

## The essence and modern features of attraction and management of foreign investment in Ukraines

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**Abstract.** The study aimed to address and analyse foreign direct investment and its impact on the national economy. Statistical data were analysed, concluding that a majority of foreign direct investment (37.6-43.7%) was directed to industry, particularly the processing sector (23.7-26.3%), trade (14-15.9%), and financial activities (18.4-19.6%), while the least went to education (0.04-0.08%) and healthcare (0.2-0.3%). Most foreign direct investments inflows came from Cyprus, the Netherlands, Switzerland, Germany, and the United Kingdom. Advantages and disadvantages of attracting foreign direct investment were systematised, and key factors negatively influencing Ukrainian investment market were identified. The study explored the core components that facilitated foreign direct investment inflows as well. A definition of the term "foreign investment" was provided, implemented measures aimed to improve the investment climate, as well as the measures that need to be implemented to promote the attraction of additional foreign investment were analysed. Main statements of legislative and regulatory acts to support strategic foreign investors were systematised. Investment potential of Ukrainian promising sectors was addressed. To trace foreign direct investment dynamics, the volume of foreign direct investment in Ukraine as of 2003-2024 period was considered. Distribution of foreign direct investment by major economic sectors (2007-2024) and by country of origin was analysed. The study explored the correlation between changes in foreign direct investment levels and inflation dynamics in Ukraine using macroeconomic data and the elasticity coefficient for the 2003-2024 period. The influence of internationalisation, globalisation, and transnationalisation on foreign direct investment was addressed. The importance of foreign direct investment as a driver of Ukrainian economic development was substantiated, key challenges in managing foreign direct investment were identified, and recommendations for enhancing investment governance were proposed. The practical significance of the study is determined by the contribution to improvement of the effectiveness of foreign direct investment management and promotion of national economic welfare

**Keywords:** foreign direct investment; economic activity types; global investment flows; investment attractiveness; investment environment; inflation

### Introduction

One of the main sources of long-term sustainable economic growth of any country is investment. Improving the investment environment is one of the main

tendencies of state policy. Thus, to form an effective strategy for attracting foreign investment, it is necessary to evaluate the modern state of the Ukrainian

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investment environment and assess the value of indicators of its investment attractiveness.

K. Shchur & I. Hrinko (2023) argued that the level of quality-of-life affected population growth, affecting migration and the unemployment rate. The study applied a statistical and analytical methods to trace direct and indirect effects of EU openness on global GDP (gross domestic product), investment flows, and trade balances. Based on the findings, the study proposed policy measures for the EU that can stimulate inclusive and sustainable global growth. M.F. Yücel & M. Çemberci (2024) investigated the impact of FDI (foreign direct investments) on the foreign economic potential, as well as the dynamics of fluctuations in export volumes depending on changes in the amount of external revenues. The study introduced a theoretical framework that integrated national competitiveness as a mediating factor between outward foreign direct investment (OFDI) and economic growth. The proposed model offered a foundation for further quantitative validation across diverse economies and policy environments. N. Kozii & V. Prachuk (2023) presented the interdependence of macro- and micro-level factors influencing the level of investment attractiveness. The study integrated macroeconomic indicators, institutional quality, security risks, and international perception to evaluate investment potential comprehensively. The study highlighted how subjective factors, such as expectations and geopolitical uncertainty, were mostly dominant rather than financial indicators. M. Tvaronavičienė *et al.* (2024) demonstrated that the interlinkages between Lithuanian exports and foreign direct investment originating from various Nordic countries ranged in strength, varying from weak to strong depending on the country and sector involved. The study proposed a unique framework combining quantitative indicators and qualitative criteria to assess both short-term and long-term effects of FDI. Moreover, the study demonstrated how FDI influenced specific sectors and regional development, offering insight into the heterogeneity of FDI outcomes across economic activities.

The authors T. Kovalchuk & D. Vara (2024) argued that attraction of foreign investment can be used to reach progressive changes in the economy. A comprehensive system of innovative mechanisms was developed to stimulate foreign investment. Moreover, the study substantiated the role of digitalisation and environmental sustainability as key factors of investment attractiveness. N. Yevtushenko (2023) identified factors that negatively affected the processes of foreign investment in Ukraine. Key trends, challenges, and barriers to FDI development were systematically synthesised in the context of political and economic instability. A model of adaptive policy was proposed that addresses both external (global economic trends) and internal factors (institutional changes, reforms). M. Yuldashev *et al.* (2023) emphasised the role of human capital in amplifying the positive effects of FDI, suggesting that a combined policy

approach targeting both FDI and human capital development was necessary to reduce inequality. The study employed advanced panel data techniques to refine the notion of the relationship between FDI and various forms of income inequality. T. Zatonatska *et al.* (2022) conducted a comprehensive analysis of the main markers of FDI direction. The study assessed how the war affects investment confidence levels and the willingness of capital to enter the market. V. Du & I. Lishchynskyy (2024) determined that the trajectory of Chinese foreign direct investment in agriculture was a compelling narrative of strategic global engagement. The study classified detailed factors influencing Chinese FDI decisions in agriculture, including technological transfer, food security concerns, and geopolitical considerations. The study correlated investment flows to local economic transformation, labour markets, and sustainability outcomes. V. Palekhova (2023) determined that Ukraine needs a course for further development of information services and European integration. The study uniquely combined the analysis of globalisation trends with the specific challenges and opportunities facing Ukrainian economies during post-conflict recovery. The study introduced mechanisms for balancing external openness with FDI in a post-war context. The study aimed to assess and analyse FDI, and their impact on national economy, as well as to highlight the main trends in its formation and use.

## Materials and Methods

The study was conducted based on graphical and statistical data analysis, which was used for a comprehensive examination of FDI trends in Ukraine. The methodology employed in the research involved the collection, comparison, and interpretation of official data obtained from national and international statistical agencies. Quantitative methods such as time series analysis, trend modelling, and comparative analysis were applied to assess the volume, structure, and dynamics of FDI over the selected time periods. Additionally, sectoral and geographical breakdowns of FDI inflows were visualised through charts, graphs, and tables to enhance interpretability and facilitate data-driven conclusions. The study also integrated qualitative elements to contextualise the statistical findings within broader economic and political developments. This mixed-methods approach ensured not only the accuracy of the numerical findings, but also further analysis of the underlying factors influencing investment behaviour, including legislative reforms, bilateral agreements, regional conflicts, and macroeconomic stability. The applied methodology provided a solid foundation for identifying key trends, risks, and opportunities associated with foreign investment in Ukraine.

To trace the dynamics of investment inflows into Ukraine, the volume of FDI during the 2003-2024 period was analysed. The sectoral distribution of FDI within the Ukrainian economy from 2007 to 2024 was addressed, highlighting the key industries that attracted the largest

shares of investment. Also, it was used the elasticity coefficient formula:

$$E_{xy} = \left[ \frac{d \ln y}{d \ln x} \right] = \left[ \frac{dy}{dx} \times \frac{x}{y} \right], \quad (1)$$

where  $y$  – a change in amount of foreign direct investment;  $x$  – a change in inflation;  $E_{xy}$  – elasticity of  $y$  with respect to  $x$ ;  $\ln$  – natural logarithm of the variable  $y$ ;  $\ln x$  – natural logarithm of the variable  $x$ ;  $\frac{d \ln y}{d \ln x}$  – relative change in  $y$  in response to a relative change in  $x$ ;  $\frac{dy}{dx}$  – derivative of the function  $y$  with respect to  $x$ ;  $\frac{x}{y}$  – ratio of the level of variable  $x$  to the level of  $y$ .

Additionally, the structure of FDI by country of origin was examined, highlighting Ukraine's most significant international investment partners and revealing shifts in geopolitical and economic alignment over time. Statistical data were obtained from Official website of the National Bank of Ukraine (n.d.), Eurostat (n.d.), Official website of the Ministry of Economy, Environment and Agriculture of Ukraine (n.d.), State Statistics Service of Ukraine (2025), National Economic Strategy 2030 (n.d.). The following industries were analysed: agriculture, hunting, forestry, fisheries; industry; wholesale and retail trade; hotel and restaurant activities; transport and communication activities; financial and insurance activities; real estate transactions; public administration; education, professional, scientific and technical activities; healthcare and social assistance; utility and individual services as well as activities in culture and sports were analysed. The analysis covered both the quantitative and qualitative changes in investment behaviour, influenced by internal reforms, integration processes with the European Union, as well as external shocks such as the global financial crisis of 2008, the Russian invasion in 2014, and the full-scale Russian war since 2022.

