

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE  
SUMY STATE UNIVERSITY  
Educational and Research Institute of Business, Economics and Management  
Department of International Economic Relations

**BACHELOR'S DEGREE QUALIFICATION PAPER**

Specialty 292 «International Economic Relations»

on the topic " FOREIGN INVESTMENT IN THE ECONOMY OF UKRAINE:  
SCOPE, STRUCTURE, EFFICIENCY"

Student IV Course  
(course number)  
group ME-92a.an  
(group's code)

\_\_\_\_\_  
(signature)

Maksym Demenko  
(full name)

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source

Research advisor  
Professor, Doctor of Economics  
(position, scientific degree)

\_\_\_\_\_  
(signature)

Fedir Zhuravka  
(full name)

Sumy, 2023

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE  
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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(Specialty 292 "International Economic Relations")  
student 4 course, group ME-92a.an  
(course number) (group's code)

Maksym Demenko

(student's full name )

1. The theme of the paper is “Foreign investment in the economy of Ukraine: scope, structure, efficiency” approved by the order of the university from 11/05/2023 № 0484-VI
2. The term of completed paper submission by the student is 01/06/2023
3. The purpose of the qualification paper is to provide a comprehensive analysis of foreign investment trends and their impact on the Ukrainian economy, as well as assess the efficiency of these investments.
4. The object of the research is the Ukrainian economy, its development. As well as the relevance of foreign investment for the country's economy, given its transition from a centrally planned to a market economy.
5. The subject of research the assessment of the effectiveness of foreign investments in the economy of Ukraine, their contribution to the overall economic performance of the country. As well as the problems and risks associated with foreign investment.
6. The qualification paper is carried out on materials of State Statistics Service of Ukraine, data of the Ministry of Finance of Ukraine, the National Bank of Ukraine, etc.
7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

## Chapter 1 - Theoretical basis of foreign investment

(title, the deadline for submission)

Chapter 1 deals with: 1) The essence and types of foreign investment; 2) Foreign experience of the introduction of foreign investment on the territory of Ukraine; 3) Regulatory and legal support of foreign investment in Ukraine.

(the content of concrete tasks to the section to be performed by the student )

## Chapter 2: Analysis of foreign investment

(title, the deadline for submission)

Chapter 2 deals with: 1) Assessment of the state of foreign investment in Ukraine; 2) State regulation of foreign investment in Ukraine; 3) Budget and tax stimulation of foreign investment in Ukraine.

(the content of concrete tasks to the chapter to be performed by the student )

## Chapter 3: Problems and prospects of foreign investment in Ukraine

(title, the deadline for submission )

Chapter 3 deals with 1) The problem of modern foreign investment in Ukraine; 2) Prospects of foreign investment in Ukraine; 3) Ways of improving foreign investment.

(the content of concrete tasks to the chapter to be performed by the student )

### 8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued	task accepted
1	Professor, Doctor of Economics Fedir Zhuravka	16.04.2023	16.04.2023
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3	Professor, Doctor of Economics Fedir Zhuravka	23.05.2023	23.05.2023

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## ABSTRACT

on bachelor's degree qualification paper on the topic  
“FOREIGN INVESTMENT IN THE ECONOMY OF UKRAINE: SCOPE,  
STRUCTURE, EFFICIENCY”

student Maksym Demenko  
(full name)

This bachelor’s degree qualification paper examines the role of foreign investment in the economy of Ukraine, focusing on its scope, structure, and efficiency. The study aims to provide a comprehensive analysis of foreign investment trends and their impact on the Ukrainian economy, as well as assess the efficiency of these investments.

The paper begins by introducing the significance of foreign investment in economic development, emphasizing its potential to stimulate growth, enhance technological progress, and improve infrastructure. It also highlights the relevance of studying foreign investment in the specific context of Ukraine, given its transition from a centrally planned to a market-based economy.

Furthermore, the paper evaluates the efficiency of foreign investment in Ukraine's economy. It assesses the contribution of foreign investment to job creation, export growth, and the overall economic performance of the country.

Ultimately, this research contributes to the existing literature on foreign investment in transition economies, specifically focusing on Ukraine. The study's findings can inform policymakers, investors, and scholars about the scope, structure, and efficiency of foreign investment in Ukraine's economy and suggest measures to enhance its benefits and mitigate associated risks.

**Keywords:** FOREIGN INVESTMENT, UKRAINE, ECONOMY, SCOPE, STRUCTURE, EFFICIENCY, FOREIGN DIRECT INVESTMENT, TRANSITION ECONOMIES, POLICYMAKERS, INVESTORS, SCHOLARS.

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## INTRODUCTION

An indicator of the effectiveness of the development of the economic system is the activity of investments in the state. Investments play an important role in the economic system, helping to stimulate the economic growth of the state. Investments involve the introduction of new production technologies, innovative methods, and the replacement of outdated equipment or the creation of new equipment. In addition, investments have an impact on creating a favorable economic situation for achieving economic growth. In the globalized world, it is especially important to determine the directions, tools and methods of attracting investments in order to ensure the dynamic development of the national economy.

However, in Ukraine, domestic sources are insufficient to meet all the investment needs of the national economy, so foreign investment becomes one of the ways to solve this problem. Foreign investment not only fulfills capital needs, but has other benefits. For example, they contribute to the expansion of production volumes, updating of the existing material and technical base, and innovative development. Also, foreign investments are an important source of global organizational experience and management practices for the recipient country.

A great contribution to the study of various aspects of managing the attraction of foreign investments was made by domestic and foreign scientists, such as R. Alexander, V. Bazylevich, Y. Bazylyuk, J. Bailey, I. Blank, O. Vasylyk, A. Galchynskyi, B. Gubskyi, I. Lyuty, A. Peresada, M. Porter, D. Tobin, V. Fedorenko, P. Fisher, V. Shevchuk, U. Sharp and others.

For purposeful research of this issue, it is necessary to determine the goal, task, object and subject of the thesis research.

The purpose of this work is to develop the scientific-methodical and practical aspects of the organizational-economic mechanism for the activation of foreign investment in the economy of Ukraine. This involves improving this important

aspect of state regulation from the standpoint of the National Bank of Ukraine and the state's financial security.

To achieve the goal of the study, the following tasks were formulated and solved:

- 1) to conduct a study of the nature and types of foreign investment;
- 2) to assess the state of foreign investment in Ukraine;
- 3) to identify the problems of modern foreign investment in Ukraine;
- 4) to determine the prospects of foreign investment in Ukraine;
- 5) to indicate ways of improving foreign investment.

The subject of the research is theoretical, methodical and practical issues of clarifying the role of foreign capital in Ukraine.

The object of the research is the process of researching foreign investments in Ukraine.

Various methods were used in the research, including methods of logical generalization, expert evaluations, statistical methods, methods of induction and deduction, as well as methods of abstraction and comparison.

The theoretical and methodological basis of the work is the achievements of Ukrainian and foreign scientists, as well as legislative and regulatory acts of the Verkhovna Rada of Ukraine, the National Bank, internal bank instructions and regulations. The information base consists of analytical, economic and research data, as well as statistical data and information from mass media, international organizations and other sources.

## **1. THEORETICAL BASICS OF FOREIGN INVESTMENT**

### **1.1. The essence and types of foreign investment**

The problem of ensuring economic growth is closely related to the availability of the necessary resources for the development of the economy and improvement of its structure. Investments are the most important source of economic growth and play a key role in the transformation of Ukraine's economy. The investment process is a complex economic category that reflects the socio-economic state of the state and forms the basis of its development.

A feature of foreign direct investment (FDI) in all countries, including ours, is that a significant part of such investment comes from transnational corporations (TNCs). These corporations realize their strategic goals through investments in other countries. The attraction of TNCs to a certain country and the entry of national corporations into foreign markets of goods and finance is an economic phenomenon known as the transnationalization of the economy. This contributes to the integration of the country's economy into the world economy and its involvement in the globalization process.

It is important to note that foreign direct investment (FDI) is the main tool by which transnational corporations (TNCs) extend their influence over national economies, and is also a means of creating TNCs themselves and global strategic alliances. As a result, the transnationalization of the economy is a necessary phenomenon, to which each country must develop its national policy to regulate the investment climate, taking into account its own national interests. However, before developing such a policy, it is necessary to clearly define what foreign investment actually means.

