

**GESELLSCHAFTSRECHTLICHE  
TRANSFORMATIONEN VON  
WIRTSCHAFTLICHEN SYSTEMEN IN DEN  
ZEITEN DER NEO-INDUSTRIALISIERUNG**

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*Gesellschaftsrechtliche Transformationen von wirtschaftlichen Systemen in den Zeiten der Neo-Industrialisierung*

Genehmigt durch die Entscheidung  
der Akademie der Wirtschaftswissenschaften der Ukraine

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Причинно-наслідковим, і все ще не перебореним чинником відтворення тіньової економіки є з одного боку, об'єктивні економічні й організаційно-правові причини, що виштовхують підприємництво в тінь, з іншого – присутні тут і корисливі мотиви такі, як жага наживи, збагачення, накопичення первісного капіталу будь-яким шляхом. Способи або технологічна процедура тіньового капіталообороту залежить, перш за все, від виду і внутрішніх особливостей технологічного змісту того чи іншого фінансово-господарського інструменту, які відображаються у економічній моделі та правовій конструкції норм, що регулюють той чи інший сегмент фінансово-господарських відносин. Розробка та створення ефективної організаційно-правової інфраструктури щодо превентивної протидії тіньовим процесам повинні здійснюватись саме з урахуванням особливостей різних фінансових інструментів, їх економіко-правовій конструкції, що залежать від змісту конкретного сегмента фінансово-господарських відносин.

## ***2.2 Assessment of the Investment Climate in Ukraine***

Investment is one of the key determinants of economic development of any state and increase in the level of well-being and improving the quality of life of citizens, ensuring the systematic renewal and expansion of productive capital, accelerating scientific and technological progress, improving the quality of manufactured products and services provided, as well as opportunities for efficient and balanced functioning of all sectors of the economy. Since Ukraine gained independence, the potential for the structural restructuring of the country's economy has been closely linked to the intensification of investment and innovation activities, both with the participation of the domestic investor and with stable financial support from abroad. The determining factor contributing to this task is the presence of a favorable investment climate, which ensures confidence of the potential investors in feasibility and security of investing financial resources in potentially attractive facilities<sup>1</sup>.

Ukraine remains attractive for investment, at the same time it is not averse to world processes, it is sufficiently integrated into the world economy, and the disruption of macro-stability in foreign markets has its say in Ukraine.

An investor who is interested in Ukrainian agriculture, aerospace technology, transit potential, or low-cost and skilled labor force is facing an obstacle during his first business visit to Ukraine, this obstacle is corruption. It has been at the top of the list of the biggest obstacles to investment in recent years, according to the annual survey of foreign investors conducted by the European Business Association (EVA), Dragon Capital and the Center for Economic Strategies<sup>2</sup>.

In order to invest in the Ukrainian economy, investors need certain prerequisites, in particular, a high index of investment attractiveness. The index consists of three components: investment assessment of the previous period, forecasts for the future, assessment of the current situation. It has been measured every six months since 2008.

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<sup>1</sup> Vankovych D.V., Demchyshak N.B., Lukovska Yu.M. "Diagnosis of the investment climate in Ukraine". *Investytsii: praktyka ta dosvid* №1. 2018, pp.11-18.

<sup>2</sup> Strict investment climate: why Ukraine does not contribute to its foreign capital? (Accessed 21 March 2020), Kyiv URL <https://www.radiosvoboda.org/a/2>

The index value corresponding to three is considered to be neutral, above three indicate positive developments.

The improvement in performance was influenced by structural reforms in Ukraine, which helped the country to cope with the debt load and improve its position in foreign markets.

To further improve the investment climate of Ukraine, the problem to be solved today is to improve the legal and organizational framework to increase the capacity of mechanisms for ensuring a favorable investment climate and forming the basis for preserving and improving the competitiveness of the domestic economy.

