

INVESTMENT ATTRACTIVENESS OF UKRAINE'S ECONOMY AS A DOMINANT FACTOR IN ATTRACTING INTERNATIONAL CAPITAL: ANALYSIS, PROSPECTS, PRIORITIES

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Abstract. The article analyses and proves the expediency of assessing the investment attractiveness of the Ukrainian economy on the basis of international ratings. The main task of the scientific publication is the analysis of the current state of investment attractiveness of the national economy and the determination of priority directions of its further strategic development. The concretisation of methodological approaches to the assessment of the level of investment attractiveness of the national economy through the prism of rating assessments of various agencies becomes a prerequisite for the formation of modern methods, principles, forms and priority tools of state regulation of this process. The use of innovative methods and methods of conducting scientific research in the context of determining the level of investment attractiveness of the national economy is a fundamental element of the model of successful attraction of investment capital and implementation of long-term strategic investment decisions. The *subject* of the scientific article is a rating of the investment attractiveness of the national economy from the perspective of the post-war period. The *methodology* of scientific research is based on the need to determine the level of economic efficiency of investment capital in modern conditions of globalisation transformations in the economy of Ukraine. The paper reveals the main issues of the methodology of investment decision analysis and the definition of criteria of efficiency of investment capital attraction to the national economy. The criteria of selection, justification and adoption of balanced management decisions are detailed and analysed. The *purpose* of this study is a comprehensive analysis of the state's position in international rating assessments of investment attractiveness, identification of key factors influencing the formation of a high level of investment attractiveness of the Ukrainian economy and search for ways to increase it by attracting additional investment capital. The *conclusion* of the publication is the search for ways to ensure a high level of investment attractiveness of Ukraine's economy as a dominant factor in attracting international investment capital. The fundamental strategic priority of the state investment policy is to form a comprehensive mechanism for ensuring a high level of investment attractiveness of the economy by developing a long-term programme for ensuring a high level of investment attractiveness of the national economy.

Key words: investment attractiveness, rating, capital, valuation, economy, analysis.

JEL Classification: G30

1. Introduction

Ukraine's course towards joining the European and global community of developed countries requires a detailed analysis of how to comprehensively ensure a high level of investment attractiveness of the national economy. The comprehensive solution of this problem will be possible through the creation of an effectively functioning system for managing

the state of investment attractiveness of the economy under the current transformational changes.

The problem of researching the level of investment attractiveness of a state economy has been revealed in scientific works of both foreign and domestic scientists. In particular, in the studies of (Kuzhel, 2010; Prokopchuk, Horbachova, Mamchenko, 2020; Nebrat, Korniiaka, 2022) and many others. However,

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the diversity of interpretations of the economic category "investment attractiveness", the multidirectionality of economic research of the category in the context of ensuring an increase in performance indicators, imperfections or inaccuracies in defining forms and methods of work with the designated economic category, have necessitated the provision of a comprehensive theoretical and methodological research of this issue, taking into account the practical component of ensuring a high level of investment attractiveness of the state economy.

Detailing the methodological approaches to assessing the investment attractiveness of the state's economy using the rating approach is a prerequisite for determining the priority areas of its strategic development. In this context, assessing the investment attractiveness of Ukraine's economy is a prerequisite for sustainable development, long-term vision and prompt adoption of balanced management decisions.

One of the basic prerequisites for qualitative economic changes is the improvement of the level of investment attractiveness of the state economy in the context of transformational changes, increasing the volume of investment capital, and ensuring the implementation of qualitatively innovative investment projects in Ukraine. The purpose of this scientific research is to analyse the rating positions of Ukraine in the system of international assessments of the level of investment attractiveness of the economy as the main dominant in attracting investment capital for a long-term period. The main task of the scientific publication is the necessity to analyse the current state of investment attractiveness of the national economy and to define priority directions of its further strategic development. The concretisation of methodological approaches to the assessment of the level of investment attractiveness of the national economy through the prism of rating assessments of various agencies becomes a prerequisite

for the formation of modern methods, principles, forms, priority tools of state regulation of this process. Thus, the use of innovative methods and methodologies of conducting scientific research in the context of determining the level of investment attractiveness of the national economy is a fundamental element of the model for successfully attracting investment capital and implementing long-term strategic investment decisions.

2. Methodological Foundations of Rating Assessment of Investment Attractiveness of the National Economy

In the context of full-scale military aggression, the importance of monitoring the level of investment attractiveness of the national economy becomes a sharp priority and is a key indicator of the interest of the international world community in the economic situation in the country. Currently, Ukraine's own financial resources are insufficient for the reconstruction and economic development of the country, and there is an acute need to attract funds from foreign investors. According to forecasts, about 1.1 trillion USD will be needed to compensate for Ukraine's losses Sait Derzhavnoi sluzhby statystyky (Official website of the State Statistics Service of Ukraine, 2023).

The main stages of the rating assessment of the investment attractiveness of the country's economy can be formulated as follows (Figure 1).

