

Puzikova, Valentyna

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**JEL classification F21; F 60**

## **FOREIGN DIRECT INVESTMENT IN UKRAINE**

*Valentyna Puzikova*

*Leibniz University Hannover*

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### **Abstract**

The Ukrainian economy cannot ensure economic reconstruction after the war and needs new opportunities for its development. Foreign direct investment (FDI) is an important instrument that can help. FDI provides capital relevant for increasing the profitability of economic sectors. FDI is also part of political investment - should be given priority in government activities. For this reason, it triggers economic growth and improves macroeconomic performance when it is used to develop the market and its infrastructure.

In this article, I give an overview of the understanding of FDI and its actual situation in Ukraine. The arguments reflect mainly an investor's point of view. This helps to emphasize the importance of realistic and informative data for assessing the attractiveness of Ukraine. A first step in this direction is made with reference to international indices. I will try to review a reflection of relevant indices, which provide an assessment of the macroeconomic situation in Ukraine.

The main results of the article: an overview of the real situation with FDI in Ukraine and the importance of using international indices during the FDI processes.

The benefits of FDI do not appear automatically. It depends on the investment policy of host countries, especially Ukraine. My contribution to this article is to draw attention to the current situation with FDI in Ukraine and the issue of the lack of systematic use of international indices during the FDI processes. Without a clear understanding of these issues, it is impossible to answer the following questions that need to be studied, such as how to solve the challenges with FDI and attract new foreign capital to Ukraine. The article will be of interest to those who are interested in the issue of investment policy in the context of Ukraine, study this issue at the scientific level, and practically develop and implement the strategy of investment policy in Ukraine. The main conclusion of the article is to show the importance of revising the approaches to political investment in Ukraine, taking into account the international evaluation indices.

**Keywords:** FDI, FDI net inflows, long-lasting links, economic growth, investment.

## **Zusammenfassung**

Die ukrainische Wirtschaft ist nicht in der Lage, den wirtschaftlichen Wiederaufbau nach dem Krieg zu gewährleisten und benötigt neue Entwicklungsmöglichkeiten. Ausländische Direktinvestitionen (FDI) sind ein wichtiges Instrument, das dabei helfen kann. FDI stellen Kapital bereit, das für die Steigerung der Rentabilität von Wirtschaftssektoren relevant ist. ADI sind auch Teil der politischen Investitionen - sie sollten eine Priorität der Regierungsaktivitäten sein. Wenn sie zur Entwicklung des Marktes und seiner Infrastruktur eingesetzt werden, lösen sie Wirtschaftswachstum aus und verbessern die gesamtwirtschaftliche Leistung.

In diesem Artikel gebe ich einen Überblick über das Verständnis von FDI und ihre tatsächliche Situation in der Ukraine. Die Argumente spiegeln hauptsächlich die Perspektive eines Investors wider. Dies trägt dazu bei, die Bedeutung realistischer und aussagekräftiger Daten für die Bewertung der Attraktivität der Ukraine zu unterstreichen. Ein erster Schritt in diese Richtung wird mit dem Verweis auf internationale Indizes unternommen. Ich werde versuchen, eine Reflexion relevanter Indizes zu überprüfen, die eine Einschätzung der makroökonomischen Situation in der Ukraine liefern.

Die Hauptergebnisse des Artikels sind ein Überblick über die aktuelle Situation der FDI in der Ukraine und die Bedeutung der Verwendung internationaler Indizes während der FDI-Prozesse.

Die Vorteile von ADI stellen sich nicht automatisch ein. Dies hängt von der Investitionspolitik der Gastländer, insbesondere der Ukraine, ab. Mein Beitrag zu diesem Artikel besteht darin, die Aufmerksamkeit auf die aktuelle Situation der ausländischen Direktinvestitionen in der Ukraine und auf das Problem des Mangels an systematischer Anwendung internationaler Indizes während der FDI-Prozesse zu lenken. Ohne ein klares Verständnis dieser Probleme ist es unmöglich, die folgenden Fragen zu beantworten, die untersucht werden müssen, z.B. wie die Herausforderungen im Zusammenhang mit ausländischen Direktinvestitionen gelöst werden können und wie neues ausländisches Kapital in die Ukraine geholt werden kann. Der Artikel wird für diejenigen von Interesse sein, die sich für die Investitionspolitik im Kontext der Ukraine interessieren, dieses Thema auf wissenschaftlichem Niveau studieren und in der Praxis die Strategie der Investitionspolitik in der Ukraine entwickeln und umsetzen. Die wichtigste Schlussfolgerung des Artikels ist, dass es wichtig ist, die Ansätze der Investitionspolitik in der Ukraine unter Berücksichtigung der internationalen Bewertungsindizes zu überarbeiten.

**Schlüsselwörter:** FDI, Netto-FDI-Zuflüsse, langfristige Beziehungen, Wirtschaftswachstum, Investitionen.

## **1. INTRODUCTION**

The Russian invasion in February 2022 forced Ukraine to rethink its investment policy and international aid. The current situation is characterized by a lot of damage to the capital stock and lost (or tied) productive capacities, i.e. due to the general mobilization and the huge number of refugees. As a result, not only is economic development devastated, but also the overall economic situation is set back by years, if not decades. Investment can be the key to future post-war reconstruction. From a strategic point of view, foreign investment can be one of the most effective means of integrating the Ukrainian economy into the global economy without incurring additional foreign debt.

According to Hayes [Hayes 2022]. Foreign Direct Investment (FDI) is the participation of an investor, company or government from another country in a foreign enterprise or project, the investment of capital in the foreign enterprise, which provides stable and long-term links and control of the investor over the investment object and the receipt of income. The definition of Hayes is the most valid for the Ukrainian issue, because it provides an understanding of FDI on two levels: macroeconomic and microeconomic. From the macroeconomic point of view. FDI is a specific form of capital flow across the borders of different countries or even different continents, from investing countries to receiving countries, which is a key element of international economic integration. From a microeconomic perspective, these processes may have different underlying motivations and interests, but are oriented towards long-term networks and partnerships to achieve economic, innovative, social and environmental progress and to develop specific stable links between the economies of different countries. It is important for Ukraine to build long-term partnerships because the integration process takes time. To achieve real development of the Ukrainian economy, the effective results can give only stable international cooperation, oriented to innovation and real market economy. According to the source, capital is divided into public

(the funds of the state budget or international organizations) and private (the funds of private companies, banks and other non-governmental organizations in the form of investments, trade credits and interbank loans).

I focus on FDI for three main reasons. The first is that the Ukrainian economy is not capable of ensuring economic reconstruction after the war without international help. The second is that FDI is widely accepted in the world. The third is that FDI can accelerate the process of integration of the Ukrainian economy into the world economy.

At the same time, Ukraine should not forget its own geopolitical and geo-economic interests and be guided by the priority of interests not of quick enrichment, but of real development of its economy and its strategic objects while implementing the international partnership.

In this article I discuss issues of FDI in Ukraine as a key instrument for its post-war recovery and development of the Ukrainian economy. FDI is a part of the international economic system and can be an important instrument for the economic development of Ukraine with the right balanced investment policy of Ukraine as a host country.

The paper is divided into 4 sections. Section 1 provides background information on FDI. A presentation of FDI in Ukraine is provided in section 2. The meaning of international indices is explained in section 3. Section 4 contains questions for discussion.

## **2. FOREIGN DIRECT INVESTMENT: TYPES AND SOME STYLIZED FACTS**

### **2.1 FDI: What is it?**

There are official and academic descriptions of FDI. The most common official descriptions of FDI are provided by the OECD and the IMF. The OECD defines FDI as a category of cross-border investment in which an investor resident in one economy establishes a lasting

interest in, and significant influence over, an enterprise resident in another country [OECD. 2023]. The IMF defines FDI as the specific category of foreign investment associated with a resident of one economy controlling at least 10% of the shares or exercising a significant degree of influence in the enterprise of the other residence [IMF. 2010].

There are also academic descriptions and studies of FDI.<sup>1</sup> There is a huge comprehensive descriptions deal with various aspects of FDI. They have dealt with the various determinants of FDI to countries, including the importance of trade openness, market size, labor productivity, and political stability. Several researchers have attempted to provide a specific description of FDI, but there is currently no generally accepted theory. Almost every new approach adds something new or criticizes previous approaches. It seems that the determinants of FDI are numerous and understood in different ways by different researchers. However, it is clearly important to develop a generally accepted definition and description of FDI in order to have a unified understanding of this phenomenon.

The definition began to study Hymer [1960], who defined FDI as a term describing the operation of acquiring physical assets abroad for which current control remains with the multinational in its home country.

Upside of FDI are that FDI is the largest and most stable source of private capital for developing and transition economies, increase the macroeconomic situation.

Downside of FDI are that FDI can absorb the domestic market and its transformation into a raw material base. Finding the balance between these approaches is a task of legal and political framework.

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<sup>1</sup> For more detailed information, see for example: Key studies on the neutral and positive impact of FDI have been conducted by the following scholars: Hymer S. [Hymer, 1960], Moran [1998], Busse [2003], Swathappa [2012], Maverick [2022], Hayes [2022]. Key studies on the negative: Greenaway and Gorg [2002], Hanson [2001].

## 2.2. Types of FDI

Due to the number of definitions of FDI, there is no specifically developed scheme for the classification of FDI in the theory of FDI based on the problems of discrepancies in the division of FDI into different types according to certain characteristics and degrees of their detail.

