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THE IMPACT OF THE INSTITUTIONAL ENVIRONMENT ON THE INVESTMENT ATTRACTIVENESS OF THE NATIONAL ECONOMY: INTERNATIONAL EXPERIENCE

Purpose. To substantiate the foundations of institutional support for investment in Ukraine, to analyze international experience in stimulating and regulating investment activity, and develop avenues for enhancing the investment attractiveness of the domestic economy.

Methodology. A systemic approach was employed to characterize the set of institutions and institutional structures in Ukraine's investment sphere. The method of generalization was used to analyze the regulatory and legal framework for investment, while analysis and synthesis facilitated the comparison of international practices in regulating investment and the formulation of recommendations for adapting foreign experience to Ukraine's national economy.

Findings. The study substantiates that the effective formation of an institutional environment in Ukraine requires coordination and interaction among government agencies, businesses, and civil society. Key elements of the institutional system (legislative framework, state regulation, legal guarantees) that directly influence investors' decisions are identified. Recommendations are proposed for improving tax, budgetary, and infrastructure policies in Ukraine with a view to attracting foreign direct investment. It is argued that the essential factors for attracting investment include a transparent regulatory environment, flexible tax and fiscal policies, stability of the monetary and credit system, and clear legal guarantees for both foreign and domestic investors.

Originality. The vectors of influence exerted by public institutions on the formation of a sustainable investment climate amid global instability have been clarified and grouped. The institutional components of state regulation of investment are systematized, and the most effective legal, economic, and administrative tools are identified. The paper generalizes the experience of EU countries in creating a favorable investment environment and reveals the most effective methods for stimulating foreign investors, including tax and financial incentives, as well as the organization of special economic zones and industrial parks, which are proposed for implementation in Ukraine.

Practical value. The results can be used to develop projects of state support for investors, optimize legislative support, and create an effective mechanism for stimulating innovation and investment. The proposed directions for improving investment attractiveness will contribute to economic recovery in the postwar period, increase competitiveness, and create a positive investment image of Ukraine.

Keywords: *state regulation, investment activity, investment attractiveness, innovation, institutions, innovative development*

Introduction. Nowadays, economic conditions vary rapidly being influenced by globalization, technological progress, political processes, and economic crises. Such changes impact all aspects of economic activities concerning both separate economic unit and the state as a whole; among other things, they influence investment activity of economic entities.

In the context of the national economy, institutional impact on investment activity includes formation of economic, legal, political and social institutions forming its investment environment.

The institutions can be formal (laws, rules, regulations, and governmental organizations) as well as informal (traditions, cultures, social norms, and customs). The changes in the economic environment are followed by the changes in institutes and institutions; their adaptation to internal and external challenges may either stimulate or restrict investment activities, and create both new opportunities and new risks for investment.

In 2022, when war launched in Ukraine, significant outflows of direct foreign investment (DFI) happened, and implementation of numerous investment projects stopped. Nevertheless, the situation improved gradually in 2023. On the one hand, partner countries started providing financial and investment assistance to Ukraine to support its national economy; on the other hand, they began to build trade and economic, investment, and transport and logistics ties since Ukraine obtained candidate status to join the European Union.

After the war is over, a significant foreign capital inflow is expected for Ukraine from both European and other partners to build the destroyed infrastructure, housing, for social recovery, governance, and industrial sector development. The attraction is based upon favorable institutional environment; stabilization of economic situation, investment risk mitigation, legislation transparency, and investor protection, which can be provided in terms of the governmental investment policy. Consequently, solving the problem of such an investment environment formation favoring the investment resource inflow in Ukraine is both important and topical research trend.

Literature review. The problem to establish effective institutes as well as institutional provision of investment problem, and influence of institutional environment on investment activities was raised and solved in papers by the national scientists in the field of economy and jurisprudence.

Namely, Yu. Tsybulko and Yu. Kindzersky studied the current state of investment policy in Ukraine, and

made recommendations to improve the investment environment through economic and legal levers including those based upon [1, 2]. A. Flehantova, B. Lutsiv, T. Mayorova, and P. Lutsiv analyzed tools to stimulate innovative-investment activities; factors influencing investment environment of the nation; the best global models of innovative-investment policy; and the possibility of their implementation in Ukraine [3, 4]. I. Khomenko, L. Volynets, and A. Shamkalo considered institutional conditions in Ukrainian economy; the most attractive sectors in Ukraine from the viewpoint of foreign investors; and influence of free economic zones on the investment attractiveness of the economy [5]. The subject of scientific analysis by M. Kryvdyk was impact of social, economic, and politic aspects of institutional environment on investment attractiveness of the country; intensification of investment of enterprises; business progress; and overcoming the current challenges and threats in the economy of Ukraine [6]. A. Podlevsky, N. Voloshyn, A. Nikitishin, and M. Pasichny solved problems of governmental control of investment activities, and its influence on the institutional environment through legal, tax, and social mechanisms as well as complex stimulation of investment of economic entities relying upon the global practices [7, 8]. Some scientists pinpoint attention upon the comparison of foreign experience in the area of improvement of investment attractiveness of countries [9]. Analysis of the economists was also focused on tax and depreciation policy involving use of stimuli for enterprise investment and contributing to the improvement of investment image of the country [10, 11].

