

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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Public Administration**О. М. Непомнящий**, д. н. з держ. упр.**INSTITUTIONAL AND FUNCTIONAL
COMPONENT OF ENSURING THE INVESTMENT
PROJECT IMPLEMENTATION IN UKRAINE****ІНСТИТУЦІЙНА ТА ФУНКЦІОНАЛЬНА
СКЛАДОВА ЗАБЕЗПЕЧЕННЯ РЕАЛІЗАЦІЇ
ІНВЕСТИЦІЙНИХ ПРОЕКТІВ В УКРАЇНІ**

Urgency of the research. Urgency of the research is conditioned by the fact that in Ukraine it is a considerable number of state institutes and institutions which are formally responsible for the investment situation, however, there is no single coordination and supervision mechanism in this sphere of activity.

Target setting. As of today there has been a deterioration of the investment climate observed in Ukraine, reduce of the number of domestic and foreign investors. Thus the logical question raises, what are the causes and consequences of such a situation and what actions must be taken by the Government in terms of changes to the conditions of investment and assurance of investment capital preservation.

Actual scientific researches and issues analysis. The issue on investment regulation was studied in the works of such domestic scientists as M. Butko, O. Volskaya, E. Hryhorenko, B. Danylyshyn, V. Martynenko, A. Merzliak, A. Peresada, T. Pokotylo, M. Chernukha and others. However, it should be noted that the majority of these scientists conduct their research in the economic sphere.

Uninvestigated parts of general matters defining. Issues of the impact of state institutions on investment processes in Ukraine remain beyond their consideration, and especially co-operation with international financial and donor organizations, thus the total number of scientific research in this field is insignificant.

The research objective. Therefore, the purpose of this article is to develop proposals concerning functional support of the state institutes in the sphere of attracting and maintaining foreign investment.

The statement of basic materials. Understanding of the investment process differs in some ways if it is seen in the context of governmental and economic science approach. Thus, the Law of Ukraine "On investment activity" defines investment activity as combination of practical actions of citizens, legal entities, and the state in the sphere of implementation of investments [1]. That is, investment activity is considered as a specific interaction between citizens, business and state institutions.

Conclusions. The investment climate in Ukraine requires significant improvement. Disintegration of the authority's actions regarding the investment promotion at various levels is leading to the virtual absence of the institutional mechanism of regulation in the investment sphere.

Keywords: investments; investment activity; attraction and maintaining investment; institutions; institutional mechanism; investment project management; functions; functional component.

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Актуальність теми дослідження. Актуальність теми дослідження обумовлюється тим, що в Україні за стан інвестування формальну відповідальність несуть значна кількість державних інститутів та інституцій, проте відсутній єдиний механізм узгодження та контролю такої діяльності.

Постановка проблеми. На сьогодні в Україні спостерігається погіршення інвестиційного клімату, скорочення числа вітчизняних та зарубіжних інвесторів. Постає закономірне питання, які причини та наслідки такого стану та які дії має вжити уряд держави щодо змін умов інвестування і забезпечення гарантій збереження інвестиційного капіталу.

Аналіз останніх досліджень і публікацій. Питання регулювання інвестицій досліджені в роботі таких вітчизняних учених, як М. Бутко, О. Вольська, Є. Григоренко, Б. Данилишин, В. Мартиненко, А. Мерзляк, А. Пересада, Т. Покотило, М. Чернуха та інших.

Виділення недосліджених частин загальної проблеми. На сьогодні, поза їх увагою залишається розгляд питань впливу державних інституцій на інвестиційні процеси в Україні, а особливо співпраці з міжнародними фінансовими і донорськими організаціями, і тому загальне число наукових розвідок у цьому напрямі є незначним.

Постановка завдання. Тому метою даної статті є вироблення пропозицій щодо функціонального забезпечення інститутів держави у сфері залучення та підтримки зарубіжних інвестицій.

Виклад основного матеріалу. Розуміння процесу інвестування певним чином різняться, якщо його розглядати з точки зору державницького підходу та економічної науки. Так, Законом України «Про інвестиційну діяльність» визначено інвестиційну діяльність як сукупність практичних дій громадян, юридичних осіб і держави щодо реалізації інвестицій [1]. Тобто, інвестиційна діяльність розглядається як певна взаємодія громадян, бізнесу та інституцій держави.