The leading sectors of economic activity in terms of capital investment development in 2017-2018 were: industry – 35.9%, construction – 11.7%, agriculture, forestry and fisheries – 12.0%, information and telecommunications – 8, 9%, wholesale and retail trade; repair of motor vehicles and motorcycles – 8.1%, transport, warehousing, postal and courier activities – 9.2%, public administration and defense; compulsory social insurance – 2.1%<sup>1</sup>.

Over the last year (2018), Ukraine has improved its business climate, but its overall position in the Rating has also been affected by significant positive changes in other countries, as many of them in their internal regulations are guided by the Doing Business rating<sup>2</sup>. Thus, according to World Bank statistics, 3500 reforms have been implemented in the 16 years of existence of this rating. From June 2, 2017, to May 1, 2018, 128 countries have implemented a record 314 reforms that improve regulation in all areas measured by the Doing Business rating.

The volume of attracted foreign direct investment (equity) from the beginning of investing in the economy of Ukraine as of 01.07.2019 amounted to USD 33724.4 million (As of April 1, 2018, amounted to \$ 32751 million).

In the first half of 2019, the growth of foreign investments in the economy of Ukraine amounted to \$ 839.6 million. Investments are directed to the already developed spheres of economic activity.

The dynamics of foreign direct investment in the economy of Ukraine in 2010-2018 is presented in the form of a diagram at Figure 1.

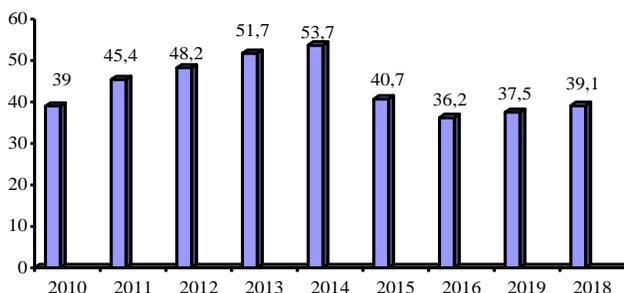


Figure 1 - The volume of foreign direct investment in the Ukrainian economy

<sup>1</sup> The official site of the State Statistics Service of Ukraine URL: <http://www.ukrstat.gov.ua>.

<sup>2</sup> Rating "Doing Business" – 2020 achievements and falls URL: <https://www.unian.net/economics/finance/10735767-reyting-doing-business-2020>.

2010-2018 billion USD

As can be seen from Fig. 1 in 2018, FDI was attracted to the country at the level of 2010, which is explained by the unstable economic situation in the country, by 2014 their volume increased, and in the period from 2015 to 2018, they decreased. As of 01.07.2019, the largest volumes of direct investment receipts were directed to industrial enterprises – 33.3% and institutions and organizations engaged in wholesale and retail trade; repair of motor vehicles and motorcycles – 16.6%.

The economy of Ukraine, which is gradually coming out of the protracted crisis, overcame the depressed 2012-2013 and the crisis 2014-2015, in 2016 and the first half of 2017 shows positive trends of economic growth, which are, first of all, reflected in gradual GDP growth of the country. Thus, in 2016 this growth was 1.3%, in the first half of 2017- 2.4% compared to the same periods of the previous years<sup>1</sup>. However, even such dynamics of economic growth make it impossible to achieve macroeconomic stabilization, which is due to high inflation, the continuation of devaluation processes, insufficient reserves of gold and foreign exchange reserves, etc.

The main investor countries include Cyprus – 29.4%, the Netherlands – 22.0%, the United Kingdom – 6.1%, Germany – 5.2%, Switzerland – 4.9%, Austria – 3.4% and the Virgin Islands (Britain) – 3.1%<sup>2</sup>.

The volume of capital investment development of Ukrainian enterprises in the first half of 2019 amounts to UAH 233.9 billion, which is 12.3% more than the capital investment for the corresponding period of 2018.

The leading spheres of economic activity in terms of capital investment utilization in the first half of 2019 remain industry – 40.3%, construction – 10.8%, agriculture, forestry and fisheries – 10.1%, information, and telecommunications – 3.7%, wholesale and retail trade; repair of motor vehicles and motorcycles – 7.9%, transport, warehousing, postal and courier activities – 8.4%, public administration and defense, compulsory social security – 5.4%, real estate transactions – 4.9%<sup>5,6</sup>.

