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Investment provision in agricultural sectors of Ukraine

Abstract: This article is devoted to investment provision in agricultural sectors of Ukraine. The goal of the article is to disclose current situation and problems which are connected with attracting foreign investments into the agricultural sector of the Ukrainian economy as well as considering the factors of this sector attractiveness and justifying suggestions on financing mechanisms expanding within investment projects in the agricultural sector involving investors.

Keywords: foreign investment attraction, agricultural sector of the Ukrainian economy, investment attractiveness, venture financing, international investment collaboration.

Analyzing statistical data on ways of foreign investments in Ukrainian economy, it should be pointed out that they totaled 48,5 USD bln. as of the 1st of October, 2014. That is 8.2% higher than investment volume at the beginning of 2014. Investments were received from 128 countries. More than a half of the total volume of investments is related to investors from three countries: Cyprus (24.9%), Germany (15.0%), the Netherlands (10.1%), Austria, Russia, the UK, France, Sweden, the USA are among the top 10 biggest investors in Ukrainian economy. The biggest part of investments is aimed at the financial sector (33.4%) and industry (31.0%).

Considering the forthcoming, the most profitable ways of investing are building of transport facilities, institutions of trade, hotels and sports facilities. Generally speaking, foreign companies are oriented toward building hotels, trade areas, trade and entertainment centers. When talking about the most important investors of today, China and Arab countries come to the foreground [1].

The growing demand for building various facilities raises investment attractiveness of Ukraine for Arabic investors too. There are already two companies from Kuwait (Kuwait Energy and Global Investment House), several Libyan firms in Ukrainian market. Moreover, Libyan Investment Authority has already invested 100,000 USD in building in Ukraine [2].

Bringing Arabic investors in Ukrainian agriculture faces some problems. One of them is absence of land market. Arabic businessmen prefer signing long-term leasing contracts for big areas, or buy them, which is restricted by moratorium on land selling. Arabic business is oriented toward concrete large-scale investment projects which are void of clearness in Ukraine and are based on calls for action only. The biggest Arabic companies cannot develop their business in Ukraine as a result of absence of legal guarantees and disadvantageous tax system.

The present time predetermines need for providing appropriate medical services. The market of private medical institutions is rapidly developing in Ukraine, because the percentage of state medical services is reducing and the country suffers from lack of medical institutions capable of rendering high-quality medical service at reasonable price. Foreign investors are interested in already well-developed chain companies, specialization of clinics in one direction. However, here arise such problems as bureaucratic ways of doing business, corruption, illegal business, deficit in high skilled specialists.

As it is mentioned in reference sources, the most important aims of a possible reform of Ukrainian investment climate should be considered the following:

1. drastic changes in administration procedure;
2. using restricted state resources as a means for partnership with private capital;
3. creation of infrastructure to engage investments;
4. creation of conditions for drastic growth of investments.

It is expected that the consequences of these actions will bring general improvement of investment climate and form investment projects according to international standards.

Moreover, there is a special service called «InvestUkraine», which eliminates obstacles an investor faces to engage 2 EUR bln. of additional investments and 10 new large investors. This service provides investors with information, analytical, legal

services, support in organization of visits, choice of investment areas, a helping hand in interaction with local authorities and post-investing support [3].

A potential investor wants to know what positions on the market companies are interesting in take and which of them have «blue chips». «Blue chips» are the most popular stocks, included in market business. According to the Ukrainian Stock Exchange, the most rapidly growing «blue chips» in 2014 are stocks of the following companies.

Investment companies of agricultural sector is characterized by the following factors enhance investment processes. Despite some positive trends in the investment processes of agrarian areas is not yet enacted a system of economic incentives to encourage investment and investment regulation.

The vast majority of investment in the agricultural sector enterprise comes from private sources, whose share in total investment in fixed capital industry is 95-97%. The share of state (3.4%) and utilities negligible (less than 1%) and should increase to a level that will ensure the implementation of national objectives to support and regulation of investment activity of enterprises of agricultural sector and rural areas [4]. Target State Target Program for Ukrainian village until 2020 to finance the reproduction of fixed assets budget organizations and institutions, and academic institutions have not yet met.

Constructing investment strategy in the agricultural sector businesses based on economic mechanisms of investment flow field. 2. Evaluation capacity development in agricultural business sector has proved its importance for the national economy.

Production enterprises in the agricultural sector is one of the traditional branches of agriculture. The share of the agricultural sector of Ukraine is 26% of gross production, and 30% of fixed assets, it employs 25% of workers in the fields of agriculture of Ukraine.