International scientists also studied actively the investment environment problems as well as formation of conditions for foreign capital attraction. Francisco Zabala Aguayo analyzed impact of the world economic organizations on the institutional environment for investment, and ways to bridge the gap between investment amount the countries need and actual investment [12]. Othmar M. Lehner, Teresa Harrer, and Madeleine Quast studied engagement strategies between investors, mediators, social entrepreneurs, and civil society in the institutional environment favoring investment activity activation and establishing the unified investment system [13]. A. Borrello, I. Bengo, and M. Moran have concluded that formation of favorable investment conditions in any country is influenced by impact investment funds implementing not only financial but also non-financial goals while investing; the abovementioned is the basis to combine the state and private capital being the foundation to form good investment environment [14].

At the same time, numerous problems remain which need further research in the field. Among other things, scientists did not pay sufficient attention to the problems as for formation of institutional and organizational mechanism of the state investment regulation providing interaction between the government and investment process participants. The mechanism ensures influence of institutes and institutions on the investment environment in the country; behavior of investors; and their investment amount.

The economy and society are undergoing profound transformations, resulting in qualitative changes in engineering and technology that open up access to new energy sources, create new professions, and put forward new requirements for the qualifications of the workforce. With the dominance of the fourth industrial revolution, breakthrough technologies aimed at achieving harmony between humans and technical systems are coming to the fore. They are disrupting the way of life and transforming social institutions, making them more flexible and adaptive [15].

Such changes in the institutional environment affect the investment activities of economic entities and are reflected in the emergence of new legal, political and economic mechanisms of a formal and informal nature.

Purpose of the paper is to substantiate the fundamentals of institutional investment provision in Ukraine; analysis of international practices concerning motivation and regulation of the investment activities; and development of trends improving investment attractiveness of the national economy.

Results. Investment market is the basis of investment attractiveness in any country. The market is considered as an economic activity field where investment resources are invested in capital, securities, other assets and values to obtain profit and/or social effect from the investment. Economically, investment market is intended to develop competitive basis for the formation of demand and supply of investment capital, movement of assets and values as well as other investment objects. In the market, sharing of resources, capital, technologies, and information takes place helping channelize resources to finance projects; implement innovations; develop enterprises; and stimulate economic growth. In addition, a developed investment market is the basis for the economic security of economic entities, territories, regions and the country as a whole [16].

EBRD, the World Bank, IMF and other financial and non-financial corporations are among payers of the capital market inclusive of such banking and non-banking financial entities as credit institutions, insurance agencies, investment organizations, non-state pension funds, venture capitalists etc. Consequently, the market of the investing covers numerous entities of economic system.

In accordance with law, institutional provision of investment and innovative activities is defined as a set of both state-owned and non-state institutions creating in economy legal and economic conditions required to implement investment and innovative activities as well as develop investment processes. Institutional provision object is understood as an institutional environment created in the country aimed at support and development of investment activity and stimulation of innovations. Hence, the entities are economic agents (i.e. business entities); agents of political relations; authorities; representatives of civic organizations etc. acting to extend institutional capabilities and form foundations of profit and social effect as a result of innovative and investment activities [17].

Organizationally, the state regulation is an important institutional tool influencing subjects and objects of investing; hence, market of the capital. In this regard, the state regulation is defined as a set of levers and institutional measures being the basis to establish certain frameworks of investment-innovative activities for sub-

jects. Government may use legislative acts, restrictions, norms and rules (both formal and informal) as such levers as measures; create favorable conditions to promote competition as well as market self-regulation control; stimulate innovative and investment activity of entities, etc. [18]. Hence, in this case, the state regulation of innovative and investment activity is a system of functions implementing governmental institutions to channelize, control, and influence investment agents, and provide them with the most favorable conditions for innovative and investment activities. Therefore, in this context, institutional governmental influence is demonstrated through regulation, stimulation, and motivation of potential investors; their innovative and investment activity is a positive effect.

Investment activities in Ukrainian economy is regulated at the legislative and executive levels. At the same time, legislative provision is of the key importance within the institutional sector since it defines the legal basis for operation of potential subjects of innovation and investment activities as well as progress of investment processes in the society.

The state can influence investment processes through direct investment and through formation of favorable conditions for business entities to invest. Generally, the direct government participation is investment of budgetary funds in economic and social projects as construction of large infrastructure facilities; in sectors being essential for socioeconomic growth of the society or need support, i.e. space exploration, scientific research, education, health, industry, environment, and social protection projects. On the other hand, government regulates investment spheres stimulating increase in aggregate demand and employment through fiscal and monetary policy, preferences, and assurance system for investors, which motivates indirectly private investment inflow into the economy [18].

The world practices support the idea that public investment becomes more important during an economic downturn; in turn, economic revival and rise decrease the necessity in direct state investment against the background of lower interest rates and increased investment demand from economic agents followed by indirect regulation of investment activity in the national economy.

Results of our analysis show that a theory of the regulation of investment process applies a whole range of methods and tools able to ensure efficacious control of the market of capital; and improve its commercial opportunities as well as compliance of investment volumes with the main macroeconomic characteristics of the national economy growth [19].

Systematization of the basic techniques helping the state implement proper investment functions, and influence the investment market includes the two groups:

- *an economic one*: taxation and pricing system, in particular through regulation of the minimal or maximal prices/tariffs stipulating price ratio of market products, establishment of a tax burden level, depreciation rates, norms of mandatory bank reservation, and implementation of public assistance projects;

- *an administrative one*: implementation of regulatory approvals and licensing governing investment methods and forms, access to resources, investment order in one or another market, setting other limits, determination of 'game rules' while organizing and carrying on business, and creation of various stimuli for investment [20].

