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FEATURES OF ATTRACTING FOREIGN INVESTMENTS IN THE ECONOMY OF UKRAINE IN THE CONDITIONS OF ITS POST-WAR DEVELOPMENT

ОСОБЛИВОСТІ ЗАЛУЧЕННЯ ІНОЗЕМНИХ ІНВЕСТИЦІЙ В ЕКОНОМІКУ УКРАЇНИ В УМОВАХ ПОВОЄННОГО ЇЇ РОЗВИТКУ

The relevance of the topic is justified by the need to restore the national economy and support its stable development during and after the war. The purpose of the research is to determine the role of foreign investments in the recovery of the national economy, as well as to assess the problems of investment provision and identify ways to address investment challenges. To achieve the goal, methods of theoretical analysis, statistical analysis, as well as comparative economic analysis of foreign investment attraction practices in different countries of the world were used. The obtained results indicate the importance of foreign investments for the recovery and development of Ukraine's national economy, as well as identify key problems and possible tactics and strategies for their resolution. The work contains recommendations for increasing the level of investment development in Ukraine.

Key words: foreign investments, economy, countries, economic development, investment support.

Актуальність дослідження зумовлена необхідністю відновлення національної економіки та забезпечення її стабільного розвитку в післявоєнний період. Метою наукового дослідження є визначення ролі іноземних інвестицій у процесі економічного відновлення країни, а також аналіз викликів інвестиційного клімату та виявлення шляхів розвитку за рахунок іноземного інвестування. Основними джерелами інформації для наукового дослідження стали наукові статті, звіти міжнародних організацій, законодавчі акти та аналітичні матеріали з питань економіки та інвестиційного клімату в Україні. Такий підхід до аналізу інформаційних даних дозволив систематизувати та проаналізувати наявну інформацію з цієї теми, визначити основні

виклики та перспективи розвитку, а також розробити рекомендації для покращення інвестиційного клімату в Україні за рахунок залучення іноземних інвестицій. Методи дослідження включають теоретичний аналіз, оцінка статистичних даних, а також порівняльний економічний аналіз практик залучення іноземних інвестицій у різних країнах і можливості їх впровадження в національний інвестиційний простір. У процесі наукового дослідження вирішено наступні завдання: визначено роль іноземних інвестицій у відновленні економіки у воєнний та післявоєнний період; проаналізовано інвестиційний клімат та виявлено виклики, які ускладнюють залучення іноземних інвестицій; проведено огляд ключових секторів національної економіки, що потребують відновлення; обґрунтовано необхідність розробки стратегій розвитку для залучення іноземних інвестицій; досліджено перспективи залучення іноземних інвестицій для відновлення національної економіки. Результати цього дослідження мають практичне значення, а саме наукове дослідження включає практичні рекомендації з покращення інвестиційного клімату в Україні, базуючись на накопиченому досвіді та висновках дослідження. Данні висновки підкреслюють значення іноземних інвестицій як інструменту для економічного національного розвитку і спрямовуються на потребу у формуванні ефективної стратегії управління процесом іноземного інвестування для досягнення позитивних результатів для економіки країни. Отримані наукові результати можуть бути використані для розробки стратегії зовнішньоекономічного інвестиційного розвитку України та оцінки ефективності інвестиційного клімату на національному та міжнародному рівнях.

Ключові слова: іноземні інвестиції, економіка, країни, економічний розвиток, підтримка інвестицій.

Statement of the problem. In the modern world, where globalization plays a significant role, foreign investments in the national economy play a crucial role in stimulating economic growth, enhancing competitiveness, and developing the country. These investments are a key factor in the rapid development, modernization, and adaptation of the domestic economy to global challenges. This research is dedicated to analyzing and evaluating the possibilities of attracting foreign investments into Ukraine's economy following the conclusion of the conflict, which is a key strategy for economic recovery. In the context of post-war reconstruction, this becomes a particularly vital element of economic revitalization. Ukraine requires substantial financial resources for infrastructure restoration, sector development, and stimulating economic growth. The study of attracting foreign investments in this context is significant as it addresses new realities and challenges, necessitating further synthesis and in-depth analysis. The object of the research is the influx of foreign investments into the Ukrainian economy after the war, while the subject encompasses both theoretical and practical aspects of this process, its impact on the country's economic development, and implementation mechanisms.

Analysis of recent research and publications. Establishing and solidifying the definition of the analyzed category within Ukraine's legislation will enhance clarity and precision in regulating financial, economic, *investment relations* [1].

In the university textbook edited by Academician V.D. Bazylevych for students studying in economic disciplines, the term "financial system" is defined as a complex network of financial and *investment relationships* involving interconnected categories [2]. However, this interpretation does not encompass credit institutions, insurance organizations, *investment companies*, as well as stock intermediaries and exchanges within the financial system.

