

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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O. M. Nepomnyashchyy, Doctor of Science in Public Administration**O. M. Непомнящий**, д. н. з держ. упр.**PROBLEMS AND PROSPECTS OF INTERNATIONAL INVESTMENT PROJECTS IMPLEMENTATION IN UKRAINE ILLUSTRATED BY INTERNATIONAL TECHNICAL ASSISTANCE PROJECTS (PROGRAMS)****ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РЕАЛІЗАЦІЇ МІЖНАРОДНИХ ІНВЕСТИЦІЙНИХ ПРОЕКТІВ В УКРАЇНІ НА ПРИКЛАДІ ПРОЕКТІВ (ПРОГРАМ) МІЖНАРОДНОЇ ТЕХНІЧНОЇ ДОПОМОГИ**

Urgency of the research. Ukraine's European choice opens new prospects for cooperation with the continent's developed countries, provides opportunities for economic development, and strengthens Ukraine's positions within the global system of international relations. Nevertheless, the current state of relations between Ukraine and the European Union is an issue that needs to be given serious consideration.

Target setting. Recently there has been a decline in economic development in Ukraine. The economic base is the key to raising living standards in the country and implementing democratic reforms. The introduction of political, social, economic reforms requires investments.

Actual scientific researches and issues analysis. Some questions of internal mechanisms effectiveness of Ukraine's cooperation with international financial institutions, the nature of international financial assistance are highlighted in the writings of R. Voytovych, L. Kisterskyi, Yu. Kovbasiuk, O. Kravchun, A. Lozovytskyi, K. Ploskyi.

The research objective. The purpose of the article is to analyze implementation of major investment projects funded with the assistance of the international financial institutions, to determine the causes of low utilization of international technical assistance.

The statement of basic materials. Analysis of financial revenues from international financial organizations and their use indicates a low degree of the investment process control by the Ukrainian authorities. As of 09.11.2016 in Ukraine about 50 programs for €4.9 billion and \$3.1 billion are being implemented by the international financial institutions, there are more than two hundred projects of free international aid for \$5.1 billion, 39 projects among them are major.

Conclusions. Analysis of international technical assistance volume in recent years indicates that there is no tendency, that means the instability of the process, which in turn indicates a crisis situation.

Keywords: investment project; international technical assistance; project implementation; coordination; monitoring.

Актуальність теми дослідження. Європейський вибір України відкриває нові перспективи для співпраці з розвиненими країнами континенту, надає можливості для економічного розвитку, а, також, зміцнює позиції України, в рамках глобальної системи міжнародних відносин. Проте, нинішній стан відносин між Україною та Європейським Союзом є питанням, якому необхідно приділити серйозну увагу.

Постановка проблеми. На сьогодні в Україні спостерігається зниження темпів розвитку економіки. Економічна основа є запорукою зростання рівня життя в державі та здійснення демократичних перетворень. Впровадження політичних, соціальних, економічних реформ потребує капіталовкладень.

Аналіз останніх досліджень і публікацій. Деякі питання щодо дієвості внутрішніх механізмів співпраці України з міжнародними фінансовими організаціями та країнами-донорами, сутності міжнародної фінансової допомоги висвітлено в працях Р. Войтович, Л. Кістерського, Ю. Ковбасюка, О. Кравчун, О. Лозовицького, К. Плосога.

Постановка завдання. Тому метою статті стало здійснення аналізу реалізації основних інвестиційних проектів, що фінансуються із залученням коштів міжнародних фінансових організацій та країн-донорів, з'ясування причин низького використання міжнародної технічної допомоги.

Виклад основного матеріалу. Аналіз фінансових надходжень від міжнародних фінансових організацій в рамках міжнародної технічної допомоги та їх використання вказує на низький ступінь управління інвестиційним процесом з боку органів влади України. Станом на 09.11.2016 в Україні реалізується близько 50 програм міжнародних фінансових організацій на 4,9 млрд. євро та 3,1 млрд. дол. США, діє понад двісті проектів безоплатної міжнародної допомоги на 5,1 млрд. дол. США.

Висновки. Аналіз надання міжнародної технічної допомоги в Україні свідчить найперше не про незначні її обсяги, а про неналежне та неякісне використання бенефіціарами фінансових ресурсів.

Ключові слова: інвестиційний проект; міжнародна технічна допомога; реалізація проекту; координація діяльності; моніторинг.

