Abstract

Foreign direct investment (FDI) is a vital mechanism in modern economic development. In many transition countries of Central and Eastern Europe FDI is particularly seen as the main source of catching-up with more developed countries of European Union. This paper contributes to the methodology of evaluating the impact of FDI on the host country by taking into account the impact of FDI both on technical and efficiency change of domestic firms. The empirical analysis of the economic development with regard to FDI in Ukraine suggests that foreign presence has positive impact on the efficiency change of domestic firms in the same industry in Ukraine. The impact on the technical change of domestic firms, however, remains negative and significant.

Key words: FDI, Spillover Effect, Malmquist Productivity Index

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