In order to improve the investment policy in Ukraine and attract new investors to the country. Ukraine should begin to conduct a detailed analysis of the types of FDI, identify bottlenecks and derive the mechanisms for effective implementation in Ukraine. FDI can be categorized according to the following six approaches <sup>2</sup>:

1. **Territorial approach:** There are transcontinental and transnational capital investments. The first type is capital investment from one continent to another. They allow to combine the best market conditions. The second type is capital investment often in a neighboring country.
2. **The method of the investment:** The second approach divides FDI according to the type of investment. According to this approach. there are brownfield and greenfield investments. The first type refers to the process of purchasing an enterprise or its share in an amount that provides the opportunity to participate in the decision-making of this enterprise. The second type refers to the creation of a new object by the foreign investor "from scratch".
3. **Dimension of integration:** This approach classifies FDI by type of integration: "horizontal" FDI, "vertical" FDI, conglomerate FDI, and platform FDI. Horizontal" FDI is capital investment in a foreign firm within an industry for the production of the same products that were previously produced by the investor in its home country. This

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<sup>2</sup>These six approaches are the most important in the classifications of the FDI and were developed by the author in the process of analyzing information by authors: Vaidya D., Loo A. However, other authors classified them according to the 21 positions (Govoruschko, Obushna, 2013).

type of investment is the most common type of FDI and can be understood as an expansion policy of the investor's domestic business abroad. Vertical" FDI is capital investment in industries belonging to different stages of production of a single product. For example, a wine producer may invest capital in wine (grape) plantations abroad. Conglomerate FDI is capital investment in two different businesses based on different directions of one industry. For example, a pharmaceutical producer decides to invest in energy. Platform FDI is capital investment with the current goal of expanding the investor's business abroad with the subsequent goal of exporting the produced products to a third country. For example, a car brand based in America can outsource its production process to Ukraine and then sell it in Europe.

4. **Ownership:** The fourth approach divides FDI by type of ownership: private, government, international investment organizations, non-governmental organizations, and mixed.
5. **Investment motive:** The fifth approach distinguishes between resource-oriented FDI, strategic FDI, and market-oriented FDI.
6. **Legal form:** The sixth approach divides FDI according to the legal form of foreign investment: corporate and contract FDI. Foreign investors can invest in different ways. Corporative investments in international economic theory are capital investments through 1) acquisitions or mergers, 2) acquisition of voting shares in a foreign company, 3) joint ventures, and 4) expansion using a new branch of the investor's business in a foreign country. It is important to compare this distinction with the possibilities provided by the Ukrainian legal system for FDI. These include 1) the establishment of an economic organization, 2) the acquisition of rights to a business or an entire real estate/industrial complex, and 3) the establishment of a branch by a foreign investor or a representative office. In addition. in this comparison we can see, for example, that the Ukrainian law does not take into account the joint venture at all.



Contract FDI is a capital investment established by means of an investment contract (e.g. concession).

Based on these approaches, I have tried to distinguish types of FDI, which are presented in Table 1 below. It is important to critically review and further develop the classification of FDI because it helps to understand the effectiveness of each type for economic development and to think about possible ways of attracting FDI to Ukraine. The presented classification features are not exhaustive with regard to the variety of types of FDI. For an effective policy of attracting and regulating FDI it is important to understand the motives, goals and incentives of foreign investors.

When I study the law "On the regime of foreign investment" [Law. 2022], there is no such classification at all, therefore it is important to clarify the definitions to support their subsequent implementation.

**Table 1**  
Classification of FDI

	<b>Advantages</b>	<b>Disadvantages</b>
<b>The territorial approach</b>		
<b>Transnational</b>	Market diversification into new territories on one continent Economic growth Human Capital Development Technology development Contribute to the fight against climate change	Hindering domestic investment The risks of political change Modern-date economic colonism Different legal regulations Changing domestic market to the foreign
<b>Transcontinental</b>	Market diversification to different continents Increasing globalization and trade process Human capital development Technology development Contribute to the fight against climate change	Transcontinental misunderstandings (religions, traditions, etc.) and poor performance Geopolitical risk and expropriation Economic non-viability Different exchange rates
<b>The method of the investment</b>		
<b>Brownfield</b>	New foreign market. fast entry Low fixed costs due to the existing one Lower personnel and training costs	High cost of legacy assets Location barriers Potential inefficiencies under new conditions
<b>Greenfield</b>	High level of control over business operations Economies of scale Avoidance of trade restrictions	Entry barriers to entry to the new markets High-risk investment High fixed costs
<b>Dimension of integration</b>		
<b>Horizontal</b>	Leverage existing processing operations More predictable Use developed brands Create more jobs Allow consumers easy access to foreign products	Change domestic market to the foreign Economic non-viability (different tastes)
<b>Vertical</b>	Achieve economies of scale	Obsolescence due to new technologies

	Expand geographically Reduce costs by optimizing operations Differentiate from competitors	Does not always lead to higher profits Less flexibility More high cost for lower volume
<b>Conglomerate</b>	The issue of synergy Market diversification Reach new and broader consumer base	Inherent vulnerability Tough internal management Profits dependent on each other subsidiaries
<b>Platform</b>	Low cost locations within free-trade zones Growth and geographic expansion Ease of international trade	Misunderstanding of political and economic processes in the third country Inherent vulnerability Touch inward management
<b>Ownership</b>		
<b>Private</b>	Resources Have Value and Generate Profit Motivation	Limited opportunities Independence and high risks
<b>State</b>	Opportunity to redistribute of income	Risk of corruption and shadow economy
<b>International investment organizations</b>	Involvement of more money	Different legal and tax regims
<b>Non-governmental organizations</b>	The issue of synergy	Risks of being more declarative s than practical Dependence on grant-giving organizations
<b>Mixed</b>	The issue of synergy Combine Government and Private Sector	Inherent vulnerability Different legal and economic systems
<b>Investment motive</b>		
<b>Resource-oriented</b>	Developed bases for industries	High fixed costs
<b>Strategic</b>	Develop key economic sectors Develop Defense	Risks of corruption Risk of political instability
<b>Market-oriented</b>	Long-term benefits Develop Market	Changing domestic market to the foreign

<b>Legal form</b>		
<b>Acquisitions or mergers</b>	Combine efforts Reduce costs Integrate and Optimize	Security and compliance failures Lack of technical integration compatibility Lack of consistent strategic direction
<b>Acquiring voting stocks</b>	Maintain Control Capital gains and dividends received Share liquidity Easy to track	High fixed risks Limited voting rights
<b>Joint venture</b>	The issue of synergy Innovation Increase resources Flexibility Low production costs Distribution Networks	High fixed risks Inherent vulnerability Lack of common direction and goals
<b>Expanding</b>	New customers and new markets Spread risks Reduce costs Market diversification	Increased capital requirements More delegation processes that reduce control High fixed workload Inefficient planning

Source: Developed by the author based on the data by CFI Education of the FDI. 2023.

### **3. FDI AND UKRAINE**

#### **3.1 FDI for Ukraine and for foreign investors**

For successful implementation of Ukraine's strategy for attracting and regulating foreign capital, a roadmap for understanding the benefits and challenges of FDI for Ukraine and for foreign investors is important. There is a lot of discussion about the importance of FDI for Ukraine's economy, but there is not enough up-to-date analysis of the relationship between Ukraine's interest in FDI and the interests of foreign investors in Ukraine.

In order to provide a well-designed investment strategy, it is important to develop a clear SWOT analysis, which can help ensure the long-term success of investment policy in Ukraine. SWOT analysis is a specific technique used to identify strengths, weaknesses, opportunities and threats in order to have possibilities to develop a roadmap to achieve strategic goals. Strategic goals for Ukraine are the development of its economy and the ability to be a strong partner.

As it can be seen in the following tables with SWOT analysis of FDI (Table 2 - SWOT Analysis of FDI in Ukraine; Table 3 - SWOT Analysis of FDI in Ukraine for Foreign Investors). I have tried to explain both the advantages and, at the same time, the challenges of not well-developed management of FDI in Ukraine. This analysis is important for the method of strategic planning used during the realization of the investment program in Ukraine, especially now and after the war. I used the methodology by asking questions and answering a group of similar questions for each of the four components.

**TABLE 2**  
SWOT ANALYSIS OF FDI FOR UKRAINE

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**Strengths**

- Foreign capital can act as a stimulus for the Ukrainian economy by
- Can facilitate access to capital. complementing domestic capital
- Can facilitate access to new technologies. know-how and management
- Increase competition among local manufacturers. making production more efficient
- Ukraine will be able to maximize its post-war employment opportunities
- Development and increase of export and transit potential
- Development of human capital

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**Opportunities**

- Improve investment policy to attract international investors
- Development of economic incentives for foreign investors: tax breaks. preferential tariffs or certain incentives
- Develop war risk insurance system and investment insurance
- Prioritize target sectors in Ukraine for FDI
- Improvement of transport and storage infrastructure with international certification
- Exchange rate stability
- Help in the fight against climate change

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**Weaknesses**

- Ukraine's poor market liquidity due to war. unstable economy and currency
- Lack of legal framework for FDI in Ukraine
- There is no well-managed. stable policy for FDI in Ukraine in line with international standards.
- The role of FDI and its entire process is not fully understood in Ukraine.
- Obstacles to domestic investment

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**Threats**

- Risks for domestic companies if they do not keep up with the speed of international requirements
  - Changing domestic market to the foreign
  - There is no unified data source and methodology in Ukraine; there are three data sources: Ukrstat. the National Bank and the IMF CDIS Coordinated Direct Investment Survey.
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Source: Developed by the author.

**TABLE 3**  
**SWOT ANALYSIS OF FDI IN UKRAINE FOR FOREIGN INVESTORS**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>- Ukraine has a favorable geopolitical position and can join the West and the East.</li> <li>- High level of natural resources</li> <li>- Great international support and aid to Ukraine. especially during the war</li> <li>- Inexpensive technologies and labor</li> <li>- National strategy to increase FDI</li> <li>- Large domestic market</li> <li>- Lack of nationalization of FDI</li> <li>- Cheap labor and energy</li> </ul>	<ul style="list-style-type: none"> <li>- War Risks and Geopolitical Risks</li> <li>- Political instability</li> <li>- Lack of real market economy</li> <li>- Unstable economy. unstable currency</li> <li>- Weak business climate</li> <li>- Weak legal framework. its complexity. poor contract enforcement</li> <li>- High foreign debt</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- Have additional economic incentives: tax breaks. preferential tariffs or specific incentives</li> <li>- New markets</li> <li>- Proven agricultural. energy and natural resource potential</li> <li>- Develop transit potential</li> <li>- Improve investment policy and national strategy to increase FDI</li> <li>- Develop insurance system: war risk and investment insurance</li> </ul>	<ul style="list-style-type: none"> <li>- High level of corruption</li> <li>- High level of bureaucracy</li> <li>- War migration of people and companies</li> <li>- Lack of an insurance system against war risks</li> </ul>

Source: Developed by the author based on the data by Lloyds Bank. FDI in Ukraine. 2023.