In this context, implementation of investment stimuli plays a decisive role. The term includes use of tax stimuli system (i.e. discounts, holidays, favorable conditions, and other preferences), and various value-added tax systems as well as profit by investment and the basic economic activity. Hence, such stimulation may be implemented through the use of different tax rates and variable tax payment terms. This can contribute to the implementation of sustainable development programs for industrial enterprises, the launch of industrial waste recycling projects, and the development of key industries and territories [21].

Fiscal government policy is very important for the process since it involves implementation of set of measures which will provide increase in budget tax revenues as well as the intended use of budget funds for investment programs. Budget revenues are the basis to finance investment state expenditures; in turn, government investment and tax tools form real motives and incentives for entities to invest.

According to the institutional approach, regulation of innovative-investing is implemented at the expense of formation of institutional system, i. e. norms and rules of investment activity, mechanisms of sale of investment sales, creation of adequate terms for investors, guarantees provided to them etc., and institutions, i. e. various management bodies and institutions regulating investment activities and determining 'rules of game' in the investment market.

The system of institutes in the field of Ukrainian investment activity covers:

1. Legal institutions, i.e. legal norms intended to regulate investment processes. For example, they are norms of the Constitution of Ukraine, the Commercial and Civil Codes of Ukraine, the Laws of Ukraine 'On investment activities', 'On the protection of the rights of foreign investors' etc.

2. Financial institutions, i.e. interest rates, reserving norms, business standards, and regulatory rules being the basis to regulate financial flows, credit resources, and funds through the NBU; commercial banks, the National Securities and Stock Market Commission (NSSMC), non-state investment funds and other non-bank financial institutions. Moreover, various intermediary financial institutions serving the investment market are also involved.

3. Public administration institutions, i.e. coordination and control over implementation of the investment policy by government of Ukraine (CMU), and Ministry of Economy of Ukraine.

4. Private property institutions, i.e. ownership of investment objects, rules and regulations, government guarantees to investors, investment insurance system, and treatment to foreign investors (being national and special in some cases when the investment terms are set in accordance with individually adopted regulatory acts or international treaties) protecting rights of investors relying upon private property legislation.

5. Labor market institutions, i.e. various norms in the area of labor and migration relations intended to regulate human resource flows established by the State

Employment Service, and the State Migration Service on the basis of labor and migration legislation; control over regulation of employment and unemployment, institutional participants in the labor market.

6. International cooperation institutions, i.e. norms, trade rules, customs and habituation enshrined in bilateral and multilateral international agreements; guarantees to participants of international organizations ensuring the formation of international economic ties and attracting foreign investment as well as a variety of international institutions and organizations ensuring implementation of the international investment relationship.

7. Infrastructure institutions, i.e. norms governing activities of entities, and determining the rules of infrastructure object use (transport, power, and communication).

8. Social security institutions, i.e. social guarantees, and norms in the field of pension benefits, and health insurance protecting social rights of investors and employees.

9. Corporate governance institutions, i.e. legislative norms defining the activities of joint stock companies; and codes governing corporate relations and ensuring effective business management.

10. Innovation activity institutions, i.e. legislative norms in the field of innovation and scientific and technical activities; and government programs supporting innovations to stimulate innovative developments and innovative activities.

A *system of government institutions* has been established in Ukraine to control of investing, and support the investment environment (Fig. 1).

Influence of the investment institutions on the investment activities in Ukraine is implemented through following regulation forms.

Legal regulation, i.e. introduction of legislative acts determining the legal framework of investment activities, providing guarantees for the protection of investors' rights, and ensuring transparency of the legal norms. International cooperation is an important component of legal regulation; it covers conclusion of international agreements on investment protection, avoidance of double taxation, and investment promotion.

Financial support is another significant aspect of the impact. It is providing of concessional loans and grants

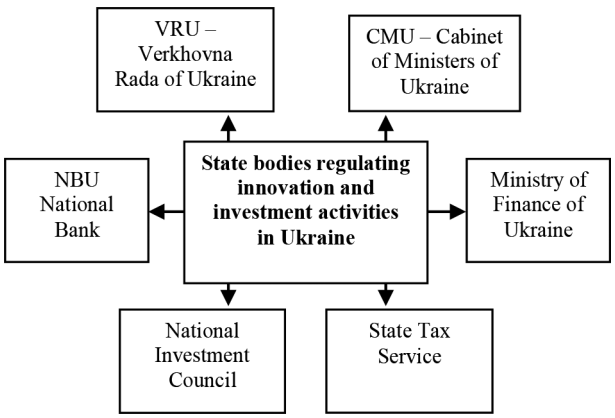

Fig. 1. System of the government institutions controlling innovative and investment activities in Ukraine

for the implementation of innovation projects, establishment and support of investment funds accumulating capital to invest in promising sectors.

Providing of financial and advisory support to micro- and medium-sized companies contributes to their growth and investment attraction. Introduction of programs for the creation of startups and innovative projects stimulates entrepreneurial activity as well as implementation of new technologies.

Infrastructural development, i.e. formation of favorable conditions in the national environment to implement investment projects into the development of transport, power, and communication infrastructure; establishment of industrial parts and special economic zones with the developed infrastructure contributing to attraction of new investment, business growth.

Ensuring the information availability and openness as for economic situation, market opportunities, investment projects, and potential partners helps investors make informed decisions. Running conferences, forums and exhibitions devoted to investment opportunities in Ukraine promotes public awareness and communication rising between investors and local businesses.

Labor market regulation is the basis for efficient implementation of investment projects through conditions for education and training; the skilled labor attracting and retaining in the national environment; improvement of a professional education system; life-long advance in the qualification level in accordance with the market demands and investor needs.