According to the requirements of the Law of Ukraine "On the regime of foreign investment", foreign investments are assets that foreign investors invest in investment projects in accordance with the legislation of Ukraine with the aim of obtaining profit or achieving social impact.



Interpretation of the category "foreign investments" from different angles is reflected in numerous scientific works. Scientists provide a definition of the specified category from the point of view of the problems of foreign investment that arise during its adaptation in economic cycles.

Table 1.1 presents scientific positions regarding the interpretation of the "foreign investment" category.

Table 1.1. Scientific views on the interpretation of the “foreign investment” category

No	Author, source	Definition of the concept
1	2	3
1.	V.G. Fedorenko,	emphasize that foreign investments cover all types of values invested in objects of investment activity on the territory of any country.
2.	L.M. Borshch	expands this definition, stating that foreign investment includes property and intellectual values that foreign investors invest in business and other types of activities for the purpose of obtaining profit.
3.	Mayorova T.V.	foreign investments may include cash, securities, property, property rights, results of intellectual activity and other values provided by law, and that they are carried out for the purpose of obtaining profit or achieving a social effect.
4.	Denisenko M.P.	foreign investments can be made by international and foreign enterprises, organizations and citizens, and
5.	Korniychuk S.K.	claims that these are investments made by foreign citizens, legal entities and states.
6.	J. Keynes	foreign investment is a part of the profit received in a certain period, which has not yet been used for consumption.
7.	Fischer S., Dornbusch R., Shmalenzi R.	foreign investments cover the costs of creating new production facilities, financing the construction of housing, industrial or agricultural facilities, as well as the purchase of stocks.
8.	Hittman L., Jonk M.	foreign investment is a way of placing capital, the purpose of which is to preserve or grow this capital.
9.	Blank I.A.	foreign investment includes the costs of creation, expansion, reconstruction and technical rearmament of fixed capital, as well as changes in working capital related to this.
10.	McConnell K., Brew S	foreign investment includes spending on the construction of factories, acquisitions and equipment with a long service life, production and accumulation of means of production, improvement of education, health of workers and increase of labor mobility.
11.	Shevchuk V.Ya., Rogozhyn P.S.	foreign investment is capital investment with the aim of further increasing this capital.
12.	Hrynyova V.M., Koyuda V.O.	foreign investments are long-term investments of capital in various spheres of the economy, social programs and environmental protection for the purpose of developing production, the social sphere and making a profit.
13.	S.K. Korniychuk	foreign investment means investing money or other material values in assets with the aim of obtaining further profit .

Source: compiled by the author.

Academic economists differ on the question of the division of foreign investments depending on various characteristics. The lack of a single point of view regarding the classification of this concept is worth noting. Some researchers classify foreign investments depending on the sources and purpose of investment, while others additionally include such characteristics as the form of registration and others.

In accordance with the above study of types of foreign investments, it should be noted that the classification of types of investments not only contributes to their more successful study, but also provides professionals with uniform guidelines. Signs of classification of investments, which are the basis for groups, are different, therefore, there is no single typological criterion that integrates the influence of all factors.

After conducting a study of the essence and types of foreign investment, it is worth emphasizing that the thesis expanded the understanding of the concept of foreign investment, presented different views of the authors on this topic, revealed controversial and problematic aspects. In addition, a proper definition of this concept was introduced, as well as the classification of foreign investments according to various characteristics, including the degree and types of risk, was revealed.

Based on our thoughts, we can define foreign investment as a long-term investment of capital, which complies with current legislation, in various branches and spheres of the economy, infrastructure, social programs and environmental protection both at the domestic level of the country and beyond. The main purpose of such investment is the development of production, social sphere, entrepreneurship and profit making.

## 1.2. Foreign experience of the implementation of foreign investment on the territory of Ukraine

Various methods and mechanisms are used in different countries to increase their attractiveness for investments at different levels - macro-, meso- and micro-levels. These measures are aimed at maximizing the use of own investment potential. Since the modern world is characterized by processes of integration, there is a need to study global experience in the field of investment policy. This includes the analysis of optimal forms, mechanisms, means and strategic priorities aimed at stimulating and strengthening the country's investment potential. When using world experience to develop one's own optimal regional development strategy, it is necessary to take into account that the implementation of investment policies by different European countries always leads to different efficiency results due to multifactorial factors, which include economic, social, natural-geographical and ecological features of each country.

Scientific research and publications of domestic scientists indicate a significant interest in the analysis of world experience in the field of attractiveness for investments, macroeconomic growth of foreign countries, the dynamics and structure of investments and innovations, as well as issues of state stimulation of innovation and investment growth in countries with different levels of development.

John Dunning conducted an in-depth analysis of the reasons and motives for financial investment by investment entities of one country in the economy of another country. He identified four main motivations for foreign direct investment (FDI):

a) Resource-seeking companies seeking access to natural or specific resources, skilled or low-skilled labor and technological capacity at lower prices than in their own country.

b) Companies that are looking for a sales market and are interested in expanding it for their range of goods and services, using the domestic market of the

country in which the investment is made, as well as with the prospect of exporting to adjacent markets of other countries.

c) Companies that prioritize efficiency and want to exploit economies of scale, benefit from globalization and minimize costs, and make efficient use of quality physical infrastructure and human capital.

d) Companies pursuing the strategic goal of occupying a certain position in the market or competing with other companies already present in this market, as well as increasing their international competitiveness.

It is important to note that Dunning not only identified these main motives for foreign direct investment, but also emphasized that they can combine and interact with each other in specific situations. Companies can have several motives at the same time, and their decision to make an investment depends on the balance of these motives and specific market conditions.

In the modern socio-economic development of Ukraine, it is necessary to find non-traditional approaches to the development and implementation of a renewed investment policy. To achieve this goal, it is important to use foreign experience, which confirms the possibility of creating a favorable investment climate and strengthening one's own potential for attracting foreign investment.

The attractiveness of a country for foreign direct investment depends on various factors. Considering the four main motives for FDI, it is important to use different strategies to attract investment.

There are several features of each country that affect the attractiveness of foreign direct investment:

1. The size and level of income of the population, the structure of demand, the stability and growth prospects of the market have an impact on the inflow of investments.

2. The availability of labor, its qualifications and opportunities for training are important factors for investors.

3. Access to productive resources, physical infrastructure, availability of supply networks, and technical support also affect a country's attractiveness for investment.

4. The ability of a country's government to ensure the stability of key macroeconomic indicators, the ability to repatriate profits and access to foreign currency are important for investors.

5. Foreign trade policy, regional integration, access to neighboring markets, property control, competition policy, support for small and medium-sized businesses, and other factors also affect a country's ability to attract foreign investment.

In order to successfully attract foreign direct investment, Ukraine should take these features into account and actively work on their improvement. The development of effective infrastructure, improvement of the quality of education and training of the workforce, ensuring the stable development of markets and the implementation of competitive policies can contribute to the attraction of foreign investors. In addition, it is necessary to create a favorable legal and regulatory environment that will guarantee the protection of investors' rights and provide them with the possibility of free movement of capital and repatriation of profits.

Development of the country's image, promotion of Ukraine's advantages and potential in the international arena are also important aspects. Active international cooperation, participation in international economic organizations and development of a positive image will help attract the attention of foreign investors and contribute to the development of the country's investment potential.

Therefore, the development and implementation of non-standard approaches in the development of investment policy, attracting foreign experience and taking into account the determining factors of attractiveness for foreign investments are important steps for achieving successful economic development of Ukraine.

In the modern conditions of the socio-economic development of Ukraine, it is important to develop non-standard approaches in the development and implementation of the updated investment policy. To achieve this goal, it is

important to use foreign experience that confirms the possibility of creating a favorable investment climate and strengthening one's own investment potential.

The level of attractiveness of a country for direct foreign investment depends on a number of determining factors. Given the four main drivers of FDI, it is necessary to use different investment attraction strategies.

The following features of each country are important factors for the attraction of foreign direct investment by the countries of the world:

1. The size and level of the population's income, the structure of demand, the stability and growth prospects of the market affect the inflow of investments.

2. The availability of labor, its qualifications and ability to learn are important factors for investors.

3. Access to factors of production, physical infrastructure, availability of a network of suppliers and technical support also affect the attractiveness of a country for investment.

4. The ability of the country's leadership to ensure the stability of the main macroeconomic indicators, the possibility of repatriation of profits and access to foreign currency are important for investors.