### **3.2 FDI in Ukraine in review**

In order to analyze the real situation of FDI in Ukraine. I should consider this question from two perspectives. One is the war and conflict with Russia, and the other is the shadow economy. In order to have a solid understanding of the situation of FDI in Ukraine and to answer the question why FDI flows in Ukraine do not increase but decrease, it is important to distinguish between the FDI process in the periods before and after the war (conflict with Russia).

Most of the pre-war FDI flows came through special purpose entities (offshore companies). An interesting fact about FDI flows (especially pre-war FDI) was that these flows were usually of Ukrainian or Russian origin. This phenomenon is called the "return trip" of investment. It means that Ukrainian residents first move their capital to offshore entities to avoid taxes and have confidence. In most cases, offshore investment accounts are opened in the name of a specific company, which provides more favorable opportunities in terms of tax regulation, and then the capital is invested back in Ukraine as FDI. Such offshore organizations are often used for illegal purposes, in particular for money laundering and tax evasion.

Investors use special purpose (offshore) companies in countries such as Cyprus and the Netherlands to pay less taxes, obtain a special status, and then reinvest the capital in Ukraine.

Cyprus and the Netherlands are the main places in Europe that are the offshore jurisdictions for the outlined FDI flows. Cyprus is a member of the European Union (EU) and an attractive offshore jurisdiction because of its low tax rates for companies and retired foreign residents, simple bureaucratic procedures, and double taxation agreements with over 40 countries, including Ukraine, with which a protocol was signed in 2012. According to the



Central Bank of Cyprus. FDI outflows from Cyprus in 2021 will amount to 232.632.4 million euros for Europe and 72.498.9 million euros for the USA [Central Bank of Cyprus. 2021].

The Netherlands is also a member of the EU and its legal framework offers good opportunities for international tax opportunities involving Dutch companies in the structure of these international transactions. The advantages of the Netherlands include a good legal infrastructure and investment protection. The Netherlands also has double tax treaties with more than 78 countries, including Ukraine, with which a protocol was signed in 2012. According to Dutch Trade in Facts and Figures [2021], the largest shares of FDI in 2018 flowed to Germany, the United States. France. China and Poland. A good example of a special purpose (offshore) company is the Dutch company VimpelCom<sup>3</sup>.

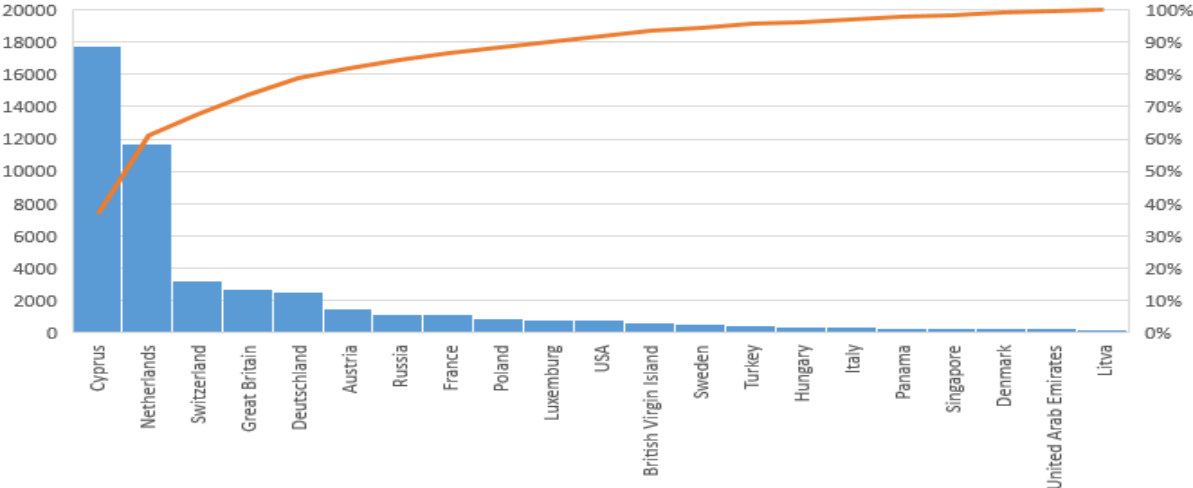
The situation of pre-war FDI becomes clear from the analysis of the countries that accounted for the largest shares of FDI in Ukraine. which is shown in Figure 1 below [National Bank. 2023]. From this analysis it can be concluded that the main problem of FDI is related to the shadow economy. corruption schemes. Due to these problems. the official statistics of FDI do not represent the real FDI inflows. Figure 1 shows the dynamics of FDI in Ukraine in 2019-2021 (measured in millions of USD) from different countries. The figure is based on data from the National Bank, and includes countries with the largest shares of FDI in Ukraine. The data do not include the temporarily occupied territories of Crimea, the city of Sevastopol, and the Donetska and Luganska oblasts. The period from 2019 to 2021 was chosen in order to show more up-to-date information on this issue. Statistical information on FDI starting with data for the first quarter of 2022 has not yet been published, but is expected to be published after the deadline for submission of statistical and financial reports established by the Law of Ukraine of March 3. 2022 No. 2115-IX "On Protection of Interests of Subjects

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<sup>3</sup>The Dutch Company VimpelCom, which owns Kyivstar, one of the biggest telecommunicate operator in Ukraine. But the largest owner of the VimpelCom is Russia Company – Alfa-Group through agents.

Submitting Reports and Other Documents During a State of War". When I think about the consequences of FDI through offshore companies, the most important consequence is that offshore companies change only the quantity of FDI inflow to Ukraine, but not its quality. In this case, the real economic situation is not improved.

**Figure 1.** Investor countries to Ukraine. 2019–2021, million USD



Source: National bank of Ukraine. 2023 - [Статистика зовнішнього сектору \(bank.gov.ua\)](https://bank.gov.ua), own representation.

The second biggest problem for FDI in Ukraine is insecurity, military risks, and destroyed infrastructure, which has led to a decrease in FDI flows (both inflows and outflows). For example, FDI outflows from Ukraine will amount to \$436 million in 2021, \$621 million in 2019, and \$980 million in 2012 (before the start of the conflict with Russia). According to UNCTAD's World Investment Report 2021, FDI flows to Ukraine will decrease by about USD 7 billion in 2020, turning into net disinvestment (USD -868 million) [World Investment Report. UNCTAD. 2021].

When we talk about investments, it is important not to forget about balanced investments, i.e. a balance between risks and profits (returns). In this issue, more and more foreign investors will be looking for stable and modest profits (returns on capital) along with high guarantees of capital preservation.

The figures below, which cover FDI net inflows and FDI net outflows, show a high volatility of these indicators, which indicates an unstable business-investment climate in Ukraine. The lack of an insurance system for military risks in Ukraine may be an additional challenge that should be addressed at the national level in order to improve the attractiveness of Ukraine for FDI.

**Figure 2.** FDI net inflows to Ukraine (current USD). 1992-2021, billion USD



Source: World Bank Data. 2023 [Foreign direct investment, net inflows \(BoP, current US\\$\) - Ukraine | Data \(worldbank.org\)](https://data.worldbank.org), own presentation

**Figure 3.** FDI net outflows from Ukraine (current USD). 1994-2021, million USD



Source: World Bank Data. 2023 [Foreign direct investment, net outflows \(BoP, current US\\$\) - Ukraine | Data \(worldbank.org\)](https://data.worldbank.org), own presentation

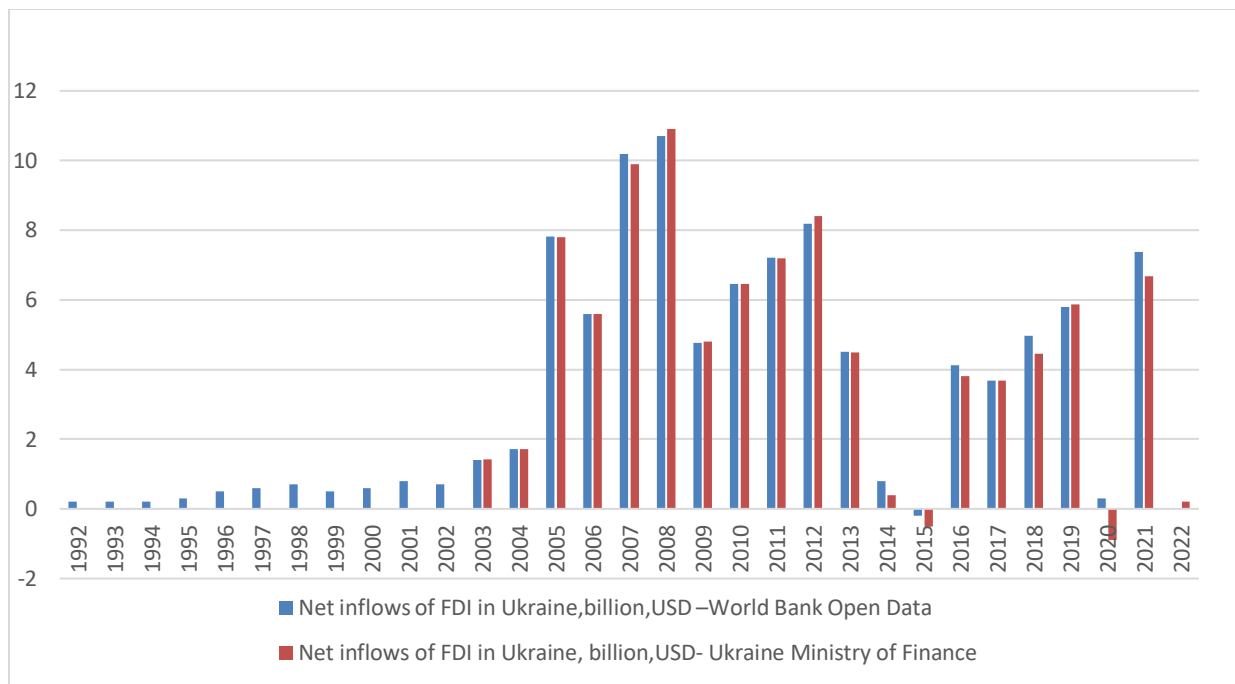
### **3.3 FDI inflows in Ukraine**

There is a problem of ineffective use of the investment potential during the long period since the independence of Ukraine, which is connected with political and economic instability, lack of an appropriate legislative framework and its constant changes, high level of corruption and bureaucracy, absence of investment insurance system and the influence of the war.

