

## INNOVATION, WORK, SOCIETY

RESEARCH OF PUBLIC ADMINISTRATION FOR INVESTMENT  
DEVELOPMENT OF REGIONS: THEORETICAL ASPECTS**Oleksiy Buchynsky**

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**Summary**

Investment attractiveness of regions under conditions of decentralization in Ukraine is one of the key directions for state policy, providing development of infrastructure in regions, increase of their production potential, growth of living standards of territorial communities and city dwellers. Study of theoretical aspects of investment development for regions in Ukrainian science branch “Public Administration” cannot be explored without studying conceptual apparatus, its features, historical, structural and logical content.

The author of the article researches the study of investment development of regions in terms of public administration. The peculiarities of the concept of “investment” are revealed, helping to substantiate this term from related ones in economics and law. The study of views for domestic and foreign scientists, interpretation of this concept in scientific reference books and manuals contributed to the formation of the author’s definition. As a result, investments are considered as objects that have a certain value as material value, natural resources, which can be included in the objects of entrepreneurial and other activities to obtain an effective useful result.

In the article the author gives numerous examples of research of investments in scientific works of Ukrainian and foreign scientists, some aspects of interpretation in economics and law that scientists could not reach agreement on. It is proved that there is no single definition of the concept in the regulations, which complicates the study of this topic in the field of “Public Administration”. So, the issue is not explored at the state administration level, especially in the context of the signed Association Agreement between Ukraine and the European Union.

**Keywords:** investment activity, public administration, investment, regions infrastructures, Association Agreement between Ukraine and the European Union.

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**1. Introduction**

Under the conditions of forming and developing market relations in Ukraine, the study of investment process at the regional level as a basis for integrated development of the region and ensuring transition to a better, investment-innovative type of growth, which is determined by large-scale investment. Despite significant natural and productive potential, developed

scientific schools for innovation, pace of socio-economic development of Ukrainian regions remains quite slow. There is a contradiction between available opportunities for development and the actual level of their use. In many respects, problem of resolving this contradiction is the scarce efficiency of investment processes taking place in the regions of our country. Meanwhile, sustainable development of territories depends on investment processes, which is accompanied by harmonious combination of tasks of ecological, economic and social subsystems of the region. These problems are especially acute in depressed areas, where the intensity of investment processes, even under favorable conditions, is hampered by the depleted state of natural resource potential, lack of opportunities for innovation. There is an objective need to develop fundamentally new concepts to intensify investment process in the region for integrated regional development that will ensure economic, social, environmental progress (*Gherasymenko I.S., 2012: 113*).

Question of the regional investment development was studied by the classics of economic theory A. Smidt, J. Keynes, K. Marx. Amongst Ukrainian scientists in the field of public administration R. Averchuk, V. Bodrov, N. Baldych, O. Gavrilyuk, A. Haidutsky, A. Duk, V. Shevchuk, M. Shestak have made a significant contribution.

In the study of the categorical apparatus of investment development for the regions, scientific works of S. Dyachenko, O. Kozak, M. Krupka, T. Mayorova, A. Muzychenko, V. Novitsky, A. Peresada, A. Filipenko, and O. Yurkevich are worth special attention.

In the article, based on the analysis of scientific researches for domestic and foreign scientists, various interpretations from reference dictionaries and normative-legal acts it is planned to carry out the theoretical analysis of investment development of regions and to form own vision of definition of "investment" as public administration category.

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In the article, based on the analysis of scientific researches of local and foreign scientists, various interpretations from reference dictionaries and normative-legal acts we plan to conduct theoretical analysis of investment development for regions and to form own vision of definition "investment" as public administration category.

## 2. Analysis of investment theories

It is worth mentioning, it is impossible to study scientifically all the features of the investment process as an object of study without in-depth analysis of investment theories that appeared and disappeared over 300 years of socio-economic management, given that none of them became exclusive and had a long positive socio-economic effect.

Having analyzed investment theories of industrial economy period we see that most of them had low connection with real society existence, describing it through economic or mathematical theories, so this analysis is incomplete, simplified, one-sided, approximate, economically determined. We plan to research investment theories in the field of new science "Public Administration".

Researchers emphasize that investment is economic category, although related to technological, social and other aspects of implementation. In this aspect, investments are seen as objects of economic management at the micro and macro levels of any economic system (*Ghavryljuk O., 2008: 68-81*). However, investments are not only economic but also a social category, because they are ultimately realized through social environment, and ecological category, because they

are realized in ecological environment (pollute or clean the environment). They should also be researched through intellectual, technological and other components of reproduction. Therefore, in our opinion, investments cannot be absolute only of economic category, which means they should be an object of economic management at the macro level, but also an object of social, environmental and public management and administration (*Zadorozhnyj V.P., 2010: 29*).