Urgency of the research. Ukraine's co-operation with the EU occupies a special position within the system of Ukraine's foreign policy priorities. Ukraine's European choice opens new prospects for cooperation with the continent's developed countries, provides opportunities for economic development, and strengthens Ukraine's positions within the global system of international relations. Nevertheless, the current state of relations between Ukraine and the European Union is an issue that needs to be given serious consideration.

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Target setting. Today there is a decrease in rate of economic development in Ukraine. The economic base is crucial for raising living standards in the country and implementing democratic reforms. The implementation of political, social, economic reforms requires investments. But the question arises whether only financial support solves the problem, and how much foreign investors' help is effective or vice versa and why.

Actual scientific researches and issues analysis. Some questions of internal mechanisms effectiveness of Ukraine's cooperation with international financial institutions, the nature of international financial assistance are highlighted in the writings of R. Voytovych, L. Kisterskyi, Yu. Kovbasiuk, O. Kravchun, A. Lozovytskyi, K. Ploskyi. However, most of the works dedicated to Ukraine's integration into international organizations, aid from the international community in reforming the socio-economic sphere, are in the field of scientific interests of lawyers and economists, such as I. Bratko, M. Mykhailiv; V. Geyets, O. Palyuh and others. In the science of public administration there have been few studies on these questions, including the assessment of internationally supported projects.

Paper objective. The purpose of the article is to analyze implementation of major investment projects funded with the assistance of the international financial institutions, to determine the causes of low utilization of international technical assistance.

Uninvestigated parts of general matters defining. Analysis of the financial revenues from international financial institutions in the border of international technical assistance and their use points on the low degree of control by the investment process by the authorities of Ukraine. As of 11.09.2016 in Ukraine implemented 50 programs of international financial institutions by 4.9 billion. Euros and 3.1 billion dollars USA, there are more than two hundred projects of free international aid to 5.1 billion dollars United States [1].

The research objective. The article aims to structure the best practices of implementation of investment projects funded with the assistance of the international financial institutions and donor countries in domestic economic conditions, determination of the causes of the low level of using of international technical assistance.

The statement of basic materials. In order to determine the priorities of investments, especially foreign ones, the legislation provides for the development of a strategic program document, "which is based on the results of the analysis of the socio-economic development problems in Ukraine and identifies priority areas for technical and economic cooperation between the donor countries and Ukraine" [2]. The resolution of CMU dated 15 February 2002 "On creation of a unified system of involvement, implementation and monitoring of international technical assistance" provides that the primary responsibility for harmonization of investment projects and priority directions of development of the state is vested in the Ministry of Economic Development of Ukraine: "The Ministry of Economic Development analyzes the submitted proposals for compliance with the priority areas outlined in the State economic and social development program of Ukraine for the current year and approved development programs for respective industries and areas, and harmonizes strategic programs with donor countries on the basis of these proposals" [2].

Such procedure seemingly should ensure the development of those industries and the solution of those tasks which primarily require financial investment. Moreover the international community provides funds irrevocably in order to solve such common issues in Ukraine as improving nuclear safety, the support of the population, which has suffered from the conflict in the East of the country, the development of social infrastructure and other. This kind of assistance is called "international technical assistance". It means the provision of financial resources (grants), properties, expert consultations, other resources and the provision of services "which in accordance with international treaties of Ukraine are provided by donor countries on a free-of-charge and irrevocable basis to support Ukraine" [2].

Technical assistance aimed at increasing the security level in Ukraine, improving the investment climate, infrastructure modernization, development of education, culture and etc. International technical assistance has been provided to Ukraine by donor countries and international organizations almost in all sectors of the economy and public life since 1992. The main directions of technical assistance are:

- raising nuclear and radiation safety, protection of the state and the citizens, transformation of the Shelter object into an ecologically safe system and environmental protection;

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- improvement of regulatory policy, investment climate improving, development of entrepreneurship and competition in the domestic market;
- financial market and banking sector development;
- agricultural sector development;
- health and social protection of the population;
- development of education, science, culture and tourism;
- modernization of municipal infrastructure and transport;
- development of civil society, local government, rule of law, anti-corruption efforts, support media, regional development.

Under the international technical assistance to Ukraine, the cooperation takes place with 15 countries, the European Union and more than 20 international organizations. The largest donors to Ukraine have been and remain United States of America and the European Union as a whole. The major donors are Canada, Germany, Sweden, Switzerland, Japan, Turkey, Denmark, as well as the UN organization, World Bank, EBRD, OECD. The legal basis for technical cooperation with countries-donors and international organizations are governed by 21 international treaties of Ukraine and international treaties on the implementation of cooperation programs in various sectors of the economy. Goals and objectives of assistance are agreed at the intergovernmental and interagency levels.

