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## **INVESTMENT ATTRACTIVENESS OF THE ODESSA REGION OF UKRAINE: KEY FACTORS AND INDICATORS**

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### **Abstract**

The article is devoted to the analysis of the investment attractiveness of the Odessa region of Ukraine. The main factors of the investment attractiveness of the region are considered, the level of investment activity in dynamics is analyzed. Priority areas of stimulation of investment activity of the Odessa region are determined.

**Keywords:** investment attractiveness; Odessa region; investment activity; foreign direct investment.

# **Інвестиційна привабливість Одеського регіону України: основні чинники і показники**

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Стаття присвячена аналізу інвестиційної привабливості Одеського регіону України. Розглянуті основні чинники інвестиційної привабливості регіону, проаналізований рівень інвестиційної активності в динаміці. Визначені пріоритетні напрями стимулювання інвестиційної діяльності Одеської області.

**Ключові слова:** інвестиційна привабливість; Одеський регіон; інвестиційна діяльність; прямі іноземні інвестиції.

**Problem statement.** Investment attractiveness is a key factor for attracting foreign and domestic investments, as well as for the overall socio-economic development of a region or country. Attracting investments and cooperation with foreign investors determine the development of the region and contribute to the introduction of innovative technologies, improving the development of the regional economy, increasing local budgets, employment and raising the standard of living of the population. Odesa region, taking into account geographical and socio-economic factors, is an attractive object for investment activity for representatives of foreign countries. For successful investment activity of the region, comprehensive consideration and development of all factors of investment attractiveness is necessary.

**Analysis of recent research and publications.** Modern research devoted to the problems of theory, methodology and practice of forming investment attractiveness and investment activity of the region includes the works of A.G. Akhlamov, N.G. Gulko, L.M. Karpenko, S.M. Kozinsky, M.S. Lugova, K.V. Mezentsev, K.A. Nemets, L.M. Nemets, N.V. Pavlikha, G.B. Pogrishchuk, V.V. Rudenko, K.Yu. Segida, N.E. Skorobogatov, Y.M. Khvesyk, I.O. Tsymbalyuk, A.V. Cherep, I.V. Shvets and others.

**Formulation of the article's goals.** The aim of the article is to study investment attractiveness and investment activity in Ukraine using the example of the Odessa region. The main factors, current state and ways to improve investment attraction as a direction of effective socio-economic development of the Odessa region are analyzed.

## **Presentation of the main material.**

An important component of foreign economic activity and one of the main prerequisites for the successful socio-economic development of the region is its investment activity. The Odessa region has many factors of investment attractiveness, but as a result of military operations and the unstable economic situation in Ukraine, the volume of investment inflows has decreased. Therefore, there is an urgent need to develop new tools and approaches to stimulate investment activity in the region.

Investment attractiveness is a measure of the attractiveness of a certain region, country or object for investment by potential investors. This concept indicates how attractive this object is for investing funds in the form of capital in order to make a profit. In relation to the region, investment attractiveness is understood as an integral indicator that characterizes its investment climate and investment infrastructure.

The investment attractiveness of a region is a set of objective and subjective characteristics of the investment object that characterize the expediency of investing funds in this region. At the same time, the objective factors of the region's investment attractiveness include the socio-economic features of the region - the sectoral and territorial structure of the economy, production potential, degree of economic development, level of competition and corruption, development of infrastructure, competitiveness of manufactured products, labor potential, level of income of the population and its purchasing power, financial stability, etc.; socio-geographic features of the region's territory - economic and geographical position, natural resource potential, environmental condition, geodemographic potential. Subjective factors of the region's investment attractiveness are the actions of local authorities aimed at creating a favorable investment climate: determining priority areas and industries of investment, reducing external risks and bureaucratic obstacles to the development of joint ventures, providing investors with reliable information about the features of the region; creating an investment market infrastructure (investment agencies, business centers, chambers of commerce and industry, banks, insurance companies, exchanges); integration of the regional investment market with the international one [2].

The scientific literature identifies the following main components of investment potential: natural resource, which includes reserves of natural raw materials and material resources and the conditions of the territory for the investment process, rest and recreation; production, which is determined by the total volume of industrial, agricultural, construction and service products produced in the region; innovation, which is characterized by the level of development of scientific knowledge and the implementation of achievements of scientific

and technological progress in production, economic and socio-economic processes; social and labor, which covers the quantitative and qualitative characteristics of the working population and social conditions for the development of labor potential; infrastructure, which includes the economic and geographical position of the region and its engineering and infrastructure arrangement; financial, which takes into account the possible amount of cash capital to ensure the investment process, the tax base, the profitability of enterprises and the quality of the regional budget [3].

A feature of the geographical location of the Odessa region is its coastal and border location, which determines its geo-economic potential. The main advantages are access to international borders, in particular the EU, transit, as the region is the largest in area among others in Ukraine and its length from north to south, the attractiveness of the Black Sea coastal zone, etc. [5].