5. Foreign trade policy, regional integration, access to neighboring markets, control over property, competition policy, support of small and medium-sized businesses and other factors also affect the attraction of foreign investments.

China is an example of a successful country that attracts significant amounts of foreign direct investment. Over the past decade, the Chinese government has implemented policies to encourage FDI inflows, resulting in about 25% of total investment going to developing countries, with more than 70% of that invested in industry.

After analyzing the experience of EU member states in the field of foreign investment, it is necessary to develop a single and most attractive strategy for attracting foreign capital to Ukraine. Such a mechanism for promoting the attraction of foreign capital can be presented in figure 1.1.



Figure 1.1 – Priorities in attracting foreign capital to Ukraine

The use of these factors will contribute to:

- Strengthening trust in the Ukrainian authorities and improving the country's economic relations.
- Increasing the number of strategic partners of Ukraine and attractiveness for foreign investors.
- The growth of the share of foreign capital in the country's economy and the filling of the state budget.
- Development of profitable industries in Ukraine and increasing its chances of joining the European Union.

At the same time, the enlargement of the EU has a positive effect on the flows of foreign direct investments to the member countries. The rapprochement with the European community and the development of economic cooperation with the EU contribute to the internationalization of the economy of states and the deepening of their specialization in the international division of labor, as well as contribute to the

improvement of the population's well-being. Therefore, obtaining the status of a candidate country for EU membership and subsequent accession to the bloc is the most beneficial form of cooperation, in particular with the aim of attracting European investments. The purpose of the creation of the Department for the implementation of foreign direct investments (FDI) is to shorten the time between the approval of an investment project and its practical implementation. This goal is achieved by providing investors with the necessary informational and practical support from the department during the implementation of investment decisions. The department operates on the principle of a "single window", which means that it provides assistance and assistance to investors in obtaining all the necessary approvals and solving problems that arise during the implementation of the project. For example, he can organize meetings with government bodies to discuss controversial issues. Analyzing the international experience, we can conclude that the successful attraction of foreign direct investment (FDI) is due to the leading role of the country's balanced investment policy. This policy is aimed at creating favorable conditions for the development of the investment process and includes rational decisions made by authorities. In addition, it is important to have direct contact between government organizations responsible for investment issues and investors to remove obstacles to the development of the investment process by making compromise decisions and providing the necessary support in solving current business issues. However, international experience shows that a country seeking to attract foreign direct investment (FDI) should focus not only on internal balancing of economic and legal processes and adoption of positive decisions to create a favorable investment climate (for example, structuring and simplifying import procedures, tax benefits, financial subsidies) and interactions with investors.



### 1.3. Regulatory and legal support of foreign investment in Ukraine

According to the Economic Code of Ukraine, one of the priority areas of the state's economic policy is the creation of conditions for attracting and concentrating funds with the aim of expanded reproduction of the main means of production and their effective use through investment policy. It is worth noting that legal support for investment policy in Ukraine began with the adoption of the Law "On Investment Activity" in 1991. This law provided for the creation of privileged conditions for investors in priority industries, state regulation of investment activities through tax, credit, depreciation and price policies, as well as the provision of state financial support.

For the further development of the mechanism of economic regulation of the investment process in the conditions of the market transformation of the economy, the Concept of regulation of investment activity was developed, which was approved by a resolution of the Cabinet of Ministers of Ukraine in 1995.

The concept of investment activity established the basic principles of organization and regulation of investments by the state, including:

1. Priority: focus on state priorities.
2. Decentralization: transfer of functions of ensuring investments to business entities.
3. Development of competition in the investment sphere.
4. Transition from budget financing to state lending.
5. Support of mixed investment projects and programs.
6. Creation of investment insurance mechanisms.

According to Clause 1 of Article 19 of the Law of Ukraine "On Investment Activities", the state guarantees the protection of investments regardless of the forms of ownership. Protection of investments is carried out in accordance with the legislation of Ukraine and agreements of Ukraine with foreign countries. Investors, including foreign ones, are given equal treatment, which excludes discrimination

and obstacles in relation to the management, use and liquidation of investments. The terms and procedure for export of invested values and results of investments are also provided for.

It is worth noting that the Law of Ukraine "On the State Program for the Promotion of Foreign Investments in Ukraine" aims to promote and strengthen the inflow of foreign capital to the priority sectors of the country's economy by providing various insurance guarantees, in particular for the most important investment programs and projects, improving the legal regulation of foreign investment and development of international business infrastructure.

In the field of state regulation of investments in Ukraine, one of the most urgent problems is to ensure legal stability. Investors, investing their funds in the country's economy, want to have a guarantee that the conditions of their activity will remain unchanged in the future or, if changes occur, they will not bring them commercial losses. In order to ensure such guarantees, the advantages granted to investors in the adoption of legislative acts that may affect the conditions of their investment may be applied. However, the analysis of the practice of investment regulation in other countries shows that governments are constantly striving to provide a more open regime for foreign investors.

Ukraine has not yet reached the optimal level of legislative support for investment activities in general, as well as the activities of investors in particular. The main problem is the frequent and unpredictable changes in legislation and by-laws. Sometimes these changes contradict common sense and economic laws of social development. Understanding that during the transformation of the economy and social relations, the state is looking for adequate legislative instruments of regulation, it is important to continue the search for optimal solutions in this area.

## 2. ANALYSIS OF FOREIGN INVESTMENT

### 2.1 Assessment of the state of foreign investment in Ukraine

During January-September 2021, the contribution of gross fixed capital formation to GDP growth was 0.9 percentage points. This is explained by the positive dynamics of investment activity, as the volume of gross accumulation of fixed capital increased by 6.1% in annual terms during this period.

Despite a noticeable slowdown in economic growth in 2021, investment activity remains active. During January-September 2021, the volume of capital investments increased by 17.0% compared to the previous year. However, the share of gross fixed capital formation in the structure of GDP remains low, amounting to 16.4% during this period. This distribution of GDP, in favor of consumption, creates threats to further expanded economic reproduction and the implementation of modernization reforms.

The impact of foreign economic activity on the formation of GDP has undergone drastic changes. As a result of a significant decrease in the volume of exports of goods and services in January-September 2021 (by 6.4%), its contribution to the formation of GDP became negative and amounted to -2.7 percentage points. In 2020, export activity was one of the main sources of economic growth. At the same time, the increase in import volumes (by 4.2%) had a negative impact on GDP growth by 2.0 percentage points. The negative foreign economic situation was one of the main factors limiting the economic development of Ukraine.

The volume of direct foreign investments (equity capital) brought into the economy of Ukraine since the beginning of investing, as of December 31, 2021, amounted to 54.5 billion US dollars. This is significantly more than the volume on January 1, 1996 by 60.7 times and is 1199.3 dollars per person of the population.

Figure 2.1 shows the dynamics of direct foreign investment in the economy of Ukraine.