Nevertheless, the National Strategy for Increasing FDI in 2021 was adopted; in 2018, a law was adopted to increase transparency and new changes in the legal system: new tax reductions and import duty exemptions came into force; the level of investment (FDI inflows) in Ukraine does not increase.

It will be interesting and important to analyze the amount of FDI in the history of independent Ukraine and to see in which sectors FDI is concentrated. The dynamics of FDI in Ukraine from 1992 to 2022 according to the open data of the World Bank and information from the Ministry of Finance of Ukraine is presented in the following Figure 5. The dynamics of portfolio investment in Ukraine (in billions of USD) is shown in Figure 6.

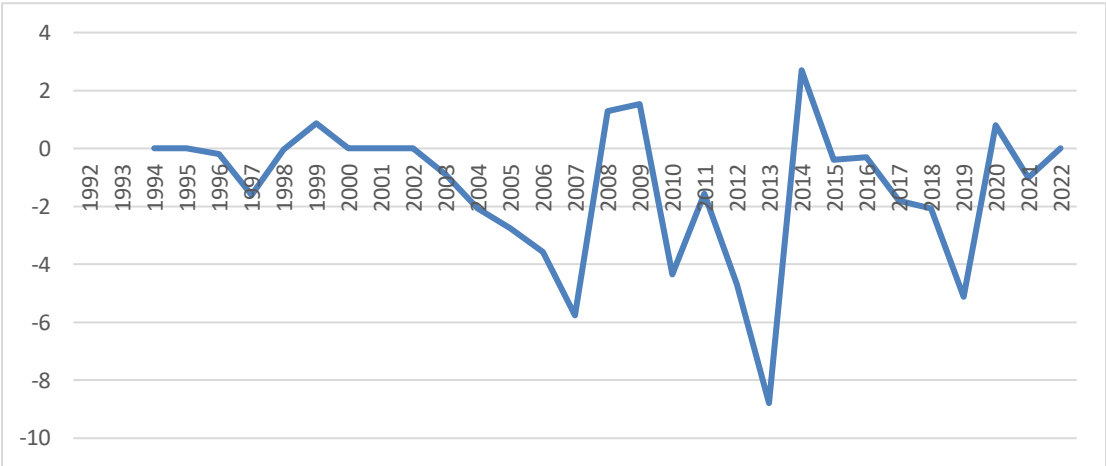
**Figure 4.** The FDI (net inflows) in Ukraine 1992-2022, billion USD



Source: Author based on World Bank Open Data. 2023 [Foreign direct investment, net inflows \(BoP, current US\\$\) - Ukraine | Data \(worldbank.org\)](https://data.worldbank.org/UY) and Ukraine Ministry of Finance. 2023 - [Прямі іноземні інвестиції \(2022\) \(minfin.com.ua\)](https://minfin.com.ua/), own presentation.

There is a difference between the data from the World Bank and the data from the Ministry of Finance of Ukraine. This is probably due to different approaches to calculations. From the point of view of the author, the data should be checked and unified. Only unified and concrete data can show the real situation of FDI in Ukraine. This is important for the investment strategy and the real increase of investments in Ukraine, beyond the declarative processes.

**Figure 5.** Dynamics of Portfolio FDI in Ukraine 1992-2022, billion USD

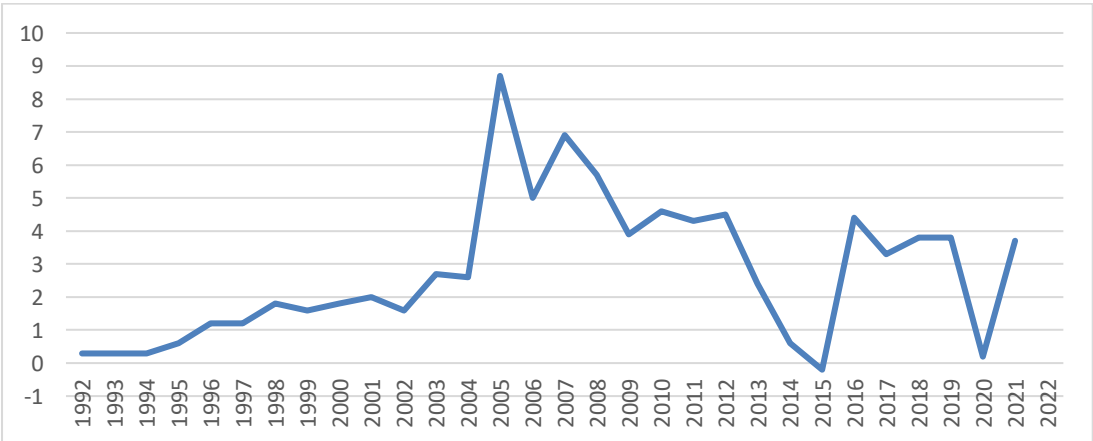


Source: Author based on World Bank Open Data. 2023 [Foreign direct investment, net inflows \(BoP, current US\\$\) - Ukraine | Data \(worldbank.org\)](https://data.worldbank.org/UY), own presentation.

In addition, it should be noted that portfolio investment in Ukraine is not effective. Figure 6 shows many jumps in the dynamics, although the data have a negative meaning.

Net inflows of FDI measured as a share of GDP (Gross Domestic Product) in Ukraine are not large, but they could play a large role in increasing GDP. Net FDI inflows as a share of GDP are shown in Figure 7.

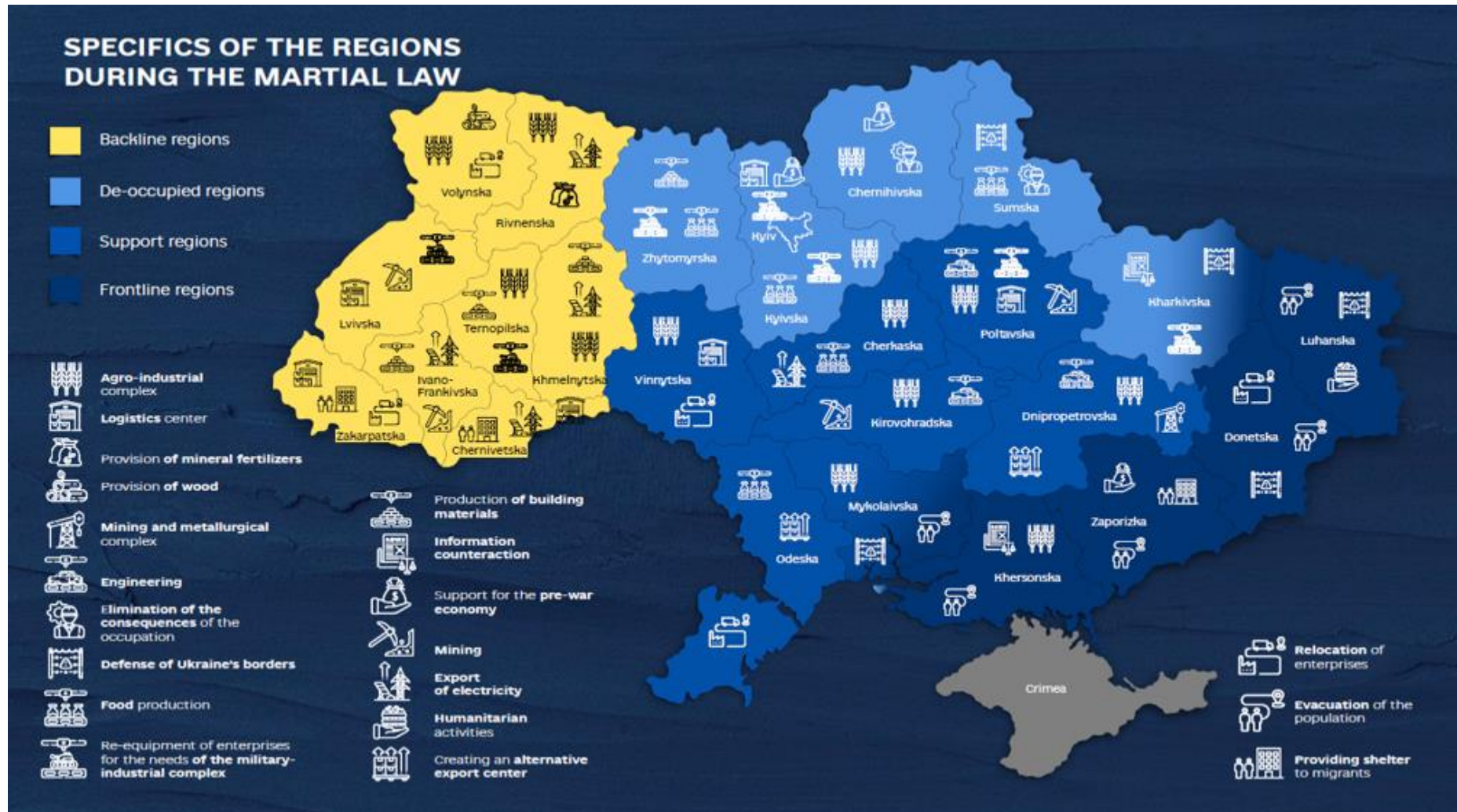
**Figure 6.** Dynamics of net inflows of FDI % of GDP



Source: Author based on The World Bank Open Data. 2023 [Foreign direct investment, net inflows \(BoP, current US\\$\) - Ukraine | Data \(worldbank.org\)](https://data.worldbank.org/UY), own presentation.

I will analyze the regional distribution of FDI in Ukraine, but first it is important to consider the map of Ukraine, the specifics of the regions. This map was presented by Oleksii Chernyshov (Minister of Construction of Ukraine and Presidential Envoy for Recovery) at the 5th German-Business Forum Rebuild Ukraine 2022.

