

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF THE GLOBAL ECONOMICS**

**Master's Thesis**

**INTERNATIONAL SOCIAL INVESTMENT PROJECT: ANALYSIS  
AND EVALUATION OF THE PERSPECTIVES**

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Specialty: 292 International economic relations

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DEPARTMENT OF THE GLOBAL ECONOMICS**

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## The Master's Thesis Assignment

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4	The whole paper	04.01.2022	04.01.2022

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## **Abstract**

*Romaniuk O.M. International social investment project: analysis and evaluation of the perspectives*

The paper research examines modern trends of investment in social projects. It has been revealed that ESG trend is currently gaining popularity among investors around the world. The goals of social investments correspond to the current challenges faced by absolutely all countries of the world. As in most countries, in Ukraine there is a public's request to restore equality for all members of society. It creates favourable conditions for investing in social projects. In the work the author developed an international investment project to create a day-care centre for pre-schoolers, including children with disabilities, in Ukraine at the expense of international investors, grant or fundraising. The calculations of the needs for investment resources are given, the organizational and legal form of the created enterprise is substantiated, as well as calculations of the main indicators to evaluate the investment attractiveness of the proposed project.

**Keywords:** social investment, social project, ESG trend, education, children with disabilities, evaluation of the project

## Анотація

*Романюк О.М. Міжнародний інвестиційний проект у соціальній сфері: аналіз та оцінка перспектив*

У роботі проведено дослідження сучасних тенденцій інвестування у соціальні проекти. Виявлено, що наразі ESG тренд (навколишнє середовище, суспільство, управління) є таким, що набирає популярності серед інвесторів всього світу. Цілі соціальних інвестицій відповідають поточним викликам, з якими зіштовхнулися абсолютно всі країни світу. Як і в більшості країн, в Україні має місце запит суспільства на відновлення рівності для всіх представників громади. Це створює сприятливі умови для інвестування у соціальні проекти. У роботі автором розроблено міжнародний інвестиційний проект зі створення центру для дітей дошкільного віку, в тому числі для дітей з особливостями, в Україні за рахунок коштів міжнародних інвесторів, грантів або фандрайзингу. Наведені розрахунки потреби в інвестиційних ресурсах, обґрунтовано організаційно-правову форму створюваного підприємства, а також проведено розрахунки основних показників, які дали змогу оцінити інвестиційну привабливість запропонованого проекту.

**Ключові слова:** соціальні інвестиції, соціальний проект, ESG критерії, освіта, діти з особливими потребами, оцінка проекту

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## INTRODUCTION

Master's thesis is devoted to the development of the investment project in the social sphere. The essence of the project is the creation of a day-care centre for pre-schoolers, including children with disabilities, named "Lily of the valley."

*Outline relevance and importance.* In recent years, the social significance of investments has been gaining momentum around the world. Currently, there are a lot of social problems including inequality of rights and opportunities, social injustice, intolerant behaviour towards people who differ from the majority, and social tension in general. Children occupy a special place in all social processes because they are future adults. From early childhood, people get behaviour patterns in educational institutions and families that they will carry on to their future lives. Thus, in order to change the attitude within society gradually, it is more advisable to educate children, laying down tolerance and mutual respect from an early age. Society at large is the mirror of people's principles and beliefs. Unfortunately, people with special needs are often excluded from normal life. Society does not accept such children as equal participants of society. To fully adapt, these children should study in regular educational institutions together with other children. This project stands for the popularization of the "normality" of children with disabilities.

In the first chapter of the research the theoretical and methodological aspects of investment activity, the definition and role of social investment are considered.

In the second chapter of the work, the analysis of the external and internal project environment is conducted. In this chapter, the project services, procurement, stakeholders, lifecycle and needs of resources for the project implementation are defined.

In the third chapter, the project evaluation and the project risk assessment are explored.

The *thesis aim* is to analyse the perspectives of the international social investment project.

The *thesis objectives*:

- Explore the essence, goals and objectives of investment and investment projects in the social sphere.
- Consider current trends and tools of the investment market.
- Identify the features of the analysis of the social investment project.
- Analyse the project environment.
- Examine the internal and external factors.
- Explain the project lifecycle.
- Analyse project stakeholders.
- Evaluate the social investment project.
- Assess the project risks.

The *object of research* is the peculiarities, analysis, and evaluation of the international social investment project.

The *subject of the research* is a practical substantiation of the feasibility of the international social investment project implementation.

The master's thesis is based on such *research methods* as abstract-logical, comparative analysis, coefficient analysis, generalization of expert assessments, statistical and heuristic methods. The discounting method was used in the calculation of the project performance indicators. PEST analysis is conducted for assessment of the project environment.

The theoretical core of the research was based on scientific monographs, periodical publications of Ukrainian and foreign scientists on investment activities, project management, risk management. In the thesis, there was used the legislative acts of Ukraine, reports of world organizations and world financial companies.

The information base of the research was constructed on the economic literature and periodicals, analytical data from various online resources, materials of state statistics bodies of Ukraine, as well as the results of research performed by the author.

The *scientific novelty* is an attempt to evaluate social investment project by using a mix of different methods, including using classical indicators for project assessment.

*Practical application* of results is in the proposal of an investment project offering the opening of a day-care centre for preschool children, including children with disabilities, in Dnipro city. This is the opportunity of gradually changing the perception in society about children with special needs and accepting them as full-bodied members of society, better adapting children to life, and providing them equal opportunities in education as to other children.

*Approbation of the thesis.* The key theoretical results of the study were published in the abstracts of the 31st Annual International Conference for Students and Young Scientists “Transformation of economic systems and institutions in the new geostrategic realities” entitled “Investment project in the social sphere: essence, goals and objectives”.

## CHAPTER 1.

### THEORETICAL AND METHODOLOGICAL FRAMEWORK OF INVESTMENT, INVESTMENT PROJECT, SOCIAL PROJECT

#### 1.1. The essence, goals and objectives of investment and investment project in the social sphere

Investment is a long-established business. The theoretical basis of the investment is based on the processes and phenomena formed by the age-old experience of financial, commercial, and corporate structures.

In the scientific literature, there is no single definition of the concept of “investment.” The definition of investment is different in various sources. For example, the Farlex Financial Dictionary gives the definition of investment as the act of placing capital into a project or business with the objective of making a profit. According to the source, an investment may involve a loan that entitles you to repayment with interest, or this may include buying an ownership share in the business. Investment can also include buying a specific asset with the plan to resell it after at a higher price. There are many types of investments; it depends on the investor’s aim, the duration of project, necessary amount of money, etc. For example, smart investment requires a combination of insight, market knowledge and time. (Farlex Financial Dictionary, 2009)

The term “investment” also can be defined as an investment of capital in various forms to increase it. At the same time, the profit received through investment activity should compensate the rejection to use funds in the current period, giving a reward for the risk and reimbursing the losses from inflation.

The Law of Ukraine “On Investment activity” (edited in 2021) defines investments as all types of property, including intellectual property, which are invested in the assets of entrepreneurial activity and other activities. The result of investment could be measured as profit (income) and/or a social and environmental effect.

In simple words, an investment is any capital invested in an asset to make a profit (regular or one-time). It is important to note that in some cases the main goal of investment is not profit maximizing but social or community effect and can be called the social investment.

The investment provides a powerful signal for development and thereby creates a special relationship. When people invest, they become wealthier. The modern phase of investment development requires the intensification of international investment activity. For educated and skilled people there are a lot of opportunities and ways to succeed. In this case financial, manufacturing and investment activity become more efficient and productive, their product or service becomes competitive. (Sazonets I.L., Dzhusov O.A., Sazonets O.M.,2006)

In a market economy, the key role of investment is to attract not only the necessary quantity of capital but also modern technologies, management methods and highly qualified employees. Countries involved in the international scientific, technical and information exchange will get an advantage. At the same time, the globalization of relations involving investment is accompanied by a diversification of the forms and directions of international competition, the methods of competition for possession and control of technological, labour, intellectual, natural and investment resources.

The coordinated and science-based economic policy of investment activity and the formation of an attractive investment climate in the country are vital conditions for growth and development. It could effectively attract investment in priority areas and directions of socio-economic development of the country. Such a policy supports the structural transformation of the economy and a long-term strategy for the development of the state on an innovative basis.

Investment should be the main battery of positive shifts in the economy. In modern literature, the concept of “investment” is one of the most used, reflecting the dynamics of all processes associated with the movement of financial resources in domestic and foreign markets. (Papp V.V., Boshota N.V., 2013)

Investments as an economic category perform several principal functions, without which it is impossible to develop the economy of any state. Investments as the most important economic category play a significant role at the macro and micro level, mostly for simple and advanced reproduction, structural transformations, maximizing profits and on this basis solving social problems.

When conducting investment activities, investors need to rely on indicators that characterize the investment attractiveness of countries and regions and the state of the investment market for successful investment. Assessment of the investment attractiveness of the state is a complex process that requires considering a substantial number of factors. (Gavrilenko N.I., Cherednikova O.O., 2012)

Consequently, investments are an important condition for structural restructuring of the national economy, ensuring technological progress, increasing the indicators of economic activity of the enterprise. They are of immense importance for the country's economy, because they ensure the effective integration of the national economy into the world through the production and scientific and technical cooperation, are a source of investments in the form of modern means of production, increase productivity, attract domestic enterprises to use best practices, promote innovation, increase the welfare of the country's population.

Since this master's thesis is devoted to the investment in social sphere, the research will be concentrated on the social investment.

Social investments play an extremely significant role in society since the standard of living and quality of life depends on them in many ways. It should be noted that in the economic literature, the essence, role, and importance of social investments are not described clearly enough.

Social investment means investing in human assets. For example, it might involve investing in policies aimed at strengthening people's skills and capabilities and supporting them to fully participate in employment and social life. Key policy areas include education, quality childcare, healthcare, training, job-search assistance, and rehabilitation. If to ignore the investment environment, disregard

rules of using investment tools, it has a negative impact on the economic and social sphere. (an official EU website)

The Organization for Economic Co-operation and Development (OECD) considers the social impact investment as an important part of the modern global economy. OECD defines of social impact investment as the financial provision to organizations that cover social needs with the clear expectation of a social and financial return. This tendency has become more and more relevant in today's economic situation as social challenges have risen with public funds in many countries. Moreover, new methods are needed for addressing social and economic tasks. It includes new models of public and private partnership that can fund, provide and scale pioneering solutions from the ground up. (OECD, 2015)

Nobel laureate and professor Muhammad Yunus clarified the definition of social business. The scholar considers a social business as an enterprise created with the aim to solve social problems. At the same time, it is a non-loss, non-dividend company, i.e., it is financially self-sustainable. Moreover, the profits are reinvested in the business itself (or used to start more social enterprises) to increase social impact. (2009)

In contrast to a business with the main goal of profit maximizing, the key objective of a social business is not to maximize profits. Moreover, business owners are not being paid any dividend of the business profits. Ethically, social business is based on what Yunus defines as two main motives of man, selfishness, and dedication. Selfishly, people look for a profit when they are doing business. Though, social business is also based on the dedication of people by performing altruistic services as constructing churches, mosques, synagogues, art museums, public parks, health clinics or community centres. According to the professor's opinion, the profits received from a social business's operations are less important than the positive effects on society in general. (Latifee Enamul Hafiz, 2013)

The examples of social investors include founder and managing director of Grameen Creative Lab Hans Reitz incubates social businesses in many countries. Hans is lobbying for social inclusion, against poverty, pollution, and the useless

waste of resources (The Global Forum For Young Leaders, 2021). Muhammad Yunus and Hans Reitz developed a few principles of social business. These are:

1. The business objective will be to overcome poverty, or one or more problems (education, health, technology access, environmental issues) actual for society; not profit maximization.
  2. Financial and economic sustainability.
  3. Investors get back invested money only. No dividend.
  4. When investment gets invested money back, profit stays with the company for growth and development.
  5. Gender-sensitive and environmentally conscious.
  6. Workforce gets market wage with better working conditions.
  7. The business should bring happiness and enjoyment to businesspeople.
- (Farlex Financial Dictionary, 2021)

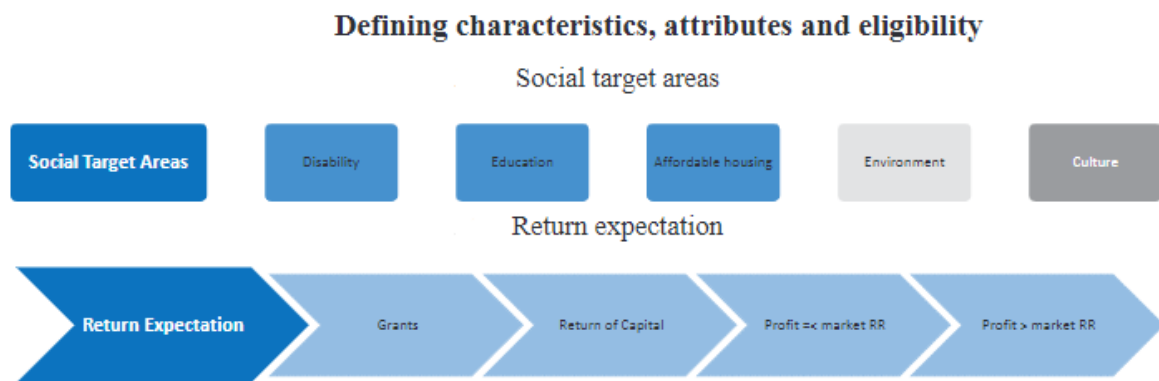
Another type of social investment could be an “impact investing” which was created by Rockefeller Foundation in 2007. According to the Global Impact Investing Network, impact investments are defined as investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. The term “social investment” was established by the United Kingdom’s Social Investment Taskforce. Essentially, the terms “impact investing”, “social investment” and “social impact investment” mean the same thing. (OECD,2015, p.61)

The terms “socially responsible investments” and “socially responsible investment” are not sustainable, they are dynamic and evolve under the influence of urgent problems of human development. Socially responsible investment (SRI) is an umbrella term that covers a group of definitions of “responsible investment”/ “responsible investing” and value-based investments.