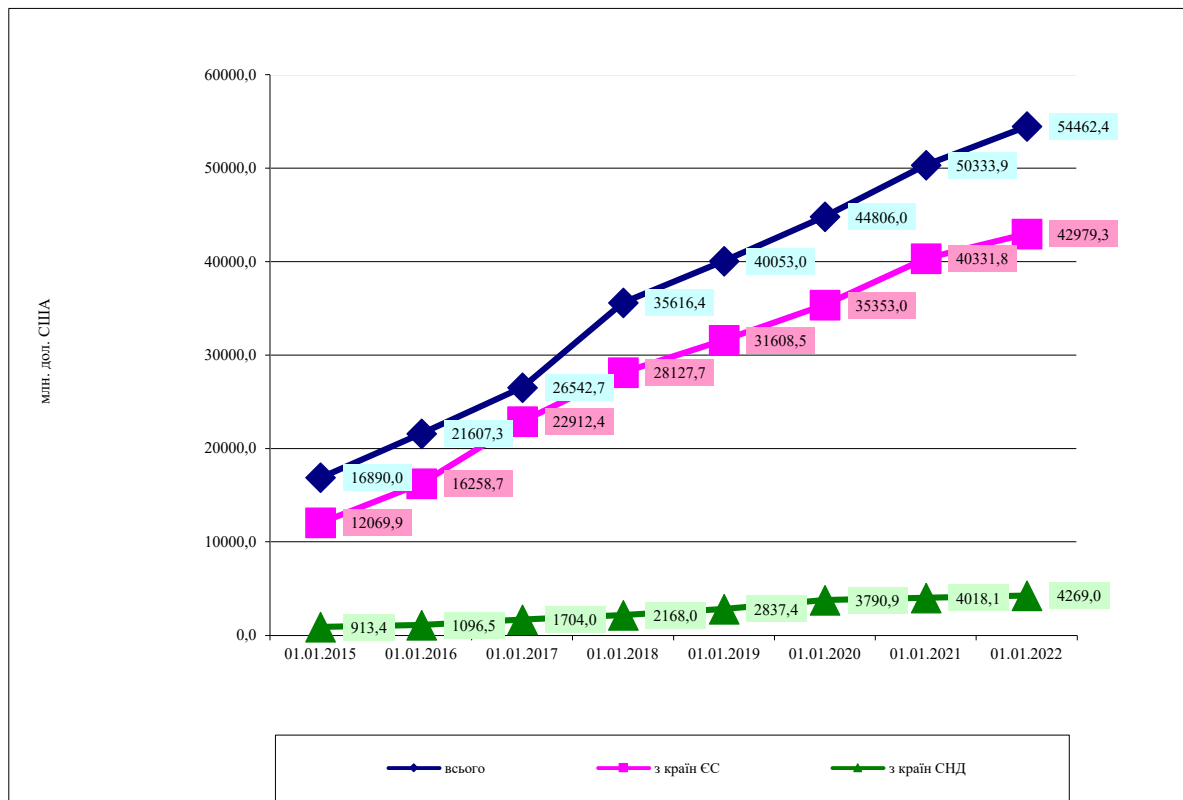


Figure 2.1. – Dynamics of foreign direct investments (share capital) in the economy of Ukraine during 2014-2021

Thus, during 2014-2021, the volume of direct foreign investments in the economy of Ukraine increased by USD 32,855.1 billion. USA or by 152.06%; we also observe an increase in the amount of direct foreign investments from EU countries by 26,720.6 billion dollars. USA or by 164.35%; there was an increase in direct foreign investments from EU countries by USD 3172.5 billion. USA or by 289.33%.

Let's analyze the volume of direct foreign investments in the regions of Ukraine (Table 2.1).

Table 2.1 – Direct foreign investments (share capital) in the regions of Ukraine  
(million USD)

Names of regions	Years					Deviation 2021 / 2017	
	2017	2018	2019	2020	2021	Million dollars USA	%
1	2	3	4	5	6	7	8
Ukraine	35616.4	40053.0	44806.0	50333.9	54462.4	+18846.0	+52.9
Autonomous Republic of Crimea	649.8	718.4	815.6	1176.7	1463.7	+813.9	+125.3
Vinnitsia	161.3	184.6	205.3	226.4	245.4	+84.1	+52.1
Volynsk	269.2	332.4	218.6	291.4	361.2	+92.0	+34.2
Dnipropetrovsk	6832.4	7054.1	7495.1	8208.2	8351.8	+1519.4	+22.2
Donetsk	1529.0	1636.8	2278.2	2646.9	2981.6	+1452.6	+95.0
Zhytomyr	208.9	238.1	258.1	337.7	363.8	+154.9	+74.2
Zakarpattia	356.4	363.7	364.4	348.5	407.2	+50.8	+14.3
Zaporizhzhia	890.6	916.1	952.8	987.6	1144.2	+253.6	+28.5
Ivano-Frankivsk	500.4	635.1	512.5	624.0	642.5	+142.1	+28.4
Kyivska	1347.4	1525.5	1611.1	1751.7	1927.7	+580.3	+43.1
Kirovohradsk	80.2	82.6	65.0	72.4	103.7	+23.5	+29.3
Luhansk	393.8	637.1	687.5	766.0	838.5	+444.7	+112.9
Lviv	958.0	11998.6	1254.6	1387.8	1634.8	+676.8	+70.6
Mykolayivska	161.8	162.7	165.4	152.3	259.9	+98.1	+60.6
Odesa	970.2	1042.0	1107.3	1220.5	1629.5	+659.3	+68.0
Poltava	516.3	450.9	551.3	702.2	942.8	+426.5	+82.6
Rivne	304.4	307.6	309.2	280.4	296.9	-7.5	-2.5
Sumy	158.0	243.5	359.6	361.8	374.4	+216.4	+137.0
Ternopilsk	58.6	66.5	59.8	61.9	64.6	+6.0	+10.2
Kharkivska	1609.9	2082.7	2716.9	2814.3	2170.4	+560.5	+34.8
Khersonsk	192.9	197.4	203.4	206.4	245.2	+52.3	+27.1
Khmelnitska	137.3	219.6	183.0	186.8	208.6	+71.3	+51.9
Cherkassy	168.1	222.5	289.4	285.7	884.1	+716.0	+425.9
Chernivtsi	60.1	61.8	61.9	61.9	64.3	+4.2	+7.0
Chernihivska	103.9	88.8	94.9	100.9	105.3	+1.4	+1.3
m. Kyiv	16837.2	19225.1	21831.6	24907.7	26592.1	+9754.9	+57.9
Sevastopol	160.3	158.8	153.6	165.8	158.4	-1.9	-1.2

During 2017 - 2021 , there was an increase in the total volume of direct foreign investments in the regions of Ukraine by USD 18,846.0 million or 52.9%. The largest amount of foreign direct investment was registered in the city of Kyiv (as of December 31, 2021 - USD 26,592.1 million). During the period from 2017 to 2021 , the volume of direct foreign investment in the city of Kyiv increased by 9,754.9 million US dollars or 57.9%.

Chart 2.2 shows the rate of growth or decrease in the volume of direct foreign investment by region of Ukraine.

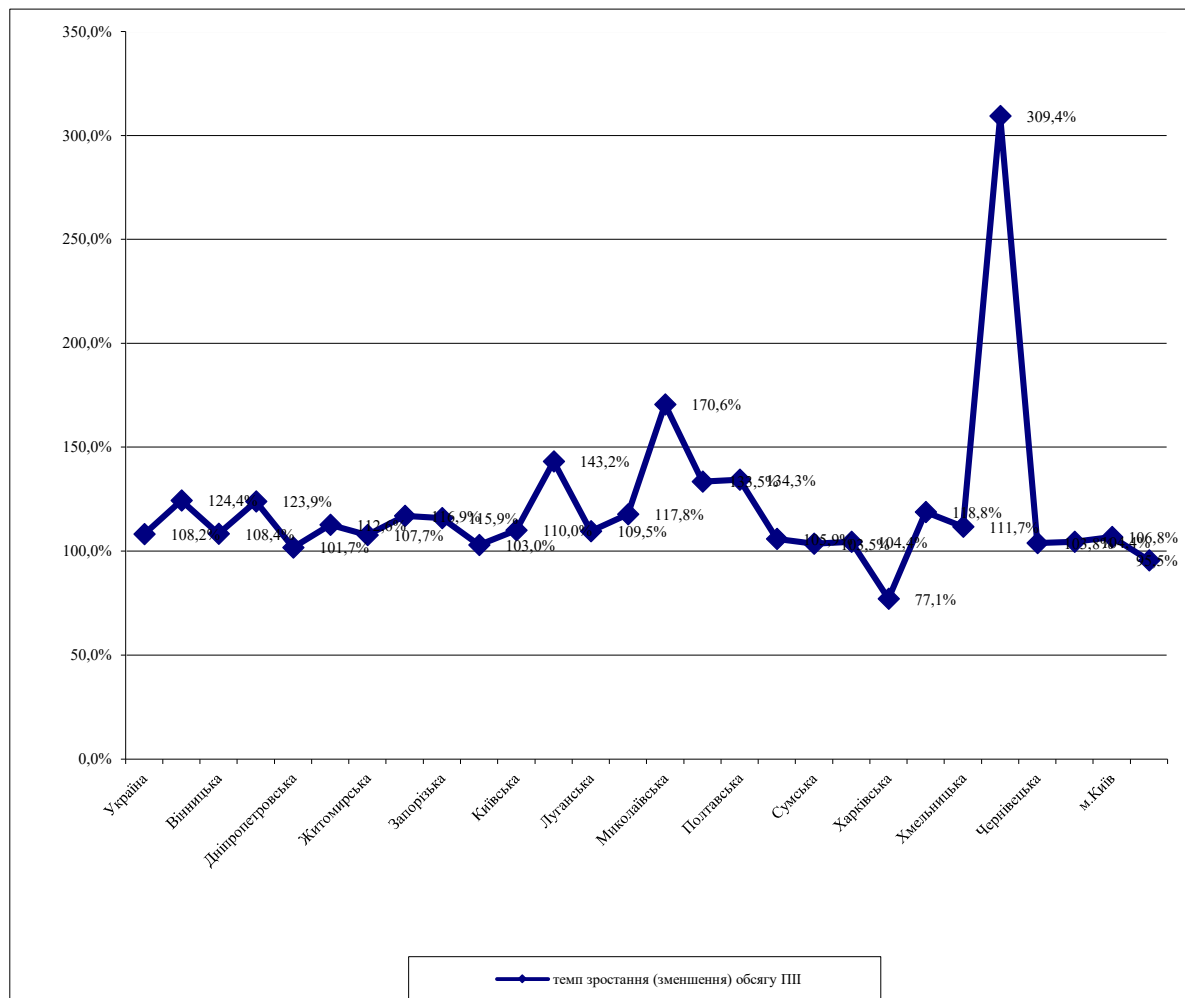


Figure 2.2. Dynamics of the rate of growth (decrease) in the volume of direct foreign investments by region of Ukraine

