

Formation of the Organizational and Economic Mechanism for Attracting Investment to the Region

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Recently, the situation with attraction of investment to the regions of Ukraine has significantly changed for the worse because of the social and economic crisis, their low investment attractiveness, high risk and lack of guarantees for investors. This situation brings up to date the issues of elaborating an efficient organizational and economic mechanism for attracting investment to the region, which would combine not only financial and economic and legal elements, but also environmental instruments. During the study the organizational and economic mechanism for attracting investment to the region, which includes conditions, regulation and the range of organizational and economic instruments for the regulation of the investment policy has been elaborated. The instruments involved in the mechanism are grouped into functional blocks: subsidies; guarantees; tariff rates, prices; programs, plans; regulations; benefits; taxes; organizational arrangements. The key environmental elements are environmental taxes, natural resources use charges, subsidies for implementation of environmental programs and plans, state benefits and state support of environmentally sustainable production, state guarantees for attraction of environmental investments, environmental norms and standards for product certification. Their intended use is to promote the development of industrial and regional markets and to improve the efficiency of the regional investment policy.

Key words: attracting investment, environmental instrument, investment attractiveness, organizational and economic mechanism.

Abbreviations:

ICT – information and computer technology;

M&A – mergers and acquisitions.

УДК 330.322:332.142.6

JEL Codes: E22, G31, Q50, R11

Introduction. Activation of attracting investment procedures by forming favourable investment attractiveness is of great practical importance for both separate regions and the country on the whole. The volume of attracted investments and the areas of their implementation are the criteria of the level of economic development, their competitiveness and regional well-being assurance. Attraction of investment at the regional level, besides purely economic issues of local production efficiency improvement, allows solving social and environmental problems.

Problem statement. Modern scientific and practical approaches to solving economic and environmental contradictions in the investment area, attraction of investment to the region and the efficiency of their use have been studied rather profoundly in the works of N. Andryeyeva, I. Blank, O. Herasymenko, U. Hladka, H. Kupalova, V. Martsyn, T. Umanets, S. Kharichkov, Yu. Khvesyk.

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Mentioning significant scientific and practical achievements in the field of study, it should be noted that in Ukraine up to this time, the issues related to improvement of the organizational-economic mechanism of attracting investment to the region with environmental elements have remained insufficiently elaborated and worked at.

The purpose of the research is to form an effective organizational-economic regulatory mechanism of attracting investment to the region, which would include ecological elements.

Results of the research. Socio-economic crisis of recent years has led to an essential decline in investments involved in the regional economy, low investment attractiveness, high risk and lack of security guarantees for investors have caused decline in investment activity in Ukraine in general and in regions in particular [1].

To solve pressing social and economic problems of the region is possible, especially on condition that the effective use of the attracted extraneous investment capital and economically sound investment decisions are elaborated and implemented, as the internal capabilities (domestic investment) is extremely limited. Over recent years, the volume of foreign direct investment in the economy of Ukraine has been significantly reduced. Thus, in 2016 it was US \$ 4.4 billion, which is the worst figure for the entire period of the state independence (US \$ 3.8 billion in 2015). This situation motivates the state (represented by the corresponding institutions) as well as individual economic entities to actively search for sources of investment. Providing organizational and economic and legal preconditions for forming a favourable investment climate is the key task for today.

Robert Kiyosaki, the American entrepreneur and investor, singled three skills of creative investors: *find an opportunity that everyone else missed; raise money and organize smart people.*

The need of the regional economy for investment and procedure activation of their attraction determine the necessity of elaborating appropriate measures aimed at gradual improvement of the economic situation in the regions. Elaboration of effective measures should be based on a thorough research of strengths and weaknesses of the regional economy, investment opportunities and threats to the investment attractiveness of the region.

In a volatile economic environment and under limited investment resources, the key factor is the competition for investment among business entities including the regions on the whole. The capital, according to the laws of the market, moves from economically weak regions to stronger ones with a better investment climate and lower risks. Therefore, the main task for the leaders of the region and its business environment is to ensure the investment attractiveness [2, 5].

Today, attraction of investments in a real economy sector of the region is a factor of its dynamic development: if there are investments, then there is socio-economic development. Attracted investment money should primarily be channelled for the introduction of new technologies and advanced management experience, support for small and medium businesses, new job creation.

The situation involving investment (both foreign and domestic) in the Ukrainian economy has deteriorated significantly over the past five years.

