Companies choose to invest in foreign markets for a number of reasons, often the same reasons for expanding their operations within their home country. Ukraine has no sources to invest abroad, and no such multinationals will take this role. For today, foreign investments are one of the bigger chances to increase economic efficiency and growth.

Ukraine, not enough involved in foreign investment activity. The country receives more than invest, and the largest amount of inflows are from offshore zones. This means that these investments might be not from non-residents, but from residents. Such investments would not bring new technologies, knowledge, and any qualitative changes in the economy and overall development of the country. In addition, all investments go to the industry and wholesale and retail trade; repair of motor vehicles and motorcycles but the technical level is too low and needs modernization to be on the world level to bring any positive changes.

Worth mentioning, that FDI inflow by regions shows that half of the investment receives Kyiv, while other regions are not so attractive for investors. Foreign investors are mostly majority register companies in Kyiv, and the production facilities are located outside the capital city.

The overall situation of Ukraine is better than four years ago after the military situation begins, our economy was unstable, and investors were afraid to invest in our county because it was unpredictable and risky. Ukraine has to overcome difficulties to recover and become stronger then it was.

PART 2

EVALUATION OF INTERNATIONAL INVESTMENT RESULTS OF UKRAINE

2.1. Estimation of factors of influence on investment flows of Ukraine

Investments activity of the country takes a valuable place in the economic processes of any country, as due to attracted investments new companies are established, same as new working places, modernization of the equipment, implementation of innovation and new technologies and development of infrastructure. Ukrainian economic position does not allow investing abroad, and according to the data provided in the previous paragraph more than 90 percent of the invested funds are concentrated in Cyprus, they obviously do not serve the purpose of capacity expansion or development and consolidation in the new trading market with the creation of a value chain component. That is why one of the major strategic tasks of the government is to create a favorable climate for investment activity and previously to strengthen its economy.

Despite the reforms carried out in recent years, Ukraine has not yet developed a stable attractive investment climate and no strong foreign economic ties in international markets. In a market economy, the organization of investment activity in each country requires regulation of the investment process at both macroeconomic and microeconomic levels. At the macroeconomic level study of existing priorities, priority areas and investment objects that must meet long-term national interests; establishing appropriate tax rates and tax incentives to attract foreign investment and international focus on priority areas of the economy; conducting appropriate monetary policy that helped stimulate investment.

Many factors influence the investment climate of the state, political stability, the degree of government intervention in the economy, and the relation to domestic and foreign investments (political and economic factors); availability or absence of natural resources, demographic situation, geographical location (resource and economic

factors); level and dynamics of key macroeconomic indicators (general economic factors) [9].

Today, because of the economic recession, conditions for investing in Ukraine are unfavorable. Creating a favorable investment climate in Ukraine remains a top priority, on which depends economic development and stability in the country.

As the domestic stock market is still underdeveloped, foreign investment mainly made through foreign direct investment (FDI). Cheap labor, competitive economic and geographical location, and high availability of natural resources facilitate attracting FDI to Ukraine. Application G shows the factors that shape the investment attractiveness of the state.

Ukraine has significant investment potential, in particular: it is one of the largest potential markets in Europe; possesses rich natural resources; has a high level of research and development in many fields of science and technology and considerable scientific and technical potential; has significant agricultural potential (favorable geographical location, favorable climate, fertile soils); has a well-developed infrastructure. In addition, the attractiveness of the Ukrainian economy to foreign investors based on the availability of relatively cheap skilled labor [11]. In Application H author presented SWOT-analyses which contains characteristic of various factors of influence on international investment activity of Ukraine. In Application I presented PEST-analyses of Ukraine, and calculated some factors of influence on Ukrainian attractiveness for foreign investments. The total score indicates the readiness of the enterprise to respond to the current and projected environmental factors. According to the PEST-analyses weighted score of Political, Economical and Social factors are on the middle level, while Technological factors leave much to be desired.

Foreign investment is an integral part of the development of the national economy of Ukraine, increasing its investment attractiveness and creating the basis for further promotion to world markets. In order to attract foreign capital to the economy of Ukraine, it is necessary to attract foreign investors first and increase the competitiveness of Ukraine.

As was discovered, investment activity and attractiveness of the country depend on many different factors. Nowadays there are a lot of international organizations (United Nations, World Bank, The World Economic Forum, International Monetary Fund, etc.) and analytical companies (Fitch IBCA, Standard & Poor's, IMD World Competitiveness Yearbook, Moody's Investors Service, etc.) that rank countries, determine the position of each of them, depending on the investment climate and attractiveness. Based on official statistics, the investment attractiveness of individual regions in many countries is conducted. Economic publications are systematically monitoring the information on the status of national and regional investment sites. In addition, credit ratings are one of the instruments of estimating the place of the state in the world and influencing the level of investor confidence. A sovereign credit rating is the basis for analyzing countries' international credit standing.

For investors there are some indexes, that are more indicative than others, author takes attention to five the most popular [12]. The first one is the Gross Domestic Product. This indicator shows the market value of all final goods and services produced within a country during a chosen period. These numbers are usually given in nominal and real formats, with real GDP adjusting for changes in monetary value. Given its vastness, this indicator is one of the most observed in the financial markets. Increasing a country's GDP indicates a growing economy, while a decreasing in GDP indicates a slowdown in the country's economy. Meanwhile, the country's projected GDP growth rate can be used to determine the appropriate level of sovereign debt or to determine the probability of growth of companies operating in the country [12].

It has been assumed that foreign direct investment (FDI) is an important factor of economic growth (EG). The reason for this is that as investment is the dynamic element of gross domestic product (GDP), therefore, FDI is the independent variable and GDP growth the dependent.

For Ukraine, decreasing GDP was at the same time as decreasing FDI. Nevertheless, even after GDP growth the amount of FDI does not increase proportionally as the situations stay unpredictable, and the world does not know what to

expect from the new government. The connection between GDP and FDI presented in Figure 2.1.

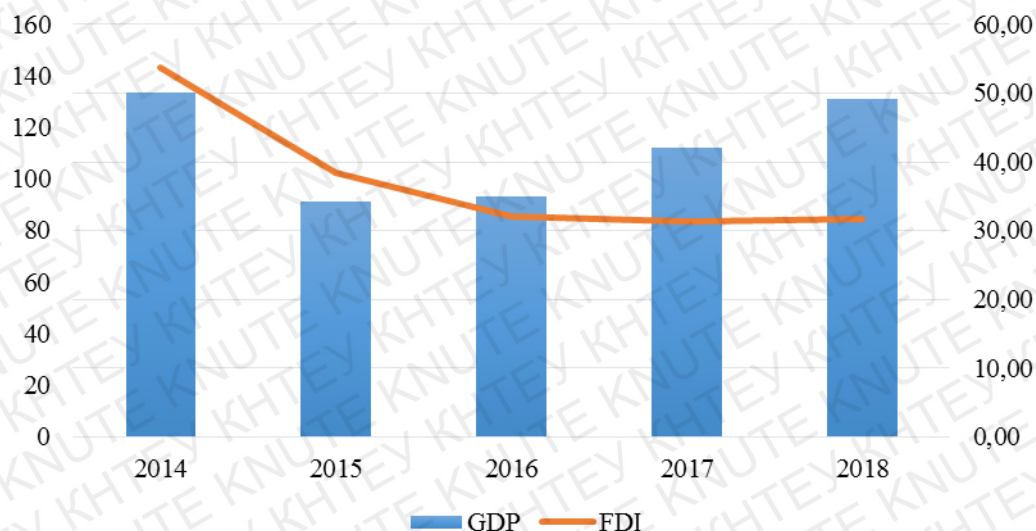


Fig. 2.1 Gross Domestic Product, billion US dollars [2]

A second important indicator is the Employment indicator. The work efficiency and welfare of inhabitants determine the economic success of the country. Employment indicators, such as labor force, wage, and unemployment funds, determine how many people are employed and whether they earn more or less money than before.

For example, employment to population ratio is the proportion of a country's population that is employed. Employment is defined as persons of working age who, during a short reference period, were engaged in any activity to produce goods or provide services for pay or profit, whether at work during the reference period (i.e. who worked in a job for at least one hour) or not at work due to temporary absence from a job, or to working-time arrangements. Ages 15 and older are generally considered the working-age population [12]. Figure 2.2 presented employment to population ratio and Figure 2.3 presented the graphics, which shows the dependence of the working population and FDI inflow.

FDI can increase demand on skilled labor by expanding production towards products that are more sophisticated and introducing more advanced technologies. This will create higher wages for skilled workers, which can increase wage inequality by increasing the so-called "qualification premium" - the difference between the wages of skilled and unskilled workers.

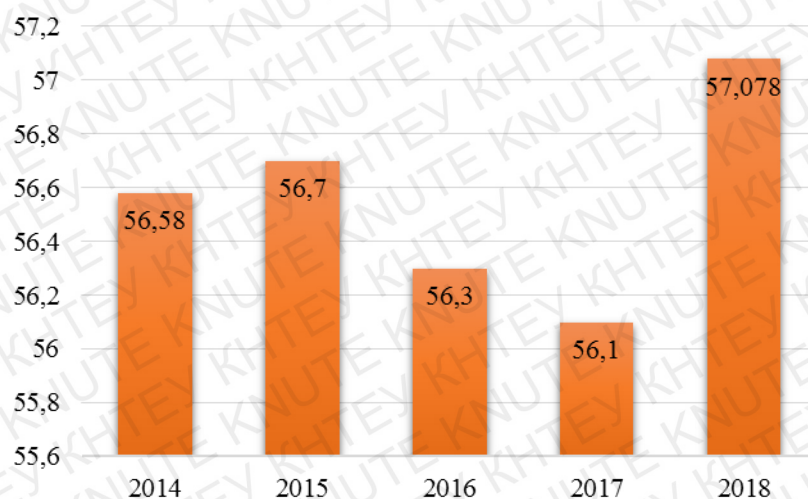


Fig. 2.2 Employment to population ratio, total (%) (national estimate)[13]

Worth noticing that the level of working people decreases almost the same as FDI inflows, which indicates the lowering of investments by lowering the number of working people. The coefficient of correlation for FDI and the working population is 0.97, and this shows a close relationship between these two indicators.