Effective functioning of the corruption prevention mechanisms, increased transparency and accountability of public authorities, simplification of procedures for investors to obtain permits and licenses contribute to reducing administrative barriers and increasing confidence in government institutions.

Taxation norms and rules regulating business of investors through reduction of tax rates, and introduction of such tax benefits for investors as reduction of income tax or VAT rates for capital investment favor increase in the investment climate attractiveness; stimulate reinvestment of profits; simplify the procedure license obtaining; and facilitates the market access for investors.

Interest rate reduction through monetary regulation stimulates investment providing support for the national currency, stability of the banking system, and investor confidence.

Access to economic resources (land plots, water, forest resources etc.) is controlled by the specialized institutions, i.e. StateGeoCadastre, and Ministry of Environment and Natural Resources of Ukraine.

Ensuring of guarantees of investor and protection of their rights is provided on the basis of a judicial system which must guarantee both fair and objective investment dispute settlement.

The NSSMC regulates the stock market providing proper control and transparency of financial transactions. The mechanism helps investors invest efficiently in financial tools, and obtain the required information as for the market conditions.

Conditions for the scientific research, technological innovation and introduction of new technologies into economy are among the most important ones to provide long-term economic growth. Support of cooperation between

business, scientific institutions and the government to implement innovative projects helps the national economy obtain comparative advantages; increase in competitiveness; beginning of new economic activities; and availability of emerging market.

Norms and rules established in the investment legislation of Ukraine stand apart in the structure of institutions in the field of innovation and investment activities. Currently, a whole system of regulatory legal acts operates in Ukraine regulating and providing activity of private and foreign investors. Table explains their systematization made by the authors

Institutional environment in the economy depends directly upon the investment climate formed under the influence of various economic, political, and social factors. Moreover, it demonstrates how institutional conditions created in the economy impact investment activities; what prospects they open for investors; and what challenges they cannot solve. Hence, to study institutional investment environment in Ukraine, it is required to analyze the current investment situation in Ukraine.

According to the data by the NBU, the volume of direct foreign investment in Ukraine (balances) as of 31.12.2022 was UAH 50,986.7 mln [22]. Among the key investor countries in 2022, Cyprus was the largest investor for Ukraine (Fig. 2). Share of the country in the total volume of investments attracted to Ukraine is 33.1 %. Nevertheless, it is impossible to consider the investment as foreign investment since in the majority cases it was Ukrainian capital withdrawn from Ukraine through offshore companies in Cyprus. In such a way, numerous Ukrainian companies establish businesses in Cyprus to reduce tax deductions (tax burden on their profits).

The Netherlands is the second whose investment share in Ukraine was 19.5 %. This country is an important investment partner of Ukraine; even despite the war, it continues to invest in Ukraine. Great Britain and Northern Ireland; Switzerland; Germany; Austria; and Luxembourg are separated among other investor countries. They are the developed states having stable financial system, and favorable business climate.

The investment market of Ukraine was always open for foreign investors; nevertheless, capital investment flow in Ukrainian economy was limited in 1991–2021. After the war started, significant outflow of foreign investment observed influencing negatively the Ukrainian economy. But the situation was stabilized gradually owing to efficient monetary regulation and assistance by partner countries. Monetary and financial system maintained its stability, which contributed to return of investors.

In 2023, foreign investment in Ukraine started growing. In the first quarter of 2023, Ukraine attracted UAH 1.1bln in the form of direct foreign investment; it is 1.3 times more to compare with 2022. The tendency remained active in the second quarter of 2023 when the plussage was 4.55 times [24, 25].

Fig. 3 shows the basic economic spheres in Ukraine where capital investment was applied in 2022. The greatest amount of direct investment was invested in the industrial enterprises; agriculture; forestry; fishery; transport; warehousing; postal service; and courier service [23]. In 2022, the amount of capital investment applied by businesses was UAH 409.66 bln [25].

Table

The basic regulations governing innovation and investment activities in Ukraine*

Document	Contents
Ukrainian Codes	
Tax Code of Ukraine No. 2755-VI (December 2, 2010)	Investment tax benefits, reduction of income tax liabilities on the volume of the invested funds
Customs Code of Ukraine No. 4495-VI (March 13, 2012)	Customs rules and procedures governing import and export of goods and services; customs control and supervision
Land Code of Ukraine No. 2768-III (October 25 2001)	Procedure for granting and using the state-owned land plots
The basic laws of Ukraine in the field of investment	
On the government support of investment projects with significant investment No. 1116-IX (December 17, 2020)	Basic principles of the government support for investments in the area of the investment process organization, legal basis of capital investments, financial costs and sources of their coverage for large investment
On the land lease No.161-XIV (October 6, 1998)	The procedure for land plot subleasing, the procedure for a lease contract making
Resolutions by the CMU	
No.515 (May 19, 2021)	Requirements for feasibility studies for projects with large investments
No.714 (July 7, 2021)	Calculation procedure for the amount of government support
No.648 (June 23, 2021)	Mandatory criteria for the financial capacity of applicants to assess the financial feasibility of implementing projects with large investment
No.647 (June 23, 2021)	Interaction procedure of the Office for Attracting and Supporting Investments with the local self-government bodies, state administrations, end investors etc
No.805 (August 4, 2021)	The procedure for maintaining a register of projects with significant investments; the main stages of monitoring the implementation of investments; forms of providing support to projects by the government
No.860 (August 11, 2021)	The procedure to import the purchased equipment and components during the investment process (projects with large investment)
No.349 (April 18, 2023)	List of foreign stock exchanges which may carry out transactions of buying and selling the investor's shares
No.312 (March 12, 2024)	The procedure evaluating investment projects with significant investment
Orders by the CMU	
No.133-p (February 17, 2021)	Establishing the status of the Investment Attraction and Support Office (UkraineInvest)
Orders by the Ministry of Economy of Ukraine	
No.4389 (November 4, 2022)	Approval of report forms concerning project monitoring condition

