FOREIGN DIRECT INVESTMENT AS A DRIVER OF ECONOMIC GROWTH: TRENDS, CHALLENGES, AND STRATEGIC PROSPECTS FOR UKRAINE

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Abstract. *The purpose* of the study is to assess the impact of foreign direct investment (FDI) on Ukraine's economic growth under conditions of macroeconomic instability and wartime challenges. *The research methodology* is based on correlation and regression analysis as well as econometric modeling using long-term statistical data for the period 1992-2023 obtained from international databases. This approach makes it possible to identify stable relationships between FDI, trade openness, and economic growth indicators. *The empirical results* confirm a statistically significant positive impact of foreign direct investment on the growth rate of GDP per capita in Ukraine, while the effect of external trade is found to be less pronounced. At the same time, it is determined that the realization of positive FDI effects is substantially constrained by military, institutional, and financial risks, which weaken traditional investment transmission channels. *The practical significance* of the findings lies in their applicability for shaping state investment policy, improving mechanisms for attracting foreign direct investment, and defining priority areas for FDI involvement in the context of Ukraine's post-war economic recovery. Value/originality. The originality of the study lies in providing an empirical assessment of the long-term relationship between foreign direct investment, trade openness, and economic growth in Ukraine, while incorporating the specific constraints arising from wartime conditions and macroeconomic instability. Unlike approaches that primarily focus on FDI dynamics, the study combines long-term econometric evidence with the analysis of contemporary investment

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risks and identifies the role of FDI as a potential driver of Ukraine's post-war economic recovery.

INTRODUCTION

Foreign direct investment has traditionally been regarded as one of the key drivers of economic growth, facilitating capital inflows, technology transfer, productivity enhancement, and the integration of national economies into global value chains. For Ukraine, the significance of FDI has become particularly pronounced in the context of the full-scale Russian invasion and the anticipated post-war reconstruction, when domestic investment resources remain limited while the need for structural economic modernization continues to intensify. In this context, FDI should be considered not only as a source of financing but also as an important instrument for restoring economic potential and ensuring long-term sustainable development.

At the same time, the current conditions of Ukraine's economic functioning generate a range of scientific and practical challenges related to the instability of investment flows, heightened security and institutional risks, as well as the transformation of the mechanisms through which FDI influences economic growth. Military actions, disruptions in logistics networks, and increasing macroeconomic uncertainty substantially alter the nature of investment activity and may constrain the realization of the traditionally positive effects of FDI. This necessitates a reconsideration of the role of foreign direct investment, taking into account the impact of wartime conditions and the degree of trade openness of the economy.

The methodological framework of the study is based on economic and statistical analysis methods, including correlation and regression analysis, as well as econometric modeling. The empirical foundation of the research is formed using official World Bank statistical data covering the period 1992-2023, which makes it possible to capture long-term trends in Ukraine's economic development and to provide an empirical assessment of the relationship between foreign direct investment and economic growth.

The aim of this study is to evaluate the impact of foreign direct investment on Ukraine's economic growth, with particular consideration of the economy's trade openness.

1. Literature Review

The impact of foreign direct investment (FDI) on economic growth has been extensively examined by both Ukrainian and international scholars, particularly in the context of heightened geopolitical risks and wartime challenges in recent years. Ukrainian researchers primarily focus on the dynamics and structural characteristics of FDI, as well as its role in ensuring macroeconomic stability and supporting economic recovery. In particular, Stavitskyi, Naumova, and Shevchuk [1] emphasize the significance of FDI for Ukraine's long-term economic growth and its role in the post-war modernization of the national economy. Similarly, Lishchynskyi and Lyzun [3] provide evidence of the positive contribution of FDI to Ukraine's GDP even under wartime conditions, confirming its role as an important external source of economic support. Comparable conclusions are presented in the studies of Khomenko, Volynets, and Shamkalo [2], which examine the institutional and structural determinants of investment attraction.

In international academic literature, FDI is widely regarded as one of the key drivers of economic growth through mechanisms such as technology transfer, productivity enhancement, and the integration of countries into global value chains. The works of John Dunning established the theoretical foundations for analyzing the motives and consequences of international investment, which continue to be actively applied in contemporary empirical research. More recent studies by international scholars, as well as analytical reports by the World Bank and UNCTAD [7], highlight that under conditions of global instability, the effectiveness of FDI depends substantially on the institutional capacity of the host country and the degree of economic openness.

