

THE IMPACT OF THE INVESTMENT CLIMATE ON THE ECONOMIC SECURITY OF UKRAINE

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Abstract. The article is devoted to the study of the results of the assessment of the investment climate in Ukraine on the basis of the dynamics of the main international ratings, which are rating agencies, news agencies, research institutions and international organizations. The purpose of the article is to determine the factors that affect the investment climate of Ukraine and its economic security. The research methodology is to compare the results of the ratings of leading rating and news agencies in the dynamics over the past few years, as well as to compare their results with each other. The obtained results will allow to objectively assess the investment climate from the point of view of external stakeholders. The main results of the study are to identify the main causes of the deterioration of the investment climate in Ukraine in recent years and provide suggestions for its improvement.

Keywords: investment, investment climate, rating, indicator, factors of influence, threats, economic security of the state.

JEL Classification: C43, F39

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Introduction. Ensuring a favorable investment climate in Ukraine remains a matter of strategic importance, the implementation of which depends on socio-economic dynamics, the effectiveness of involvement in the global division of labor, the possibility of modernization on this basis of the national economy. Attracting foreign capital is one of the important tools for "resuscitation" of Ukraine's economy.

Prospects for the structural restructuring of the economy, the development of priority sectors of the economy, private business, the conquest of international markets by domestic producers, and others depend on an effective investment policy. An important place in solving the problem of stimulating investment processes is given to the country's tax system. The issue facing Ukraine as a potential recipient in the globalized space of investment flows markets is the choice of effective tools for the tax burden on businesses with foreign capital. After all, the investor is primarily interested not in the development of the state or raising the level of the population, but in the level of protection of its rights and the possibility of increasing the invested capital. It is necessary to identify the threats and opportunities of the domestic tax mechanism to compete with other tax systems in the world.

Literature review. Many foreign and Ukrainian scholars are investing in research, such as B. Hubskeyi, M. Chumachenko, A. Stepanenko, S. Kadochnykov, N. Kovtun, T. Mayorov, I. Malyi, A. Peresada, J. Keynes.

The following scientists have made a significant contribution to the study of this problem both from a theoretical and a practical point of view: I. Blank, Ye. Boyko, P. Haidutskyi, V. Heyets, B. Danylyshyn, M. Denysenko, V. Zahorskyi, V. Kravtsiv, A. Rumiantsev, I. Tkachuk and others. In the writings of scientists the peculiarities of

definition of strategic goals, directions of activation of the process of attraction of investments, the current state of foreign investment in Ukraine are described. However, a significant number of studies do not take into account the dynamics of ranking indicators in order to improve its investment climate.

Aims. The aim of the article is to assess the investment climate in Ukraine through international ratings and indicators.

Methods. In scientific research used method of comparison, the index method, analysis and synthesis, allowed to reach the goal.

Results. Currently, the economies of many countries are characterized by the presence of large public external and domestic debts. No state can do without borrowing money in the financial markets by conducting government domestic loans, which act as an effective tool to overcome the limited tax revenues to the budget and the effective conduct of monetary policy.

Economic indices and ratings of the investment climate of countries, in contrast to stock and credit indices, are determined by various rating and analytical agencies, as well as international organizations - the UN, the World Bank, the European Bank for Reconstruction and Development and more.

In our opinion, this indicates the impartiality of these subjects in the assessments and indicates the objectivity of the results.

The main independent entities that are able to analyze the situation on the world investment market are rating agencies. Table 1 shows the most influential of them and shows the forecast for Ukraine, and Annex B describes the values of the results obtained.

Table 1. Results of assessment of economic and social development of Ukraine by rating agencies

Agency ratings	Main rating (index)	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Moody's</i>	Sovereign rating of the country	Baa	Baa	Baa	Ca	Caa	Caa3	Caa2	Caa1	Caa1
<i>Standard and Poor's</i>	Long-term rating on liabilities in national currency	B+	B	CCC	CC	C	B-/B	B-/B	B-	B
<i>Fitch Ratings</i>	Long-term issuer default rating in national currency	B	B	CCC	CC	C	B-	CCC	BBB	B

Source: compiled by the author based on information [1-3]

Moody's is one of the world's largest rating agencies. This agency operates 32 rating systems. The company assesses the credit rating of borrowers on a standardized scale, and provides estimates that correspond to the 12 levels used for investment and speculative decisions. Today, the company's share in the global market of credit ratings is about 40% [1].