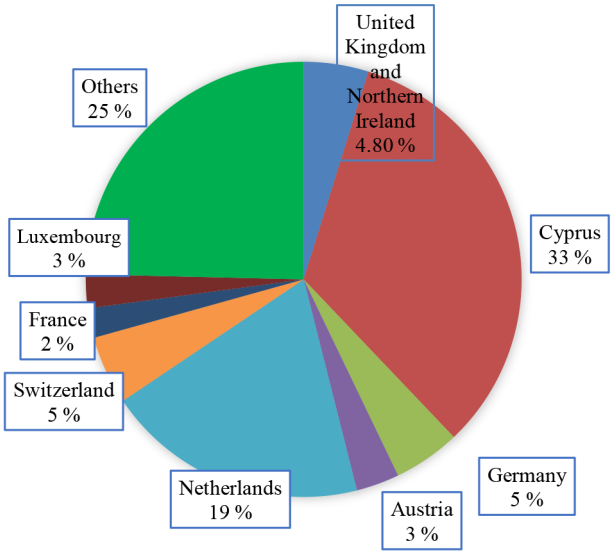

Fig. 2. Countries invested in Ukraine in 2022 [23]

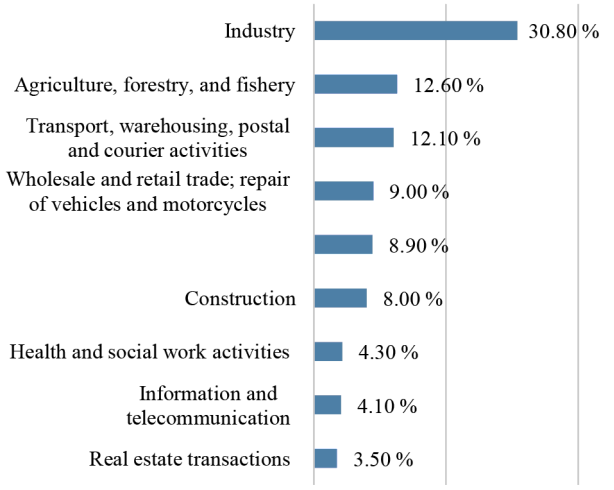

Fig. 3. Spheres of Ukrainian economy in terms of capital investment amount in 2022 [23, 25]

In the first quarter of 2024, increase in capital investment was 4.5 % [±1 %] owing to a sea corridor introduction, more extensive use of railway transport. Establishment of transport and logistics ties stimulate activities by metallurgical and mining industries, and production of mineral fertilizers [26].

Consequently, the current investment situation in Ukraine is characterized as complicated; nevertheless, positive dynamics can be seen in the area of direct foreign investment. Obtaining of a candidate country by Ukraine to join the EU is meant; the abovementioned resulted in the attraction of new investors and increase in investor confidence in Ukrainian market [24].

Institutional environment is defined by economic, social, and political conditions, norms, rules, and regulating impact-providing activities of both domestic and foreign investors. To form such an institutional environment, which would provide increase in investment attractiveness, numerous favorable legal and organizational conditions have been created in Ukraine; in addition, economic foundations for investor activity have been developed.

The legislation adopted in Ukraine, is aimed at increase in strategic investment projects being implemented based upon the government support [24]. The regulatory legal act involves not only organizational principles for the realization of large projects supported by the government; it also substantiates regulatory framework and financial aspects to implement such projects. The law was intended to create favorable investment climate in Ukraine, and attraction of large capital investment from foreign and domestic investors. Introduction of the regulatory legal act results in the increased number of investment objects; establishment of new businesses; support of territories and regions where the projects are implemented; and improvement of Ukrainian economy competitiveness.

The main aim of the law is to simplify requirements for investment projects where significant capital is involved; improvement of the government support mechanisms for their implementation; creation of favorable conditions to attract a greater number of investors; and increase in the number of such projects [27]. The abovementioned also favors progress of regions where the projects will be implemented.

Industrial parks are important modern tools attracting investments since they are the potential industrial sites to transfer foreign technologies, and expand supply chains. They help reduce Time-to-Market because of time saving to find optimal investment location; construction preparation; and commissioning of investment facilities [23].

Activities of industrial parks are regulated based upon the Law of Ukraine 'On Industrial Parks'. The Law norms include the simplified procedure for leasing or ownership of land plots located within the territory of the industrial parks. The Law was intended to provide long-term and stable economic relations between entities operating in industrial parks, and the government support for their development [28].

In accordance with the current legislation, the government support can be carried out at the expense of various sources being money funds inclusive of the state and local budgets, extrabudgetary funds, and other sources not contradicting to the legislation norms. Moreover, the government represented by state and local executive authorities and specialized agencies, provides technical assistance and other types of accompanying activities to investors being participants of the industrial parks. Norms forming favorable conditions for the launch of industrial parks are also in Tax and Customs Codes of Ukraine [29]. Specificity of industrial parks is to grant economic, social, organizational privileges to investors operating within a territory allocated intentionally for the park. Namely, the investors may obtain tax deduction and tax holiday; the developed industrial and transport infrastructure objects; access to material resources; simplified administration; free credit resources etc. Availability of more than 30 industrial parks in Ukraine makes the country more attractive for foreign companies who are ready to invest in production and technologies.