Thus, the socially responsible investment represents the capital investments in material and intangible form, focused on creating long-term values taking into account the impact on the environment, social sphere, quality of management and ethical obligations. (Shkura I., 2016)

The modern world dictates a number of new requirements for ways to achieve the priorities of society development at the national and global levels. At the global level, the Division for Sustainable Development Goals (DSDG) in the United Nations provides substantive support and capacity-building for the goals and their related thematic issues, including water, energy, climate, oceans, urbanization, transport, science, and technology. (An official United Nations website, 2021)

Fig. 1.1 demonstrates defining characteristics, attributes, and eligibility of social investment. Social target areas include a wide list of social needs. It could be ageing, disability, children and families, criminal justice, unemployment, environment, energy, water, and sanitation, etc.



*Notes:* The figure depicts two defining characteristics in dark blue: Social Target Areas and Return Expectation. Attributes are in light colour. Attributes in social needs provided here are examples and not an exhaustive list of all possible social needs. While returns on investment are continuous, social needs are discrete and can be thought of in terms of “buckets”. Social Target Areas may overlap, but are considered here as discrete for the sake of simplicity.

*Source:* OECD.

*Fig. 1.1. Defining characteristics, attributes, and eligibility*

Return expectation for investors is an important characteristic for defining the scope of social investment. This characteristic is considered in most definitions being used in the social investment market. The expectation of profits above the market risk adjusted rate of return. On the one hand, investments made with the purpose of exceeding risk adjusted market rates of return would be no different from the mainstream for-profit market, thus not considered a social investment for the purpose of the working definition. On the other hand, effective rates of return on social investment may turn out to be as high or even higher than market rates of

return. It is important to note that investors expecting a return above risk adjusted market rates indicate that they regard such an investment to be no different from a mainstream for-profit investment. Rates of return vary across social sectors and would also be taken into consideration by investors. Of course, the main issue is defining the market rate of return for social impact investment. Moreover, this characteristic is therefore a matter of principle in terms of intentions of the investors. (OECD, 2015, p.75)

Traditionally, the state is responsible for the implementation of social policy and the definition of social priorities. However, the global market has not bypassed the adoption of coordinated decisions on social issues and structured analysis of existing problems in the social sector through the combination of efforts of all key stakeholders.

In this context, social projects are particularly relevant, the successful implementation of which is closely related to the combination of efforts of all interested actors (stakeholders), in particular, governments of states, regional and private social initiatives, international organizations of various profiles. After all, it is the combination of efforts of different stakeholders that leads to the maximization of the aggregate social value, and in the long term, the cost assessment of the social project. About that, at the initial stage of the implementation of the social project, there is an urgent question about the potential of combining financial resources from various sources in order to implement a socially useful idea. Thus, along with the resources of the state budget, more public and private social funds are being formed in the world, charitable organizations and individual philanthropists continue to actively operate. The issue of choosing and justifying an increasing number of alternative technologies for financing social projects is being updated.

International donor organizations function as significant agents of influence at the global level, making large-scale investments in the form of financial, logistical, advisory and information assistance in most countries of the world, primarily in the transition economies of Eastern Europe and Central Asia. The sphere of interests of these organizations is diverse and covers both the issues of promoting

the socio-economic development of countries, as well as the development of effective governance, environmental protection and rational nature management, the formation of civil society and the protection of human rights.

The principal place among the priority areas of activity and investment goals are the problems associated with social and human development. It has to be mentioned that the investment nature of the resources directed by international donors to social goals is determined by the direct dependence between the results of economic growth and the level of development of human and social capital, the absence of social risks and conflicts in society, the promotion of social integration of the population and the development of local communities.

There are two main sources of resources where an organisation may get social investment. The first source includes the specific social investment firms, social banks, trusts and foundations. Often, the social investors already have a specific focus on the social sphere such as health or education. Moreover, it could be focused on a specific geographical location. Some investors work with a particular type of social investment. Investors often hold several funds. Each organisation has different eligibility standards. The second source consists of investment from an individual or group of individuals such as angel investment, crowdfunding, social investment tax relief (often used as an additional tool to angel investment and crowdfunding). (Good finance, 2021)

The most relevant sources for the given project are highlighted below. The first type is business angels. At present, there is no single definition of such a subject of innovative infrastructure as a “business angel.” Business angels - private investors who invest in risky (primarily innovative) projects at the early stages. There is no specialized legal regulation in Ukraine. In particular, at the legislative level, there is no definition of business angels, their specifics and state support for their activities. The EU also has a problem of uncertainty about the single legal status of business angels. The most stringent requirements for this subject apply in the UK, where a business angel must undergo a certification procedure to carry out its activities. However, in most EU countries, the activities of business angels are not regulated in

detail and do not require any certification or accreditation. According to the European Commission, despite the shortcomings of the lack of specific legal regulation, this approach is more expedient than establishing strict requirements for the activities of business angels, since their activities are characterized by a higher degree of risk compared to conventional investment activities, and the beneficial effect of it is important for the national economy. (Understanding the Nature and Impact of the business angels in Funding Research and Innovation Final Report, 2017, p.7)

In addition, the lack of harsh conditions for the functioning of business angels simplifies the attraction of foreign capital to support innovative start-ups. (Understanding the Nature and Impact of the business angels in Funding Research and Innovation Final Report, 2017, p.9)

At the same time, in the EU, the activities of business angels are common, and business angels act as individual investors. The specifics of their activities, unlike pure investment, are the overwhelming financing of innovations in newly established enterprises. Thus, as the European Commission points out, about 93% of all investments of business angels fall on firms engaging in process or product innovation. (Understanding the Nature and Impact of the business angels in Funding Research and Innovation Final Report, 2017, p.7) A similar situation is observed in the United States, where angel investors are determined as the main source of seed and start-up capital for enterprises, and the size of investments is from 100,000 to 1 million USD. (Sohl J. E., Sommer B., p.7)

The second type of source is crowdfunding. Crowdfunding – raising funds for the performance of the project from many individuals. Projects can be social, commercial, political in nature, etc. Crowdfunding subjects are donors and recipients. Donors (backers) can make donations for the implementation of the project or receive a non-financial (gift, pre-order of the product) or financial (shares, royalties, refunds with interest) compensation. There is an opportunity to launch a project for free, but to succeed requires maximum involvement of people. To do this, it needs not only to register and choose a financing scheme but also to perform a

large-scale marketing campaign, to enlist the trust and support of platform users through social networks and media, etc.

There are special online fundraising platforms. For example, international platforms are beneficial to Ukrainian initiatives, as they promote the attention of the Ukrainian diaspora, the involvement of the wider international community in charity, and Ukrainian businesses help to enter foreign markets. Prior to the establishment of domestic platforms, Ukrainians used international crowdfunding platforms such as Kickstarter (<https://www.kickstarter.com/>), Indiegogo (<https://www.indiegogo.com/>) and GoFundMe (<https://www.gofundme.com/>), and continue to use them now. Kickstarter and Indiegogo are non-financial rewards platforms that are mainly used by business start-ups, although they also support charitable actions. (Volodymyr Machusky, 2021)

However, despite the scale and variety of donor assistance programs, their effectiveness in Ukraine is often insufficient, supported institutional reforms do not find final implementation, and expert recommendations lack practical implementation in state policy. This causes the question of finding factors that limit the opportunities for the effective use of investment resources of international donor organizations and overcoming the consequences of these restrictions.

In particular, the spread of fundraising trends and the increasing popularization of the grant writing practice require an in-depth study of grant-making. In Ukraine, a few proper investment platforms offer grants for social purposes such as <https://gurt.org.ua>, <https://www.irf.ua/>, <https://www.science-community.org/>. One of the successful platforms in social investment that can be used in Ukraine as well is <https://fundly.com/>.

In brief, the investment is the important part of the economic growth and can be a motor for the increasing welfare of the country. A social investment is a part of the investment activity actual for society aimed at education, health, technology access, environmental issues.

## 1.2. Current trends and tools of investment market

An investment is not a stable fixed value but alive ecosystem. Investment activity depends on many factors such as the changing of values in time, historical incidents, military conflicts, experience, pandemic, environmental problems and so on. So, a change in investment strategies is inevitable.

ESG (environmental, social and governance) investing is the issue of environmental, social and governance factors, which include financial factors in the investment decision-making process. (What is ESG investing?, 2018) ESG criteria include environmental, social criteria, criteria related to the protection of employees and supply chain rights, consumers, and governance-related criteria. These criteria are used by exchange indices of socially responsible investments (such as MSCI KLD 400, MSCI World Socially Responsible and others). (Shkura I., 2018)

Socially responsible investing has been around for years, but a desire for asset managers to screen companies with an ESG has risen in 2020. Due to the COVID-19 pandemic, the world has faced the rise of calls to eliminate social injustice, and there is no question that ESG will be a major investing topic over the next 10 years.

Companies that are more environmentally focused and promote diversity may appeal to consumers that increasingly prefer to align with businesses that match their personal values, while strong corporate governance could potentially reduce investment risk due to improved transparency and better capital allocation. (James Burton, 2020)

The ESG trend shows a boost will be made stockpile Covid-19-related stocks including healthcare, medicine, and public health. Companies that hesitate on global warming control, tobacco/gambling industries, or with ethical problems in their governance will have negative screening. (ESG Integration and Covid Recovery – Vision for 2022, 2021)

The ESG trend is getting closer. ESG investment taking the top places of the asset management agenda due to public recognition of ESG associated threats and social shifts. Managers need to foresee and adapt to this new reality by taking some

movements to combine ESG trends and their production. According to the PWC report, Europe will act as the global ESG hub – creating new jobs and opportunities and thus increasing the prosperity of its citizens. (PWC report, 2022)

According to World Investment Report 2021 (UNCTAD), the COVID-19 crisis caused an extraordinary drop in foreign direct investment (FDI) in 2020. Fig. 1.2 shows the FDI inflows, global and by a group of economies. Global FDI flows fell by 35% to \$1 trillion, from \$1,5 trillion in 2019. This is almost 20% less than in 2009 after the global financial crisis. The decline was heavily distorted to developed economies, where FDI fell by 58%, in part due to oscillations caused by corporate transactions and intrafirm financial flows. FDI in developing economies reduced by more than 8%, mostly as a result of resilient flows in Asia. Consequently, developing economies accounted for two-thirds of global FDI, up from just under half in 2019.

