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# ATTRACTING FOREIGN INVESTMENTS FOR THE DEVELOPMENT OF THE UKRAINIAN ECONOMY: WARTIME CHALLENGES AND POSTWAR PROSPECTS

## ЗАЛУЧЕННЯ ІНОЗЕМНИХ ІНВЕСТИЦІЙ ДЛЯ РОЗВИТКУ ЕКОНОМІКИ УКРАЇНИ: ВИКЛИКИ ВОЄННОГО ЧАСУ ТА ПІСЛЯВОЄННІ ПЕРСПЕКТИВИ

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The article discusses attracting foreign investments for the development of the Ukrainian economy. Analyzed wartime challenges and postwar prospects. It was determined that during the large-scale armed aggression of the Russian Federation against Ukraine and the implementation of the martial law, attracting foreign investments is one of the main measures to support the national economy. As a result of the military aggression of the Russian Federation, the economy of Ukraine suffered significant losses. Were analyzed the dynamics of attracting foreign investments in 2002–2022. The analysis of the development vectors of the FDI market allows us to conclude that their dynamics depends on global economic and political trends Debt instruments are prevalent in the structure of the FDI instruments of the investor countries, and the sectoral structure of the investments is determined by the secondary sector, meaning manufacturing of goods. Prospects for attracting foreign investments are outlined, which will primarily be aimed at the post-war recovery of Ukraine according to the "Marshal Plan" for Ukraine. In particular, a list of sectors of the Ukrainian economy that will be interesting for foreign investors has been determined.

**Keywords:** development of the Ukrainian economy, foreign investments, wartime challenges for foreign investments, postwar prospects foreign investments.

У статті йдеться про залучення іноземних інвестицій для розвитку економіки України. Проаналізовано виклики воєнного часу та повоєнні перспективи. Визначено, що в умовах широкомасштабної збройної агресії Російської Федерації проти України та запровадження воєнного стану залучення іноземних інвестицій є одним із основних заходів підтримки національної економіки. Внаслідок військової агресії Російської Федерації економіка України зазнала значних втрат. Проаналізовано динаміку залучення іноземних інвестицій у 2002–2022 рр. Аналіз векторів розвитку ринку ПІІ дозволяє зробити висновок, що їх динаміка залежить від світових економічних і політичних тенденцій. У структурі інструментів ПІІ країн-інвесторів переважають боргові інструменти, а галузева структура інвестицій визначається вторинний сектор, тобто виробництво товарів. Окреслено перспективи залучення іноземних інвестицій, які передусім будуть спрямовані на післявоєнне відновлення України згідно з «планом Маршала» для України. Зокрема, визначено перелік галузей української економіки, які будуть цікаві іноземним інвесторам. Підтримка України у відбудові пошкодженої критичної інфраструктури – це можливість для партнерів використовувати інноваційні технології та зелені рішення у відновленні та модернізації об'єктів. Забезпечення інклюзивності під час відновлення та відновлення є важливим. Зосередження уваги на конкретних секторах, таких як технології, логістика та транспортні коридори, зелена енергетика, природні ресурси, відбудова інфраструктури, цифровізація, сільське господарство та продовоольство, охорона здоров'я та фармацевтика, дозволить Україні висвітлити інвестиційні можливості та заохотити учасників до партнерства та співпраці. На сьогодні першочерговим завданням залишається усунення перешкод для інвестицій та впровадження реформ Урядом України за підтримки міжнародних партнерів та громадянського суспільства.

**Ключові слова:** розвиток економіки України, іноземні інвестиції, виклики воєнного часу для іноземних інвестицій, післявоєнні перспективи іноземні інвестиції.

**Introduction.** At the moment, Ukraine is a developing market economy. Considering that Ukraine aims at the integration into the European and global economy, the attraction of foreign investments is one of the forms of the development of the national economy. Since the first days of Ukraine's independence, foreign investments were one of the most important factors in the development of its economy. In recent years, since Ukraine announced over its course for European integration, the role of foreign investments in Ukrainian economy has gained even greater importance. Ukraine started moving towards reforming of the economic processes on the way to the international integration into the European economic area. Foreign investments play an important role in the process of ensuring the growth of financial and economic indicators, attracting the latest technologies and facilitating structural changes in the Ukrainian economy.