Ukraine or slightly improved its position in major world economic rankings or worsened in 2016 (Table 1).

For example, Index of Economic Freedom includes a sub-index as “Market opening”. It includes indicators such as “Investment freedom” – 164 position in the ranking; “Financial freedom” – 132 position and “Freedom of trade” – 50 position in 2016.

Reinforcing of the Corruption Perceptions Index is the Crony-capitalism Index, calculated through “Billionaire wealth as a % of GDP”. This share was 13 % in 2014, about 7 % – in 2016.

Table 1

Ukraine in major world economic rankings

Index	2012	2013	2014	2015	2016
Investment Attractiveness Index , max. 5.0 (highest rate) (by European Business Association)	2.12	1.81	2.0	2.57	2.85
The Global Competitiveness Index (by the World Economic Forum)	73/144*	84/148	76/144	79/140	85/138
The Global Innovation Index (by the World Intellectual Property Organization in collaboration with Cornell University and Business School «INSEAD»)	65/141	71/142	63/143	64/141	56/128
Ease of Doing Business Index (by the World Bank)	152/183	137/184	112/189	96/185	80/190
Corruption Perceptions Index (by Transparency International)	149/176	149/177	143/174	135/168	131/176
Index of Economic Freedom (by the Wall Street Journal & the Heritage Foundation)	163/179	161/177	155/178	162/178	166/180
Human Development Index, HDI (by the United Nations Development Programme)	82/~Av.	83/~Av.	83/~Av.	81/~Av.	84/~Av.
	~Av. – an average of 188 countries each year				

* in the table – **73/** ... – indicator of a rank (numerator); ... /**144** – indicator of the number of countries (denominator).

The competitiveness of the region is determined by two main factors: the first is the level of the investment attractiveness, the second – the efficiency of the system of the state regulation of attracting investment in the region, a synergetic effect of which should be competitive position of the region in the system of territorial organization and national socio-economic ranking. The solution of the problem of improving the investment attractiveness of the region centres around the reasonable sequence of actions and the competence of the state and the local authorities; achieved level of the investment attractiveness of the region; complexity of the carried out activities, etc. [3, 4].

Key areas in which the state and the business environment should activate investment policy are legislative-regulatory, tax, judicial and banking ones. Efforts should be focused on strengthening of control of corruption; improving the competitive procedures (their availability, transparency, competitiveness); promoting privatization: the privatization program in 2016 actually failed – of the expected revenue of US \$ 17 billion less than US \$ 190 million was received; wide-ranging involvement of M&A procedures to form a competitive economic environment; reforming of the land market.

Practical policy of enhancement of the investment attractiveness of the region should include four basic organizational-economic blocks: 1) optimization of staff assistance; 2) financial and credit regulation; 3) professional and advisory assistance for business structures of the region and public authorities (coordination of activities of the government and the business); 4) encouragement of the development of research and innovation activity (with the environmental priority).

Based on a critical analysis of existing scientific and methodical approaches to the evaluation of the investment attractiveness of the region using the study of attracting the investment issues, we have formed a complex organizational and economic mechanism of attracting investment to the region, including ecological elements: investment attraction policy; impact factors of the global economy and regional economic alliances (associations); state of the economy and priorities of social and economic and environmental development of the region (state); investment policy and regional policy; legislative and legal, economic, environmental, information blocks (Fig. 1).

We believe that the involvement of such a mechanism in development, grounding and implementation of investment decisions (both at state and economic entities level) will promote:

- a) increase in foreign investment due to intensive marketing;
- b) increase in investment attractiveness of the region due to simplified access for investors to information base and investment objects;
- c) development of investment infrastructure and increase in efficient usage of social and economic factors of the region and natural resources;
- d) investment in high-tech economy branches;
- e) improve environmental state of the region.

Critical analysis of investment potential and investment risk of the Ukrainian economy has allowed us to identify these priority sectors for investment in the short term:

- agriculture (including the growing ecologically clean agricultural products);
- ports and shipbuilding;
- IT-sector;
- renewable energy;
- power engineering and related industries (pipe industry, design of complex energy facilities and infrastructure);
- generation of electricity and transportation. Parliament of Ukraine adopted the Law on Electricity Market 13 April 2017. The document introduces rules of the Third Energy Package of the EU, including the issue of the separation of companies in areas of distribution and transportation of electricity. The Law defines the legal, economic and organizational principles of functioning of the electricity market and regulates relations connected with the production, transportation, distribution, sale and purchase and supply of electricity. The Law should be an incentive for investors in the Ukrainian energy sector;
- traditional energy: investment-oriented energy policy should be aimed at attracting investments in upstream (exploration and gas production) and refining. New technologies and the and transparent rules – what is needed now, in addition to investment;
- telecommunications and media business;
- road infrastructure.