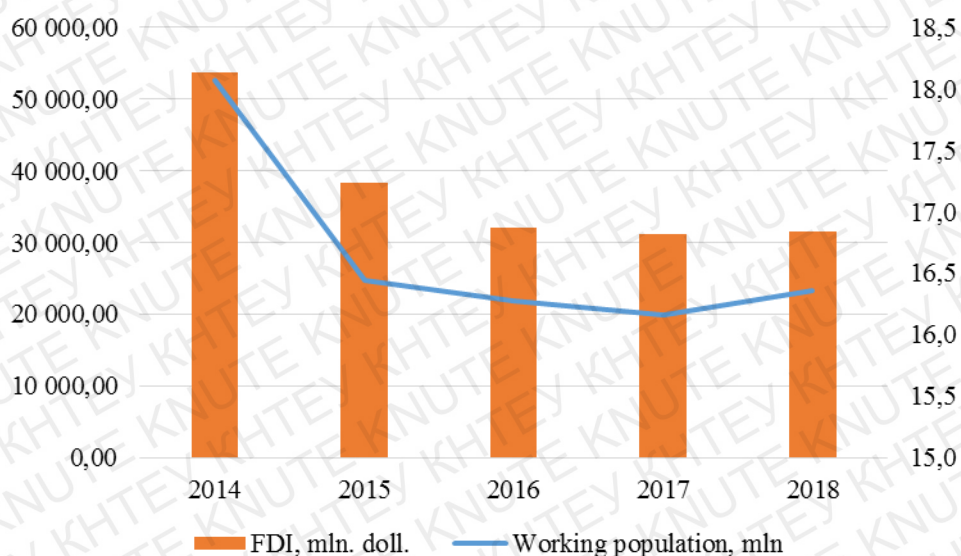


Fig. 2.3 Impact of the working population on FDI in Ukraine (2014-2018) [2]

The third one is the Consumer Price index. The Consumer Price Index (CPI) is a measure that checks average prices for goods in the basket of consumer goods and services such as transportation, food, and health care. It is calculated by taking into account the changed prices for each product in the preparation of a specific basket of goods and their awareness. Often times, this measure is used to determine the rate of inflation, which can positively or negatively affect a country's currency. Increasing

inflation can lead to higher interest rates and lower lending, while deflation can lead to lower interest rates and increased lending [13].

The connection between the Consumer price index and FDI presented in Figure 2.4. As can be seen in Figure 2.4 increasing CPI leads to a decrease in foreign direct investments, the coefficient of correlation for them is minus 0.92 what shows the opposite dependence of these two indicators. Because inflation erodes the value of investment returns over time, investors may shift their money to markets with lower inflation rates. Unlike cost-push inflation, demand-pull inflation occurs when aggregate demand in an economy rises too quickly.

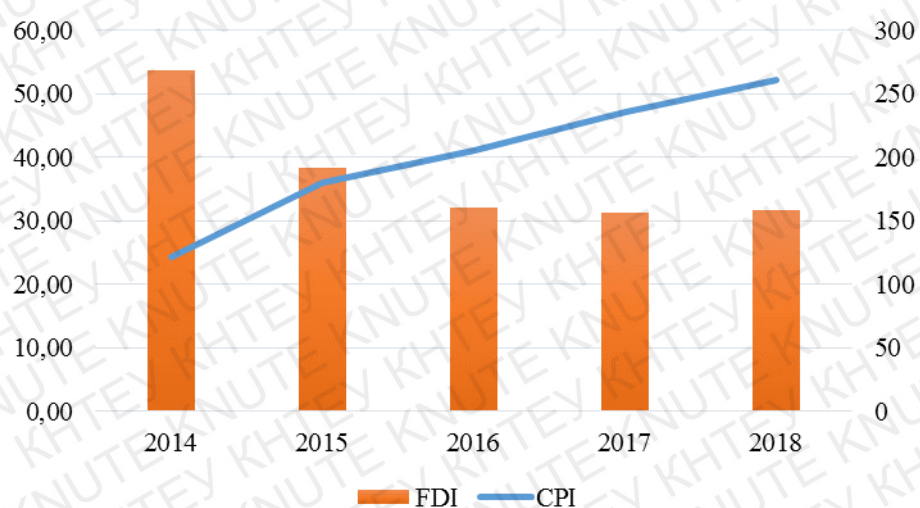


Fig. 2.4 Impact of consumer price index (2010 = 100) on FDI to Ukraine (2014-2018) [2]

Forth indicator is Central Bank policy, National Bank in Ukraine. Central banks create monetary policy and exercise significant control over the country's economy. On this basis, financial markets tend to listen attentively to every word that central bankers pronounce in public to get clues about the future. The central bank protocol is an official issue containing valuable economic comments that can signal further policy action. In addition, the National Bank of Ukraine yearly publishes financial stability reports, which gives a very clear analysis of the financial situation in Ukraine and contains such information as to risk map, Financial Stress Index, Growth in GDP, Net corporate loans and more. This report presents complex information about financial stability and contains statistical information for some period of time [12].

Another one complex report is Doing Business, which provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. By collecting and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete for better regulation; proposes measurable reform criteria; and serves as a resource for academics, journalists, private sector researchers, and others interested in the business climate of each economy[14].

One of the most famous international investment climate indicators is the International Business Compass Index, which since 2012 BDO has been calculating in collaboration with the Hamburg Institute for the World Economy. The BDO Business Compass assesses the country's investment attractiveness by presenting information in three dimensions: economic factors, the political-legal field, and socio-cultural conditions. On the one hand, the country's attractiveness for potential investment decisions is at the forefront, which clearly reflects the economic outlook. On the other hand, economic factors can only partially reflect the situation in the country, as political, legal, social and cultural aspects also play a role and ultimately affect the country's ranking. These three dimensions correlate with each other and are statistically completely independent. From a statistical point of view, the attractiveness of a country is a variable of level due to the interaction of several factors. Selected indicators can have both a positive and a negative effect on a country's ranking, and thus increase or decrease the country's investment attractiveness. In the ranking of investment attractiveness of the countries of the International Business Compass for 2018, Ukraine's place decreased by 41 positions compared to the 2015 year and Ukraine occupied 130 places while in 2015 - 89 place. The decline occurred in all categories. Particularly significant is the fall in terms of economic indicators. The political crisis and events in the eastern part of the country have caused similar results. Ukraine shows worsening in all categories. This is primarily a result of the political crisis and continuing civil war in the Eastern part of the country. For the economic indicators, the decrease is observed to be particularly significant [15].

Taking into account all previously mentioned indicators, Ukraine reveals directions in which improvements should be done in order to accelerate the economic development of the county, attract investors and start to invest abroad. These steps Ukraine should do in different areas simultaneously to save the balance. For further improvement of Ukraine's investment climate, the point of improving the legal and organizational framework for enhancing the mechanisms of ensuring a favorable investment climate and forming the basis for preserving and enhancing the competitiveness of the domestic economy is urgent today.

Some positive steps have already been taken in this direction[16]:

1. A legal framework for investing and developing public-private partnerships has been created in Ukraine today. The legislation of Ukraine defines the guarantees of activity for investors, economic and organizational bases of realization of public-private partnerships in Ukraine.

2. To enhance the protection of foreign investment, the Law of Ukraine of March 16, 2000, No. 1547 ratified the 1965 Washington Convention on the Procedure for Settlement of Investment Disputes between States and Foreign Persons.

3. On May 23, 2017, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Amendments to Some Legislative Acts of Ukraine on Removal of Barriers to Attracting Foreign Investments". The law regulates the basic aspects of issuing a work permit for foreigners and temporary residence permits, which will facilitate the involvement of foreign managers and foreign skilled workers, which is necessary for the first stages of development of a subsidiary in Ukraine. In addition, the Law grants the right to obtain a temporary residence permit in Ukraine to foreign investors who have significant participation in Ukrainian enterprises but are not employed at the enterprise.

Furthermore, the State of Ukraine provides guarantees in the form of the national regime applicable to foreign investments, the application of guarantees in force at the time of making investments, for the next ten years, protection against nationalization, compensation for losses caused by the activity of state authorities of Ukraine, the right to repatriation of investments made in Ukraine and investment income[17].

Thus, the main reasons of slow down the development of investment entrepreneurship and business in Ukraine include, first of all, the following: internal political and economic turmoil, lack of reforms, inactive legal frameworks, corruption, restrictions on capital movements, inflation, tax burden, underdeveloped investment infrastructure.

2.2. Analysis of results of international investments in Ukraine

Results of the international activity of Ukraine come up from the attractiveness of the country as the place for effective investment and different factors, some of them author has presented in the previous part.

One of the most valuable rates for investors is a complex report Doing Business, which provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures features of labor market regulation. Although Doing Business does not present rankings of economies on the labor market regulation indicators or include the topic taken together ease of doing business score or ranking on the ease of doing business, it does present the data for these indicators [18].

According to the speech of Petro Poroshenko, during various studies on countries, that are priorities for investors in the emerging markets, Ukraine was one of them. It can be connected with increasing the confidence of foreign business is connected with reforms in the country: pension, educational, medical, and judicial. Moreover, not the least role takes Doing Business rating. The World Bank composes this rating, and as usual, it is the first viewed list of investors while choosing the place to invest. Ukraine has risen from 112th to 71st place for 5 years [16]. Such examples are very rare. Ukraine

has become the second in the world in terms of growth rates in the mentioned ranking. It distinguishes Ukraine from other countries and increases the interest of investors.

The positive results mentioned above showed the world, that our country is on the way of economic growth and has many prospective areas for investments. Capital investments increased for almost 20% last year, and in 2018 foreign direct investments in Ukraine were 2,5 billion dollars, compared with 2017 increased by 8% [19].