## Results and Discussion

Investments are the driver of economic development and the possibility of structural restructuring of the national economy depends on the effectiveness of methods of attracting and mobilising foreign investment resources. To assess the modern state of foreign investment in Ukraine, a comprehensive comparative analysis of foreign direct investment movement in Ukraine was conducted. A definition of the term "foreign investment" is to be provided – a long-term investment of securities, property and property rights, results of intellectual activity by non-resident companies, with the aim of obtaining a direct impact on economic activity, investor control over the enterprise and entrepreneurial profit or achieving a social effect, through investor control over the investment object (management of the enterprise and control over its activities), as well as the organisation and construction of enterprises, which is possible if the foreign owner owns at least 25% of the authorised capital of the joint-stock company, which in turn contributed to the development and implementation of large-scale

projects and the use of the latest technologies. While lasting interest between the investor and the enterprise may exist if the direct investor owns 10% or more of the voting rights on the board of directors (Law of Ukraine No. 93/96-VR, 1996).

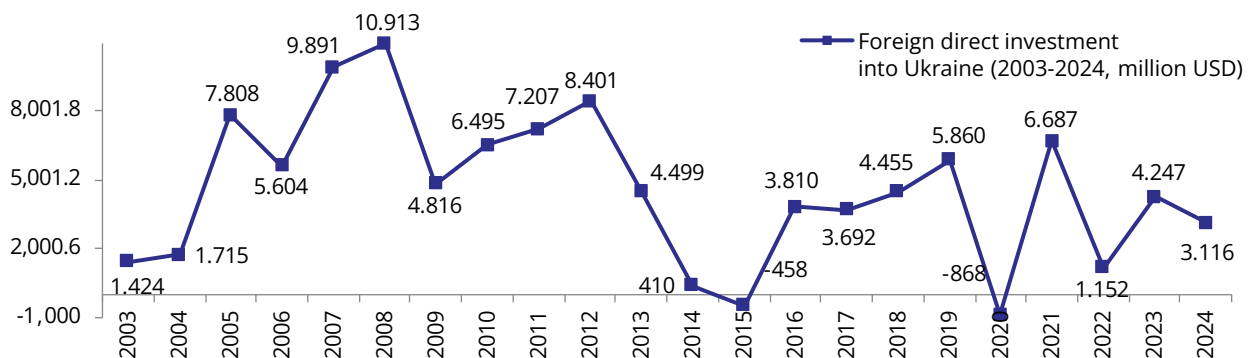
Notably, direct investments can be made in the following forms: acquisition of non-controlling and controlling stakes; licensing agreements with firms in recipient countries; strategic alliances and joint ventures; as well as owned subsidiaries and branches. Ukraine has several key advantages that contributed to attractiveness for foreign direct investment (FDI), which provided almost 1% of global FDI for Ukraine (Eurostat, n.d.). These included a strong scientific and industrial base, high innovation potential, and a cost-effective yet skilled labour force. Ukraine also benefited from a large internal consumer market and a strategically favourable geographical position. Additional incentives included relatively low business establishment costs, a legislative framework designed to support foreign investors and streamlined legal procedures for business operations. Further factors enhancing Ukrainian investment appeal were state guarantees for investment protection, the candidate status for European Union accession, the removal of export duties and quotas for Ukrainian goods, visa-free travel arrangements, and the integration of Ukrainian transport corridors into the indicative maps of the Trans-European Transport Network (TEN-T). Improvements in the overall business climate and the introduction of targeted government investment incentives also contributed to the Ukraine's investment potential.

Since Ukraine became independent in 1991, investment has begun to flow into economy. Over more than 30 years, Ukraine attracted approximately USD 50 billion of FDI. The decrease in foreign investment during 2002-2024 had several reasons: investor distrust due to the high level of corruption, doubts about the fairness of the judicial system, markets monopolisation, instability of the national currency. Before 2015, there was a slight annual growth in FDI, and since 2015 there has been a moderate annual decline. In 2019 and 2022, the net outflow of FDI became positive. A gradually increasing trend in investment was observed in 1992-2004, when internal resources were invested in the development of the industrial and information potential. The next substantial increase in the volume of investment inflows occurred in 2005 after the Orange Revolution. The largest volumes of investment funds were observed in the following 2007-2008 (in 2008 – period of global financial and economic crisis), foreign investors invested USD 10 billion 913 million into Ukrainian economy (Official website of the Ministry of Economy..., n.d.). The securities market at that time was characterised by high profitability due to such issuers as: "Azovstal", "Mariupol Metallurgical Plant named after Ilyich", "Northern Mining and Processing Plant", "Arcelor Mitall Kryvyi Rih", "Raiffeisen Bank Aval". The positive dynamics were changed by the decline in

2009 due to global economic crisis. From 2010 to 2012 the volume of investments gradually increased, and in 2012 amounted to more than USD 8 billion. Decline in investments in the Ukrainian economy has caused increased dependence on imports of industrial goods in light industry, mechanical engineering, and automotive manufacturing; a decrease in GDP; and an increase in the vulnerability to currency and financial crises (Official website of the National Bank..., n.d.).

However, in 2013 FDI amounted to USD 4 billion 499 million, which was a record low in 19 years due to the decline in demand for Ukrainian exports. An unprecedented reduction in FDI occurred in 2014, in more than 10 times. The reason for such a sharp decline was the war started by Russia. The net outflow of FDI decreased most significantly in 2015 compared to 2014 (by 1342%). The volume of FDI in Ukraine had been gradually increasing, in particular, in 2017, compared to 2016, there was a significant increase in investments from Luxembourg – from USD 36.9 million to USD 94.3 million – as a result of the conclusion of the Convention Between the Government of Ukraine and the Government of the Grand Duchy of Luxembourg on the Avoidance of Double Taxation and the Prevention

of Fiscal Evasion with Respect to Taxes on Income and on Capital (2017) in 2016. In 2019 it reached USD 5 billion 860 million, while in 2020 it decreased by USD -868 million compared to 2019 due to pandemic. In 2021, positive dynamics in the inflow of direct investment into Ukraine resumed up to USD 6 billion 687 million. Between 2020 and 2021, there was positive momentum – USD 7 billion 555 million was invested. The full-scale war of 2022 caused the 8 times reduction in investment volumes. The decrease in net FDI inflows to Ukraine in 2009 and 2020 was influenced by external crisis phenomena, and in 2006, 2015, and 2022 by internal ones. Meanwhile, certain countries increased its financing to Ukraine – Austria (by 65.63%), Finland (by 28.85%), Poland (by 28.07%), Italy (by 23.2%), France (by 20.9%), Denmark (by 15.30%). In 2023, there was a restoration of investment activity of foreign investors (due to the adoption by the Ukrainian government of a number of measures to stimulate investment inflows), and in 2024, FDI decreased by 19% (FDI covered a quarter of the current account deficit, and a larger share of FDI was reinvested earnings) (Official website of the National Bank..., n.d.). Dynamics of FDI Inflows to Ukraine from 2003 to 2024 was introduced in Figure 1.