By the end of 2021, the total volume of direct investments (share capital) invested by Ukraine in the economies of other countries amounted to 6.5 billion US dollars. Ukraine made direct investments in 49 countries of the world, and the largest share of these investments was directed to Cyprus. It is interesting to study changes in the volume of direct foreign investments in the economy of Ukraine by individual sectors of economic activity. Details are given in table 2.2.

Table 2.2 – Dynamics of the volume of foreign direct investments in the economy of Ukraine by types of economic activity (million USD)

Activities	Years					Deviation 2021 / 2017	
	2017	2018	2019	2020	2021	Million dollars USA	%
1	2	3	4	5	6	7	8
<b>Total</b>	<b>35616.4</b>	<b>40053.0</b>	<b>44806.0</b>	<b>50333.9</b>	<b>54462.4</b>	<b>+18846.0</b>	<b>+52.9</b>
Agriculture, hunting, forestry	813.3	793.0	838.7	692.0	800.7	-12.6	-1.5
Industry	12469.7	13276.4	14034.3	15029.9	17166.7	+4697.0	+37.7
Construction	1936.6	2206.0	2340.6	813.8	974.1	-962.5	-49.7
Trade; repair of cars, household products and personal items	3708.5	4316.6	4797.1	5405.7	6003.0	+2294.5	+61.9
Activities of hotels and restaurants	413.5	444.8	450.2	721.1	810.3	+396.8	+96.0
Transport and communication activities	1567.6	1626.5	1706.8	2731.9	3015.7	+1448.1	+92.4
Financial activity	10496.1	12431.0	15110.5	16184.5	16105.6	+5609.5	+53.4
Real estate operations, leasing, engineering and provision of services to entrepreneurs	3613.8	4268.5	4788.2	8251.5	9058.5	+5444.7	+150.7
Governance	0.5	0.5	0.5	0.1	0.1	-0.4	-80.0
Education	13.4	14.1	8.8	4.2	6.0	-7.4	-55.2
Provision of communal and individual services; activities in the field of culture and sports	454.3	549.0	584.3	371.1	388.1	-66.2	-14.6

During 2017-2021, changes in the volume of foreign direct investments in various sectors of economic activity took place in the economy of Ukraine. A decrease in the volume of direct investment in agriculture, hunting and forestry by USD 12.6 million or 1.5% is noted. There was also a reduction in the volume of investments in construction (by 962.5 million US dollars or 49.7%), in the public administration sector (by 0.4 million US dollars or 80.0%), in the education sector (by 7.4 million US dollars or 55.2%) and to the sector of providing communal and individual services (by US\$66.2 million or 14.6%). However, during this period

there was an increase in direct investment in industry by 4,697.0 million US dollars or 37.7%, in trade by 2,294.5 million US dollars or 61.9%, in the activities of hotels and restaurants by 396.8 million dollars USD or 96.0%, in transport and communication activities for USD 1,448.1 million or 92.4%, in financial activities for USD 5,609.5 million or 53.4%, and in real estate transactions for 5,444.7 million USD or 150.7%.

Let's consider the amount of direct foreign investment in the economy of the countries of the world based on Figure 2.3.

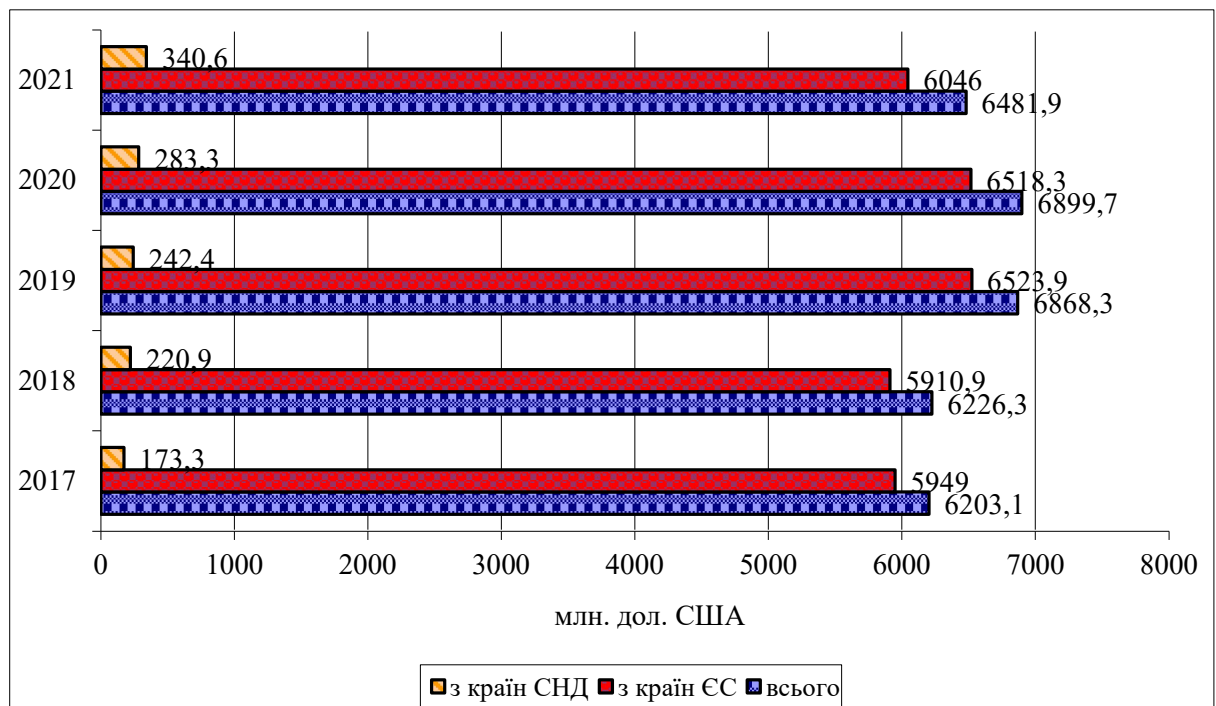


Figure 2.3. – Dynamics of direct foreign investments from Ukraine into the world economy

It should be noted that in the period from 2017 to 2021, there was an increase in the volume of direct investments from Ukraine into the economies of various countries around the world. The total volume increased by USD 278.8 million or 4.49%. Investments were made in the countries of the European Union in the amount of 97 million US dollars or 1.63%, and in the countries of the Commonwealth of Independent States - in the amount of 167.3 million US dollars or 96.54%.



## 2.2 State regulation of foreign investment in Ukraine

It is clear that improving the investment climate in Ukraine is an important task. In the short term, the main task is to improve the legal and organizational framework to ensure more effective mechanisms that will contribute to the creation of a favorable investment climate and ensure the preservation and improvement of the competitiveness of the country's economy. In order to achieve this goal, it is necessary to take priority measures, which will provide for the definition of a single strategic goal and the sequence of economic reforms, as well as ensuring stability and guarantees for the protection of the rights and freedoms of investors.

It should be noted that the factors of attraction and use of foreign direct investments are divided into 2 groups (Table 2.3):

1) non-taxable;

2) tax.

Non-tax factors include:

a) market size;

b) the investor's lack of confidence in the stability of the environment in the region (a negative factor) is characteristic of investors who direct capital to countries with unstable economies;

c) access to the main factors of production (cheap resources).

