Mechanisms for Attracting Foreign Investment in the Agrarian Sector of Ukraine

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Abstract. The article reveals the mechanisms and trends of foreign investment in the agricultural sector of Ukraine under the conditions of instability in international markets for goods and capital. The trends and problems of attracting foreign investments in the agro-industrial complex of Ukraine are revealed. Factors of investment attractiveness of the agricultural sector of Ukraine are determined. The level of regulatory restrictions for foreign direct investment in the agricultural sector of Ukraine is diagnosed on the basis of international comparisons. The expediency and priorities of modernization of the state investment policy of Ukraine in the agricultural sector are substantiated on the basis of the index approach. Practical recommendations on formation of strategy of attraction of foreign investments on the enterprises of agricultural sector and directions of development of investment management are offered. The results of the study can be used by Ukrainian companies-recipients of foreign investment, investors in making decisions on investing in investment projects in the agricultural sector of Ukraine, public authorities to improve the investment climate.

Keywords: Foreign investments, Agricultural sector, Investment climate, Investment attractiveness, Strategy of attracting foreign investments, Mechanism of attracting foreign investments, State investment policy

1 Introduction

Under the conditions of narrow domestic capital market and the high cost of domestic sources of financing in Ukraine, it is important to attract foreign investment. Foreign investment is a resource that can contribute to technological modernization, stable economic growth, efficiency, development of export and innovation potential of domestic enterprises of leading industries and sectors of the economy of Ukraine, which includes agriculture.

Therefore, it is important to form strategic effective mechanisms for attracting foreign investment, both at the level of public policy and in the field of business and management of domestic enterprises. Ukraine’s agricultural sector has significant economic and
investment potential, but is currently significantly underinvested. To solve this problem, it is necessary to develop priorities and measures of state investment and industrial policy for its development in the face of new challenges.

Increasing competition for investment resources in international capital markets requires the use of the latest technologies for finding and selecting foreign investors, establishing investment partnerships, developing and promoting attractive competitive investment proposals, and including these components in the strategic management of agribusiness.

In modern conditions, one of the ways to solve the world’s food problem is to increase investment in agriculture, especially in those countries where favorable opportunities for the development of the industry are used to a very limited extent. Ukraine is one of the countries whose agricultural potential is strong but remains insufficiently realized. Attracting foreign investment in the agricultural sector of Ukraine and diversification of forms of international investment is of high importance today considering the urgent needs of innovative development of the sector, technological re-equipment and strengthening competitiveness in the world market.

It is important to assess the impact on foreign investment in Ukraine’s agricultural sector of a number of external and internal factors, such as the global pandemic COVID-2019, which caused reducing of global demand for agricultural products through the concern of countries for the level of personal food security, reducing investment resources of international investors and reducing global FDI flows, increasing competition between countries for investment resources in the conditions of stagnation of the world investment market, opening of the market of agricultural land in Ukraine, integration factors and investment cooperation with EU, modern condition and transformation of national investment policy, the state strategic policy of development of agrarian branch.

These factors can have both positive and negative impact on the level of investment attractiveness of the agricultural sector of Ukraine, which requires appropriate further analysis for the development of state policy to promote its growth and attract foreign investment in the agricultural sector.

2 Literature Review

The scientific works of many scientists are devoted to the study of the processes of foreign investment in the national economy as an important factor in ensuring economic development. Problems of economic development of the agricultural sector, finding ways to ensure its investment, features of attracting foreign investment in the agricultural sector of the world and Ukraine are revealed in the works of A. Haidutsky [1], T. Nagachevska [2–4], N. Reznik [5, 6], I. Fedun [7], A. Slobodyanyk, V. Kotlyarov [5], N. Patyka [8], I. Bezpyata [9], P. Sabluk, V. Vlasova, M. Kysil, K. Prib [10], Santangelo, G. [11], Hallam, D. [12]. Scientists reveal the nature and forms of foreign investment, the impact of FDI on the development of the agricultural sector of developing countries, determine the tools of state regulation of investment activities in the field of agro-industrial production, mechanisms to increase the investment attractiveness of agro-industrial formations. At the same time, the problem of investment and resource support for the development of the agricultural sector of Ukraine, including due to the attraction of foreign capital remains
unresolved. This requires further study of the problem on the basis of systematization of scientific achievements and the solution of its unexplored sectoral applied aspects, taking into account the volatility of the external and the instability of the internal environment. It is important to study the latest factors influencing the processes of attracting foreign investment in the agricultural sector of the Ukrainian economy and develop on this basis recommendations for improving public investment and sectoral policies, as it currently demonstrates insufficient efficiency.