In the current conditions of the large-scaled armed aggression of the Russian Federation against Ukraine and the implementation of the martial law, attracting foreign investments is one of the key measures to support the national economy. As a result of the military aggression of the Russian Federation, the economy of Ukraine suffered significant losses.

According to the estimates of the World Bank, the European Commission and the Ukrainian government, the costs of rebuilding Ukraine and its economy have already reached about 349 billion US dollars. During more than six months since the beginning of the invasion of the Russian Federation, Ukraine has suffered large-scaled destruction. In particular, the World Bank report states that the consequences of the invasion will be felt for several generations, because families were separated and displaced, the development of human potential was disrupted, cultural heritage was destroyed, and the positive trajectory of economic development and the level of poverty changed to a negative one. The analysis of the experts of the World Bank covers only the period until June 1, meaning the losses caused in the last months are not taken into account in the report. According to the estimates presented there, the direct damages caused primarily to the housing complex, transport, trade and industry of Ukraine amount to 97 billion US dollars. While the losses caused by the disruption of economic flows and production chains estimate of 252 billion dollars. The research defines the scale of the challenges Ukraine faces as it tries to rebuild its

economy while fending off Russia's unrelenting aggression.

Without exaggeration, Ukraine faced a civilizational threat to the independence, unity and the very existence of the state and the Ukrainian people. This is also a difficult test for the economic system. Almost every day, the aggressor inflicts devastating and brutal blows on the territory of our state, destroying the country's economic infrastructure.

Also, the World Bank report emphasizes that, despite the critical importance of a gradual approach to reconstruction after several years, in the short term, Ukraine requires about \$105 billion to restore social infrastructure, in particular, schools and hospitals, transport connections, and prepare for a possible energy shortage this winter.

Unfortunately, with the beginning of the war, the inflow of the funds by private foreign investors in the Ukrainian economy practically stopped. According to the results of just the first quarter of 2022, foreign direct investments in Ukraine decreased by 314 million USA dollars, investments from Ukraine amounted to 106 million USA dollars, as a result, the deficit (capital outflow) reached 420 million USA dollars. The exception is the IT sector of Ukraine, which continues to accumulate investment resources. This is primarily due to the fundamental difference between doing business in the IT sector compared to the real sector of the economy. However, investments in the IT industry do not solve the issue of restoring the country's economy and its destroyed infrastructure.

At the same time, Ukraine receives unprecedented financial aid from the international financial organizations and foreign governments, which allows to avoid a deep financial and economic crisis and facilitates the state's defense capability. According to the Ministry of Finance of Ukraine, since the beginning of the war from February 24 to mid-September 2022, Ukraine received financial assistance from the international organizations, the EU and the governments of foreign countries in the amount of more than 542 billion hryvnias in the form of loans, credits and grants, directed to the general fund of the State Budget of Ukraine for financing priority expenses. As of October 18, Ukraine also received the first 2 billion euros under the exceptional eighth EU macro-financial assistance program, the total funding of which is 5 billion euros. Since the beginning of the full-scale military invasion of the Russian Federation, Ukraine has already received

4.2 billion euros of macro-financial assistance from the EU. This preferential financing aids in the support of the Ukrainian economy and mostly ensures financing of priority socio-economic and humanitarian needs. Obtaining loans from macro-financial assistance will contribute to maintaining financial stability in Ukraine. Ukraine is supposed to receive the next tranches under the eighth EU macro-financial assistance program by the end of 2022. It should be mentioned that on September 7, 2022, the European Commission announced a decision to allocate additional financial aid resources to Ukraine by implementing a new (exceptional) EU macro-financial assistance program in the amount of EUR 5 billion. On October 3, the signing of the Memorandum of Understanding and the Credit Agreement between Ukraine and the EU regarding the receipt of the specified funds was completed.

