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Modern problems and ways of improving investments in the aviation industry in Ukraine

An analysis of the current situation in the Ukrainian economy and the state of the aviation industry in particular is provided. Possible scenarios and assumptions of future development in these aspects.

The aviation industry is one of the most affected during the war. Since February 24, 2022, the Ukrainian skies have been closed and the activities of Ukrainian aviation enterprises have almost stopped. Speaking about the restoration of aviation after the war, we must understand that it will require a huge amount of investment.

The term "investment" is a word of Latin origin, which in translation means "financial funds". In the domestic special literature, the most common understanding of investments is the investment of capital from with the aim of further increasing it, but in foreign sources it is mainly identified with the movement securities. Thus, the Law of Ukraine "On Investment Activity" dated September 18, 1991 No. 1560-XII, it is established that all property and intellectual property are recognized as investments values invested in the object of entrepreneurial and other types of activities, as a result of which the investor receives profit or a social effect is achieved, and investment activity is a set of practical actions citizens, legal entities and the state regarding implementation investments [1].

To date, a number of problems can be identified in Ukraine, that prevent the attraction of investment resources:

- lack of a sustainable strategy of economic and political development;
- limitation of state-owned enterprises to be privatized, and in which potential investors are interested;
- insecurity for all subjects of economic relations, including foreign investors, equal economic rights and freedoms in implementation financial and economic activity;
- the complexity of the tax system and significant tax burden;
- lack of reliable investment history [2].

The situation has worsened significantly since the beginning of the invasion of Ukraine. The majority of foreign and local enterprises have completely or partially suspended their activities on the territory of Ukraine due to the threat to their employees. Many businesses have closed due to infrastructure damage. The decrease in the solvency of the Ukrainian population has also become a big problem. National Council for the Restoration of Ukraine from the consequences of the war started the Project of the Recovery Plan of Ukraine, the main purpose of which is to assess the damage caused to Ukraine during the war.

In general, since the beginning of Russia's war against Ukraine, according to a quick analytical assessment of Kyiv School of Economics (KSE) amount of direct

documented losses to residential and non-residential buildings real estate, other infrastructure as of 06/13/2022 amounted to more than \$95.5 billion or approximately 2.6 trillion hryvnias (at replacement cost). Estimates of direct losses do not include cost undamaged assets in the territories occupied after 24.02.2022 and the value of the assets occupied and/or damaged until February 24, 2022. The total indirect losses of the Ukrainian economy are estimated at \$126.8 billion or 3.7 trillion hryvnias. According to the estimates of the KSE team, the total amount of needs for the recovery of Ukraine is \$165.1 billion or almost 4.8 trillion hryvnias. At the same time, the assessment of recovery needs does not take into account total losses economy from the war (loss of GDP, investments, workforce, etc.). Total losses of the economy of Ukraine due to the war, taking into account both direct and indirect losses (decrease in GDP, cessation of investment, outflow of labor force, additional spending on defense and social support, etc.), range from \$564 billion to \$600 billion [3].

However, the Ukrainian economy has continued to function in emergency mode during the war for more than a year. First of all, this is possible thanks to the resilience of the Ukrainian people, heroic work at critical enterprises in life-threatening conditions, and humanitarian and economic assistance from countries friendly to Ukraine.

The stability of the Ukrainian economy and Ukrainian business allows Ukraine to count on foreign investments. This was emphasized by the First Deputy Prime Minister - Minister of Economy of Ukraine Yulia Svyrydenko during Dragon Capital's Ukraine Virtual Investor Conference. Accordingly to the speech of Yuliya Svyrydenko the combination of the status of a candidate for EU membership and the Marshall Plan for our country will provide additional guarantees to investors, and the access of Ukrainian products to the markets of the EU and G7 countries will allow them to develop sales channels. The Minister of Economy also emphasized that the Government's practical goals are aimed at creating jobs in Ukraine so that people can return home as soon as possible. Therefore, any business that starts or resumes its activities in Ukraine is important. This is especially important in the context of the large-scale recovery plan that the Government is working on today. The first phase of recovery is expected to last about 3-9 months. During this period, businesses will resume operations, create jobs and vacancies lost during the war, and return to the production of peacetime goods and services. Restoration of infrastructure and capital will take more time - up to 5-10 years. [4].

The aviation industry is one of the most complex technical industries that requires significant investment to support its development. In Ukraine, the aviation industry also faces problems and challenges that require attention and improvement. Before the outbreak of war, one of the biggest problems of the Ukrainian aviation industry is the instability of the economic situation in the country. The instability of the hryvnia, rising prices for fuel and other materials, as well as difficult market conditions force airlines to reduce their investments and look for ways to reduce costs.

Another problem is the lack of qualified personnel, in particular pilots and technical personnel, which can lead to a decrease in flight safety and deterioration in the quality of service.

Also, in 2020, Ukrainian aviation, like that of the world, faced huge challenges related to the pandemic COVID-19. The volume of air transportation decreased significantly, so 4.8 million passengers were transported in 2020, which was only 35% of the level of 2019. In 2021, the situation began to improve a little and the volume of passenger transportation increased to 9.4 million, which was 68% of the level of 2019. And in 2022, the aviation industry practically stopped because of the war. Some Ukrainian airlines manage to carry out operational activities abroad by leasing aircraft and crews.

After the war, the aviation industry in Ukraine is facing significant problems and challenges that require improvement of the investment climate. One of the biggest problems is the decrease in the demand for air transport due to the decrease in the income of the population and the decrease in the tourist flow.

Another problem is the wear and tear of aircraft equipment and the limited availability of spare parts, resulting in increased maintenance and repair costs.

As strategic goals until 2030, taking into account the ratio of the current value of the integral index of sustainable development of aviation transport with the vector of limit values, defined:

1. A realistic scenario is the achievement of the lower threshold value.
2. Optimistic scenario - reaching the average value between the lower optimal and lower threshold values of the integral index.
3. The scenario of entering the zone of optimal sustainable development is the achievement of the lower optimal value of the integral index [5].

The aviation industry of Ukraine is in a state of crisis, losing competitiveness in the sales markets of both final production products and components; there is a reduction in scientific, technical and technological the potential of the aviation industry and its lagging behind developed countries. Certain a technological breakthrough is the development and production of unmanned aerial vehicles, but these processes did not acquire a systemic character.

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