Looking ahead, global FDI flows are expected to bottom out in 2021 and recover some lost ground, with an increase of about 10 to 15%. This would still leave FDI some 25% below the 2019 level. Current forecasts demonstrate a boost in 2022 which would bring FDI back to the 2019 level. Prospects are highly uncertain and will depend on, among other factors, the pace of economic recovery and the possibility of pandemic relapses, the potential impact on FDI of recovery spending packages, and policy pressures. (World Investment Report 2021: investing in a sustainable recovery)

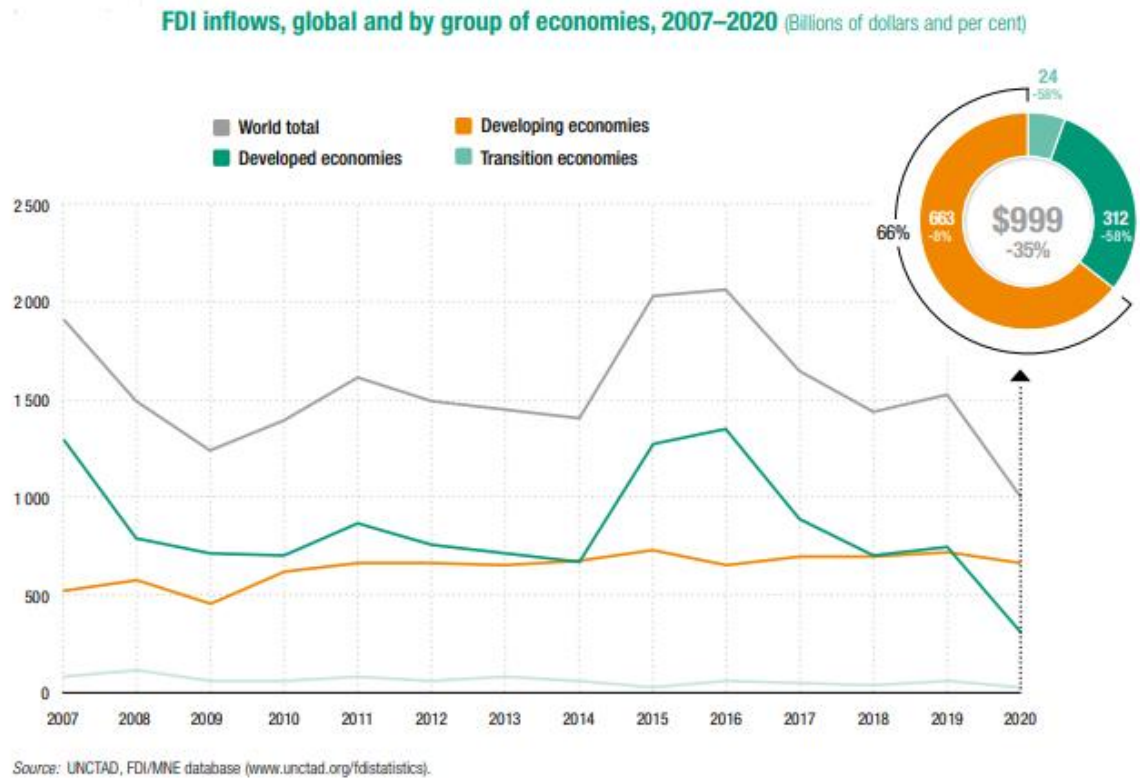


Fig. 1.2. FDI inflows, global and by a group of economies, 2007-2020

In general, the extent to which any investment can make a social impact will rely on the type and extent of need and demand for improvement across an array of social outcomes are evolving in different directions in different social sectors for different reasons and social services can take a supporting role in both positive and negative settings, for example, increasing the life expectancy increase demand for long term care of various kinds such as dementia in the home or institutional care whereas the increase in single-parent families or families in which both parents work will need to be facilitated by family care services in preschool and after school.

Childcare is important for child development both for family growth in general and for female employment. Besides, childcare is a provider of the efficiency of the social system as a consequence of preparing children for school, increasing productivity in middle age, reducing antisocial behaviour in adulthood.

Currently, a lot of parents with children must choose between work and care of the kid. Whether due to high cost, limited availability, or inconvenient program hours, childcare challenges are pushing parents out of the workforce. In fig. 1.3 it is

considered the population of EU in employment or with previous employment by effects of childcare on employment in 2018 before the COVID-19 pandemic.

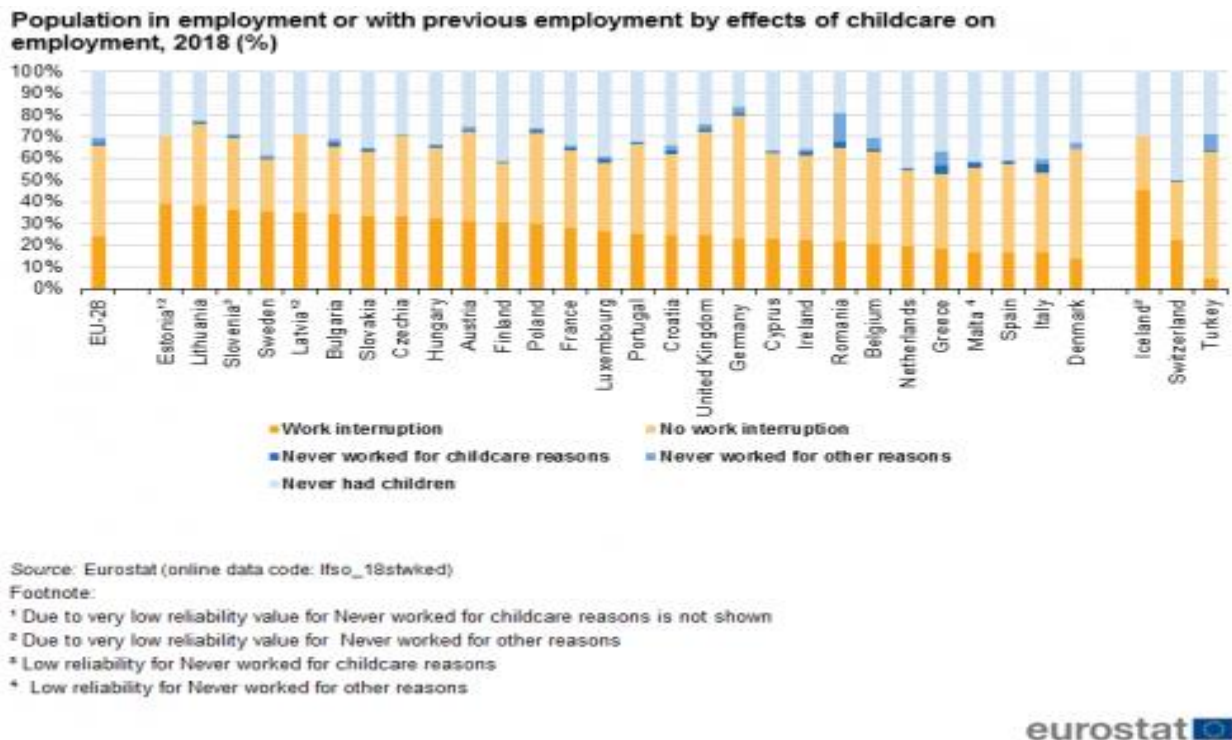


Fig. 1.3. Population in employment or with previous employment by effects of childcare on employment, 2018

However, there is a concept of socially responsible investments (SRI). Some researchers distinguish such concepts as social investments, which mean investing in social facilities. This concept differs from socially responsible investments, which consist in making investment decisions based not only on financial considerations but also taking into account what exactly the funds will be invested in, what should be the consequences for the environment, the local community and society as a whole, as well as taking into account social consciousness. Socially responsible investors can be both individuals and institutions: companies, universities, hospitals, foundations, public and private pension funds, non-profit and religious organizations.

Recently, SRI has grown significantly in popularity among investors around the world. SRI combines investors' financial goals with their desire to contribute to solving social, ethical, and environmental problems. After all, it is through the

investment sphere that the balance between social justice and economic efficiency is effectively ensured.

The most socially responsible investors are institutional investors. Even though some institutional investors aim to make a quick profit, most of them are looking for stable profits from “long” investments. Therefore, they are interested in the long-term profitability of companies in their investment portfolios and therefore have an incentive to engage in strategic corporate management and focus on innovative companies with good management. Socially responsible investment takes into account the financial needs of investors, as well as the impact of investments on society.

The number of investment funds investing in the socially responsible business is growing, although it still accounts for only a part of the total capital.

Analyst Oliver Gibbs considers four main trends for 2021 and further. He identifies long-term perspective of ESG trend; a changing climate issue; a call from society related to sustainability, society, ethics; gender equality.

Environmental, social and governance investing remains in high demand. A changing climate causes investors to increasingly expect companies to behave responsibly and make a positive contribution to their stakeholders and wider society through reducing CO<sub>2</sub> emissions or standing up for human rights. The pandemic has changed common norms and increased the necessity for companies to be responsible to their stakeholders. Investors have expectations related to sustainability, society, ethics, and the role of private companies in providing goods and services. Gender equality is one more aspect current trend and encourages investors to invest in gender-diverse teams and generate a positive impact on women. (Oliver Gibbs, 2021)

The SRI trend continues to be sustainable and is developing increasingly. Most investors are trying to combine financial goals with social ones. The inclusion of ESG criteria in the decision-making process for the formation of asset portfolios is gaining momentum. Global and regional initiatives aimed both at reducing the current risk level of investment portfolios and achieving sustainable development

goals in the short and long term in order to build a safe future for future generations are factors influencing this segment of the investment market. (Shkura I., 2018).

### 1.3. The peculiarities of the analysis of the social investment project

In order to decide on the viability of the investment project, there is a need to make sure of its profitability. As noted earlier, the aim of the project can be not the profit maximization only but social effect. In the case of social project examination, there is certain difficulties to define the project gain.

Analysis of investment projects is a complex of methodological and practical methods of development, substantiation, and evaluation of the feasibility of the project implementation.

There are a lot of investment analysis tools: annual reports, beta and alpha, book-to-bill ratio, book value, computing compound return, future and present value of money, goodwill, internal rate of return (IRR), loan payments and amortization, paying debts early versus making investments, price-earnings ratio, percentage rates APR and APY, risks of investments, return on equity versus return on capital, rule of 72, same-store sales, etc. (Investment Analysis Tools, 2021)

The analysis of the investment project is based on a comprehensive examination of all aspects of the potential investment. The aspects include the economic environment, marketing, production, financial and organizational plan, technical base of the project, its social significance, environmental care, financial efficiency and capacity of the project, project management organization, investment risk analysis, the sensitivity of the project to change certain factors, the efficiency of performance, assessment of the capabilities of project participants, business qualities of its managers.

These characteristics must be taken into account in the process of preparing an investment project and considered in the further stages (decision making, analysis of the project, implementation and permanently until the project is complete).

The general scheme of project analysis consists of the following stages:

1. Preliminary analysis of the investment idea.
2. Project identification (region, industry, local conditions, project scale, base enterprise).
3. Institutional analysis (external conditions, legal and administrative aspects of the project).
4. Analysis of the technical base of the project (production, technology, organization of production and storage of products).
5. Commercial analysis of the project (the market of product or service, the pragmatism of forecasts, the sufficiency of resources, the ability to manage resources and costs).
6. Financial analysis (current profit, the balance of cash flows, sufficiency of funds, project creditors, return on invested capital).
7. Social analysis (project impact on people working on the project, assessment of the project's social and environmental impact).
8. Economic analysis (the value of the project for society and the country, assessment of the project's impact on the socio-economic situation in the country and region).
9. Analysis of the project management system and opportunities for achieving the goals of the project.
10. Creation of a comprehensive evaluation of the investment project and recommendations on the performance of the project.

Participants in the investment process are legal entities and individuals who are connected with material and financial resources and the processes of products and service's providing. They and, of course, the investor are the main stakeholders of the project.

In standard financial analysis, return on investment is the ratio of money earned or lost relative to the invested capital. In social companies, social return on investment is an effort to measure the financial values created by the company through the service provided to society.

According to CSACO Community Services Analysis LLC social return on investment (SROI) is an approach to measuring and understanding the future financial impact of a company's activity. Usually, the typical evaluation builds on the cost/benefit analysis. However, it is complicated to measure impact due to the value of social organizations – the results of its activity cannot be measured in money.

There are two types of SROI analysis:

1. Evaluative analysis (based on factual results that have already happened or are currently in progress).
2. Forecast analysis (predicts the volume of financial and social value if the project meets their expected results).

SROI is the measurement of the fiscal benefits to the stakeholders and society in general. This approach can accomplish a series of objectives. The SROI analysis could be helpful in the creation of the strategic plan, making decisions in the investment activity, communication basis for feedback to stakeholders, certain assessment in long-term efficiency.

The outcomes of the analysis help to see common and clear perspectives of the value of the short-term and long-term social benefits.

The analysis consists of defining stakeholders, the resource inputs and outcomes, the negative impacts, calculating the time value of outcome benefits over a certain period, outcome SROI gross fiscal impact.