When analysing methodological approaches to the assessment of the level of investment attractiveness of the national economy, it can be concluded that there is a variance in the criteria used by various international agencies and organisations to assess the level of investment attractiveness. The diversification of relevant approaches creates conditions for the search for an effective mechanism to ensure the balance of investment indicators and the use

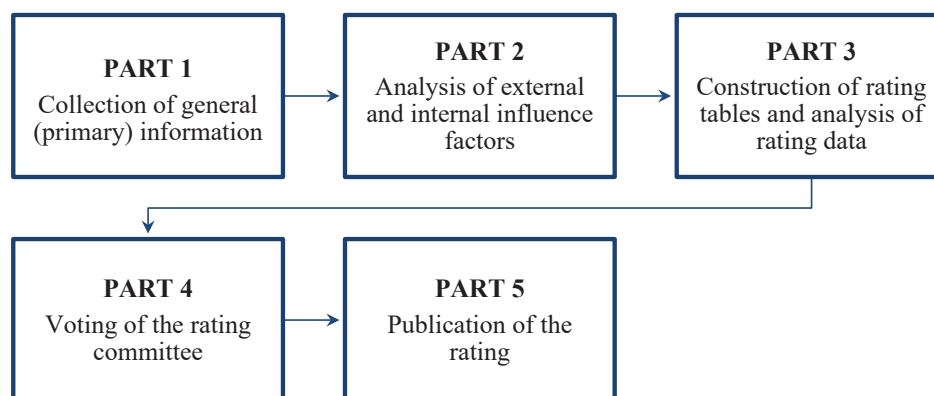


Figure 1. Stages of formation of the investment attractiveness rating of the national economy

Source: authors' development

of a unified methodology for rating the level of investment attractiveness of the national economy.

3. Rating Assessment of the National Economy: A Comprehensive Approach

The investment attractiveness of Ukraine's economy is a fundamental factor in creating the preconditions for the country's high-quality innovative development on the global stage. The investment attractiveness of the state can be assessed using a system of indicators from various international rating agencies, namely:

- Ease of Doing Business Index;
- Global Competitiveness Index;
- Investment Attractiveness Index of the EBA.

A detailed analysis of the indicator metrics is possible based on the data presented in Table 1.

A detailed assessment of the level of investment attractiveness in Ukraine is carried out by the European Business Association (Official website of the European Business Association, 2023) by interviewing the heads of leading member companies from all business sectors to study their vision of the state of investment attractiveness in the country (Table 2).

As of the current period, Ukraine is experiencing a decline in the level of investment attractiveness due to large-scale military actions on the territory of the state. Thus, the level of investment attractiveness of the Ukrainian economy in the second half of 2022 will be 2.48 points, which corresponds to the value of this economic indicator during the COVID-19 pandemic. According to the forecast indicators of the European Business Association,

the level of investment attractiveness of the Ukrainian economy in 2023 will be 2.82 out of 5.00 points (Official website of the European Business Association, 2023).

According to the assessment of the European Business Association, military actions on the territory of the state are in the first place among possible factors having a negative impact on improving the level of investment attractiveness of the state. Military attacks on the state's energy system, which significantly complicate and in some cases make it impossible to conduct business, come in second, followed by corruption at various levels.

However, in addition to the factors of negative impact, there are several positive shifts towards the formation of a high level of investment attractiveness of the Ukrainian economy during active military actions. For example, according to a survey of member companies of the European Business Association, such factors may include the granting of candidate status to Ukraine for accession to the European Union, the abolition of quotas on the export of products from Ukraine, and others.

4. The Level of Investment Attractiveness of the State's Economy: Practical Recommendations

A positive impact on investment attractiveness can be achieved by reducing the level of politicisation of the economy, political instability, and building social consensus between levels of government, political forces, religious denominations, etc. (Minfin, 2023). As of 2023, priority sectors of the Ukrainian economy have been identified that have robust

Table 1
Analysis of the investment attractiveness of Ukraine's economy through the prism of international rating agencies' indicators

Indicator	Evaluation	Year						
		2012	2014	2016	2018	2020	2022	2024 (forecast)
Ease of Doing Business Index	Rating	142	152	112	83	76	79	64
	Maximum value	183	183	189	180	190	190	190
Global Competitiveness Index	Rating	89	73	76	85	-	-	-
	Maximum value	139	144	144	138	-	-	-
Investment Attractiveness Index of the EBA	Rating	2,15	2,65	2,87	3,07	2,40	2,48	3,21
	Maximum value	5,00	5,00	5,00	5,00	5,00	5,00	5,00

Source: built by the authors on the basis of (Department of Electronic Communications Development)

Table 2
The European Business Association's assessment of Ukraine's investment attractiveness in 2010–2022

Rating	Year												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	3,20	2,90	2,15	2,12	2,65	2,57	2,87	3,09	3,07	2,95	2,40	2,75	2,48

Source: built by the authors on the basis of (Official website of the European Business Association, 2023)