At the same time, the analysis of existing academic research reveals a notable research gap regarding a comprehensive quantitative assessment of the impact of FDI on Ukraine's economic growth based on long-term time series data, with explicit consideration of the role of external trade. This justifies the relevance of the present econometric analysis, which seeks to deepen understanding of the actual contribution of foreign direct investment to Ukraine's economic dynamics under conditions of heightened uncertainty.

2. Theoretical Foundations and Mechanisms of Foreign Direct Investment Impact on Economic Growth

Foreign direct investment (FDI) is widely regarded in the academic literature as one of the key determinants of economic growth; however, the nature and magnitude of its impact depend on the theoretical perspective, the institutional environment, and the level of national economic development [2]. A synthesis of the main theoretical approaches makes it possible to systematically assess the mechanisms through which FDI affects economic growth and to explain the differences in empirical findings observed across countries and time periods.

Table 1 summarizes the key theoretical approaches to interpreting the impact of foreign direct investment on economic growth.

Thus, contemporary theoretical perspectives emphasize the multidimensional nature of FDI's influence on economic growth, which extends far beyond the simple provision of financial capital. Foreign direct investment is increasingly viewed as a complex mechanism through which host economies may gain access to advanced technologies, managerial expertise, innovation capabilities, and international production networks. However, the realization of these benefits is not automatic and depends significantly on the absorptive capacity of the host economy, including the quality of institutions, the level of human capital, the degree of economic openness, and the overall macroeconomic environment.

This issue is particularly important for transition economies, where institutional fragility, regulatory instability, and structural imbalances may significantly constrain the effectiveness of foreign investment. In such contexts, FDI may either serve as a catalyst for modernization and sustainable economic transformation or remain limited to short-term financial inflows without generating substantial long-term productivity gains. Therefore, the actual contribution of foreign direct investment to economic growth depends not only on the scale of capital inflows but also on the conditions under which these investments are attracted and utilized.

The positive effects of FDI are transmitted through a number of interconnected economic channels, which together determine the magnitude and sustainability of its impact on economic growth (Table 2). These channels include capital accumulation, technology transfer, managerial

knowledge diffusion, and integration into global value chains, each of which contributes differently depending on the structural characteristics of the host economy.

Table 1

Theoretical approaches to the analysis of FDI impact on economic growth

Theoretical approach	Key idea	Role of FDI in economic growth
1	2	3
Neoclassical approach	Capital accumulation is considered the primary driver of economic growth, while technological progress is treated as an exogenous factor.	FDI compensates for the shortage of domestic investment resources, increases capital formation, and accelerates short- to medium-term economic growth.
Endogenous growth theory	Economic growth is driven by internal factors such as innovation, knowledge accumulation, human capital development, and technological progress.	FDI contributes to technological advancement, knowledge transfer, managerial innovation, and long-term sustainable economic growth.
Spillover effect concept	Multinational enterprises generate positive externalities for host economies through technology diffusion, labor mobility, supplier linkages, and knowledge exchange.	FDI enhances the productivity and competitiveness of domestic enterprises through indirect learning and innovation spillovers.
Dunning's Eclectic Paradigm (OLI)	International investment decisions are determined by ownership advantages, location-specific benefits, and internalization incentives.	FDI is attracted when the host country offers favorable institutional, economic, and strategic conditions, thereby supporting economic modernization and integration into international markets.
Internalization theory	Firms prefer direct ownership and internal control over foreign operations rather than relying on licensing or contractual arrangements in order to reduce transaction costs and protect strategic assets.	FDI enables more efficient allocation of resources, technology transfer, and stronger long-term integration of host economies into multinational production networks.

End Table 1

1	2	3
Product life cycle theory	Firms relocate production internationally as products mature, seeking lower production costs and new market opportunities.	FDI facilitates industrial diversification, export expansion, and the integration of developing economies into global manufacturing systems.
Institutional theory	The effectiveness of investment flows depends significantly on the quality of institutions, including legal frameworks, governance quality, investor protection, and regulatory stability.	FDI contributes to economic growth only when supported by a stable and predictable institutional environment capable of ensuring efficient resource allocation.
Dependency theory (critical perspective)	Foreign investment may reinforce structural dependency, external control over key sectors, and unequal economic relationships between developed and developing economies.	FDI may generate short-term capital inflows but can also limit domestic industrial development, increase profit repatriation, and constrain long-term autonomous growth.