### 3. Investments as process and activity in public administration

Integrating in its properties and primary in ensuring integrated development is the investment process, which is given considerable attention in the scientific literature. According to the interpretation of investment as an economic category, W. Sharp, G. Alexander, J. Bailey, in a rather narrow interpretation, link the investment process with how the investor makes decisions when choosing securities, the amount and timing of investments. Integrating in its properties and primary in ensuring integrated development is the investment process, which is given considerable attention in the scientific literature. According to the interpretation of investment as an economic category, W. Sharp, G. Alexander, J. Bailey, in a rather narrow interpretation, linking the investment process with how investor make decisions when choosing bonds, the amount and timing of investments (*Sharp W., 1985: 15*).

Ukrainian scientists link the investment process with justification and implementation of many investment projects. Obviously, for the newly formed economic system, interpretation of investment process through mechanism of acquisition and investment of securities and implementation of many investment projects significantly limits the object of study and does not cover all components of economic activity, which necessitates the study of this integrative category in the process of forming a new system of public administration and administration (*Zadorozhnyj V.P., 2010: 31*).

Currently, interpretation of the concept of "investment" is quite diverse, multi-vector. This term comes from Latin "invest", it is investment of capital, including money. However, we will not consider investment in terms of capital growth, it is a matter for economists and financiers. It is important for us to consider this concept as a process and procedure. After all, investments are made through investment activities, and is defined as an investment process carried out on organizational and legal basis in relation to particular investment project and enterprise.

Therefore, analyzing various dictionaries, regulatory framework, in particular, the Law of Ukraine "On Investment Activity", the Commercial Code of Ukraine, the Tax Code of Ukraine, we note that investments are treated as business transactions (*About investment activity, in Ukrainian 13*), types of property and intellectual property, which are invested in business entities, as a result of which profits are obtained, it is investment to increase capital, keeping income. Investment activity is socially beneficial.

However, not all investors take into account public interest when carrying out investment activities, so public management and administration of this process are extremely important to preserve public interests, vital conditions for development of society. It is worth noting that scientists identify three main areas of investment – economic, public and private. Considering state level, investments mostly perform a function that provides favorable conditions for production, helping to improve social security by creating additional jobs, supporting the development of socially important facilities – health, education, culture (*Shestak M., 2014: 161-163*).

Interpretation of the essence of the "investment" concept should be studied not only through investment activities, but also as investment process, according to which public administration and management are interpreted. So Gulyaeva N includes five stages into the management process (*Ghuljajeva N.M., Vavdijchuk I.M., 2015 :72*):

- formulation of investment goal;
- formation of investment policy at the state and regional levels;
- choice of portfolio strategy;
- selection of assets;
- measurement and evaluation of investment efficiency.

Historical retrospective of investment theories' development, world experience of their application in the context of implementation of management tools of the state shows that scientists have always paid attention to the concept and principles of public management in investment processes (*Lajko O.I., 2010: 69*).

#### 4. Principles and functions of the investment process' management

Principles of investment process management are objective laws of rational organization and implementation of state management functions aimed at ensuring the effective attraction and use of investments.

In terms of content, principles of public administration can be divided into socio-political, organizational and special.

Special management principles include:

- principle of mutual responsibility of investors and state;
- principle of observance of fundamental rights and freedoms of investors;
- the principle of legal liability of investors for violation of the legislation of Ukraine or international agreements;
- the principle of consistent decentralization of the investment process and expansion of mixed financing of investment projects;
- the principle of attracting foreign investment mainly for implementation of state priority programs (projects) aimed at restructuring the economy and giving priority to the completion of previously started construction, technical re-equipment and reconstruction of existing enterprises;
- the principle of improving the legislation on investment activities (*Jurij S., 2000: 106-113*).

The basic principles of public management of investment processes that should ensure the complexity of regional development include:

- increasing efficiency of budget investment resources on the basis of their competitive placement, mixed public-private financing of priority investment projects, presentation of state guarantees for private investments and strengthening state control over the targeted use of budget funds;
- creating conditions to improve corporate relations, bringing the level of corporate governance in domestic companies to international standards;
- reduction of real interest rates to the level that corresponds the efficiency of investment in the real sector of economy;
- formation of organizational and legal prerequisites for reducing investment risks in order to stimulate domestic and foreign investment, as well as deposits of the population.

So we have a multi-vector interpretation of the "investment" concept. However, we should clarify it by characterizing the functions. Under the functions of public administration we should understand objectively determined actions, integral part of the executive and administrative activities of executive bodies (their officials), carried out on behalf of the state in order to implement its tasks in economic, socio-cultural and administrative-political spheres of public life.