According to O.V. Kyzyl, the national financial system can be categorized based on the economic policies implemented by the state. These institutions then distribute these resources through lending or *direct investment mechanisms* on their behalf [3].

According to V.G. Fedorenko and V.B. Zakhosha, *foreign investments* encompass all types of assets invested in objects of investment activity in any country. However, this definition does not specify the specific objectives of investment. L.N. Pavlova states that *foreign investments* cover all types of tangible and intellectual assets that foreign investors inject into entrepreneurial and other activities with the aim of making a profit [4].

Hammer D. developed a new system to study the motivation behind significant *foreign investments* by corporations in the USA, departing from traditional theories. He believed that existing theories were insufficient to fully explain the emergence of this phenomenon and its motives [5].

The International Monetary Fund (IMF) defines foreign direct investment as investments made outside national borders with the aim of expanding the production of goods and services or for export to third countries [6].

Taking into account the rationale of scientific research by scientists on this topic, we note that the aspect of investment support for Ukraine from other countries in the period of its post-war economic development requires further scientific research.

Also, a more detailed analysis is needed to conduct a comparative assessment of the investment provision of different countries of the world in order to form an effective mechanism of foreign investment in the modern economic conditions of the country's development.

Formulation of the research task. The purpose of the article is to determine the role of foreign investments in the process of economic recovery of the country, as well as to analyze the challenges of the investment climate and identify ways of development through foreign investment.

Summary of the main research material. Foreign investments play a crucial role in stimulating economic development after a war. When foreign companies invest in the reconstruction and development of the economy following conflict events, it has several key effects.

Firstly, these investments stimulate production growth. When foreign companies invest in large-scale construction projects, energy, transportation infrastructure, or high-tech industries, it creates new opportunities for production

and development across various sectors of the economy. For instance, the construction of new roads, airports, ports, or energy facilities can become sources of increased production of materials, equipment, and services, thereby fostering economic growth.

Germany stands out as one of the most prominent examples of successful economic recovery after the war, largely thanks to foreign investments. Following World War II, Germany was in a devastating state, with its economy nearly completely destroyed, and the country faced significant challenges in rebuilding. One of the key factors that aided Germany in its recovery and economic revival was the Marshall Plan, introduced by the United States in 1948 [7].

After the war on the Korean Peninsula, which lasted from 1950 to 1953, South Korea faced significant challenges in rebuilding its economy and infrastructure. One of the key factors that facilitated its rapid economic development was substantial foreign investment, primarily from the United States. [6].

Ukraine's attractiveness for investment significantly declined following the onset of a large-scale war due to high risks and instability in profitability. According to InVenture, the volume of mergers and acquisitions (M&A) deals in Ukraine, including the technology sector, was \$305 million in 2022, which is 9 times less than in 2021 (\$2.7 billion).

Despite being a major exporter of agricultural products, Ukraine requires direct foreign investment for further development. The war initiated by Russia has caused severe economic difficulties. As of February 2023, direct losses amounted to \$143.8 billion, with reconstruction needs estimated by the World Bank at \$411 billion. Direct foreign investments are crucial for ensuring sustainable development, creating new jobs, and achieving long-term stability (Table 1). Ukraine holds significant potential to attract investments due to its developed infrastructure, market access, and high-tech sector [8].

Analyzing the data from the table, significant trends and dynamics in Ukraine's external economic indicators and investment processes can be observed. Firstly, attention should be drawn to the flow of foreign direct investments (FDI) into and out of Ukraine. In 2023, according to the National Bank, foreign direct investments into Ukraine amounted to \$4.25 billion. This figure represents a

7.6-fold increase compared to 2022, but is 42% lower than in 2021. Overall, the investment volume in 2022 returned to the levels seen in 2016–2018, when annual amounts ranged from \$3.7 to \$4.7 billion.

However, this does not necessarily indicate real growth in foreign investment, as a significant portion of the capital inflows reflect internal business operations reinvesting their profits.

In terms of investment directions, in 2023, \$3.8 billion was invested in capital and \$0.5 billion in debt instruments. Almost all investments this year were directed towards the capital of Ukrainian companies, with nearly \$3.2 billion being reinvested profits. This is explained by restrictions on capital outflows, including the repatriation of dividends, which compel companies to reinvest earnings into their operations.

The amount of reinvested profits in 2023 significantly exceeded the figures for 2022 but remained 36% lower than in 2021. Overall, \$3.8 billion of investments were directed towards equity participation in 2023, with \$0.5 billion in debt instruments, comprising over 90% of the total investment volume. This includes nearly \$3.2 billion in reinvested profits. Restrictions on capital outflows from Ukraine, including dividend repatriation, explain why companies with profits reinvest these funds into their businesses.