The main source of financing of capital investments, as before, remain the own funds of enterprises and organizations, at the expense of which 73.3 percent of capital investments were disbursed in the first half of 2019. The share of bank loans and other loans in the total investment amounted to 7.7 percent.

State and local budgets utilized 9.0 percent of capital investments. The share of foreign investors' money accounted for 0.8 percent of all capital investment, and the share of household funds for housing construction – 6.6 percent. Other sources of financing make up 2.6 percent<sup>3</sup>.

Table 1 shows the dynamics of foreign direct investment in the period from 2002 to 2019.

Capital utilization of Ukrainian enterprises in 2018 amounts to UAH 412.8 billion, which is 22.1% more than the capital investment in the corresponding period of 2016.

Considering the dynamics of FDI inflows into the economy of Ukraine in recent years, we see that no regularity is observed, consistency is absent.

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<sup>1</sup> Official site of the European Business Association URL: <https://finpost.com.ua/news/11364>

<sup>2</sup> Official site of the Ukrainian Investment Business Association URL: <http://www.uaib.com.ua/>

<sup>3</sup> Official site of the Ministry of Foreign Affairs of Ukraine URL: <https://mfa.gov.ua/ua/article/open/id/6349>

Recently, the Verkhovna Rada adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Encouraging Investment Activity in Ukraine", which significantly influences the increase of Ukraine's position in the rating next year. In particular, the Law will help to reduce the number of violations of minority shareholders' rights, reduce the cost of credit resources, improve the quality of justice in economic matters, shorten the period of consideration of economic disputes, etc.

**Table 1 - Foreign Direct Investment in Ukraine from 2002 to 2019 (million USD)<sup>1</sup>**

Year	foreign direct investment in Ukraine		foreign direct investment from Ukraine		balance	
2002	693		-5		+698	
2003	1424	731	13	18	+1411	102.1%
2004	1715	291	4	-9	+1711	21.3%
2005	7808	6093	275	271	+7533	340.3%
2006	5604	-2204	-133	-408	+5737	-23.8%
2007	9891	4287	673	806	+9218	60.7%
2008	10913	1022	1010	337	+9903	7.4%
2009	4816	-6097	162	-848	+4654	-53.0%
2010	6495	1679	736	574	+5759	23.7%
2011	7207	712	192	-544	+7015	21.8%
2012	8401	1194	1206	1014	+7195	2.6%
2013	4499	-3902	420	-786	+4079	-43.3%
2014	410	-4089	111	-309	+299	-92.7%
2015	2961	2551	-51	-162	+3012	907.4%
2016	3284	323	16	67	+3268	8.5%
2017	2202	-1082	8	-8	+2194	-32.9%
2018	2355	153	-5	-13	+2360	7.6%
2019	1074	-1281	-1	4	+1075	-54.4

This year, Ukraine's closest neighbors ranked Lithuania – the 11th, Estonia – the 18th, Latvia – the 19th, Poland – the 40th, Moldova – the 48th, Belarus – the 49th, Romania – the 55th, Bulgaria – the 61st<sup>2</sup>.

New Zealand, Singapore, Hong Kong, China, Denmark, South Korea, USA, Georgia, United Kingdom, Norway, Sweden are in the top ten of the rating.

The Ukrainian economy is attractive to foreign investors, given the presence of natural and acquired factors in the formation of its investment potential. The decisive natural advantages are favorable economic and geographical location and powerful natural-resource potential, the most valuable components of which are significant reserves of mineral resources and chernozem soils. A significant competitive advantage of Ukraine in the international business environment is a workforce whose key competencies are its high educational level and low cost<sup>3</sup>.

Analysis of the structure of foreign direct investment in the economy of Ukraine by countries of the world showed that more than 70% of the total investment comes from EU countries and about 30% of investment comes from other countries of the

<sup>1</sup> The official site of the State Statistics Service of Ukraine URL: <http://www.ukrstat.gov.ua>.