The international activity of Ukraine could be measured by involvement in various international projects, and the desire and willingness of investors to invest in the country. In July of this year, the iClub Business Panel was held with the participation of business and culture representatives, discussing new opportunities for venture capital investment and the development of Ukrainian companies. The European Bank for Reconstruction and Development has presented an investment program to support innovative technologies and other small and medium-sized businesses within the EU4Business initiative [20].

According to the speech of Jeff Ferry, Head of the EBRD Regional SME Support Program in Ukraine small and medium business is very important. These companies provide growth in the economy, create a large number of jobs, and improve the investment climate in the country. That is why they provide consultations, training and extensive information support for such companies in Ukraine.

Small and Medium Enterprises Development Framework until 2020 The Cabinet of Ministers adopted in May 2017 the Strategy for SME Development in Ukraine until 2020 – in place largely due to FORBIZ support. This development framework largely calls on better coordination among various authorities and levels of government that cover SME operations and it has led to the more recent adoption of the Action Plan by the Cabinet of Ministers, alongside the establishment of the SME Development Office that oversees its implementation [20].

The main donor of the program - the European Union - has allocated € 40 million to support entrepreneurship in Ukraine. Companies that receive grants will be able to attract experts to help transform the business qualitatively.

The Ukrainian government actively cooperates with various international financial institutions in order to receive investments as credit loans under low percentages and grant resources. Such costs are directed in different areas to support the national economy and provide stable economic growth.

Some of the supportive international financial institutions are the International Bank of Reconstruction and Development (IBRD), the European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB). These three institutions are the prior investors for Ukraine.

As well as the resources of the General Fund of the State Budget and reserves of NBU, international financial institutions grant Ukraine financial resources for investment projects to be realized in the public sector. This investment influence on Ukraine directly, because the government has received the costs and they could be implemented right away. However, this is only in theory, and in fact, not all go so optimistic and approximately 5 billion dollars remain unused.

Usage of such funds stays insufficient as one of the main problems of Ukraine right now in its cooperation with international financial organizations is the setback in implementation or even not started realization of international agreements on the projects. Through the past few years, a great part of the funds for investment projects, either signed and ratified, does not arrive in Ukraine or were received with significant postpones.

According to its mandate, the International Bank for Reconstruction and Development (IBRD) grants credits on the public sector and provides government guarantees. Nowadays, eight IBRD investment projects in the areas of social policy, health care, energy, infrastructure, municipal lending are being implemented in Ukraine. Loans in the amount of 150 million to 450 million dollars have been granted on favorable terms (with a one-time commission of 0.25%, a loan term of 17-30 years and a grace period of 4-10 years)[22].

One of the projects invested by IBRD - "Serving people, improving health" envisages the improvement of quality of medical services in eight regions of Ukraine. The total amount of the loan is 214.7 million dollars. The implementation of the project

started in 2015, and today the received funds compose about 35% of the loan amount. The expiration of the project is scheduled for September 2020, which means that there is approximately a year left to end up the project and select all funds under the Loan Agreement[23].

For two more projects, the level of sampling is also very low: for four years of implementation of the Second Urban Infrastructure Project, it is 17.8%, and for the Energy Efficiency Project in the district heating sector - 21%. The aim of the projects is assisting Ukrainian utilities. Their implementation involves financing the works on the restoration of water supply systems, water disposal, solid waste processing, the reconstruction of district heating systems, etc. Projects are difficult to implement and some loans have been canceled. The projects started at the end of 2014 and will be finished until 2020. Under the project "Second Urban Infrastructure Project", the total amount of the IBRD loan after its cancellation is 292.1 million dollars, and the Clean Technology Fund loan - 50 million dollars. The utility companies receive the loan - water utilities of the cities of Kolomyia, Kharkiv, Zhytomyr, Kropyvnytskyi, Kyiv, Ternopil, Vinnytsia, Cherkasy. Under the project of increasing energy efficiency in the district heating sector, the IBRD loan is USD 180 million dollars, the Clean Technology Fund - USD 50 million dollars. The loan is provided by district heating companies in Kharkiv, Kamyanyets-Podilsky, Mykolayiv, Kherson, Dnipro, and Ternopil[24].

Next year, all running IBRD loan portfolio projects will be finished, except for two, which will expire in 2021 and 2022. The IBRD loan investment project portfolio is near 2.2 billion dollars, with funds remaining unused nearly 1.5 billion dollars. This means that during the remaining year, about 70% of project funding should be required, which is impossible de facto. Out-of-use funds will be annulled.

Another institution is the European Investment Bank, Bank of the European Union, which for the last three years has been providing Ukraine with major volumes of investment lending between international financial organizations. Cooperation between EIB and Ukraine begins not too long ago – in the 2006 year, and a Framework Agreement was signed (not taking into account that Ukraine is not a member of the EIB). Its credits are primarily directed to the energy, municipal sector, and

infrastructure, also it helps to reform municipal and social infrastructure of Ukrainian regions that are affected by military conflict. The approximate amount of investment funds into the Ukrainian economy since the beginning of the partnership is about 5.8 billion euros. New projects are being prepared for future collaboration [24].

Negotiations between Ukraine and the EIB on obtaining a loan under the project "Development of water supply and drainage system in Mykolayiv" took place in January 2010. The financing agreement was signed on February 2, 2010. The EIB decided to provide credit resources to the utility "Mykolayivvodokanal" in order to provide the European level of environmental safety of the enterprise, bringing the system of treatment and supply to consumers of drinking water to European standards. The loan amounted to EUR 15.54 million and the amount of the grant granted to the company in 2011 was EUR 5.1 million. The project agreement was ratified and entered into force on September 12, 2012, in 2014, the company selected funds of € 5.0 million, and since then the project has not been operational. Ukraine's request for the extension of the project until the end of 2020 is in the process of approval, with a sample of 32.18% of the loan amount. Obviously, in Mykolaiv, there are no problems with the purification and supply to consumers of drinking water, and the enterprise is not interested in the project implementation, the loan and grant funds remain unused for seven years[25].

A sample of funds under the Implementation support to the Ukraine Urban Public Transport Project has not been launched: the loan amount is 200 million euros; the purpose of the project is the renovation of the urban transport park and the reconstruction of tram and trolleybus lines. Also under the project "Modernization and reconstruction of the Urengoy-Pomary-Uzhgorod trunk gas pipeline", the EIB loan amount is 150 million euros[26].

In December 2016, a Financing Agreement was signed between Ukraine and the EIB under the project "Basic Credit for the Agricultural Sector of Ukraine" for a total amount of EUR 400 million. The project envisages financing of the agrarian sector of the economy, namely - in the directions of cultivation of grain and oilseeds, fisheries and aquaculture in Ukraine. To implement the project, Ukreximbank has been identified

as a financial agent to assist in its implementation. The EIB has allocated grants to the Ministry of Agrarian Policy and Food to assist in implementation. The financing agreement between Ukraine and the EIB entered into force in 2016, but so far, the project has not started sampling funds. It seems that the government does not need investments that are aimed at developing specific sectors of the economy but do not go to the general fund of the state budget, as tranches of the IMF[27].

Taking into account the information mentioned above, Ukraine sign agreements on projects investment, but did not use such an opportunity. Needed requirements for receiving all sum for project implementation are not kept, that is why the real benefit from investments is not received. Large amounts of only three mentioned international investment institutions and taking into account just public sector investment projects, a significant amount of lent resources that are comparable in value to the program of International Monetary Fund for Ukraine stay unused. Such statistic shows the inefficiency of investment projects, because they are not completed, therefore have any influence of significant economic growth, and shows Ukraine as an unreliable lender.

CONCLUSIONS TO THE PART 2

Part two consists of paragraph one in which was estimated factors of influence on investment flows of Ukraine and paragraph two in which the results of international investments of Ukraine were analyzed.

On investment activity of the country influence various factors. Mainly investors are interested in such factors as economic, political, social and legislative factors as they show the overall situation in the country.

In the context of globalization of the economic area, acceleration of the processes of international integration and increasing interdependence of the countries, the use of ratings as analytical tools becomes more relevant when determining the comparative advantages of the subjects of economic relations.

Evaluation of investment attractiveness became more common after when international investment began to gain momentum, and the need to analyze the environment of the direction of investment flows reveals. Nowadays there are a lot of

international organizations (United Nations, World Bank, The World Economic Forum, International Monetary Fund, etc.) and analytical companies (Fitch IBCA, Standard & Poor's, IMD World Competitiveness Yearbook, Moody's Investors Service, etc.) rank countries, determine the position of each of them, depending on the investment climate and attractiveness.

There are some indicators that are more valuable than others. The first one is Gross Domestic Product the most important as it shows whether the economy of a country is growing or decreasing. In Ukraine, FDI started to decrease simultaneously with GDP, which shows their direct connection, but unfortunately increasing the indicator does not push the growth of FDI. Consumer price index shows the level of inflation and FDI are connected with opposite dependence. Ukrainian currency is weak and unstable and investors prefer countries with lower inflation rates.

The international investment climate of counties is analyzed by many different international organizations. One of the international investment climate indicators is the International Business Compass Index, which since 2012 is calculated by BDO in collaboration with the Hamburg Institute for the World Economy. Other complex report Doing Business, which provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.

Taking into account all previously mentioned indicators, Ukraine reveals directions in which improvements should be done in order to accelerate the economic development of the county, attract investors and start to invest abroad. These steps should be performed in different areas simultaneously to save the balance.

The international activity of Ukraine could be measured by involvement in various international projects, and the desire and willingness of investors to invest in the country.

Different international financial institutions like the International Bank of Reconstruction and Development (IBRD), the European Bank of Reconstruction and Development (EBRD), European Investment Bank (EIB), support Ukraine. These three institutions are the prior investors for Ukraine. Unfortunately, usage of such funds stays

insufficient as one of the main problems of Ukraine right now in its cooperation with international financial organizations is the setback in implementation or even not started realization of international agreements on the projects. Through the past few years, a great part of the funds for investment projects, either signed and ratified, does not arrive in Ukraine or were received with significant postpones.

