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Ilyin Valeriy
Candidate of Economic Sciences, Senior Research Fellow,
National Scientific Centre “Institute of Agrarian Economy” NAAS
Kyiv, Ukraine
E-mail: villin2015@gmail.com
Ilyin Olena
Postgraduate of Luhansk National Agrarian University
Kharkiv, Ukraine
E-mail: villin2015@gmail.com

FOREIGN EXPERIENCE OF PUBLIC MANAGEMENT OF INVESTMENT DEVELOPMENT FOR REGIONAL ENTERPRISES

Abstract

Introduction. At present Ukrainian State has certain problems in public management of investment development for the region’s economy. Our country is a developing country, so to achieve a high level of economic development it is necessary to analyze foreign experience of enterprises’ investment in the region and to identify the characteristic features by which its increase is possible.

Purpose. The aim of the article is to study international experience of investment activity of regional enterprises regarding the availability of preferential conditions and to protect the rights of foreign investors for attracting capital to their country and ensure structural and innovative changes in the national economy.

Methodology of the study. Studies were conducted on the basis of monographic, abstract and logical, historical methods. The dialectical method of cognition of social and economic phenomena was the methodological basis in processing the material.

Conclusions and prospects. Thus, as for the international experience of managing investment activity, it can be noted that in other countries government provides investors with preferential conditions for its implementation, ensures protection of the rights of foreign investors and creates all the conditions for attracting capital to their country.

There is a transfer of rights and responsibilities in the management from the center to the regions. That is why Ukraine should take into account the experience of others, including their mistakes for effective management of the investment development of the economy in the region.

Conclusions and prospects. So CEE countries progress towards creating a favorable investment climate consists in shaping the overall regulatory and institutional environment that is aimed at developing market economy, ensuring effective competition between economic entities and creating particular investment incentives of fiscal, regional, innovative character. The latter confirms the high level of competition in the global investment market that requires countries to build a balanced and effective system of incentives.

Keywords: investments, innovations, economy, enterprises, region, state.

Introduction. At present Ukrainian State has certain problems in public management of investment development for the region's economy. Our country is a developing country, so to achieve a high level of economic development it is necessary to analyze foreign experience of enterprises' investment in the region and to identify the characteristic features by which its increase is possible.

Currently, many foreign countries increased decentralization of public management, its regionalization. The most important element of the organization of regional development management is the relationship "center – region – enterprises". They largely determine the distinctive quality of regional policy and the application of tools and methods of management [1].

Thus, there are economic relations between the central government and regional enterprises which are reflected in the most concentrated form in the distribution of powers in the economic field between the government and regional authorities, in the organization of the budget system and in the state regional economic policy.

Analysis of recent research and publications. In modern conditions the most important area of institutional reforms in Ukraine has to be the creation of a new vision of purpose, tasks and implementation of public policy of experience in the strategic development of regions' investment potential and their enterprises based on foreign experience.

The problem of investments' shortage in the Ukrainian economy deepens by the disparities in regional development due to the uneven allocation of investment resources. The main reasons for this situation are the uncertainty of the Ukrainian regional potential, its improper use and the inadequacy of public management of the strategic development of the investment potential of Ukraine's regions and their enterprises [2]. In order to solve these problems it is necessary to study foreign experience concerning the approaches to identifying, assessing and developing mechanisms for implementing an investment potential of Ukrainian enterprises.

Among domestic researchers, who deal with improving the theoretical and methodological foundations of mechanisms' functioning of public regulation of the economy and investment processes are: V. Bodrov [3], V. Volkodav [4], M. Kisil [5], M. Latynin [6], Yu. Lupenko [7], V. Martynenko [8], V. Maistro [9], S. Onishko [10], O. Shevchenko [11] and others.

However, the complexity and diversity of the issues, related to investing in the economy of enterprises of Ukrainian regions, make it necessary to determine areas of improving public administration of the development of investment potential of enterprises in Ukraine taking into account foreign experience. All this determines the relevance and timeliness of the research.

Purpose. The aim of the article is to study international experience of investment activity of regional enterprises regarding the availability of preferential conditions and to protect the rights of foreign investors for attracting capital to their country and ensure structural and innovative changes in the national economy.

Methodology of the study. Studies were conducted on the basis of monographic, abstract and logical, historical methods. The dialectical method of cognition of social and economic phenomena was the methodological basis in processing the material.

Findings. The experience of the countries of Central and Eastern Europe, China and India were taken into account for the analysis of foreign experience of government investment development of regions. Advantages and disadvantages in the state regulation of investment development of enterprise economy in the regions are presented in the Table. 1.