<sup>2</sup> Official site of the Ukrainian Investment Business Association URL: <http://www.uaib.com.ua/>

<sup>3</sup> About investment funds and investment companies: Presidential decree of Ukraine 19.02.1994p. No55/94 URL: <http://zakon4.rada.gov.ua.178>.

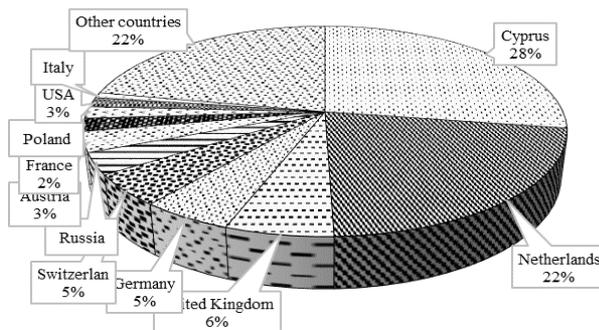
world.

Table 2 shows the list of countries that make the largest investments in Ukraine's economy and the share of these countries' investments in total foreign direct investment in Ukraine<sup>1</sup>.

**Table 2 - The structure of FDI in the economy of Ukraine by countries of the world**

Countries in the world	Structure of foreign investments as of January 1, %, %		
	2013	2016	2019
Austria	4,8	3,6	3,1
United Kingdom	4,8	5,6	6,1
Italy	0,8	0,7	0,8
Cyprus	30,8	30,8	27,5
Netherlands	16,4	19,0	22,0
Germany	8,7	5,2	5,2
Poland	1,7	2,1	1,8
Russian Federation	6,0	1,3	3,3
France	2,9	4,0	2,0
Switzerland	2,1	4,3	4,8
USA	2,0	2,2	1,5
Other countries in the world	19,0	21,2	21,9
Total	100,0	100,0	100,0

As we can see from Table 2, in the period from 2013 to 2019, the structure of FDI into the Ukrainian economy has undergone significant changes. First, it should be noted that the largest amount of investment comes from Cyprus investors, whose share remained unchanged in 2016 compared to 2013, accounting for 30.8%, and by the beginning of 2019, it decreased by 3.3 percentage points and amounted to 27.5%.



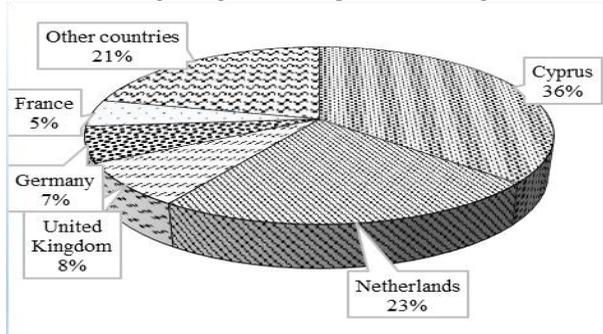
**Figure 2 - Structure of foreign direct investment in the economy of Ukraine by countries of the world as of January 1, 2019, %**

The Netherlands is the second-largest investor country. This country's share of total foreign direct investment in Ukraine's economy has increased from 16.4% in 2013 to 19.0% in 2016, reaching 22.0% by early 2019. According to the State Statistics Service of Ukraine, as of January 1, 2019, the Netherlands has invested \$ 7061 million

<sup>1</sup> The official site of the State Statistics Service of Ukraine URL: <http://www.ukrstat.gov.ua>

in the Ukrainian economy. United States, Cyprus – \$ 8880 million<sup>1</sup>. It can be noted that at the beginning of 2019, compared to previous years, in the structure of FDI in the Ukrainian economy the share of investments from the UK increased from 4.8% to 6.1% and Switzerland – from 2.1% to 4.8%. At the same time, the share of investments from Germany decreased from 8.7% to 5.2%, France – from 4.0% to 2.0%, the USA – from 2.2% to 1.5%.

