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K. Іe. Moiseienko, Candidate of Economic Sciences,
Associate Professor**STIMULATION OF INVESTMENTS INTO DEVELOPMENT
OF POST-CONFLICT TERRITORIES**

Abstract. *Theoretical approaches to investment policy of the post-conflict territories development are considered in the article as well as prerequisites of forming of a paradigm of its implementation are determined and priorities and the main directions of investment are outlined.*

Keywords: *investment; stimulation; post-conflict territories; development; paradigm; investment priorities; directions of investment.*

К. Є. Мойсеєнко, к. е. н., доцент**СТИМУЛЮВАННЯ ІНВЕСТИЦІЙ У РОЗВИТОК
ПОСТ-КОНФЛІКТНИХ ТЕРИТОРІЙ**

Анотація. *У статті розглянуто теоретичні підходи до вироблення інвестиційної політики розвитку пост-конфліктних територій, визначено передумови формування парадигми її реалізації, окреслено пріоритети та систематизовано основні напрями інвестування.*

Ключові слова: *інвестиції; стимулювання; пост-конфліктні території; розвиток; парадигма; інвестиційні пріоритети; напрями інвестування.*

К. Е. Моисеенко, к. э. н., доцент**СТИМУЛИРОВАНИЕ ИНВЕСТИЦИЙ В РАЗВИТИЕ
ПОСТ-КОНФЛИКТНЫХ ТЕРРИТОРИЙ**

Аннотация. *В статье рассмотрены теоретические подходы к выработке инвестиционной политики развития пост-конфликтных территорий, определены предпосылки формирования парадигмы ее реализации, очерчены приоритеты и систематизированы основные направления инвестирования.*

Ключевые слова: *инвестиции; стимулирование; пост-конфликтные территории; развитие; парадигма; инвестиционные приоритеты; направления инвестирования.*

Urgency of the research. Problems which arise in social and economic dimensions of the post-conflict territories development are extremely various: ensuring humanitarian security, acceptable or expected level of living, employment, decriminalization, recovery of physical and economic infrastructure, etc. However they all have a general component – necessity to attract financial resources and use them effectively. This problem has entirely clear value for Ukraine today owing to the following circumstances: 1) need of revival of economy of the areas freed from illegal armed groups and 2) the prospects of growth of need for investments for recovery of the region of anti-terrorist operation conducting.

Target setting. At the same time, questions of the prevention of the conflict recurrence, use of opportunities of post-conflict growth as measures of fuelling of the national economy transformation, ensuring reintegration of post-conflict territories defines need of planning of investment measures for stimulation of their development.

Actual scientific researches and issues analysis. The analysis of references on problems of post-conflict restoration allows drawing a conclusion on existence of two accents. The first of them is made on methodology of formation of policy of post-conflict restoration, namely: on roots, factors and risks of the conflict with their interrelation with parameters of post-conflict growth and maintenance of

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policy of its providing (Przerowski, 2000 [1], Acemoglu, 2008 [2], Blattman and Miguel, 2010 [3], Blattman, 2010 [4], Hacıoglu, Dincer, Celik, 2012 [5] etc). The second accent is the maintenance of instruments of ensuring post-conflict development, and attention is paid as to general approaches stated in program documents and policy of the certain countries and the international organizations and so to concrete measures of support of such development (Ianchovichina and Lundstrom, 2009 [6], Maier, 2010 [7], David, Bastos and Mills, 2011 [8], Todaro and Smith, 2012 [9] etc).

Uninvestigated parts of general matters defining. Making a start from the results stated in publications of the specified and other authors it should be noted that the main problem of stimulation of investments into development of post-conflict territories, both in methodological, and in practical aspects, consists in lack of distinct idea of priorities and procedures of policy of recovery. The regulatory policy is considered in the context of the general problems of impact of government and international community on a situation at post-conflict territories or too strongly coordinates with local specifics of the conflict. It does not give the chance to define the general framework or patterns the organization and implementation of investment policy of development of post-conflict territories.