## Map of Ukraine



Source: Presentation by Oleksii Chernyshov, 5th German-Business Forum Rebuild Ukraine (2022)



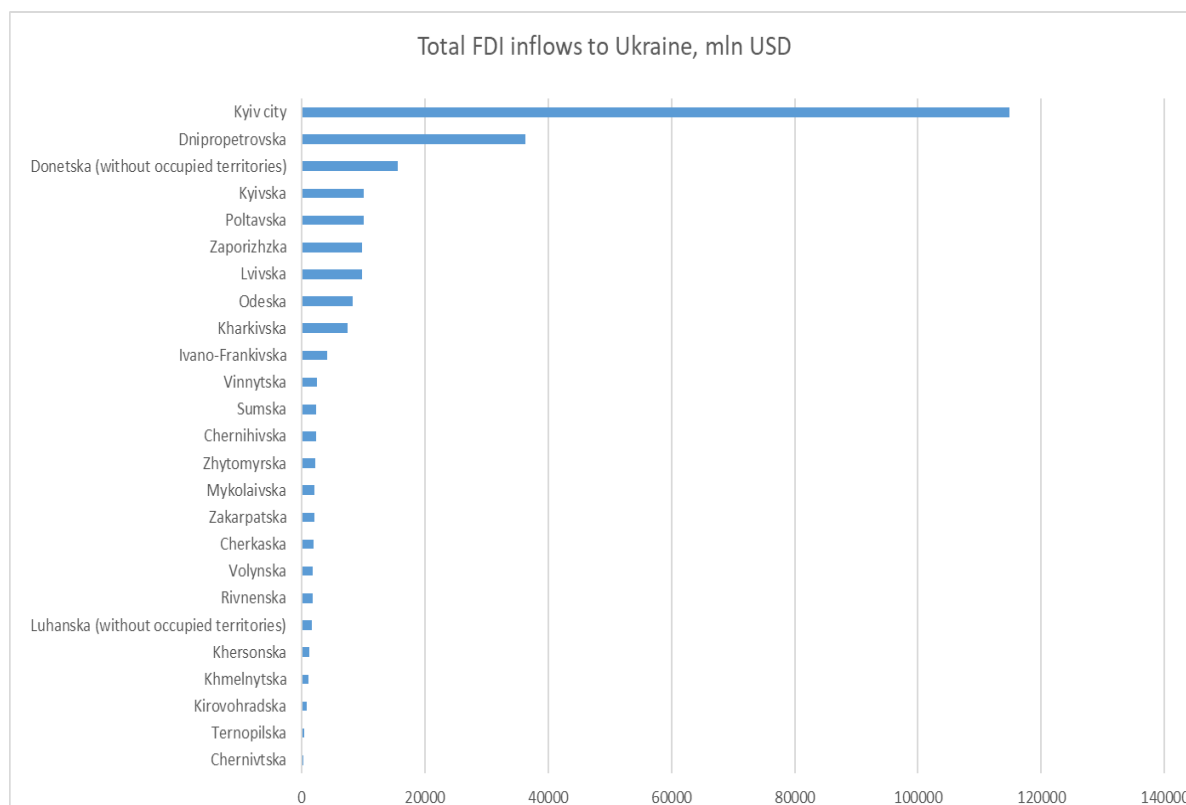
In order to analyze which regions and sectors have more and which have less FDI, I study the data of the National Bank of Ukraine for the period from 2015 to 2021 to clarify the real situation of FDI in Ukraine by regions and sectors. The analyzed data are presented in Figure 9 - Dynamics of FDI (net inflows) in Ukraine 2015-2021 by regions, USD million and Figure 10 - Dynamics of FDI (net inflows) in Ukraine 2015-2021 by sectors. USD million. Figure 9 shows that Kyiv City attracts the largest share of FDI - which is invalid from the author's point of view. Other regions that are also perspective include: Kharkivska oblast. Zaporizka oblast (by the large number of industries). Odeska oblast. Mykolaivska oblast and Khersonska oblast (for the Black Sea. the Danube) do not have enough FDI because they are concentrated in Kyiv city and distributed unevenly across Ukraine and without any prioritization of regions.

According to the above analysis, there is a concentration of FDI only in the Kyiv City region and a lack of effective distribution of it in strategic sectors of the economy and other regions.

It should be noted that there are 18 sectors into which FDI in Ukraine is divided: 1) agriculture, forestry and fishing; 2) industry (mining. manufacturing); 3) electricity, gas, steam and air conditioning supply; 4) water supply, sewerage, waste management; 5) construction; 6) trade, repair of motor vehicles and motorcycles; 7) transport, storage, postal and courier activities; 8) temporary accommodation and catering services; 9) Information and communication; 10) Financial and insurance activities; 11) Real estate activities; 12) Professional. scientific and technical services; 13) Administrative services; 14) Social security; 15) Education; 16) Health and social work; 17) Arts, sports, entertainment and recreation; and 18) other services.

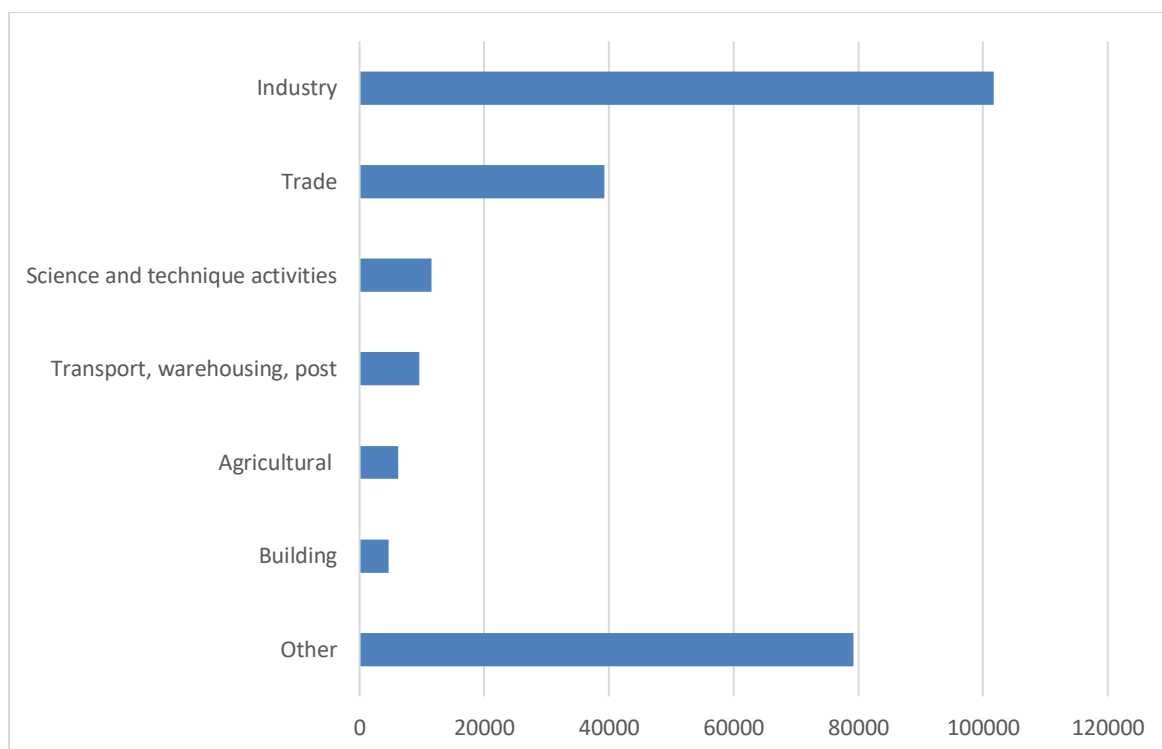
However, sometimes the differentiation presented above combines huge, different sectors that are not closely related (for example. the first sector: mining should remain independent from production; and the sixth sector: trade and repair processes are different sectors of the economy) and does not take into account the importance of sectors of the economy, for example, the relevant sectors of innovation. IT technologies and transport infrastructure. Figure 10 shows that, with the exception of industry, trade attracts the largest share of FDI in Ukraine. In this case, the author agrees with the expert opinion of Vlasyuk V. [Chairman of the Committee on Industrial Modernization of the Ukrainian Chamber of Commerce and Industry. 2022] that we need to change the structure of the national economy from a transit shadow economy to a real market economy with the goal of building a technological development economy with objects of digital processing industry, defense technological innovation and developed transport infrastructure.

**Figure 8.** Total FDI Inflows to Ukraine 2015-2021 (by region, million USD)



Source: Author based on National bank of Ukraine. 2023 - [Статистика зовнішнього сектору \(bank.gov.ua\)](https://bank.gov.ua), own representation.

**Figure 9.** Total FDI Inflows to Ukraine 2015 to 2021 (million USD)



Source: Author based on National bank of Ukraine. 2023 - [Статистика зовнішнього сектору \(bank.gov.ua\)](https://bank.gov.ua), own representation.

Investment activity in Ukraine can be characterized as inefficient, with negative influences from the shadow transit economy and the aftermath of the war.

#### **4. INTERNATIONAL INDICES AS A FAIR ASSESSMENT OF FDI ATTRACTIVENESS**

Foreign investors pay attention to the investment climate of the country before investing. Investment climate is a set of local factors: socio-economic and political factors that attract investors. There are international indices for assessing the investment climate of a country and its subsequent attractiveness for FDI.

It is important to study the position of Ukraine in these indices in order to understand the bottlenecks. With a good understanding of this position, not only in a declarative way, ways to improve it can be developed.

All factors influencing the investment climate in Ukraine can be divided into two groups: static and dynamic. The first group includes factors that cannot be changed, for example, geographical factors and market size. The second group includes factors that can be changed and improved, for example, the state investment policy and specific measures to create attractive conditions for investment and development of FDI in Ukraine.

#### **4.1 Relevant indices**

According to international standards, the relevant indices are the Corruption Perceptions Index, the Doing Business Index, the Global Competitiveness Index, the Global Attractiveness Index, and the Index of Economic Freedom.

According to international assessments using these indices to measure the investment climate in Ukraine, the rating of Ukraine is not high (as presented below). The promotion of the commercial presence of foreign investors requires the assessment of the recipient country according to these indices. At present, despite the competitive advantages of Ukraine, the situation of the evaluation of Ukraine according to these indices is not satisfactory. The evaluation can be carried out by various methods, among which the most often used are parametric analysis and rating process. The parametric analysis is the process of comparison of countries or economic sectors on the basis of certain parameters. The rating process is the process of targeted comparison of countries or economic sectors on the basis of certain criteria.