The region has a strategic location in the south of Ukraine, with direct access to the Black Sea and significant river arteries - the Danube, Dniester, Dnieper and Don. The international waterway along the Danube is the shortest route for European countries to the Black Sea. The Dniester River provides an important logistical connection between Moldova and the Black Sea, and the Dnieper serves as a waterway to central Ukraine. The proximity of the borders of neighboring states, to sea trade ports, and therefore access to important trade routes, the possibility of activating foreign economic activity forms the economic and geographical position, and therefore the potential of this territory.

Odesa region has high agricultural and recreational potential. The region is located within the forest-steppe (northern part) and steppe natural zones. The climate in the region is temperate continental with hot dry summers and mild, little-snowy winters. The mineral and raw material base of the region is limited, with an emphasis on raw materials for the production of building materials and on underground mineral waters. The region has a powerful recreational natural resource potential of the coastal type.

The coastal and border position of the region has led to the priority development of transport and maritime inter-branch complexes. The main ports of the region - Odesa, Chornomorsk, Yuzhnoye, perform the functions of the main "sea gates" of Ukraine. Transport and communications occupy about 40% of the region's fixed assets.

Industry retains a significant role in the structure of the region's economy. The Odessa region is home to enterprises specializing in oil refining, mechanical engineering, metallurgy and metal processing, petrochemical and chemical, light, food industry and other industries. The region occupies an important place in the field of intensive agriculture with a large share

of irrigated agriculture and agro-industrial processing. The agricultural sector of the region is dominated by grain and livestock, with special attention to the cultivation of sunflower and grapes, as well as the development of poultry and pig farming. The Odessa region stands out among others for its accelerated and priority development of the service sector, which occupies a leading position in terms of employment. The economy of the Odessa region is diversified, which reduces the impact of adverse external factors and ensures stable revenues to the regional budget.

The Odessa region has significant scientific, technical and design potential, is a center for training personnel and an important hub for scientific, technical, information, innovation and investment activities at the regional and national levels. The region serves as a center for improving transport logistics, restoring marine ecosystems, implementing environmental projects and developing tourism infrastructure. The Odesa region is identified as a strategic region in the National Transport Strategy of Ukraine for the development of multimodal transport clusters and logistics centers, is a potential participant in the world's top 100 ports, and a key region in the project of the European Maritime "Blue Belt". Special attention in the Seaport Development Strategy until 2030 is paid to the multifunctionality of the ports of Odessa, while the Tourism Development Strategy highlights the region as a promising tourist center with significant investment potential.

A significant number of operating enterprises, the status of one of the largest tourist centers in the country and a population of over two million provide high domestic demand for goods and services, and also create a good basis for the further development of the service sector, the manufacturing sector and the transport industry.

Over the ten-year period from 2011-2021, Odesa region was distinguished by significant volumes of foreign direct investment. From 2011 to 2014, they grew steadily and reached 1671.7 million dollars in 2014 (Fig. 1).

In 2015, foreign direct investment in Odessa region decreased by 15% compared to the previous year, and in subsequent years the decline in volumes continued, reaching a minimum in 2018 with a value of 1202.6 million USD (73.8% of the volume in 2014). The reduction in foreign investment volumes during this period was associated with political and socio-economic circumstances, in particular, military operations in Eastern Ukraine, the annexation of Crimea.

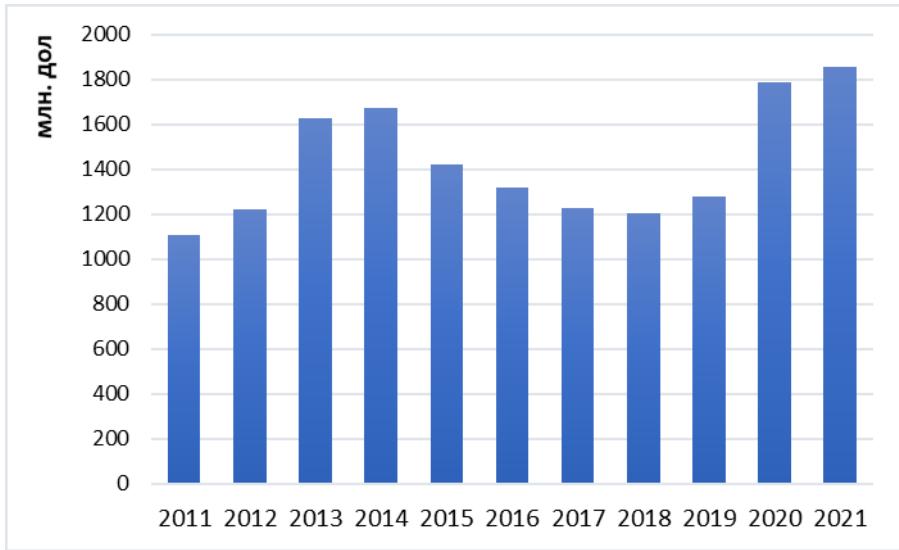


Fig. 1. Foreign direct investment in Odessa region in 2011-2021 (based on [1])

Since 2018, there has been an increase in foreign direct investment flowing into the region. The largest increase occurred in 2020, when investment volumes increased by 40% compared to the previous year. In 2021, the volume of foreign investment increased by 3.9%.