However, these allocated financial resources are used exclusively to support the functioning of the financial and economic system of Ukraine, to meet social and humanitarian needs. Unfortunately, under the martial law, almost no investment is made in the real sector of the economy, which might ensure the recovery of the Ukrainian economy and bring it out of a deep crisis. First of all, this is caused by a number of risks for investors caused by Russia's armed aggression against Ukraine. Regular missile attacks throughout the country, destruction of the energy infrastructure by the Russian occupants, active hostilities and the occupied territories have slowed down the investment process and economic development of Ukraine in general.

Now, Ukraine hopes to end military operations with the support of the international partners by ensuring the complete liberation of the occupied territories. This will create conditions for the attraction of foreign investments, which will ensure the recovery of the Ukrainian economy and the renewal of the economic growth.

**Literature review.** The issue of attracting foreign investments for the development of national economies is the subject of study by many researchers.

The authors of many publications prove that inward foreign direct investment contributes to economic growth. Each country attracts foreign investment by offering and improving the location advantages, such as those determined by geography (Rasvanis, & Tselios, 2022). It is noted that direct foreign investments will have the following outcomes for the economy: technological re-equipment of companies;

personnel training; improvement of product quality; access to new sales markets, etc. (Soare, Chiurciu, David, Bălan, & Dobre, 2015).

The notion of foreign direct investment, the impact of various factors on the attraction of foreign investment, the importance of legislation on foreign investment, the instruments used by the state to regulate investment activity are determined. A scientific generalization of the best practices of government regulation of foreign investment in the USA, the United Kingdom, France, Germany, and Austria is being carried out (Sagynbekova, Allanina, Babaeva, Dzhabrailova, & Gaybatova, 2018).

A number of studies were about the features of foreign investment in European countries, which is interesting considering the subject of our study. In particular, the development of foreign investment in the Republic of Macedonia is analyzed (Roštárová, & Rentková, 2015). The main problems of the inflow of foreign direct investments and their functioning in Slovakia during the period of transformation after 1990 are studied (Buček, 2003).

The impact of the foreign direct investments on the gross domestic product and exports of the Baltic countries (Lithuania, Latvia and Estonia) is analyzed. Correlation analysis and the method of Student's criteria are used to test the hypotheses (Šečkute, & Tvaronavičius, 2007).

The features of attracting foreign investments to the economy of Ukraine are determined, in particular, the investment attractiveness of Ukraine is investigated, as well as measures to attract foreign investments (Denysenko, 2016). The prospects of the foreign policy directions and the area of public investment policy of Ukraine are analyzed (Kossak, & Yanovytska, 2020). The mechanisms and trends of foreign investments in the agricultural sector of Ukraine during instability in international commodity and capital markets are revealed (Nagachevska, Apostol, Fedun, Kuzioma, & Prygara, 2021).

The cause-and-effect relationships between gross domestic product, foreign direct investment, export and import of goods and services in Ukraine for the period of 1996–2019 are analyzed (Plaskon, Shevelova, Ruska, Martyniuk, Lesyk, & Seniv, 2021).

The analysis of the above-mentioned publications and many other scientific studies proves the importance of foreign investments for the development of national economies, especially for the developing countries. At the same time, there are no scientific publications dedicated to the study of foreign investment

during the period of large-scaled military operations. All the more so, as Russia's military aggression against Ukraine turned into the largest continental European war since World War II.

The purpose of the article is to carry out a systematic analysis of the attraction of foreign investments in various sectors of the economy of Ukraine and to evaluate their effectiveness in the pre-war period, under the martial law, as well as to determine the prospects for the post-war development.

**Data and methods.** Using the dialectical method of cognition, which makes it possible to study economic phenomena in the process of development and interrelationship, the economic notion of foreign investments as a factor of ensuring GDP growth was investigated. Graphical financial analysis was used to study the dynamics and trends of foreign investment attraction to Ukraine. The methods of analysis and synthesis, induction and deduction were used to substantiate the prospects and directions of investment development taking into account the challenges of the wartime. Methods of correlation-regression analysis and economic-mathematical simulation were used to determine the efficiency and the relationship between foreign investments, economic development of the state and global innovation indices.