3 Research Methodology

Problem Statement. The agro-industrial complex of Ukraine is underinvested, faces the problem of virtually insignificant amounts of foreign investment, although it needs significant funds to provide resources for its economic development. Ukraine’s agro-industrial complex can expect a decline in production and revenues due to lower demand on world markets for agricultural products due to the impact of the COVID-2019 pandemic, which will reduce its own sources of funding. Opportunities to attract investment in the coming years may be complicated by changes in the external environment. According to UNCTAD experts, global cross-border capital flows will decrease by 40% in 2020–21 [13], companies’ profits and their resources for international investment will decrease, and some investors will suspend investments, postpone or cancel investment decisions. This will intensify international competition for investment resources and will require the modernization of Ukraine’s investment policy to improve to the level of being able to compete in these difficult conditions with other countries. This also raises the question of the quality of investment management for business. This issue requires the study of trends and assessment of the impact of new factors on the processes of attracting foreign investment in the agro-industrial complex of Ukraine and the development of recommendations for improving investment policy.

4 Results

The priority goals of the domestic agricultural policy are to increase production, improve quality, increase exports of agricultural products and products of its processing, develop the infrastructure of the agricultural market, form a system of financial and credit support for agriculture, etc. Foreign investment is needed to implement these tasks. But due to certain reasons it enters the Ukrainian agricultural sector in insufficient quantities, despite its high investment capacity.

As of June 30, 2020, the volume of attracted foreign direct investments (share capital and debt instruments) in the agricultural sector of Ukraine amounted to 757.9 million US dollars by type of economic activity “Agriculture, forestry and fisheries” (1.5% in total) and by type of economic activity “Manufacture of food products, beverages and tobacco” - 3 231.1 million US dollars (6.4% in total), in total in the agricultural sector - 3 989 million dollars USA, which in total foreign direct investment (FDI) in Ukraine is only 7.9% [14]. While the agricultural sector accounts for almost one-fifth of Ukraine’s GDP, accounting for 44.8% of the country’s exports in the first half of 2020 and the
positive balance of foreign trade in Ukraine’s agricultural products amounted to $7.4 billion US dollars [15]. These data indicate a disproportion, a significant gap between the indicators of economic potential of Ukraine’s agro-industrial complex and the level of foreign investment in this sector, so there is a significant state of underinvestment. Thus, there is a great importance of the development of recommendations for improving the state policy to promote the development of the agricultural sector and increase its investment attractiveness to increase foreign investment.

The share of debt instruments in the total amount of attracted FDI in Ukraine as of 30.06.2020 is 24.4%, which emphasizes the role of direct investors in lending to their Ukrainian investment facilities in terms of expensive and hard-to-reach loans in Ukraine. However, this figure is much lower (15%) in the food industry, which receives 85% of FDI in equity. This figure is particularly different in agriculture and is 48%, while contributions in the form of equity instruments are only 52% [14], which indicates a restriction for non-residents to own land as the main asset of agricultural enterprises. Also, it shows the cautious attitude of Ukrainian farmers to joint ownership with foreign partners.

Let’s consider the dynamics of attracting FDI in the agro-industrial complex of Ukraine. Until recently, FDI statistics on Ukraine were published by two government agencies that used different methodologies: the State Statistics Service of Ukraine and the National Bank of Ukraine. From the 1st quarter of 2020, the only body responsible for disseminating data on direct investments is the National Bank of Ukraine. It has improved the methodology for estimating FDI in accordance with international standards, which allows comparing data on Ukraine with other countries without further refinement. The essence of the changes is that according to the methodology of PBC6, the income of direct investors from equity participation should include not only dividends, but also the share of investors in retained earnings of the enterprise, which was taken into account in the updated data. As a result of the revaluation, the share of reinvested earnings in FDI of Ukraine is about 50%, which corresponds to the world average. Therefore, the analysis of the volume, structure and dynamics of FDI in the agro-industrial complex of Ukraine should be considered according to the updated data of the National Bank of Ukraine.

Let’s identify trends in attracting foreign investment in agro-industrial sector in Ukraine. The accumulated volumes of FDI to the agricultural sector of Ukraine in 2016–2019 tend to increase, although in 2018 there was a slight decrease, which, in general, corresponds to the trend of growth of total FDI in Ukraine. Thus, the accumulated volume of FDI to the agricultural sector of Ukraine increased by 17% in 2019 compared to the level of 2016 or an average of 4.25% per year, and total FDI flows to Ukraine for the same period increased by 17.4%. However, it should be noted that direct investment flows to the agricultural sector of Ukraine are more stable than total FDI flows to Ukraine. Accumulated volumes of FDI to the agricultural sector of Ukraine in 2016–2019 tend to increase, except for a slight decrease in 2018 (−0.05% compared to 2017) (Table 1). This shows the tendency of the development and attractiveness of the domestic agricultural sector for foreign investment, especially its processing industries.