The research objective is to describe a methodology and define general regularities of formation and realization of policy of stimulation of investments into development of the post-conflict region

The statement of basic materials. Background of any conflicts is conceptual, emotional and behavioural differences among actors in the realm of politics and economy (Mayer, 2000 [10]). These distinctions in practice can be connected with religious, ethnic, civilization contradictions, economic and political inequality, an excessive imbalance of interests of different groups in society. In realization of the mentioned prerequisites an important role is played by a historical retrospective, depth of contradictions, existence and character of efforts on prevention and resolution of conflict, influence of external subjects.

Main consequences of the conflicts as usual are as follows: destruction or harming physical and human capital, decrease in GDP and increase in monetary instability, loss of resource base, deterioration of life and environment, rupture of economic relations, reduction of tax base, institutional uncertainty or destruction of institutional system, etc. Respectively in the description of the post-crisis phenomena such main approaches as (1) concepts humanitarian assistance, (2) theories of economic growth and development, (3) concepts of peace-building and humanitarian security, (4) concepts of institutional building and efficiency of public administration dominate. It is expedient to consider these approaches in the context of priorities and filling of investment policy.

It is obvious that humanity values in the modern world define foremost attention to problems of humanitarian safety during and after completion of the conflict. Owing to the paramount importance of needs for food, water, shelter, safety, medical care a priority of policy of recovery and development of post-conflict territories is ensuring their satisfaction. It is possible to consider it and from a utilitarian position: financial support of the people injured by the conflict is a lever on the causes of conflict, ensuring loyalty of the population to a certain center of the power, preservation of the human capital, the prevention of migration of combatants and, respectively, increase in social burden at other territories etc.

From the point of view of theories of growth and development completion of the conflict assumes an intensification of economic processes owing to reduction of uncertainty in entrepreneurs expectations and conditions of their activity, higher rate of return caused by reduction of the competition, investment injections. However it should be noted that intensity of post-conflict growth significantly depends on the level of destruction of the capital and a ratio of extent of destruction of his types (human, physical, economic infrastructure).

At the same time there is a question of sources of investment injections in restoration of the capital and structural transformations here. In our opinion it is necessary to divide them into two groups: 1) extensive sources: international aid, including credits and grants, own resources of the state (the budget and its reserve funds, special tax revenues in the form of army charge, charge on restoration or something equivalent), foreign investments; 2) intensive sources: redistribution of resources owing to fiscal centralization / decentralization (increase in efficiency of use of means on the basis of the principle of subsidiarity, decrease the transaction costs of redistribution of GDP through budgets); us-

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ing of reserves (sale of the state and municipal ownership, increase in efficiency of its economic use, counteraction to money laundering terrorism financing etc.); economy of expenses. Due to the need of attraction of these resources there is a problem of trade-offs between tasks of recovery policy and their financial security, and also a problem of stimulation of investment activity.

It is important to note that paramount value in ensuring economic growth on post-conflict territories is played by trade that in opinion Collier (2009 [11]) is caused by growth of return on investments, change of sectorial structure, renewal of production and export of goods. Respectively, Collier and David (2011 [8]) claims that countercyclical tax and currency policy, measures of contribution of export diversification, improvement of allowing procedures are pertinent. At the same time the international aid is a little connected with economic growth, moreover, leads to growth of a real exchange rate, monetary destabilization (World bank, 2011 [12], Elbadawi et al., 2008 [13]). It is interesting that these conclusions correlate with the maintenance of a Feldstein-Horioka Puzzle. According to standard economic theory, in the absence of regulation in international financial markets, the savings of any country would flow to countries with the most productive investment opportunities. Therefore, domestic saving rates would be uncorrelated with domestic investment rates. But Feldstein and Horioka (1980 [14]) observed that domestic savings rates and domestic investment rates are highly correlated, in contrast to standard economic theory. Nevertheless, it is impossible to underestimate the importance of international aid in ensuring primary social protection, reduction of social and economic prerequisites of renewal of the conflict, compensation of inability of the state to carry out some social tasks and economic providing of public institutions activity.