The research was based on the information on the regulatory legislation of the EU and Ukraine regarding the foreign investment process. To evaluate the dynamics of investment development, official data of the European Commission, the data of the State Statistics Service of Ukraine, data of statistical yearbooks and informational and analytical bulletins, as well as other official sources of information are used. Scientific publications containing data on volumes, dynamics and trends in the development of foreign investment are analyzed.

**Empirical results and discussion.** Foreign investments are valuable investments by foreign investors into the objects of investment activity with the aim of obtaining profit or achieving a social effect. Classification of foreign investments is carried out based on a number of features, in particular, by the object of investment, form of ownership, period, investment goals and other criteria. Most often, foreign investments are classified according to the degree of control over the object of investment, namely, portfolio and direct. At the same time, foreign direct investment is a more desirable form of attracting foreign

capital for the recipient country, because unlike portfolio investments, they have a significant long-term impact on the host country's economy and play the role of a key element of international economic integration.

Having analyzed the main FDI trends in the world, in particular in recent years, it can be concluded that the dynamics of FDI depends on other world trends, as well as economic and political shocks in different countries of the world. Debt instruments are prevalent in the structure of instruments of foreign investments of investor countries, and the sectoral structure of investments is dominated by the secondary sector, that is, manufacturing of goods. The sectoral structure of FDI in the world confirms the conclusion regarding the dependence of FDI on other global trends.

The dynamics of foreign direct investment in Ukraine is shown in the Table 1.

In general, Ukraine is a net recipient of the FDI, which is mainly consists of equity instruments, and is directed into the real sector of the economy.

The years of 2014 and 2020 are characterized by capital outflow and a decrease in absolute income growth. Such trends are due in particular to the beginning of Russia's armed aggression against Ukraine (occupation of a part of the territories of the Donetsk and Luhansk regions and the annexation of Crimea). Also, political instability in the state was observed in 2020, which causes the outflow of capital and the exit of foreign investors from the market.

The analysis of the data of the State Statistics Service of Ukraine also allows us to draw a number of conclusions. The main industries that received financing from foreign investors during 2002–2021 were: supply of electricity, gas, steam and air conditioning, financial and insurance activities, as well as information and telecommunications industries. Among the regions, Poltava and Mykolaiv regions received the largest share of foreign investments, while the city of Kyiv continues to attract the lion's share of the FDI. The leaders by the FDI inflows are Switzerland, the United Kingdom, Sweden, Turkey and Austria, however, in absolute terms, investment inflows from Turkey and Sweden had a significant increase compared to the previous year. The predominance of financial centers among the FDI countries of origin indicates that a large part of the FDI does not actually originate from these countries, instead, funds are taken abroad by Ukrainian enterprises and returned to Ukraine in the form of the FDI.

Table 1

## Foreign direct investment in Ukraine from 2002 to 2022 (million USD)

Year	FDI to Ukraine		FDI from Ukraine		Balance	
	Inflow	Outflow	Inflow	Outflow	Total	% of GDP
2002	693		-5		+698	
2003	1424	731	13	18	+1411	102.1%
2004	1715	291	4	-9	+1711	21.3%
2005	7808	6093	275	271	+7533	340.3%
2006	5604	-2204	-133	-408	+5737	-23.8%
2007	9891	4287	673	806	+9218	60.7%
2008	10913	1022	1010	337	+9903	7.4%
2009	4816	-6097	162	-848	+4654	-53.0%
2010	6495	1679	736	574	+5759	23.7%
2011	7207	712	192	-544	+7015	21.8%
2012	8401	1194	1206	1014	+7195	2.6%
2013	4499	-3902	420	-786	+4079	-43.3%
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	-210	-6897	81	279	-291	-104.2%

Source: State Statistics Service of Ukraine [11]