The results of the SROI analysis can be used in a variety of forms and for a variety of audiences aimed at accomplishing differing goals:

- to prove to tax-based funding sources the financial impacts of reductions in community services resulting from budget cuts.
- to show community stakeholders the range and effectiveness of the services received by the community.
- to value justification in grants and other funding solicitations.
- for results metrics and trend analysis.
- as future planning and strategic positioning tools. (SCACO, 2021)

As far as financial returns are concerned, social investors require some forms of evaluation of social impact to financial outcomes and social impact into their investment decisions. Without having any impact on society, it cannot be considered a social investment. Impact assessment can be carried out in qualitative, quantitative or by monetization of outcomes. The evaluation of social impact is not straightforward. There are four main “formal” stages of the impact measurement process:

1. Planning requires the impact goals and strategy to achieve it.
2. Collecting, storing, and validating data.
3. The quality, level and efficacy of the impact are assessed based on the data analysis.
4. The impact and the evaluation process are reviewed and improved for future measurement.

The evaluation process is a huge challenge due to the absence of a “control” group for comparison. What would be the social outcomes if this social organization did not exist? That is why most companies use a mix of qualitative information and a variety of quantitative indicators on social impact. (OECD, 2015, p.72)

There are two basic models of investment project appraisal - static and dynamic. Static methods analyze one average period and ignore the passage of time. Such a method considers only one period, which is expected to be the same as all such periods. Dynamic methods mean that the discounted cash flows take time into account. These methods consider more than one time period and recognize the time value of money. (Uwe Götze, Deryl Northcott, Peter Schuster, 2008, p.32)

Comparing cash flows from several periods can be achieved only by incorporating the time value of money. Using discounting, all future cash flows are converted to their equivalent value at the beginning of the investment project. Using compounding, the cash flows are converted to their equivalent value as at the end of the investment project. The comparison can be made by multiplying the cash flows by:

- The discounting factor:  $(1 + i)^{-t}$

- The compounding factor:  $(1 + i)^t$

Where  $t$  represents the number of time periods for which the cash flows are discounted or compounded. The interest or “discount rate” ( $i$ ) plays a major role in dynamic investment appraisal methods.

The *net present value* method focuses on selecting projects that maximize the “net present value” (NPV) generated for the company. Net present value is the net monetary gain (or loss) from a project, computed by discounting all present and future cash inflows and outflows related to the project. The formula of net present value is:

$$NPV = -C_0 + \frac{C_1}{(1+r)} + \frac{C_2}{(1+r)^2} + \dots + \frac{C_t}{(1+r)^t} \quad (3.1)$$

Where  $t$  = time index

$C_0$  = initial investment

$C_t$  = cash flows

$r$  = discount rate

In case  $NPV > 0$ , the project should be accepted for implementation. If  $NPV < 0$ , the project should be rejected because it is unprofitable. If  $NPV = 0$ , the project is not profitable and is not unprofitable (situation of uncertainty). (Lavrova Y., 2012)

The *internal rate of return* (IRR) method is related to the NPV method. Only two assumptions are modified – concerning the reinvestment of free cash flow surpluses and the balancing of capital tie-up and economic life differences. Also, a different target measure is considered: the internal rate of return.

The internal rate of return is the rate that leads to an NPV of zero when applied as the uniform discount rate.

The internal rate of return represents the interest earned on the capital employed at specific points in time by the investment project under consideration.

The IRR characterizes the maximum acceptable relative level of costs that occur during the implementation of the investment project and represents the upper limit of the interest rate at which the firm can recoup the funds invested in the project.

$$IRR = r_1 + \frac{NPV_1}{NPV_1 - NPV_2} * (r_2 + r_1) \quad (3.2)$$

Where  $r_1$  = lower discount rate chosen

$r_2$  = higher discount rate chosen

The *dynamic payback period* is the period after which the capital invested has been recovered by the discounted net cash inflows from the project.

The determination of the DPB involves calculating the NPV of the project at the end of every period of its economic life. As long as this value remains negative, the payback period is not yet reached. When this value reaches zero (or becomes positive for the first time), the payback period is achieved (or exceeded). If the first non-negative value exceeds zero, then payback is achieved somewhere within that last period to be considered. The part of that period (year) that must pass before payback is achieved can be approximated by interpolation. To approximate the actual DPP, the following linear interpolation formula may be used:

$$DPB \approx t^* + \frac{NPV_{t^*}}{NPV_{t^*} - NPV_{t^*+1}} \quad (3.3)$$

Where  $t^*$  = the period of the last cumulated negative net present value.

The indicators described above are used to define the efficiency of independent investment project (absolute efficiency) and the efficiency of mutually exclusive projects (comparative effectiveness). (N. Lemeshko, 2017)

To conclude, there are a lot of instruments of investment project analysis. Currently, there is no specific tool for the precise evaluation of the social investment. The analysis and forecast of the social investment are based on the mix of tools. On the one hand, the standard indicators are NPV, IRR, DPB which demonstrate profitability of the project. On the other hand, social return on investment (SROI) analysis helps to see general perspectives of the short-term and long-term social benefits.

## CHAPTER 2. THE ANALYSIS OF THE PROJECT ENVIRONMENT

### 2.1. Internal and external factors

There are many factors influenced the investment project. The main internal factors influencing the running of investment activities include the level of qualification of personnel, the ability of management and personnel to respond on time to changes in the external investment environment, corporate culture, financial condition, the level of business activity and reputation of the enterprise, the development of the sales and marketing system, the process of organization of production/ providing services, the availability of the necessary resources, the technical base and level of technological development of the enterprise.

Corporate culture is the key factor in the internal environment. The internal culture must meet the requirements of both the external environment and the organization's strategy. Culture can be described as a set of basic values, beliefs, and norms that are shared by all members of the organization. This is a kind of system of common values and assumptions about what and how is done at the company. Awareness of cultural traditions allows new members of the organization to feel and understand others. (Osovska G.V., 2003)

Fig. 2.1 shows the centre's organizational structure. The organization is structured in such a way as to react quickly to emerging problems and make decision. Specialized consultants, such as defectologist, speech therapist and teachers in different fields, can be employed on an hourly basis upon demand.

Besides, there is the position of the trainer who provides the training for psychological support to every team member. It is crucially important to provide trainings and constant learning to avoid emotional pressure and a high-stress environment. The trainer can provide training for groups of teachers/caregivers who do not work in the centre but want help and support. The calculation includes the expenses of conducting trainings. Through the training, the employees feel engaged

and can get more skills which could lead to new and more tolerant behavioural patterns toward children and their parents.

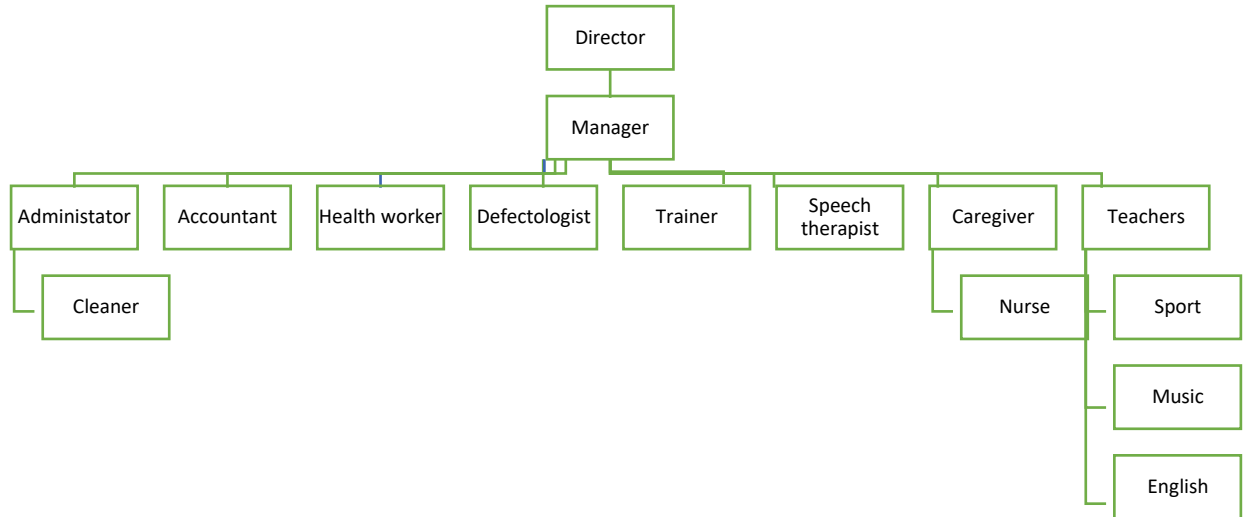


Fig. 2.1. The organizational structure of the day-care centre.

The basic concept of the centre's internal culture is the respectful attitude to each child and providing equal opportunities in the educational process. The crucial condition of a successful project is to help every participant of the team to succeed in its position. The centre's management should involve employees in the making decision. It is important the management and teachers may have different viewpoints. The formation of team unity is one of the most important areas of mobilization of the team potential, activation of the human factor, which is possible as a result of the implementation of a social project with the participation of all staff members.

The cohesive team creates the most favourable conditions for joint activities, mobilizes the personal reserves of participants, increases their mutual assistance in achieving the overall goal. This significantly increases the productivity of staff, the reliability of its activities, the ability to successfully overcome difficulties and obstacles. Then again, the united team creates conditions for the formation of an optimistic emotional tone of relations, safeguarding of the health of team members,

empowerment of comprehensive, harmonious development and self-realization of the person. (Efektyvna ekonomika, 2011)

Each employee must sign up an employment contract and job description on rights and duties to avoid any misunderstanding. Also, each parent must fill in a form detailing the health of the child.

Furthermore, volunteers could be involved in the process (for instance, native speakers or teacher assistants for children with special needs). For connection and team building could be provided coaching and mentoring volunteers.

This project could be funded by an international grant or through fundraising. Donations from some big companies, businesspeople are also could be the source of funding.

International crowdfunding platforms are frequently used in Ukraine:

- Kickstarter (<https://www.kickstarter.com/>).
- Indiegogo (<https://www.indiegogo.com/>).
- GoFundMe (<https://www.gofundme.com/>).

There are a few proper investment platforms offer grants for social purposes:

- GURT resources center (<https://gurt.org.ua>).
- International renaissance foundation (<https://www.irf.ua>).
- Science-Community. Network for scientists (<https://www.science-community.org/>).

One of the successful platforms in social investment that can be used in Ukraine is Fundly (<https://fundly.com>). According to the information given on the website it “is dedicated to providing you with the tools you need to raise money for whatever your cause may be.”

The centre needs 240 square meters of space on the first floor of a multi-story house.

External factors are uncontrolled forces that affect the project and its actions and, as a result, the internal structure, and processes in the organization. Managers should answer the question of who and what will externally affect the success of the project. The main external factors are political, legal, social, and economic.

For the project, the analysis covers economic indicators such as GDP, inflation level, unemployment rate, salary arrears, average monthly real wage per employee. These indicators demonstrate current economic conditions in Ukraine. On the other hand, how much money people are ready to spend on the education of their children.

In accordance with data on <http://ukrstat.gov.ua> (Derzhavna sluzhba statystyky Ukrainy) and <https://index.minfin.com.ua/> (Minfin) real gross domestic product (GDP) has changed significantly during the last several years. Fig. 2.2 demonstrates the dynamic of the real GDP of Ukraine in 2016-2021.

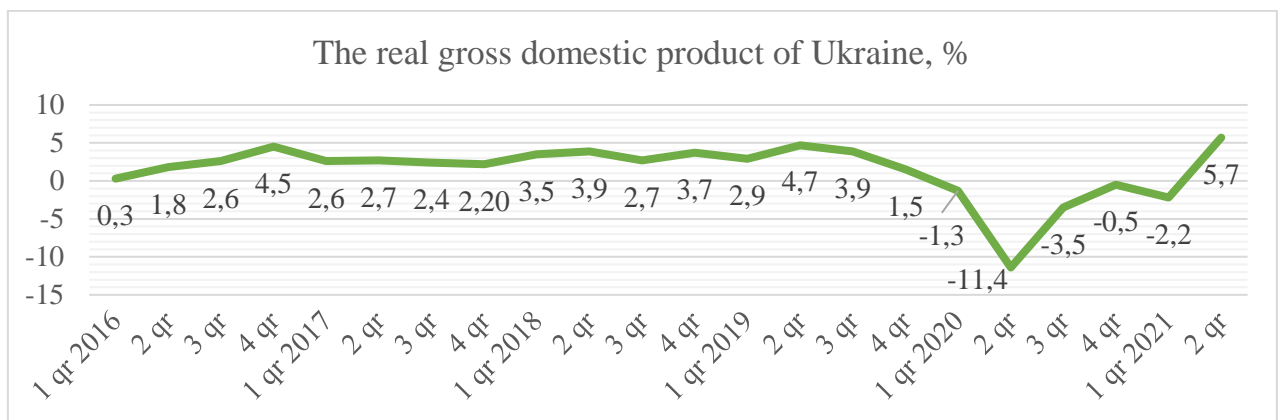


Fig. 2.2. The real gross domestic product of Ukraine in 2016-2021

Fig. 2.3 shows inflation in the consumer market compared to the previous year in Ukraine.