Another approach connects prerequisites and stability of growth with peace-building process. This process can be considered in the context of the term DDR (UN [15]): 1) *disarmament* is the collection, documentation, control and disposal of small arms, ammunition, explosives and light and heavy weapons from combatants and often from the civilian population; 2) *demobilization* is the formal and controlled discharge of active combatants from armed forces and groups, including a phase of «reinsertion» which provides short-term assistance to ex-combatants; 3) *reintegration* is the process by which ex-combatants acquire civilian status and gain sustainable employment and income. It is a political, social and economic process with an open time-frame, primarily taking place in communities at the local level. The objective of the DDR process is to contribute to security and stability in post-conflict environments so that recovery and development can begin.

In the course of initiation of economic development in post-conflict territories institutional construction is important: the countries with better institutional conditions both in the governance aspect and aspect of legal regime of the economic relations maintenance have good chances at rates and sustainability of post-conflict growth. At the same time institutional weakness means catastrophic decrease of investment attractiveness, disappointment in post-conflict expectations of the population and the aspiration connected with it to save the own situation in any ways even if they assume illegal activity, corruption, renewal of the conflict etc. It is possible to call this phenomenon a cyclic institutional trap of the conflict.

It is also necessary to consider a thought (Przerowski, 2000 [1], Cerra V., and Saxena S., 2008 [16]) that the strong central power promotes restoration and the political crisis during the post-conflict period worsens opportunities for this purpose. Simultaneously it is necessary to take into account the recommendation that in policy of post-conflict development the principle "the winner takes it all" should be restricted.

Except institutional weakness of the power in the conflict countries shortcomings of institutes of the organization of recovery act as significant noneconomic factor of braking of investment process. They are as follows: 1) as for government – lack of comprehensive transitional strategy; no effective coordination meetings or mechanisms; weak inter-ministerial coordination; insufficient information on population's needs and existing programs being implemented; insufficient staff capacity; 2) as for donors – lack of strategy; no effective coordination meetings; no coordination unit; no unified approach toward government or NGOs; insufficient staff capacity; 3) as for civil society institutes – no joint and comprehensive strategy; poor linkages between various strategies and plans; no joint planning: sector-driven approach rather than focus on the transition process as a whole; insufficient linkages with the inter-

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ministerial unit;poor linkages with donor reconstruction programs; prosecution of exclusively own political interests. This shortcomings are adequately comprehended in the research of Rolf Maier [7] on the example of policy of "early recovery" of the certain countries, the international organizations and instruments of the international cooperation.

In general, proceeding from set of approaches to ensuring restoration of post-conflict territories Hacıoglu et al., 2012 [5] formulate a number of priorities: 1) improvements in economic policies and institutional development, 2) reconstruction of physical and economic infrastructure with food security, educational system and public health; 3) GDP growth and increase in employment; 4) securing energy supply to market place; righteous access to energy sources for different ethnic groups, 5) employment must be accompanied and increased by recruiting skilled workers from different ethnic groups, 6) solving economic inequalities, 7) strong monetary discipline, 8) positive investment climate.

The trade-offs between strategic objectives and peace building remains the main problem in their achievement. Therefore it is accepted to consider specifics of the conflict and to cut the periods of post-conflict recovery. Those periods are essentially differs by measures of recovery policy and instruments of stimulating of investments.

In view of recommendations of USAID to the specified measures [17], it is possible to offer the following approaches to stimulation of investments. In table 1 investment stimulation instruments in immediate post-conflict period are presented.

Table 1

Instruments of investment stimulation according to periods and measures of post-conflict recovery and development in immediate post-conflict period

Typical requirements 1	Investment stimulation instruments 2
Vigorously promote local private sector participation in relief and humanitarian assistance programs	Granting to government-managed public works, wide range of community organizations and businesses, making the time-limited nature of donor funding clear from the outset
Phase down refugee camps and combatants accommodation problems as soon as possible to encourage displaced families to return to traditional economic activities and to rural employment (if such activities remain economically viable), thereby reducing the population of idle, unskilled workers in urban areas	Granting a recovery of housing and communal services and new construction. Tax exemption on profit and the VAT of controlled deliveries of materials and construction works in post-conflict territories
Ensure that the country has a viable currency	Avoidance of too much appreciation of the exchange rate by means of countercyclical currency policy, building the capacity of the central bank to implement monetary policy and to oversee banking institutions, auditing commercial banks and strengthening bank supervision and counteraction to money laundering and terrorism financing
Ensure that the government can make payments and collect revenues	Immediately building capacity to manage the money supply, oversee financial institutions, and managing the central government budget. If external debt discourages investment, it is necessary to negotiate debt forgiveness and rescheduling. Seeking to achieve fiscal discipline as quickly as possible.
Knock down as many obvious barriers to both formal and informal economic activity as possible	Measures of price controls, elimination of onerous business registration procedures, or restrictions on who is allowed to apply for export-import licenses; Reduce physical obstacles and eliminate barriers to movement and commerce