Another trend is that agricultural processing industries attract much more FDI than agriculture. In recent years, the production of food, beverages and tobacco products
Table 1. Indicators of the dynamics of accumulated FDI to the agro-industrial sector of Ukraine in 2015–2019

| Indicators                                                                 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------------------------------------------|------|------|------|------|------|
| The volume of FDI in Ukraine, billion US dollars                          |      |      |      |      |      |
| **Total**                                                                 | 43,78| 45,19| 45,18| 44,01| 51,39|
| **Agro-industrial sector, including**                                     | 4,93 | 3,80 | 4,18 | 4,17 | 4,44 |
| Manufacture of food products, beverages and tobacco                       | 2,85 | 3,01 | 3,24 | 3,19 | 3,67 |
| Agriculture, forestry and fisheries                                       | 2,08 | 0,79 | 0,94 | 0,98 | 0,77 |
| Growth rates of foreign direct investment, % to the previous year          |      |      |      |      |      |
| FDI, total                                                                | –    | 3,2  | −0,02| −2,6 | 16,8 |
| Agro-industrial sector, including                                         | –    | −22,9| 10,0 | −0,2 | 6,5  |
| Manufacture of food products, beverages and tobacco                       | –    | 5,6  | 7,6  | −1,5 | 15,0 |
| Agriculture, forestry and fisheries                                       | –    | −62,0| 19,0 | 4,2  | −21,4|

Source: Calculated and built according to data of the National Bank of Ukraine [14].

accounts for 77–83% of total FDI in the agro-industrial sector of Ukraine. In addition to a slight reduction in 2018 compared to 2017, the volume of FDI in these manufacturing industries increased by 22% in 2016–2019 or in average annual terms by 5.5%, which is higher than the growth rate of total FDI both to the agricultural sector and to Ukraine as a whole. Instead, FDI in agriculture, forestry and fisheries during the study period tends to decrease, in 2019 the volume of these investments was 2.3% lower than in 2016 and 21.9% lower than in 2018.

It is obvious that the food industry of Ukraine is a more attractive area of agro-industrial complex for foreign investors than agricultural production. And this is a positive factor in the development of the domestic economy, as it allows to develop not the raw material orientation, but the manufacturing industry with higher added value.

It is worth noting if foreign investors prefer to invest in the food industry rather than agriculture then the structure of the leading export industries of agriculture is dominated by agriculture - in 2019, crop and livestock products accounted for 60% of total exports of Ukraine’s agricultural sector and, accordingly, 40% in the food industry [17]. It follows that the increase in the export potential of agricultural products is largely provided by the domestic capabilities of the industry, rather than through foreign investment. Therefore, the realization of the export potential of domestic agriculture can contribute to ensuring greater access of its subjects to external sources of financing.

As for the geographical structure FDI inflows into agriculture in the form of share capital, in 2019, according to the National Bank of Ukraine, of the 37 countries that sent their capital to Ukraine, the leading partners are 9 developed European countries and the United States, their total share is 87.5% of total FDI [14]. Cyprus has the largest
amount of FDI in domestic agriculture, which as of December 31, 2019 has invested 156.9 million US dollars or 35.3% of total FDI in this industry. Significant investments in the development of agriculture in Ukraine in 2019 were also made by Germany - 51.2 million US dollars (11.5%), USA - 36.1 million US dollars (8.1%), Poland - 34.4 million US dollars (7.7%), the Netherlands - 34.2 million US dollars (7.7%), France - 22.5 million US dollars (5.1%), Denmark - 16.8 million US dollars (3.8%), Austria - 13.3 million US dollars (3.0%), Sweden - 12.0 million US dollars (2.7%), Great Britain - 11.8 million US dollars (2.65%). It should be noted that in 2016–2019, the top 10 direct investors in agriculture in Ukraine remained unchanged, but the places in the ranking changed slightly. Thus, in 2019 the largest investors in the studied industry of Ukraine were Germany, USA, Poland and the Netherlands, and in 2016 - the United Kingdom, Denmark, Germany and Poland.

In the structure of foreign investment in agriculture in Ukraine there is a certain unevenness and dominance of one country - Cyprus, whose share in 3–4 years exceeds the share of other important investors in Ukraine, such as Germany and the United States. However, while Germany and the United States are highly developed countries, and investment cooperation with them is a priority for domestic agriculture, investment from Cyprus is usually the return of Ukrainian capital previously exported offshore. Therefore, excluding from the analysis investments from Cyprus, which, in fact, are mostly not foreign investments, we can identify the following trends in the field of direct investment in agriculture in Ukraine:

– leading partners are highly developed European countries and the United States, which is a positive factor in the long-term development of the domestic agricultural sector based on advanced technologies;
– the volume of investment in the vast majority of partners increased in 2016–2019, which indicates the attractiveness of domestic agriculture for foreign investors;
– in general, the volume of FDI from partner countries is much less than the potential of Ukraine’s agro-industrial complex, the potential of international strategic economic partnership in this area is undiscovered.