According to the results of 2021, the largest number of foreign investments was directed to such areas as transport, warehousing, postal and courier activities (46.1%), industry (29.9%), real estate transactions (6.6%), wholesale and retail trade, repair of motor vehicles (5.0%), financial and insurance activities (3.9%). The main investor countries, which accounted for more than 80% of investments, were: Cyprus (26.0% of the total volume of investments), the Netherlands (15.5%), Singapore (12.5%), the United Kingdom (7.8%), Luxembourg (6.6%), Monaco (5.4%), Germany (5.1%). In the structure of foreign direct investments, the share of EU countries was 59.4% [7].

Since 2022, information on foreign direct investment has not been disclosed due to martial law. From the published data, it is known that in the first quarter of 2022 there was an outflow of foreign investment throughout the country. During the period of full-scale invasion, only 4 regions of Ukraine increased the volume of foreign investment (Cherkasy, Ivano-Frankivsk, Chernihiv, Kyiv). In five more regions, there was a reduction in foreign direct investment of up to 10%, and this group includes the Odessa region. In the Odessa region, there was a redistribution of the structure of foreign direct investment: investments in the information and telecommunications sector increased significantly, but this growth did not offset the decrease in other sectors [8]. In 2023, investments from 59 countries, 21 of which were European countries [2]. In the Odessa region, there was an increase in Cypriot capital in

the economy, while the vast majority of regions of Ukraine are characterized by its significant decline. In contrast, in the Odessa region, there was a significant reduction in investments from Germany and Singapore [8].

As of March 31, 2024, the largest number of foreign investments was received in the sphere of transport and logistics - 473.4 million USD, information and telecommunications - 304.0 million USD, processing industry - 202.9 million USD, construction and real estate - 82.3 million USD, financial activities - 33.6 million USD, agriculture - 27.8 million USD. [4].

According to published data, in the first quarter of 2024, the total indicator of foreign direct investment in the Odessa region reached 1730.2 million USD. This is almost 300 million USD more than in the previous quarter. more than in the last quarter of 2023, and also more than the pre-war indicator of the end of 2021. According to the results of the first quarter of 2024, the Odessa region came in 5th place in the country in terms of the volume of foreign direct investment and first place in terms of its growth rate (21%) [6].

In terms of the change in foreign direct investment balances for the period 2022 - 6 months of 2024, the Odesa region took fifth place among all regions of the country with an indicator of (-0.8%). As of the second quarter of 2024, the Odessa region accounted for 3.1% of foreign direct investment. The territorial distribution of foreign direct investment by regional regions has not actually changed. The leader, as before, is the capital, which even increased its share from 39% to 42.5% [8]. Such excessive territorial concentration of investments is an unfavorable factor, overcoming which requires the use of effective mechanisms of state regional policy.

Investment processes in the Odessa region have slowed down and become more complicated due to military actions on the territory of the state. At the same time, the investment climate has been positively affected by such factors as granting Ukraine the status of a candidate for accession to the EU, deregulation measures, digitalization of public services, abolition of duties and quotas on Ukrainian exports to the EU and other countries, as well as visa-free travel with the European Union.

## **Conclusions**

The Odessa region of Ukraine has many factors of investment attractiveness: a favorable geographical location, a developed economic and transport and logistics complex, favorable natural conditions and resources, a highly qualified workforce. The key advantages are the possibility of access to international borders, in particular with the European Union, the transit function of the region, since it is the largest in area among the regions of Ukraine, and the attractiveness of the Black Sea coast. A large number of operating enterprises, the

status of one of the leading tourist centers of the country and a significant population contribute to high domestic demand for goods and services, which also contributes to the investment attractiveness of the region.

Among the attractive sectors for foreign investment in the Odessa region are transport and logistics, information and telecommunications, industry, the agricultural sector, the construction and real estate market, and the financial sector.

In the Odessa region, a number of comprehensive measures are being developed to analyze investment opportunities and develop strategies to improve the investment climate, which involve experts and specialists from various industries. To increase the investment attractiveness and revitalize the investment activity of the Odessa region, the following are necessary: a single vector of national and regional investment policy; diversification of investment areas; attraction of investments in the sphere of small and medium-sized businesses; measures to insure risks for foreign investors; opening of representative offices to support investments of foreign countries; active position of local governments, participation in domestic and international investment events; preparation and implementation of pilot investment projects based on public-private partnership; comprehensive analysis and identification of additional factors for increasing the investment attractiveness of the region.

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