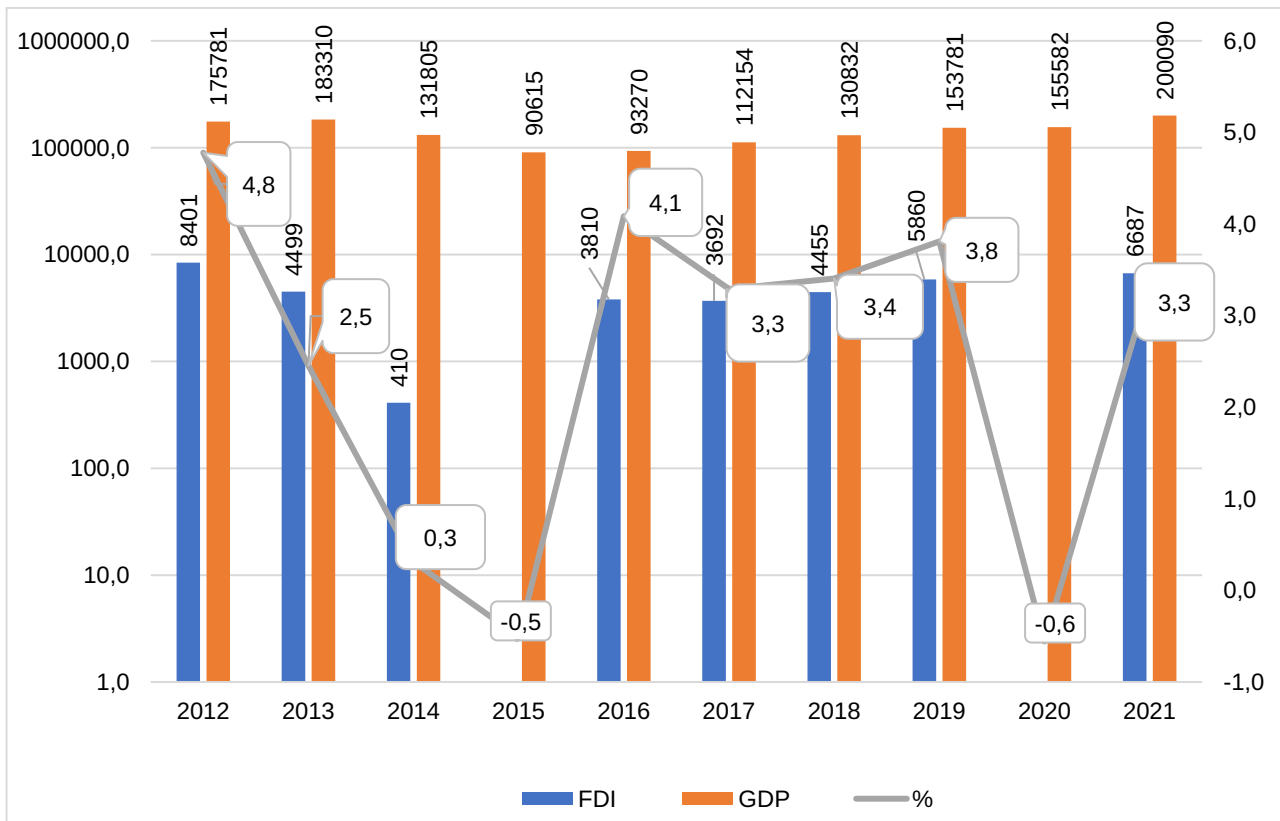
An assessment of the interdependence and mutual influence of the FDI and GDP was carried out. The dynamics of the FDI and GDP indicators are shown in Figure 1.

Appropriate simulation of the impact of FDI on GDP growth and the global innovation index was also conducted. Using synthesis method, the impact of FDI determinants was summarized for each group of countries separated according to the principle of gross national income value. The simulation method was used to assess the mutual impact of the economic development of the countries and the inflow of foreign direct investments.

According to the results of the panel model, foreign direct investment inflows and GDP growth have significant direct effects on the improvement of the global innovation index. For Ukraine, which belongs to the countries with a low GNI per capita, the consumer price index turned out to be insignificant as a factor affecting FDI inflows, instead, the institutional indicator, namely control over the level of corruption, has the

greatest impact. The factor of financial openness turned out to be insignificant, while indicators of productivity and political stability have the greatest impact. Having analyzed the effects of the institutional and economic indicators of the Ukrainian investment environment on the inflow of foreign direct investment into the country, it can be concluded that for the successful attraction of foreign direct investment in the future, the development of the public policy that facilitates and strengthens political stability, increases control over the level of corruption, ensures the supremacy of law, and also stimulates an increase in indicators of the index of financial development and economic freedom in Ukraine is a requirement.