The problem that limits the flow of foreign investments to Ukraine is not only their insignificant volume, but also the high level of "round tripping" (in which the ultimate controlling investor is a resident). The volume of such investments according to the National Bank of Ukraine for the period 2010–2019 estimated at 9.4 billion US dollars, which is 22.8% of the total inflow of FDI to Ukraine [16]. Thus, the sending of funds abroad by residents, which are then returned to Ukraine in the form of foreign direct investment, is not a real increase in capital for the country.

The share of funds of non-resident investors in the sources of investment financing in Ukraine is not only insignificant, but also tends to decrease: in 2014 - 2.7%, in 2015 - 3.1%, in 2016 - 2.9%, 2017 - 1.4%, 2018 - 0.3%, 2019 - 0.6%, for January-June 2020 - 0.5% [17]. Which indicates the underestimation of foreign investments as a source of funding and a factor of economic development in general, the country’s economy and its industries. Similarly, the share of funds of non-resident investors in the sources of financing the costs of innovation of industrial enterprises decreased - from 1.8% in 2014 to 0.3% in 2019 [17]. The amount of funds of foreign investors, which was directed
to the purpose of financing innovations in the agro-industrial complex for the period 2010–18 amounted to UAH 5.152 billion, which is only 4.7% of the total expenditure on innovation in Ukraine. And indicates a low level of foreign capital involvement in the innovative development of agriculture [17].

One of the reasons for the insignificant volume of foreign investment in the agro-industrial complex of Ukraine is the unfavorable investment climate in the country as a whole. Thus, according to the European Business Association (EBA), the investment attractiveness index of Ukraine for the 1st half of 2020 amounted to 2.51 points (maximum 5) and continues to be in the negative plane (the level of 3 points is neutral). [18]. There was a decrease in the value of the Index by 0.44 points compared to the previous evaluation period. As the Index is based on surveys, its negative dynamics means that the moods and expectations of business representatives and investors have deteriorated. Thus, only 4% of respondents consider the investment climate favorable (at the previous stage of the assessment - 17%), 62% - unfavorable, 34% - neutral. Positive steps towards improving the investment climate in the 1st half of 2020 were as follows: the launch of the land market, currency liberalization, the continuation of Ukraine’s cooperation with the IMF, the reduction of the NBU discount rate, the stability of the national currency. The investment climate in Ukraine is negatively affected by the following factors: weak judiciary, lack of progress in the fight against corruption, significant influence of the shadow economy, introduction of restrictive measures through COVID-19, constant rotations in the Government, political and economic instability, increasing tax pressure and tax changes. Legislation, suspension of reforms. So, we will note that new factors were added to traditional problems. Forecasts of business on changes in the investment climate in Ukraine in the next six months are not optimistic: 15% of CEOs hope for improvement; 44% believe that change will not happen, 41% - expect deterioration. Only 15% of business respondents believe that Ukraine will be a profitable market for new investors. The business response to the crisis and the deteriorating business climate are the CEO’s plans to focus on core activities, optimize costs, retain staff, digital transformation, and worse, some CEOs (18%) plan to suspend investment [18].

In the global ranking of countries and territories of the world by the level of attracting foreign direct investment in nominal (absolute) value, expressed in dollars. The United States in current prices, Ukraine ranked 62nd among 201 countries (The World Bank: Foreign Direct Investment 2019) [19].

Taking into consideration the great need to attract foreign capital, Ukraine has set an ambitious goal - to achieve for the period 2015–2020, the rate of net foreign direct investment at $ 40 billion. USA according to the World Bank (indicator of the Sustainable Development Strategy "Ukraine 2020") [20]. However, due to the insufficiently favorable state of the investment climate, the actual value of this indicator for 2015–19 amounted to 14.837 billion US dollars (see Table 2), i.e., about one third (36%) of the target value of this indicator [19]. If in 2020 the volume of FDI will be attracted at the level of the average for this period, the resulting figure will be approximately 17.8 billion US dollars, which is less than half of the planned strategic indicator.

