

INVESTMENT CLIMATE AND ECONOMIC STABILITY IN UKRAINE'S POST-WAR RECOVERY

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In the context of the economic crisis, attracting foreign investment has become a critical task for the recovery of the Ukrainian economy. Foreign direct investment (FDI) is key to reforming the industry structure and strengthening the business environment. Ukraine aims to attract foreign investment to develop the economy and create an internationally competitive business environment. With the onset of the COVID-19 pandemic in 2020, the situation in the country became more complicated due to the full-scale invasion, which led to a sharp outflow of foreign investment.

In the active phase of the war, foreign investors assessed the situation with indignation due to political risks and threats to statehood, which led to an outflow of FDI. In 2020, during the active phase of the pandemic, Ukraine also experienced a phase of foreign direct investment outflow, but a sharp increase in investment to the highest level for the entire period characterized 2021. Factors that hinder the attraction of FDI include political and legal instability, bureaucracy, corruption, high tax rates, insufficient infrastructure, and geopolitical instability [1].

Ukraine needs to address these problems and create a favorable investment climate. Also, the need for a skilled workforce and the lack of employee social security are significant obstacles to attracting foreign investment. The underdeveloped infrastructure, both industrial and social, on the one hand, is an obstacle for business people, on the other hand, it is a good object of capital investment.

Let's take a look over Figure 1, which illustrates Ukraine's unemployment rate. The data reveal noticeable fluctuations, with a sharp surge in 2022, reaching 24.5%, primarily driven by political instability and economic turmoil.

Legislative guarantees are also critical, as increased raider attacks and violations of shareholder rights undermine investor confidence. Problems with obtaining land permits and the low efficiency of the judicial system further complicate the attraction of foreign investment. Tax instability complicates long-term business planning and creates uncertainty for investors trying to find stability in the tax sphere.

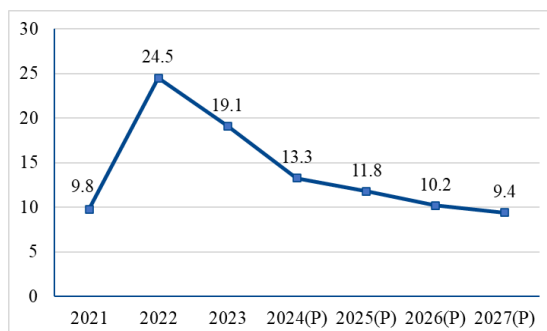


Figure 1. Unemployment Rate Trends in Ukraine (2021–2027, Forecasted)

Source: [2]

To improve Ukraine's investment climate, legislation must be improved, administrative procedures simplified, and the judicial system's transparency and efficiency increased. A stable and predictable regulatory environment for businesses and investors must also be created. Ukraine should take the following measures to stimulate institutional changes and attract foreign direct investment: ensure political and legal stability, simplify the regulatory environment, fight corruption, carry out tax reform, and invest in infrastructure.

Active foreign policy activities and promoting Ukraine's positive image in the international arena can also help attract foreign capital. To attract foreign direct investment, it is important to ensure long-term conditions for its implementation. Investors seek stability and certainty, so measures are needed to strengthen the investment climate. This includes ensuring long-term rights for foreign investors and protecting their property rights from unlawful actions.

In essence, investment activity in Ukraine has enormous potential to support economic growth if it is accompanied by the necessary reforms in the economy, legal system, and infrastructure. This adapts to current challenges and allows Ukraine to become an attractive investment country again. By acting in this direction, Ukraine will be able to attract capital that will help the economy recover and contribute to its sustainable development.

Therefore, in order to ensure positive dynamics in FDI growth, Ukraine needs to implement all the previously mentioned recommendations, as well as actively work to strengthen investor confidence. Attracting foreign direct investment is important not only for providing financing but also for technological progress, creating new jobs, and improving the population's living standards.

The next steps in this direction should focus on detailed identification of specific sectors requiring investment and creating conditions for developing innovation-based enterprises. It is necessary to intensify cooperation with

international financial and investment institutions to attract additional resources and technologies essential for Ukraine's economic recovery.

To maximize the impact of foreign investment, Ukraine should also focus on official, high-quality information available to foreign investors on the opportunities and risks they may encounter in the Ukrainian market. Transparency in reports and statistics will help form an objective assessment of the factors affecting the business environment in the country. This may include information on market opportunities, infrastructure, legal regulations, and tax benefits for foreign investors, which, in turn, will contribute to their greater participation in the economy.

It is necessary to actively hold business forums and investment conferences involving Ukrainian and foreign entrepreneurs, specialists, experts, and representatives of state institutions, maintain and develop relations with international financial institutions to attract private and public investments and focus on innovative industries, such as information technologies, fintech, biotech, green energy, ag-tech, manufacturing, etc. Attracting foreign investment in these areas can improve the economy's technological state and increase export opportunities.

In summary, Ukraine must implement a comprehensive approach to attracting foreign direct investment for a successful economic recovery. This involves improving the investment climate, strengthening legal guarantees for foreigners, and actively offering technological innovations and market opportunities. Ensuring stability, transparency, and trust will be the key to economic growth and gradual recovery from the country's current crisis.

References:

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