In our opinion, when considering the issue of attracting foreign investment at the macro level, it is necessary to consider the structure of invested funds by country of origin. This characterizes the level of support of our country by international partners. Graphically, the structure of foreign direct investment in the Ukrainian economy by countries of the world at the beginning of 2019 is presented in Figure 3.



**Figure 3** - Structure of direct investments in the economy of Ukraine in 2018

In Fig. 3 shows the structure of foreign direct investment in the economy of Ukraine in 2017/2018, which shows the differences between the beginning of 2019 and the previous period under review.

Investing in any investor is a risky activity. To reduce investment risk, investors are thoroughly exploring potential objects for investment and because of the macroeconomic indicators of the region and the country as a whole.

Ensuring a positive investment climate is a strategic task of the Ukrainian government. However, the volume of investment attraction depends directly on the effective policy of the management and the enterprise, and the state to stimulate investment activity and to form and maintain a proper level of investment attractiveness.

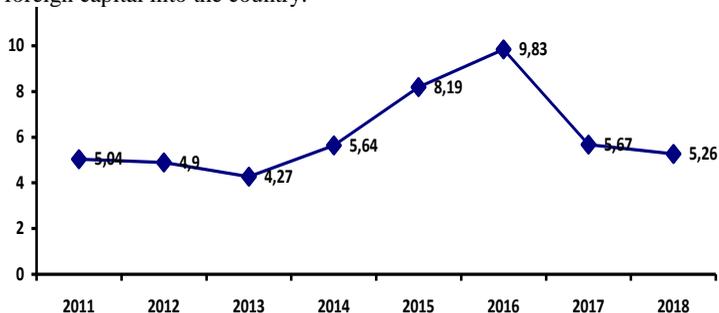
According to State Statistics, in 2018 enterprises and organizations have spent UAH 412.8 billion of capital investments at the expense of all sources of financing, which is 14.9% more than the volume of capital investments in 2017. At the same time, it is necessary to pay attention to the reduction of the volume of used investments at the expense of foreign investors (Fig. 4)<sup>2</sup>.

Increasing macroeconomic and political instability combined with the results of international rating agencies on the current and predictive assessment of Ukraine's position in the global economic space is reflected in the dynamics of real investment

<sup>1</sup> The official site of the State Statistics Service of Ukraine URL: <http://www.ukrstat.gov.ua>

<sup>2</sup> Official site of the Ukrainian Investment Business Association URL: <http://www.uaib.com.ua/>

flows of foreign capital into the country.



**Figure 4** - Invested (used) investments in Ukraine at the expense of foreign investors, UAH billion<sup>1</sup>

By 2012, the volume of FDI attracted to the economy had a positive growth rate, which led to a steady increase in the total value of foreign capital to the level of USD 53,679.3 million. The 2014 military events on the territory of Ukraine led to a significant increase in investment risks and, accordingly, resulted in a sharp reduction in the flow of foreign funds into the country.

In 2015, FDI increased, but their aggregate value continued to decline as a result of the intensification of the capital outflow and exchange rate differences<sup>2</sup>.

Taken together, the above suggests that Ukraine's investment attractiveness and its activity as an entity in the international venture capital market is diminishing. This allows us to state the need to adjust the investment policy in the direction of increasing the transparency of the investment market, improving the system of protection of foreign investments, rationalization of the sectoral distribution of foreign investments in the context of the development and implementation of a system of investment and structural measures, simplifying the regulatory procedures for conducting business. The implementation of the aforementioned measures will help to increase the investment attractiveness of the Ukrainian economy, which will accelerate the process of reproduction and increase its potential<sup>3</sup>.

The decline in foreign investment in 2017 was observed not only in Ukraine but also in other countries of the world. According to the report made at the United Nations Conference on Trade and Development (UNCTAD), FDI in 2017 declined on 16%, from \$ 1.8 trillion to \$ 1.5 comparing to a previous year. The reasons for this situation are explained by the experts in the decline of foreigners' acquisition of companies in the US and UK<sup>4</sup>.

