

# Oleksandra Gumeniuk

---

## State regulation of innovative and investment activity

---

Annales Universitatis Mariae Curie-Skłodowska. Sectio H, Oeconomia 46/4,  
233-241

---

2012

Artykuł został opracowany do udostępnienia w internecie przez Muzeum Historii Polski w ramach prac podejmowanych na rzecz zapewnienia otwartego, powszechnego i trwałego dostępu do polskiego dorobku naukowego i kulturalnego. Artykuł jest umieszczony w kolekcji cyfrowej [bazhum.muzhp.pl](http://bazhum.muzhp.pl), gromadzącej zawartość polskich czasopism humanistycznych i społecznych.

Tekst jest udostępniony do wykorzystania w ramach dozwolonego użytku.

OLEKSANDRA GUMENIUK

*State regulation of innovative and investment activity*

---

Państwowe regulacje innowacyjności i działalności inwestycyjnej

**Keywords:** scientific and technological progress, state innovation policy, administration of investment and innovation institutes, innovative activity, investment climate

**Słowa kluczowe:** postęp naukowy i technologiczny, polityka innowacyjna państwa, administrowanie inwestycjami i innowacjami instytucji, działalność innowacyjna, klimat inwestycyjny

## **Introduction**

Scientific and technological progress is one of the important factors of economic development. Many prominent economists such as Adam Smith, David Ricardo, Karl Marks, E. Bem-Bawerk paid attention to achievements in the field of new techniques and technologies. Thus, Adam Smith devoted the first chapter of his book *Inquiry of the Nature and Causes of the Wealth of Nations* mainly to what the modern economists call the scientific and technological progress and economic growth. Considering that “a significant increase in work that can fulfill as a result of division of labor and the same number of employees depends on three different conditions: first, to increase the skill of each worker, and secondly, to save time, usually missed in transition from one type of work to another, and thirdly, to invent a large number of machines that make it easy and reduce the work and allow one man to do more”.

State Regulation of Economy of Ukraine is impossible without intensification of innovation and investment processes. The ability of businesses and public authorities to identify areas of innovation and attract investment for such development is crucial to the success of the entity and the territory in which it is located.

The strategy of innovation and investment provides stable economic growth, balance of social development, welfare of the territory.

Relevance of research topic due to the influence of mechanisms of state regulation on the level of investment attractiveness of enterprises and areas, creating conditions for innovation and investment processes, finding provisions for implementation of new projects are the basis of socio-economic development of the industrial city.

The goal of the research is to prove the necessity of reorganization and optimization of the structure of public institutions responsible for the development of innovative and investment area, examine the mechanism of formation and strategy of innovation and investment activities, and consider the competitiveness of Ukraine's investment and economic growth.

Recent research results. The problem of choice of forms, methods and instruments of state economic regulation and innovation have been addressed by domestic scientists – V. Alexandrov, Yu. J.M., A.N. Bilous, D. Goddess, J. Galicia, A. Galchinsky, V. Heyets, N. Goncharova, G. Dobrov, M. Nether, A. Korennoy, A. lieutenant Semynozhenko, V. Filipchenko et al. and foreign scientists – G. Bakosh, I. Balabanov, R. Blake, J. Mouton, and others.

## 1. Innovation and investment strategy of Ukraine

Article 4 of the Law of Ukraine “About priority directions of innovative activity in Ukraine” defines the strategic priorities of innovation activity in 2011–2021:

- development of new technologies of transportation energy, energy efficiency, resource-saving technologies, development of alternative energy sources;
- development of new technologies of high-tech transport systems, rocket and space industry, aviation and shipbuilding, armaments and military equipment;
- development of new technologies for materials, their processing and connectivity, creating nanomaterials and nanotechnology industry;
- technological renovation and development of agriculture;
- introduction of new technologies and equipment for quality medical care, treatment, pharmaceuticals;
- widespread use of cleaner technologies of production and environmental protection;
- development of modern information, communication technology, robotics.

Speaking of innovation automatically means investment. Therefore, the administration of investment and innovation institutes – a set of public and private institutions to ensure that legal, organizational and economic conditions are necessary for the exercise and development of investment and innovation. (Htt)

Subjects of institutional support for investment and innovation activity in Ukraine can be differentiated by categories: representative authorities, executive authorities, including major and specially authorized central executive authorities, other govern-

ment agencies in the field of investment and innovation, President advisory and consultative bodies of Ukraine, executive power advisory and consultative bodies, some academic, public and professional bodies, organizations and projects in the sphere of innovation activity of economic subjects of investment and innovation, which include special legislation.