Fig. 2.3. Consumer Price Index in Ukraine in 2016-2021 (Minfin)

The unemployment rate among the workforce for working age has increased. Fig. 2.4 shows the dynamic of the unemployment rate in 2016-2021.

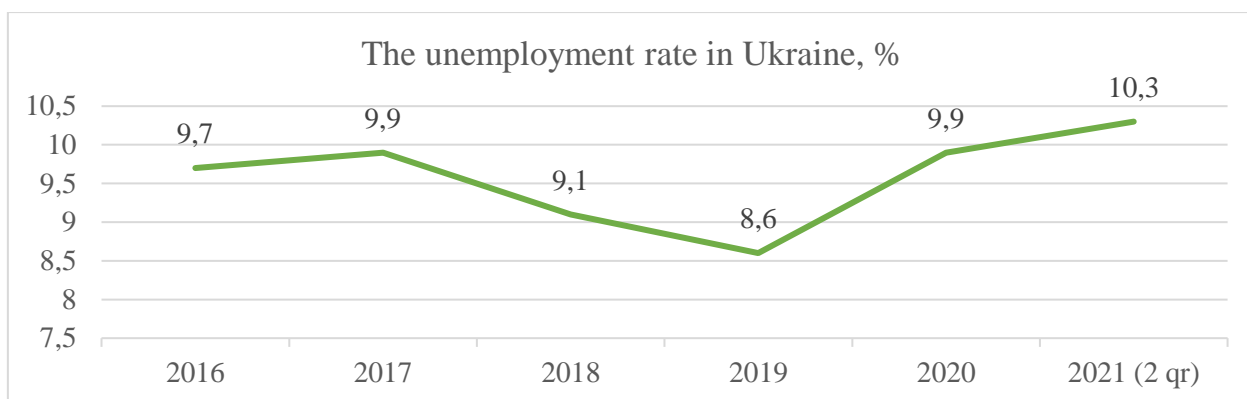


Fig. 2.4. The unemployment rate in Ukraine in 2016-2021 (Minfin)

The total amount of salary arrears has increased. Fig. 2.5 demonstrates the dynamic of the total amount of salary arrears in 2016-2021.

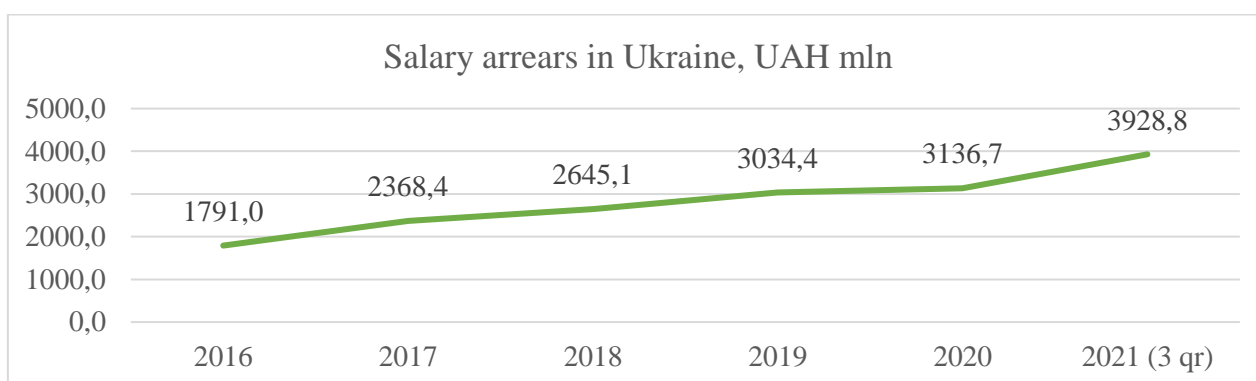


Fig. 2.5. Salary arrears in Ukraine in 2016-2021

Index average monthly the real wage per employee as a percentage of the previous year has decreased. Fig. 2.6 demonstrates the dynamic of average monthly real wage per employee in Ukraine.

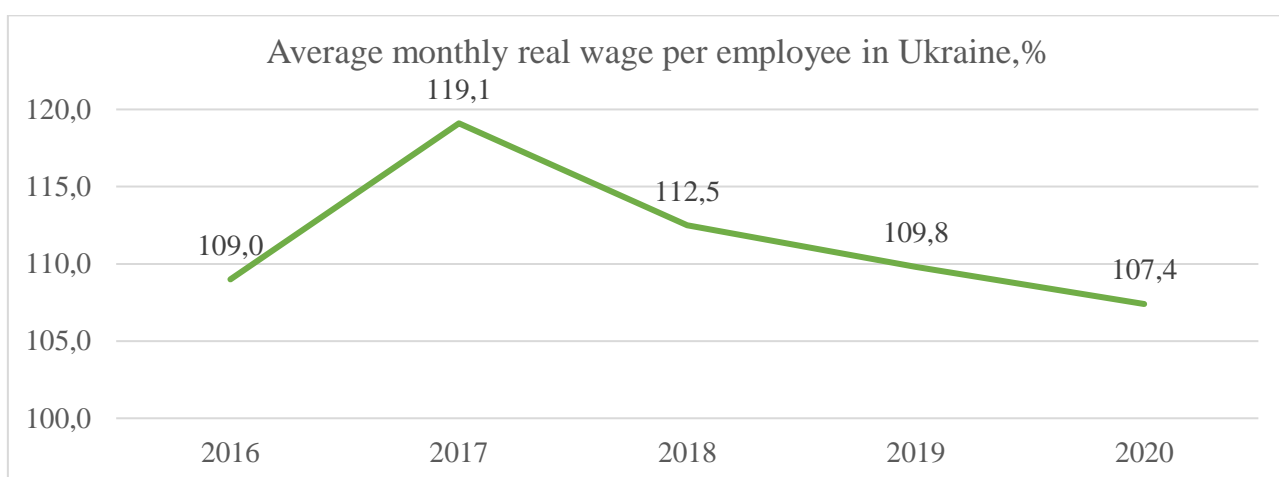


Fig. 2.6. Average monthly wage in Ukraine in 2016-2020

In November 2021 FocusEconomics released the consensus forecast for Ukraine. Table 2.7 shows the data and forecast of macroeconomic indicators of

Ukraine in 2017-2026 developed by FocusEconomics. (VVP Ukrainy dosiahnuv maksimumu, ale vse maizhe pohano. Shcho chekaie na ekonomiku v 2022 rotsi?, 2021)

The experts expect that GDP growth is to accelerate slightly in 2022. A steady vaccine rollout should boost capital spending, while incoming funds from the IMF and the EU should further bolster activity. That said, heightened geopolitical tensions with Russia and Belarus, as well as potential losses due to the Nord Stream pipeline, dampen the outlook. FocusEconomics panellists project GDP to expand 3,8% in 2022. For 2023, the panel sees GDP increasing 3,3%.

Table 2.7.

## Economic indicators of Ukraine, 2017-2026

Annual data	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Real sector</b>										
Population (million)	42,2	42,0	41,7	41,5	41,3	41,1	41,0	40,8	40,6	40,5
GDP per capita (USD)	2,655	3,119	3,692	3,741	4,386	4,871	5,264	5,883	6,478	7,078
GDP (USD bn)	112	131	154	155	181	200	216	240	263	286
GDP (UAH bn)	2,981	3,560	3,977	4,192	4,953	5,530	6,118	6,829	7,462	8,103
Economic Growth (nominal GDP, ann.var. %)	25,0	19,4	11,7	5,4	18,2	11,6	10,6	11,6	9,3	8,6
Economic Growth (GDP, ann.var. %)	2,4	3,5	3,2	-4,0	3,6	3,8	3,3	3,1	3,2	3,3
Private Consumption (ann.%)	9,5	9,3	10,9	1,6	6,4	5,0	4,5	3,5	3,3	3,0
Government Consumption (ann.var. %)	5,2	-0,1	-13,6	-2,9	1,4	0,9	0,8	1,1	1,2	1,3
Fixed investment (ann.var. %)	16,1	16,6	11,7	-24,4	8,5	10,2	8,0	5,0	4,6	4,3
Exports (G&S, ann.var. %)	3,9	-1,4	7,3	-5,6	2,8	4,5	3,3	3,8	4,0	4,3
Imports (G&S, ann.var. %)	12,9	2,8	5,7	-9,5	10,8	6,4	5,4	4,1	4,0	3,8
Industrial Production (ann.var. %)	1,1	3,0	-0,5	-4,5	2,7	3,4	2,9	2,9	3,1	-
Unemployment (% of active population, eop)	9,5	8,8	8,2	9,5	9,4	8,8	8,3	8,0	7,7	7,4
Public Debt (% of GDP)	71,8	60,9	50,2	60,9	57,0	55,5	55,4	53,8	52,0	-
<b>Monetary and Financial Sector</b>										
Money (ann.var. of M2 %)	9,6	5,4	12,7	28,7	-	-	-	-	-	-

Table 2.7 Continued

Inflation (CPI, ann.var. %, eop)	13,7	9,8	4,1	5,0	9,6	6,1	5,7	5,0	4,6	4,1
Inflation (CPI, ann.var. %, aop)	14,5	11,0	7,9	2,7	9,2	7,0	5,6	5,3	4,9	4,6
Inflation (PPI, ann.var. %, eop)	26,4	17,4	4,1	-	-	-	-	-	-	-
Exchange rate (UAH per USD, aop)	26,6	27,2	25,8	27,0	27,3	27,6	28,4	28,5	28,3	28,3
Exchange rate (UAH per EUR, aop)	30,0	32,1	28,9	30,9	32,5	32,5	34,1	34,9	35,3	35,6

*Table based on data from FocusEconomics*

The nature of the crisis caused by the spread of the coronavirus is extraordinary due to a significant change in the nature of development at macro and micro levels and in the lifestyle of society in general. The changes affected all spheres of life - communication/work/education, etc. The quarantine restrictions in the majority of countries of the world and in Ukraine, particular, varied throughout the year in their scale and timing. Living in permanent uncertainty changed the dominant principles of motivation and led to an unprecedented transformation of the behaviour of economic actors at the consumption and production.

Consequently, the pandemic itself and unprecedented quarantine have caused a slowdown in economic development in many countries of the world, including the EU and Ukraine.

The most negative effect of anti-pandemic measures in Ukraine was the lockdown period – in April-May 2020. In the third and fourth quarters of 2020, due to the weakening of quarantine measures, there was a certain revival of economic activity.

As a result, the consumer demand of households became the only component that ensured a positive contribution to the dynamics of GDP in 2020.

Unfortunately, it is impossible to avoid the falling an investment demand in pandemic conditions. The investment breakdown has become one of the main manifestations of the COVID-19 pandemic.

The decline of investment took place in almost all types of economic activity, except investments in the post, delivery business, telecommunications. These industries have been actively working under quarantine restrictions. The industries such as air transport, art, sports, entertainment, and recreation, which were included in the list of restrictions on activities under quarantine demonstrated the largest rate of reduction of capital investments.

The most significant decrease was mainly experienced by industries that involve the accumulation of large numbers of people in one room, or their long communication and work at a dangerous distance, in terms of infection. Accordingly, the service sector suffered significant losses, for example, passenger transportation (the drop in passenger turnover is 53,9%). Also, the activities of food establishments, hotels, and restaurants were cut down temporary. These are mostly small and medium-sized businesses, which activities were banned during the quarantine restrictions.