To identify attractive types of economic activity for the foreign investors in the economy of Ukraine, which receives the largest volume of foreign direct investment,

<sup>1</sup> Official site of the Ukrainian Investment Business Association URL: <http://www.uaib.com.ua/>

<sup>2</sup> The official site of the State Statistics Service of Ukraine URL: <http://www.ukrstat.gov.ua>.

<sup>3</sup> Fedorenko V.H. Investing: a textbook / Fedorenko V.H. K.: Alerta, 2006. 443 c.

<sup>4</sup> The official site of Euromoney. High-risk Ukraine is back on the radar. Jeremy Weltman [Electronic resource]. Mode of access: <https://www.euromoney.com/article/b15dgy8s147tpt/high-risk-ukraine-is-back-on-the-radar?copyrightInfo>.

the structure of their receipt as of the beginning of 2016 and 2019 has been analyzed<sup>1</sup>. The structure of foreign direct investment in Ukraine by type of economic activity at the beginning of 2016 and 2019 is presented in Table 3.

**Table 3 - Structure of foreign direct investment in Ukraine by type of economic activity**

Types of economic activity	Structure of foreign investments as of January 1, %		Deviation, 2019 to 2016
	2016	2019	
Industry	30,8	33,0	+2,2
Agriculture, forestry and fisheries	1,6	1,7	+0,1
Construction	3,2	2,9	-0,3
Financial and insurance activities	13,5	10,9	-2,6
Information and Telecommunications	6,5	6,8	+0,3
Wholesale and retail trade	15,9	16,7	+0,8
Real estate transactions	11,7	12,4	+0,7
Professional, scientific and technical activities	7,0	6,3	-0,7
Other economic activities	9,8	9,3	-0,5
Total	100,0	100,0	x

An analysis of the data from Table 3 showed that in the structure of foreign direct investment in Ukraine by types of economic activity, there were some changes in the three years. Industries with the highest priority for foreign investors remain the share of investments in which by the beginning of 2019 increased by 2.8 percentage points compared to 2016 and amounted to 33.0%, which is a positive fact. Considerable funds of foreign investors are invested in wholesale and retail trade, in real estate operations and the sphere of information and telecommunications, the share of investments in these activities over the three years also increased and amounted to 16.7% on January 1, 2019, 12.4 % and 6.8% of total foreign investment. It should be noted that during the analyzed period the share of investments in financial and insurance activities, which in the previous years was consistently high, decreased significantly. Over the last three years, it has declined from 13.5% in 2016 to 10.9% at the beginning of 2019. Meanwhile, there are negative changes in the structure of foreign investment by type of economic activity, which can be attributed to the decrease in the amount and share of investment in professional, scientific and technical activities from 7.0% to 6.3% and the construction industry - from 3.2 % to 2.9%, as well as the fact that only 1.7% of foreign investment was invested in a sector such as agriculture, where Ukraine proposes important investment projects<sup>2</sup>.

The leading economic sectors in terms of capital investment development in 2018 were: industry (33.1%), construction (12.3%), agriculture, forestry and fisheries (14.0%), information and telecommunications, wholesale and retail, etc.

Important is the study of the dynamics and structure of total capital investment in the country, which are investments in the acquisition or production of own resources for

<sup>1</sup> The official site of the State Statistics Service of Ukraine URL: <http://www.ukrstat.gov.ua>.

<sup>2</sup> Samotoienkova O. V. (2019) "Investment activity in Ukraine: trends and prospects Efektyvna ekonomika" №5.

own use of tangible and intangible assets<sup>1</sup>.

There are optimistic views on the Ukrainian investment climate, business in the agro-industrial sectors, food industry, and sales is growing at a very high rate. Everything must be done to protect the economy from shocks and to keep this upward trend. Ukraine has a vital need to improve its investment climate as global business behavior is changing and foreign capital will have to be fought.

There are significant shifts in global investor behavior: capital flows from emerging markets are continuing. Due to the decrease in the amount of available financial resources, the competition for it is increasing. And in conditions of increasing competition, only the one who will provide the most attractive conditions for investment will win.