For future successful implementations of the project, the country should carefully prepare the strategy for the planned projects and before the beginning of the first stage be sure in its ability to support the progress at the proper level.

PART 3

POSSIBLE WAYS OF DEVELOPMENT FOR INTERNATIONAL INVESTMENT OF UKRAINE

3.1. Prior areas and ways of development for the international investment of Ukraine

Nowadays, Ukraine is on the way to economic growth and the major role plays foreign investments. Our country is known as developing and has no costs to invest abroad, and for now, Ukraine only receives investments. Effective usage of the invested capital could lead the country to economic growth through the establishment of macroeconomic stability and push the most efficient areas for development.

As for the priorities in spheres of economic activity for foreign investors, they differ, and for today, foreign direct investments are present in all sectors. At the same time, many active investors in Ukraine are sent in such areas as industry, wholesale and retail trade, repair of motor vehicles and motorcycles, real estate operations, financial and insurance activities and information and telecommunication sectors. In order to avoid high commercial risks investor also choose such areas where new products emerging quickly and invested cost bring profit rapidly.

Ukraine has three sectors of the economy, which may be the most prospective for foreign investors according to the interview of the First Deputy Minister of Economic Development and Trade of Ukraine Maxim Nefyodov. In the first place the agricultural sector. Ukraine takes 10-12% of the global market for various cultures and there is potential to increase. The second-place – Ukraine as the industrial area of Europe. The third one – IT. Ukraine is already leading in Eastern Europe in the number of engineers. At the same time, providing a sufficiently high quality of life for the representatives of this profession.

Ukraine has a great opportunity to develop through orientation and attraction of investments into sectors of the economy in which it has comparable advantages. In the

last few years, the economy of Ukraine has delivered significant turnaround comparing a 7 percent decrease in 2014th with more than 3 percent of the growth last year.

Ukraine has highly educated labor, well-developed industrial infrastructure, vast and fertile lands, and low-cost base and it makes Ukraine a wanted place for businesses oriented on the markets of Europe and the Middle East.

Recovery of the Ukrainian economy is based on a large-scale transformation that is perhaps could best be illustrated by progress in the World Bank's Ease of Doing Business ranking. Ukraine went from the 142nd place a decade ago to the 71st in 2019th. When the current uncertainty of the presidential and parliamentary elections diminishes, "growth can recover up to 4 percent in the medium term," the 2019 World Bank reported.

Taking a sigh at investments, as usual, a long-term commitment market could show what sectors pull the economy of Ukraine forward and would be the driving force in the future.

To define what areas are the most perspective, comparing of the average growth rates for the last few years might show five greatest sectors that lead the recovery process (Figure 1.1, Figure 1.2) from which will be described three of them, and some smaller sectors that in the nearest future years could help to support positive dynamics.

As an average for 3 years shows the size of the sector as a contribution to GDP of 2018th or market revenues, depending on relevance. According to the data from the mentioned figures, the leading sector by growth of capital investments is retail with 28 %, the second one is defense, aerospace – 24%, then energy – 19%, agriculture – 16% and 13% in manufacturing accordingly, and that shows continuous growth of these sectors, and they remain the most promising in the future.

Ukraine has a strong potential in all five mentioned areas, and development in these directions would strengthen its position on the world market. Not the least role will play modernization and implementation of the new technologies and innovations for more effective usage of available resources.

The energy sector has passed through a significant transformation since the 2014th. On the gas front, the country increased local production, eliminated Russian gas

imports and carried out deep reforms. In turn, power generation and supply have undergone their own transformation, which has led to a significant increase in efficiency and sustained growth in alternative energy sources.

According to the US Energy Information Agency, the Ukrainian complex of gas storage facilities was one of the biggest in the world, and at the same time, it plays not the least role in bringing gas from post-Soviet to Europe. However, unfortunately, subsidized energy prices, poor governance, and corruption meant that the country was one of the least energy efficient in the world by 2014th.

Nevertheless, while gas has historically dominated Ukraine's energy sector (and energy security), its value has disappeared in the last five years. Gas consumption in the country reached 76 billion cubic meters in the early 2000s. However, the abolition of gas subsidies has changed the situation. In 2018, consumption has fallen to 32 billion cubic meters - all from Europe or from domestic production.

However, the path to energy efficiency remains a long one. Cross subsidies persist in electricity production. Moreover, despite government programs aimed at reducing wasteful energy use such as installing heat or hot water meters, in 2016 Ukraine spent 70 times more on utilities than on energy efficiency, according to a report by the Carnegie Europe Research Center.

The most attractive field is alternative or renewable energy where wind, solar and biomass are promising and attract international investment. The national investment agency Invest Ukraine estimates that they will reach 18 billion dollars by 2020, thanks to the part of green tariffs designed to increase renewable energy in the energy mix, from current 2.6 percent to 25 percent by 2035. Only in 2019, according to estimates by the energy company Ukrenergo, renewable capacity will double from 1.5 to 3 gigawatts.

DTEK, Ukraine's largest energy holding company, is particularly active in this area. Recent investments include the construction of new wind farms, for which DTEK has raised 335 million euro from German banks, following a recent 134 million euro deal with Chinese CMEC.

The agricultural and agribusiness sector keeps on inducing growth when the country brings investments into new technologies in order to increase yields and gain

new export markets. In 2018, the country has further strengthened its strong international position resulting in 70 million tons of grain harvested, although ongoing problems, especially related to land sales, are holding back even stronger results^[28].

For a long time, Ukraine takes the leading positions in such crops as wheat, corn, and worth mentioning that it is the largest producer of sunflower oil, and it is about a third of world output. Ukraine is also among the top ten in milk, egg products, and poultry and dominates in the world as a honey producer.

Expansion into new markets has been a key driver of growth, especially in the Middle East and Asia, which lack local production and want to diversify supply. Total exports in recent years have exceeded 17 billion dollars, with growth in Asia accounting for 33 percent of exports in 2010 to 45 percent in 2017, according to the Ukrainian Agribusiness Club, and Europe (growing 20 to 32 percent, respectively) offset the fall in the CIS markets.

This has led to investments in infrastructure, as in 2018, Korean Posco Daewoo purchased 75 percent of the Mykolaiv port grain terminal for 60-75 million dollars in 2018th, and into connected fields, as with the latest 1.5 million dollars of investments by agro holding Cygnet into a park of tractors. In several cases, investments from abroad have been intended for the agro holdings themselves, as the example acquisition of the Mriya by Livestock Investment Company and Saudi Agriculture, which is one of the biggest agricultural enterprises by the bank of land.

The lack of a competitive market is often cited as a key reason why yields in Ukraine continue to lag. According to the Food and Agriculture Organization, a part of the United Nations, yields in Ukraine tend to be about half those of Western peers – Ukraine's wheat yields were slightly above 4 metric tons per hectare, while Germany and the United Kingdom typically have in excess of 8 metric tons per hectare.

One of the largest sectors in Ukraine through the years is manufacturing. This sphere gives workplaces for about a quarter of the population by the data of governmental structures and contains a broad and diversified set of sub-segments.

Ukrainian heavy industry has gone through a significant transformation throughout the past decade. However, such areas as textiles or electrical equipment

shops quick growth. In addition, manufacturing provides the most boost to Ukrainian exports. One of the most rapid categories is clothing and textile, in which exports have increased by 38 and 33 percent over the 2015 – 2018th period, accordingly. In 2018, Amsterdam HEAD has bought a plot in Vinnytsia– sports and clothing company, for 1.3 million dollars in order to build one of the largest winter sportswear production plants.

Improved relations with Europe and the EU-Ukraine Free Trade Area, which came into force in September 2017, have made Ukraine a highly attractive platform for European production-oriented on the market [28].

The other sector that is not so huge, but deserves attention is IT services and telecoms. Over the last four years in Eastern Europe was a big bang in IT services, and Ukraine did not stay above. Along with Romania, Belarus and Poland the region scores over 470 enterprises and generated over 5 billion dollars in annual revenues, according to the latest study by IT investor Avenir Capital, venture capital firm Aventures Capital and the Capital Times news media.

IT Services and Telecommunications Over the last four years, Ukraine has been part of the Eastern European boom in IT services. According to a recent study by venture capital firm Aventures Capital, IT investor Avenir Capital and the Capital Times, there are more than 470 companies with more than 5 billion dollars in annual revenue in the region, along with Poland, Romania, and Belarus.

According to the report, Ukraine is the largest part of the puzzle, accounting for 245 companies making almost 2.1 billion dollars in revenue. An educational system focused on physics, engineers and mathematics helped create one of the largest talented human communities in the region. In second place after Poland, which has been actively seeking to recruit Ukrainian workers in recent years, the country has more than 170,000 professionals in the IT-sphere.

Such a level of well-educated workforce allowed Ukraine to become a leader in this field, as more than 20 percent of the leading Fortune 500 companies have offices in Ukraine, according to a recent study by Unit.city – Kyiv-based Park of innovations.

Trade agreement between Ukraine and the European Union has liberalized trade between the global market and Ukraine and increased sales across the retail sector of

Ukraine. This also has been bolstered by a reduction in one-off incomes, which rose for 10 percent in 2018 comparing the highest point in 2014th[28].

The growth of Ukrainian professional services is driven by growing local demand as the country continues to modernize and reform, and by global outsourcing trends. Notably, Business Process Outsourcing (BPO), the main point is on moving back and middle office operations - administrative, ancillary or non-client roles - to less expensive locations, has raised into a large market through the last two decades.

Moreover, in Ukraine, there are many other areas that are not as visible as mentioned ones, but not least valuable. As well as named top five at the beginning and additionally the IT sector, such areas as healthcare, education, various professional services, etc., are part of the success in the prosperity of the country.