Establishment of new businesses in the industrial parks will favor expansion of industrial economic sector; increase in tax revenues; support of regions owing to the increased employment and competitive output; and improvement of life level and quality. Development of industrial parks also involves construction of roads, energy

networks, water supply and other infrastructure facilities promoting progress of the regions, and stimulating business start. Moreover, industrial parks stimulate introduction of new technological production processes; favor expansion of high-tech production, and increase the level of science-intensive branch development.

Hence, the launch of industrial parks will become the basis to improve economic activities of business structures, innovative, economic, and social support of regions; in turn, is the prerequisite for stable growth of the whole country.

On the other hand, one of the ways of investment stimulation in Ukraine is creation of favorable institutional conditions for private investment; public-private partnership is one of the trends. Institutional changes in the area are intended to accelerate restoration of objects affected by the war, and the launch of new industrial and infrastructure facilities, which will become the basis for the post-war recovery of Ukraine.

Another tendency for institutional investment environment improvement in Ukraine is formation of incentives for reinvesting profits by enterprises. Tax benefits and incentives, depreciation rates, discount rate, and government loans are the motivating tools applied by the state in the process. The tax benefits idea for the investment is as follows: a certain share of investment profit is not included in the tax base being channeled to tax-free reserve funds to be applied for future investment.

The tax incentives by the government favor increase in the working capital and the number of businesses; scaling up of their economic activities; promotion of investment in the proper growth. The state has not sufficient amount of investment resources to satisfy public needs and support industries which development is priority for the country. Consequently, government provides tax benefits not for each investment but for that one being the most essential for the national economy.

In this connection, the authors support economic scientists believing that the real innovative investment nature should be the key criterion of tax benefits [21, 30]. Investment project compliance with the conditions can be assessed through a system of indicators (both quantitative and qualitative) defining innovativeness of projects, and through implementation of transparent mechanism of their qualification.

Hence, tax stimulation should be aimed at support of the national and foreign investors investing in the priority fields of economic activity, and introducing innovations. Tax support for investments should be systematic and investment policy should be focused on implementation of innovative scientific and technological developments in priority areas.

Depreciation government policy may also motivate investment activities of enterprises. The state provides growth of certain economic sectors using depreciation tools; establishing rules and norms for its accrual; and regulating the procedure to use the depreciable assets [18]. Moreover, government regulates the groups of fixed assets and useful life of the capital stock favoring efficiency of restoration of the investment objects, and motivating investment in new construction, commercial real estate, integral property complexes, and investment during reconstruction and technical re-equipment of enterprises.

Another institutional tool is the condition to lend enterprise for further investment activity. Motivating government role is expansionary policy providing for business entities access to relatively affordable credit resources in banking institutions. The central bank reduces the norms of mandatory banking reservation and interest rate, and purchases government securities, which results in increase of money supply affecting the increase in a volume of financial resources being available as credit facilities for potential investors; favoring growth of investment volume; regulating money circulation, and affecting the banking system capitalization. The credit fund increase in the capital market is the factor for the economy achieving a new technological level.

The industrialized countries have positive experience, successful cases of an institutional environment formation promoting attraction of domestic and foreign investment. Namely, international investors in Great Britain can operate without permissions. But the government of Great Britain may prohibit foreign investors from investing in the certain processing enterprises, being of strategic importance for the national economy or if the activities are adverse to the national interests in accordance with the adopted law 'On the Industry'. In addition, foreign companies should carry out their economic activities under the supervision and control of regulatory authorities in such industries as water and air transport. Among other things, the control is performed by Maritime and Coastguard, the UK Civil Aviation Authority.

There are two basic regulations in Germany containing norms in the field of investment activity, namely Laws 'On Credits', and 'On External Economic Relations'. According to them, Germany has no legislative restrictions concerning currency movement related transactions (i.e. limitations as for volume, form, and nature of currency contracts), another capital. Moreover, there are no limitations in Germany as for terms for external investor financing in the debt capital market. But there is a requirement in the country to obtain licenses for economic activity by foreign companies in such industries as banking, insurance, pharmaceutical, transport, hotel and restaurant business, and healthcare [31].

There is no special regulatory act in France governing investment activities of enterprises. However, a system of preliminary notification of regulatory authorities as for intentions of foreign company to continue testing the assets acquisition or controlling stakes in strategic industries [32]. Mainly, it concerns countries being outside the EU but being investors of companies within France. French legislation distinguishes clearly between foreign direct investment (FDI) and other types of investment, providing FDI with a favorable management regime. In addition, foreign investors have the right to export profits from France without any restrictions.

Poland being the closest to Ukraine from the viewpoint of history, traditions, and mentality, has developed favorable institutional environment to attract investment. FDI in the country are controlled through the special law 'On Foreign Investment' being the basic document defining implementation rules for foreign investment. The mentioned legal act also involves a list of the main types of enterprises having the right to invest; and rules of profit and income repatriation for foreign inves-

tors. It also defines the legal basis and tax field for the activities by international investors. According to the law, foreign investors receive the following guarantees and do not need to obtain a special permit for: compensation of assets invested as investment and lost as a result of nationalization and expropriation; the possibility of complete disposal of profits from investment activities, including its export, obtaining assets as a result of liquidation or resale of the company; appropriation and withdrawal of funds received as after-tax compensation etc.