The quality of the investment climate in Ukraine is far from perfect. In Ukraine, the problem of economic attractiveness is quite problematic, in economic terms, in 2013 Ukraine received \$ 4.5 billion of foreign direct investment, and in 2018, the revenue was \$ 2.5 billion. For Ukraine, this is the level of 2004, and without investment, our country will not be able to change the trajectory of its development.

At present, the European Business Association estimates the annual amount of foreign direct investment in Ukraine at the level of \$ 1.5 billion. 35% of investors surveyed during the EVA survey are ready to invest in Ukraine after the parliamentary election, 28% after the presidential election, and 25% before the election. More than 10% are not interested in investing in Ukraine.

From EU countries, \$ 1244 million in foreign direct investment (FDI) came to Ukraine in 2017, and from \$ 627.2 million from other countries. As of January 1, 2018, non-resident equity in Ukraine equaled \$ 39144 million (from EU countries - \$ 27465.5 million, from other countries - \$ 11678.5 million), which was 4.3% higher than the beginning of the year (\$ 37513.6 million).

The amount of foreign direct investment (FDI) made at the expense of domestic origin in 2018 amounted to \$ 485 million compared to \$ 270 million in 2017, this estimate of the so-called round-tripping investments (previously withdrawn from the Ukrainian business)<sup>2</sup>.

In total, during 2010-2018, the number of residents' funds that were withdrawn abroad and then returned to Ukraine as foreign investment amounted to \$ 8.4 billion, or 22% of the total FDI during this period<sup>3</sup>.

The main source of capital investment in 2018 is the own funds of enterprises and organizations, whose share in the investment structure was 70%, i.e. compared to 2017 increased by 2 percentage points. The share of public investment (state and local budget funds) still stood at about 13%, or UAH 6.8 billion.

Ukraine remains attractive for investment, at the same time it is not averse to world processes, it is sufficiently integrated into the world economy, and the disruption of macro-stability in foreign markets has its say in Ukraine.

Important is the study of the dynamics and structure of the total capital

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<sup>1</sup> Samotoienkova O. V. (2019) "Investment activity in Ukraine: trends and prospects *Efektivna ekonomika*" №5.

<sup>2</sup> Official site of the Ukrainian Investment Business Association URL: <http://www.uaib.com.ua/>

<sup>3</sup> "In 2018, domestic business returned \$ 0.5 billion to Ukraine in the form of foreign investment" URL: <https://ua.interfax.com.ua/news/economic/578231.html>.

investment in a country, which is an investment in the acquisition or manufacture of its own for the own use of tangible and intangible assets.

The dynamics and structure of capital investments are analyzed by sources of financing, by types of assets, by types of economic activity.

In 2018, UAH 526.3 billion of capital investment was spent in Ukraine, which is 17.3% more than in 2017. The largest share of investments was invested in intangible assets – 93.3%, of which 44.2% of all investments were invested in buildings and structures, 45.2% in machinery, equipment, and vehicles. Intangible assets accounted for 6.7% of total capital investment in 2018, 2.0% of which was invested in software and databases<sup>1</sup>.

The structure of capital investments in Ukraine by sources of financing for the period 2016-2018 is shown in Table 4.

**Table 4 - Structure of capital investments in Ukraine by sources of financing<sup>2</sup>**

Sources of financing of capital investments	Structure of capital investments, %			Deviation, 2016 to 2018
	2016	2017	2018	
Capital investment, total	100,0	100,0	100,0	
including at the expense of:				
- State budget funds	2,3	3,4	4,0	+1,7
- local budget funds	7,1	9,3	8,7	+1,6
- own funds of enterprises and organizations	69,4	69,1	71,3	+1,9
- bank loans and other loans	7,1	6,6	6,7	-0,4
- funds of foreign investors	2,9	1,4	0,3	-2,6
- population funds for housing construction	8,9	7,3	6,4	-2,5
- other sources of financing	2,3	2,9	2,6	0,3