It is possible to support the investment process in Ukraine by improving the dynamic factors and conditions creating a favorable business climate. If the level of investment attractiveness of Ukraine is increased, it will attract new foreign investments. In this regard, an important condition for increasing the investment attractiveness is a fundamental and qualitative reform of the economy, which will lead to improvements in the international

indices used by potential international investors to assess the investment attractiveness of the country. Understanding the relevant indices provides an opportunity to rethink the methods of improving these indices, which will have a positive impact on the assessment of Ukraine by foreign investors and thus can attract more investments, which is why this should become one of the strategic priorities of Ukrainian investment policy.

In addition, I analyze these indices in comparison with the same indices of some neighboring countries: Moldova, which like Ukraine is trying to become a member of the European Union, and Poland, a member of the EU that has already completed integration and is one of the EU countries.

- **The Corruption Perceptions Index (CPI)** shows the extent to which a country is transparent and plays an important role in the process of attracting investment to the country. The score of Ukraine in 2022 in this index is 33 points out of 100. Moldova's score is 39 out of 100 and Poland's score is 55.
- **The Business Index (BI)** shows how conducive the legal framework is to doing business through stronger protection of investors' property rights and the level of their guarantees. In 2019, according to the World Bank, Ukraine scored 64 out of 190 economies in terms of ease of doing business. Moldova's score is 48 and Poland's is 40.
- **The Global Competitiveness Index (GCI)** indicates the level of competitiveness of a country. Ukraine's score in this index in 2018 (the latest year for which data is available) was 56.99 out of 100 points. In Moldova the index was 56.75 and in Poland 68.89 points.
- **The Global Attractiveness Index (GAI)** shows the level of attractiveness based on the following factors: openness, efficiency, innovation and resources. The GAI score of Ukraine in 2021 is 32.2. Moldova 20.1 and Poland 56.5.
- **Index of Economic Freedom (IEF)** indicates the level of economic freedom in the country by the trade freedom, tax burden, judicial effectiveness, and more. The Ukrainian

score on this index in 2022 is 54.1 out of 130 countries. Poland's score on the index is 67.7 and Moldova's score is 58.5.

According to this information, the index ratings of Ukraine and Moldova are lower than those of Poland (a member of the EU). One of the reasons for this is the development of an investment policy without paying due attention to the key issues covered by the above-mentioned indices, on the basis of which foreign investors assess the attractiveness of Ukraine for investment activity. The need to use the expert-analytical assessment of the investment attractiveness of Ukraine is connected with the need to create a fair integral risk indicator of Ukraine for foreign investors. Based on the results of the assessment, a reasonable picture of the real investment attractiveness of the country is formed, including the identification of problematic issues. If the problematic issues are clearly identified, it is possible to look for ways to solve them. In Ukraine, investment programs are developed according to the principle of determining the amount of financial resources, the direction of investment, and outlining the desired result, without carrying out evaluation practices that are customary for foreign investors. Therefore, it is difficult to encourage foreign investors to invest money. International organizations need a lot of time for the analysis, because they analyze the indices all over the world, not only in Ukraine. It is important for Ukraine to create its own expert analytical activity related to these indices in order to be able to provide quick and detailed information about the real situation in order to create long-term, open and transparent partnerships with foreign investors. While conducting this detailed analysis of international investment attractiveness indices, it should include their components at the national level, develop a roadmap for improving each of them, and make this roadmap a part of the National Strategy for Increasing FDI in Ukraine. Successful attraction of FDI, its subsequent implementation requires this detailed analysis and evaluation of the investment climate and attractiveness in regions of the country, sectors of the economy with all industries.

## 5. DISCUSSION

This article draws attention to the situation of foreign direct investment in Ukraine. There are many discussions about this issue. Therefore, I propose to continue the discussion and study of this issue in order to achieve practical results that will help attract FDI to Ukraine and improve the national investment policy.

In my opinion, the following questions are of high priority:

- 1) How to change the structure of the national economy from a transit shadow economy to a real market economy with the goal of building a technological development economy with the objectives of digital processing industry, defense technological innovation and developed transport infrastructure?
- 2) How to improve the Law "On the Regime of Foreign Investments" by making certain classifications of FDI according to the foreign understanding of types of FDI (including what types of FDI we can attract to Ukraine and through what mechanisms) and the legal framework?
- 3) How to make the national data on FDI comparable with international data (if this is achieved, we can prevent the development of corruption in this area and work with concrete figures)?
- 4) How to develop export analysis activity in accordance with foreign indices for investment attractiveness assessment?
- 5) How to promote rational sectoral and regional distribution of FDI inflows and review the allocation of FDI inflows to regions (including their prioritization) and economic sectors (including their prioritization)?
- 6) How to approach insurance systems for investment projects and also agreements on mutual promotion and protection of capital investment, which can provide guarantees of

protection against war, political risks and economic risks (for example, in case of risk of transfer of profits abroad)?

7) How to implement an FDI screening mechanism?

8) How to establish different levels of minimum participation in the capital of the investee company in different sectors of the national economy.

## **5. CONCLUSION**

Foreign Direct Investment (FDI) has a strong influence on the economic growth of the receiving country and the increase of its macroeconomic performance. It provides capital for the opportunity to increase the profitability of sectors of economy, to repay foreign economic debts, to participate in the development of the market and its infrastructure, which can lead to the successful economic integration of Ukraine into the world economy. At the same time. Ukraine should not forget its own geopolitical and geo-economic interests and be guided by the priority of interests not only of quick enrichment, but also of real development of its economy and its strategic objects while implementing the international partnership.

Ukraine's macro-political risks have a strong negative impact on the country's attractiveness for investment. The main bottlenecks in the development of the investment climate in Ukraine are the high level of corruption and the shadow economy (especially offshore).

In this article I have tried to study what is FDI, what types of FDI exist and to analyze the real situation with FDI in Ukraine. I have shown the importance of their use in the development and implementation of the strategy of FDI at the national level. Ukraine has advantages that can attract foreign investors: its geopolitical location, the possibility of connecting the West and the East, existing infrastructure, cheap labor resources, cheap energy resources and lack of nationalization of FDI, a large domestic market, and others. The low



scores of Ukraine in the studied international ratings show the great risks of the investment climate of Ukraine for foreign investors. Ukraine's problem in attracting FDI is not the lack of advantages or resources, but the lack of an effective investment policy and management, and the inefficient use of its advantages and resources.

In order to achieve real development of FDI in Ukraine. Ukraine should rethink and overcome key problems that existed even before the war: the shadow economy and corruption, as well as the lack of a real policy aimed at increasing macroeconomic factors and making attractive and developing the main sectors of the Ukrainian economy.

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## Appendix

**Table A.1**

Investors countries to Ukraine, million USD

Country	2019	2020	2021
Austria	1496.1	1671	1947.1
British Virgin Island	650.8	603.1	738.6
Cyprus	17734.1	16481.5	20846.3
Denmark	288.4	338.5	351.6
Deutschland	2505	2321.7	3012.7
France	1149.9	1038.1	1315.8
Great Britain	2724.4	2722.4	3018.5
Hungary	379.8	395.2	494.6
Italy	374.7	347.8	404.5
Litva	246	210.9	223.3
Luxemburg	830.6	1265.7	1567.8
Netherlands	11686.3	9855.1	14212.1
Panama	310.8	213.7	135.7
Poland	925.6	910.6	1200.5
Russia	1195.1	946.3	1188.7
Singapore	302.4	319.7	349.6
Sweden	591	579	724.9
Switzerland	3233.7	3268.2	3809.4
Turkey	454.7	561.5	602.3
United Arab Emirates	250.9	245.8	244.4
USA	818.7	890.5	1467.1

Source: National bank of Ukraine, 2023- [Статистика зовнішнього сектору \(bank.gov.ua\)](https://bank.gov.ua), own presentation

**Table A.2**

Dynamics of FDI (net inflows) in Ukraine 1992-2022, billion USD

Year	Net inflows of FDI in Ukraine. USD –World Bank Open Data	Net inflows of FDI in Ukraine. USD- Ukraine Ministry of Finance	Portfolio Investment in Ukraine. billion USD	Net inflows of FDI % of GDP
1992	0.2			0.3
1993	0.2			0.3
1994	0.2		0	0.3
1995	0.3		-0.004	0.6
1996	0.5		-0.2	1.2
1997	0.6		-1.6	1.2
1998	0.7		-0.047	1.8
1999	0.5		0.86	1.6
2000	0.6		-	1.8
2001	0.8		-	2
2002	0.7	0.7	-	1.6
2003	1.4	1.42	-0.9	2.7
2004	1.72	1.71	-2.07	2.6
2005	7.81	7.80	-2.76	8.7
2006	5.6	5.60	-3.58	5
2007	10.19	9.89	-5.75	6.9
2008	10.7	10.9	1.28	5.7
2009	4.77	4.81	1.53	3.9
2010	6.45	6.45	-4.34	4.6
2011	7.21	7.20	-1.57	4.3
2012	8.18	8.40	-4.69	4.5
2013	4.51	4.49	-8.79	2.4
2014	0.8	0.4	2.7	0.6
2015	-0.2	-0.5	-0.4	-0.2
2016	4.13	3.81	-0.3	4.4
2017	3.68	3.69	-1.8	3.3
2018	4.97	4.45	-2.08	3.8
2019	5.8	5.86	-5.13	3.8
2020	0.3	-0.9	0.8	0.2
2021	7.38	6.68	-1.02	3.7
2022		0.2	-	

Source: Author developed on The World Bank Open Data. 2023 [Foreign direct investment, net inflows \(BoP, current US\\$\) - Ukraine | Data \(worldbank.org\)](#); Ukraine Ministry of Finance. 2023 - [Прямі іноземні інвестиції \(2022\) \(minfin.com.ua\)](#), own presentation