Table 2.3 – Forms of stimulation of foreign investment

Forms	Tools
1	2
1. Encouragement of the financial and credit sphere	1.1. Provision of loans without interest. 1.2. Conditional preferential loans. 1.3. Provision of investment guarantees.
2. Encouragement through taxes	2.1. Reduction of tax rates. 2.2. Conclusion of tax agreements with other countries. 2.3. Reduction or abolition of taxes on reinvestment. 2.4. Implementation of duty-free import of equipment. 2.5. Accelerated depreciation. 2.6. Use of tax credits.

Continuation of the table. 2.3

1	2
3. To encourage infrastructure support	3.1. Provision of land plots for free or at discounted prices. 3.2. Free or subsidized provision of buildings and structures. 3.3. Energy subsidies. 3.4. Grants in the field of transport. 3.5. Chartering benefits.
4. Encouragement of specific investment projects	4.1. Provision of grants (target funding) for resource and environmental protection equipment. 4.2. Financial support of projects aimed at improving the qualifications and retraining of personnel, as well as improving working conditions. 4.3. Assistance in carrying out technical and economic substantiation (FES) of projects. 4.4. Grants for carrying out research and development works (R&DKR).
5. Protectionist measures	5.1. Tariff instruments. 5.2. Non-tariff instruments.

The activity program of the Cabinet of Ministers of Ukraine "Overcoming the impact of the global financial and economic crisis and progressive development" defines the government's priorities for overcoming the crisis and stimulating investment activity in Ukraine. The main tasks include reducing the outflow of capital, intensifying investment activities, supporting the growth of capitalization of domestic savings and the volume of direct foreign investments, as well as accelerating the technological modernization of domestic production to increase energy efficiency and competitiveness.

To achieve these goals, the government of Ukraine is focusing on creating an appropriate legal framework that will facilitate attracting long-term financial investments. Measures are also being taken to support the conclusion of agreements on the distribution of products, the formation of a system of tools for the development of investment activities of enterprises and investment lending, as well as to attract additional financial resources for the implementation of investment projects.

Thus, the government of Ukraine pays great attention to the creation of favorable conditions for the action of market regulators in order to increase

investment activity and develop an innovative and investment model of development. Some key activities include:

1. Protection of property rights: The government is working to increase the level of protection of property rights, including improving the legal framework, facilitating dispute resolution and ensuring reliable legal protection for investors.

2. Development of market systems: Efforts are aimed at developing effective market mechanisms that stimulate competition, ensure transparency and equal conditions for all market participants. This may include competition law reform, improvement of public procurement mechanisms, and development of the securities market.

3. Improving the information infrastructure of the market: The government pays attention to improving the availability and quality of information about investment opportunities, market conditions and risks. This may include the development of information portals, the creation of databases, ensuring the transparency of financial reporting and providing access to statistical information.

All these measures are aimed at creating a favorable investment climate that attracts both domestic and foreign investments, contributes to the development of the economy and the creation of new jobs.

### 2.3. Budgetary and tax incentives for foreign investment in Ukraine

One of the most effective ways to support the economy is to allocate budget investments to specific areas and measures aimed at stimulating the investment activity of enterprises. According to A. Sokolovska, in order to increase the influence of government expenditures on economic growth, it is necessary to focus on increasing the investment component of expenditures, and not the total amount of expenditures. This requires the effective use of budget funds allocated to support certain sectors of the economy, as well as their real reformation, for example, the

restructuring of the coal industry or the creation of a land market. This will reduce the need for state support of these industries in the future and, thus, expand the state's investment opportunities.

In this process, the directions of allocation of budgetary investments play an important role. It should be noted that scientists have different views on the directions of capital investments in specific sectors of the economy, which are chosen by the state as priorities.

According to V. Mau, in today's post-industrial society, the refusal of state support for certain priority industries is necessary due to the high dynamism of the economic system as a whole and reorientation to general growth priorities. If in an industrial society the main goal of state policy is to direct resources to breakthrough areas of technological progress and mobilize all available means and efforts, then in a post-industrial society the main goal is to ensure the maximum adaptability of society and each economic agent, to create a political and legal environment in which all parties actively identify and satisfy each other's interests and needs.

In his view, investing in the health care sector is particularly important in a post-industrial society, as it has a close connection with many high-tech industries and service sectors. Investments in health care can contribute to the demand for various related industries along a long chain.

Specialists increasingly emphasize the need to invest in infrastructure facilities that affect the conditions of competition. Studies conducted by P. Ashyn and M. Shankerman show that the development of infrastructure contributes to the growth of competitiveness and the increase of production volumes, as well as to the increase of the percentage of enterprises with low costs. I. Lunin emphasizes that public investments are an important factor in economic growth, especially when they contribute to the increase of private investments.

One of the budgetary tools for supporting certain sectors of the economy is state procurement, which provides financial support for measures aimed at the implementation of general cross-sectoral programs. In most market economies, public procurement is important for public reproduction because of its scale and

economic impact. They are an instrument of state regulation of the economy by concluding contracts for the supply of products, performance of works and provision of services to meet the needs of the state. Public procurement contributes to structural shifts and transformations in the economy, the creation of an efficient production structure, and the support of scientific and technological progress, if they are adapted to state development priorities.

The measures mentioned above are aimed at attracting foreign investments to Ukraine and the implementation of large national projects defined by the Decree of the President of Ukraine dated September 8, 2010 No. 895/2010 within the framework of priority areas of socio-economic and cultural development:

1. "New quality of life" - projects aimed at solving the problem of affordable housing for citizens, creating conditions for quality education, improving medical care and ensuring a safe environment.
2. "New energy" - projects involving the use of alternative energy sources or the diversification of energy supplies to Ukraine.
3. "New infrastructure" - projects aimed at improving the efficiency of using Ukraine's transit potential.
4. "Olympic Hope - 2022" - projects aimed at supporting the Olympic movement and the development of high-achieving sports in Ukraine.

An important factor for the growth of investment activity is the implementation of projects related to the preparation and holding of the final part of Euro-2012 football in Ukraine, the largest amounts of financing of which fall on 2011-2012.

The program of economic reforms for 2010-2014 entitled "Prosperous society, competitive economy, efficient state" reflects the issue of investment promotion. As part of this program, specific measures aimed at improving the business climate will be carried out, in particular: improvement of the permit system, licensing, administrative services, business start-up and liquidation, state supervision and control, technical regulation, formation of customs procedures and other measures.

Characteristic features of developed countries, characterized by dynamic economic and social development, are the growing influence of the state on the economy, the need to manage scientific and technical progress, and the organization of the activities of corporations on the state market. In this context, state entrepreneurship and the demand of the public sector for various goods and services, in particular research and exploration and construction works, become important factors in the functioning of social reproduction. Regulating the directions of public spending on the purchase of services and goods, as well as establishing clear rules for their purchase, can create favorable conditions for domestic producers and enterprises of certain industries or regions, increasing the demand for necessary goods and services at the expense of the state budget.

Today, one of the problems of the socio-economic development of Ukraine is the low level of investment attractiveness of its regions, which is largely a consequence of the unsystematic and uncoordinated tax policy of the state. It is generally accepted that the state can regulate investment processes through the taxation system, influencing the level of short-term and long-term savings, as well as with the help of a policy of benefits and incentives to achieve specific investment goals.

By reducing the overall level of taxation, it is possible to promote savings, which leads to a redistribution of gross domestic product (GDP) in favor of the private sector of the economy. In such a situation, it is possible to observe the growth of savings of households and enterprises, their redistribution and the formation of investment resources. One of the types of investment resources consists in short-term savings of citizens, which can be invested in bank deposits for any term, government bonds or securities. This type of investment resources has its advantages compared to others. First, citizens independently determine where to invest their funds, and secondly, they can withdraw these savings at any time.

### 3. PROBLEMS AND PROSPECTS OF FOREIGN INVESTMENT IN UKRAINE

#### 3.1 The problem of modern foreign investment in Ukraine

Regulatory and macroeconomic factors affect the investment environment. Regulatory factors include requirements imposed by public authorities at various levels, such as registration, taxation, licensing and certification of business activities. Macroeconomic factors refer to the characteristics of the macroeconomic and institutional environment, including the dynamics of the monetary sphere, the state of the domestic market and the level of resource provision. The influence of this environment is objective and determined by market laws. It has a long term and is practically not subject to regulation, but is taken into account when developing an investment project. One of the indicators of the attractiveness of the investment object and the country's integration into the world community is the amount of direct foreign investment. This volume depends on the attractiveness of the investment object.

