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MECHANISMS OF STATE REGULATION OF INVESTMENT AND INNOVATION PROCESSES IN UKRAINE

Abstract. The article deals with the mechanisms of state regulation of investment and innovation processes in Ukraine. The state of capital investment financing is analyzed. Steps are taken to improve the mechanisms of state regulation of investment and innovation processes in Ukraine.

The investment and innovation industry is considered as a very important component in the development process of any state, which is still not able to effectively develop independently without effective regulatory mechanisms, therefore, a significant role is played by public levers, which should provide enough opportunities for the implementation of innovative and investment processes.

It is noted that direct state influence on investment and innovation processes in Ukraine is manifested in the organization of certain activities with the definition of strategic objectives and priorities, the development of well-thought-out fundamentals of investment and innovation policy, the introduction of government programs with the necessary funding, etc. Investment and innovation processes in the regions are based on the coordination of interests and the joint efforts of such entities as the state, the region and the investor.

The implementation of the mechanism of state regulation of investment activity in Ukraine was determined by providing financial assistance in the form of grants, subsidies, subventions, budget loans for the development of individual regions, industries, the creation of state norms and standards, pricing policies, and measures to develop and protect economic competition, destatization and privatization of property, the definition of conditions for the use of land, water and other natural resources, government examination of investment projects, and others.

The necessity of using this form of state regulation, which allows combining the interests of all participants in the investment process for the effective achievement of goals and objectives set by the state in the regulation of investment and innovation processes, was noted.

It was concluded that investment and innovation activity is an important area in the development of any country and Ukraine is no exception, in our country steps are being taken to improve the investment climate, they should be more activated and the institutional conditions for the implementation of investment and innovation projects improved.

Keywords: investments, innovations, state regulation, financing.

МЕХАНІЗМИ ДЕРЖАВНОГО РЕГУЛЮВАННЯ ІНВЕСТИЦІЙНО-ІННОВАЦІЙНИХ ПРОЦЕСІВ В УКРАЇНІ

Анотація. Досліджено механізми державного регулювання інвестиційних та інноваційних процесів в Україні. Проаналізовано стан державного фінансування капітальних інвестицій. Визначено кроки покращення механізмів державного регулювання інвестиційно-інноваційних процесів в Україні.

Розглянуто інвестиційно-інноваційну галузь як важливу складову у процесі розвитку будь-якої держави, яка не в змозі ефективно розвиватися самостійно без ефективних механізмів регулювання. Отже у цьому значну роль відіграють державні важелі впливу, які мають надавати достатньо можливостей для впровадження інноваційних та реалізації інвестиційних процесів.

Зазначено, що прямиий державний вплив на інвестиційно-інноваційні процеси в Україні виявляється в організації певної діяльності з визначенням стратегічних завдань і пріоритетів, розробкою продуманих основ інвестиційної та інноваційної політики, впровадженням державних програм з необхідним фінансуванням тощо. Інвестиційно-інноваційні процеси в регіонах ґрунтуються на погодженні інтересів та об'єднанні зусиль таких суб'єктів, як держава, регіон та інвестор.

Визначено механізм державного регулювання інвестиційної діяльності в Україні шляхом надання фінансової допомоги у вигляді дотацій, субсидій, субвенцій, бюджетних позик на розвиток окремих регіонів, галузей, виробництв, створення державних норм і стандартів, політики ціноутворення, проведення заходів щодо розвитку та захисту економічної конкуренції, роздержавлення і приватизації власності, визначення умов користування землею, водою та іншими природними ресурсами, проведення державної експертизи інвестиційних проектів та ін.

Наголошено на необхідності використання такої форми державного регулювання, яка дає змогу поєднати інтереси всіх учасників інвестиційного процесу для ефективного досягнення мети та виконання завдань, що поставлені перед державою у сфері регулювання інвестиційно-інноваційних процесів.

Отже, можна дійти висновку, що інвестиційно-інноваційна діяльність є важливою сферою в розвитку будь-якої країни і Україна не є винятком. У

нашій країні здійснюються кроки щодо покращення інвестиційного клімату, які варто більш активувати разом з удосконаленням інституційних умов реалізації інвестиційно-інноваційних проєктів.

Ключові слова: інвестиції, інновації, державне регулювання, фінансування.

Thesis statement. The development of investments and innovations is very important process for the effective economic development of the state. The successful innovations and investment project implementation provide an opportunity to increase the intellectual potential in the state, which is the key to prosperity and strengthening of the Ukrainian economy. However, the investment and innovative processes can not be developed alone, the strong state support is required, namely, effective mechanisms of state regulation of these processes. Unfortunately, in Ukraine, the legislative framework in this area is far from perfect, which impedes the effective implementation of investments and innovations in the state.

Today, the investment and innovation activity of the country has insufficient investing of the national economy, which amplifies the decline in production and results in reduced investment capacity of business entities and the state. Only a scientifically grounded and effective investment policy of the state may improve such situation in Ukraine.