3.2. Forecast evaluation of the implementation of the proposed measures for the development of international investment activity of Ukraine

Ukrainian international investment activity plays one of the major roles in countries' development, after governmental control, which chooses the direction for further strategies and actions in order to support economic growth, stimulate prior sectors of the economy and evolve lagging ones. Moreover, foreign direct investments directly depend on the whole situation in the country. To discover is the country attractive for investment can show the investment climate of the country. It consists of political, economic, organizational, social and legal factors. In addition, to find out in what way the government needs to move, the problematic factors should be identified. For Ukraine such factors are:

Economic factors:

- instability of the macroeconomic environment;
- the unreliability of the directions of economic development;
- the slow pace of privatization etc.

Legal factors:

- an imperfect legal framework to protect investment;

- ineffective customs regulation;

Organizational factors:

- undeveloped market infrastructure;
- the inconsistency of used in Ukraine accounting systems and controls (statistics, accounting, certain categories of content and timing, calculation methods) that exist in the West;

- misuse of funds provided to Ukrainian partners by foreign investors.

Socio-psychological factors:

- indiscipline of business partners from the Ukrainian side;
- corruption and bureaucracy in solving business issues;
- the low entrepreneurial activity of the population etc [29]

To repair the Ukrainian economy and attract investors, to bring the capital into prior areas, which was described in the previous part, the main goal of the governmental policy should be achieving of economic stability and in particular investment policy for the attraction of foreign direct investments, and stimulation of investment activity.

However, despite the number of disadvantages of the investment climate in Ukraine recently taken some steps to improve the situation.

Today in Ukraine created a developed legal framework for investments. Ukrainian legislation provides for the necessary guarantees for investors. On the territory of Ukraine, the national regime of investment activity is applied to foreign investors, which means equal conditions of activity with domestic investors. Foreign investments in Ukraine are not subject to nationalization.

To improve further the investment climate in Ukraine, the current issue is the improvement of the legal and organizational framework for improving the capacity of mechanisms to ensure a favorable investment climate and the formation of a basis for the preservation and enhancement of the competitiveness of the domestic economy.

A number of positive steps in this direction have already been made [19]:

- Simplified the procedure for attracting foreign investments and make it impossible for signs of corruption to appear upon state registration thereof, on 31.05.2016 the Law of Ukraine No. 1390-VIII “On Amendments to Certain Legislative

Acts of Ukraine regarding Cancellation of Compulsory State Registration of Foreign Investments” was adopted.

- On 23.05.2017, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine regarding Elimination of Barriers to Attraction of Foreign Investments”. The law regulates the basic aspects of issuing a permit for the employment of foreigners and a temporary residence permit, which will facilitate the attraction of foreign managers and foreign skilled employees, which is necessary at the early stages of development of a subsidiary in Ukraine. In addition, the Law grants the right to obtain a temporary residence permit in Ukraine to foreign investors who have a significant participatory interest in Ukrainian enterprises; however, they are not employed at the enterprise.

In addition, the steps were undertaken to promote the stable development of Ukraine's economy and stimulate investment, namely the work carried out in the following areas - protecting the rights of investors; development of investment infrastructure.

In order to protect investor's rights within the framework of the Action Plan for deepening cooperation between the Organization for Economic Cooperation and Development (OECD) and the Government of Ukraine, designed to implement the measures envisaged by the Memorandum of Understanding between the OECD and the Government of Ukraine on deepening cooperation dated 07.10.2014, the measures are being taken on the accession of Ukraine to the OECD Declaration on International Investments and Multinational Enterprises (hereinafter referred to as the OECD Declaration). Thus, the order of the Cabinet of Ministers of Ukraine No. 130-p dated 01.03.2017 approved the draft Agreement (in the form of exchange of letters) between the Government of Ukraine and the Organization for Economic Cooperation and Development on the accession to the Declaration on International Investments and Multinational Enterprises, relevant Recommendations and Procedural Decisions of the Council of the Organization for Economic Cooperation and Development[19].

On 15 March 2017, S. Kubiv, the First Deputy Prime Minister of Ukraine – the Minister of Economic Development and Trade of Ukraine, signed the Agreement

between the Government of Ukraine and the Organization for Economic Cooperation and Development on the accession to the Declaration on International Investments and Multinational Enterprises, relevant Recommendations and Procedural Decisions of the Council of the OECD.

The accession of Ukraine to the OECD Declaration on International Investments and Multinational Enterprises and membership in the OECD Investment Committee will provide the following significant benefits to the country, namely [19]:

- will testify to Ukraine's introduction of international standards of investment activities;
- will facilitate the attraction of foreign direct investments through the elimination of restrictions on sectors in which foreign investment is prohibited and by ensuring national regime for transnational corporations (hereinafter referred to as TNC) in accordance with the system of development of international standards regulating TNC relations with countries hosting their investments;
- will facilitate the improvement of the competitive environment and influence on the introduction and dissemination of innovations;
- will promote the implementation of the principles and standards of corporate social responsibility in accordance with the OECD guidelines on doing responsible business.

In January 2019, a meeting with the representative of State Enterprise "Ukraininvest" Oleksiy Ivanchenko was organized on the premises of the Regional State Administration.

During the meeting, they discussed the possible ways of cooperation between the regional state administration and the State Enterprise "Ukrinvest", preparation of proposals for investment land, creation of industrial parking lots for the distribution of investment products of the Lugansk region, identification of the most active stakeholders who need to increase the capacity of institutions investment.

Likewise, for the purpose of presentation of enterprises, business objects and objects of business support infrastructure together with other structural divisions of regional state administrations and with the support of the United Nations Development

Program, the Catalog of Lugansk region companies has been developed and is constantly updated.

The more practical side of the development is the implementation of international investment projects in Ukraine. As was described in Part 2.2, the country has some difficulties with the realization of projects, because agreements were signed, but for one part of projects usage of the agreed amount is low, and after termination, sum will be annulated; for other parts after signing Ukraine does not even start to use these funds. In this situation Ukrainian prior and secondary areas needed modernization, and development slows down. Moreover, for investors, it is a negative factor as Ukraine may achieve a reputation of the unreliable partner, and in the future, the inflow of investments and the number of investments projects could decrease significantly.

On November 3rd, 2015 Road Sector Development Project was approved. Its main objective is to improve transport connectivity, maintenance operations, and road safety for road users on selected sections of the national roads network and improve road network management in Ukraine. The project comprises three components. The first component, road rehabilitation, and safety, will finance all necessary road infrastructure such as bridges, interchanges, and bypasses, site supervision of all civil works, equipment, and the cost of any land acquisition and resettlement necessary for the execution of the foregoing works. The second component, maintenance of core national road corridors, will finance the maintenance of core national road corridors. The third component, network management, and development will finance institutional support to the implementation of road management reforms. The third component consists of the following four sub-components: (a) road safety and network management; (b) maintenance management; (c) preparation of feasibility studies and design; and (d) project management and implementation support[30].

Closing date of this project – December 31st, 2021, from commitment amount of 560 million dollars disbursed only 38.96 million as of September 2019. The usage of investments is perceptibly lower than it should be, taking into account that the agreement designed for a little more than six years and four of them have already

passed. That means that this project would not bring all those improvements that it should have.

The other valuable and positive example of an investment project is Agri-Infrastructure And Biomass Power Generation by the European Investment Bank with Promoter – Financial Intermediary - KERNEL HOLDING SA[30]. It is oriented on sectors of financing like manufacturing in the industry; electricity, gas, steam and air conditioning supply in the energy sector; transportation and storage in transport; agriculture, forestry, and fishing – one of the prospective areas for development, with strong potential. Kernel Group is a leading Ukrainian vertically integrated agribusiness, engaged in oilseed crushing, grain trading, crop farming, transshipment, and silo services. This operation is an investment program. Some of the schemes may require an EIA. In addition, the EU Political Risk Guarantee for EIB loans outside the EU covers it. This project is already signed on December 18th, 2018. Status - open till the present time and active.

The project consists of the financing of two inland grain silos, a grain handling, and storage terminal located within the Port of Chernomorsk, five biomass-fired combined heat, and power plants (CHPs) and one sunflower oil crushing plant, in different locations in Ukraine.

EIB funds are expected to enable the company to improve trade and export logistics by constructing new grain silos (accessible also to third parties) and transshipment facilities. It will directly support the upgrade of agricultural facilities and contribute to aligning with the EU standards in the country. Through the construction of a new greenfield sunflower oilseed production plant, which is expected to incorporate the best available technology, the company should be able to be more resource-efficient, consolidate its competitive position and, therefore, increase its market share both in Ukraine and in the EU. Finally, the construction and installation of several biomass-based CHP units will contribute to the country's infrastructure and will contribute to the increase of Renewable Energy production, thereby contributing to the integration of Ukraine into the European energy system. The project will also create new employment

and help secure existing employment in rural areas and, therefore, contribute to agriculture/bio-economy in Ukraine.

Environmental aspects - all of the project's components are expected to be operated and implemented in conformity with applicable national and EU environmental legislation.

The proposed EIB finance (approximate amount) is USD 250 million (EUR 219 million) and the total cost (approximate amount) is USD 519 million (EUR 454 million). The last signature date on receiving of funds was May 6th, 2019, and on that date, the amount of disbursed costs is 221,138 euros – 88.5% from the total invested amount. It shows a good result as almost all funds were received and used in order to evolve the strongest sectors in Ukraine and increase its effectiveness.

Another important project for Ukraine was signed at a meeting of Ukraine's National Investment Council in Davos.

The deal relates to Sivash Wind Power, both companies have developed a land-based wind project. The Syvash project consists of 64 wind turbines and will become the largest renewable energy project in Ukraine producing 850 GWh per year, sufficient electricity for 100,000 homes, reducing CO2 emissions by 470,000 tons per year.