One of the key reasons for low FDI flows to Ukraine is the low level of competitiveness of state policy on foreign investment. Thus, in 2018–2019, Ukraine did not receive 1.4 billion US dollars investment, which was supposed to create more than 12
Table 2. Volumes of FDI inflows to Ukraine for the period 2015–19 according to the World Bank, billion US dollars

| Ukraine | 2015 | 2016 | 2017 | 2018 | 2019 | Total 2015–19 | Average per year |
|---------|------|------|------|------|------|---------------|-----------------|
| Foreign direct investment, net inflows (BoP, current US$) | 3,050 | 3,441 | 2,827 | 2,476 | 3,043 | **14,837** | 2,967 |

Source: Calculated and built according to data [19].

thousand new jobs [22], as potential international investors who considered investing in Ukraine chose other countries that have a more predictable business environment, economic incentives and generally more attractive conditions. For effective investment of foreign capital.

As for investment projects in the agro-industrial complex, as of July 1, 2019, 444 investment projects with a total value of over UAH 40.6 billion are being implemented and are being prepared for implementation, which is 51 investment projects and UAH 0.5 billion more than in the previous year. Analysis of investment projects in the agro-industrial complex allows us to draw conclusions about their structure in the direction: cattle breeding - 21.6%, processing, storage of grain and industrial crops - 12.6%, pig development - 10.4%, food and processing industry - 9.2%, elevators - 8.1%, poultry development - 6.3%, vegetable and fruit storages - 6.3%, perennial plantations - 5.9%, etc. [23].

In the context of assessing the attractiveness for foreign capital of Ukrainian investment projects there is the following feature: Ukrainian investment projects have advantages in the early stages of implementation, and are usually able to reach the optimal level of profitability in the first years due to the cost factor. However, this advantage is lost in the long run, which actualizes the development of investment incentives for the medium and long-term investment horizon.

The positive scenario of agro-industrial complex development due to the increase in FDI involves the approval of a new investment initiative of the President and Government of Ukraine, namely a new bill on state support of investment projects with a significant amount of investment. This project provides incentives for a 5-year period for projects with an investment of at least 30 million euros. Consider how many current investment projects in the agro-industrial complex, in this case may receive the above benefits (see Table 3). Thus, only 12 projects (the last group of 8 projects and approximately the last 4) out of 444 meet the criterion (EUR 30 million) for state support. However, in terms of investment, they account for 66% of the total.

According to the WTO, in 2010–2018, world exports of Agricultural products increased from 1.354 trillion US dollars in 2010 to $ 1.807 trillion US dollars in 2018 or by 33.4%. For comparison, during the same period, global merchandise exports grew by 27.2% [29], which means higher growth rates of exports of agricultural products compared to total exports of goods and indicates the development of this industry and its attractiveness for investment, including international.
Table 3. Investment projects in agro-industrial complex

| Scale of investment projects by value, million UAH/million euros | Units | Total, million UAH/million euros | Correspondence to the criterion for state support (30 million euros) |
|---------------------------------------------------------------|-------|---------------------------------|-------------------------------------------------------------------|
| до 10/0.34                                                    | 219   | 649,1/21,8                      | –                                                                 |
| 10–50/0.34–1.7                                               | 138   | 2 969/99,8                      | –                                                                 |
| 50–100/1.7–3.4                                               | 36    | 2 353/79,1                      | –                                                                 |
| 100–500/3.4–16.8                                            | 39    | 7 850/263,8                     | –                                                                 |
| 500–1000/16.8–33.6                                          | 4     | 2 550/85,67                     | – /+                                                              |
| Понад 1 000/33.6                                             | 8     | 24 233,9/814,2                  | +                                                                 |
| Всього                                                      | 444   | 40 605,2/1 364,2                |                                                                    |

Source: Calculated and built according to data [23].

The agricultural sector is among the top 10 investment-attractive industries in Ukraine for foreign investors and has significant investment potential. In particular, Deloitte estimates that the total need for capital in the agricultural sector is 38 billion US dollars, food industry - 30 billion US dollars [24]. The study identified factors of investment attractiveness of the agricultural sector of Ukraine: high soil fertility and favorable climatic conditions for growing crops, favorable geographical location, developed infrastructure, high domestic market capacity, high export opportunities and the potential for increasing exports of high value-added products, positive dynamics and growth potential, high profitability of Ukrainian agrarian business, successful capitalization of agrarian companies and positioning on international stock markets, etc. Promising for foreign investors niches of the Ukrainian agro-industrial complex are precision agriculture, grain logistics, organic production and niche crops. The degree of restrictions on foreign investment in Ukraine can be assessed by the value of the FDI Regulatory Restrictiveness Index (FDI Index), which is calculated by the OECD.

The total FDI Index for Ukraine in 2019 is 0.121, for agriculture and forestry - 0.180, which is higher than in the country as a whole, for the food industry - 0.80, which is lower (see Fig. 1). Thus, the level of regulatory pressure in the field of agriculture indicates that the conditions for foreign investment activity are more stringent than in most sectors of Ukraine and in the country as a whole. The overall FDI Index of Ukraine exceeds its average value in OECD member countries (0.064), which is negative, but its value is lower than in non-OECD countries (0.142), which is positive, and indicates Ukraine’s orientation in investment policy on the liberal model. However, legal restrictions on foreign investment in Ukraine’s agricultural sectors (agriculture and forestry, food industry) are greater than in OECD member countries (0.050 and 0.018, respectively) and non-OECD countries (0.170 and 0.061, respectively) (Table 4).