It should be noted that since 2017, after choosing the path of European integration, Ukraine actively implemented European directives and the best rules of the EU countries regarding the attraction of foreign investments. This will contribute to greater transparency, clear and honest rules of work and interaction



**Figure 1. The share of foreign direct investment in the GDP of Ukraine in 2012–2021**

Source: State Statistics Service of Ukraine [11]

between the state and business. In addition, the Government of Ukraine continued to implement digital communication between the state and business, so that such relations were as comfortable, transparent and convenient as possible. At present, more than 30 digital services for enterprises and individuals are available on the Diya e-portal, while business registration services are among the fastest in the world.

In mid-December 2021, before the war, the Government of Ukraine expected foreign investment inflows in the amount of almost 6.5 billion USD, including reinvestment. This should have been the largest amount of foreign investment in the last 5 years. The indicator of 15 billion dollars of investments every year, starting from 2025, was approved in the National Economic Strategy. (<https://www.kmu.gov.ua/news/denis-shmigal-okresliv-7-klyuchovih-prioritetiv-uryadu-dlya-zaluchennya-inozemnih-investicij>).

7 key priorities were outlined, to be the focus of the Government of Ukraine and to contribute to the development of the economy and attraction of investments:

- High-quality implementation of the law on state support of investment projects with significant investments;
- Further digitization, reduction of bureaucratic burden, as well as support of the IT sector;
- Reducing the role of the state in the economy through the privatization of state-owned enterprises, as well as the development of public-private partnerships and concessions in various sectors: from ports and roads to gas production;
- Completion of the land reform. Supporting agriculture through the development of irrigation systems, as well as facilitating projects with significant added value;
- Launch of industrial parks;
- Offering cheap and long-term loans for development;
- correct design of markets.

It should be also noted that in February 2022, the Law of Ukraine "On State Support of Investment Projects with Significant Investments in Ukraine" entered into force, which provides for customs, tax, infrastructure, and land benefits for investment projects with an investment amount of more than 20 million euros.

The government of Ukraine has also launched a large-scale reform to restart the capital market. The Cabinet of Ministers, the EBRD, the American Chamber of Commerce and USAID have signed a Memorandum of Understanding to establish organized national capital and commodity markets over the next three years.

An ambitious goal that was destroyed by Russia's armed aggression against Ukraine.

Thus, capital outflow was dominant in the first quarter of 2022. In the second quarter, the situation improved somewhat, but the volume of FDI attraction remains low (see Table 2).

It is indisputable that the low volume of FDI is caused by Russia's terrorist actions, regular massive missile attacks that destroy infrastructure facilities in Ukraine. All this poses high risks for doing business in Ukraine.

However, even now we are discussing the prospects for the development and post-war recovery of Ukraine, some kind of the "Marshall Plan" for Ukraine. After all, war is not only danger and destruction, but also a possible foundation for the post-war opportunities for full modernization of the Ukrainian economy. At the moment, not only buildings, infrastructure and enterprises are being destroyed in Ukraine, but also the traditional ways of being and thinking, socio-economic models are changing. The country is being completely cleansed of its Soviet past.

Catastrophic destruction allows you to start from the scratch in the future. To rebuild the country and its economy taking into account the best practices in the world. At the moment, we are standing on the threshold of unprecedented socio-economic experiments and civilizational changes directed towards the future. Ukraine has every reason to become one of the experimental sites where the world will begin to model and test a new reality, a new ethics and a new rationality, where one of the trends of a new civilization will be created. Participating in this recovery can be a profitable and interesting prospect for investors.

It is significant that in such a crisis situation, the Ukrainian government invited countries, organizations and individual architects to cooperate in the future reconstruction of completely destroyed cities: Mariupol, Kharkiv, Izyum, Bucha, Volnovakha, Irpin and others. Many architects have already volunteered to take part in the reconstruction of Ukrainian cities. For example, the architect and urban planner of Japanese origin Hiroki Matsura agreed to develop a "master plan" for the reconstruction of Irpin. Norman Foster, a world-renowned British architect and designer who, among other things, worked on the design of the headquarters of Apple Park in California (USA), is ready to join the reconstruction of Kharkiv after the war.