Analyzing the Table 1, you will notice that each country tried to attract investment for the development of individual enterprises and regions as a whole with the help of various means. It has been determined that the volume and the structure of foreign investments is largely determined by belonging recipient countries to the "zones of influence" of countries for investors.

Table 1

The description of public management of the investment development of regional enterprises' economy in foreign countries *

Country	The mechanisms of public management	Drawbacks in management	The results of the management
India	1. The conclusion of agreements on avoidance of double taxation of enterprises. 2. Agreements on encouragement and protection of mutual investments. 3. Allowed 100 percent foreign investment. 4. The establishment of SEZ, in which the investor has "a tax holiday".	1. Imperfect legislation. 2. High taxes. 3. The total corruption of Indian officials.	1. The emergence of multinational companies. 2. The emergence joint ventures which later became the local conglomerates. 3. Increasing the level of GRP.
China	1. The establishment of SEZ 2. The development of the state program of innovations in the social and economic sphere. 3. Carrying out market reforms for open international cooperation. Ensuring legal guarantees for foreign capital and providing economic benefits.	1. Government policy hinders import of outdated technologies in the country.	1. More than 30 regulatory and legal acts regulating the activities of SEZ were adopted. 2. The transformation of small settlements into cities with developed infrastructure and advanced export-oriented industries.
Bulgaria	1. The number of administrative procedures for business registration was reduced in three times (from 11 to 4).	1. Tourist zones are not used as the main object of investment. 2. The high level of unemployment.	1. Economic development of the country. 2. Improvement of people's welfare.
Poland	1. The amount of subsidies was reduced and they were included into the mechanisms of regional development policy. 2. 600 mandatory licenses and permissions were abolished at the national and municipal levels. 3. Granting permission to use the tax credit. 4. Admission to the EU.	1. Limited property rights to agricultural land.	1. Active membership in international economic organizations 2. The increase in the profits of foreign subsidiaries in the country. 3. The gradual reduction of interest rates on loans.
The Czech Republic	1. The number of administrative procedures for business registration was reduced (from 10 to 8). 2. Support is provided to the projects in the field of production activity in the defence industry.	1. Limited ownership of real estate by foreign companies. 2. Limited property rights to agricultural land.	1. The economic development of individual regions and enterprises and the whole country.

Continuation of Table 1

Slovakia	1. Special incentives only to foreign investors. 2. Number of administrative procedures for business registration was almost half reduced (4 registration procedures were abolished).	1. Limited property rights in broadcasting	1. The amount of time for the registration of a new company was decreased from 103 to 16 days.
Hungary	1. Providing large foreign investors with the advantage of ten-year tax holiday 2. Number of administrative procedures for business registration was reduced (from 6 to 4). 3. The electronic registration of companies was implemented. 4. Providing tax incentives for investments in projects related to the production of goods which provide expansion, renewal and development to create new jobs	1. Limited property rights to agricultural land. 2. There is a requirement to maintain at least 50% in the possession of a domestic entity in security and national airlines spheres	1. The amount of time for business registration was decreased in ten times (from 52 to 5 days). 2. The amount of time for the registration of a new company was decreased from 36 to 16 days, and costs were reduces too.

**Personal research*

Scientists from the Asian Bank paid main attention to the problems of underdevelopment of border regions of the country and to the factors of their investment unattractiveness. Useful information was taken from editorials of newspapers “Hindu” and “Daily News”, which criticized government protectionist policies, briefly reported on the new investment projects of Indian corporations in the region [12].

In 1991 Indian leadership began carrying out new industrial policy, an integral part of which was to attract FDI. To achieve this it was necessary to create the appropriate international contractual and legal base and to liberalize regulated sector of granting permits for investment of Western capital. As of the 2014 agreements on avoidance of double taxation were concluded with 74 countries, and another 54 countries signed an agreement with India on the promotion and protection of mutual investments providing for national treatment and status of the largest assistance for foreign investors, full repatriation of profits and preventing nationalization of investments without adequate compensation [13].

As for the internal Indian regulation, 100-percent of foreign investments are allowed in most sectors of economic activity. The whole southern coast of India is covered by special economic zones of the Chinese model, in which investors will have “tax holidays” and will be free to import capital goods [14]. Internet service providers and entertainment channels have a right to be in full foreign ownership, restrictions are only for the news channels and radio stations that also broadcast news and political shows. Thus, private capital has to solve at their own expense such traditional Indian problems as significant costs on imports of weapons, high level of illiteracy among women in the north and east of the country, the lack of telecommunication networks in many regions. The results of liberalization exceeded all expectations since not only the investments of transnational corporations appeared in India, but also new joint ventures that created local conglomerates with Western partners, thus becoming global players.