Another influential financial market research firm is Standard & Poor's. The company is also known as the author and editor of the US stock index S&P 500 and the Australian S&P 200. Standard & Poor's long-term credit ratings assess the

issuer's ability to meet its debt obligations. Ratings are indicated by the letters: from the highest rating AAA (only reliable issuers) to the rating D (issuers that declare default) [2]. In addition, the company compiles short-term credit ratings, as well as corporate governance ratings and corporate information transparency ratings.

Information on the investment climate of individual countries provided by news agencies needs special attention (Table 2).

Table 2. Results of evaluation of economic and social development of Ukraine by news agencies

News agency	Main rating (index)	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Euromoney</i> (Great Britain)	Country risk rating	89	90	91	92	94	102	104	115	124
<i>Journal Forbes</i> (USA)	Ranking of countries with the most favorable conditions for business (<i>Best Countries for Business</i>)	105	112	114	115	120	74	80	77	82
<i>Foreign Policy Journal</i> (USA)	Index of incapacitated countries (<i>Failed States Index</i>)	110	140	138	154	142	75,5	74	72.6	71
<i>Journal International Living</i> (USA)	Ranking of countries by standard of living (<i>Quality of Life Index</i>)	73	120	135	140	148	53	55	55	54

Source: compiled by the author based on sources [4-7]

One of the influential ratings of this group is the country risk rating, which is compiled twice a year by Euromoney magazine. His published results represent a list of countries located depending on the value of the integrated reliability indicator. The indicator itself is in the range from 0 to 100 and is the sum of estimates obtained by the method of expert evaluations or calculation of nine indicators. A value of 0 means the highest risk, respectively, a score of 100 means the lowest level of risk. Numerical values are translated into ten letters: from AAA to N / R [4].

Another rating that belongs to the ratings developed by news agencies is the rating of the countries with the most favorable conditions for business, compiled by Forbes journal - one of the most popular business publications in the world. This ranking assesses the business environment in 134 countries, focusing on business factors such as innovation, technological development, the tax system, property rights protection, corruption, personal and economic freedom, bureaucracy and investor protection [5].

No less well-known are the ratings compiled by research organizations (Table 3).

One of the most influential ratings is the Index of Economic Freedom, calculated by The Heritage Foundation and The Wall Street Journal.

In the rating of investment attractiveness of the countries of the world International Business Compass for 2018, published by BDO, Ukraine rise by 3 positions during the year. Ukraine ranks 131th in the ranking and is among the

countries that showed the best growth for the year. In 2014, our country ranked 145th. These indices are formed by BDO together with the Hamburg Institute for World Economy, and characterize the economic and financial attractiveness of different countries on the basis of three main indicators: economic, political and socio-cultural conditions.

Table 3. Results of evaluation of economic and social development of Ukraine by research organizations

Organization	Main rating (index)	2011	2012	2013	2014	2015	2016	2017	2018	2019
Institute of Management Development (IMD)	Competitiveness rating	57	73	84	76	79	59	54	55	54
Stock «The Heritage Foundation» and newspaper «The Wall Street Journal»	Rating according to the index of economic freedom	125	72	161	155	160	162	166	150	147
Brookings Institution Research Center	Rating of weakness of developing countries	118	112	107	105	101	85	87	87	91
Hamburg Institute of World Economy and BD	Rating of investment attractiveness of the countries of the world International Business Compass	145	134	112	109	87	130	134	131	131

Source: compiled by the author based on information [8-12]

The next group of ratings are those compiled by international organizations of economic and social development. Table 4 lists such organizations and the place occupied by Ukraine in the relevant rankings.

Table 4. International organizations that assess the economic and social development of countries

Organization	Main rating (index)	2011	2012	2013	2014	2015	2016	2017	2018	2019
The World Bank	Business rating	149	152	137	87	85	83	80	76	71
World Economic Forum in Davos	Economic Growth Competitiveness Index	87	82	86	88	92	85	81	83	85
UN Human Development Program	Human Development Index	75	69	67	59	56	84	88	88	88
Transparency International Center for Anti-Corruption Research	Corruption Perceptions Index	152	144	144	142	140	131	126	120	126

Source: compiled by the author based on information [13-16]

The information base for such ratings is macroeconomic indicators and statistics, as well as in some cases indicators calculated according to specially developed methods, which summarize the most significant indicators and form a final value that allows to compare data for a particular country with data from other countries.