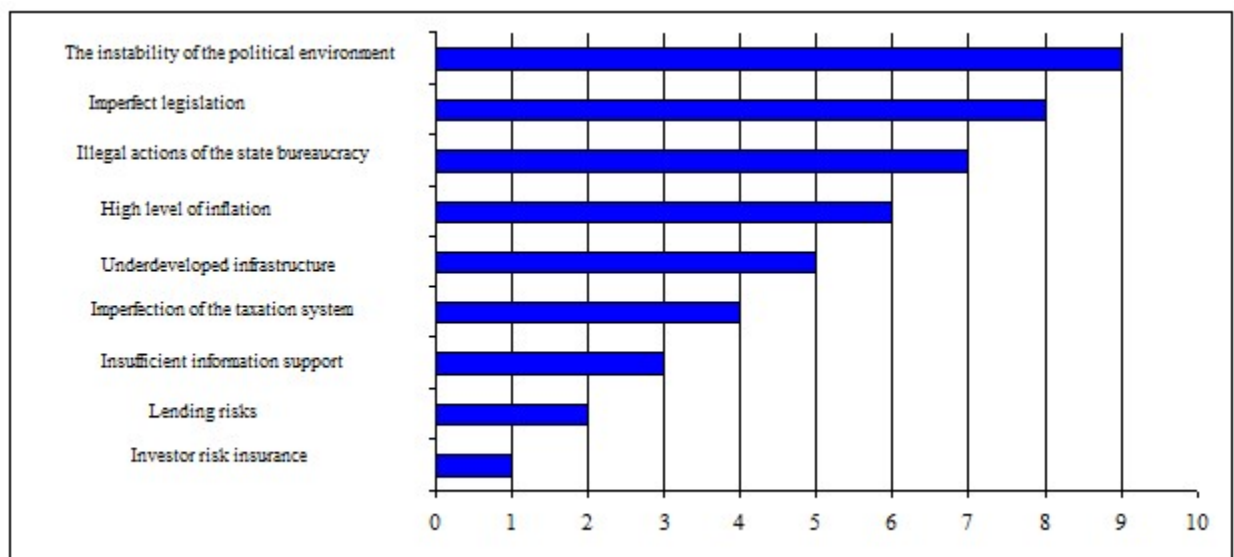


Figure 3.1. Negative factors influencing the attraction of investments in the economy of Ukraine (author's approach)

The instability of the legal and political environment is one of the key factors that seriously affect the decline in attractiveness for investments in the economy.

This volatility is a serious concern for investors, especially where the legislation applies to existing capital investments. They consider these factors as additional risks that require a high return on investment. Table 3.1 shows the factors affecting the investment development of Ukraine.

Table 3.1 – Factors influencing the investment development of Ukraine

<b>A group of factors</b>	<b>Restraining factors</b>	<b>Contributing factors</b>
Economic, technological	Problems related to ensuring financing of investment projects, insufficient material and scientific and technical base, as well as outdated technologies	The lack of reserve capacities can be overcome through the availability of financial, material and technical resources, advanced technologies, and the necessary economic and scientific and technical infrastructure.
Political, legal	The presence of political instability, restrictions related to antimonopoly, tax, depreciation and patent-licensing legislation, as well as a criminogenic situation	Can be overcome by adopting legislative measures that help stimulate innovation and provide government support.
Organizational and managerial	Functionally-oriented organizational structures can be replaced by process-oriented structures.	A democratic management style can be implemented, which will reduce excessive centralization and an authoritarian approach. Horizontal information flows can be established to improve communication. Instead of departmental closure, decentralization and autonomy can be promoted by creating target and problem groups.
Socio-psychological and cultural	The occurrence of such consequences can cause a change in status, the need to find a new job, violation of stereotypes of behavior and traditions, as well as cause a feeling of uncertainty and instability.	However, it is possible to introduce moral encouragement and ensure recognition by society. It is also important to create conditions for self-realization of employees and ensure a normal psychological climate in the team.

The analysis of the factors presented in Table 3.1, which affect investment development, together with the study of the problems of investment policy formation at the current stage of the socio-economic development of Ukraine, will allow to determine the strategy and directions of investment and innovation activity, which will contribute to the renewal of the process.



In particular, today there are problems that require an immediate solution, such as bureaucratic obstacles, lack of legal support for lending and risk insurance, a strict tax system, and others.

The legal environment, as imperfect, is considered by foreign investors to be the main negative factor for the attractiveness of investments and an obstacle in their activities. They note that administrative and legal obstacles are the first they face. This includes instability, inconsistency and confusion of by-laws, bureaucracy and corruption, lack of regulation of the property rights protection system, weakness of the judicial system, lack of legislative support for the investment process, frequent changes in the conditions of attractiveness of foreign investments, the need to solve the regulation of investments in special economic zones and trade and industrial zones. points

Investors pay particular attention to the tax situation in the country, as it has a significant impact on their profits. Investors, while anticipating possible changes in tax rates and other fiscal parameters in the future, at least hope that the rules of the game will remain stable. However, in the event of unforeseen changes, investment development becomes at risk of losses, and investors begin to lose confidence in the country's investment sphere and may reconsider the terms of their investment.

One of the significant limitations for the attractiveness of foreign investments in Ukraine is the uneven distribution of tax pressure, which is especially heavy on law-abiding business entities in the context of the existence of a wide "shadow" sector of the economy. Even if most foreign investors try to conduct honest and legal business, the existence of the shadow economy makes it difficult for them to cooperate with domestic enterprises, which cannot always afford the risk of conducting transparent and legal transactions. A high share of indebtedness, instability of tax rates and tax calculation rules prevent effective business in Ukraine.

The conducted analysis and research of foreign investments in the economy of Ukraine allow us to draw the following conclusions:

- The net inflow of foreign direct investment into the economy of Ukraine amounted to 49,362.3 million US dollars, which is an increase of 26% compared to 2019 and 51% compared to 2018.

- A large part of these investments (30%) are actual Ukrainian offshore investments coming from Cyprus and the Virgin Islands, which benefit the Ukrainian owners more than the economy and budget of Ukraine in general.

- In addition to the increase in the total volume of foreign direct investments in Ukraine, there is also a tendency for Ukrainian investors to invest in other countries, which is probably related to the avoidance of taxation by some Ukrainian enterprises.

Thus, foreign direct investment is an important factor for structural restructuring of the national economy, development of technical progress, and improvement of the indicators of economic activity of enterprises. They contribute to the effective integration of the national economy into the world economy through production and scientific and technical cooperation, are a source of capital investments in the form of modern means of production, increase labor productivity, contribute to the expansion of innovations, and increase the welfare of the country's population.

### 3.2 Prospects of foreign investment in Ukraine

In order to support foreign investments in the Ukrainian economy, in January 2009, the National Agency for Foreign Investments and Development was established, which is the central body of the executive power [12, p. 302]. This agency promotes the implementation of projects with foreign investments, develops target programs for the development of regions and offers improvements to the legal framework for foreign investment.

In addition, the State Agency of Ukraine for Investments and Innovations operates in Ukraine, which cooperates with the Ministry of Foreign Affairs of Ukraine. In 2010, the agency started establishing contacts with investment and innovation institutions of the Republic of Georgia and the Kingdom of the Netherlands. Cooperation with the Organization for Economic Cooperation and Development OECD project "Sectoral Competitiveness Strategy for Ukraine" is also ongoing, which aims to accelerate the development of the investment sector, increase competitiveness and improve the business climate in the country.

Ukraine is in the process of negotiating a free trade agreement with the European Free Trade Association and the Canadian government. Also, the country plans to implement a state venture capital investment mechanism. To achieve this goal, the State Agency of Investments and Innovations of Ukraine has developed a project proposal for participation in the "G2G" program of the Dutch government, which is aimed at studying the experience of the Netherlands in the field of creation and support of state venture investment structures.

