

*O. Svysiuk, Senior Lecturer
A. Mikriukova, Student
K. Pokhilchenko, Student
Zhytomyr Polytechnic State University*

IMPACT INVESTING IN THE CONTEXT OF UKRAINE'S ECONOMY DEPLETION

In the conditions of Ukraine's exhausted economy the concept of impact investing, related to the capital contribution to positive changes in a world full of complex social and environmental challenges [1], is emerging as a true beacon for transformation. Through the pursuit to ensure a measurable social and environmental impact on the economy alongside the enterprise financial performance, impact investing has carved out a unique niche in both emerging and developed markets. At this point, Ukraine acts as a platform where the principles of impact investing can be applied to rejuvenate not only its economic base, but its social structure as well.

Ukraine's investment attractiveness is driven by various factors. A developed infrastructure in particular, available labor and energy resources contribute to the creation of a competitive economic environment. In addition, investors safety is guaranteed by the fact that nationalization of foreign direct investments is not allowed in our country. With a large domestic market, a well-educated and cost-competitive workforce, and abundant natural resources, Ukraine offers ample opportunities for parties interested in investing.

The government's commitment to improving legislation underscores its determination to fully exploit this potential. Numerous US companies are attracted to the country's agricultural, consumer goods and technological sectors in particular thanks to a powerful agricultural industry (making Ukraine the world's second largest grain exporter), a skilled workforce succeeding in IT -services, as well as software research and development.

Despite the fact that impact investing is relatively new for Ukraine, there is a significant level of interest and involvement from both the public as well as potential and existing investors [2]. A short-term focus should especially be centered on eliminating immediate risks to human health and the environment, which involves complex environmental cleanup efforts, with a particular emphasis on the collection, safe disposal, and recycling of significant volumes of military equipment and other wastes to reduce immediate threats to public health. In addition, there is an urgent need to repair and restore more efficient environmental infrastructure, ensure the supply of safe drinking water, proper sanitation and waste management. The prioritization of these actions should be based on the actual and potential impact on public health.

In the long-term perspective, the process of post-war economic development can serve as a catalyst for Ukraine's profound transformation towards a 'green economy', i.e., a zero-emission economy. This transition promises an enhanced economic efficiency, increased competitiveness in European and global markets, and improved population welfare. Since significant funds are expected to be channeled towards reconstruction, it is crucial to ensure these financial flows contribute to the achievement of environmental and 'green' goals. In addition, Ukraine should maintain its overall commitment to modernizing environmental protection institutions at both

national and regional levels, thereby ensuring a robust administrative capacity to plan and implement environmentally sustainable recovery activities, while enabling transparency, professionalism, a risk-oriented approach and focus on achieving desired results [3].

Based on the positive experience and results observed in foreign countries, where state support for impact investing and the creation of appropriate infrastructure is a common practice, it becomes obvious that there are promising prospects for the growth of impact investing in Ukraine. However, it is worth noting that currently there exist a lack of conceptually developed mechanisms and appropriate institutional environment that highlights the need to develop and implement clear rules and structures that will facilitate impact investments.

Over the previous decade, Ukraine has witnessed significant investments, both domestic and foreign, totaling about \$12 billion in renewable energy. These investments have led to the development of significant renewable energy capacity: 60 GWh of solar power, 320 GWh of onshore wind power and 251 GWh of offshore wind power. Currently, solar and wind energy meet about 5% of Ukraine's energy demand, demonstrating the potential for sustainable energy investment as a vital component of impact investment strategies in Ukraine's depleted economy [4].

In the context of impact investments in Ukraine's depleted economy, the post-war recovery of the energy sector will be intrinsically linked to the broader national economy revival with a focus on sustainability, decarbonization and high energy efficiency criteria. To succeed on this path, Ukraine must effectively apply its domestic potential and enlist the partner countries' support. A positive outcome in attracting international investors will depend on the adoption of a clear, long-term decarbonization policy, aligned with the European Green Deal, combined with transparent and fair access to auctions to obtain permits and licenses for the construction and operation of energy infrastructure within the national energy market.

Restoring production capacities, rethinking of the agricultural sector as a leading industry and activation of domestic business entities in the context of the European integration requirements may appear to be an overwhelming task. Amid these challenges, however, there is a glimmer of hope in the form of strategic initiatives that converge at the intersection of economic and environmental progress.

The synergy of environmental initiatives is crucial as it offers a dual opportunity: not only does it pave the way for sustainable growth, but it also responds to the global shift towards environmentally conscious practices that is becoming an urgent need, encouraging businesses and industries to reduce their carbon footprint, minimize waste and contribute sustainable management of the economic resources involved. Moreover, creating a favorable environment to realize the full potential of the human factor as a driving force of production capabilities is a top priority. This implies investing in education and skills development to empower the workforce, as well as creating an environment conducive to innovation, entrepreneurship and creativity. These key elements are the cornerstone on Ukraine's path to economic revitalization and attracting impact investments at both micro- and macroeconomic levels of the country.

In the coming years, Ukraine's attractiveness to foreign investors will depend on the successful progress of its European integration and the government's efforts to further simplify access to the domestic market and improve the business environment. The endeavor also includes improving access to energy resources, manufacturing,

wholesale and retail markets, and export opportunities to other countries. Under such conditions, Ukraine's energy sector can expect a significant level of interest from both domestic and foreign investors, which will lead to substantial inflows of capital, the latest technologies and the attraction of qualified personnel able to contribute to the country's socio-economic recovery [5].

Thus, considering economic challenges Ukraine is currently facing, impact investing has become the force that has transformed investment activity, focusing on ensuring social and environmental influence on the economic system alongside the enterprises financial performance. This approach provides Ukraine with a unique opportunity to rejuvenate its socio-economic base by capitalizing on factors such as developed infrastructure, available labor force, energy resources and a large domestic market.

Being a relatively new phenomenon in Ukraine, impact investing, however, is attracting strong stakeholders' interest, especially in solving problems related to environmental risks. In the long term, Ukraine has the potential for transition to a 'green economy', which will promote the increase in economic efficiency, competitiveness and general well-being of the population. Foreign experience suggests promising prospects for the growth of impact investing in Ukraine, although the country is currently experiencing a lack of clearly defined mechanisms and institutional structures for its implementation. The post-war recovery of Ukraine's energy sector must be intertwined with a broader economic revival, emphasizing on sustainability and decarbonization, and attracting international investors will depend on clear, long-term policies and robust protective mechanisms.

REFERENCES

1. What You Need to Know about Impact Investing [Електронний ресурс]. The GIIN. – Режим доступу: <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>. – Дата звернення: 22.10.2023.
2. Bukharina L., Onyshchenko O. Development of the impact investing ecosystem in Ukraine. *Investment Management and Financial Innovations*. 2019. № 16(3). P. 217–228.
3. Environmental impacts of the war in Ukraine and prospects for a green reconstruction [Електронний ресурс]. OECD. – Режим доступу: <https://www.oecd.org/ukraine-hub/policy-responses/environmental-impacts-of-the-war-in-ukraine-and-prospects-for-a-green-reconstruction-9e86d691/>. – Дата звернення: 22.10.2023.
4. A new Ukraine: catalyzing investment in freedom, peace, and prosperity [Електронний ресурс]. – Режим доступу: <http://surl.li/mjzgs>. – Дата звернення: 22.10.2023.
5. Chubyk A. Financial mechanisms for the green reconstruction of Ukraine to be more attractive for European banks and investors [Електронний ресурс]. – Режим доступу: <http://surl.li/mjzgu>. – Дата звернення: 22.10.2023.