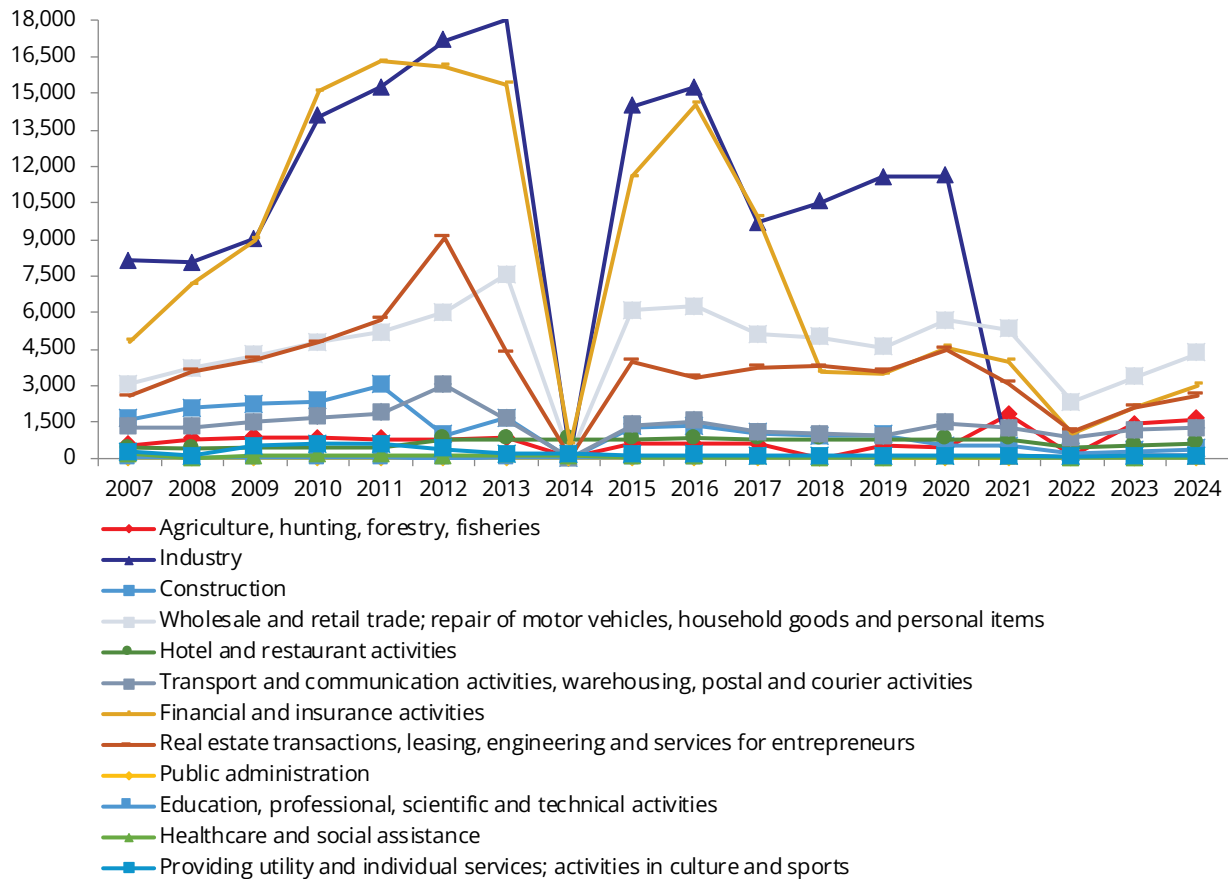


**Figure 1.** Dynamics of FDI inflows into Ukraine between 2003 and 2024

**Source:** based on Official website of the National Bank of Ukraine (n.d.), State Statistics Service of Ukraine (2025), Official website of the Ministry of Economy, Environment and Agriculture of Ukraine (n.d.)

Analysing foreign investments by type of activity, it is worth noting that investments were directed to developed, and simultaneously less technology- and science-intensive, areas of economic activity, where new products appear quickly, the assortment changes, costs were quickly compensated and commercial risks were low. The leaders in attracting foreign direct investment were industry as a leader in foreign investment (37.6-43.7%), in particular in processing industry (23.7-26.3%), wholesale and retail trade and repair of motor vehicles and motorcycles (14-15.9%), real estate transactions (7.7-10.5%), financial and insurance activities (18.4-19.6%), and it does not require long-term investments and the development of new technologies, mining industry and quarrying (7.3-13.1%). The least FDI was allocated to healthcare and social assistance

(0.2-0.3%), education (0.04-0.08%), construction (0.7-2%), administrative and support services (0.7-3.4%), agriculture, forestry and fisheries (2.7-4.6%), professional, scientific and technical activities (1.5-3.56%), communications and telecommunications, transport, warehousing, postal and courier activities (3.54-4.61%), art, sports, entertainment and recreation (0.32-2%), water supply; sewage, waste management (0.1%). The low investment attractiveness of these industries can be explained by high-risk for investment, as they involve long-term investments, implementation and development of new technologies, as well as innovations and management practices (Official website of the National Bank..., n.d.). Figure 2 presented changes in the composition of foreign direct investment in Ukraine by economic sector from 2007 to 2024.



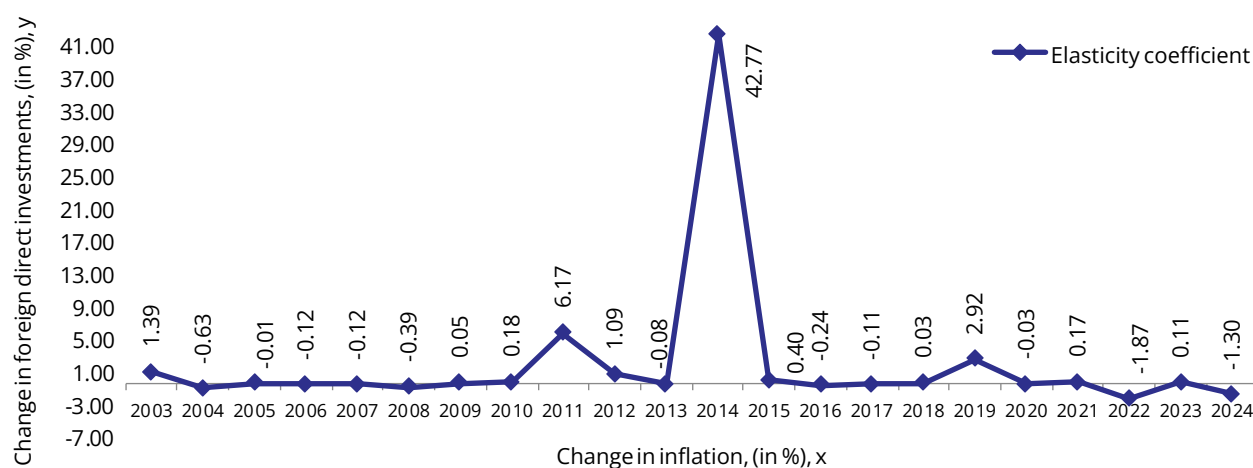
**Figure 2.** Dynamics of the structure of FDI into Ukraine by type of economic activity as of 2007-2024 period (USD million)  
**Source:** based on Official website of the National Bank of Ukraine (n.d.), State Statistics Service of Ukraine (2025), Official website of the Ministry of Economy, Environment and Agriculture of Ukraine (n.d.)

FDI in the Ukrainian economy is based on more than 100 countries, but the majority of the inflows came from Cyprus, but its equity capital continues to displace the capital of developed countries from the Ukrainian economy, the Netherlands, Switzerland, Germany, the United Kingdom. In Ukraine, there were insignificant volumes of foreign investments made by "newly industrialised countries" – Taiwan, Hong Kong, Singapore, also it was Austria, Luxembourg, and France (Official website of the National Bank..., n.d.). FDI was one of the key factors in Ukraine's integration into EU. Cooperation with the EU, which had been ongoing since 1993 (Resolution of the Verkhovna Rada of Ukraine No. 3360-XII, 1993), involved the exchange of experience, technologies and investments, visa-free travel. Since 2017, Ukrainians travelled without a visa or obtain a visa on the spot to 144 countries. Also, it was accepted Association Agreement between European Union and European Atomic Energy Community and their Member States, of one part, and Ukraine, of other part (2017) and EU candidate status (June 23, 2022) were received. Given that rising global inflation can lead to a decline in investment activity, the study examined the relationship between changes in inflation and fluctuations in the level of foreign direct

investment (FDI) in Ukraine. Accordingly, economic data related to FDI and inflation were analysed as of 2003-2024 period using the elasticity coefficient formula had been analysed:

$$E_{xy} = \left[ \frac{d \ln y}{d \ln x} \right] = \left[ \frac{dy}{dx} \times \frac{x}{y} \right]. \quad (2)$$

A positive elasticity coefficient indicated that FDI increased as inflation rises, which may suggest that investors expect higher returns in an inflationary environment (e.g., due to currency depreciation or asset revaluation). A negative coefficient implied that higher inflation discouraged investment, possibly due to increased uncertainty and cost pressures. The analysis employed the elasticity coefficient, which measured the percentage change in FDI in response to a 1% change in inflation. This identified how inflation affected FDI inflow. This approach demonstrated how sensitive Ukrainian investment climate was to inflationary shocks and provided a basis for forming anti-inflationary and investment-stimulating policy measures. Figure 3 shown how changes in inflation influence FDI dynamics, specifically whether inflationary shocks constrain investment or, conversely, re accompanied by its growth.