OECD experts emphasize that the government’s political readiness for investment reforms to support investment activities is an important factor for investors in choosing a market for investment. For investors, this is a kind of signal that the government is ready for long-term and mutually beneficial cooperation with them.
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Fig. 1. The FDI Regulatory Restrictiveness Index in Ukraine by sector/industry in 2019. Source: Complied by the authors according to data OECD [25].

Table 4. The FDI Index for Ukraine, OECD member and non-member countries in the agricultural sector, 2019

| FDI Index                  | Ukraine | Average for OECD members | Average for non-member countries OECD |
|----------------------------|---------|---------------------------|--------------------------------------|
| Total FDI Index            | 0.121   | 0.064                     | 0.142                                |
| Agriculture & Forestry     | 0.180   | 0.050                     | 0.170                                |
| Food and other             | 0.080   | 0.018                     | 0.061                                |

Source: Complied by the authors according to data OECD [25].

Therefore, while forming the investment policy of Ukraine the results of the FDI Regulatory Restrictiveness Index for Ukraine and in particular for the agro-industrial complex should be used. On this basis, a program to liberalize investment restrictions, eliminate bottlenecks, introduce new investment incentives should be developed, and it should be compared with other countries in order to achieve investment competitiveness. This approach involves the use of the FDI Index, in contrast to those stated in scientific sources [30], which suggest the use of well-known UNCTAD indices (Inward FDI Performance Index, Inward FDI Potential Index, Outward FDI Performance Index, FDI Contribution Index).

Ukraine needs to move towards reducing regulatory restrictions on FDI in the agricultural sector, especially in agriculture. Moreover, in general, despite the stagnation of global investment flows, the investment policy of the world is aimed primarily at
liberalization. Thus, according to the WIR2020 report, three quarters [13] of investment activities in the world in 2019 were aimed at reducing restrictions and simplifying the conditions for FDI, the introduction or expansion of investment incentives and preferential investment regimes.

At the same time, in recent years there has been a tendency towards a stricter policy on incoming foreign investment in strategic areas based on the interests of national security. And this trend may intensify in a global pandemic. Also, we will identify key trends in global FDI processes according to the WIR2020 report, which are challenges for the processes of attracting FDI in the Ukrainian economy, and which should be taken into account while the formation of Ukrainian investment policy. These are: reduced reinvestment of TNCs as major investors due to lower revenues, profits and expected losses, especially in impact-sensitive industries; reduction of cross-border mergers and acquisitions; slowing down the implementation of existing and postponing planned investment projects; reducing the number of announced greenfield projects. FDI flows to Ukraine’s transition economies, which include Ukraine, are expected to decline due to the vulnerability of the commodity sector, supply chain disruptions, and insufficient diversification of economies. Experts believe that global investment will be focused on digitalization and environmental friendliness, and countries that want to attract FDI in the processing industry need to eliminate the technological backlog of their production.

Opportunities for Ukrainian agricultural companies to improve the conditions for entering the markets of EU countries are opened by the revision of the Association Agreement and the DCFTA between Ukraine and the EU, which is scheduled for 2021. Ukrainian business expects to expand access to EU markets due to: 1) conclusion of “industrial visa-free” with the EU (ACAA Agreement - Agreement on Conformity Assessment and Acceptance of Industrial Products), 2) reduction / zeroing of import duty, 3) revision of non-tariff measures of the EU (sanitary and phytosanitary measures), etc. Separately, representatives of agricultural enterprises noted that the main barriers to trade with the EU are insufficient quotas (78% of respondents) and customs duties, which is a significant factor in holding back exports (65%) [26]. This is (ACAA) a tool to simplify the conditions for Ukrainian business to trade in high value-added agricultural products, products of the processing and food industries, and will improve the positioning of the brand “made in Ukraine” in both EU and global markets.

Despite the relevance of this issue, the categories “mechanism for attracting foreign investment” and “strategy for attracting foreign investment” are rarely used in scientific sources and there is no unanimous point of view on the interpretation of the essence of these categories. Based on the systematization of scientific sources, taking into account the essential and substantive characteristics, we offer our own author’s definitions of these categories. Research work on the construction of scientific categories was performed on the basis of the methodology of Ukrainian scientists Starostina A. and Kravchenko V [27].