In 2001, Poland also amended legislative acts in the area of investment stipulated by preparation of its accession to the EU. Namely, the improvements involved use of a reciprocity principle in terms of which similar norms, incentives, and guarantees should be applied for foreign investors and Polish companies. In such a way, the international investors who entered the investment Polish market in July 2004 received the same opportunities as domestic business.

Practices in Poland as for regulation and providing guarantees for the national domestic and foreign companies who invested in the country are interesting too. In particular, external investors have unlimited access to Polish markets, and the opportunity to participate in privatization as well as domestic ones. Moreover, there are customs benefits for external investors. During the first three years of their activities, foreign investors are not obliged to pay duty on equipment purchased in other countries and imported into Poland [33]. Another tool improving investment potential and attracting foreign investment is the possibility to obtain benefits for electricity, and land resources for business activities at low prices etc. There are specific economic zones in Poland where enterprises are exempt from paying import duties on goods contributed to the authorized capital if the company stays to be an owner for three years after the benefits use. Moreover, such activity types as manufacture, research, information technology, and logistics may obtain tax discount at a level of 100 % for 10–25 years.

Stability of economic and investment environment, availability of efficient legal mechanisms, and govern-

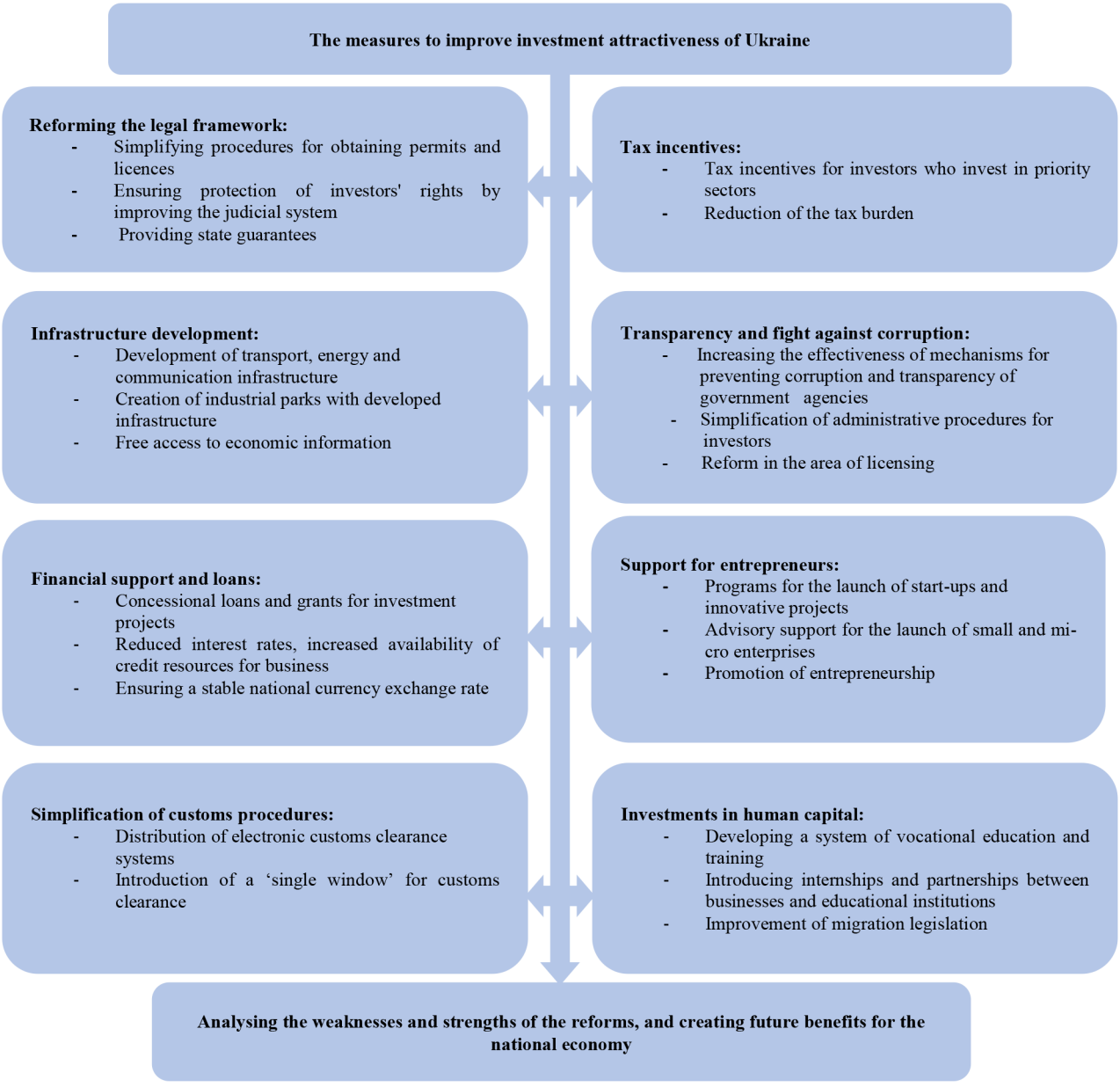

Fig. 4. The measures to improve investment attractiveness of Ukraine

ment support are among the basic factors defining investment attractiveness of Ukraine. Modern challenges (namely, war and the global economic instability) impacted adversely both economy and investment market. Nevertheless, the problems can be solved as a result of establishing economic cooperation with partner countries and using the considered international experience in overcoming the troubles [34].