However, the analysis of the provision and utilization of international technical assistance in certain aspects reveals primarily not small volume, but improper and poor funds delivery. So, for all the years of cooperation donor countries allocated more than 9 billion of USA dollars. 3414 technical assistance projects have passed state registration since 1996. 288 projects with total contract value of more than \$ 3.3 billion of USA dollars was implementing by 01.07.2016 [4].

Tracing the level of international technical assistance in recent years from various sources, it can be noted that the absence of trends, which means instability in the volumes of assistance, demonstrates the crisis situation in this process. Thus, according to the embassies and missions of donor countries 485, 21 million USA dollars was allocated to Ukraine by the end of 2012. As of 01.05.2013 there was 249 international technical assistance projects realized in Ukraine with total contract value of more than 3 billion of USA dollars [3].

The volume of technical assistance to Ukraine amounted to more than 1 billion USA dollars in 2014. The largest donors of Ukraine were the European Union (43.9% of the total assistance) and the USA (30.5 %). Overall assistance was provided by 14 countries and 5 international organizations. International technical assistance to Ukraine in 2015 was \$ 3.3 billion of USA dollars [4]. This is evidenced by data of the Ministry of Economic Development and Trade. According to the Ministry, 343 projects are being implemented in Ukraine under the allocated funds and 3289 projects are totally registered [4]. As of 09.11.2016 in Ukraine about 50 programs for €4.9 billion and \$3.1 billion are being implemented by the international financial institutions, there are more than two hundred projects of free international aid for \$5.1 billion.

So, based on the current List of international technical assistance projects with the support of the donor countries, which are implemented in Ukraine and have passed the state registration (re-registration) in the Ministry of Economic Development and Trade of Ukraine [5], it should be noted that, for example, the Ministry of Energy and Mining is the beneficiary for 8 projects.

However, the contents of several projects where the beneficiary is Ministry of Energy and Mining fall within the competence not only of this Ministry. "Ministry of Energy and Mining of Ukraine is the main body in the system of the central executive authorities in the formation and implementation of the state policy in electric energy, nuclear industrial, coal industrial, peat mining, oil and gas mining complexes" [6]; thus, the investment projects for the physical protection of nuclear units, increasing the efficiency of electricity transmission (modernization of substations), must include a significant responsibility of other central executive authorities. In this connection it is necessary to coordinate projects greatly. There are organizational reasons for the possibility of creating a special government institution (or institutions) to coordinate the implementation of investment projects. This is also indicated by the fact that out of 39 major development projects 15 projects haven't even been started, 7 projects would have had to be completed in 2016, but they are at different levels of readiness. Thus, according to the Government portal,

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"Inefficient use of funds jeopardizes project implementation and further cooperation and financing"[3] by international financial organizations. This situation is not new – Kravchun O. S. noted the same situation in 2012, although he associated it with low investment opportunity and explored this question in relation to the domestic investors: "One of the investment problems in Ukraine and its regions is the lack of financial resources and low capacity to attract them. So, due to state and local budgets for the first nine months of 2011 only 8.7% of fixed capital investments were utilized. The main source of fixed capital investments, as before, remains own funds of enterprises and organizations (at their expense 59.0% of investments are disbursed)" [7].

Thus, even a slight analysis of revenues indicates a low degree of the investment management by the authorities of Ukraine. Although the legislation provides for ongoing monitoring of projects - "the beneficiary analyzes and submits each half-year until the 30th day of the following month to the Ministry of Economic Development signed by the coordinator of the project (program) results of the current and/or final monitoring" [2]. In addition, an annual report is served "until February 1 on the status of the project (program) implementation" [2] however, despite ongoing analysis, the effectiveness of project management remains at a very low level. The monitoring results should provide the authorities with the grounds for effective managerial decision-making. To a certain extent, the solutions also involve the project executors, as "accreditation of the executor (legal person - non-resident) should be confirmed by a certificate. Mentioned certificate is a confirmation of the executor's (legal person - non-resident) status, that executor ensures the implementation of the project (program) in accordance with the provisions of international treaties of Ukraine" [2]. Hence, there is a question concerning the responsible authority decision on determination of the project executor. Such decisions are subjective, so the situation requires a Government rapid response to ensure the objectivity. The results of the subjective project management are:

- unsystematic receiving, distribution and use of funds;
- low institutional capacity of the beneficiaries and the quality of project preparation, lack of project management experience;
- lack of coordination and information exchange;
- incapacity of governmental institutions, corruption risks;
- excessive administration, long-term projects selection;
- absence of international practice of contractual relationship (e.g. FIDIC).