The development of promotion strategy of national resources, products (services) in the domestic and international markets will promote the full use of the investment potential of the region.

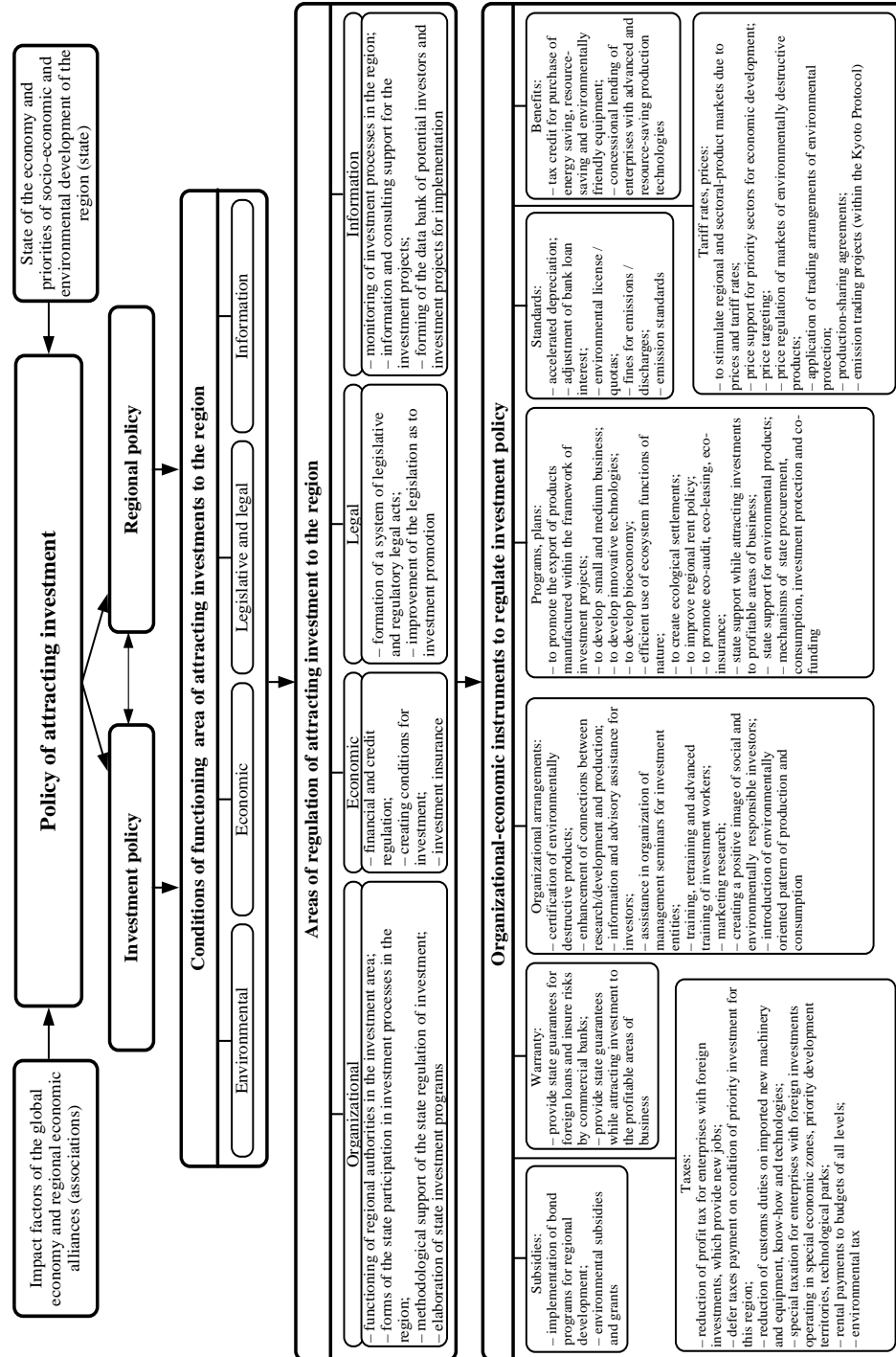


Figure 1. Organizational-economic mechanism of attracting investment to the region [Petrovska's & Sabadash's own method]

The implementation of this strategy involves formation of information support system of investment activity in the region and correspondent measures:

- 1) providing the potential investors with necessary information at the planning stage of investment projects due to the creation and subsequent use of the investment map of the region;
- 2) involvement of highly skilled professionals, experts and scientists in developing of business plans of investment projects;
- 3) consolidation of contractual obligations of regional statistical offices to provide necessary information for investment projects monitoring;
- 4) enhance the use of ICT, formation of corporate networks and use of Internet to provide accurate and timely information as to potential investment opportunities.