**Figure 3.** Elasticity coefficient of FDI relative to inflation trends in Ukraine from 2003 to 2024

**Source:** based on Official website of the National Bank of Ukraine (n.d.), State Statistics Service of Ukraine (2025), Official website of the Ministry of Economy, Environment and Agriculture of Ukraine (n.d.)

Figure 3 demonstrated a high degree of variability in the indicator, with elasticity alternating between positive and negative values, often showing considerable fluctuations. Periods of weak sensitivity (values close to zero) indicated years, when inflation was almost unrelated to changes in FDI, while periods of heightened sensitivity ( $|E| > 1$ ) reflected cases, when investment responded

sharply to inflationary shifts. Distinct peaks included positive ones in 2003 (~1.39), 2011 (~6.17), 2012 (~1.09), 2019 (~2.92), and especially 2014 (~42.77), as well as negative ones in 2022 (-1.87) and 2024 (-1.30). Thus, before and after the global financial crisis, as well as during period of military shocks, the response of FDI to inflation could change both in sign and magnitude (Table 1).

**Table 1.** Elasticity coefficient between changes in FDI and inflation

| Year | Change in FDI, (in %), y | Change in inflation, (in %), x | Elasticity coefficient |
|------|--------------------------|--------------------------------|------------------------|
| 2002 | 10.1                     | 0.6                            |                        |
| 2003 | 102.1                    | 8.2                            | 1.39                   |
| 2004 | 21.3                     | 12.3                           | -0.63                  |
| 2005 | 304.3                    | 10.3                           | -0.01                  |
| 2006 | -23.8                    | 11.6                           | -0.12                  |
| 2007 | 60.7                     | 16.6                           | -0.12                  |
| 2008 | 7.4                      | 22.3                           | -0.39                  |
| 2009 | -53                      | 12.3                           | 0.05                   |
| 2010 | 23.7                     | 9.1                            | 0.18                   |
| 2011 | 21.8                     | 4.6                            | 6.17                   |
| 2012 | 2.6                      | 0.2                            | 1.09                   |
| 2013 | -43.3                    | 0.5                            | -0.08                  |
| 2014 | -92.7                    | 24.9                           | 42.77                  |
| 2015 | -263.1                   | 43.3                           | 0.40                   |
| 2016 | -1032.2                  | 12.4                           | -0.24                  |
| 2017 | -2.9                     | 13.7                           | -0.11                  |
| 2018 | 21.1                     | 9.8                            | 0.03                   |
| 2019 | 16.9                     | 4.1                            | 2.92                   |
| 2020 | -118.2                   | 5                              | -0.03                  |
| 2021 | -824.7                   | 10                             | 0.17                   |
| 2022 | -91                      | 26.6                           | -1.87                  |
| 2023 | 575                      | 5.1                            | 0.11                   |
| 2024 | -23.3                    | 12                             | -1.30                  |

**Source:** based on Official website of the National Bank of Ukraine (n.d.), State Statistics Service of Ukraine (2025), Official website of the Ministry of Economy, Environment and Agriculture of Ukraine (n.d.)

Table 1 confirmed that elasticity values frequently shifted. Negative coefficients (indicating a restraining effect of inflation on FDI) were recorded in 2004, 2005

(almost zero), 2006, 2007, 2008, 2013, 2016, 2017, 2020, 2022, and 2024. Positive coefficients (indicating a concurrent increase in FDI with inflation) were observed

in 2003, 2009, 2010, 2011, 2012, 2018, 2019, 2021, and 2023. Small absolute values (close to zero) highlighted weak or unstable short-term reactions of FDI to inflation, for example in 2005 (-0.01), 2009 (0.05), 2010 (0.18), 2018 (0.03), 2020 (-0.03), 2021 (0.17), and 2023 (0.11). Major positive spikes were recorded in 2011 (6.17, strong positive sensitivity), 2014 (42.77, an exceptionally high value), and 2019 (2.92, notable positive elasticity). Such jumps typically signal conditions (structural shifts, shocks, or changes in the sign or scale of base values), when even minor relative changes in one variable were accompanied by very large relative changes in the other. Large negative coefficients were found in 2022 (-1.87) and 2024 (-1.30), years in which inflation coincided with a significant reduction in FDI, supporting the hypothesis of a repelling effect of inflationary uncertainty during shocks. "Change in FDI" column also revealed substantial percentage shifts in some years (e.g., -1032.2% in 2016, -824.7% in 2021, +575% in 2023). This occurred when net FDI, which can change sign or approach zero, was measured; in such cases, relative changes became explosive, leading to sharp fluctuations in elasticity.

Overall, the analysis revealed a long period of high volatility in elasticity. Some reactions shown nearly neutral, others exhibit strongly positive (2011, 2014, 2019), and still others markedly negative (2022, 2024) sensitivity. Thus, both the graph and the table illustrated the degree and direction of FDI responsiveness to inflationary changes across different periods. This approach demonstrated the investment climate under inflationary pressures, identifying, when inflation stimulated FDI (positive elasticity) and when it restrained it (negative elasticity). Based on this dynamic, the authors concluded that there was a need for anti-inflationary and

investment-stimulating policies aimed to reduce uncertainty, mitigate risks, and sustain investment even during periods of economic shocks.

The processes of internationalisation and globalisation contributed to increase in employment, stabilisation of currency circulation and exchange rates, strengthening of the interdependence of national economies, stability and uniformity of economic growth, increase in welfare and improvement of the quality of life, as well as opening the way to global markets for goods, capital and technologies. The main part of FDI was transferred by transnational corporations (TNCs), as well as large state corporations, national welfare funds and private foundations. Transnationalisation of Ukrainian enterprises in modern realities can be an economic tool that shapes new directions of social development. Transnational corporations possessed significant resources, technologies, and experience in doing business in the global market, which can be a substantial factor in increasing the competitiveness of the national economy, stimulating economic growth, attracting foreign investment, introducing innovative management practices, as well as creating new jobs in Ukraine. However, TNCs can influence the political decisions of recipient countries by interfering in internal affairs, engaging in corruption, and lobbying for personal interests through local government officials. TNCs can also try to force local producers out of the market by monopolisation and high prices. To implement economic transformations, FDI must come in the form of new equipment, technologies, know-how, and patents. The advantages and disadvantages of FDI attraction, as well as factors with negative effect on the functioning of the investment market in Ukraine, were analysed and systematised (Table 2).

**Table 2.** Characteristics of FDI

| <b>Advantages of FDI attraction</b>                                                                                                                                                                                               | <b>Disadvantages of FDI attraction</b>                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FDI is a fundamental parameter of the reproduction process, which determines the possibilities of renewing fixed capital, conducting structural reforms, and sustainable long-term economic and social development of the country | Exploitation of the natural resource base of investments recipient.<br>Negative impact on the natural environment.<br>Increasing dependence on foreign capital         |
| FDI is a main lever for activating and sustainable investment processes at the regional level                                                                                                                                     | Factors (risks) that have a negative impact on investment market in Ukraine:                                                                                           |
| FDI contribute to the implementation of structural reforms and restructuring; as well as the development of scientific and technical potential                                                                                    | 1) Economic risks (global economic recession, economic crises, financial turbulence, high inflation, national currency devaluation, rising unemployment, falling GDP). |
| FDI affect scientific and technological progress, improving the standard of living of the population, and changing the quantitative and qualitative indicators of internal economic activity                                      | 2) Political risks (political instability, low level of public trust in authorities, coups).                                                                           |
| FDI contribute to the diversification of the industrial base. Industrial and export potential is increasing on a new scientific and technical basis, and opportunities are created for accelerating the pace of economic growth   | 3) Security risks (security issues for businesses and investors, threats of terrorism and crime, geopolitical and military conflicts).                                 |
| FDI can address the problems of technological renewal of fixed assets of the enterprise                                                                                                                                           | 4) Foreign exchange market risks (currency crises, national currency instability – significant fluctuations in the national currency on the foreign exchange market).  |
| FDI contribute to an increase; in the income level and purchasing power, in social payments, and in budget revenues                                                                                                               | 5) Imperfection of the tax, financial, customs and investment insurance systems.                                                                                       |
| FDI are one of the key indicators of the ability of industrial enterprises to market transformations through new technological processes and innovative methods of organising industrial production                               | 6) High level of monopolisation of certain sectors.                                                                                                                    |