*The mechanism of attracting foreign investment* is a set of principles, priorities, methods aimed at encouraging non-residents to make decisions and contribute capital to the facilities of the home country on the basis of creating attractive competitive conditions. In the context of international processes, the level of competitiveness is ensured on the basis of international comparisons.
The scientific works mainly use the category "strategy" and "investment strategy", which limits the solution of theoretical and practical aspects of this topic for recipients of foreign investment. An author’s definition of this category was developed. The strategy of attracting foreign investment is a system of long-term goals and ways to achieve them in the formation and implementation of foreign investment resources based on the analysis of the investment environment and market in order to effectively use foreign capital.

The formation of a strategy for attracting foreign investment involves an in-depth analysis of the international investment market, global trends in international investment, motives and economic interests of foreign investors, assessment of the investment environment in the recipient country, development of attractive investment projects based on coordination of economic interests of recipients and investors, etc.

The strategy of attracting foreign investment is formed at different levels of the economic system. In particular, attracting foreign investment is an urgent problem for Ukrainian enterprises, which face the narrowness and high cost of investment resources in the domestic market.

The discrepancy between the actual volume of foreign direct and portfolio investments in the agricultural sector of Ukraine and its investment potential is due not only to the problems of the country’s investment climate, but also imperfect and inefficient level of management in formulating strategies to attract foreign investment to agricultural enterprises.

In this context, the problems are as the formation of investment proposals to potential foreign partners, in the development and implementation of effective measures to promote them, the use of modern communication technologies and cannulas of search and interaction with foreign investors.

Thus, agribusiness needs to develop effective strategies to attract foreign investors on the basis of coordination of economic interests, apply modern methods of targeting investors, implement programs to increase investment attractiveness, develop quality and attractive investment proposals, allocate funds to promote them to potential investors, manage relations with foreign investors with the use of modern communication channels, to improve the marketing of investment processes, in general to raise investment management to the level of international standards.

Today, Ukraine is taking some steps to improve the investment climate and introduce tools to attract foreign investment. Among the investment initiatives of the President and the government are "Investment nannies" (allocation of large foreign investors from the state manager, who will provide support to quickly resolve issues of investment in the Ukrainian economy) and state support for investment projects with significant investment, as mentioned above.

The bill stipulates that state support may be provided to an investor in the case of investments of at least 30 million euros and in the form of the following tax benefits: exemption from corporate income tax and duties on import of new equipment into the customs territory of Ukraine, granting the right to use land for the implementation of an investment project with the payment of rent under special conditions, the provision of related infrastructure through the construction / reconstruction of such infrastructure at the expense of the state. The total amount of state support should not exceed 30% of
the amount of investment in the project; the project must ensure the creation of at least 150 jobs with wage requirements; the project implementation period should not exceed 5 years; concluding an investment agreement and determining guarantees of the rights of investors implementing investment projects with significant investments.

In the context of the agro-industrial complex, the draft law stipulates that it applies to the processing industry, infrastructure, logistics, but does not apply to crop production. This will limit opportunities and incentives to attract foreign capital to this sector of the agricultural sector. However, the positive thing is that it will stimulate the creation of processing enterprises, and ensure a reduction in the raw material orientation of exports of Ukraine’s agro-industrial complex, will promote the inclusion of agricultural companies in global value chains. An important factor in the investment attractiveness of the agro-industrial complex of Ukraine is the export orientation and the potential for dynamic export growth. To assist in this direction, the state has developed and approved a Strategy for the development of exports of agricultural products, food and processing industries of Ukraine until 2026 [28].

The development of export-oriented agribusiness can be positively reflected in the focus of the Strategy and funds allocated by the state for its implementation to achieve important expected results, such as: adequate level of support for domestic exporters of agricultural and food products both domestically and abroad; harmonization of domestic legislation in terms of sanitary and phytosanitary measures with European norms, standards and rules; opening access to the markets of 28 EU countries and another 20 countries at the end of 2026 in accordance with the approved plan of trade missions; increase in exports of agricultural products, food and processing industry during the implementation of the Strategy by 17% [28].

The following tools are provided to achieve the set strategic goals:

– compensation programs for machinery and equipment for the food and processing industry;
– partial compensation of the interest rate on bank loans attracted in the national currency for modernization of food production and processing industry;
– financial support for cooperatives of agricultural and food producers in order to export joint consignments;
– financial support for producers of organic and food products, uncharacteristic of the Ukrainian market, but trendy and scarce in international markets;
– mechanism to stimulate re-equipment of producers.