World experts and politicians are already discussing the "Marshall Plan" in the context of the future reconstruction of Ukraine. The international conference in Lugano, Switzerland recognized the project of the plan for the recovery of Ukraine, presented by the Ukrainian government, as the main framework document [12].

The "Declaration of Lugano" contains a clear set of criteria and methods for the restoration of Ukraine typical of a democratic society: international partnerships, focus on reforms, transparency and accountability, rule of law, etc. The declaration also includes the idea of experimenting with unprecedented "stakeholder capitalism", the concept of which has been promoted in recent years by the founder and president of the World Economic Forum in Davos, Klaus Schwab (Schwab, Vanham, 2021).

Taking into account the resource and human potential, Ukraine is able to effectively absorb foreign direct investments every year. The government plan for the recovery of Ukraine provides for a program of 750 billion euros, which is planned to be directed mainly to the recovery of infrastructure. Ukraine is also becoming more attractive from the point of view of logistics and

Table 2

#### Foreign direct investment in Ukraine in 2022 (million USD)

2022	FDI to Ukraine		FDI from Ukraine		Balance	
I кв.	-470	-2029	107	199	-577	-134.9%
II кв.	260	730	-26	-133	+286	-149.6%
III кв.						
IV кв.						
за рік	-210		81		-291	

*Without occupied territories (Crimea, Sevastopol, part of Donbass)*

*Source: State Statistics Service of Ukraine [11]*

relations with Western countries. The status of a candidate for the EU membership is another positive signal to investors. Potential investors are already starting to "occupy territories" in the economy of Ukraine in order to gain competitive advantages over those who decide to invest later after the war.

Traditional sectors of the Ukrainian economy (agricultural sector, ferrous metallurgy, military-industrial complex and tourism) will be attractive for the foreign direct investments. In particular, the agricultural sector has great potential, because Ukraine is among the top three exporters of agricultural products in the world and plays a key role in ensuring global food security. Since the provision of food to countries and people comes to the fore and becomes one of the fundamental world problems, and the demand for food is inelastic (no matter what the price of food is, it should be bought), the investment attractiveness of Ukraine in the agricultural sector is gaining special importance.

Attracting investments and the latest agricultural technologies, including in the ecological production, will undoubtedly make agricultural business in Ukraine much more efficient and many times more profitable.

Among other promising areas of investment are the IT sector and the creative economy in general. Back in 2019, the Ukrainian government identified the IT sector as one of the priority vectors for development. An ambitious project "the state in a smartphone" was launched. From February 8, 2022, the special legal regime "Diia.City" created for the development of the IT industry started working in Ukraine. "Diia.City" provides a unique tax and legal space for IT business making it easier and less expensive to manage and operate your business. "Diia.City" enables you to run your business openly, profitably and conveniently. "Diia.City" have combined favorable tax conditions with effective tools that allow companies to build a transparent corporate structure, attract foreign investment more easily, and use additional mechanisms to protect intangible assets [14].

Diia.City regime is created for outsourcing companies, R&D companies, product companies, startups. The regime is based on the model of the gig economy, that is, a model of labor relations based on short-term contracts or informal arrangements and has a special tax regime. The companies engaged in software development and testing, software publishing and distribution, computer literacy training, software programming, testing and technical

support, Digital marketing and Ads using software developed by residents can become residents of the regime. Even today, despite the large-scale war, this sector is intensively developing. The register of "Diia.City" has more than tripled: on February 24, there were 79 enterprises, at the end of June there were 271. The most famous residents of "Diia.City" are Samsung, Revolut, Monobank, NIX, SoftServe, Ajax Systems, Nova Poshta, LetyShops, Luxsoft, Rozetka, EPAM. "Diia.City" is already called the world's first virtual business country.