Table 2, Continued

| Advantages of FDI attraction                                                                                                                                                                                                                                                                                                                                                               | Disadvantages of FDI attraction                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FDI contribute to the introduction of modern progressive types of equipment, as well as managerial, experience and practical skills; comprehensive use of resources; reduction of dependence on imports; achievement of socio-economic effect (through improving internal economy, social standards, welfare, the effectiveness of market transformations and stable economic development) | 7) High level of dependence of the national economy on a limited circle of foreign investors.<br>8) Offshore zones cause significant outflow of capital, which reduces tax revenues to the budget.<br>9) High level of corruption.<br>10) Shadow economy.                               |
| FDI provide an opportunity to stimulate priority sectors, in which there is a lack of available free resources                                                                                                                                                                                                                                                                             | 11) Impoverishment, which harms national reputation.                                                                                                                                                                                                                                    |
| FDI can help Ukrainian companies gain access to new markets and resources, as they contribute to the creation of mutually beneficial economic ties between Ukraine and other countries, increase the competitiveness of national companies, as well as transfer the latest technologies and know-how                                                                                       | 12) Distrust in the protection of investor interests.<br>13) Bureaucracy (excessive bureaucracy in the processing of investment contracts).<br>14) Deficiencies of the tax system and the system of investment insurance (lack of an effective system of foreign investment insurance). |
| FDI promote new progressive methods of work and means of production                                                                                                                                                                                                                                                                                                                        | 15) Limited channels of profit repatriation (mainly by exporting manufactured products of the extractive and raw materials industries that are in demand on global markets).                                                                                                            |
| FDI is part of globalisation, internationalisation of production processes, transnationalisation of the international finance system, and intensification of global trade cooperation                                                                                                                                                                                                      | 16) Deficiencies in the legislative framework (inconsistency of current regulatory documents regulating investment activities, as well as imperfection, inconsistency and instability of regulatory support).                                                                           |
| FDI form support for small and medium-sized enterprises. FDI stimulate the development of infrastructure                                                                                                                                                                                                                                                                                   | 17) High tax pressure on enterprises capital and unfavourable tax climate for investors.<br>18) Different business conditions for internal and foreign investors.                                                                                                                       |
| FDI optimise the use of internal resources                                                                                                                                                                                                                                                                                                                                                 | 19) Low level of national investment management.<br>20) Low efficiency of national stock market.                                                                                                                                                                                        |
| FDI contribute to the establishment of market mechanisms and the integration into global economy                                                                                                                                                                                                                                                                                           | 21) Lack of guarantees for securing the property rights of foreign investors.                                                                                                                                                                                                           |
| FDI contribute to the launch of new investment projects                                                                                                                                                                                                                                                                                                                                    | 22) Low international competitiveness rating.<br>23) Low level of savings and lack of effective mechanisms for transforming these savings into investments.                                                                                                                             |
| FDI can compensate for the deficit of internal investment resources, open the way to global markets of goods, capital and technologies                                                                                                                                                                                                                                                     | 24) russian-Ukrainian war                                                                                                                                                                                                                                                               |
| FDI are an indicator of the international attractiveness of the recipient country, a sign of the quality of the investment climate and a key indicator of the country's competitiveness in the international capital market                                                                                                                                                                |                                                                                                                                                                                                                                                                                         |
| FDI are substantial in creating conditions for overcoming the economic crisis                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                         |
| FDI are crucial in supporting the national economies, especially developing countries, to participate in international trade by facilitating the flow of capital, labour and technology (knowledge). Attracting investment contributes to the creation of a positive investment image, ensures the fastest and most powerful development                                                   |                                                                                                                                                                                                                                                                                         |

**Source:** based on N. Kozii & V. Prachuk (2023), V. Palekhova (2023), K. Shchur & I. Hrinko (2023), R. Bansal & D. Maiti (2024), T. Kovalchuk & D. Vara (2024), Eurostat (n.d.)

FDI was relevant for Ukrainian enterprises with a high level of depreciation of fixed assets, i.e., it affected the process of production technical modernisation and restructuring of enterprises. Investments improved working conditions; increased the number of workplaces, improved employment and production efficiency (growth and development of production, increase in its capacity, technological level, development and release of new, high-tech products), re-equipped enterprises, which increased the competitiveness of internal products and services in internal and foreign markets (accordingly, the volume of exported goods will increase). Moreover, it ensured GDP growth, reduction of unemployment and a positive impact on balance of payments, which appeared as an increase in exports of internal products and a decrease in imports due to investment in industries, where the volume of production was small, and demand was satisfied through imports.

Moreover, the study analysed two main indicators related to FDI. Ukraine ranked 104<sup>th</sup> out of 180 countries, receiving 36 points out of 100 possible in the Corruption Perceptions Index (CPI) for 2023. Meanwhile, Ukraine ranks 60<sup>th</sup> among the 133 economies featured (34<sup>th</sup> among the 39 economies in Europe and 4<sup>th</sup> among the 38 lower-middle-income group economies) in GII 2024 (State Statistics Service of Ukraine, 2025). Despite the ongoing war initiated by Russia, which caused suspension of thermal power plants, nuclear power plants, hydroelectric power plants, blocking of ports, interruption of logistics routes, destruction of highways, Ukraine continued to present a promising and dynamic market for foreign investors. Moreover, the prospect of European integration significantly expanded the scope for future investment opportunities. Furthermore, measures to improve the investment climate, as well as the measures required to promote the attraction of additional foreign investment, were analysed (Table 3).

Table 3. FDI measures

| Implemented measures aimed to improve the investment climate                                                     | Measures to be taken to promote the attraction of additional foreign investments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Some administrative procedures were simplified in favour of deregulation of economic activity                    | 1) Increase of competitiveness and therefore ensuring sustainable socio-economic development to increase economic prosperity.<br>2) Ensuring of transparency in state financial support for investment projects aimed to solve priority tasks of socio-economic policy.<br>3) Reduction of bureaucracy.<br>4) Strengthening of the anti-corruption policy.<br>5) Reforming foreign economic, tax and social legislation.                                                                                                                                                                                                                                                                                                                                                                                              |
| Corporate legislation has been improved by strengthening the protection of participants in business partnerships | 6) Creating of conditions for the transition to an investment and innovation model of economic development.<br>7) Improving of methodology for developing, evaluating and selecting investment projects.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Control over currency transactions has been reduced                                                              | 8) Defining the principles and mechanisms of public investment for the implementation of projects that require state financial support.<br>9) Monitoring the effective use of budget funds provided for investment projects.<br>10) Implementation of state monitoring on investment activities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Some issues of accounting for the foreign investors rights and protecting their rights have been resolved        | 11) Creating conditions for attracting investments in international capital markets.<br>12) Promoting of efficiency and transparency in public-private partnership mechanisms.<br>13) Increasing of banking system stability by stimulating the inflow of foreign capital into the banking sector.<br>14) Stabilisation of national currency exchange.<br>15) Strengthening of a control over currency transfers to offshore zones.<br>16) Increasing the solvency of national consumers to contribute into internal market development.<br>17) Intensification of transport and market infrastructure development.<br>18) Activation of free economic zones following innovative global experience.<br>19) To increase investment in education for the purpose of preparation qualified and competitive specialists. |
| Administrative procedures and deregulation of economic activity have been simplified                             | 20) Stimulating the development of energy-saving technologies and a green economy.<br>21) Ensuring administrative, legal and judicial protection of the rights and legitimate interests of investors.<br>22) Strengthening investment protection through the foreign investment insurance mechanism.<br>23) Optimisation of the taxation system for foreign investors.<br>24) Stimulating the simplified taxation mechanism.                                                                                                                                                                                                                                                                                                                                                                                          |
| Corporate legislation has been improved                                                                          | 25) Improvement of the mechanism of codification of legislation in the investment sphere.<br>26) Development of promising sectors (industry, IT hubs, laboratory research).<br>27) Creation of new and renewal of existing enterprises whose activities are related to critical infrastructure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Control over currency transactions has been reduced                                                              | 28) Sectoral deregulation of administrative services.<br>29) Reduction of foreign exchange risks.<br>30) Transparent privatisation.<br>31) Improvement of concession legislation.<br>32) Simplification of business opening and closing processes.<br>33) Improving of mechanisms for protecting property rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| The issue of accounting of foreign investors rights has been resolved                                            | 34) Adoption of customs, investment, credit and depreciation policies in accordance with international standards.<br>35) Creation of institutions that would be involved into mobilising investment resources for specific investment projects and programmes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Source:** based on R. Bilyk et al. (2023), K. Shchur & I. Hrinko (2023), V. Du & I. Lishchynskyy (2024), A. Katitas & S. Pandya (2024)