Total investment in the Syvash project on the time of signing is 380 million euros and the 155 million euros funding will fund the initial phase. It consists of a 75 million euros European Bank for Reconstruction and Development (EBRD) loan, €75 million jointly from the Green for Growth Fund (GGF) and Netherlands Development Finance Company (FMO) and a further 5 million euros from the Nordic Environment Finance Corporation (NEFCO). The second stage consists of 107.6 million euros financing agreement that was signed with a syndicate of development banks including Black Sea Trade and Development Bank (30 million euros), Proparco (ca. 42 million euros), Finnfund and IFU (15 million euros each), and the Nordic Environment Finance Corporation (NEFCO) (5 million euros). Overall, the financing put into place for the whole project reaches 262.6 million euros. AlGihaz, a Saudi Arabian conglomerate, recently took a minority stake in the project alongside Total Eren.

The project is unique in the Ukrainian energy market considering the size of the project, the number of finances involved and contribute to the development of wind energy in Ukraine. It is the first non-recourse financing project in alternative energy in Ukraine International lenders from seven jurisdictions fully financed. [23]

The main goal of all investment projects in Ukraine is to increase the level of competitiveness of the country on the world market, and the other way might be through activation of innovation and technological modernization of individual sectors of the Ukrainian economy. Considering that the investment attractiveness of Ukraine in recent years has significantly decreased, it is necessary to use the unique opportunity to develop innovation-technological centers and high-tech industrial parks based on production and to form their network in all major industrial cities. The experience of the EAEU countries shows that the placement of such centers on preferential terms for the development and production of high-tech products can be carried out with the assistance of ministries, departments and special funds.

In order to increase the mechanisms of investment potential of innovative and technological modernization of certain sectors of the Ukrainian economy, it is advisable to develop a system of tax and tariff benefits that support the activities of enterprises for commercialization of R&D results and technology development. To support a larger number of projects within the budget allocation, it is necessary to move from direct lending to the practice of offsetting bank lending and using the Innovation Fund as a guarantee to attract bank capital in the field of innovation, support for venture and leasing financing. The sound investment policy in this area cannot be seen as additional financial support for individual projects. Active long-term activity is needed, strategic directions of which are the creation of regional innovation system, state protectionism of national technologies and developments, formation and protection of the market of scientific and technical products, quality assurance of products.

CONCLUSIONS TO THE PART 3

Part 3 contains paragraph one in which author discovered prior to areas and ways of development for the international investment of Ukraine and the second paragraph contains the evaluation of the implementation of the measures for the development of international investment activity of Ukraine.

The priority in spheres of economic activity for foreign investors differs, and for today, foreign direct investments are present in all sectors. At the same time, many active investors in Ukraine are sent in such areas as industry, wholesale and retail trade, repair of motor vehicles and motorcycles, real estate operations, financial and insurance activities and information and telecommunication sectors. In order to avoid high commercial risks investor also choose such areas where new products emerging quickly and invested cost bring profit rapidly.

The most perspective sectors are the agricultural sector as Ukraine takes 10-12% of the global market for various cultures and there is potential to increase. The second-place – Ukraine as the industrial area of Europe. The third one – IT. Ukraine is already leading in Eastern Europe in the number of engineers. In addition, the last but not the least is the energy sector. At the same time, providing a sufficiently high quality of life for the representatives of this profession.

To develop all these sectors and support other ones a lot of steps country should perform. Ukraine has many negative factors in spheres like the economy, legislation, organization, and society. The main goal of the governmental policy should be achieving economic stability and in particular investment policy for the attraction of foreign direct investments and stimulation of investment activity.

For further improvement of the investment climate in Ukraine, the current point is the improvement of the legal and organizational framework for improving the capacity of mechanisms to ensure a favorable investment climate and the formation of a basis for the preservation and enhancement of the competitiveness of the domestic economy.

On the governmental level, some steps have already been done in direction of protection of investors' rights, the accession of Ukraine to the OECD Declaration on International Investments and Multinational Enterprises and membership the OECD

Investment Committee will provide the following significant benefits to the country and more.

Various international financial institutions support Ukraine with investment projects in different areas, including the prior ones. Nevertheless, the biggest problem of the country is the low usage of the approved amount of investments. Such behavior shows the disinterest of the government in project implementation and gives the investors the reason to think out whether to support investment projects in Ukraine or not.

Primarily, FDI should promote sustainable and balanced development, structural modernization of the national economy, and enhance its international competitiveness.

Priority should be given to FDI in the development of high-tech and high-tech industries, which contribute to expanding export potential and enhance the competitiveness of Ukrainian goods in world markets.

At the same time, it is not a question of neglecting the developed links in the traditional sectors of the Ukrainian economy in which investors have invested. These include food and chemical industry, metallurgy, mechanical engineering, construction materials production and agriculture.

CONCLUSIONS AND PROPOSITIONS

Based on the conducted research, author wants to note that the issue of attracting foreign investments occupies a special place in the system of factors of economic growth of the state.

Because of the conducted research, its goal was achieved, namely, the mechanism of increasing the efficiency of international investment activity of Ukraine and the attractiveness of foreign investments into the Ukrainian economy to stimulate economic growth was investigated and the tasks set.

Firstly, the nature and value of foreign investment in the investment process of the country's economy are determined. Foreign investment refers to investments made by foreign investors in business entities and other income-generating activities, investments into the projects by international financial institutions.

Secondly, the impact of foreign direct investment on the economic development of Ukraine was characterized. Foreign direct investment (FDI) is a key source of growth in many countries with the transitional economy as it brings many positive aspects, but the government should not ignore negative influence.

Thirdly, the peculiarities of the formation and content of the investment inflows and outflows are determined. The structure and dynamics of the international activity of Ukraine were evaluated. It is not easy to ensure the investment flows of FDI and investments in general into the economy of the country in scale and structure corresponding to the growing needs and interests of the country and national and regional priority goals are impossible without improving the organizational and economic mechanism of regulation and involvement.

Fourth, the impact of macroeconomic stability, investment environment, legislation, government orientation, and climate factors have a great influence on investment processes. Achieving a high level of investment attractiveness is a quite difficult and very time-consuming process that requires serious mobilization and immediate reformations in most needful areas.

Fifthly, the dynamics of investment in the Ukrainian economy is investigated. In general, the following features of attracting foreign investments to the Ukrainian economy at the present stage can be noted: the amount of received investments has decreased after 2014th when Ukraine's position was precarious as instability was in all areas and the further situation was unexpected. Inflation, elections, military situation and other factors lower the trust of investors as the lever of risks from different sides appear. Just looking at GDP and CPI can be noticed significant and harsh changes in the economy. Now, even when the GDP is growing and CPI gets lower, foreign investors do not know what to expect from the new government. That is why the growth of investment begins with such a slow score.

Sixthly, the analysis of the structure of attracted foreign investments in the economy of Ukraine. The analysis of the structure of foreign direct investment by investing countries and by economic sectors showed that the largest foreign investment flows by their share belongs to countries such as Cyprus, Netherlands, Great Britain, Swiss, Virgin Islands (Great Britain), Russian Federation, Austria, and others.

Worth mentioning, that FDI inflow by regions shows that half of the investment receives Kyiv, while other regions are not so attractive for investors. Foreign investors are mostly majority register companies in Kyiv, and the production facilities are located outside the capital city.

Seventh, a description of the problems of attracting foreign investment in the Ukrainian economy at the present stage. The main problem in the field of foreign investment is a steady tendency to reduce foreign investment inflows into the economy of Ukraine, as the outflows stayed on the same level through the period of research. The main problem in legislation, unpredictable economy and unsatisfied level of realization of investment projects in Ukraine. Also the prior sectors of the economic activity should be modernized. Increasing its effectiveness will speed up economic growth and allows it to modify other sectors.

In one of the strongest sectors of Ukrainian economic activity – agriculture – the biggest obstacle to unlocking even greater investments is a moratorium on land sales, which continues to be blocked by the legislative branch for almost two decades now. As

a result, the market for agricultural land is virtually non-existent, and renting land from private owners or the state remains the only way to build an agribusiness company. Rental rates vary in the 8 to 14 percent, with public land set the lower end while private lands trend on the higher side.

Professional services faced with the biggest challenges – getting work permits for foreigners and related bureaucracy, as well as a general lack of information about Ukraine. "The key bottleneck now is in the fact that Ukraine is unknown. Unknown is scary," said Volodymyr Yumashev, a partner at global consultancy Deloitte.

Eights, the prospects of developing a mechanism for attracting foreign investment in Ukraine's economy have been clarified. Attention should be paid to the areas of improving investment activity in Ukraine, in particular: strengthening the national currency, increasing international reserves, increasing exports and receiving converted money. It should be noted that exports of goods and services of Ukraine in 2012 amounted to 82 billion 340 million dollars. In 2015, it dropped to \$ 38 billion, \$ 140 million. The US, though as of 2017, has grown to \$ 52.3 billion dollars. Geopolitical, macroeconomic and military threats and investment risks in Ukraine should also be minimized.

The conducted study of investment processes in the economy of Ukraine made it possible to point out that foreign direct investment is a determining factor that influences the economic growth and development of the country as a whole because it is a prerequisite for expanding international cooperation and creating a social effect in the form of income growth. Moreover, at present Ukraine should develop its economy to have the possibility to invest abroad and receive advantages from the expending. Foreign investment in this situation is like an instrument to achieve the goal, everything is needed, to use this opportunity correctly.

In the course of the study of this topic, a number of conditions have been identified by which it is possible to solve the problems of insufficient volume of attracted foreign direct capital, including political and economic stability, in particular, the termination of confrontation in the east; improvement of national legislation as a whole, and in particular on foreign investment, guaranteeing its stability; improving

information support for potential investors; reducing corruption; support as already started as future investment projects to finish them in time.

By increasing the volume of attracted foreign direct investment, there is a development of enterprises, organizations, which leads to a more efficient development of the economy, the introduction of the latest technologies in production, increase the quality of manufactured products, which can be sold not only within our region, country but also to enter the world market.