It is also important to consider Ukraine's Investment Attractiveness Index, which has been measured by the European Business Association (EBA) since 2008. This index is formed through surveys of business representatives on a scale where 1 point indicates very poor investment prospects, 3 points signify a neutral assessment, and 5 points represent very favorable prospects for investors (Fig. 1) [9].

The integral indicator of Ukraine's Investment Attractiveness Index in 2023 slightly decreased to 2.44 points out of 5 (in the second half of 2022, this indicator was 2.48 points), according to new research conducted by the European Business Association with the support of Gradus Research [9].

In the regional context, the majority of enterprises relocated to the following regions: Lviv region – 24%; Zakarpattia region – 14.5%; Chernivtsi region – 9.8%; Ivano-Frankivsk region – 8.3%; Khmelnytskyi region – 7.3%; Ternopil region – 6.3% [10].

Table 1

Investment Activity in Ukraine 2014–2023 (excluding the occupied territories (Crimea, Sevastopol, parts of Donbas))

Years	FDI in Ukraine		FDI from Ukraine		Balance	
	Amount	Change (+/-)	Amount	Change (+/-)	Absolute deviation	Relative deviation
2014	410	-4089	111	-309	+299	-92.7%
2015	-458	-868	-51	-162	-407	-236.1%
2016	3810	4268	16	67	+3794	-1032.2%
2017	3692	-118	8	-8	+3684	-2.9%
2018	4455	763	-5	-13	+4460	21.1%
2019	5860	1405	648	653	+5212	16.9%
2020	-868	-6728	82	-566	-950	-118.2%
2021	6687	7555	-198	-280	+6885	-824.7%
2022	1152	-5535	529	727	+623	-91.0%
2023	4247	3095	42	-487	+4205	575.0%

Source: [8]

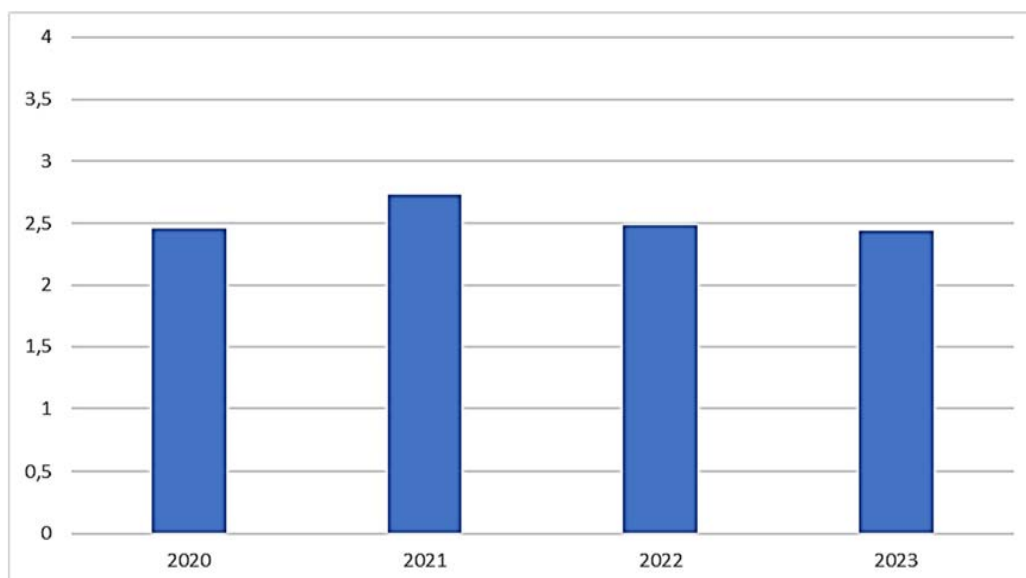


Figure 1. The comprehensive indicator of Ukraine's Investment Attractiveness Index for the years 2020–2023

Source: [9]

Regions that attract the majority of entrepreneurial activity form a conditional top ten leaders: 1st place – Kyiv remains the leader in absolute terms. However, the three-month business development dynamics in Kyiv and Lviv Oblast show that the capital may lose its dominant position, and other regions with more attractive business conditions can successfully compete with it. Kyiv's share in newly registered businesses decreased from 17.5% to 16%, while Lviv Oblast increased its share from 6.5% to 10.7%. 2nd place – Lviv region (significant increase from 5 to 2 positions). 3rd place – Kyiv region (decrease from 2 to 3 positions). 4th place – Khmelnytskyi region (decrease from 2 to 4 positions). 5th place – Chernivtsi region (increase from 10 to 5 positions). 6th place – Poltava region (unchanged). 7th place – Ivano-Frankivsk region (first entry into the top 10, rising from 16 to 7 positions). 8th place – Ternopil region (first entry into the top 10,

rising from 20 to 8 positions). 9th place – Cherkasy region (first entry into the top 10, rising from 18 to 9 positions). 10th place – Volyn region (first entry into the top 10, rising from 17 to 10 positions) [10].