Analysis of recent research. Many scientists studied the regulation of investment and innovative processes in Ukraine, in particular O. M. Volska, A. S. Galchynsky, V. M. Heyets, T. V. Mayorova, A. A. Peresada, S. O. Shostal and others. However, the study of

mechanisms of the state regulation of investment and innovative processes in Ukraine is insufficient and requires more detailed consideration.

The objective of the study. The purpose of this article is to determine the role and substantiate the main ways of improving the mechanisms of state regulation of innovative and investment processes in Ukraine.

Results. Investment and innovative activity is one of the components of real investments, which can also be represented only by innovative activity or investments of extensive development.

The main factor of economic growth is effective investments in the innovative process. It is they which ensure the structural reorganization of the economy on a new scientific and technological base and contribute to improving its competitiveness. Funding of the innovative activity can be implemented at the expense of private investments which are of variable nature and state funds which are insufficient, while the country's innovative development requires regular investments.

The investment and innovative industry is a very important component in the development of any state. However, this area is not able to develop effectively alone, without effective regulatory mechanisms, therefore the state levers of influence play a significant role, which should provide sufficient

opportunities for introducing the innovative and implementing the investment processes.

The purpose of state regulation of investment and innovative processes is to ensure the implementation of programs of social development in the social, economic, scientific and technical spheres to the full extent, and state protection and investment support.

At present, Ukraine has not yet formed an effective organizational and economic mechanism for investment and innovative regulation, and the mechanism currently in effect does not meet the recent requirements.

Direct state influence on investment and innovative processes in Ukraine manifests itself in the organization of certain activities with the definition of strategic tasks and priorities, the development of thought-out bases of investment and innovative policy, the implementation of state programs with the necessary funding, etc. Investment and innovative processes in the regions are based on the coordination of interests and joining the efforts of subjects, such as state, region and investor.

According to N. N. Petrychko and S. V. Prokhorchuk, “the mechanism of state influence on favorable investment and innovative climate and implementation of the technical re-equipment policy consists of three vectors: creation of special financial mechanisms for support of such activities, the formation of the appropriate investment and innovative infrastructure, use of indirect methods of support” [1, p. 222].

According to Art. 11 of the Law of Ukraine “On Investment Activity”, “the state regulation of investment activity is carried out for implementation of the

economic, scientific and technical and social policies, based on the goals and indicators of economic and social development of Ukraine, state and regional economic development programs, state and local budgets, in particular, amounts of funding of the investment activities stipulated therein” [2].

State regulation of investment activity is aimed at control of not only state investments, but also regulation of investment activity conditions and monitoring of the actions of all investors and participants of the investment process.

According to the current legislation, the state management of the investments is carried out directly by state authorities and includes the process of planning, determining the conditions for implementation and fulfillment of obligations of investing the budget and out-of-budget funds.

The mechanism of state regulation of the investment activity in Ukraine is carried out as follows [2]:

- submission of financial assistance in the form of grants, subsidies, subventions, budget loans for the development of particular regions, industries, productions;
- state norms and standards;
- measures for the development and protection of economic competition;
- denationalization and privatization of property;
- definition of conditions of use of land, water and other natural resources;
- pricing policies;
- implementation of state expert reviews of investment projects;
- other measures.

The Law of Ukraine “On Innovative Activity” “defines the legal, eco-

conomic and organizational principles of state regulation of innovative activity in Ukraine, establishes the forms of stimulation of innovative processes by the state and is aimed at supporting the development of the Ukrainian economy in an innovative way. The main goal of the state innovative policy is to create the socio-economic, organizational and legal conditions for the effective regeneration, development and use of the country's scientific and technical potential, ensuring the introduction of modern environmentally friendly, safe, energy-saving and resource-saving technologies, production and sales of new types of competitive products" [3].

The mechanism of state regulation of innovative activity is carried out by [3]:

- identification and support of priority directions of innovative activity;
- formation and implementation of state, branch, regional and local innovative programs;
- creation of a regulatory framework and economic mechanisms to support and stimulate the innovative activities;
- protection of rights and interests of innovative activity subjects;
- financial support for implementation of innovative projects;
- stimulation of commercial banks and other financial and credit institutions which finance the implementation of innovative projects;
- establishment of preferential taxation of innovative activity subjects;
- support of the functioning and development of modern innovative infrastructure.

Based on the abovementioned mechanisms of state regulation of investment and innovative processes, it fol-

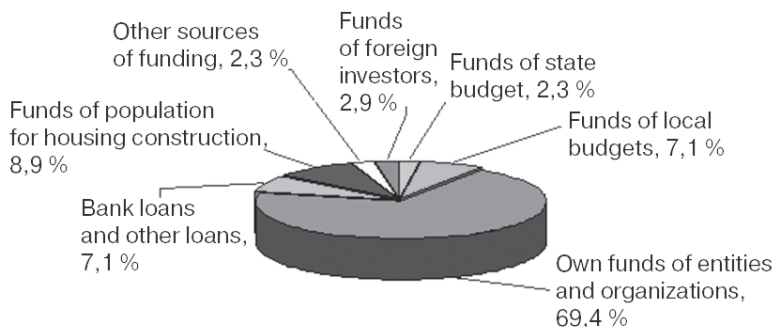
lows that they should flexibly combine all levers, both economic and administrative. According to certain conditions, depending on the strategic changes, the instruments of state influence should provide for the tactical changes.