A prerequisite for attracting foreign investment was a legal and economic climate in the country, which created a positive image and favourable conditions for business development. Thus, state must ensure a stable legal framework for doing business. Therefore, a substantial task of state investment policy was to implement effective state regulation of investment processes through the optimal combination of state and market levers through

legislative and regulatory acts, which will increase the investment attractiveness of Ukraine, stimulate the attraction of strategic foreign investors to the economy, as well as make a contribution to the growth of the competitiveness of the Ukrainian economy. Therefore, Ukraine adopted several modern legislative and regulatory acts to support strategic foreign investors, the main provisions of which were analysed and systematised in Table 4.

**Table 4.** Characteristics of FDI legislation

| Law, year of adoption                                                  | Main statements                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Law of Ukraine No. 1560-XII (1991)                                     | Governing investment activity in Ukraine is designed to support the implementation of economic, scientific, technological, and social policy objectives. It operates in alignment with national and regional economic development programmes, state and local budgets, and predetermined economic and social development indicators. Law ensures the effective operation and enforcement of the investment regulatory framework                 |
| Law of Ukraine No. 5080-VI (2012)                                      | Provides thorough descriptions of the following meanings: corporate and unit funds; assets, securities, entities, disclosure of information as well as regulation of collective investment activities                                                                                                                                                                                                                                           |
| Law of Ukraine No. 1540a-XII (1991)                                    | Foreign investors must comply with the laws and regulations of Ukraine. Foreign investors may reinvest profits in Ukraine. Foreign investors must pay taxes established by the laws and regulations of Ukraine                                                                                                                                                                                                                                  |
| Law of Ukraine No. 93/96-VR (1996)                                     | Establishes the legal framework governing the foreign investment regime in Ukraine. It regulates the execution of foreign investments through concession agreements, contracts for production cooperation, joint ventures, and other forms of collaborative investment activities                                                                                                                                                               |
| Law of Ukraine No. 1390-VIII (2016)                                    | The objective of this Law is to streamline the process of attracting foreign investments while minimising opportunities for corruption during their official registration                                                                                                                                                                                                                                                                       |
| Law of Ukraine No. 2058-VIII (2017)                                    | This Law regulates the basic aspects of obtaining a permit for the employment of foreigners and a temporary residence permit. It also grants the right to obtain a temporary residence permit in Ukraine to foreign investors, who have a significant stake in Ukrainian enterprises, but are not employed at the enterprise                                                                                                                    |
| Law of Ukraine No. 5018-VI (2012)                                      | Regulates issues related to: the right to create industrial parks; its selection, use and arrangement; procedure and conditions for creating; agreement on the creation and functioning; rights and obligations of the initiator of creation, the managing company, powers of the authorised state body; economic activity within the industrial park; its state stimulation and liquidation                                                    |
| Law of Ukraine No. 1116-IX (2020)                                      | Formalises the concept and legal framework of the special investment agreement and outlines guarantees for the rights of investors engaged in such projects. It defines the mechanisms of state support available to these projects. As part of its institutional support, the government has established the state body "Office for Investment Attraction and Support" to facilitate and coordinate efforts in this area                       |
| Resolution of the Board of the National Bank of Ukraine No. 280 (2005) | The purpose of this resolution is to regulate the procedure for implementing foreign investments in Ukraine and return of investment, as well as the return of profits, income received from investment activities in Ukraine                                                                                                                                                                                                                   |
| Law of Ukraine No. 1710-IX (2021)                                      | Approves state administration of creation and operation of industrial parks in Ukraine as well as restrictions on the creation of industrial parks                                                                                                                                                                                                                                                                                              |
| Resolution of the Verkhovna Rada of Ukraine No. 2648-IX (2022)         | Aims to enhance the mechanism for attracting private investment through public-private partnerships, with the goal of expediting the reconstruction of war-damaged infrastructure and supporting the development of new facilities essential to Ukraine's post-war economic restructuring                                                                                                                                                       |
| Law of Ukraine No. 3497-IX (2023)                                      | The Law seeks to broaden the mandate of the Export Credit Agency by enabling it to provide investment insurance to both foreign and Ukrainian investors, including coverage against war-related risks. This insurance is available exclusively for investments directed toward the establishment of facilities and infrastructure that support the development of the processing industry and the export of Ukrainian goods, services, or works |

**Source:** developed by the authors

In 2022, an investment initiative – electronic platform to attract potential foreign investors Advantage Ukraine (n.d.) – was developed by WPP group with the support of the President of Ukraine. In addition to innovative technologies, the initiative covered: electric power, defence logistics and infrastructure, agriculture, construction, pharmaceuticals, natural resources, metallurgy and metalworking, furniture and woodworking industries (Ukraine offered potential opportunities worth over USD 400 billion). Similarly, increase of FDI in the economic, social and environmental spheres to ensure the stability of Ukraine will lead to an improvement in the well-being of citizens. The post-war recovery system

should ensure the stability and security of investments – protecting investors, businesses and infrastructure from possible threats, providing guarantees of investment security. Furthermore, FDIs contribute to the creation of a positive investment climate – improvement of the legal system, simplification of administrative procedures, guarantees of property rights and protection of investments. The use of flexible state financial instruments, such as tax breaks, grants, loans to support and stimulate investments in central sectors of the economy, was effective in activating investment policy in the conditions of war and post-war recovery. Thus, within the framework of the project "Affordable loans 5-7-9%", a programme

was being implemented, according to which the state compensated business entities for part of the credit burden, and loans can be issued for investment purposes.

The Partnership for sustainability award (2025) programme provided the mobilisation of additional financial resources based on investment incentives. Investments for Ukraine were a key tool for achieving sustainable development goals by 2030. Ukraine's strategic document on attracting FDIs – the National Economic Strategy 2030 (n.d.) – defined that achieving investment attractiveness was one of the main directions of the state's strategic course to ensure an appropriate level of well-being and self-realisation of every citizen of Ukraine. Thus, Ukraine should become a competitive environment with highly profitable, diversified and sustainable investment opportunities. The government of Ukraine had developed and implemented several measures and programmes aimed to assist businesses during this difficult period. One of the key instruments was the state programme "Affordable loans 5-7-9%" and the USAID project "Financial sector reform" created to provide comprehensive support to enterprises in Ukraine, promote the restoration of economic activity in the de-occupied territories, and stimulate the development of priority industries. Similarly, a substantial vector for attracting investors was tax policy following the principles of taxation in the system of taxes and fees, their establishment and introduction, fulfilment of tax obligations, the legal status of participants in tax legal relations, the mechanism of tax control and liability, appeals, which were implemented on the basis of equality, transparency and simplicity, and stability of tax support (Official website of the Ministry of Economy..., n.d.).

A substantial prerequisite for improving the investment environment in Ukraine was the insurance of FDI. The use of insurance mechanisms will make it possible to support investment activity by sharing risks between investors and the state or international donors. In addition, war risk insurance was one of the main prerequisites for attracting FDIs and mobilising financial instruments. The EU, alongside international partners, introduced war risk insurance to create the necessary conditions for attracting private investments and business to the post-war reconstruction of Ukraine. Thereafter, it was necessary to involve insurance companies in the establishment of investment activity. Accordingly, the Ministry of Economy of Ukraine reached an agreement with the Multilateral Investment Guarantee Agency (MIGA), institution of the World Bank Group for research, collection, and dissemination information to facilitate investment promotion to launch a mechanism for insurance of investments during hostilities. MIGA had proposed a pilot project for Ukraine worth USD 30 million to provide guarantees for foreign investors. The instrument for implementing the pilot project was MIGA instrument – Political Risk Insurance with the developed insurance product War Risk Insurance. The presence of

such an insurance mechanism will create the possibility of returning investors' funds in the event of partial or full loss. MIGA provided guarantees for insurance of war risks in Ukraine from the Support for Ukraine's Reconstruction and Economy Trust Fund. For example, in 2023, Japan provided a contribution of USD 23 million to cover military risks, which was directed to MIGA. Also in 2023, the Ukrainian DFI G7 Investment Platform was created in Japan under the leadership of the EBRD (European Bank for Reconstruction and Development) (Eurostat, n.d.).