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Continuation of Table 1

1	2
Promote employment generation and stimulate the economy	Financing to local producers through local vendors to facilitate the return of displaced persons and refugees to their workplaces; focus should be on local investment and local employers
Promote the flow of market information and encourage the development of regional and international markets	Building on the consultations between private-public sectors; simplification of barriers to an entrance on the market of telecommunications and tax holidays for the IT enterprises
Make emergency repairs to roads, railways, ports, and airports; restore basic utilities. Ensure that infrastructure policies will sustain the newly restored systems for water, sewage, electricity, telecoms, and transport	Placing a priority on infrastructure that supports greater private-sector economic activity; increasing the proportion of investments in infrastructure that meets standard benefit-cost criteria; participation in international granting programs
Establish procedures for handling property and contract disputes, including recognizing customary laws already in use	Establishment of a transparent and binding process to resolve the claims of former property owners returning to the territory, balancing social and political constraints and a dispute resolution mechanism to adjudicate contract disputes without recourse to a full court procedure

The specified tools, first of all, exert impact onto reduction of primary negative consequences of the conflict and lay the foundation for improvement of investment attractiveness of post-conflict territories and national economy as a whole. Further the orientation of measures for creation of favorable climate for investment has to shift onto elimination of roots of the conflict and leveling of risks of his renewal.

In Table 2 investment stimulation instruments in the later phases are presented.

Table 2

Instruments of investment stimulation according to periods and measures of post-conflict recovery and development in immediate post-conflict period

Typical requirements	Investment stimulation instruments
1	2
In setting priorities governments and donors must continue to apply a «conflict lens»	Government or other authorities should be encouraged to continue maintaining and expanding the geographic scope of physical security, which is critical to the growth of economic activity
Strengthen the major institutions of economic governance	Building the capacity of the tax and customs administrations; strengthening budget execution and budget planning functions, including the capacity to interact productively with the parliament or other legislative body; building capacity within the financial sector, especially capital markets, liberalization of foreign investment with simultaneous strengthening counteraction to money laundering and terrorism financing; phasing out job-creation programs that would distort labor markets; revising and strengthen laws concerning property rights and reforming of court system
Reform the tax structure	Simplifying the tariff structure and broadening the tax base; decrease in a rate of corporate tax for SME, income tax for combatant and refugees
Fight against corruption	Systemic reforms and changes in personnel to increase efficiency and fairness

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1	2
Encourage entrepreneurship	Improving the business climate by establishing accepted measures of performance (such as the Doing Business indicators ¹⁸) as benchmarks for progress; support to expanded private-public sector dialogue, reducing costs and increase incentives for informal enterprises that voluntarily become formal; continuing to place a priority on infrastructure that supports greater private-sector economic activity; increasing the proportion of investments in infrastructure that meets standard benefit-cost criteria; and at the same time being conflict-sensitive when selecting investment projects, to ensure broadly distributed benefits.
Encourage exports	Building the country's capacity to analyze trade issues and problems of participation in the World Trade Organization especially in Agreement on Subsidies and Countervailing Measures and Agreement on government procurement

Conclusions. Summing up the result of the research it should be noted that stimulation of investments is the key instrument of post-conflict recovery and development as it allows to liquidate or lower negative social consequences of the conflict, to prevent risks his refuelling. Besides, measures for creation of favourable investment climate often result not only in increase in employment, production, quality of life, but also in levelling a variety of reasons of the conflicts – an imbalance of interests and opportunities, corruption, injustice in judicial system and protection of property.

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