**Table A.3**

Dynamics of FDI (net inflows) in Ukraine 2015-2021, million USD

	2015	2016	2017	2018	2019	2020	2021
<b>Vinnitska Oblast</b>							
<b>The area of the Vinnitska Oblast is 26, 492 sq.km</b>							
Net inflows of FDI	276.8	234.9	265.8	280.4	601.6	384.1	536.8
Agricultural	78.3	25.0	21.9	17.3	19.4	16.7	63.9
Industry	148.3	168.4	198.3	205.0	521.1	321.3	389.4
Building	0.3	0.2	0.6	0.2	0.5	0.6	1.1
Trade	10.8	16.8	17.2	31.1	24.9	19.3	28.5
Science and technique activities	6.1	7.3	8.3	7.6	9.3	7.8	9.9
Transport. warehousing. post	10.6	8.8	9.3	9.5	14.3	1.6	6.2
<b>Volynska Oblast</b>							
<b>The area of the Volynska Oblast is 20, 144 sq.km</b>							
Net inflows of FDI	219.0	225.6	239.3	225.9	323.9	247.9	376.1
Agricultural	15.1	12.7	13.0	12.5	14.5	5.2	23.7
Industry	172.5	182.3	191.9	177.9	259.9	223.5	331.1
Building	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	0.0	0.1
Trade	8.0	6.1	21.0	15.0	32.9	2.3	2.1
Science and technique activities	1.6	2.1	1.7	3.1	2.3	0.2	Confidence statistic info
Transport. warehousing. post	1.0	0.7	0.7	0.8	2.3	2.3	2.1
<b>Dnipropetrovska Oblast</b>							
<b>The area of the Dnipropetrovska Oblast is 31, 974 sq.km</b>							
Net inflows of FDI	5.172.9	4.704.3	4.594.4	4.505.2	5.430.3	4.661.7	7.254.3
Agricultural	95.7	15.2	27.8	79.4	23.6	21.5	90.4
Industry	3.527.0	3.219.7	2.991.2	3.229.4	4.162.5	3.349.2	5.365.1
Building	27.2	11.1	28.3	22.5	24.6	10.7	5.5
Trade	725.3	676.2	714.1	539.6	657.4	629.2	897.6
Science and technique	177.8	139.0	134.0	103.6	58.4	38.7	132.0

activities							
Transport. warehousing. post	65.2	75.8	67.8	57.9	126.2	247.3	164.0
<b>Donetska Oblast (without occupied territories)</b>							
<b>The area of the Donetska Oblast is 26, 517 sq.km</b>							
Net inflows of FDI	<b>2.967.7</b>	<b>2.269.1</b>	<b>2.137.3</b>	<b>1.993.9</b>	<b>2.204.6</b>	<b>1.745.3</b>	<b>2.301.7</b>
Agricultural	6.5	3.9	0.7	0.4	2.9	4.1	17.4
Industry	1.500.7	1.042.4	1.422.3	1.472.1	1.679.9	1.353.8	1.787.7
Building	10.5	10.4	12.3	3.6	1.1	15.0	16.2
Trade	362.6	250.2	119.2	150.6	164.0	152.3	154.6
Science and technique activities	35.3	16.2	14.9	7.7	61.1	51.1	27.8
Transport. warehousing. post	185.3	148.9	194.7	11.4	12.3	9.1	12.9
<b>Zhytomyrska Oblast</b>							
<b>The area of the Zhytomyrska Oblast is 65 sq.km</b>							
Net inflows of FDI	<b>223.8</b>	<b>298.8</b>	<b>285.3</b>	<b>341.3</b>	<b>401.9</b>	<b>320.4</b>	<b>397.9</b>
Agricultural	19.1	18.7	19.9	21.2	9.5	8.3	45.4
Industry	177.4	240.3	235.7	304.4	378.2	301.4	338.4
Building	2.1	4.1	3.1	1.2	0.0	0.0	0.0
Trade	13.5	18.4	15.0	5.2	5.2	3.5	7.1
Science and technique activities	0.6	0.7	0.2	0.1	0.1	0.0	Confidence statistic info
Transport. warehousing. post	1.1	1.2	1.2	1.3	0.7	0.6	0.7
<b>Zakarpatska Oblast</b>							
<b>The area of the Zakarpatska Oblast is 12, 800 sq.km</b>							
Net inflows of FDI	<b>244.7</b>	<b>274.2</b>	<b>267.5</b>	<b>235.0</b>	<b>256.3</b>	<b>242.0</b>	<b>571.3</b>
Agricultural	5.5	2.2	2.8	3.3	2.1	1.0	2.1
Industry	173.9	215.8	209.9	184.2	202.2	192.8	494.3



Building	1.3	2.0	2.1	2.1	0.9	0.3	0.1
Trade	10.6	6.5	7.0	3.5	10.5	7.5	17.5
Science and technique activities	0.2	0.3	0.3	0.6	1.1	0.6	0.6
Transport. warehousing. post	22.4	20.1	17.1	13.6	12.1	7.5	5.3
<b>Zaporizka Oblast</b>							
<b>The area of the Zaporizka Oblast is 27, 183 sq.km</b>							
Net inflows of FDI	<b>914.3</b>	<b>698.9</b>	<b>1.515.3</b>	<b>1.585.8</b>	<b>1.725.7</b>	<b>1.427.8</b>	<b>2.006.7</b>
Agricultural	18.4	3.8	3.2	3.3	4.5	2.0	25.4
Industry	798.8	584.2	1.299.4	1.411.1	1.590.0	1.336.1	1.871.8
Building	5.8	5.1	3.0	3.0	0.7	0.4	18.1
Trade	29.7	35.6	66.4	56.5	53.9	28.2	11.8
Science and technique activities	25.7	14.4	15.6	15.4	3.2	2.3	4.4
Transport. warehousing. post	1.2	1.6	1.6	4.8	0.2	3.7	1.7
<b>Ivano-Frankivska Oblast</b>							
<b>The area of the Ivano-Frankivska Oblast is 13, 9 sq.km</b>							
Net inflows of FDI	<b>679.0</b>	<b>660.8</b>	<b>718.4</b>	<b>620.3</b>	<b>389.2</b>	<b>548.6</b>	<b>514.8</b>
Agricultural	110.7	51.6	54.2	56.6	24.3	110.3	58.7
Industry	416.8	472.6	518.8	427.1	259.5	291.9	378.3
Building	22.1	23.7	24.5	23.5	7.7	6.4	4.8
Trade	95.1	101.3	101.6	92.1	83.7	22.2	23.5
Science and technique activities	2.9	1.0	0.3	0.3	0.2	0.1	0.1
Transport. warehousing.	0.9	0.2	0.2	0.4	1.1	41.9	10.9

post							
<b>Kyivska Oblast</b>							
<b>The area of the Kyivska Oblast is 28, 131 sq.km</b>							
Net inflows of FDI	<i>1.387.0</i>	<i>1.413.1</i>	<i>1.484.8</i>	<i>1.379.2</i>	<i>1.315.6</i>	<i>1.313.3</i>	<i>1.824.0</i>
Agricultural	143.2	85.0	83.1	71.7	42.4	35.9	228.6
Industry	619.9	745.4	779.8	725.4	649.6	679.4	836.1
Building	96.7	67.6	60.6	20.0	13.3	9.3	9.4
Trade	148.6	199.7	228.6	243.7	302.9	310.2	471.1
Science and technique activities	8.5	18.5	17.8	40.5	32.7	15.2	14.1
Transport. warehousing. post	24.8	54.8	55.9	65.9	66.3	73.7	91.3
<b>Kirovohradska Oblast</b>							
<b>The area of the Kirovohradska Oblast is 24, 588 sq.km</b>							
Net inflows of FDI	<i>106.8</i>	<i>74.8</i>	<i>84.4</i>	<i>126.1</i>	<i>147.7</i>	<i>174.6</i>	<i>207.1</i>
Agricultural	40.4	1.3	1.6	2.3	5.6	5.2	66.4
Industry	46.5	43.0	42.6	76.2	92.2	124.6	96.1
Building	0.9	9.3	15.1	19.3	17.5	11.4	11.8
Trade	3.8	4.4	6.7	9.9	12.9	20.2	21.6
Science and technique activities	1.7	1.5	1.5	1.5	1.7	1.4	1.6
Transport. warehousing. post	5.1	4.9	5.0	4.7	3.1	0.9	1.1
<b>Luhanska Oblast (without occupied territories)</b>							
<b>The area of the Luhanska Oblast is 26, 700 sq.km</b>							
Net inflows of FDI	<i>432.7</i>	<i>300.6</i>	<i>206.2</i>	<i>174.9</i>	<i>168.3</i>	<i>158.4</i>	<i>226.3</i>
Agricultural	5.8	0.8	0.8	0.8	1.0	0.9	2.6
Industry	351.6	244.9	148.2	133.2	140.8	133.8	197.1

Building	0.6	1.2	0.5	0.5	0.6	0.5	0.5
Trade	8.7	6.7	5.6	3.5	3.2	4.4	7.5
Science and technique activities	8.9	1.9	2.7	2.7	1.8	1.2	0.6
Transport. warehousing. post	2.6	1.9	2.9	2.7	1.8	1.5	1.7
<b>Lvivska oblast</b>							
<b>The area of the Lvivska Oblast is 21, 833 sq.km</b>							
Net inflows of FDI	<b>1.120.4</b>	<b>1.285.3</b>	<b>1.156.2</b>	<b>1.008.7</b>	<b>1.668.3</b>	<b>1.601.5</b>	<b>2.010.0</b>
Agricultural	31.5	30.3	31.4	20.9	21.0	11.2	24.4
Industry	511.2	587.8	696.6	675.7	1.151.0	978.5	1.168.5
Building	9.4	15.9	17.7	14.5	15.4	10.6	10.7
Trade	44.4	50.3	75.3	63.3	84.8	72.0	149.4
Science and technique activities	4.5	9.8	10.7	15.0	37.7	32.1	14.2
Transport. warehousing. post	61.2	77.3	88.1	12.0	70.4	7.8	28.3
<b>Mykolaivska Oblast</b>							
<b>The area of the Mykolaivska Oblast is 24, 598 sq.km</b>							
Net inflows of FDI	<b>254.3</b>	<b>247.7</b>	<b>236.8</b>	<b>251.2</b>	<b>265.8</b>	<b>355.2</b>	<b>567.6</b>
Agricultural	27.0	5.0	5.1	4.2	2.5	1.3	12.2
Industry	64.2	78.2	73.7	79.3	34.8	92.5	244.6
Building	2.5	4.5	1.3	0.8	0.7	0.5	3.5
Trade	8.4	8.3	7.8	7.0	7.2	4.3	4.6
Science and technique activities	5.2	3.3	4.2	1.5	0.3	0.8	7.8
Transport. warehousing. post	118.9	114.9	114.2	142.9	166.7	199.6	204.9