It should also be noted that Ukraine owns a third of the world's chernozems, almost a fifth of explored iron ore reserves, has significant reserves of manganese ore, graphite, kaolin, uranium, rare earth metals, and the country's most important resource is people. Among other things, proof of the professionalism of Ukrainian engineers in particular is the "Mriya" plane, which is planned to be restored after its barbaric destruction by Russian soldiers; aircraft engines and turbines of nuclear power plants from "Motor Sich"; "Pivdenmash" space rockets; anti-ship missile "Neptune", which on April 13, 2022 sank the flagship of the Russian fleet in the Black Sea, the ship "Moskva".

The above-mentioned gives us reason to assert that Ukraine has the appropriate resource potential to ensure the future growth of foreign direct investment for economic development.

**Conclusion.** 1. After Ukraine gained independence in 1991, economic reforms began. The transition to a market economy involved attracting a significant amount of investment, which was primarily used for the modernization of old Soviet production and the development of innovations. The Government of Ukraine created appropriate institutional and regulatory conditions to increase the volume of the FDI from partner countries. After choosing the course for European integration and signing the Association Agreement with the EU, the implementation of European directives on the regulation of the foreign investment process and the protection of foreign investors was ensured.

During the large-scale armed aggression of the Russian Federation against Ukraine and the implementation of the martial law, attracting foreign investments is one of the main measures to support the national economy. As a result of the military aggression of the Russian Federation, the economy of Ukraine suffered significant losses.

2. The analysis of the development vectors of the FDI market allows us to conclude that



their dynamics depends on global economic and political trends. Debt instruments are prevalent in the structure of the FDI instruments of the investor countries, and the sectoral structure of the investments is determined by the secondary sector, meaning manufacturing of goods.

It has been established that Ukraine is a net recipient of the foreign direct investments, consisting primarily of the equity instruments, that are directed to the real sector of the economy. The years of 2014 and 2020 are characterized by capital outflow and a decrease in absolute income growth. Such trends are particularly caused by political instability and the beginning of Russia's armed aggression against Ukraine (occupation of a part of the territories of the Donetsk and Luhansk regions and the annexation of Crimea). In 2021, the foreign direct investment market showed growth, but in 2022 there was a significant outflow of foreign investments from Ukraine, which was caused by Russia's large-scale armed aggression against Ukraine.

3. Economic and mathematical simulation confirmed the impact of the FDI on the GDP growth and the global innovation index increase. Using the method of synthesis, the impact of the FDI determinants was summarized for different groups of countries separated according to the principle of gross national income volume. Impact factors of the FDI inflows are also determined, including the level of productivity and political stability, as well as the level of corruption, which has the greatest impact on attracting foreign investment. The factor of financial openness turned out to be insignificant.

4. It was determined that the motivation for the foreign investors is a number of factors that stimulate them to invest resources in the other countries. The main incentives include the search for resources, access to the necessary infrastructure, expansion of sales markets,

a favorable legislation, and diversification of the investment portfolio. By ensuring the implementation of appropriate incentives, the FDI recipient country can obtain a number of positive effects, in particular, an increase in the level of employment, which is accompanied by the creation of more highly paid jobs with favorable working conditions and an increase in the level of professional training, the creation of competitive products and the transfer of technologies, which will stimulate the economic development of the country – recipient of the FDI. At the same time, it is also worth taking into account the potential negative effects of attracting foreign investments, such as an increased dependence on the investor country, threats of displacement of national producers from the market and the transformation of the economy into a raw material base without the ability to freely choose the structure of exports.

5. Prospects for attracting foreign investments are outlined, which will primarily be aimed at the post-war recovery of Ukraine according to the "Marshal Plan" for Ukraine. In particular, a list of sectors of the Ukrainian economy that will be interesting for foreign investors has been determined. Among the main industries, the agricultural sector, ferrous metallurgy, the military-industrial complex, the IT sector, and tourism can be singled out. In particular, the agricultural sector has great potential, because Ukraine is among the top three exporters of agricultural products in the world and plays a key role in ensuring global food security. Because the provision of food to countries and people comes to the fore and becomes one of the fundamental global problems, and the demand for food is inelastic. Attracting investments and the latest agricultural technologies, including in the ecological production, will undoubtedly make agricultural business in Ukraine much more efficient and many times more profitable.

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