The obtained results as for analysis of practices concerning improvement of investment attractiveness, and investment regulations in foreign countries have helped us systematize the basic tendencies to better investment potential of Ukraine (Fig.4):

1. Reformation of legislative framework in the area of investment towards ensuring the protection of investors' rights, and providing them with government guarantees during the war and after its end; creating simplified conditions for business starting and running; reducing bureaucratic barriers and managing; simplifying the procedures to obtain permits and licenses; reducing the number of licenses and introducing transparent criteria for obtaining them to increase the transparency and efficiency of the legal system; and reducing legal risks.

2. Providing both national and foreign company with tax incentives being tax benefits, reduction of the tax burden when making capital investments, exemption from taxation when investing in innovations and in priority sectors.

3. Developing infrastructure (i.e. transport, power, and communication) based upon state-owned and private partnership or attraction of international investors; establishment of industrial and hi-tech parks; provision of investors with access to information as for economic situation, and changes in terms and conditions for doing business.

4. Transparency and fight against corruption, i.e. transparent budget and activities by government agencies; corruption restriction by the authorities; ensuring equal access to resources for all; fair competition development; simplification of administrative procedures; and improvement of the judicial system.

5. Financial support and lending, i.e. providing investors with concessional loans and grants; interest rate reduction; ensuring the national currency stability to increase the availability of bank credit resources; and introducing incentives for investment and economic growth.

6. Support for entrepreneurs, i.e. expanding the activities of startup development programs; establishing incubators and accelerators for them; consulting support for those wishing to open a business; and entrepreneurship popularization.

7. Simplification of customs procedure for investors, i.e. introduction of a 'single window' for customs clearance; the wider use of electronic systems of customs clearance to increase the amount of foreign trade operations.

8. Human capital development, i.e. establishing a system of professional education; introducing training and upgrading programs; creating favorable conditions for highly qualified specialists and preventing 'brain drain' abroad; and implementing a system of measures aimed at returning refugees and temporarily displaced persons back to Ukraine.

Borrowing from successful practices of other countries and adapting them to Ukrainian realities can increase investment attractiveness of the country for external investors, improve the investment climate and promote long-term economic growth.

Conclusions. The analysis of impact by institutions and institutional environment on the investment activities, on formation of favorable investment climate has shown significant role of government in the process. Insufficiency of the available state financial resources requires a clear definition of priorities and effective use of government funds to support the most important industries and projects. Stimulating fiscal policy should be aimed at supporting investors who introduce innovations; apply new technologies; and ensure fair conditions for all investors and other participants of the investment.

While stimulating aggregate supply and demand, monetary policy is the basis to attract investment resources in Ukraine and provide stability of the investment. In this regard, use of international practices of such countries as Poland, Germany, and Great Britain is quite important. Among other things, it concerns provision of foreign investors with investment assistance regime; guarantees by the government; investment insurance; introduction of special benefits for investments in the depressed regions or in priority sectors of the economy.

Improving the investment attractiveness of Ukraine, achieving sustainable economic development of the country in the future is possible if a systematic approach to the formation of investment attractiveness and the creation of a favorable investment climate is applied as well as the effective use of tax, financial and regulatory tools. Further studies should be focused on the detailed analysis of effectiveness of the institutional reforms and their impact on the investment climate.

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Вплив інституційного середовища на інвестиційну привабливість національної економіки: міжнародний досвід

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Мета. Обґрунтування основ інституційного забезпечення інвестування в Україні, аналіз міжнародного досвіду стимулювання й регулювання інвестиційної діяльності, розробка напрямів підвищення інвестиційної привабливості вітчизняної економіки.

Методика. Використані системний підхід для характеристики системи інститутів та інституцій у сфері інвестиційної діяльності України, метод узагальнення – для аналізу нормативно-правового поля у сфері інвестування, аналіз і синтез – для порівняння міжнародних практик регулювання інвестиційної діяльності, формулювання рекомендацій для використання досвіду зарубіжних країн у національній економіці України.

Результати. У роботі обґрунтовано, що ефективне формування інституційного середовища в Україні потребує узгодженості та взаємодії між державними органами, бізнесом і громадянським суспільством. Визначені ключові елементи інституційної системи (законодавча база, державне регулювання, правові гарантії), що безпосередньо впливають на рішення інвесторів. Сформульовані рекомендації щодо удосконалення податкової, бюджетної й інфраструктурної політики в Україні, спрямованої на залучення прямих іноземних інвестицій. Обґрунтовано, що ключовими чинниками для залучення інвестицій є прозорість регуляторного середовища, гнучка податкова й фіскальна політика, стабільність грошово-кредитної системи та наявність чіт-

ких правових гарантій для іноземних і національних інвесторів.

Наукова новизна. Уточнені й згруповані вектори впливу державних інституцій на формування сталого інвестиційного клімату в умовах глобальної нестабільності. Систематизовані інституційні складові державного регулювання інвестицій, сформовані його найбільш дієві правові, економічні, адміністративні інструменти. Узагальнено досвід країн ЄС щодо формування сприятливого інвестиційного середовища, виявлені найефективніші методи стимулювання іноземних інвесторів, включаючи податкові й фінансові пільги, організацію спеціальних економічних зон та індустріальних парків, які запропоновано використати в Україні.

Практична значимість. Результати можуть бути використані для розробки проєктів державної підтримки інвесторів, оптимізації законодавчого забезпечення, створення дієвого механізму стимулювання інноваційно-інвестиційної діяльності. Запропоновані напрями покращення інвестиційної привабливості сприятимуть відновленню економіки у повоєнний період, підвищенню конкурентоспроможності й формуванню позитивного інвестиційного іміджу України.

Ключові слова: *державне регулювання, інвестиційна діяльність, інвестиційна привабливість, інновації, інституції, інноваційний розвиток*

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