

FEATURES OF INVESTMENT POTENTIAL IN UKRAINE

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Summary. The article examines the investment potential of Ukraine, the changes that are taking place in Ukrainian legislation to improve the investment climate, comparing the investment attractiveness of Ukraine with other countries of the world. The investment attractiveness of Ukraine by industry has been determined. The author has made a generalized conclusion about the economic growth in Ukraine.

Keywords: investments, investment attractiveness, economic development, economy, economy of Ukraine

«Ukraine is open to the world
as an investment harbor in the time of change»
Volodymyr Zelenskyy [3]

Driven by the passion and determination of a new generation of young reform-minded leaders, since 2014 the country has undergone a transformation from deep crisis to macroeconomic stabilization. The government has introduced effective anticorruption measures – such as ‘Prozorro’, Ukraine’s world-class transparent procurement system – which save the state budget \$6 billion each year; unbundled energy sector monopolies; brought transparency and accountability to public finances and expenditures; began the implementation of law enforcement, judicial, healthcare, education, pension and privatization reforms; dramatically improved the investment environment; and signed a ground-breaking Deep and Comprehensive Free Trade and Association Agreement with the European Union that is integrating the Ukrainian economy into European supply chains and institutions. As a result of the steady pace of reform, stakeholders now believe that Ukraine is truly becoming an attractive place in which to make money. Investors have recognized that Ukraine has become a stable and predictable emerging market and that the availability of talented human capital and high-quality undervalued assets make Ukraine an excellent investment destination. [2]

Ukraine is an attractive investment destination compared with other countries in the CEE region. Some 16% of respondents expect Ukraine to attract more investment than any other CEE country in the next 10 years, behind only the much larger economies of Poland (41%) and Russia (29%).[4] The Ukrainian powerhouse opportunities in agriculture, energy, information technology, infrastructure and manufacturing have grown too large for investors to ignore. When combined with a highly skilled workforce, cost-efficiency, strategic geographic location and rapid facilitation of terms of doing business, Ukraine has much to offer. Most attractive sectors for investment:

–Agribusiness. Ukraine has the opportunity to develop agricultural clusters that could be promote designing, testing and manufacturing of the latest agritechnologies.

–Energy. Ukraine has a diverse endowment of natural energy resources and continues to be a net exporter of electricity and certain types of coal.

–Gas sector. Ukraine possesses Europe’s third-largest reserves of shale gas, estimated at anywhere from 5-8 trillion cubic meters of which 1.2 are technically extractable today.

–Electricity sector. Ukraine’s electricity sector consists of more than thirty power plants of which fourteen are thermal and another four are nuclear plants.

–Coal sector. Traditional coal production has been decreasing steadily which has necessitated that Ukraine diversify its import supplies from as far away as the USA and Australia.

–Nuclear power. Nuclear power is a major resource for generating electricity in Ukraine.[1]

Ukraine’s greatest assets – its “brains and grains” – produce the innovation and opportunities found in Ukraine’s agrifood value chain; the growth of European and global supply-chain manufacturing clusters in the country’s fast-growing regions; and in the development of oil, gas and renewable energy resources derived from Ukraine’s pursuit of energy independence.

The benefits of these opportunities are readily evident in the meteoric rise of Ukraine’s IT sector.[2]

When deciding to invest in the Ukrainian economy, foreign investors are often driven by a desire to reduce the cost of production by accessing cheaper labor. They are attracted by favorable climatic conditions for agriculture and large areas of high-yielding chernozems. In addition, foreign investors are interested in access to Ukrainian food markets, which are characterized by large size and low saturation. However, there are a number of caveats that curb the influx of foreign investment: political instability in the country, corruption in all levels of government, imperfect tax legislation; insufficient level of financial market development, lack of investment insurance system, devaluation of the national currency, increase in the NBU discount rate, decrease in the level of effective demand, etc.[6]

Ukraine is emerging as a hidden gem for international investors targeting high returns in a strategically important location next to the major European markets. While the risk posed by corruption, complex legislation and the conflict in the east of the country should not be underestimated, these challenges can be overcome with careful planning and advice from local experts.[4]

On February 10, 2021, the President of Ukraine Volodymyr Zelensky signed the Law “On State Support of Investment Projects with Significant Investments in Ukraine” № 1116-IX, which was adopted by the Verkhovna Rada on December 17, 2020.

Following the adoption of the Law on State Support of Projects with Significant Investments, UkraineInvest received applications from potential investors totaling more than \$ 400 million. This was announced by the Executive Director of UkraineInvest Serhiy Tsvkach at a press conference in Kyiv.[5]

Ukraine’s economic development and attraction of foreign investors under the current globalization conditions depend on its internal capacity and functioning of management mechanisms, as well as cooperation with international community and business.[2]

“Ukraine is a dynamic European country that is improving its investment climate to compete globally, create new business opportunities and increase Foreign Direct Investment,” Volodymyr Zelenskyy said in his video address to the participants of the conference. According to the President, despite the challenges, during 2020 Ukraine with the help of the business community carried out historic reforms: adopted legislation on the land market, increased the transparency of the tax system, supported business with affordable loans, launched open privatization, signed the first concession agreements.[3]

Based on the above, we can conclude that Ukraine has great investment attractiveness. Ukraine has excellent climatic conditions, large deposits of natural resources and skilled labor. With an improved investment climate and a reduction in corruption, Ukraine can not only improve its economic situation, but also become a country with a strong economy.

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