To understand fully the completeness of state's participation in the investment and innovative process, we turn to statistics. Thus, the main source of financing of capital investments remains their own financial resources of business entities, at the expense of which 69,4 % of investments were absorbed in 2016. The share of bank loans and other loans in the total amount of investments amounted to 7,1 %. 9,4 % of capital investments have been absorbed at the expense of the state and local budgets. The share of the funds of foreign investors amounted to 2,9 % of all investments, while the share of population for housing construction was 8,9 %. Other sources of funding are 2,3 % (see fig.).

Consequently, Ukraine remains attractive state for investments, is well-integrated into the world economy, but the violation of macro-stability in foreign markets affects the investment and innovative processes in Ukraine [4].

In order to effectively achieve the goal and fulfill the tasks set for the state in the area of regulation of investment and innovative processes, we believe that it is worth using such a form of state regulation, which makes it possible to combine the interests of all participants in the investment process.

The issue of improvement of the legal and organizational framework for enhancing the capacity of mechanisms for favorable investment climate and



Distribution of capital investments by sources of funding in 2016, %

formation of a basis for preserving and improving the competitiveness of the domestic economy is relevant today for further improvement of the investment climate in Ukraine.

A number of positive steps in this direction have already been taken:

1. Today, Ukraine has established a legal framework for investments and development of public-private partnerships. The legislation of Ukraine defines the guarantees of activity for investors, economic and organizational fundamentals of public-private partnership realization in Ukraine.

2. The national regime of investment activity is applied to foreign investors in Ukraine, i.e. equal conditions of activity with domestic investors are provided. Foreign investments in Ukraine are not subject to nationalization.

3. In order to increase the protection of foreign investments, the Law of Ukraine № 1547 dated 16.03.2000 ratified the Washington Convention of 1965 on the procedure for settlement of investment disputes between the states and foreign persons.

4. Intergovernmental agreements on promotion and mutual protection of investments signed and ratified by the

Verkhovna Rada of Ukraine with more than 70 countries of the world [4].

5. In order to simplify the procedure for attraction of the foreign investments and preclusion of evidences of corruption at the moment of their state registration, the Law of Ukraine № 1390-VIII “On Amendments to Some Legislative Acts of Ukraine on Cancellation of Mandatory State Registration of Foreign Investments” was adopted on 31.05.2016 [5].

In addition, the Decree of the President of Ukraine dated August 29, 2016, № 365/2016 approved the provisions on the National Investment Council. The main tasks of the Council are [6]:

- development of proposals on stimulation and development of investment activity in Ukraine, formation of attractive investment image of Ukraine, including taking into account the best international practice;
- assistance in formation of the main directions of the state policy on improving the investment climate in Ukraine;
- elaboration of proposals on strategic directions of investment potential development in Ukraine, stimulation of foreign and national investments in the development of the state’s economy;

- study of initiatives and potential proposals for investment projects, as well as practices of interaction between investment subjects and public authorities; analysis and generalization of problems hindering the investments in the economy of Ukraine, preparation of proposals on ways for their solution, in particular concerning the measures for promotion of the protection of investors' rights;

- participation in the elaboration of draft legislation on investment activities.

Funding of significant research investment and innovative processes should be carried out by the state in order to determine the priority directions of scientific and technological and innovative activity. This is necessary for implementation of particular actions and purposeful policy of the government and for business structures as a support of the state to business entities in search of the entry of domestic high-tech and high-intellectual products into the world market. For this purpose it is necessary to use the maximum capacity of the domestic scientific and technical potential.

Therefore, it is expedient to improve the mechanism of state regulation of investment and innovative processes, namely [7, p. 16]:

- Updating of the Concept of scientific and technological and innovative development of Ukraine;

- making significant changes to the current legislation of Ukraine concerning stimulation of investment and innovative activity in accordance with modern economic conditions;

- constant monitoring of existing regulations and projects which have an

impact on investment and innovative activities;

- monitoring of elements of investment and innovative potential of all regions of the country;

- creation of a uniform information and technological complex on the basis of regional centers for monitoring of the intellectual product and resource markets of the region;

- to increase concessional lending of business entities engaged in investment activity;

- to evaluate the possibility of effective implementation of projects by reducing the time for preliminary examinations and issue of certificate of scientific feasibility, technical and commercial attractiveness of projects, in order to include these projects into state, regional, municipal and corporate energy saving programs, as well as to conduct rating researches on the consumer value of projects.

Conclusion and prospects for further research. Investment and innovative activity is an important area in the development of any country and Ukraine is not exception. The existing mechanisms of state regulation of investment and innovative processes are not effective and not sufficiently adapted to the current conditions of economy. The main problem in this direction is insufficient public funding of these processes. However, our study demonstrates that our country takes steps to improve the investment climate, they should be more activated and the institutional conditions for the implementation of investment and innovative projects should be improved.

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