Висновки. Інвестиційний клімат в Україні є таким, який вимагає суттєвого покращення. Розрізненість дій органів влади різного рівня щодо сприяння інвестиційній діяльності призводить до фактичної відсутності інституційного механізму регулювання інвестиційної сфери.

Ключові слова: інвестиції; інвестиційна діяльність; залучення та підтримки інвестицій, інституцій; інституційний механізм; управління інвестиційними проектами; функції; функціональний компонент.

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Therefore there is a need to revise the functions of governmental institutes and institutions with the aim of creating institutional system on investment activity promotion in Ukraine. The European experience may be helpful here. Thus, "the EU institutional system cannot be characterized as hierarchical and centralized, since there is no organizational core, which would subordinate all institutions and subsidiary bodies of the EU system" [4]. That is, the fact that most of the authorities in Ukraine, being mutually independent, have powers concerning the impact on conducting investment activity, allows us to assert that the institutional system in the investment sphere is not centralized. Thus, in particular, local governments regulate investment activity "by approving the issues connected with creation of production and social objects, as well as natural resources utilization by the actors of the investment activity" [1]. Such approval shall take into account the interests of territorial communities and the government policy at the same time. The latter becomes more complicated when attracting foreign investors to Ukraine.

The policy of wide foreign investment attraction to the state involves the creation of an institutional mechanism for cooperation with international financial and donor organizations and a single Centre for coordination of their activities in Ukraine. In this case the institutional system ceases to be decentralized, which is caused by the specifics of investment, thus by state security guarantees on the one hand and economic growth on the other. Institutional mechanism of this process changes itself in its

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turn. "One of the definitions of institutional mechanism interprets it as a methodology of impact not only on the formation of institutions, their interrelationships, but also as ensuring their appropriate functioning and transformation" [4, p. 94]. Thus, including the new state institutions to the sphere of investment activity, there is a need for reviewing and determining the functions of all governmental institutions included into the system.

Creation of an institutional mechanism for cooperation with international financial organizations will allow ensuring the development of Ukraine's investment potential as the basis for economic growth, raising national competitiveness and standard of living of the population. For the effectiveness of this mechanism, the Government of Ukraine, namely via the Decree of Cabinet of Ministers dated 19.10.2016 № 740 [5], created the Ukraine Investment Promotion Office. Creation of the Office was initiated to ensure "attracting and maintaining investments of Ukraine with the purpose of forming the qualitative mechanism for entering and support of investments in the country" [6]. The Office was created in terms of organizational support - by the Ministry of finance, as well as with the support and funding of the Western NIS Enterprise Fund. Therefore, the Office's Management meets the European requirements and the staff competitive selection provisions.

In addition, the fact that Ukraine joined the Paris Declaration on aid effectiveness in 2007 (Decree of President of Ukraine dated 19.04.2007 No. 325/2007) contributed to creation of the Office, however it did not have certain practical implementation in Ukraine. As noted above, the investment attraction depends on different government institutions at different levels, namely on the government and local authorities. So there is a need for cooperation between the three sectors in the State: "business, government and community", while the government should contribute to make European interests not in a passive way, but through implementing social and economic programs, which consist of economic development, increasing population employment level, and as a result - increase of the GDP. This is all possible in its turn because of changing Ukraine's investment attractiveness and as a consequence capital inflow into the country.

To change the investment activity institutional mechanism, the government envisages assigning to "the Director of Ukraine Investment Promotion Office status of Advisor to the Prime Minister" [6]. It could provide individual preferences to the Office for a quick solution of issues related to attracting additional resources to the Ukrainian economy and the acceleration of this process.

A specific step to ensure the proper functioning of the Office should be the creation of a *Project Management Unit*, which would provide the improvement of investment climate in the country for foreign investors in accordance with the legislation. Its main function should be "creation of a mechanism for the preparation and implementation of investment projects according to the principle of a "single window" to ensure effective interaction with investors operating in Ukraine, and active investments attraction, as well as ensuring the cooperation of state local self-government bodies, aimed at creating a favourable investment climate in Ukraine" [5], including projects, that have the following legal grounds:

The procedure of preparation, implementation, monitoring and completion of projects of economic and social development of Ukraine, supported by the international financial institutions (Decree of the Cabinet of Ministers of Ukraine dated 27.01.2016 No. 70);

The order of attraction, usage and monitoring of international technical assistance (Decree of the Cabinet of Ministers of Ukraine dated 15.02.2002 No. 153).