Source: developed by the author based on [1; 2; 4; 7]

Table 2

Main channels of FDI impact on economic growth

Channel of impact	**Characteristics**	**Economic effect**	**Relevance for Ukraine**
1	2	3	4
Investment capital	Increase in the volume of investment resources available to the economy	Expansion of production capacity and GDP growth	Particularly important under conditions of limited domestic investment and reconstruction needs
Technology transfer	Transfer of advanced technologies, innovation, and technical know-how	Increased labor productivity and modernization of production	Critical for upgrading industrial and high-tech sectors
Managerial practices	Dissemination of modern management methods, organizational models, and corporate governance standards	Improved enterprise efficiency and operational performance	Supports institutional modernization and business competitiveness

End Table 1

1	2	3	4
Integration into the global economy	Inclusion in global value chains and international production networks	Growth in exports, competitiveness, and market diversification	Enhances integration with European and global markets
Human capital development	Training of employees, professional skill upgrading, knowledge exchange	Improvement in workforce quality and innovation capacity	Important for long-term productivity growth
Competition effects	Increased competitive pressure on domestic firms	Encourages innovation, efficiency, restructuring	Encourages modernization of local enterprises
Infrastructure development	Investment in transport, logistics, energy, and production infrastructure	Improved business environment and reduced transaction costs	Especially relevant for Ukraine's post-war recovery
Institutional spillovers	Diffusion of governance standards, compliance practices, transparency requirements	Strengthening of institutional quality and investor confidence	Important for EU integration and reform implementation

Source: developed by the author based on [2; 3]

The relative importance of these transmission channels varies depending on the structural characteristics of the host economy and the sectoral allocation of foreign investment. For example, investments directed toward manufacturing, infrastructure, and technology-intensive industries are generally associated with stronger long-term development effects, as they promote productivity growth, industrial modernization, and integration into international production networks. By contrast, FDI concentrated in low-value-added or short-term speculative sectors may generate more limited macroeconomic benefits.

In addition, the interaction between these channels often determines the cumulative developmental impact of foreign direct investment. Technology transfer may enhance productivity only when supported by effective managerial adaptation, while participation in global value chains may create broader export opportunities when combined with sufficient

domestic production capacity. Consequently, the contribution of FDI to economic growth should be understood not as the result of a single transmission mechanism, but as the outcome of multiple interconnected economic processes.

The effectiveness of these channels determines whether FDI is transformed into sustainable economic growth or whether its impact remains limited to short-term financial effects.

Despite its potential advantages, the impact of FDI in transition economies is often constrained. The main limiting factors include an insufficient level of institutional development, weak protection of property rights, a high dependence on resource-based industries, and the limited absorptive capacity of domestic enterprises to adopt new technologies. Under such conditions, FDI may fail to generate long-term growth effects and instead remain concentrated on the short-term exploitation of resource potential.

Ukraine is characterized by a combination of significant FDI potential and substantial constraints on its effective utilization. On the one hand, foreign investment plays an important role in financing the economy and supporting external economic relations. On the other hand, structural imbalances, limited integration into high-technology segments of the global economy, and elevated investment risks constrain the full realization of the positive effects of FDI. This situation underscores the need for empirical analysis aimed at assessing the actual contribution of foreign direct investment to Ukraine's economic growth [5].

The synthesis of theoretical approaches demonstrates that the impact of foreign direct investment on economic growth is multidimensional and depends on a combination of economic, institutional, and structural factors. For Ukraine, the key challenge lies in transforming FDI from merely a source of financial inflows into an instrument of long-term economic modernization. This underscores the relevance of further econometric analysis aimed at assessing the actual contribution of foreign direct investment to the country's economic growth.