For the purpose of practical cooperation and implementation of joint tasks in the field of investments and innovations, a Memorandum of Understanding and Cooperation was concluded between the State Agency of Ukraine for Investments and Innovations and the German Agency for Technical Cooperation (GTZ) within the framework of the "Promotion of Economic Development and Employment" program. A draft Memorandum on mutual understanding and cooperation between the State Agency of Ukraine for Investments and Innovations and the Polish Agency for Information and Foreign Investments was also developed. Contacts were established with the Center for Scientific Innovations of the National Academy of Sciences of the Republic of Azerbaijan, and the draft Memorandum on Cooperation and Mutual Understanding was transferred. As part of the implementation of the Memorandum of Understanding and Cooperation between the State Agency of Ukraine for Investments and Innovations and the Agency for Innovations and Technology Transfer of the Academy of Sciences of the Republic of Moldova, a

draft action plan was developed, which provides for joint participation in technical assistance projects.

These steps and the establishment of contacts with various countries and international organizations testify to Ukraine's intention to attract foreign investments, promote economic development and obtain the latest technologies. This will help create a favorable investment climate, expand international cooperation and increase the country's competitiveness.

In order to improve the protection of investors' rights and to promote the inflow of investments into the Ukrainian economy, it is necessary to improve the legislation related to foreign investment. For this purpose, the State Agency of Ukraine for Investments and Innovations has developed a draft of the Law of Ukraine "On Amendments to the Law of Ukraine "On the Regime of Foreign Investment", which includes the following provisions:

1. Foreign investors are granted the right to apply to their rights and obligations defined by the agreement regulating relations related to foreign investments, the legislation of Ukraine, in force at the time of the conclusion of the agreement, within five years after the conclusion of such an agreement.

2. Requisition of foreign investments is carried out exclusively on the basis and in the manner established by law. Payment terms and amounts of compensation for the value of requisitioned property are determined in accordance with the procedure established by the Cabinet of Ministers of Ukraine.

3. A guarantee is provided for the export of documents in paper or electronic form, which were legally obtained as a result of foreign investments, outside the territory of Ukraine.

4. The responsibility of officials is established for violation of the legally established terms of state registration of foreign investments and requirements, which are not provided for by law, regarding the implementation of such registration.

1. In case of alienation of corporate rights acquired by a foreign investor in connection with his contribution to the statutory fund of an enterprise with foreign

investments, the property imported into Ukraine as part of such contribution shall not be subject to customs taxation for three years.

In order to ensure better protection of investors' rights and to stimulate the inflow of foreign investments to Ukraine, the draft law was developed by the State Agency of Ukraine for Investments and Innovations. This draft law contains provisions that guarantee legal guarantees to foreign investors, allow them to use Ukrainian legislation for a limited period, regulate the procedure for requisitioning foreign investments, ensure the possibility of exporting documents received in connection with foreign investments, and establish responsibility for violating the terms of registration of foreign investments, defined by law. Moreover, the draft law provides for the exemption from customs taxation of property imported as a contribution by a foreign investor to the statutory fund of an enterprise with foreign investments, in case of alienation of corporate rights acquired in connection with such a contribution, for a period of three years.

### 3.3 Ways of improving foreign investment

This study examines three scenarios of Ukraine's development involving direct foreign investment:

1. High-tech development, which involves the structural restructuring of the production sector with a focus on the long-term development of Ukraine's technological competitiveness.
2. Priority support for competitive sectors of the economy that have the greatest contribution to current economic development.
3. Parity scenario, in which the priority of each of the three factors is equal.

As part of these scenarios, different approaches to attracting foreign direct investment are considered and are aimed at achieving effective development of the national economy (Table 3.2).

**Table 3.2 – Industry priorities for investment**

Priorities	Development scenarios		
	High-tech	Development of basic industries	Parity
1	The spheres of aviation and aerospace technologies, transport and power engineering, telecommunications and communication, as well as ferrous and non-ferrous metallurgy.	Spheres of ferrous and non-ferrous metallurgy, telecommunications, transport and power engineering, aviation and aerospace technologies, construction.	The spheres of telecommunications and communications, transport and power engineering, aviation and aerospace technologies, as well as ferrous and non-ferrous metallurgy.
2	Pharmaceutical industry, micro- and radio electronics, chemical industry, production of light metals, construction.	Branches of food industry, chemical and petrochemical industry, light industry.	Construction industry, chemical industry, food industry, light industry.
3	Food industry, machine and instrument building, light industry, petrochemical industry.	Mechanical and instrument engineering, production of ultra-strong materials, micro- and radio electronics, pharmaceutical industry.	Petrochemicals, micro- and radioelectronics, machine and instrument engineering, production of ultra-strong materials, pharmaceuticals

Taking into account the world experience, the study of the problems of direct foreign investment in Ukraine led the author to the conclusion that the lack of state regulation of income from abroad not only does not contribute to solving structural problems in industries and regions, but on the contrary, leads to oppression of national producers and strengthens regional differentiation. In addition, the study of the main problems of effectively attracting direct investment to Ukraine showed that at the macro level, the country's investment attractiveness is determined by the strategic interests of transnational corporations, which are expansionist in nature and do not coincide with the priorities of national economic development. Therefore, state regulation of foreign direct investments is necessary, encouraging their direction in certain industries and restricting them in others through the use of appropriate regulatory instruments. In our opinion, the successful modernization of the economy of Ukraine requires the intensification of foreign investment activities through the creation of favorable conditions for foreign investors working in the

most important directions for meeting public needs. We believe that the following areas of activity of foreign investors, which should be stimulated and supported by the state in Ukraine, include:

- Participation in the implementation of state development programs.
- Creation of new jobs for citizens who need social protection.
- Staff training and professional development of employees.
- Implementation of infrastructure facilities of national importance.
- Creation of enterprises in depressed regions.
- Complex technical and technological renewal of production.
- Development of knowledge-intensive industries and industries that use information and communication technologies.

## CONCLUSIONS

Based on the results of the research, the following conclusions can be drawn:

1. The overall final goal of the conducted research on foreign investment was to clarify its essence and types. Within the framework of the diploma work, the concept of foreign investment was considered in detail, different points of view of the authors on this topic were highlighted, contradictions and problematic aspects were revealed, and also an own interpretation of this concept was provided. In addition, the classification of foreign investments was considered from different points of view, in particular, according to the level of risk and types of investment. In our opinion, foreign investment is a long-term capital investment that complies with the law, is carried out in various sectors of the economy, infrastructure, social programs, environmental protection both within the country and abroad, with the aim of developing production, the social sphere, entrepreneurship and profit.

2. A study of the legal framework regulating investment activity in Ukraine was conducted. It is important to note that today, although the legal framework for the circulation of securities has been improved, the circulation of derivatives does not have sufficient legal support. Since it is a subject component, the responsibility for the organization and regulation of professional activity in the investment market is distributed among various financial institutions. However, the number and chaotic adoption of regulatory acts on the regulation of various issues, together with the lack of a clear system of subordination of these subjects to one regulatory body, create obstacles in the regulatory processes in this market.

3. In Ukraine, there is already a favorable legal environment for investment activity, which is regulated by a number of laws, such as “On investment activity”, “On the regime of foreign investment”, “On the elimination of discrimination in the taxation of business entities created with the use of property and funds of domestic origin” and others. The mechanism of state regulation of investment activities consists of a system of organizational, legal, economic, monetary and regulatory



measures that affect the implementation of investment activities in the country with the aim of achieving the expected economic, social and other results. The main methods of organizational and legal regulation of investment activity are: development of the necessary legislative framework, establishment of state norms and standards in the field of investment, as well as licensing of investment activity.

4. It was noted that the Ukrainian investment climate is negatively affected by such factors as fiscal policy and taxation (in particular, issues regarding VAT and losses of past periods remain problematic), the unpredictability of regulatory policy and general instability, as well as the unclear vector of Ukraine's foreign policy. However, foreign investment has significant advantages for the economy of the host country, among which the following can be highlighted: transfer of modern technologies, techniques and equipment; additional financial resources; creation of new jobs; strengthening of domestic competition; growth of tax revenues to the budget; strengthening of internationalization and globalization processes.

5. It is proposed to develop and implement a Comprehensive program of stimulation and promotion of national and foreign investments, which will include the possibility of concluding investment agreements, risk insurance for foreign investors, and providing guarantees for the protection of the rights of investors and their property. Organizational and legal conditions for investment will also be observed, including targeted use of depreciation, use of tax incentives, capitalization of profits, improvement of the functioning of the secondary securities market, application of mortgage law and mortgage lending methods. Mechanisms will also be introduced to prevent the outflow of capital abroad and to stimulate the return of domestic capital to the country. During the development of this program at the state level, the results of the marketing assessment of business prospects in Ukraine will be taken into account.

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