Creation of the Unit is necessary first of all for the international project coordination, since the international financial support of Ukraine has increased significantly in recent years. As of today, about 50 programs for €4.9 billion are being implemented by the international financial institutions in Ukraine, and there are more than 200 projects of free international aid for \$5.1 billion. All this requires centralized coordination and project implementation supervision.

The Government also provides that "each area should specify a clear indicator on business projects upon 5-10 provisions" [6]. These indicators will provide an opportunity to assess the work of the authorities in terms of promoting and investment activities and the population's satisfaction of the latter

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and corruption prevention. In addition, introduction of separate procedures for relevant information transfer will enable influence on the tax control bodies' activity and other regulatory agencies in order to prevent the creation of illegal and bureaucratic obstacles in investors' activity. Thus, projects that have already been launched can run to their fast conclusion and the number of new projects should significantly increase.

By functionally distinguishing objectives regarding full implementation of investment projects, the state creates all the conditions in the organizational sphere by taking over a significant part of bureaucratic, expert tasks, it provides their quick implementation for business. Thus "the newly created Ukraine Investment Promotion Office will serve as a mechanism for business problems solving, and maintaining all organizational work for new investment projects" [6]. All this may belong to the competence of the Project Management Unit.

For a European investor's project implementation the Office must also develop procedures and mechanisms to promote investment activities under the European model. As stated by O. Hordeev, "respectively, among the most important institutional mechanisms ensuring transparency, openness and democratic governance in the European Union, we can mention the following institutions that:

- provide social dialogue and compliance with the procedures of social partnership between professional unions and associations or federations of employers in the community;
- integrate initiative of business, regional and professional associations (for example, the regional development agencies) [7].

Thus in its activity, guided by the European standards, the Project Management Unit (PMU) shall work closely with international financial and donor organizations, as well as beneficiaries and recipients of international technical assistance and loans of International financial organizations (IFO) according to the established procedures, tools and mechanisms (Fig. 1).

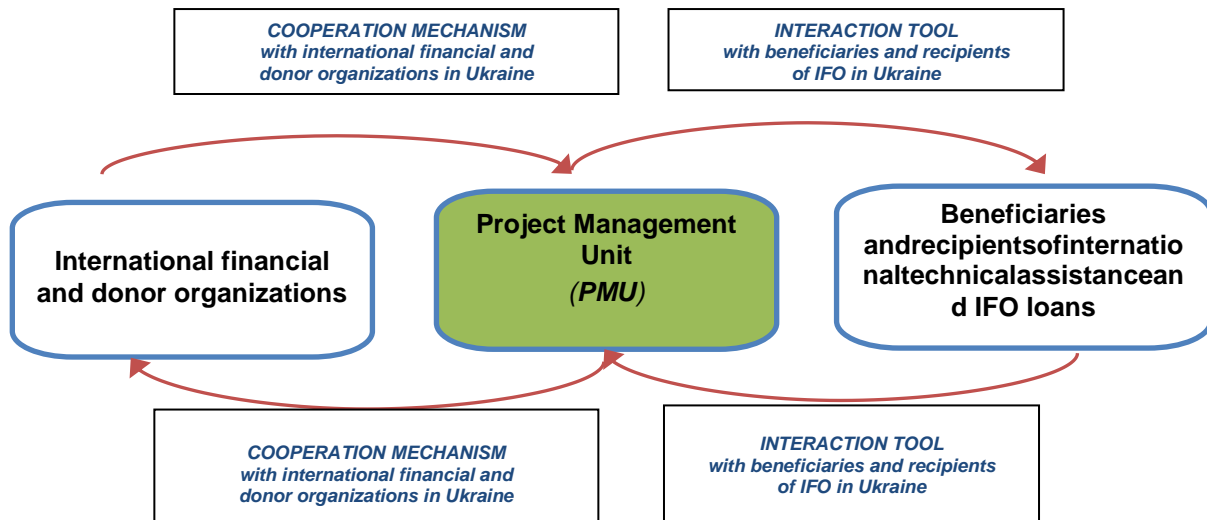


Fig. 1. Institutional component of the investment project management

Exactly this will be the institutional component of the investment project management. The Unit shall carry out analysis, evaluation, monitoring, planning, decision-making support and project implementation. This is due to the fact that "the main task of state regulation is not to abolish the market regulation principles and mechanisms, but to promote the creation of favourable conditions for activation of business entities activity based on market mechanism" [8]. Then, the Project Management Unit, based on tasks of the Ukraine Investment Promotion Office, shall rely in its work on:

- using a systematic approach regarding the investment receipt, distribution and use;

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- spreading best international practices in contractual relationships, control and technical regulation;
- ensure effective and operative interaction with government institutions, business environment and communities;
- media support and project promotion.