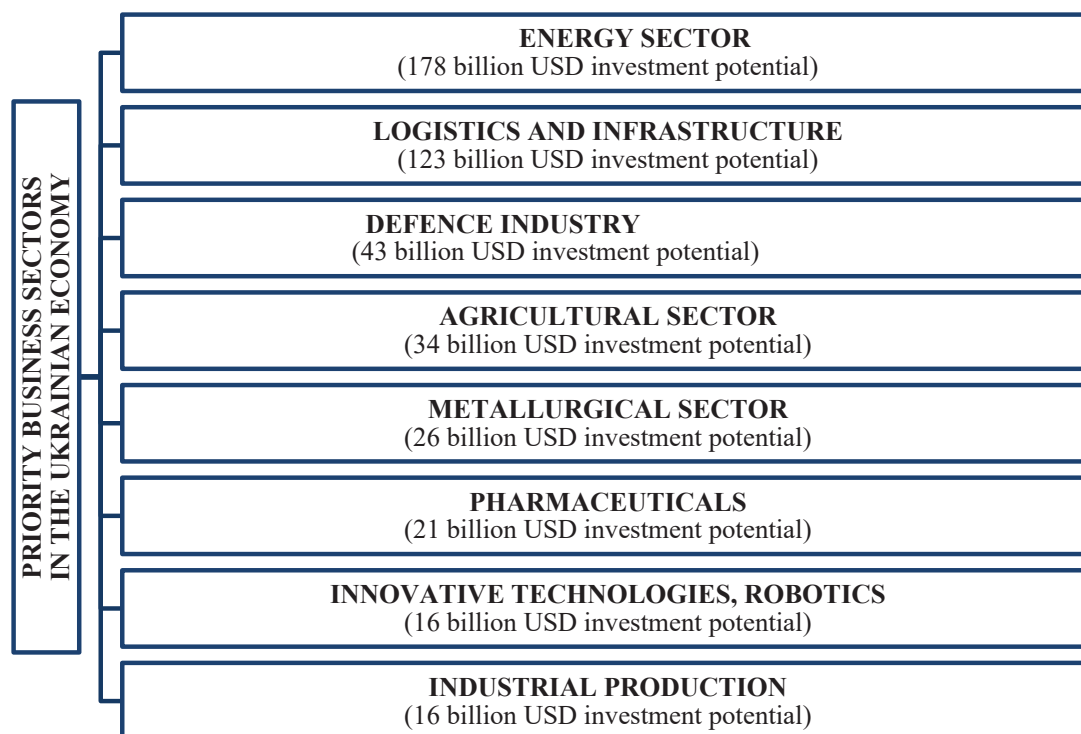


Figure 2. Priority sectors of Ukraine's economy for building investment potential

Source: built by the authors on the basis of (Puriy, 2020; Recovery Plan for Ukraine. National Recovery Council, 2022)

investment potential (The World Economic Forum. Global Competitiveness Report, 2023), (Figure 2).

Increasing the volume of investment capital, diversifying the sources of investment and the corresponding risks, and providing resources, quality and innovative support for the strategic long-term investment process will contribute to the growth of high value-added production volumes by companies in various sectors of the economy. However, according to World Bank projections, if active military action in Ukraine does not end soon, the country could face a GDP decline of 40% by the end of 2023. Since Ukraine's access to global financial markets is currently closed, budget financing and support for international reserves are only possible thanks to financial assistance from Ukraine's partner countries (Schwab, Zahidi, 2020; The World Bank, 2023).

Improvement of investment attractiveness and positive dynamics of the volume of investment capital will act as an adequate stimulus for the growth of the income of the state's population, and thus – increase of its investment attractiveness level in the international investment capital market.

5. Conclusions

On the basis of the conducted scientific researches it is possible to draw conclusions about the unsatisfactory state of the investment attractiveness

level of the Ukrainian economy in the context of the complex influence of external and internal environmental factors. Designing the investment infrastructure of the national economy will address a number of relevant issues providing high integral indicators of the investment attractiveness level, taking into account the multifaceted and multivectoral development of the national economy in post-war conditions.

The dynamics of the investment attractiveness indices of the Ukrainian economy according to the international rating assessments substantiate a significant lag of the national investment market from the international investment capital arena. Moreover, the consideration of the priority in the sectors of the national economy regarding the formation of the priority of investment capital attraction creates prerequisites for qualitatively innovative changes, ensuring the operation of the mechanism of innovative transformational complex of measures in the field of investment attractiveness of the state. Taking into account the complex of proposed measures will provide an opportunity to increase the level of investment attractiveness of the Ukrainian economy at the global level. Thus, the basic strategic priority of the state investment policy is to create a comprehensive mechanism to ensure a high level of investment attractiveness of the economy. In addition, it is obvious that after the cessation of large-scale hostilities in the country, the priority

of sectors of the national economy in terms of attracting investment capital will fundamentally change, and therefore – qualitatively innovative transformations in the economy will emerge, both in terms of types of economic activity and in the

sphere of attracting investment capital. In order to achieve the formulated strategic goals, Ukraine needs to develop a long-term programme to ensure a high level of investment attractiveness of the national economy.

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