Let's examine the risks associated with attracting foreign investments using the examples of Ukraine, Germany, and Bulgaria (Table 2):

Each of these countries faces unique risks that require careful analysis and management to ensure successful attraction of foreign investments and sustainable economic development.

Ukraine, as a country with significant potential to attract foreign investments, faces numerous challenges in improving its investment climate. Achieving this goal requires implementing strategic and systematic measures. Here are some recommendations for improving the investment climate in Ukraine (Table 3).

Table 2

The risks associated with attracting foreign investments using the examples of Ukraine, Germany, and Bulgaria

Political Risk	
Ukraine	Political instability, conflicts, and changes in government can create uncertainty for foreign investors and influence their investment decisions
Germany	Political risks for foreign investors in Germany are minimal due to the country's stability and reliable legal framework
Bulgaria	Political obstacles may arise from internal conflicts or government instability, potentially affecting decisions of foreign investors
Economic Risk	
Ukraine	Uncertainty in economic policy, significant budget deficits, high inflation rates, and currency instability can impact the profitability of investment projects
Germany	High living standards and industrial development ensure stability and low economic risks for foreign investors
Bulgaria	Economic risks include financial market illiquidity, high unemployment rates, and currency volatility
Legal Risk	
Ukraine	Insufficient property rights protection, corruption, and legislative instability may hinder foreign investors
Germany	A reliable legal system and stable legislation reduce legal risks for foreign investors
Bulgaria	Inefficiencies in the judicial system and corruption could complicate the protection of foreign investors' rights

Source: formed by the authors

Table 3

Some recommendations for improving the investment climate in Ukraine

Block	Activities
Improving Legal Stability	Legislative Reform: there is a need for systematic legislative reform governing business activities. This includes revising tax codes, enhancing legislation on investor protection, and refining competition rules and intellectual property laws.
	Development of an Investment Code: creating a specialized legislative act that consolidates all investment-related norms will streamline processes for investors and make the legal environment more understandable and transparent.
Simplification of Business Procedures	Electronic Business Management: implementing electronic business management systems to reduce direct interactions with government structures and minimize corruption risks.
	Tax System Optimization: there is a need to simplify tax payment procedures and reduce the tax burden on businesses in order to attract more investors.
Strengthening the Financial System	Capital Market Development: creating conditions for the development of securities markets and other financial instruments to facilitate capital attraction into Ukrainian enterprises.
	Enhancing Credit Accessibility: increasing Access to Credit, ensuring access to loans for small and medium-sized businesses under favorable terms to attract investments into the development of these sectors.
Infrastructure Development	Infrastructure Projects: prioritizing funding and implementation of infrastructure projects such as road construction, airports, seaports, and other facilities that promote economic development and attract foreign investors.
	Energy Sector Development: upgrading energy infrastructure to ensure stable energy supply and support energy efficiency initiatives.
International Cooperation.	Signing International Agreements: expanding the network of international agreements and free trade agreements to create favorable conditions for attracting investments and fostering international trade development
	Participation in International Initiatives: active participation in international initiatives and programs that promote business development and investment projects.

Source: formed by the authors

If implemented comprehensively and systematically, these measures will significantly enhance the investment climate in Ukraine and ensure stable economic development in the country.

Conclusions. During the research, it was found that successful foreign investment in the national economy requires appropriate conditions and political will. It is important to consider cultural, political, economic, and legal aspects to create a favorable environment for investors.

Firstly, foreign investments are crucial for the economic development of the country as they contribute to attracting capital, advanced technologies, new knowledge, and international experience, thereby enhancing competitiveness and innovative potential of the economy.

Secondly, for successful attraction of foreign investments, it is necessary to develop an effective strategy that includes creating a favorable investment climate,

liberalizing legislation, ensuring stability and transparency of the legal environment, as well as supporting innovation and development of key sectors of the economy.

Thirdly, foreign investments have both positive and negative impacts on the country's economy. Among the positive aspects are the creation of new jobs, increased production and export volumes, transfer of advanced technologies, and enhanced investment attractiveness. However, foreign investments can also have negative consequences such as loss of control over key sectors of the economy, high dependency on external capital, and risks of financial instability.

Fourthly, effective management and control by the state are crucial aspects of foreign investment management to ensure sustainable economic development. It is necessary to develop strategies for attracting and managing foreign investments that take into account national interests and the needs of the country's economy.

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