Foreign direct investment can serve as a mechanism for enhancing Ukraine's competitiveness in the global economy by exploiting existing competitive advantages and bringing in new ones. An important condition for increasing the inflow of foreign direct investment is the pursuit of a state policy aimed at creating stable conditions for the functioning of foreign investors in the national economy. Achieving this goal will enhance our national competitiveness and more actively integrate our country into the international economic system.

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APPLICATIONS

Application A

Rate of increase of FDI from the 8 biggest investors in the Economy of Ukraine (2014-2019) [2], %

Country	01.01.2014	01.01.2015		01.01.2016		01.01.2017		01.01.2018		01.01.2019	
	% in total	% in total	Dynamics	% in total	Dynamics	% in total	Dynamics	% in total	Dynamics	% in total	Dynamics
Cyprus	33,01	31,21	-1,80	30,81	-2,20	28,13	-4,88	28,26	-4,75	27,01	-6,00
Netherlands	16,77	17,95	1,18	18,96	-14,05	19,30	-13,71	20,23	-12,78	21,47	-11,53
Great Britain	5,15	5,59	0,44	5,56	-27,45	6,23	-26,77	6,15	-26,86	5,95	-27,06
Germany	5,42	5,50	0,09	5,00	-28,01	5,01	-28,00	5,32	-27,68	5,07	-27,93
Swiss	2,52	3,63	1,11	4,33	-28,68	4,60	-28,41	4,80	-28,21	4,69	-28,32
Virgin Islands (British)	4,24	5,18	0,95	5,34	-27,67	5,39	-27,62	4,30	-28,71	3,99	-29,02
Russian Federation	6,57	4,22	-2,34	1,07	-31,94	2,61	-30,40	2,52	-30,49	3,07	-29,94
Austria	4,31	3,52	-0,79	3,59	-29,42	3,52	-29,49	3,29	-29,72	3,06	-29,95
Others	22,02	23,18	1,16	25,35	-7,66	25,21	-7,80	25,13	-7,88	25,70	-7,31
Total	100	100	-	100	-	100	-	100	-	100	-

Application B

Foreign direct investment (equity) in the economy of Ukraine by type of economic activity (2014-2019), bln. doll. USA [2]

	Code for KVED	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018	01.01.2019	01.01.2019 to 01.01.2014		
								Absolute increase	Growth rate, %	Rate of increase, %
Agriculture, Forestry And Fisheries	A	0,78	0,62	0,50	0,59	0,58	0,46	-0,32	59,36	-40,64
Industry	B+C+D+E	17,68	12,42	9,89	9,67	10,54	10,82	-6,86	61,21	-38,79
Construction	F	1,58	1,30	1,10	1,04	0,92	0,98	-0,60	62,19	-37,81
Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	G	6,81	6,04	5,25	5,11	4,96	5,48	-1,33	80,45	-19,55
Transport, Warehouse, Postal And Courier Activities	H	1,54	1,36	1,09	1,09	0,99	1,04	-0,50	67,65	-32,35
Temporary Accommodation And Supply Organization	I	0,45	0,38	0,33	0,33	0,34	0,36	-0,09	79,69	-20,31
Information And Telecommunications	J	1,89	1,65	2,09	2,08	2,10	2,20	0,31	116,11	16,11
Financial And Insurance Activities	K	12,26	6,42	4,35	3,63	3,53	3,64	-8,62	29,69	-70,31
Real Estate Operations	L	4,77	3,98	3,88	3,76	3,80	4,25	-0,51	89,23	-10,77
Professional, Scientific And Technical Activities	M	4,01	2,63	2,22	2,25	2,13	2,10	-1,91	52,32	-47,68
Activities In The Field Of Administrative And Associated Service	N	1,69	1,34	1,22	1,51	1,55	1,37	-0,31	81,39	-18,61
Education	P	0,01	0,01	0,02	0,02	0,02	0,02	0,01	185,00	85,00
Health And Social Assistance	Q	0,06	0,05	0,04	0,04	0,04	0,04	-0,02	72,95	-27,05
Arts, Sports, Entertainment And Rest	R	0,16	0,14	0,11	0,10	0,10	0,10	-0,06	63,57	-36,43
Providing Other Types Of Services	S	0,03	0,02	*	*	*	*	-0,03		-103,81
Total		53,70	38,36	32,12	31,23	31,61	32,88	-20,82	61,23	-38,77

Application C

Direct investment (equity) from Ukraine by type of economic activity, bln. doll. USA[2]

	Code for KVED	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018	01.01.2019	01.01.2019/01.01.2014		
								Absolute increase	Growth rate, %	Rate of increase, %
Agriculture, Forestry And Fisheries	A	0,019	0,019	0,017	0,016	0,018	0,018	-0,001	93,684	-6,316
Industry	B+C+D+E	0,175	0,133	0,110	0,118	0,124	0,109	-0,065	62,521	-37,479
Construction	F	0,001	0,012	0,001	0,001	0,001	0,001	0,000	87,500	-12,500
Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles	G	0,128	0,112	0,080	0,089	0,049	0,043	-0,085	33,594	-66,406
Transport, Warehouse, Postal And Courier Activities	H	0,024	0,023	0,025	0,027	0,007	0,007	-0,018	27,273	-72,727
Information And Telecommunications	J	0,000	0,003	0,003	0,003	0,000	0,000	0,000		
Financial And Insurance Activities	K	0,222	0,125	0,074	0,073	0,063	0,074	-0,147	33,559	-66,441
Real Estate Operations	L	0,067	0,051	0,046	0,045	0,070	0,069	0,002	103,609	3,609
Professional, Scientific And Technical Activities	M	6,031	5,969	5,953	5,966	5,981	5,967	-0,064	98,942	-1,058
Activities In The Field Of Administrative And Associated Service	N	0,022	0,001	0,000	0,001	0,000	0,000	-0,022	1,786	-98,214
Total		6,703	6,456	6,315	6,346	6,322	6,295	-0,408	93,915	-6,085

Direct investment (equity) in the Ukrainian economy by region 2014-2019, bln. doll. USA[2]

	01.01.2014	% in total amount	01.01.2015	% in total amount	01.01.2016	% in total amount	01.01.2017	% in total amount	01.01.2018	% in total amount	01.01.2019	% in total amount
Kyiv city	25,83	48,09	17,89	46,64	15,36	47,81	16,52	52,89	16,34	51,71	17,37	52,83
Dniper	8,91	16,60	5,78	15,08	4,03	12,55	3,49	11,18	3,69	11,67	3,54	10,75
Kyiv	1,95	3,63	1,75	4,56	1,59	4,96	1,52	4,86	1,59	5,03	1,59	4,85
Donetsk	3,79	7,06	2,32	6,05	1,75	5,44	1,25	4,00	1,12	3,53	1,29	3,92
Odesa	1,67	3,11	1,42	3,71	1,32	4,11	1,23	3,93	1,20	3,80	1,25	3,80
Poltava	1,06	1,98	1,04	2,71	1,00	3,11	1,00	3,21	1,01	3,19	1,02	3,12
Lviv	1,38	2,57	1,10	2,86	1,03	3,22	0,83	2,67	0,93	2,94	0,95	2,88
Zaporizhia	1,08	2,00	0,84	2,20	0,68	2,13	0,86	2,76	0,91	2,88	0,90	2,74
Ivano-Frankivsk	0,81	1,52	0,93	2,41	0,84	2,60	0,83	2,65	0,90	2,86	0,89	2,72
Kharkiv	2,13	3,97	1,67	4,37	1,52	4,73	0,64	2,06	0,64	2,02	0,65	1,98
Luhansk	0,83	1,54	0,58	1,51	0,44	1,38	0,44	1,40	0,44	1,39	0,44	1,33
Chernihiv	0,13	0,24	0,10	0,26	0,09	0,29	0,24	0,77	0,43	1,36	0,44	1,33
Zakarpattia	0,44	0,81	0,33	0,87	0,31	0,97	0,32	1,02	0,33	1,03	0,34	1,04
Cherkasy	0,89	1,65	0,51	1,34	0,35	1,08	0,33	1,07	0,34	1,06	0,33	1,00
Volyn	0,34	0,64	0,27	0,71	0,25	0,77	0,25	0,79	0,25	0,80	0,27	0,81
Zhytomyr	0,36	0,68	0,26	0,68	0,22	0,69	0,22	0,69	0,23	0,72	0,23	0,71
Vinnytsia	0,31	0,58	0,22	0,58	0,19	0,58	0,18	0,58	0,20	0,63	0,22	0,68
Mykolaiv	0,28	0,53	0,23	0,60	0,21	0,66	0,21	0,68	0,21	0,65	0,22	0,67
Kherson	0,28	0,51	0,21	0,54	0,21	0,66	0,20	0,64	0,22	0,69	0,21	0,62
Khmelnyskyi	0,22	0,42	0,19	0,49	0,17	0,52	0,16	0,51	0,17	0,54	0,20	0,61
Sumy	0,42	0,79	0,26	0,69	0,20	0,62	0,19	0,61	0,18	0,57	0,18	0,56
Rivne	0,29	0,54	0,24	0,63	0,20	0,62	0,16	0,51	0,13	0,42	0,13	0,40
Ternopil	0,07	0,13	0,06	0,15	0,05	0,15	0,05	0,15	0,05	0,14	0,10	0,31
Kirovohrad	0,15	0,27	0,07	0,18	0,05	0,16	0,06	0,19	0,07	0,22	0,07	0,21
Chernivtsi	0,08	0,15	0,07	0,18	0,06	0,18	0,06	0,18	0,04	0,13	0,05	0,14