India has become more convenient and more predictable partner for entrepreneurs from developed countries thanks to the stable strategy in creating a legislative framework of promoting.

The next example for conducting effective state investment policy is the experience in China. It should be noted that the investment state policy is regulated by relevant legislation or by normative provisions. Hundreds of laws and regulations governing foreign investment, due to the policy, which was held to attract foreign capital and using it to solve problems of economic development were passed in

China. Also, a number of regulations concerning the establishment of enterprises, based on Chinese and foreign capital or enterprises that are wholly owned by foreign capital were adopted. The share of capital investment of foreign participants in mixed enterprises must be at least 25%, which should contribute to a serious and significant investment. The upper boundary is not defined. In establishing this minimum is one of the features of Chinese legislation since a maximum of foreign participation (it can not be more than 50 or 49%) is limited in the legislation of other countries [15]. Important prerequisite for a breakthrough into the investment development of China is to change the government's attitude to investors. Career prospects of many officials made dependent on their ability to attract foreign investments.

Analyzing the experience of Bulgaria, the Czech Republic, Poland and Hungary, the so-called CEE countries, shows that this region consumes the results of successful wave of reforms and changes, including lower tax rates, membership of some countries in the EU, improvement of infrastructure.

The measures are constantly implemented in the countries of the region, aimed at creating a more favourable business environment for investors. In particular, the Slovak Republic, according to the research of World Bank's “Doing Business in 2014”: removing obstacles to growth” has been identified as one of two the most “successful reformers of investment climate” in the world. The reforms elsewhere in the region were also analyzed by the World Bank. The list of the best 10 reformers in the world was also included Lithuania and Poland.

The key components for the formation of favorable investment climate are the number of institutional characteristics of the economies of the region, providing a stable foundation for the development of investment processes as well as the stability of economic development of the country.

All countries follow the democratic model of the development that contributed to the accession of ten countries to the EU and economic policy is consistent and predictable, with the exception of Hungary, whose leadership admitted the number of serious mistakes. Independent central banks are prudent monetary policy that promotes stability of national currency. Independent central banks realize prudent monetary policy that promotes stability of national currency.

The membership of several countries in the Organization for Economic Cooperation and Development (OECD) and the membership or association with the EU limit the scope for discriminatory policies and require the provision of equal rights for domestic and foreign enterprises. General regimes progressively were supplemented by laws regulating specific activity (banking, insurance, stock exchanges, intellectual property, free economic zones and industrial parks, etc.), which contributed to the further convergence of regulatory environment to the norms of developed market economies.

EU enlargement to the East significantly increased the attractiveness of CEE countries for foreign investors. The adoption of *acquis communautaire* of EU equalizes legal and regulatory environment of CEE countries to the EU, which reduces the risks for FDI in CEE and provides an important advantage over other emerging markets that is developed, where intellectual property rights are poorly secured.

EU enlargement will also provide access to the new members of the community to the EU structural funds, which accelerates the modernization of local infrastructure and facilitate the process of transportation and logistics for foreign multinational companies.

In addition CEE countries have a number of specific assets, including, in particular – significant human capital, developed infrastructure, favourable business environment and a convenient location in the centre of the huge European market, providing high capacity of the countries in the region to compete with the big markets that are developed by attracting technology-capacious FDI over the next years.

Absence of discrimination of foreign entities, national regime for foreign investors is the basic of legal norm in CEE countries. Equal treatment to foreign and national entities in all areas, including in the process of privatization of state property, except of defensive and banking branches is legally enshrined in all countries. National regime for foreign investors guarantees them free access to the domestic markets and allows them to take part in privatization. In particular, the transformation of regimes regarding FDI ensured significant progress in the context of accession to the EU from the perspective of harmonization of legal systems of the countries with the EU legal system.

CEE countries that joined the EU, by the way, pledged in the Association Agreement to provide national regime and the most favoured regime for investors regarding the establishment of enterprises and activity of legal persons from other EU countries.

In addition, during the transition period, CEE countries have agreed not to introduce any new discriminatory measures.

Obligations have also been expanded to encompass the permission to companies to hire key personnel of citizens from other countries, to carry out any payments or transfers on the current account of balance of payments and the free movement of capital relative to direct investments and portfolio agreements; envisaged the avoidance of restrictive business practices, providing any state aid that distorts competition; cooperation for maintaining and improving the investment climate, mainly by creating favourable legal system, the exchange of information on investment opportunities.