Export Credit Agencies (ECAs) of the G7 countries provided support to export-oriented enterprises of the respective countries in a way that reduced the risks associated with investing in foreign markets, in particular, through insurance coverage against risks associated with military conflicts. The American Development Finance Corporation (DFC) provided support to companies doing business in low- and middle-income countries. The corporation was created to attract foreign investment in infrastructure, energy, and agricultural development projects. DFC was considering the possibility of insuring projects initiated by Ukrainian investors (Eurostat, n.d.). The idea of creating investment funds to invest exclusively in Ukraine had been presented in Britain. The UK's National Export Credit Agency had pledged to allocate up to UAH 200 million to insure political and military risks for British investors considering investment opportunities in Ukraine. Approximately 10 potential strategic investors from the UK were considering projects in the defence-industrial complex, shipbuilding, IT, energy, and infrastructure. The German Ministry of Economics provided risk coverage for its investors through the Investment Guarantee Scheme, for the purpose of investing by German companies in Ukraine. Due to this instrument, the government protected German investors against political risks. The governments of the G19 countries, the European Commission, and the World Bank were also ready to provide support in insurance of investments field against war risks in Ukraine (Eurostat, n.d.).

Aon, a global insurance and reinsurance broker, and the EBRD had announced the launch of the EUR 110 million Ukraine Recovery Guarantee Facility (URGF). The initiative aimed to support reinsurance for international reinsurers and Ukrainian insurance companies covering risks related to the war in Ukraine. The US Development Finance Corporation (DFC) announced new USD 357 million political risk insurance in Ukraine. Fujikura (Japan) and Nexans (France) were developing industrial production in the Lviv region, Biocodex (France) was investing in the pharmaceutical market, Austrian investments were coming into the banking and insurance sectors, Switzerland was investing in industry, Polish investments were allocated to the agricultural sector, infrastructure, and the transport sector (Eurostat, n.d.). Moreover, in the context of full-scale Russian military aggression against Ukraine and the introduction of martial law, the restoration and further innovative development of the

Ukrainian economy required a constant increase of investment potential. Similarly, the restoration of Ukrainian enterprises affected by the war is central for ensuring jobs, tax revenues, and GDP growth, and one of the sources of Ukraine's recovery should be foreign investment. National Council of Ukraine has developed a reconstruction and recovery plan, which envisaged attracting USD 750 billion in investment over 10 years (Official website of the Ministry of Economy..., n.d.).

Ukraine should introduce domestic military and technology developments, Ukrainian government was also considering providing military insurance services, i.e., insurance against military risks. Military-tech market depended on developments in the fields of artificial intelligence, robotics, drones, cloud computing and cybersecurity and on attracting investments that contributed to the establishment of industrial production. In addition, Ukraine possessed substantial investment potential and maintains significant prospects for attracting foreign investment despite the ongoing devastating Russian war. In the context of substantial challenges, most enterprises had successfully adapted, ensuring operational continuity, profitability, and development, thereby contributing to the preservation and growth of the country's investment potential (Heraus, 2024). The high degree of resilience and adaptability demonstrated by Ukrainian enterprises under wartime conditions was a key factor supporting the sustained formation of this investment capacity.

Therefore, state policy should include the provision of tax and credit benefits, grant programmes, and financing for strategically relevant wartime sectors. Investments in scientific research and development should be combined. Subsequently, Ukraine should prioritise the development and support of strategically critical sectors during wartime, including the defence-industrial complex, energy, logistics and infrastructure, agro-industrial complex, industrial manufacturing, innovative technologies, metallurgy and metalworking, pharmaceuticals, natural resource extraction, as well as woodworking and furniture production. Ukrainian IT, agriculture, the financial sector, infrastructure, logistics, alternative energy, minerals, and the defence industry are most popular among foreign investors. Furthermore, several sectors are promising for investment: agricultural sector (Ukraine is a large producer of grain, vegetables, and fruits, thus, investments can provide positive results, given the high global demand for agricultural products), IT sector (Ukrainian IT industry is highly developed and has notable investment opportunities, thus IT startups investments will attract financing for businesses in the high-tech sector), real estate, processing industry, essential products – in war time, sales of essential products (light industry, food, medical supplies, infrastructure, export-oriented industries) were stable.

Furthermore, investment potential of Ukrainian promising sectors should be considered. Construction –

investments into infrastructure will be in high demand after the war, about three million Ukrainians lost their homes, and a third of the infrastructure was damaged. It is estimated that USD 486 billion was needed to restore the country (Official website of the Ministry of Economy..., n.d.). Military-industrial complex – investments in Ukrainian defence industry will strengthen European continent's security and deter Russian aggression. Information technology – as of 2024, Ukraine ranks global fourth in terms of exports of IT products and services, as well as the volume of financial transactions using mobile devices. In 2024, the share of the IT sector in GDP was 4.4%. Renewable energy – geographical conditions, potential for electricity production from biogas, intense solar radiation, high wind speed created a green tariff and made investments in this sector attractive. Ukraine had set a goal to increase the share of renewable energy in electricity production to 25% by 2035. Wind Energy – before the full-scale invasion, there were 34 wind farms operating in Ukraine, about 80% of the wind generation was temporarily occupied or damaged. Bioenergy – development of investments in bioenergy reduced greenhouse gas emissions and traditional fossil fuels dependency, created new jobs in rural areas (State Statistics Service of Ukraine, 2025).

Hydropower – Ukrainian hydropower sector had suffered significant losses due to Russian invasion, approximately 45% of hydroelectric power capacity was destroyed. The development of hydropower in Ukraine can be strengthened by investing in construction of new facilities as well as the restoration of damaged and destroyed stations. Nuclear energy – Ukraine is one of the leaders in the field of electricity production in Europe and has prospects for the development of small modular nuclear reactors. Natural resources – more than 20 thousand deposits of 117 types of mineral raw materials were discovered in Ukrainian soil. Logistics and infrastructure – Ukraine has a well-developed and extensive transportation infrastructure, comprising a wide network of railways, highways, seaports, river ports, and airports. Agriculture is the engine of the Ukrainian economy. Due to its potential, Ukrainian primary agricultural export crops included grain and fodder crops, particularly wheat, corn, and barley, as well as sunflower, sugar beet, tobacco, legumes, fruits, and vegetables. Therefore, agriculture is a key sector for investment (State Statistics Service of Ukraine, 2025). Moreover, Ukraine is global largest exporter of sunflower oil and the third largest global exporter of grain (annual export amounts to 50-60 million tons). Hence, the government had developed Order of the Cabinet of Ministers of Ukraine No. 1163-r (2024), which was a continuation of the previous agricultural strategy, defined in Order of the Cabinet of Ministers of Ukraine No. 595-r (2019). Nevertheless, foreign investment will give an opportunity to develop agricultural clusters that would contribute to the design, development, and manufacture of agricultural

machinery, which will make it possible to increase the export of agricultural products (Decree of the Cabinet of Ministers of Ukraine No. 260-r, 2019).