In addition to the causes of inadequate authorities' response, other objective problems were emerged: the military conflict in the East of the state, economic and political instability, currency risks. The consequences related to the project management area *for the state* are:

- economic slowdown;
- investment reduction;
- lack of funds for reforms.

Such an investment project management severely affects *communities*. These negative effects are that local communities are unable to develop; besides, people don't give any more credits to government and reforms. A poor investment project management affects *business* development. The consequences of this are:

- non-participation of domestic companies;
- lack of preferences and support;
- critical situation in the labor market.

One way to overcome poor investment project management could be changing and improving legislation in this area. Such issues could be resolved:

- establishing of a unified system of planning, attracting, using and monitoring of international technical assistance and ensuring its efficient implementation (the declared subjects by entities);
- establishing of the responsibilities and limits of support of the Ukrainian non-governmental organizations by foreign governments (according to the analysis) [8; 9].

Moreover, the scientists support greater involvement of the non-governmental organizations in the investment projects implementation. Thus, particularly, Ploskiy K. V. points out that "another set of issues related to efficiency improving of international technical assistance utilization, is the matter of involve-

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ment of non-governmental organizations into aid projects implementation, because, as experience shows, donors pay considerable attention to the development of non-state institutions, because of their active participation in implementing projects of international aid" [10].

To overcome the negative consequences of the investment project management the Ministry of Economic Development and Trade has developed the draft law "On international technical assistance", which was registered in the Verkhovna Rada of Ukraine on 04.12.2013 No. 3725. However, the analysis of the mentioned draft law, conducted by the experts, pointed to its significant disadvantages for donors and local authorities: "if the draft law passes, the operating environment of international technical assistance programs, civil society organizations and local authorities deteriorates in comparison with the current situation. The donors will face excessive government regulation; an inflexible requirements system with respect to the individual projects. Communities and local governments will experience: reducing the possibility to perform as an executors of the international technical assistance projects; restrictions of the opportunity to become an official partner of international technical assistance programs, participate in proposal development and implement the project activities" [8].

One of the most effective steps of the Government in overcoming organizational negative situation on investment project management should be creation of an independent state institution that would ensure coordination of project activities carried out with the international technical assistance and expert evaluation of investment projects. Another focus of such an institution must be expert evaluation of investment projects. Based on international experience it can be performed by a Project Management Unit (PMU). Confirmation of the author's proposals became a fact that an Office of investment attraction and support of Ukraine had just been created. The priorities of the office have to be a creation of conditions for foreign companies' investments along with a decrease in debt for Ukraine. However, the competence of this institution requires some clarification, especially in relation to a Project Management Unit. The Unit's tasks may be the following:

- involving technical assistance and resources of MFIs in accordance with national reforms and development;
- ensure transparency and mutual accountability by monitoring the effectiveness of funds provision and delivery;
- improvement of information exchange between stakeholders;
- optimization of administration process for international partners and program participants;
- improving the effectiveness of fund delivery.

The PMU should provide a base for initiating, attracting and working with international grants and loans. In addition, it should provide educating: legal assistance, financial education, project management. Moreover, the Project Management Unit must ensure the effective feedback and institutional support to identify problems, determine causes and develop measures to address them at the organizational, methodological and legislative levels.

Conclusions. The analysis of the international technical assistance reveals primarily not small volume of it, but improper and ineffective funds delivery by beneficiaries. Inefficient use of funds jeopardizes project implementation and further financing by international financial organizations and donor countries.

Analysis of international technical assistance volume in recent years indicates that there is no tendency that means the instability of the process, which in turn indicates a crisis situation. The funds delivery for major investment projects is critically low or not started. This is due to the fact while managing the projects there is lack of system acquisition, distribution and use of funds; low institutional capacity of beneficiaries and quality of projects; lack of coordination and information exchange; incapacity of governments; corruption risks.

Such reasons are subjective and require Government rapid response. One of the most effective steps of the Government in overcoming organizational negative situation on investment project management should be creation of an independent state institution that would ensure coordination of project activities carried out with the international technical assistance. Another focus of such an institution must be expert evaluation of investment projects. Based on international experience it can be performed by a Project Management Unit (PMU). Specification of these group functions can become an area of further scientific research.

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