Directions for improving the investment attractiveness of Ukraine for foreign investors and the state policy of attracting foreign investment in the agricultural sector:

– ensuring by the state of macroeconomic balance and stabilization of the exchange rate;
– continuation of the course to reduce the discount rate, to reduce the cost of credit resources;
– improvement of investment legislation in the direction of modernization of investment incentives, reduction of restrictions; investment incentives in the agricultural
sector lack continuity, targeting progressive innovative changes, which limits their stimulating impact;
– reorientation of investment incentives to priority high-tech and innovative projects in agribusiness, export-oriented production with a high share of value added;
– improvement of instruments of requirements to investors and introduction of procedures for selection and control over socio-economic and environmental performance of investments;
– introduce instruments of state support for investment projects with significant volumes of foreign investment, while applying the following principle - the depth and duration of incentives should be correlated with the volume of foreign investment, with indicators of innovation and export performance of investment projects and their budget efficiency;
– improvement of organizational and institutional support of investment activity, increase of transparency and efficiency of activity of state institutions within their competence, wider introduction of e-government, implementation of mechanisms of single customs and investment window, improvement of work of regional and local authorities in the direction of investment passports and attractive investment package, projects, organization of events and negotiations with foreign investors, etc.;
– improving the institutional support of the processes of attracting foreign investment by increasing the efficiency of the National Investment Council of Ukraine and the Office for Attracting and Supporting Investments;
– expanding the range of interstate agreements of Ukraine on the promotion and protection of investments, the elimination of double taxation;
– to initiate negotiations with Ukraine's trading partners in the field of agro-industrial complex on concluding agreements on the establishment of free trade zones and international agreements on international economic partnership;
– preparation of proposals and effective negotiations with the EU to improve the conditions for Ukrainian agricultural companies to enter the markets of EU countries, including increase of tariff quotas, abolition and reduction of duty rates, establishment of mirror levels of duties, introduction of "industrial visa-free travel"
– in the framework of negotiations on the revision of the terms of the Association Agreement and the DCFTA of Ukraine with the EU to introduce effective tools and mechanisms for investment cooperation, including targeted programs to promote scientific and technical development of agriculture;
– introduction of mechanisms of Ukraine's integration with countries of the world in the investment sphere, including creation of joint ventures, joint investment and innovation projects, attraction of foreign portfolio capital and venture investments in Ukraine, holding of international investment forums, etc.;
– state assistance in ensuring the financial capacity of the Export Credit Agency of Ukraine in the direction of insurance of investment risks of international investment projects and loans in the agricultural sector;
– development of infrastructural support of investment and innovation activity, creation of a network of scientific, technological and industrial parks, clusters, technological platforms, incubators, etc.;
– improving the information support of the processes of attracting foreign investment, improving the content of profile sites on investment opportunities in Ukraine, investment projects and proposals, investment legislation;
– improvement of public-private partnership mechanisms to stimulate the attraction of foreign investors;
– evaluate the effectiveness of the introduction of the withheld capital tax as a tool to encourage investment and reinvestment;
– attracting foreign investors through transparent privatization mechanisms, formation of effective communication mechanisms of Ukrainian privatization objects at the level of the State Property Fund to ensure interest from potential foreign investors;
– formation and promotion of the investment brand of Ukraine and agribusiness. Promotion of successful projects to attract foreign investment in Ukraine in the agro-industrial complex, the level of their economic efficiency and payback;
– development of the Ukrainian stock market, improvement of the level of its organizational and legal support, infrastructure, which will help attract foreign portfolio investors;
– introduction at all levels of international standards in the implementation of investment activities;
– activation of national agro-industrial enterprises in the direction of developing effective strategies for attracting direct and portfolio foreign investments;
– implement and develop digitalization of the economy, including in the agricultural sector, which increases the attractiveness of investment projects in the agricultural sector.
– consider the feasibility of introducing special economic zones, as many countries around the world use them to attract foreign investment;
– to improve investment incentives in industrial, science parks and technology parks.

5 Conclusions

As a result of the analysis, the following conclusions can be drawn. The COVID-2019 pandemic will have a lasting impact on international investment and investment policy. This requires immediate modernization of Ukraine’s investment policy on the basis of certain priorities and mechanisms. Improving the investment climate and modernizing Ukraine’s investment policy will attract funds for investment support for the growth of the agricultural sector of the national economy. Foreign investments in the construction of new agro-industrial complexes, R&D centers for agro-industrial complex, in innovative projects, modern technologies and intellectual property objects, processing plants with a high rate of added value, in production, integrated into global value chains, export-oriented industries, environmental and social projects should become priorities of the state policy of attracting foreign investment in the agro-industrial complex of Ukraine. Encouraging foreign investment in the agricultural sector, which has the status of a priority and strategically important in the Ukrainian economy, will not only ensure its development, but can become an engine of progressive economic development of the country. Prospects for further research are to develop recommendations for improving Ukraine’s investment cooperation with other countries of the world in the agricultural sector and to diversify Ukraine’s investment partners.
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