Industries focused on the domestic market, or which are able to quickly adapt to new conditions by applying digital technologies have suffered less. For example, pharmaceutical (an increase of 3% according to the results of 2020) and chemical industry (by 5,1%, respectively), the food industry (decreased only of 0,8%), IT, the financial sector, and the healthcare. In contrast, the transition of enterprises to new forms of organization of working processes (remote/home-based work and education) created an increased demand for new digital services and the provision of existing services in digital format, including trade and business. (Consensus-Forecast. Impact of COVID-19 on the country's economy and society: results of 2020 and challenges and threats of post-pandemic development, 2021)

Anders Aslund forecasted that in 2021 the realistic probability the economy of Ukraine will rise by around 5%. It is not an actual growth but a rebound of the volume of the economy that fell in the last year. Compared to other countries, Ukraine has done quite well during the coronavirus crisis. Unfortunately, the main cause of this is not due to the government's economic policies. A crucial affect for Ukraine's comparatively stable economic performance in 2020 was the country's

macroeconomic development, which was better than expected. International currency reserves raised to USD 28,5 billion by the end of the year. (Anders Aslund, 2021)

The reason of increasing of currency reserves was that Ukraine benefited from a great decrease of its foreign trade. Ukraine's terms of trade improved significantly in 2020 because prices for primary exports such as agricultural goods, iron ore, and steel all rose, while the price of energy imports fell. This allowed Ukraine to get a current account surplus equal to 4% of GDP, while it usually has a deficit of about 3% of GDP.

Another explanation for Ukraine's macroeconomic stability involves the fact that international tourism practically stopped during 2020. This had a positive impact on the economy because Ukrainians typically spend much more abroad than the country receives from incoming tourists. Ukraine closed restaurants, hotels, and bars for an extended period of time, but these services employ a small part of the labour force in Ukraine. Therefore, Ukraine suffered from the same negative economic consequences from the pandemic as other countries, but the impact was less harsh.

Furthermore, Ukraine's worst economic problem is still the unsatisfactory regulation of property rights. It continues to put obstacles for investors of any kind. Judicial reform was supposed to be at the top of the current government's agenda in 2019, but everything has gone the wrong way. During the second half of 2020, the Constitutional Court ruthlessly dismantled the whole framework of anti-corruption institutions established since 2014.

The country's macroeconomic stability seems to be strong, but only a few have the courage to invest in Ukraine. Without judicial reform or an increase in investment, there is little reason to expect any economic growth beyond the gains arising from the anticipated post-coronavirus rebound. (Anders Aslund, 2021)

Nonetheless, education is one of the things parents try to find the money for because it is an investment to their children's future. Especially if a kid needs some professional help. Naturally, this is true for parents interested in the development of

their child. Due to the COVID-19 pandemic, some teaching centres have changed to distance learning by Zoom or Skype. But parents still must work, and children need supervision by adults.

According to new challenges related to technologies development and pandemic restrictions, the centre must be equipped with all the necessary equipment and materials and must have the capacity to organize online classes. In the case of a new lockdown, teachers would conduct online training (distance learning) via Zoom or Skype. The buying of three laptops, one TV centre and one music centre is required to centre's technical support.

Ukraine has risen seven points in the Doing business-2020. It is Business Ease rating, which is published annually by the World Bank and ranked 64th out of 190 countries. Doing Business Index is an important marker for investors deciding to invest in the country. (Liga.net, 2020) It means that more foreign investors could be attracted into the project.

The political climate in Ukraine is extremely volatile. When the government or President of Ukraine change, it is often the national policy and development direction change. The war in Ukraine has started in 2014 when Russia annexed Crimea and began arming and abetting separatists in the Donbas region in the country's southeast (Jonathan Masters, 2021) War in Ukraine and unstable political situation are very negative sign for investors.

The work of the centre should be organized in accordance with the requirements of such Laws of Ukraine as the Constitution of Ukraine, Law "On education", Law "On pre-school education", Law "On the Licensing of economic activities", Law "On Social Services", Order of the Ministry of Health "On approval of sanitary regulations for preschool educational institutions".

For the conducting of economic activity, it is necessary to register a limited liability company. Today, a limited liability company is the most suitable way of doing business. The participants shall repay the debts of the LLC within the limits of their share. (Gutgarz E., 2021)

The license must be obtained for performing educational activities. Also, it is necessary to obtain a sanitary-epidemiological certificate, permission from fire authorities. All teachers, nurses, specialists, and other staff contact kids must have sanitary books.

Since 1 January 2020 Law of Ukraine “On Social services” has been applied. The Law introduces the concept of basic social services. Basic social services must be provided if they are needed. The basic social service is accompanying a child during inclusive education. It means if inclusive education resource centre gives a conclusion that kid needs assistant during education, the service for him\her must be provided.

A social worker or even one of the parents could be the kid’s assistant. But assistant must pass specific training. A social worker or parent who works as an assistant gets a salary. So, the parent can spend all day with their child as an assistant. The main idea of this innovation is to normalize the everyday life of these families.

Due to the reform of inclusive education that has been implemented in Ukraine, a substantial number of children with limited abilities may attend regular schools and kindergartens. Despite this, progress in inclusive education is going very slowly. Society does not accept such children as equal participants of society. For this reason, not all kids with disabilities or special needs may be schooled with able-bodied children. Some of them are educated in specialized institutions. To fully adapt, these children should study in regular educational institutions together with other children. But they need professional help and support from teachers, assistants, and others. Kids with disabilities have the same rights as other children. The day-care centre “Lily of the valley” offers equal opportunity to all children.

In case a child stays longer than four hours, then food services by a catering company must be provided. There are certain requirements for the organization of the kitchen space, the dining room, the storage of products. The menu should be prepared in accordance with standards. A well-balanced menu can be considered by a cook or dietologist. So, all of this is the issue of a catering company. The centre

can choose an individual, special menu for children with allergies or other features. Also, the centre would use laundry services.

The main competitors are public kindergartens. But they are overpopulated, the number of children varies between 25 and 35 in the group. It means the child gets less teacher's attention. Besides, most of the kindergartens are open until 18.00. But most parents have a workday until 18.00 too. So, parents must hire a babysitter or leave work earlier to get the kid in time. The corruption problem exists in the educational sphere in Ukraine in the form of the so-called "entrance fee," different "group funds" etc. Also, children attend various classes after kindergarten like English, sport, dancing, singing, painting etc.

In addition to public kindergartens, a lot of private kindergartens and day-care centres are run in the city. The most famous private kindergartens in the Dnipro are the Montessori micro-school, "Tyly myly detvora", "Pokolinnia svobody". There are two public kindergartens in the Lomivskiy district and some intellectual development centres. Day-care centre Flyers provides a few hours stay for children without a day nap.

## 2.2. Project services

The day-care centre "Lily of the valley" provides educational services. The day-care centre for pre-schoolers offers an hourly stay or a full day. There is an option to bring a child to certain classes or consultations.

According to the Law of Ukraine "On education," the educational service is a defined by law complex of an educational program and /or agreement of actions of the educational entity, which have a certain cost and are aimed at achieving the expected results of education by the applicant.

The main project service is the supervision and care of toddlers and pre-schoolers during the daytime, including children with disabilities. Also, it provides the organization of activities with children in various fields: English, drawing, sports

training, etc. The development of children with disabilities plays an essential role in the activities of the centre.

The mission of the centre is:

- ✓ Promoting the integration to society of children with special needs from the earliest age
- ✓ Provision of opportunities for children to acquire the necessary social and everyday skills
- ✓ Personal growth
- ✓ Development of creative abilities
- ✓ Gradually change the social stereotypes about special children

The four groups are planned for working with a maximum number of children up to ten. Groups will be divided by age. It is also possible for a child to attend only classes, to attend centre part-time or to get a consultation by a specialist and specific teacher.

It is important to notice that working with children is always emotionally charged. The pessimism, lack of attention, chronic fatigue, anger, apathy, anxiety, tension, a decline of immunity and loss of appetite are signals of emotional burn-out. Not surprisingly, the teachers and caregivers have a high emotional tension during a workday with children of any age or ability. That is why the centre provides extra service offering special training in order to shift focus, to stay in emotional stability and to be calm. To maintain a healthy positive atmosphere in day-care centre the training provides several times per year. Moreover, the training and/or webinars can be provided for different groups of adults, such as parents or other educators who suffer from burnout and needs psychological assistance.

The main approach is to make children's education as secure and interesting as possible and maintain a healthy emotional connection among children, parents, and the day-care centre.

### 2.3. Project stakeholders: internal and external

A project is considered being as successful when it meets the expectations of the stakeholders and achieves the goals. Stakeholders are personalities/ enterprises/ entities which are impacted by the project and/or involved in it. They are interested in the project and can receive a benefit in any way (financial, social, environmental, etc.). (Adrienne Watt)

There are two types of stakeholders - internal and external.

Internal stakeholders:

- ✓ Director
- ✓ Project manager
- ✓ Project team members

External stakeholders:

- ✓ International investor/Sponsor
- ✓ Government
- ✓ Suppliers
- ✓ Customers (parents and their children)
- ✓ Society

Director is responsible for creating the long-term strategy and development of the centre in general. This position plays a leading role in the centre.

Director job description:

1. Leading project planning
2. Signing the contracts
3. Ensuring projects meet deadlines

A project manager is responsible for executing, monitoring, and managing the project from initiation till its completion. This job requires communication with internal and external stakeholders.

Project manager job description:

1. Coordinating work
2. Managing project progress

### 3. Managing connections with customers

### 4. Optimizing processes if necessary

The most valuable characteristics for the person in the project manager position are including team members into the project organizing, being available to listen to team members' opinions, inspiring them to help others and making the specific "dream team." For the creation of a self-sustainable environment inside the company project manager should think about rewarding employees for learning, giving constructive feedback and being an example of proper behaviour for the employees. Furthermore, the project manager should look for hungry-minded people who want and for new experience and knowledge among candidates for the job. Talented and open-minded people with high learnability are the best choice for any enterprise.

The project team consists of the people employed on a full or part-time basis or somehow involved in the centre's activity. The project team includes the administrator, all teachers, caregivers, nurses, health workers and specialists.

Project sponsors make decisions about project implementation. International sponsors give and supply resources and finances to fund the project. The international investor should have a clear understanding of the scope, schedule, and resources needed for the project. (Explaining the Different Types of Stakeholders, 2010)

Since it is a social project, the State has an extraordinarily strong influence on the activities of the day-care centre. The managing of the centre is largely regulated by the government regulators and departments as mentioned earlier - Constitution of Ukraine, Law "On education", Law "On pre-school education", Law "On the Licensing of Economic Activities", Law "On the Social services", Order of Ministry of Health "On approval of sanitary regulations for preschool educational institutions".

Suppliers are the businesses that deliver goods and/ or services for the project. It includes catering services, purchasing different goods, rent services, laundry, utilities etc. Suppliers are strategically important to the managing of the entire

enterprise. To avoid any delays in delivery or unpredictable changing of products the suppliers should understand their importance and responsibility to the project involvement. In this instance, the business relations with the suppliers significantly influences to managing of the project. The reliable suppliers are crucially important for running the day-care centre to ensure its smooth functioning.

Customers are the people who purchase the centre's services. These are parents and their children or people who want to take a training/webinar. The centre has the aim to create the best environment for children. Parents expect the centre to provide efficient and high-quality services. The centre aims to meet the needs of both children and their parents. In this way, parents and kids would directly impact the project success.

#### 2.4. Project lifecycle

The process of implementing an investment project takes time. The period from the acceptance of an idea of the investment project to its completion is called the life cycle of the project. In other words, the life cycle of the investment project is the period during which the investor's investment intentions were fully implemented, and the goals of the investment project were achieved.