Conclusions and prospects of further research. During the study the organizational and economic mechanism for attracting investment to the region, which includes conditions, the scope of regulation and the range of organizational-economic measures and environmental instruments has been elaborated, which are grouped into functional blocks: subsidies; guarantees; tariff rates, prices; programs, plans; standards; benefits; taxes; organizational arrangements. The targeted use of which will promote the development of industrial and regional markets, increase the efficiency of interaction between economic agents and regional investment policy. The key environmental elements are environmental taxes, natural resources use charges, subsidies for implementation of environmental programs and plans, state benefits and state support for environmentally sustainable production, state guarantees for attraction of environmental investments, environmental norms and regulations for product certification.

The proposed organizational and economic mechanism of attracting investment to the region is a part of scientific and practical recommendations as to improvement of investment attractiveness of the region.

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Manuscript received 12 April 2017

**Формирование организационно-экономического механизма
привлечения инвестиций в регион**

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В последнее время привлечение инвестиционных ресурсов в регионы Украины значительно сократилось в связи с социально-экономическим кризисом, низкой инвестиционной привлекательностью регионов, высокой степенью риска и отсутствием гарантий безопасности для инвесторов. Это актуализирует вопрос разработки эффективного экологически ориентированного организационно-экономического механизма привлечения инвестиций в регион. В статье предложен организационно-экономический механизм привлечения инвестиционных ресурсов в регион, который включает условия, сферы регулирования и комплекс организационно-экономических инструментов регулирования инвестиционной политики. Инструменты сгруппированы в функциональные блоки: субсидии; гарантии; тарифы, цены; программы, планы; стандарты; льготы; налоги; организационные мероприятия. Ключевыми элементами экологической направленности являются экологические налоги, платежи за использование природных ресурсов, субсидии на осуществление экологических программ и планов, государственные льготы и государственная поддержка экологически безопасных производств, государственные гарантии на привлечение экологических инвестиций, экологические нормы и стандарты в области сертификации продукции. Их целевое использование призвано способствовать развитию отраслевых и региональных рынков и повышению эффективности региональной инвестиционной политики.

Ключевые слова: инвестиционная привлекательность, инструмент экологической направленности, организационно-экономический механизм, привлечение инвестиций.

*Mechanism of Economic Regulation, 2017, No 2, 16–23
ISSN 1726-8699 (print)*

Формування організаційно-економічного механізму залучення інвестицій до регіону

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Останнім часом залучення інвестиційних ресурсів до регіонів України значно погіршилося у зв'язку із соціально-економічною кризою, низькою інвестиційною привабливістю регіонів, високим ступенем ризику та відсутністю гарантій безпеки для інвесторів. Це актуалізує питання розроблення ефективного екологічного орієнтованого організаційно-економічного механізму залучення інвестицій до регіону. У статті запропоновано організаційно-економічний механізм залучення інвестиційних ресурсів у регіон, який включає умови, сфери регулювання та комплекс організаційно-економічних інструментів регулювання інвестиційної політики. Інструменти згруповані у функціональні блоки: субсидії; гарантії; тарифи, ціни; програми, плани; нормативи; пільги; податки; організаційні заходи. Ключовими елементами екологічного спрямування є екологічні податки, платежі за використання природних ресурсів, субсидії на виконання екологічних програм і планів, державні пільги та державна підтримка екологічно безпечних виробництв, державні гарантії на залучення екологічних інвестицій, екологічні норми і нормативи при сертифікації продукції. Їх цільове використання сприятиме розвитку галузевих і регіональних ринків й підвищенню ефективності регіональної інвестиційної політики.

Ключові слова: залучення інвестицій, інвестиційна привабливість, інструмент екологічного спрямування, організаційно-економічний механізм.

JEL Codes: E22, G31, Q50, R11

Table: 1; Figure: 1; References: 5

Language of the article: English

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