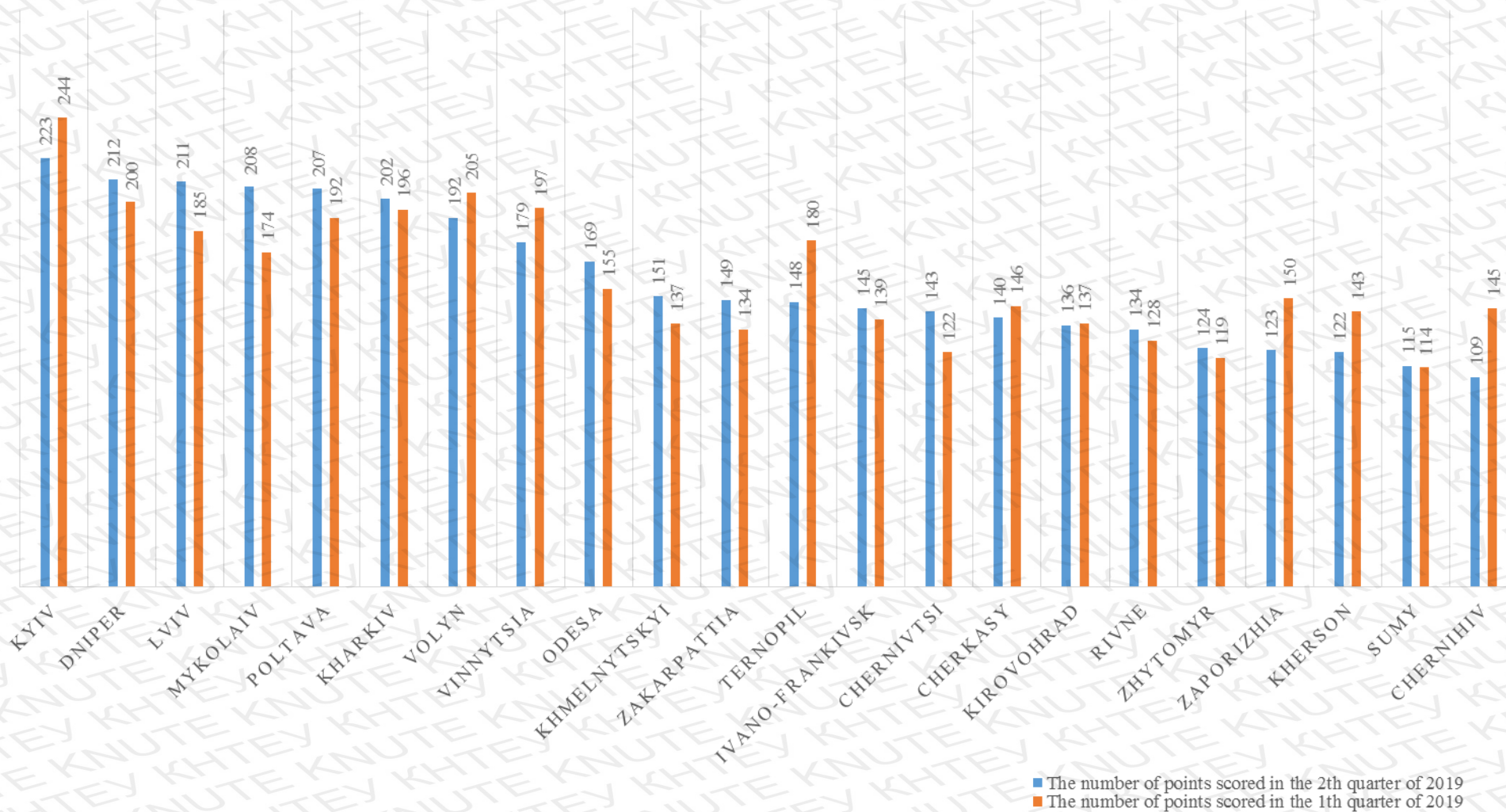
Total	53,70	100,00	38,36	100,00	32,12	100,00	31,23	100,00	31,61	100,00	32,88	100,00
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Application E

Investment efficiency rating of regions of Ukraine in the 2nd quarter of 2019,
compared with the 1st quarter of 2019[9]

Rate level	Region	The number of points scored in the 2nd quarter of 2019	Place in the ranking according to the results of the 2nd quarter of 2019	The number of points scored in the 1st quarter of 2019	Change in ranking in a quarter
ineA - max (over 200 points)	Kyiv	223	1	244	0
	Dniper	212	2	200	1
	Lviv	211	3	185	4
	Mykolaiv	208	4	174	5
	Poltava	207	5	192	1
	Kharkiv	202	6	196	-1
ineB - high (from 181 to 200 points)	Volyn	192	7	205	-5
ineC - above the medium (from 161 to 180 points)	Vinnitsia	179	8	197	-4
	Odesa	169	9	155	1
ineD - medium (from 141 to 160 points)	Khmelnyskyi	151	10	137	7
	Zakarpattia	149	11	134	7
	Ternopil	148	12	180	-4
	Ivano-Frankivsk	145	13	139	2
	Chernivtsi	143	14	122	6
ineE - under medium (from 121 to 140 points)	Cherkasy	140	15	146	-3
	Kirovohrad	136	16	137	0
	Rivne	134	17	128	2
	Zhytomyr	124	18	119	3
	Zaporizhia	123	19	150	-8
	Kherson	122	20	143	-6
ineF - low (from 101 to 120 points)	Sumy	115	21	114	1
	Chernihiv	109	22	145	-9

Investment efficiency rating of regions of Ukraine in the 2nd quarter of 2019, compared with the 1st quarter of 2019[8]



Factors that shape the state's investment climate[10]

Factors	Signs for evaluating the effectiveness of factors
1. Organizational and legal factor	- level of management of investment activity at the level of executive bodies; - effective legal framework.
2. The political factor	- the stable political situation in the country; - the level of public trust in the government.
3. Economic factor	- state of the economy of the country; - GDP growth dynamics; - size of internal and external debts; - the level of the shadow economy.
4. Country' potential characteristics	- availability of labor, land, energy, scientific and technical resources.
5. The financial factor	- budget revenues and expenditures; - the amount of interest rate on loans; - the number of bank deposits per capita.
6. Socio-cultural factor	- living conditions of the population; - level of health and medical care; - crime rate; - social protection of the population; - respect for human rights.
7. International relations	- international rating of the country; - cooperation with international organizations; -compliance with the rules and regulations of the convention and treaties.
8. Development of a market economy	- the presence of free competition; - inflation rate; - availability of the sales market;
9. General conditions of management	- ecological safety; - development of branches of material production; - the degree of depreciation of fixed assets.

Strengths	Weaknesses
<ul style="list-style-type: none"> • one of the richest countries in the world by natural resources (oil; gas; coal; iron ore; manganese; nickel; uranium; titanium; sulfur) • huge economic potential within the Ukrainian consumer market • high potential of the processing industry and agriculture • membership in the WTO, the prospect of associate membership in the European Union and cooperation with NATO, giving possibility to gain access to markets, technology and governance standards, which are the most advanced and promising today • high level of research and development in many fields of science and technology and considerable scientific and technical potential • well-developed infrastructure • relatively cheap skilled labor • one of the largest potential markets in Europe 	<ul style="list-style-type: none"> • Ukrainian economy is one of the weakest economies in the world(in 2018: IMF – 58th position(124.603 mill. doll.) • Ukrainian economy today is low-tech, raw materials, low-margin non-competitive monopolistic system of quasi-economic relations, characterized by a high degree of depreciation of fixed assets and extremely low labor productivity • Ukraine is gradually turning into a raw material colony of wealthy metropolises, selling limited natural resources there for nothing • weak role of Ukraine in the geopolitical alignment and the high dependence on external political and economic players who have the ability to influence Ukraine’s choice of its development path • low level of protection of investors' interests • unfavorable economic conditions (unemployment, low standard of living, inflation) • imperfect tax and judicial systems
Opportunities	Threats
<ul style="list-style-type: none"> • annual, dynamic growth of the economy of Ukraine, in accordance with the annual plans of the Strategic Development Program, ensuring an annual increase in the incomes of the Ukrainian population and, accordingly, an increase in the level and quality of their life • transformation of the Ukrainian economy into an "open" type economy, enabling Ukraine to integrate into the global system of capital, technology, and labor resources which allows to get world experience and technology • emergence of new, high-tech, high-margin revenue generating sector of the Ukrainian economy, can become leaders in their structure, generate a significant portion of its total product, and to ensure a steady inflow of foreign currency • development of the consumer market in Ukraine and the creation of the necessary set of conditions will ensure a growing flow of foreign investment in the Ukrainian economy, reducing dependence on external borrowed resources and increasing the potential of the Ukrainian economy 	<ul style="list-style-type: none"> • probability of increasing emigration of young people and skilled workers • constant growth of external public debt and increasing of financial dependence • environmental problems in Ukraine • unfavorable economic conditions (unemployment, low standard of living, inflation) • negative political image is not conducive for foreign investors activity • strengthening of the oligarchic system of social relations in Ukraine and the oligarchic-bureaucratic model of governance • slow decreasing of shadow economy • negative international image

SWOT-analyses of Ukraine

Source: composed by the author

Application I

Political	Value	Score	Weighted score	Economical	Value	Score	Weighted score
Newly elected government	0,2	2	0,4	State of the country's economy in general;	0,3	4	1,2
State's credit policy	0,2	3	0,6	Inflation	0,25	3	0,75
Legislation change	0,3	4	1,2	Corruption	0,24	2	0,48
Tax policy	0,3	4	1,2	GDP dynamics	0,21	4	0,84
Burocracy	0,1	2	0,2				
Total	1	15	3,6	Total	1	13	3,27
Social	Value	Score	Weighted score	Technological	Value	Score	Weighted score
Education, availability of skilled personnel	0,27	4	1,08	Technological policy of the country	0,22	3,5	0,77
Unemployment	0,23	3,5	0,81	Technological support of the industries	0,23	3	0,69
Migration indicators	0,15	3	0,45	Significant changes in scientific and technological progress	0,2	2	0,4
Population growth rate	0,16	3,5	0,56	Innovative technologies and their impact	0,18	3	0,54
Part of the working population	0,19	3	0,57	Average state expenditures on R&D	0,17	3	0,51
Total	1	17	3,47	Total	1	14,5	2,91

PEST-analyses of Ukraine investment attractiveness

Source: composed by the author