

УДК 330.332

Heraimovych Violeta

Ph.D., Associate Professor of the
Department of Global Economics
National University of Life and
Environmental Sciences of Ukraine, Kyiv

INVESTMENT ATTRACTIVENESS OF UKRAINE THROUGH THE PRISM OF INTERNATIONAL RATINGS

The analysis of international competitiveness indexes which allow to assess the current state of the investment attractiveness of Ukraine is done in the article. The investment attractiveness of Ukraine at the macroeconomic level is studied. The main problems that must be solved in Ukraine in order to improve the investment environment are identified.

Key words: *investment attractiveness, investment climate, investment image, the Global Competitiveness Index.*

Formulation of the problem. World history proves that attraction of resources as investments is an effective tool for raising national economy. Further economic and social development of Ukraine depends on a favorable investment climate creation. Ukraine's image in the world is a kind of benchmark for investment funds intending to invest abroad. Ukraine is facing the task to form a favorable image for each region in the minds of economically and socially active people, of the young generation and to consolidate and promote it both domestically and abroad.

Anchuk L., Blank I., Butnyarova A., Gavrilyuk O., Haidutsky P., Zbrazka L., Datsyshyn M., Kozak A., Komarov V., Lanoviy V. devoted their works to the topical issues of attracting investments into Ukraine's economy and improving its investment climate. Despite the huge number of original and substantial articles by both foreign and domestic scientists on the issue, we should point out that there are practically no basic research for legal, social and economic conditions for investment activity.

Rating of indexes is an important tool that politicians and business leaders can use to formulate more advanced economic policy, economic security and institutional reforms in the economy.

The issue of Ukraine's place in the international ratings was engaged by such leading scientists as Antoniuk L., Bilous O., Danylyshyn B., Zhalilo Ya., Krugman P., Lukyanenko D., Muntiyany V., John Mill, Pasternak-Taranushenko G., Sachs D., Stepanenko A., Heckscher E., Fathudinov R., Filipenko A. and others.

Presentation of basic material. World Economic Forum began publishing the Global review of competitiveness since 2004. The strong and weak factors of competitiveness of countries are analyzed, which enables their governments to define key priorities for realization of reforms. To estimate the competitiveness of each country's economy open statistical data and results of special interviews of more than 14 thousand managers of different companies working in these countries are used.

The index of the global competitiveness takes into account twelve pillars: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

The index of Ukraine in the newly published edition of the report is 4. To get to the 40 best countries ranking index value should equal approximately 4.5. (Table 1). In 2016 Ukraine worsened its position in the development of the financial market (130 in 2015 – 121) due to the instability of the banking system, reduced credit rating of the country (127, in 2015-118) due to the growth of the national debt (according to the Ministry of Finance of Ukraine's external debt in 2015 is 43.4 billion. USD. calculation as much as 55.3% of GDP).

Table 1

Year	Rank	Index	Change compared to previous year
2007-2008	73/131	3,98	-0,05
2008-2009	72/134	4,09	+0,11
2009-2010	82/133	3,95	-0,13
2010-2011	89/132	3,90	-0,05
2011-2012	82/142	4,00	+0,10
2012-2013	73/144	4,14	+0,14
2013-2014	84/148	4,05	-0,11
2014-2015	76/144	4,14	+0,11
2015-2016	79/140	4,03	-0,11
2016-2017	85/138	4,00	-0,03

Annual values of Ukraine's GCI*

* Based on 2016 World Economic Forum data

Weakening of national investors protection (136, in 2015 – 134) is associated with the incapable mechanism of state investment protection program – according to the World Economic Forum in Ukraine the system of property rights and private property protection does not work properly, another obstacle is an incomplete judicial reform, which leads to "selective" equality in front of the law, reducing the influence of business on the conditions of direct foreign investment (130, in 2015-122). Decline of ranking in business sophistication (98 in 2015 – 91) is associated with the incapable Antimonopoly Law and the lack of mechanisms for stimulating the development of small and medium-sized enterprises – fiscal pressure on small and medium business. On the other hand, Ukraine improved its position in higher education (33 place in 2015-34), the result of which is a constantly growing number of graduates with higher education.

The global competitiveness index reflects the competitive advantages of the country, it is a roadmap to potential foreign investors and Governments of other countries. Decline in the formation of international competitiveness, above all, is caused by the lack of both overall and sectoral development strategies of the country on a long-term period. Development of a long-term strategy, taking into account the strengths and weaknesses based on the global competitiveness index, will allow to formulate the tactical and strategic tasks for the Government

of Ukraine and will contribute to investment attractiveness of Ukraine and improve the country brand.

The major conditions for the investments attraction are to stabilize the macroeconomic environment and to improve laws and regulations. The most significant obstacle for foreign investors in Ukraine is imperfect relevant legislation. Attempts to improve legislation of Ukraine in order to increase the motivation of foreign partners has led to frequent changes in Ukrainian legislation. There is no single legislative act, that would be complete and comprehensive enough to be universal. The situation gets further more complicated owing to usual practice of adjustment of normative documents during their motion from the top levels of management to the lower ones. It happens because laws and resolutions have declarative character quite often. Therefore the administrative units of all levels interpret them at their own discretion.

Inconsistent and therefore unpredictable legal levers of foreign investments regulation cause serious criticism from both scientists and direct foreign investors. Over the years of independence, Ukraine 6 times changed investment activity conditions for non-residents. Investment attractiveness index for the first semester of 2016 stayed almost on the same low level-2.88 points, which is at 0.31 points over the previous six months, this is stated in the results of the survey of the traditional study of investment attractiveness of the country conducted by the European Business Association (EBA). According to the materials of the EBA, 91% of respondents did not notice the reform of the judicial system and are not satisfied with the fight against corruption, 79% do not see signs of stabilization of the financial system, 65% do not see shifts in land reform, 51% – do not feel the improvement of customs procedures, 50% are satisfied with the progress of the VAT refund. While 30% of the respondents do not believe that the new Government team will most likely succeed to introduce reforms. For the whole time of index calculation for Ukraine (2008) it never exceeded 4 points: highest value was recorded at the end of 2010 – 3.4

points. The index is calculated on the basis of a survey of top managers of EBA member companies. 92 top managers took part in the survey.

To create an environment that is conducive to foreign direct investment, Ukraine need to deal with the lack of market-oriented legislation. Attractive legal environment must meet three conditions. First, private investors, both foreign and domestic, must be sure that their investments are protected by well developed system of laws. Secondly, investors must be convinced that the laws are actually implemented: the most perfect legislation has no value if not implemented in practice. Foreign investors are also interested in implementing legislation - the capability of the judicial system and legal procedures. Third, investors need stability and predictability of the system of jurisprudence. Frequent changes in legislation seriously undermine investor confidence. To summarize, we have to admit that the general investment and business climate in Ukraine is complicated. Attracting foreign capital to the country, we should not forget that Ukraine will come out of this crisis only by its own efforts. Among the main problems that should be resolved in Ukraine to improve the investment environment we should highlight the necessity for professional use of funds and effective management of the Ukrainian investment recipient companies, improvement of the legal and institutional framework to enhance the capacity of mechanisms to ensure a favorable investment climate and achieve constancy and security of investor rights protection.

References:

1. 1.The Global Competitiveness Report 2016–2017 [Електронний ресурс]. – Режим доступу: <http://reports.weforum.org/globalcompetitiveness-report-2016-2017/>.
2. Індекс інвестиційної привабливості України [2016] [Електронний ресурс] . – Режим доступу :/ <http://www.eba.com.ua/uk/press-and-media/news-from-members/item/34509-2016-7-11-1125>.