UKRAINE'S ECONOMIC CHALLENGES AND INVESTMENT OPPORTUNITIES WAR, RECOVERY AND INVESTMENT

OLGA BAKALINSKA, LLD„ PROFESSOR , HEAD OF THE INNOVATION DEVELOPMENT
AND INVESTMENT SUPPORT DIVISION
MINISTRY OF FOREIGN AFFAIRS OF UKRAINE

Resilience and Opportunities

Despite the challenges, Ukraine’s society, economy, and public sector have shown resilience, supported by substantial international aid.

Major opportunities:

· Prospects for joining the European Union;
· Deeper integration into European markets, energy, and transport;
· Growth in innovative sectors (IT, defense technologies);
· Infrastructure and housing modernization during reconstruction.
· Strategy: Build a competitive, inclusive, and resilient economy integrated into the EU.

FDI from EU Countries to Ukraine (2021–2024)

· 2021: USD **5,443.9 million**
· Top investors: Cyprus (USD 1,674.4M, 30.76%), Netherlands (USD 1,435.2M, 26.36%), Germany (USD 695.3M, 12.77%)
· 2022: After the war began — sharp drop to USD **94.5 million**
· Major capital outflows: Netherlands (-USD 532.4M), Germany (-USD 284.0M)
· Meanwhile: Luxembourg (USD 262.4M), France (USD 191.4M), Hungary (USD 150.3M) emerged
· 2023: Partial recovery to USD **3,621.7 million**
· Leaders: Cyprus (USD 1,130.0M, 31.20%), Netherlands (USD 1,117.6M, 30.86%)
· 2024: Volume reached USD **2,560.2 million**
· Cyprus (USD 1,034.4M, 40.40%), Netherlands (USD 665.0M, 25.97%)
· Conclusions: While the leading countries remain similar, the scale has shrunk and the structure of investments is changing.

War as an Economic Experiment & the EU's Role

· The aggression turned Ukraine into not only a humanitarian but also an economic experimental platform.
· The European Union is shifting from emergency aid to a long-term strategy of structural transformation.
· By the end of 2023–2024, Ukraine received over €35 billion in financial aid from the EU, including €7.9 billion in 2024 — critical for budget stability.
Mechanism: Not just grants, but strategic financing tools

KEY INVESTMENT & FINANCING INSTRUMENTS

· UKRAINE FACILITY: €50 BILLION FOR 2024–2027 — INCLUDES CREDIT GUARANTEES, BLENDED FINANCE, AND PRIVATE CAPITAL MOBILIZATION.
· UKRAINIAN INVESTMENT FUND (UIF): BUDGET OF €9.3 BILLION (€7.8B IN GUARANTEES, €1.5B IN BLENDED TOOLS)
· GOAL: ATTRACT UP TO €40 BILLION IN CRITICAL SECTORS — ENERGY, LOGISTICS, CYBERSECURITY, AGRICULTURE.
· SIGNIFICANCE: THIS IS NOT JUST ABOUT REBUILDING — IT'S ABOUT TRANSFORMING WARTIME RISKS INTO LONG-TERM OPPORTUNITIES FOR EUROPEAN BUSINESS.

LEGAL FRAMEWORK FOR FOREIGN INVESTMENT

LAW OF UKRAINE "ON THE REGIME OF FOREIGN INVESTMENT":
FOREIGN INVESTMENTS ARE ASSETS INVESTED BY FOREIGN INVESTORS FOR PROFIT OR SOCIAL IMPACT.

· **GUARANTEES:**

· COMPENSATION AND REIMBURSEMENT OF LOSSES (INCLUDING LOST PROFITS AND MORAL DAMAGES) CAUSED BY ACTS OR OMISSIONS OF STATE AUTHORITIES.
· IN CASE OF INVESTMENT TERMINATION: THE INVESTOR HAS THE RIGHT TO RETURN OF INVESTMENTS (IN KIND OR CURRENCY) NO LATER THAN 6 MONTHS, INCLUDING RETURNS AT FAIR MARKET VALUE.
· GUARANTEES COVER: LEGAL CHANGES, EXPROPRIATION, TERMINATION, PROFIT TRANSFERS (ARTICLES 8–12).

Law of Ukraine "On State Support for Investment Projects with Significant Investments":

· Government support through a special investment agreement — up to 30% of the planned investment.

· Significant investments — minimum ~€12 million, project duration not more than 5 years.

· Requirement: creation of new jobs during the project period.

Investment Insurance Against War Risks

In 2024, a new law came into effect to insure investments in Ukraine against war-related risks.

· Export Credit Agency of Ukraine (ECA): provides insurance/reinsurance of direct investments in Ukraine against war and political risks.
· Condition: Investments must support infrastructure for exporting Ukrainian goods/services.
· Example: First project insured by MIGA (Multilateral Investment Guarantee Agency) — USD 9.2 million for M10 Lviv Industrial Park.

Industrial Parks as Growth Drivers

· Definition: Specially prepared area with utility connections, convenient logistics, organized land plots, and legal framework.
· Example: Bila Tserkva Industrial Park (Kyiv region).
· Key advantages of investing in Ukrainian industrial parks:
· Turnkey infrastructure: electricity, water, sewage, internet, gas.
· Strategic location: highways, railways, customs, airports.
· Government support: tax incentives, connection compensation, innovation grants.
· Fast approvals: streamlined cooperation with local authorities.
· Safe relocation: opportunity to move business to stable regions.

Why Do Investors Choose Industrial Parks?

· Lower costs, faster project launches, reduced risks.

· Ideal solution for companies entering the Ukrainian market or expanding production.

· Examples:

· In 2024, two new parks approved:

· Ma’ryzhany (Zhytomyr region, ~30.2 ha, ~750 jobs, ~UAH 2B in investment)

· Dobrosyn Invest Park (Lviv region, 14.6 ha, ~500 jobs, ~UAH 1.6B)

· As of early 2025, over 100 industrial parks have been registered in Ukraine.

(Source: aub.org.ua)

Conclusions

- The war caused enormous human and economic losses — but also created conditions for large-scale transformation.
- Investments, especially from the EU, are crucial — not just financial aid, but actual economic modernization.
- Industrial parks and legislative tools (incentives, guarantees, insurance) provide real platforms for recovery and development.
- Key goal: Shift from survival to growth, integrate into European networks, attract new capital, and develop competitive sectors.

Thank you for your attention!