<b>Odeska Oblast</b>							
<b>The area of the Odeska Oblast is 33, 310 sq.km</b>							
Net inflows of FDI	<i>1.004.6</i>	<i>1.233.4</i>	<i>1.236.5</i>	<i>1.161.1</i>	<i>1.329.6</i>	<i>1.116.7</i>	<i>1.201.2</i>
Agricultural	6.5	2.6	2.6	1.8	2.0	2.7	16.1
Industry	253.9	329.1	388.3	418.1	407.4	332.3	359.5
Building	55.2	33.8	24.6	12.2	9.4	9.2	10.6
Trade	48.0	65.2	69.6	38.2	48.4	42.2	60.4
Science and technique activities	41.8	47.1	59.3	43.4	32.9	18.5	13.8
Transport. warehousing. post	339.3	424.4	466.9	473.4	593.4	505.5	554.3
<b>Poltavska Oblast</b>							
<b>The area of the Poltavaska Oblast is 28, 748 sq.km</b>							
Net inflows of FDI	<i>741.7</i>	<i>768.4</i>	<i>924.8</i>	<i>929.3</i>	<i>1.876.8</i>	<i>1.947.0</i>	<i>2.878.7</i>
Agricultural	67.6	10.9	13.8	13.8	12.8	11.3	115.7
Industry	549.5	631.5	769.0	829.5	1.761.4	1.832.5	2.627.7
Building	2.1	31.2	28.0	6.0	1.1	0.5	1.2
Trade	37.3	43.1	21.7	11.5	42.5	35.6	5.5
Science and technique activities	33.7	2.9	54.7	6.2	6.7	4.2	11.4
Transport. warehousing. post	6.5	2.3	0.5	16.3	2.2	22.3	24.4
<b>Rivnenska Oblast</b>							
<b>The area of the Rivnenska Oblast is 20, 1 sq.km</b>							
Net inflows of FDI	<i>250.7</i>	<i>235.0</i>	<i>222.1</i>	<i>192.9</i>	<i>239.7</i>	<i>264.0</i>	<i>378.3</i>
Agricultural	15.3	4.0	2.5	2.9	1.6	1.3	12.0
Industry	128.4	126.3	109.5	117.8	155.0	164.1	182.1
Building	31.0	29.4	33.4	31.3	52.9	71.7	163.7

Trade	42.8	40.6	41.8	8.3	9.5	11.4	6.6
Science and technique activities	1.2	1.4	1.4	1.2	0.4	0.3	-
Transport. warehousing. post	26.0	30.4	30.7	28.5	19.0	11.9	Confidence statistic info
<b>Sumska Oblast</b>							
<b>The area of the Sumska Oblast is 23, 834 sq.km</b>							
Net inflows of FDI	<b>332.5</b>	<b>322.8</b>	<b>325.0</b>	<b>306.4</b>	<b>378.0</b>	<b>341.5</b>	<b>426.4</b>
Agricultural	34.5	6.7	7.0	7.2	4.4	3.8	18.0
Industry	243.7	186.2	189.3	180.7	263.1	255.3	277.0
Building	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info
Trade	24.8	48.8	49.5	50.3	35.1	10.7	16.8
Science and technique activities	2.1	3.8	3.6	3.1	3.6	3.0	27.4
Transport. warehousing. post	7.8	7.3	8.1	2.7	3.5	27.0	31.1
<b>Ternopilska Oblast</b>							
<b>The area of the Ternopilska Oblast is 13, 823 sq.km</b>							
Net inflows of FDI	<b>168.0</b>	<b>42.2</b>	<b>36.6</b>	<b>53.4</b>	<b>45.6</b>	<b>49.1</b>	<b>71.5</b>
Agricultural	73.0	4.3	4.6	16.9	22.1	22.9	30.8
Industry	20.6	28.1	20.5	19.6	18.1	21.5	24.8
Building	0.1	0.1	0.1	0.1	0.0	0.0	Confidence statistic info
Trade	65.7	0.3	0.3	0.2	0.3	0.2	9.5
Science and technique activities	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	0.0	0.3
Transport. warehousing. post	4.7	6.0	7.5	14.0	3.2	2.7	3.1

<b>Kharkivska Oblast</b>							
<b>The area of the Kharkivska Oblast is 31, 415 sq.km</b>							
Net inflows of FDI	<i>1.551.3</i>	<i>1.569.5</i>	<i>665.8</i>	<i>651.1</i>	<i>959.5</i>	<i>910.4</i>	<i>1.143.8</i>
Agricultural	46.9	11.6	9.9	8.5	70.2	60.1	100.5
Industry	330.0	253.1	267.9	354.2	593.4	605.5	694.4
Building	12.3	12.6	12.1	9.3	12.0	9.6	9.8
Trade	96.4	95.2	82.7	78.1	103.2	67.7	79.7
Science and technique activities	18.5	18.9	19.1	12.0	14.4	15.0	34.8
Transport. warehousing. post	4.8	4.3	5.8	10.0	3.6	6.4	11.4
<b>Khersonska Oblast</b>							
<b>The area of the Khersonska Oblast is 28, 461 sq.km</b>							
Net inflows of FDI	<i>199.6</i>	<i>173.1</i>	<i>189.2</i>	<i>172.4</i>	<i>191.1</i>	<i>159.1</i>	<i>231.0</i>
Agricultural	52.2	21.0	14.1	8.5	14.1	12.9	68.7
Industry	105.3	97.7	122.0	120.1	141.6	115.7	135.5
Building	3.6	5.1	4.9	4.1	3.1	1.1	1.2
Trade	6.1	6.1	7.2	8.2	9.7	7.9	8.3
Science and technique activities	1.8	0.7	1.0	1.0	2.2	1.9	1.5
Transport. warehousing. post	7.6	20.3	19.9	10.1	13.7	15.1	11.9
<b>Khmelnytska Oblast</b>							
<b>The area of the Khmelnytska Oblast is 20, 600 sq.km</b>							
Net inflows of FDI	<i>243.8</i>	<i>115.4</i>	<i>115.7</i>	<i>140.4</i>	<i>154.9</i>	<i>118.4</i>	<i>310.4</i>
Agricultural	142.9	10.1	10.2	8.0	5.7	5.0	132.4
Industry	68.6	69.8	71.6	99.5	109.6	66.0	70.0
Building	0.1	1.1	1.1	0.3	0.2	0.4	0.0

Trade	23.8	24.1	22.6	22.1	24.0	21.2	27.4
Science and technique activities	0.0	0.0	0.0	0.0	0.0	0.0	Confidence statistic info
Transport. warehousing. post	3.2	2.8	2.5	1.6	8.4	1.3	2.8

#### Cherkaska Oblast

**The area of the Cherkaska Oblast is 20, 916 sq.km**

Net inflows of FDI	<i>476.7</i>	<i>323.6</i>	<i>210.2</i>	<i>211.9</i>	<i>211.5</i>	<i>209.4</i>	<i>352.8</i>
Agricultural	123.0	19.4	20.2	17.3	11.3	31.8	159.9
Industry	284.2	235.1	115.0	128.5	131.6	113.0	116.8
Building	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Trade	40.7	34.4	39.4	41.8	48.9	39.0	48.9
Science and technique activities	4.2	3.8	4.5	3.7	2.5	5.6	0.2
Transport. warehousing. post	7.1	8.6	7.8	0.5	0.6	0.2	Confidence statistic info

#### Chernivtska Oblast

**The area of the Chernivtska Oblast is 8, 097 sq.km**

Net inflows of FDI	<i>53.0</i>	<i>47.4</i>	<i>50.5</i>	<i>32.1</i>	<i>62.6</i>	<i>55.6</i>	<i>63.6</i>
Agricultural	17.0	9.7	11.0	1.1	2.0	1.8	3.8
Industry	19.4	18.9	22.3	16.9	42.3	38.8	45.2
Building	2.3	2.1	2.3	2.1	1.1	0.9	0.8
Trade	5.2	9.2	4.4	7.7	7.7	6.6	4.8
Science and technique activities	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	Confidence statistic info	-	-
Transport. warehousing. post	3.3	0.1	3.2	0.0	0.1	0.1	Confidence statistic info

#### Chernihivska Oblast

**The area of the Chernihivska Oblast is 31, 870 sq.km**

Net inflows of FDI	<b>71.7</b>	<b>113.0</b>	<b>328.1</b>	<b>369.0</b>	<b>459.8</b>	<b>447.7</b>	<b>598.5</b>
Agricultural	17.8	11.0	11.9	16.1	26.0	20.3	190.6
Industry	43.3	88.3	301.2	340.3	417.6	416.7	391.9
Building	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Trade	2.9	2.8	3.7	1.9	2.1	0.4	5.4
Science and technique activities	0.2	0.4	0.3	0.1	0.1	0.1	0.9
Transport. warehousing. post	0.0	2.4	0.0	0.5	0.4	0.3	0.1

#### Kyiv City

**The area of the Kyiv City Region is 839 sq.km**

Net inflows of FDI	<b>13.885.8</b>	<b>16.796.9</b>	<b>16.139.0</b>	<b>15.705.1</b>	<b>18.065.3</b>	<b>15.923.3</b>	<b>18.356.1</b>
Agricultural	586.1	107.6	214.6	191.3	99.3	87.1	303.5
Industry	1.479.7	1.491.3	1.460.4	1.388.9	1.975.0	1.605.7	1.980.9
Building	475.4	622.4	541.3	403.0	389.6	348.5	274.2
Trade	3.043.9	3.770.0	3.676.0	3.761.7	4.219.2	3.798.6	4.806.3
Science and technique activities	1.159.5	1.792.7	1.703.3	1.242.8	1.397.8	1.156.9	1.047.9
Transport. warehousing. post	256.5	254.6	269.4	385.4	323.4	263.1	415.4

Source: developed by the author on the data of the National bank of Ukraine, 2023 - [Статистика зовнішнього сектору \(bank.gov.ua\)](#), own presentation