Thus, the investment of enterprises of agricultural sector should be a system that should facilitate dynamic socio-economic development and improving the competitiveness of agricultural products and requires consideration of conditions that include international, social, economic, ecological features of the agricultural sector. Thus, the objectives of large-scale modernization of the national production, energy conservation, productivity growth, strengthen the competitive position of

domestic producers is possible through extensive use of investment and innovative development model.

Among the measures to mitigate the negative effects the main place should belong to the state support of enterprises of agricultural sector, stimulate the process of investing in capital agricultural sector, development of state regulation of agricultural production with related industries and the state, which should be based on the cluster approach. State regulation of investment business processes in the agricultural sector should contribute to the development of production, processing and marketing of agricultural products, logistics and service of agricultural production, measures and instruments which directly or indirectly affect the volume of investment in agriculture.

Efficient investment support accelerates the adaptation rate of agricultural enterprises to changes in environment. That is why it is appropriate to assess and monitor in detail investment attractiveness with the purpose of better decision-making.

Monitoring must be fulfilled through assessment of competitiveness parameters with due regard to regional and industrial particularities of enterprises.

Investing is a long process which suggests availability of some components: investment policy as a foundation for decision-making and realization of appropriate complex of measures; investment resources; investment attractiveness of economic entities.

Global trends in provision of population with food products give potential opportunities: agrarian sector is attractive for foreign investors which is proved by investment into development of big agro holdings.

Big enterprises with sufficient financial potential can guarantee financial security and high ROI. In Ukraine there are a number of agro holdings which are organized through investments of the New Century Holdings group. These agro-holding are characterized by classical cluster model of doing business which simplifies the management of big areas of land and increases efficiency of agricultural enterprises' activity. Today agro-holding invested by NCH have 450 000 hectares of land. Steady development of agro-holdings and high level of investment attractiveness can be achieved due to opportunity to increase production capacities on the base of technological changes and activation of innovation processes which

must provide high return on investments (ROI) and strengthening of financial potential [5].

Our studies allow to focus on key problems which hinder inflow of investment into agricultural economic entities. They are: high investment risks and insufficient level of technological readiness for innovations.

Aspects of world food security allow to form positive trend for growth of world attractiveness of agriculture in production sphere: here we observe positive dynamics in financial efficiency of product-manufacturers. The share of profitable agricultural enterprises has increased to 83,0%. Investment volumes gradually increase, today there are more than 600 large-scale investment projects in the sector.

For the last 5 years leading investing countries by the number of projects are as follows: USA (12%), Germany (12%), the Russian Federation (10%) and France (8%). The leaders by the volume of investment are the Russian Federation and EU.

Among many questions which are asked by foreign investors before they make decision to invest money into agrarian sector of Ukraine the key issue is obtaining of rights for land. Ukrainian legislature temporally prohibits the sales of agricultural lands and this worsens investment attractiveness of Ukraine. In order to make investment profitable and less risky many investors prefer to lease agricultural land for short period (2-5 years), medium-term (5-25 years) and long-term (up to 49 years).

In order to increase foreign direct investments (FDI) current transport and logistics infrastructure must be improved in order to balance supply and demand at lower costs and better satisfaction of consumers; such infrastructure can provide competitive advantages when combining the enterprises within the same network.

Activization of investment activity creates preconditions for economic growth, changes vector of state support into the direction of improvement of the mechanism of regulation of investment activity. With the purpose of regulation of the investment process in 2012 the law «About preparation and realization of investment projects by one-stop principle» was adopted. Relationship between participators is based on such key principles as: voluntary use of one-stop principle; equality of rights and interests of all applicants; establishment of single list of documents necessary for realization of investment project depending of its specific character; transparency of

the procedure of issuing documents necessary for realization of investment project; responsibility of officials for violation of requirements of the law in regard to issuing documents necessary for realization of investment project.

Practical experience shows that attraction of investment is aimed first of all to increase in efficiency of enterprises' activity. Investors can accept the proposals if they can get economic benefits [6].

In order to give good grounds for the attraction of investment an enterprise must form a long-term strategy of development which will allow to plan activity within the framework of single concept. Aspects of strategy should demonstrate to potential investors that the management will be efficient in conditions of adaptation to external and internal environment of the enterprise.

World experience testifies that activity of small economic entities at village can be supported through cooperation. Multi-functional or specialized cooperatives organized in the village can perform the functions of the institutions supporting the development of agricultural units and in such a way increase competitiveness of agricultural products and improve their sales.

The main focus of government regulation of the investment policy of Ukraine for agriculture should be prioritizing industries, ie primary objects of foreign investment. One of the major criteria for appropriateness of this choice should be to achieve a chain reaction of economic activity and growth throughout the agricultural sector as a consequence of the initial injection of capital. Involvement of both domestic and foreign investment is currently relevant in addressing the priorities of economic growth and agriculture is an important part of his entry into the world economy.

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