3. Dynamics and Structural Trends of Foreign Direct Investment in Ukraine

The analysis of foreign direct investment (FDI) dynamics in Ukraine over the period 1992-2023, based on World Bank data, indicates their

uneven and cyclical nature, shaped by both domestic macroeconomic transformations and external shocks. During the initial stage of market reforms, FDI inflows remained relatively limited due to a high level of economic uncertainty, weak institutional frameworks, and the absence of clear regulatory conditions for foreign investors. The gradual improvement in macroeconomic stability during the 2000s contributed to increased investment activity, which was reflected in growing FDI inflows into the financial sector, manufacturing, and services.

From a structural perspective, FDI in Ukraine has traditionally been characterized by concentration in several key sectors of economic activity. The largest volumes of foreign capital were directed toward financial services, trade, manufacturing, and real estate activities. In terms of source countries, European states consistently dominated as the primary investors, largely due to geographical proximity and Ukraine's integration into the European economic space. At the same time, a significant share of FDI consisted of reinvested earnings, indicating a limited inflow of genuinely new foreign capital during certain periods.

Given the macroeconomic and security conditions, it is appropriate to distinguish several key stages in the development of investment processes in Ukraine. The pre-war period was characterized by a gradual increase in FDI inflows amid economic growth and the expansion of external economic relations, although investment activity remained sensitive to global financial crises. The period of heightened geopolitical risks, which began after 2014, was accompanied by a sharp decline in investment flows, a reassessment of foreign investors' market presence strategies in Ukraine, and a growing role of reinvested earnings. The wartime period of 2022-2023 was marked by a substantial decrease in new FDI inflows, driven by elevated security risks, the destruction of production and transport infrastructure, and overall macroeconomic instability.

The influence of macroeconomic and security-related factors on investment activity is reflected in the high volatility of FDI and changes in its structure. Fluctuations in economic growth rates, inflationary pressures, currency depreciation expectations, and the escalation of military threats directly affect foreign investors' decisions regarding market entry or the expansion of their existing presence in Ukraine. Under such conditions, FDI increasingly serves to maintain existing economic relationships rather than acting as a source of large-scale production expansion.

Thus, the dynamics and structure of foreign direct investment in Ukraine have been shaped by a combination of economic and security-related factors, resulting in the instability of investment flows and limiting their long-term positive effects. This underscores the need for a quantitative assessment of the actual contribution of FDI to Ukraine's economic growth.

For this purpose, it is appropriate to conduct an econometric assessment of the relationship between foreign direct investment, trade openness, and GDP per capita growth based on World Bank statistical data [6] for the period 1992-2023. This time horizon makes it possible to capture long-term trends in Ukraine's economic development while accounting for the effects of crises and external shocks, including wartime events.

The study period is limited to 1992-2023 due to the need to rely on complete, comparable, and officially verified statistical data. At the time of the study, the indicators for 2024-2025 in international statistical databases remain preliminary or incomplete and may be subject to subsequent revision, which complicates their reliable use in econometric analysis. Excluding these years ensures sample stability and improves the robustness of the estimated results.

4. Econometric Analysis of the Relationship Between Foreign Direct Investment, Trade Openness, and Economic Growth in Ukraine

To quantitatively assess the impact of foreign direct investment on Ukraine's economic growth, an econometric model was developed to examine the dependence of the annual GDP per capita growth rate on net inflows of foreign direct investment and the volume of external trade. Net foreign direct investment inflows as a percentage of gross domestic product and external trade volume as a percentage of GDP were used as explanatory variables. At the first stage of the analysis, a correlation analysis was conducted to assess the relationships between the model variables (Table 3).

The obtained results indicate the presence of a statistically significant moderate correlation between foreign direct investment and the GDP per capita growth rate ($r = 0.56$; $p = 0.001$). Similarly, a statistically significant correlation was identified between external trade volume and the GDP per capita growth rate ($r = 0.48$; $p = 0.005$). At the same time, the correlation between foreign direct investment and external trade volume was weak and statistically insignificant ($p = 0.16$), indicating the absence of multicollinearity concerns in the subsequent regression analysis.

Table 3

Correlation Analysis

Sample: 1992 2023			
Included observations: 32			
Balanced sample (listwise missing value deletion)			
Correlation Probability	FDI	Trade Volume	GDP per Capita Growth Rate
FDI	1.000000 -----		
Trade Volume	0.256080 0.1572	1.000000 -----	
GDP per Capita Growth Rate	0.555904 0.0010	0.484581 0.0049	1.000000 -----

Source: calculated by the author

At the second stage of the study, the parameters of a multiple linear regression model were estimated using the ordinary least squares (OLS) method (Table 4).