The division of the investment project into separate phases is important for investment analysis, as it ensures the identification of "control points" in the preparation and implementation of the project. During the analysis of certain phase, there are opportunities for further development of the project, based on the analysis and evaluation of the results of the previous phase, or the emergence of significant changes in the project implementation conditions that affect the expected result. (Moiseenko I., Revak I., Myskiv G., Chaplyak N., 2019)

Fig. 2.8 illustrates a project management life cycle that consists of five phases:

- ✓ Initiation
- ✓ Planning
- ✓ Execution

- ✓ Monitoring and control
- ✓ Closure (Project Management Life Cycle)

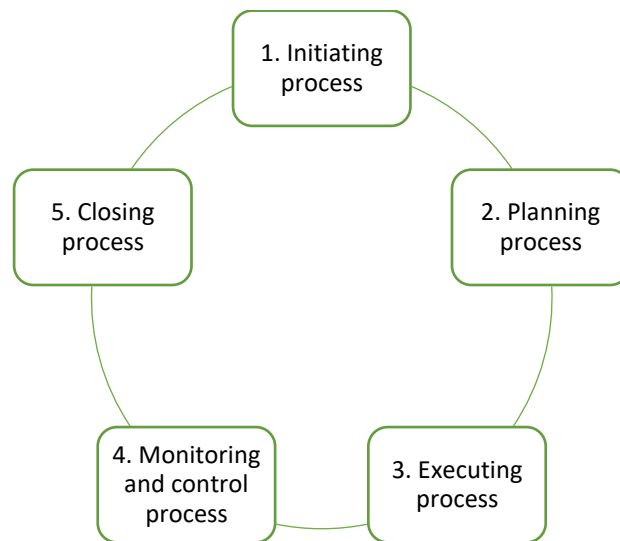


Fig. 2.8. Project lifecycle ([www.search.org](http://www.search.org))

In the first stage, the initial research and the commercial viability are analysed. The initial research says about the shortage of places in public kindergartens in Ukraine. Parents must do a few steps to get a place in the public kindergarten. Besides, there is inconvenient work hours of public kindergartens, often until 18.00 only. The corruption in the educational sphere expresses in the form of the requirement of money for different reasons, often useless. After a day in the kindergarten, children attend various lessons like English, sport, dancing, singing, painting etc. In the case of children with disabilities, the situation is even worse. In Ukraine, it is a challenge to find a place for a special child in a regular kindergarten and school. One of the main objectives of this project is to improve public attitude towards disabled persons. Social projects are exceptionally important in Ukraine. Similar projects help children with disabilities to adapt better to normal life. At the same time, children should be taught to be tolerant and accept differences from the earliest childhood.

The second stage includes the creation of a detailed plan. It will help cope with time, expenses, quality, risk, and other issues. At this stage, the larger tasks

should be broken into a few small parts, find the team members, and make a schedule for the achievement of goals. Small steps have a higher potential for realization.

Execution depends on the planning phase strongly. The teamwork during the execution phase is following from the project plan.

Steps for the project planning stage consist of:

1. Creating a project plan. This step should define the project timeline, the phases of the project, the general tasks, and potential restraints.
2. Creating workflow diagrams. The second stage should consider the team member's role in a project.
3. Estimating budget and creating a financial plan. Here the cost estimates should be calculated. It shows how much expenditure needs the project to get the maximum return on investment.
4. Bring together all resources. At this stage, an efficient team should be built. It is important to make sure that every team member has the necessary tools (software, hardware, specific tools, etc.) to complete their tasks.
5. Anticipating risks and potential barriers. For permanent and quality service and achievement of the effects of the project, it is important to identify issues that may affect the project or even stop it. The goal of this stage is to minimize those risks and maintain the project's quality and timeline.
6. Holding a meeting. It means to bring the team together and outline the project, form the team spirit, and start work.

The execution phase turns the plan into action. (The 4 phases of the project management life cycle, 2021)

Monitoring and control are sometimes combined with execution because they often occur at the same time. As teams execute their project plan, they must constantly monitor their own progress.

In order to succeed the project manager must monitor completing tasks, deviations from assigned cost calculations and timeline and analyse key performance indicators. (Five Phases of the Project Management Life Cycle, 2021)

When the grant is completed, the project will continue.

Steps for the project closure stage include the following:

1. Whether the project's goals were met (tasks completed, respecting the deadlines and budget) and the initial problem solved.
2. Evaluate team members performance, including timetable and quality of work.
3. Make sure that all aspects of the project are completed according to the checklist and reports are given to key stakeholders.
4. Make a final analysis of the project, do the necessary work on errors to avoid ones in future projects.
5. Count for the used and unused budget/conduct budget analysis. (The 4 phases of the project management life cycle, 2021)

## 2.5. Investment into the project and structure of procurement

The project targets 850 000 UAH over a period of 5 years.

Table 2.9 illustrates calculations of the one-time expenses that should be funded at the beginning of the project.

Table 2.9.

Expenditure needs for the start of the project, UAH

The one-time costs	Quantity	Sum, UAH
<b><i>Furniture</i></b>	<b><i>105</i></b>	<b><i>52 000,00</i></b>
Beds	40	24 000,00
Chairs	40	12 000,00
Tables	20	12 000,00
Cupboards and bookshelves	5	4 000,00
<b><i>Textile</i></b>	<b><i>240</i></b>	<b><i>113 600,00</i></b>
Bed linen	80	24 000,00
Towels	80	5 600,00

Table 2.9. Continued

Curtains and blankets	40	8 000,00
Mattresses	40	76 000,00
<i>Guidelines and training handbooks</i>		<i>20 000,00</i>
<i>Sport equipment</i>		<i>5 000,00</i>
<i>Computers, TV, and music equipment</i>	5	<i>40 000,00</i>
<i>Total</i>		<i>230 600,00</i>

The calculation is done for a full capacity of the centre - 40 children. It means at one time all forty kids in the centre have all necessary furniture, textile, sports equipment, etc.

Table 2.10 shows estimates of the every-year expenses that should be funded during the project. These are writing materials for lessons, household goods and personal care, expenses for current improvements and expenditure for training (coffee break, specific literature, or handbooks).

Table 2.10.

## The annual costs, UAH

The every-year costs	Quantity	Amount, UAH
<b>Writing materials:</b>	<b>540</b>	<b>12 320,00</b>
paper	60	6 000,00
pen, pencil	200	800,00
clue	40	200,00
scissors	40	400,00
coloured paper	40	1 000,00
cardboard	40	1 000,00
plasticine	40	2 000,00
paint	40	800,00
paintbrush	40	120,00
<b>Landscaping leasehold improvements</b>		<b>3 000,00</b>
<b>Household goods and personal care:</b>		<b>15 400,00</b>
soap	40	800,00
toilet paper	400	4 000,00
laundry expenses	20	6 000,00

Table 2.10 Continued

cleaning products	40	2 000,00
sponge for washing	40	600,00
other		2 000,00
<b>Training's expenses:</b>		<b>30 600,00</b>
for coffee break	180	7 200,00
writing materials (paper, pens, etc)	180	5 400,00
guidelines and training handbooks	30	18 000,00
<b>Total</b>		<b>61 320,00</b>

Table 2.11 shows the expenditure of the wages and taxes on wages in a month. Twenty-three staff members are required for the full function of the centre. Other specialists and teachers can work on an hourly basis and their wages will be determined in the contract. Fees for such services will be paid separately from the main fee for the centre's services.

Table 2.11.

## Wages expenditure, UAH

Position	Quantity	Salary, UAH	Salary with Taxes	Total,UAH
Director	1	12 000	14 340	14 340,00
Manager	1	8 500	10 157,5	10 157,50
Administrator	1	8 000	9 560	9 560,00
Accountant	1	9 000	10 755	10 755,00
Cleaner	2	6 500	7 767,5	15 535,00
Caregiver	8	11 000	13 145	105 160,00
Nurse	4	6 500	7 767,5	31 070,00
Healthworker	1	8 000	9 560	9 560,00
Trainer	1	15 000	17 925	17 925,00
Teachers	3	9 000	10 755	32 265,00
<b>Total</b>	<b>23</b>	<b>93 500</b>	<b>111 733</b>	<b>256 327,50</b>

The third group of fixed tax will be used for taxes calculation. It means 5% of turnover. The third group can be chosen by registered individual entrepreneurs and legal entities (of any organizational and legal form) in which number of employees

are not limited: amount of income does not exceed 1167 minimum wages established by law (in 2021 – UAH 7 002 000). The rates for third group are set:

- 3% of income and VAT payment.
- 5% of income if VAT is not paid. (Kovalchuk M., 2021)

Table 2.12 demonstrates general expenses before taxation. The major share of the expenditure is wages and taxes on wages. A big component of the expenditure is rental and utility payments.

Table 2.12.

### General expenditure before taxation, UAH

Expenses	First year	Second year	Third year	Fourth year	Fifth year	Total
wages + taxes on wages	3 075 930,00	3 075 930,00	3 075 930,00	3 075 930,00	3 075 930,00	15 379 650,00
rent + utilities	180 000,00	180 000,00	180 000,00	180 000,00	180 000,00	900 000,00
purchasing of licence documents	8 000,00	-	-	-	-	8 000,00
the every-year costs	61 320,00	61 320,00	61 320,00	61 320,00	61 320,00	306 600,00
guidelines and training handbooks	20 000,00	-	-	-	-	20 000,00
the one-time costs	210 600,00	-	-	-	-	210 600,00
capital expenses	238 600,00	-	-	-	-	238 600,00
operational expenses	3 317 250,00	3 317 250,00	3 317 250,00	3 317 250,00	3 317 250,00	16 586 250,00
<b>total</b>	<b>3 555 850,00</b>	<b>3 317 250,00</b>	<b>3 317 250,00</b>	<b>3 317 250,00</b>	<b>3 317 250,00</b>	<b>16 824 850,00</b>

Procurement plays a crucial role in helping an organization in achieving its cost-savings goals. Whether it is through finding a capable supplier or partners who can help deliver a competitive product or through reducing cost and helping increase cash flow for the business.

Any business needs certain basic functions to operate, for example, payroll and benefits so that the employees can be paid on time. Procurement is one among them and gets lumped into many administrative functions. (Building a Procurement Team)

Since the centre does not have a procurement team, there is no standardized purchasing process or approval process.

Procurement should serve the following functions:

1. Purchasing.
2. Strategic sourcing.
3. Contract management.
4. Data analytics and reporting.

One person such as the director may take responsibility for procurement.

## 2.6. Project content and schedule for major works

List of main activities which is necessary to conduct to reach the goal of the project:

- ✓ search for international sponsor
- ✓ submission of application for grant/ funding
- ✓ searching for premises
- ✓ searching for teachers/staff
- ✓ getting authorized documents
- ✓ procurement
- ✓ landscaping leasehold improvements
- ✓ searching for a catering company
- ✓ price calculation
- ✓ advertisement
- ✓ opening at 01.09.2022

All activities and schedule for major works are shown in Appendix 1.

## CHAPTER 3. THE INVESTMENT APPRAISAL AND RISK MANAGEMENT

### 3.1. Evaluation of the project

The project will be implemented in Dnipro (Ukraine). Dnipro is a mostly industrial city with a population of around one million people. (Wikipedia, 2021)

The creation of the centre and the effective organization of its activities will provide an opportunity to successfully solve the problems associated with overpopulated kindergartens and the social integration of the children with disabilities in the city. In such a way, it will have a significant social effect on all target groups. Moreover, the successful introduction of social integration will have positive economic consequences in the future due to children future active participation in the educational process and, thus, their ability to adapt to adult life. After all, society will have a fully adapted person for life and work.

The social project is aimed at social assistance, development, and education. The very idea of the project is clear and aimed at a positive change in society, but there are some difficulties in its implementation. To implement any idea, you need funds through investment - grants, crowdfunding and others. The state also assists in financing social projects. Unfortunately, there is inadequate state funding to support social projects for the tasks that it has been required to solve due to corruption, changing government's priorities, COVID-19 pandemic, etc. It is obvious that all social problems seem to be impossible to solve by one project. However, if everyone makes at least a little effort for social welfare in Ukraine, the situation will get better. Then Ukraine will be the better place to live in comfortable social conditions.

Unfortunately, the inappropriate way of naming people with disability has survived in Ukrainian society from the times of the Soviet Union to the present. And thus, disability is considered as a disease, illness, pathology - a kind of poorness of a small-scale person. This attitude weakens the social self-position of the child,

creating a feeling of being cut off from society, hopeless failure and “secondarity,” and separating the kid from the normal children’s community, strengthening the kid’s unequal social status. Since the last century in developed countries, there is a tendency to attitude to people with special needs as equals.

But despite the fact that the Convention on the Rights of People with Disabilities (2006) must change the attitude to this category of people, at the present day in Ukraine this issue is in critical condition. Often the child is simply isolated from society - and it does not matter whether the child grows up in a family or is in an educational institution, he or she cannot on an equal footing show himself in society.

With each similar project, children with disabilities and their families will receive emotional and psychological support, feel society’s indifference to themselves, will not be left alone with their problems; feel that they are not alone, there are people who they care about.

The modern generation of young people lives in a multiformat society, and the main task is to learn how to live in this society and at the same time feel comfortable, feel their own belonging to a society. Young people need to learn to live in these conditions. On the one hand, a person should make an effort to improve his or her social status, and on the other hand, people should not be indifferent to those who live in the neighbourhood. The younger generation needs to be taught to help people who are nearby.

The social relevance of the project undeniably proves a valuable and important contribution to the maintenance of human capital.