The research relevance is determined by the critical role of foreign direct investment in financing economic growth and supporting social development. Scientific studies underscored the multifaceted effects of FDI across various domains. For instance, M. Uddin *et al.* (2024) demonstrated the positive influence of FDI on financial technology and environmental efficiency within G20 countries. The study advocated for targeted tax incentives, such as credits or deductions, for companies investing in technologies that reduced environmental impact or enhance energy efficiency, particularly in the green finance sector. J.K. Novák *et al.* (2024) explored the relationship between trade liberalisation and FDI inflows using a mixed-methods approach. A significant positive correlation was identified between trade openness and foreign direct investment inflows: 1% increase in trade openness leads to a 0.5% increase in FDI inflows. Based on structural equation modelling, the study demonstrated that a 1% increase in FDI results in: a 0.3% increase in GDP growth a 0.2% increase in employment levels. Thus, an increase in FDI directly stimulated economic development. In Ukrainian context, T. Cherkashyna & K. Zahoruiko (2024) assessed investment attractiveness using the multidimensional average method. A five-component evaluation model was proposed, which the investment attractiveness was divided into five components: natural-resource, scientific-technological, economic, social, and political-institutional. The weight and significance of each component within the overall structure of investment attractiveness were assessed. W. Cheng *et al.* (2024) applied input-output analysis to show, that increased foreign shareholding across supply chains was positively associated with innovation, as indicated by quality-adjusted patent output. This study was the first to analyse foreignisation at the supply chain level using input-output tables; distinguish between different types of foreign ownership (OF vs. HMT) in the context of innovation; reveal the asymmetric impact of foreignisation on innovation in domestically owned enterprises (DOEs) versus foreign-owned enterprises (FOEs); compare the effectiveness of different innovation support mechanisms (institutions vs. subsidies). A. Katitas & S. Pandya (2024) used a multinomial logit model to classify FDI status across counties and validate this classification using historical indicators while also noting a lack of geographic expansion in internal investment. This study demonstrated the effectiveness of real government incentives (e.g., infrastructure spendings and training programmes) in attracting foreign manufacturing investment; employed an exogenous budgetary shock (ARRA Medicaid funding) as an instrument to establish a causal relationship between incentives and FDI; showed the geographic expansion of FDI into previously untouched counties; highlighted the polit-

ical motivations behind the allocation of incentives, such as electoral competition, swing counties, and the availability of idle industrial capacity; compared the effectiveness of different types of incentives – tax-based versus real (expenditure-based) incentives. R. Bansal & D. Maiti (2024) revealed a positive association between formal employment, foreign technology. The study employed innovative approach to the analysis of impact of capital inflows on formal employment through subcontracting networks; develop formal model of interaction between foreign investors, main contractors, and subcontractors; made empirical verification based on data from the Indian manufacturing sector. Moreover, the study revealed the role of strategic subcontracting as a mechanism to maximise investment benefits and dynamics within the informal sector. M. Kohut (2024) substantiated the feasibility of implementing the investment risk management process. The study provided the first comprehensive examination in Ukrainian economic literature of both positive and negative effects of TNCs on local development, considering current transformations in the global economy. The study highlighted how automation and digital technologies used by TNCs created new barriers to local labour force engagement, an issue not previously systematically analysed. O. Zhurba & Yu. Yasko (2024) determined a tendency to stimulate the growth of capital flows, and to increase inequality due to capital flows. A comprehensive methodology was proposed for assessing capital concentration, covering global financial flows and capital market integration. K. Ziatyna & N. Kushnir (2023) noted that global FDI flows tended to increase worldwide. The research provided new insights into the evolving patterns of FDI amid contemporary economic globalisation, highlighting the influence of geopolitical and economic factors on the redistribution of investment flows worldwide. The study proposed an updated conceptual framework for research of the changing geography and sectoral distribution of FDI, which enhanced the existing theoretical approaches by incorporating the impact of digitalisation and emerging markets. Ukrainian investment policy has developed unevenly, influenced by internal changes and external challenges. Capital mostly flowed into sectors with quick returns, while relevant but high-risk industries remained less attractive to investors. To ensure stable inflows, it is necessary to create a transparent and predictable environment, promote innovation and digital technologies, and implement reforms that strengthen investor confidence and support economic recovery.

## Conclusions

To secure a future characterised by innovation-driven foreign investments, it is necessary to implement comprehensive economic policies, prioritising national attractiveness to foreign direct investment. The issue of investment remained a strategic priority of the state

investment policy. The main principles of the restoration of investment policy were implementation of transparent and effective long-term reconstruction programmes. The study determined that to increase investment attractiveness, it is necessary to ensure judicial and anti-corruption reforms, the introduction of foreign investment insurance mechanisms, control over the level of investment risks, openness and transparency of the tax legislative framework, support for innovation and digital transformation, as well as increasing the competitiveness of industries. Thus, over the period 1991-2024, Ukraine attracted around USD 50 billion in FDI. FDI dynamics were marked by periods of both growth and decline. Peaks occurred in 2005, 2008, and 2012; sharp declines were recorded in 2014, 2015, and especially in 2022 due to full-scale war. Moderate recovery began in 2017 and continued in 2023 due to government incentives, though in 2024 FDI dropped by 19%. Meanwhile, FDI in Ukraine was mainly directed to low-risk, fast-return sectors: industry (37.6-43.7%), especially processing (23.7-26.3%), finance (18.4-19.6%), trade and vehicle repair (14-15.9%), real estate (7.7-10.5%), and mining (7.3-13.1%). Least attractive sectors included healthcare (0.2-0.3%), education (0.04-0.08%), construction (0.7-2%), agriculture (2.7-4.6%), and science (1.5-3.56%). FDI in Ukraine came from over 100 countries, with the largest shares from Cyprus, the Netherlands, Switzerland,

Germany, and the UK. Investments from newly industrialised countries were minimal.

Therefore, investment activity requires taking measures that would accelerate the inflow of internal and foreign capital into the economy of Ukraine, which contributed to the successful recovery of the economy, sustainable economic growth and welfare improvement. To achieve these goals, it is necessary to develop an effective investment strategy for reconstruction will help develop an optimal strategy for recovery by attracting foreign investors. Comparatively, the management decisions formulated in these areas were critical in shaping and executing Ukrainian investment policy. The state, which must create all the conditions for stimulating foreign investment, is central. The prospects for further research include the study of factors and instruments, the consideration of which can increase the effectiveness of foreign investment for the economy of Ukraine.

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### Conflict of Interest

None.

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## Суть та сучасні особливості залучення та управління іноземними інвестиціями в Україні

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**Анотація.** Метою дослідження було проаналізувати прямі іноземні інвестиції та їхній вплив на національну економіку. Було здійснено аналіз статистичних даних, у результаті якого встановлено, що більшість прямих іноземних інвестицій (37,6-43,7 %) спрямовувалися в промисловість, зокрема у переробний сектор (23,7-26,3 %), торгівлю (14-15,9 %) та фінансову діяльність (18,4-19,6 %), тоді як найменша частка припадала на освіту (0,04-0,08 %) та охорону здоров'я (0,2-0,3 %). Основними країнами-донорами іноземних інвестицій були Кіпр, Нідерланди, Швейцарія, Німеччина та Сполучене Королівство. Систематизовано переваги та недоліки залучення іноземних інвестицій, визначено ключові чинники, що негативно впливають на інвестиційний ринок України. Досліджено основні компоненти, які сприяли притоку прямих іноземних інвестицій. Надано визначення терміна «іноземні інвестиції», проаналізовано вже реалізовані заходи щодо покращення інвестиційного клімату, а також заходи, необхідні для стимулювання додаткового залучення іноземних інвестицій. Систематизовано основні положення законодавчих та нормативних актів, спрямованих на підтримку стратегічних іноземних інвесторів. Розглянуто інвестиційний потенціал перспективних секторів економіки України. Для відстеження динаміки прямих іноземних інвестицій було проаналізовано їхній обсяг в Україні у 2003-2024 роках. Розглянуто розподіл прямих іноземних інвестицій за основними видами економічної діяльності (2007-2024 роки) та за країнами походження. Досліджено кореляцію між змінами рівня прямих іноземних інвестицій та динамікою інфляції в Україні з використанням макроекономічних даних і коефіцієнта еластичності за період 2003-2024 років. Окрему увагу приділено впливу інтернаціоналізації, глобалізації та транснаціоналізації на прямі іноземні інвестиції. Обґрунтовано значення прямих іноземних інвестицій як рушія економічного розвитку України, визначено ключові виклики у сфері їх управління та подано рекомендації щодо вдосконалення інвестиційного менеджменту. Практична значущість дослідження полягає у внеску в підвищення ефективності управління прямими іноземними інвестиціями та сприянні зростанню національного добробуту

**Ключові слова:** прямі іноземні інвестиції; види економічної діяльності; глобальні інвестиційні потоки; інвестиційна привабливість; інвестиційне середовище; інфляція