Another influential rating of this group is the Economic Growth Competitiveness Index, which is calculated by the World Economic Forum (Davos, Switzerland). The peculiarity of this rating is that it assesses the ability of the economy to maintain stable economic growth in the medium and long term. In compiling the rating, three groups of factors are analyzed:

- 1) basic requirements, which include institutions, infrastructure, macroeconomic indicators, health care and basic education;
- 2) efficiency indicators that assess the state of higher education, the functioning of commodity markets, the efficiency of the labor market, the state of the financial market, technological development;
- 3) innovation factors, including simplification of business procedures and application of innovation [14].

The index of competitiveness of economic growth allows to determine both the competitive advantages of the studied country and its weaknesses.

This rating is studied by the International Finance Corporation, which is part of the World Bank. The ranking assesses the conditions for starting, running and closing a business in most countries around the world, based on a survey of more than 9,600 reputable experts from the countries being evaluated.

The rating index consists of 10 sub-indices that reflect regulatory, fiscal and market constraints that complicate or facilitate doing business in the country (Table 5). Given the positive trend of improving the rating value, the analysis of individual sub-indices compared to the previous year indicates a decrease in most of them. Thus, according to the sub-index "Protection of Investors' Rights", the index increased by 9 positions from 81 to 72, which is one of the evidences of low level of legal and economic responsibility of enterprises to owners for ownership of their assets, which negatively affects the process of attracting foreign investment.

At the same time, in the Doing Business 2019 ranking, Ukraine significantly improved its position by 5 points from 76 to 71 places compared to the previous year (Table 5) [17].

Despite the general increase in the rating of doing business in Ukraine, there was a decrease in such indices as "Property Registration" (-4) and "Taxation" (-12), which negatively affected the investment climate and economic security of Ukraine as a whole. The dynamics of these indices are factors due to which foreign investors do not invest in Ukraine. Stimulating investment in the economy is a difficult problem, as it depends on the tools and the state of the environment in general, as well as the economic situation of a particular region. However, one of the important reasons is the significant fiscal orientation of the tax system of Ukraine. Despite the fact that the tax system of Ukraine in some respects meets recognized international standards, this is reflected only in the names of taxes.

Table 5. Index values of the Doing Business of Ukraine rating

Name of indexes	2012	2013	2014	2015	2016	2017	2018	2019
Starting a business	69	76	30	70	30	20	76	71
Obtaining building permits	68	70	140	139	140	140	35	30
Connection to the power supply network	182	185	137	138	137	130	128	135
Property registration	88	59	61	64	30	20	52	56
Getting a loan	14	17	19	17	19	20	29	32
Protection of investors' rights	107	109	88	87	88	70	81	72
Taxation	157	108	107	106	107	84	42	54
Foreign trade	153	154	109	109	109	115	119	78
Fulfillment of contractual obligations	44	43	98	98	98	81	81	57
Collapse	141	142	141	141	141	150	149	145
General index	142	136	112	96	83	80	76	71

Source: [17]

Discussion. Analysis of the action of these factors in Ukraine allows us to identify the main problems that worsen the investment climate of our state, in particular:

- political problems (military actions on the territory of anti-terrorist operation, foreign policy problems);
- imperfect tax and judicial system;
- a significant share of the shadow economy;
- low level of protection of investors' interests;
- unfavorable economic conditions (unemployment, low living standards, inflation, devaluation);
- lack of a sustainable strategy for economic development;
- negative international image.

It should be noted that the external conditions of globalization lead to a high level of competition between countries in international investment capital markets.

To further improve the investment climate in Ukraine, the issue of improving the legal and organizational framework to increase the efficiency of mechanisms to ensure a favorable investment climate and the formation of a basis for maintaining and increasing the competitiveness of the domestic economy is relevant today.

Conclusions. As can be seen from the study, Ukraine ranks last in the rankings, which is a sign of an unfavorable investment climate. According to experts, the main reasons for slowing down the reform process in Ukraine to improve the investment climate can be identified as: slow pace of adoption of changes at the legislative level, unsatisfactory implementation of adopted laws, the political situation in Ukraine.

The main tasks for improving the investment climate in Ukraine in the short term are: preparation of the necessary legal and organizational framework to increase the efficiency of investment climate mechanisms and form the basis for maintaining and increasing the competitiveness of the domestic economy, as well as creating conditions for national investors to invest and use profits domestically without taking them abroad.

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