These fundamental tasks lay the foundation for defining a functional component of the Project Management Unit.

The activity of the institute or institution is determined by its functions and the level of their independence or whether they do not duplicate other similar government agencies. That is, "the functional autonomy of the institute is its ability to take generally binding decisions" [4]. On this basis the activities of the Project Management Unit should have several directions (or components): strategy and system formation; creating online platform; pre-project monitoring and supervision; the functioning of the academic and research laboratories; improvement of the legal framework; education and popularization. Each of these components will determine the specific functional scope in the Project Management Unit activity.

Thus, a component of *strategy and system formation* determines the following functions of the Unit:

- analysis of the legal field and the actual state of the interaction with international financial and donor organizations;
- detecting problems, identifying "points of endeavour", searching for common approaches and harmonizing positions;
- forming strategy of international financial support for Ukraine based on equal partnership and in accordance with the national priorities;
- planning measures and resources, financial support coordination.

The functional component "*creating online platform*" provides for execution of the following functions of the Unit:

- displaying information on-line about the projects of the international support in view of regions, donors, beneficiaries and areas of funding on the basis of GIS-technologies;
- creating possibilities for the submission of project proposals through the online platform;
- providing interactive user access to resources and databases related to the funding and implementation of projects;
- implementing information exchange;
- providing search capabilities of performers for the projects through the platform.

The functions associated with *pre-project monitoring and supervision*, provide for:

- analysis of programs and projects at the stage of investment intentions, preparation of proposals for the signing of international agreements;
- monitoring the status of program implementation, establishing public control;
- selective analysis of problematic projects upon reference points and indicative markers;
- problem synthesis, finding ways of their solving;
- establishing territorial and sectoral interaction and interests coordination.

Project Management Unit's activity is impossible without the expert scientific support that is associated with the creation of *academic and research laboratory*. The list of this inner division's functions include:

- conducting seminars, trainings, consultations on implementation of technical support projects, obtaining and assimilating of IFO loans;
- preparation of guides, step-by-step instructions, guidelines, training programs;
- development of case studies upon each type of projects;
- experts' training in Project Management Units;
- interregional and international exchange of experience.

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Investment activity in Ukraine requires permanent legislation due to the change of the terms of the international agreements, as well as challenges within the country. Therefore, the functions related to the *improvement of the legal framework*, should have the following contents:

- generalization of proposals made by the IFOs, beneficiaries, recipients, public, based on the analysis of the program implementation practice;
- preparation of amendments to the legislation and submitting them to the actors of regulatory policy;
- expert and project support on amendments to laws and regulations prior to their adoption;
- implementation of the international investment legislation, principles and FIDIC typical contract clauses in Ukraine.

Implementation of investment projects in Ukraine requires *education and popularization*. With this purpose the list of functions to be performed by the PMU should include the following:

- promoting the benefits and best practices in implementing projects of international financial aid and IFO loans among the communities and business;
- legal and linguistic adaptation of rules and contracts of donors and IFOs to engage the Ukrainian manufacturers and vendors to participation in projects;
- project media-support at all stages: from projects of international agreements – to implementation of programs;
- creating attractive investment image of Ukraine.

Thus, this scope of functions clearly outlines the activities of the institute such as the project management unit at the Ukraine Investment Promotion Office and therefore specifies the tasks of the Office. In addition, the Unit formation in a certain way improves the institutional mechanism of investment activity in Ukraine.

Conclusions. The investment climate in Ukraine requires significant improvement. Disintegration of the authority's actions at various levels is leading to the virtual absence of the institutional mechanism of regulation in the investment sphere. A significant step towards the improvement of this mechanism has been the creation of the Ukraine Investment Promotion Office. This institution should ensure the coordination of interests of the population, local authorities and investors to develop the economy in Ukraine. One of the structural units of the Office should become the project management team (Project Management Unit) that would support investment projects up to their final implementation. Therefore it is appropriate to determine the Unit's functions on the following directions, namely: strategy and system formation; an online platform creation; pre-project monitoring and supervision; operation of scientific and practical laboratory; the legal framework improvement; education and promotion. Determination of the Office specific functions and its place in the institutional mechanism of investment regulation may become areas of further scientific research.

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