Table 4

Regression equation estimation results

Dependent Variable: GDP per Capita Growth Rate				
Method: Ordinary Least Squares				
Sample (adjusted): 1992 2023				
Included observations: 32 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	1.919157	0.600007	3.198558	0.0033
Trade Volume	0.219354	0.086531	2.534962	0.0169
C	-25.74895	7.807006	-3.298185	0.0026
R-squared	0.434366	Mean dependent var		-0.372298
Adjusted R-squared	0.395357	S.D. dependent var		8.913485
S.E. of regression	6.931020	Akaike info criterion		6.798951
Sum squared resid	1393.132	Schwarz criterion		6.936364
Log likelihood	-105.7832	Hannan-Quinn criter.		6.844499
F-statistic	11.13495	Durbin-Watson statistic		1.518351
Prob(F-statistic)	0.000258			

Source: calculated by the author

The modeling results confirm the statistical significance of all explanatory variables at the 5% significance level. In particular, a 1 percentage point increase in the ratio of net foreign direct investment inflows to GDP is associated with an average 1.9 percentage point increase in the GDP per capita growth rate. At the same time, a 1 percentage point increase in external trade volume as a share of GDP contributes to an average 0.2 percentage point increase in the GDP per capita growth rate.

The obtained estimates indicate that Ukraine's economic growth is more sensitive to investment flows than to indicators of trade openness, confirming the key role of foreign direct investment as a driver of the structural modernization of the national economy. The coefficient of determination ($R^2 = 0.43$) indicates that the factors included in the model explain approximately 43% of the variation in GDP per capita growth rates, which can be considered an acceptable result for macroeconomic studies based on long-term time series data.

To verify the correctness of the model specification, the Breusch–Godfrey test was conducted to detect the presence of residual autocorrelation (Table 5).

Table 5

Residual Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.105401	Prob. F(1,28)	0.3021
Obs*R-squared	1.215335	Prob. Chi-Square(1)	0.2703

Source: calculated by the author

The obtained results did not reveal statistically significant autocorrelation ($p > 0.05$), indicating that the key assumptions of the classical linear regression model are satisfied. Accordingly, the estimated coefficients can be interpreted as best linear unbiased estimators (BLUE).

The empirical findings are generally consistent with contemporary theoretical expectations regarding the positive role of foreign direct investment in economic growth. The statistically significant coefficient of FDI confirms that foreign capital remains an important source of economic expansion in Ukraine, particularly through investment financing, technology transfer, and productivity enhancement.

At the same time, the relatively moderate explanatory power of the model suggests that economic growth is influenced by a broader set of factors beyond foreign investment and trade openness. This is especially relevant in the Ukrainian context, where wartime disruptions, institutional instability, and macroeconomic uncertainty significantly affect economic performance.

The comparatively weaker effect of trade openness may reflect the structural characteristics of Ukraine's economy, where external trade has historically been concentrated in commodity-based sectors with relatively limited value-added generation.

The results of the econometric analysis therefore indicate a stable positive impact of foreign direct investment on Ukraine's economic growth in the long term. At the same time, the empirical estimates suggest that this effect remains limited in the absence of a favorable macroeconomic and institutional environment.

5. Challenges to Attracting Foreign Direct Investment Under Wartime Conditions

Among the major constraints limiting the attraction of foreign direct investment in Ukraine, wartime-related risks remain the most critical. These include active military operations, threats to the security of production facilities, infrastructure destruction, and a high probability of physical asset losses [4]. Under such conditions, foreign investors are compelled to reassess their investment horizons, postpone the launch of new projects, or confine their activities to maintaining existing investments, which substantially limits the implementation of long-term investment projects that typically generate the most significant multiplier effects for economic growth.

No less significant are institutional risks, which include regulatory instability, challenges related to the protection of property rights, the limited effectiveness of the judicial system, and the difficulty of predicting state economic policy under martial law. Such factors undermine foreign investors' confidence and weaken the mechanisms of technology transfer and managerial practice diffusion, which, according to theoretical approaches, represent key channels through which FDI influences economic growth. As a result, foreign investment may fail to generate the expected

improvements in productivity and the structural modernization of the economy.