When management activities are carried out, various functions in the content and purpose can be combined into three groups: general, special and auxiliary (*Sharp W., 1985*).

The general functions of management include: information, management, forecasting, planning, organization, coordination, control.

Having analyzed special functions of public administration of the investment process, we can divide them into two groups: functions to attract investment and functions to use investment.

*Among functions of attracting investment we distinguish:*

- determination of priority areas for structural investment policy, priority areas of use of investment;
- formation of state policy on attracting investments;
- participation in international economic cooperation, work of international economic and financial organizations in order to attract foreign investment, making international agreements on foreign investment;
- accounting for information on investment sources, the need to attract them, areas and efficiency of use;
- creating favorable conditions for investors' activities on the territory of Ukraine, etc.

Based on the analysis of the content of regulations and statutes on relevant public authorities and other institutions, practices of their activities, we can determine that these functions fall within the competence of President of Ukraine, Cabinet of Ministers of Ukraine, Ministry of Economic Development and Trade of Ukraine, Ministry of Finance of Ukraine and Ministry of Foreign Affairs of Ukraine (*Zhalilo Ja. A., Kononenko K. A., Jablonskyj V. M., (2014: 115)*).

According to classifications of functions for the use of investments made by J. Medvid (*Medvidj Ja. F., 2011: 107–112*), we can include:

- organization of expert examination and competitive selection of investment projects and programs, search for the providers;
- organizing collection, study and generalization of investment entities' proposals for the provision and receipt of investments, accounting for applications of investors and recipients to participate in investment projects and programs;
- registration of investment projects and programs.

This way, investments play important role in functioning and development of economy, and various spheres of public life, in particular, public administration and administration of investment process, contributing to classification of investments by choice of criteria, including:

*by object:* real, intellectual, financial, in the development of human capital. (real – investments in production assets, tangible and intangible assets; intellectual – investments in intellectual property, formed from patent and inventive property rights, industrial design rights and effective models; in the development of human capital – is an investment in education, professional development, professional development, professional growth and social sphere; financial – investments in various types of securities);

*by kind:* direct and indirect (direct – direct investment in the object of investment; indirect – indirect investment by others);

*by period:* long-term, short-term (long-term – investment over a year; short-term – investment for up to one year);

*by property category:* private, state, foreign and joint (private – investments of individuals and legal entities; state – funds of the state budget, state extra-budgetary funds; capital of state enterprises; foreign – investments made by foreign citizens, funds, states; joint – carried out jointly by sub-projects of the given country and foreign states);

*by regional characteristic:* domestic and foreign investments (abroad, abroad (domestic and foreign investments);

*by method of stock accounting (money):* gross and net investment (gross – is the total amount of investment, which is aimed at the acquisition of gross means of production, increase in inventories, new construction over a period of time; net investment – the amount of gross investment, which is reduced by depreciation);

*by level of risk:* risk-free, low-risk, medium-risk, high-risk, speculative (risk-free – no risk in financing, investment losses, guaranteed not only cost recovery, but also the amount of investment income; low-risk – when the risk is much lower than average, but it still exists; medium risk – this is when the level of risk corresponds to the market average; high-risk – the level of risk is higher than average; speculative – this is when capital investment is made in various areas of projects in order to obtain at any cost the highest level of investment income) (Shestak M., 2014: 161-163).

Theoretical aspects of the study of issues of state investment policy at the regional level represent a powerful layer of the theory of regional reproduction, they were covered in scientific publications by M. Butko, S. Yuri, O. Yastremskaya and others (Butko M. P., Zelenskyj S. A., Akymenko Ju., 2005: 30-37; Jastremska O. M., 1999: 80-85).

## 5. Conclusion

Theoretical analysis of investment activities and processes was done by specifying the definition of “investment”, their characteristics and definition of essential features, which contributes to the process of building public investment policy at the regional level, implementation of internal and external public administration aspects, which plays an important role in building investment policy, provides a comprehensive analysis and management of structural ties and relations in the region, including the reproduction of human capital, monetary, financial, natural and information resources, services of branches of regional production and social infrastructure, which are provided with the help of regional markets, form today a significant part of public administration and administration.

Further promising research will be the study of the procedural approach to the mechanism of regional reproduction of state investment policy, which is implemented through internal and external investment relations of the region. The reproductive approach can be a promising exploration for the application of a comprehensive mechanism of public management of structural ties and relations in the region, including the reproduction of human capital, monetary, financial, natural and information resources, services of regional production and social infrastructure.

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