Measures for creating a favorable investment climate of enterprises at the national level were complemented by signing international agreements aimed at providing additional guarantees of liberalization and legal protection for foreign investments. CEE countries have concluded a significant number of bilateral investment agreements and agreements on avoidance of double taxation with most important partner-countries. In addition, all CEE countries have acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) and ratified the Convention on the Settlement of Investment Disputes between States and the citizens of other countries (ICSI).

All CEE countries are also members of the Multilateral Investment Guarantee Agency (MIGA), thereby providing access to the multilateral mechanism for insurance against non-commercial risks in these countries. Finally, the membership of CEE countries in the WTO caused that they are members of the three main agreements WTO that are related with investments: General Agreements on Trade in Services (GATS), the Agreements on Trade-Related Investment Measures (TRIMs) and the Agreements on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Lack of restrictions on transfer and currency conversion for current operations or for FDI does not necessarily extend to the portfolio investments. Foreign companies can freely convert or transfer currency for making payments abroad and can also transfer their income after paying taxes. Capital can be freely repatriated after liquidation. Certainly, there are no restrictions for credits from local financial or foreign institutions.

There are no restrictions on the distribution and export of capital by enterprises to the parent foreign companies in the indicated countries. Taxation of dividends, royalties and percentage revenues are governed by corresponding bilateral agreements on avoidance of double taxation.

Significant changes have been in a number of Eastern European countries from 2009 to 2014. Thus, since the accession to the EU the number of procedures for business registration in Bulgaria has decreased by almost threefold (from 11 to 4), in Slovenia and Slovakia – almost double (4 registration procedure were canceled), in Hungary – from 6 to 4, in the Czech Republic – from 10 to 8. It allowed reducing the time of registration in Hungary in 10 times (procedures do not take 52 and 5 days now).

The amount of time required to register a new company was reduced from 103 to 16 days in Slovakia, in Romania and Slovenia – in three times (from 10 and 19 days respectively). The electronic registration procedure for registration of companies that allowed reducing time for the processing of the new enterprise from 38 to 16 days and reducing expenses was introduced in Hungary.

More than 600 compulsory licenses and permits required at the national and municipal levels were cancelled in Poland.

However, there are also a range of restrictions in some countries of the region regarding ownership and management of investments by foreign investors. The main restrictions for foreign ownership are regarding of land and buildings [16].

As for the other restrictions concerning ownership and management that are used in certain areas of production or the activity of strategic importance [17], for example, there is a requirement regarding conservation at least 50% of ownership in the possession of a domestic entity in security and national airlines in Hungary. The foreigners are not permitted to own a controlling stake in the sphere of service on safety, in air transport, television and radio broadcasting in Latvia. In Slovenia ownership restrictions are applied in the sphere of military supplies, insurance and reinsurance, investment funds management, auditing, publishing and broadcasting. In Slovakia, the property is limited in the field of broadcasting. In Poland investors from countries that are not included to the OECD, are not allowed to control airports and seaports, enterprises of the military–industrial complex.

Conclusions and prospects. Thus, as for the international experience of managing investment activity, it can be noted that in other countries government provides investors with preferential conditions for its implementation, ensures protection of the rights of foreign investors and creates all the conditions for attracting capital to their country. There is a transfer of rights and responsibilities in the management from the center to the regions. That is why Ukraine should take into account the experience of others, including their mistakes for effective management of the investment development of the economy in the region.

So, CEE countries progress towards creating a favorable investment climate consists in shaping the overall regulatory and institutional environment that is aimed at developing market economy, ensuring effective competition between economic entities and creating particular investment incentives of fiscal, regional, innovative character.

The latter confirms the high level of competition in the global investment market that requires countries to build a balanced and effective system of incentives. However, the latter performs the task not to attract foreign investment but above all to provide structural and innovative changes in the national economy.

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Остапенко Вікторія
к.е.н., викладач кафедри управління фінансовими послугами
Харківський національний економічний університет імені Семена Кузнеця
м. Харків, Україна
E-mail: viktoria.ostapenko@m.hneu.edu.ua
Кіпа Микита
студент 2 курсу магістратури
Харківський національний економічний університет імені Семена Кузнеця
м. Харків, Україна
E-mail: nikitakipa@rambler.ru

ФОРМУВАННЯ ОПТИМАЛЬНОГО ІНВЕСТИЦІЙНОГО ПОРТФЕЛЮ СТРАХОВОЇ КОМПАНІЇ

Анотація

Вступ. *Фінансування економічного зростання в Україні набуває все більшого значення. У сучасних умовах глобалізації та інтеграції економічних процесів діяльність страховиків як інвесторів вважається досить привабливою, особливо коли вони постають у ролі постачальників інвестиційних ресурсів. Також*