A separate category consists of financial risks associated with macroeconomic instability, exchange rate fluctuations, inflationary pressures, and limited access to financial resources. A high level of financial uncertainty increases the cost of capital and reduces Ukraine's investment attractiveness, directly affecting both the scale and structure of FDI. Under such conditions, foreign investment is often directed toward lower-risk or short-term sectors, which limits its contribution to sustainable economic growth.

The combination of the above-mentioned risks helps explain the results of the econometric analysis, according to which the positive impact of foreign direct investment on economic growth is statistically significant but not the dominant driver of Ukraine's economic dynamics. The relatively weaker effect of external trade and the moderate coefficient of determination of the model suggest that the effectiveness of FDI is substantially constrained by institutional and security-related limitations characteristic of an economy operating under wartime conditions.

Thus, wartime, institutional, and financial challenges create an environment in which the potential of foreign direct investment can only be partially realized. This necessitates a shift from the quantitative assessment of FDI's impact toward the development of practical approaches aimed at stimulating investment activity and minimizing associated risks, thereby shaping the logic for further consideration of the prospects for attracting foreign direct investment in the process of Ukraine's post-war reconstruction.

6. Strategic Prospects for Attracting Foreign Direct Investment in Ukraine's Post-War Recovery

The intensification of FDI inflows into Ukraine in the medium and long term is closely linked to the implementation of structural reforms, infrastructure restoration, and the creation of a favorable institutional environment. Given the scale of destruction and the substantial reconstruction needs, foreign direct investment should be regarded not only as a source of financial resources but also as an instrument for technological modernization and enhancing the competitiveness of the national economy.

In the process of post-war reconstruction, priority for attracting foreign direct investment should be given to sectors capable of generating the strongest multiplier effects on economic growth. These include renewable and conventional energy, transport and logistics infrastructure, manufacturing, the agro-industrial sector with a focus on deep processing, as well as information technologies and digital services. Investment in these sectors will contribute not only to the restoration of productive capacities but also to the structural transformation of Ukraine's economy toward increasing the share of high value-added production.

The role of multinational corporations (MNCs) deserves particular attention in the context of attracting foreign direct investment to Ukraine's post-war recovery. As major global investors, multinational enterprises possess not only substantial financial resources but also advanced technologies, managerial expertise, established international supply chains, and access to foreign markets. Their participation in Ukraine's reconstruction could significantly accelerate industrial modernization, export expansion, and the integration of the national economy into global production networks [8].

For Ukraine, attracting strategic multinational investors is especially important in sectors such as manufacturing, energy, logistics, agro-processing, digital technologies, and infrastructure development. The presence of multinational corporations may generate substantial spillover effects for domestic enterprises through supplier linkages, knowledge diffusion, workforce training, and the introduction of international corporate governance standards. In addition, cooperation with multinational enterprises can enhance investor confidence by signaling the credibility and long-term investment potential of the Ukrainian market.

However, effective engagement with multinational corporations requires a stable regulatory framework, transparent investment procedures, reliable protection of investor rights, and targeted state investment promotion policies. Under post-war reconstruction conditions, the attraction of anchor multinational investors could serve as a catalyst for broader foreign investment inflows and deeper structural transformation of the Ukrainian economy.

An important role in stimulating FDI inflows is played by international financial institutions, including the World Bank, the European Bank for

Reconstruction and Development (EBRD), and the International Monetary Fund (IMF). Their participation in financing reconstruction projects, providing loans and grants, and implementing technical assistance programs reduces the overall level of risk for private investors and strengthens confidence in the Ukrainian market. Moreover, cooperation with these institutions facilitates the adoption of international governance and transparency standards, which constitutes an important factor in investment decision-making.

A key prerequisite for intensifying FDI under heightened risk conditions is the introduction of effective mechanisms for state guarantees and investment insurance. Government support in the form of capital protection guarantees, insurance against wartime and political risks, as well as participation in risk-sharing mechanisms between the state and investors, can reduce the cost of capital and stimulate the implementation of long-term investment projects. Such instruments are particularly important for attracting investors to capital-intensive sectors, where payback periods are typically extended.