Table 4 shows that over the three years, significant changes have occurred in the structure of capital investments in Ukraine by sources of financing. The largest amount of capital investments is the own funds of enterprises and organizations, whose share in the total amount of capital investments in 2018 increased compared to previous years and amounted to 71.3%. It is also worth noting such favorable changes as the increase in the share of capital investments at the expense of the state budget, whose share in 2016 amounted to 2.3% of the total, in 2017 it increased to 3.4%. And in 2018 it was already 4,0%. The share of capital investments at the expense of local budget funds in 2017 compared to 2016 increased to 9.3%, but in 2018 it decreased slightly and amounted to 8.7% of the total amount of investments. This demonstrates the ability of local authorities to involve more in local and regional projects.

At the same time, the share of capital investments at the expense of bank loans and other loans decreased, that is, the banking sector does not create conditions for opportunities for lending investment projects. The share of household funds on housing construction also decreased from 8.9% in 2016 to 6.4% in 2018, which in turn was affected by difficulties in holding bank loans. Negative changes in the structure of

<sup>1</sup> “In 2018, domestic business returned \$ 0.5 billion to Ukraine in the form of foreign investment” URL: <https://ua.interfax.com.ua/news/economic/578231.html>.

<sup>2</sup> “Capital investment in Ukraine. State Statistics Service of Ukraine“ URL: <http://www.ukrstat.gov.ua/operativ/operativ2018>.

capital investments are a significant reduction of investments at the expense of foreign investors: if in 2016, the funds of foreign investors accounted for 2.9% of the total capital investment, in 2018 only 0.3%. This again confirms the conclusion that most foreign investors do not risk investing in the Ukrainian economy.

To further improve the investment climate of Ukraine, the question today is to improve the legal and organizational framework to increase the capacity of mechanisms to ensure a favorable investment climate and to form the basis for preserving and improving the competitiveness of the domestic economy.

Given the low efficiency and culture of production, outdated equipment and technologies, high cost of production at low quality, poor competitiveness of domestic goods concerning world-class goods - solving the investment problems of Ukraine should become a priority task of economic reform.

The conditions for attracting foreign direct investment in Ukraine are political, economic and financial stability, investment guarantees, improvement of legislative acts on the regulation of investment activity and general improvement of the investment climate.

Thus, while the dynamics of the investment climate and the investment attractiveness of Ukraine are improving in dynamics, several problems impede the flow of foreign investment into our country.

### ***2.3 Ecological investments as a Tool of "Green" Economy Forming***

It was realized long time ago in the civilized world, that the well-being of modern society firstly depends on the conditions of its existence, which are deteriorated recently, primarily because of environmental problems. The issue of environmental pollution due to human life is extremely relevant nowadays. This problem has international nature and bears a major threat to future generations. That is why, the "green" economy forming has priority meaning for keeping environment for future generations, and in the global aspect for the existence of mankind.

The term "green" economy was first used by a group of leading scientists D. Piars, A. Marcandia, and E. Barbier in a report of the Government of the United Kingdom "The Green Economy Concept" (1989)<sup>1</sup> in terms of solving the the problems of sustainable development. Later, due to world economy crisis in 2008, the UN Program announced transition to "green economy", the goal of which is to promote world economy rebuilding. In particular, it was about decreasing unemployment rate, accelerate forces to stop climate change, environment decay and minimizing poverty in the world.

Not only scientists and politicians elaborate conception of "green economy" but international organisations as well. In particular, UNEP (United Nations Environment Program) has published "Global New Green Course" in 2008 and report "Towards to "green" economy" in 2011. As well, World Bank also actively develops propositions about making economy "green" and provides "green" growth. This institution has published thorough report "About green growth" in 2012<sup>2</sup>. OECD considers economy

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<sup>1</sup>Pearce D., Markandya A., Barbier E. (1989) Blueprint for a green economy 192 p.

<sup>2</sup>Inclusive Green Growth: The Pathway to Sustainable Development. Washington, D.C. : The World Bank, 2012. 171 p.

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