It is difficult to give an accurate financial assessment of the project results. Because it is impossible to evaluate in cash the importance of a person’s fulfilling life and capacity to realize a person’s aptitudes. The project can be evaluated after some time, tracking the next steps of children and their families who had been used the services of the centre.

The implementation of the project provides the creation of additional job places, which will increase employment and reduce social tension.

The calculations of services' costs and prices were based on the costs and average salaries within the industry. The price for one child per 1 month is 9 435,07 UAH including a profit margin of 7%. Table 3.1 shows the calculation for one child, per month and year. This estimate is based on the full capacity of the centre - 40 children in a month. The price does not include the food expenses, speech therapist and defectologist services. Also, there are twenty group trainings planned for fifteen people (500 UAH per one person).

Table 3.1.

## The estimation of price, UAH.

	Cost of attending a day-care centre, UAH	Price of attending a day-care centre, UAH	Price for training, UAH
Per 1 year	4 232 554,60	4 528 833,42	150 000,00
Per 1 month	352 712,88	377 402,79	7 500,00
Per one child/training group	8 817,82	9 435,07	7 500,00

There is only one source of investment - an investor's capital. A straight-line method is used for amortization calculation. The calculations of the forecast of profits and cash flows in the process of implementing the investment project are performed by the traditional method and are shown in Table 3.2.

Table 3.2.

## Calculation of forecasts of profit and cashflows for 5 years, UAH.

Indicators	Periods of project				
	2022	2023	2024	2025	2026
Turnover	4 678 833,42	4 678 833,42	4 678 833,42	4 678 833,42	4 678 833,42
Expenses	-4 232 554,60	-3 993 954,60	-3 993 954,60	-3 993 954,60	-3 993 954,60
Operating profit	446 278,82	684 878,82	684 878,82	684 878,82	684 878,82
Tax	232 617,67	232 617,67	232 617,67	232 617,67	232 617,67
Net profit	213 661,15	452 261,15	452 261,15	452 261,15	452 261,15
Depreciation/ Amortization	26 480,00	26 480,00	26 480,00	26 480,00	26 480,00
Liquidating value of equipment	-	-	-	-	72 600,00

Table 3.2 Continued

Free surplus of turnover	-	-	-	-	-
Net cash flow	240 141,15	478 741,15	478 741,15	478 741,15	551 341,15

Table 3.3 demonstrates the calculation of net product value (NPV). The discount factor ( $r$ ) is 11%. This is the average deposit rate for 850 000 UAH in Ukraine in several banks. (Minfin, 2021)

The net present value is positive and equal to 747 507,60 UAH. It means that the project is efficient. Consequently, the project can be accepted.

Table 3.3.

The calculation of net present value (NPV), UAH.

Year	0	1	2	3	4	5
NCF	-850 000,00	240 141,15	478 741,15	478 741,15	478 741,15	478 741,15
DCF	-850 000,00	216 343,38	388 557,06	350 051,40	315 361,62	327 194,14
ADCF	-850 000,00	-633 656,62	-245 099,56	104 951,84	420 313,47	747 507,60
NPV	747 507,60					

The dynamic payback period (DPB) is equal to 2,70. It means that in 2 years and 9 months the capital invested will be recovered by the discounted net cash inflows from the project.

The internal rate of return (IRR) is 37,98%. So, investment into the project offers extra profit compared with the deposit program because  $IRR > r$  (37,98% > 11%).

### 3.2. Assessment of project risks

The investment project is always risky due to uncertainty and unpredictable future events. Thus, risks evaluation is a necessary part of project evaluation in any industry. Investment risk is the probability of total or partial failure to achieve the results of investment activity expected by the investor. This means that there are certain risky occasions in the interval between making a decision to invest money

and the outcomes of the project. Considering risks in justifying the feasibility of investing ensures obtaining efficient results of the project.

The risk can be reduced through the complex actions of the investor, but it cannot be completely overcome. Among the methods of minimization of investment risks are insurance, hedging, limiting, accounting, diversification. (Gutorov O.I., 2014)

To achieve the highest efficiency of investment activity with the increased risk it is necessary to create a risk management system that allows to identify, evaluate, localize, and control risk.

The risk management process covers a wide range of actions that in such stages:

- identification of risk, determination of the causes of its occurrence and risk areas.
- qualitative and quantitative risk analysis.
- risk assessment: minimization or limitation of risks using appropriate management methods.
- continuous monitoring of the level of risks.

Identifying the risk and analysing its nature is the basis for risk management. The level of risk of economic decisions is assessed by possible losses resulting from this decision. Therefore, the risk assessment is characterized by three main components of the risk: size (amount of possible losses), probability of a negative event, duration of risk impact. (Moiseenko I., Revak I., Myskiv G., Chaplyak N., 2019)

Then should be applied sensitivity analysis to project risks: decreasing of turnover. One of the possible risks that could occur is the lack of children in the centre. Let us assume that 10% of the total number of children will not attend and respectively will not pay for service or would be a lack of training services. Turnover would decline by 10%. Table 3.4 demonstrates the calculation of net cashflows.

Table 3.4.

The calculation of risk the turnover decreasing by 10%, UAH.

	0	1	2	3	4	5
NCF	-850 000,00	- 204 348,02	34 251,98	34 251,98	34 251,98	106 851,98
DCF	-850 000,00	- 184 097,32	27 799,67	25 044,75	22 562,84	63 411,45
ADCF	-850 000,00	- 1 034 097,32	-1 006 297,65	-981 252,90	-958 690,06	-895 278,61
NPV	-895 278,61					

In this case, NPV is negative and equal to -895 278,61 UAH. Accumulated discounted cashflows is negative even in the 5-th period. The internal rate of return (IRR) is negative -33,05% and the discount rate is 11%. So, the risk of turnover declining by 10% and more is unacceptable.

In Table 3.5. is shown case if turnover will decline by 4%.

Table 3.5.

The calculation of risk the turnover decreasing by 4%.

	0	1	2	3	4	5
NCF	-850 000,00	62 345,48	300 945,48	300 945,48	300 945,48	373 545,48
DCF	-850 000,00	56 167,10	244 254,10	220 048,74	198 242,11	221 681,06
ADCF	-850 000,00	-793 832,90	-549 578,80	-329 530,05	-131 287,95	90 393,12
NPV	90 393,12					

In this case, NPV is positive and equal to 90 393,12 UAH. DPB is 4,59 (4 years and 7 month). The internal rate of return is 14,47% and it is almost the same as to discount rate (11%).

The project is extremely sensitive to a loss of turnover of more than 4%.

To avoid this risk, capital or operating expenses can be reduced. Also, there is an opportunity to develop training direction and attract more attention to psychological help and support to people who work with children and/ or people with disabilities of any age. Another way to cope with the situation is to increase profit margin.

## CONCLUSIONS

The research on social investments and the perspectives of the international social investment project was accomplished within the framework of master's thesis - the creation of a day-care centre for pre-schoolers, including children with disabilities, named "Lily of the valley."

For the research it was explored the essence, goals and objectives of investment in general, investment projects in the social sphere, considering current trends and tools of the investment market, identifying the features of the analysis of the social investment project, analysing the project environment, examination the internal and external factors, explanation the project lifecycle, analysis of the project stakeholders, evaluation of the social investment project, assessment of the project risks.

During the study of the topic, it was found that in the scientific literature, there is no single definition of the concept of "investment." Summarizing, an investment is any capital invested in an asset to make a profit. In some cases, the main goal of investment is not profit maximizing but social or community effect. This is called a social investment.

Social investments play an extremely significant role in society. There are a lot of terms under umbrella of the social investment's definition - "impact investing", "social investment" and "social impact investment". Essentially, all those terms mean the same thing - investing in human assets. This means strategies aimed at strengthening people's skills and capabilities and supporting them to fully participate in employment and social life. Key policy subjects include education, quality childcare, healthcare, training, job-search assistance, and rehabilitation.

Likewise, socially responsible investment is an umbrella term that covers a group of definitions of "responsible investment"/ "responsible investing" and value-based investments. Hence, the socially responsible investment represents the capital investments, focused on creating long-term values taking into account the impact on the environment, social field, quality of management and ethical obligations.

Socially responsible investment respects the financial needs of investors, as well as the impact of investments on society.

Traditionally, the state is responsible for the implementation of social policy and the definition of social priorities. However, along with the resources of the state budget, more public and private social funds are being formed in the world, charitable organizations and individual philanthropists continue to actively operate.

When the organisation aims the getting of social investment and looks for sponsor, it may use two main sources of resources. The first source includes the specific social investment firms, social banks, trusts and foundations. The second source consists of investment from an individual or group of individuals such as angel investment, crowdfunding, social investment tax relief.

International crowdfunding platforms are frequently used in Ukraine and could be sponsor for the day-care centre “Lily of the valley”:

- Kickstarter (<https://www.kickstarter.com/>).
- Indiegogo (<https://www.indiegogo.com/>).
- GoFundMe (<https://www.gofundme.com/>).

There are a few proper investment platforms offer grants for social purposes:

- GURT resources center (<https://gurt.org.ua>).
- International renaissance foundation (<https://www.irf.ua>).
- Science-Community. Network for scientists (<https://www.science-community.org/>).

One of the successful platforms in social investment that can be used in Ukraine as well is Fundly (<https://fundly.com/>).

The analysis of the social project includes evaluative and forecast aspects. It covers preliminary analysis of the idea; local conditions, project scale; external conditions, legal and administrative aspects of the project; organization of production; the market analysis; financial analysis; assessment of the project's social and environmental impact; economic analysis; recommendations on the performance of the project. For the analysis of efficiency and attractiveness of the

project in the research were used indicators: NPV (net present value), DPB (discount payback period) and IRR (internal rate of return).

The evaluation process of the social project is a huge challenge due to the absence of a “control” group for comparison. That is why it is appropriate to use a mix of qualitative information and a variety of quantitative indicators on social impact.

During the examination of tendencies and conditions that influence on the investment activity were studied the statistical data and analytical reviews. Due to the COVID-19 pandemic, the world has faced the rise of calls to eliminate social injustice, and there is no question that ESG will be a major investing topic over the next 10 years. ESG investment taking the top places of the asset management agenda due to public recognition of ESG associated threats and social shifts.

The COVID-19 pandemic itself and unprecedented quarantine have caused a slowdown in economic development in many countries of the world, including the EU and Ukraine. Unfortunately, it is impossible to avoid the falling an investment demand in pandemic conditions. The investment breakdown has become one of the main manifestations of the COVID-19 pandemic. The decline of investment took place in almost all types of economic activity.

Nonetheless, education is one of the things parents try to find the money for because it is in investment to their children’s future. Due to the reform of inclusive education that has been provided in Ukraine substantial number of children with limited abilities may attend regular schools and kindergartens. Despite this, progress in inclusive education is going very slowly. Society does not accept such children as equal participants of society. For this reason, not all kids with disabilities or special needs may be schooled with able-bodied children. Some of them are educated in specialized institutions. To fully adapt, these children should study in regular educational institutions together with other children. But they need professional help and support from teachers, assistants, and others. Kids with disabilities have the same rights as other children.

It is important to notice that working with children is always emotionally charged. Not surprisingly, the teachers and caregivers have a high emotional tension during a workday with children of any age or ability. That is why, the centre provides extra service offering special training to shift focus, stay in emotional stability and be calm. To maintain a healthy positive atmosphere in day-care centre the training provides several times per year. Moreover, the training and/or webinars can be provided for different groups of adults, such as parents or educators from other organizations who suffer from burnout and needs psychological assistance.

The project targets 850 000 UAH over a period of 5 years. The project evaluation demonstrates that the project is perspective. The net present value (NPV) is positive and equal to 747 507,60 UAH. It means that the project is efficient. The dynamic payback period (DPB) is equal to 2,7. It means that in 2 years and 9 months the capital invested will be recovered by the discounted net cash inflows from the project. The internal rate of return (IRR) is 37,98%. So, investment into the project offers extra profit compared with the deposit program because  $IRR > r$  ( $37,98\% > 11\%$ ). But the project is extremely sensitive to a loss of turnover of more than 4%. To avoid this risk, capital or operating expenses can be reduced. Also, there is an opportunity to develop training direction and attract more attention to psychological help and support to people who work with children and/or people with disabilities of any age. Another way to cope with the situation is to increase profit margin.

To conclude, social projects are exceptionally important in Ukraine. Similar projects help children with disabilities to adapt better to normal life. At the same time, all children learn to be tolerant and accept differences from the earliest childhood. This project is able to improve public attitude towards people with disabilities over the years.

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# APPENDIX 1

## Gantt chart of the project