An additional strategic direction for strengthening Ukraine's investment attractiveness involves the development of specialized investment infrastructure, including industrial parks, special economic zones, innovation clusters, and public-private partnership mechanisms. Such instruments have proven effective in many transition and emerging economies by reducing administrative barriers, improving access to infrastructure, and creating favorable operating conditions for foreign investors. In the Ukrainian context, these mechanisms could play an important role in accelerating regional economic recovery, particularly in relatively secure territories with high industrial or logistical potential.

Industrial parks, in particular, may serve as effective platforms for attracting export-oriented manufacturing investment, facilitating technology transfer, and supporting the localization of international production chains. Their development could contribute to the diversification of Ukraine's economic structure and reduce dependence on commodity-based sectors, thereby strengthening long-term economic resilience [7].

Equally important is the acceleration of digital transformation and administrative modernization aimed at improving the business environment. The simplification of investment procedures, digitalization

of licensing and regulatory services, reduction of bureaucratic barriers, and increased transparency in public administration may substantially enhance investor confidence. For foreign investors, predictability and efficiency of administrative processes are often as important as direct financial incentives [6].

Public-private partnerships (PPPs) also represent a promising instrument for mobilizing foreign investment in large-scale infrastructure and reconstruction projects. Given the scale of Ukraine's post-war rebuilding needs, PPP mechanisms may facilitate risk-sharing between the public and private sectors while enabling the implementation of capital-intensive projects in transport, energy, logistics, and urban infrastructure [4].

In addition, greater engagement with international investment guarantee mechanisms, including political risk insurance programs, could significantly improve Ukraine's investment climate. Instruments designed to mitigate wartime and political risks may lower the perceived uncertainty faced by international investors and support the implementation of long-term strategic investment projects.

The prospects for increasing FDI inflows into Ukraine are closely linked to European integration processes and the harmonization of national legislation with European Union standards. Deeper integration into the single European market, the implementation of EU regulatory standards, stronger investor protection, and improvements in the quality of the institutional environment create favorable conditions for enhancing Ukraine's investment attractiveness. In this context, foreign direct investment serves not only as a financial resource but also as a mechanism for accelerating Ukraine's economic convergence with EU member states.

Therefore, the prospects for intensifying foreign direct investment in Ukraine are determined by a combination of sectoral priorities, support from international financial institutions, effective risk management mechanisms, and progress in European integration reforms. The implementation of these directions creates the conditions for transforming FDI into a key driver of long-term economic growth and sustainable development in Ukraine.

CONCLUSIONS

This study provides a comprehensive analysis of the impact of foreign direct investment on Ukraine's economic growth through the integration

of theoretical approaches, an examination of investment dynamics, and econometric modeling based on long-term statistical data covering the period 1992–2023. The results of the correlation and regression analyses confirmed the existence of a statistically significant positive relationship between foreign direct investment inflows and GDP per capita growth rates, highlighting the important role of foreign capital in shaping Ukraine's economic dynamics. At the same time, the impact of external trade on economic growth was found to be less pronounced, indicating the limited potential of extensive economic development in the absence of accompanying investment and institutional transformations.

The findings allow foreign direct investment to be regarded as one of the key drivers of Ukraine's long-term economic growth, capable not only of providing financial resources to the economy but also of creating conditions for technological modernization and productivity enhancement. At the same time, the empirical estimates demonstrate that the positive effects of FDI do not materialize automatically; rather, they depend on the quality of the macroeconomic and institutional environment, as well as the degree of the country's economic openness.

Particular attention in this study has been devoted to the constraints associated with the functioning of the economy under wartime conditions. Wartime, institutional, and financial risks significantly restrain investment activity, limit the inflow of new foreign capital, and reduce the effectiveness of the traditional channels through which FDI contributes to economic growth. This suggests that the positive impact of FDI identified in the analysis reflects its potential contribution to economic development, the realization of which requires effective risk mitigation and the creation of a stable investment environment in the course of Ukraine's post-war reconstruction.

Future research should focus on expanding the econometric analysis by accounting for structural breaks associated with wartime events, broadening the set of explanatory variables to include institutional and financial indicators, and conducting comparative analyses of the experiences of other countries that have undergone post-conflict recovery. This would contribute to a more comprehensive understanding of the conditions under which foreign direct investment can be transformed into a sustainable driver of Ukraine's economic growth.

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