## 2. Government institutions of innovation and investment

The representative bodies are: Verkhovna Rada of Ukraine, which as the only legislative body in Ukraine adopts laws and programs of the general public importance, one of the examples, “The strategy of innovative development of Ukraine in 2010–2020 in the Global Challenges”; the Parliament of the Autonomous Republic, which within its authority adopts decisions and resolutions which are binding in the Autonomous Republic of Crimea; regional, district councils, which represent the common interests of territorial communities of villages, towns and cities.

Among the executive authorities the major one is Cabinet of Ministers of Ukraine – the highest authority in the executive branch, one of whose tasks is to conduct investment and innovation policy, including development and government support for innovation potential, among others, by ensuring the development and implementation of structural adjustment programs sectors of national economy and innovation development, and measures to stimulate innovation activities of enterprises, institutions and organizations;

Council of Ministers of the Autonomous Republic of Crimea, regional and district state administrations, Kyiv and Sevastopol City State Administration and executive bodies of village, town and city councils – executive bodies that implement given by state and also delegated authority to the respective councils, including in the prescribed manner regulation of investment activities, promote investments in the district, region, also through the introduction in due course to the appropriate proposals to attract foreign investment for economic development of innovative potential of the territory of a regional innovation centers and technology parks, aiding entrepreneurs who develop and implement innovative projects.

To the executive, as noted above, also belong main and specially authorized central executive authorities in the field of investment and innovation (1):

1) Ministry of Economic Development and Trade of Ukraine, serving the customer and arranging for the state the scientific and technical expertise of innovative programs and projects of national importance in industry (2);

2) Ministry of Education, Youth and Sports of Ukraine, which is the main body of the central authorities for the formation and implementation of national policy, particularly in the field of Innovation and Information; one of the main tasks is the formation and implementation of national policy in Education and Science, Innovation and Information, Intellectual Property, Youth, Sport and Physical Culture. The Ministry

defines perspectives and priorities in development, directs and coordinates the activities of the State service for Intellectual Property of Ukraine, State service of Youth and Sports of Ukraine, the State Agency for Science, Innovation and Informatization of Ukraine, submits to the Cabinet of Ministers of Ukraine draft laws, acts of the President of Ukraine, Cabinet of Ministers of Ukraine, which are developed by the Ministry (3);

3) State Agency for Investment and Management of National Projects (4), which is the central body of executive power with activity directed and coordinated by the Cabinet of Ministers of Ukraine. This Agency of Ukraine is a system of executive power, the main body of the central authorities on implementation of national policy on investment and management of national projects (strategically important projects, providing technological renovation and development of basic branches of real sector of economy of Ukraine). The main tasks assigned to State Agency for Investment and management of national projects of Ukraine: implementation of state policy in investment and management of national projects, the implementation of national projects, the implementation of measures to improve the investment image of Ukraine and support the development of investment regions of Ukraine.

4) State Agency for Ecological Investments of Ukraine is the central body of executive power with activity directed and coordinated by the Cabinet of Ministers of Ukraine, by the Minister of Environment and Natural Resources of Ukraine, and part of the executive – its aim is to realize the government policy on regulation of negative human impact on change and adaptation to climate change and its compliance with the Framework United Nations Convention on Climate Change and the Kyoto protocol. (5)

5) State Agency of Science, Innovation and Informatization of Ukraine, directed and coordinated by the Minister of Education, Youth and Sports of Ukraine. The main objectives of the Agency are: implementation of state policy in science, technique, innovation, information, formation, the protection of public electronic information resources and creating conditions for the Information Society, and submission to the Minister proposals for public policy in these areas.

Other government agencies in the sphere of innovation activity:

1) Regional Centres for Investment and Development – The main objectives of the network of regional centers for investment and development: analysis of the investment potential of regions and certain laws of priority sectors, providing scientific and other support for implementation of investment programs and projects of regional and individual economic sectors, including through the mechanism targeted program funding under the law on a competitive basis of scientific and technical programs and individual development, aimed at implementing priority directions of science and technology, promotion of information and providing investment consulting and investment development of regions and certain laws of priority economic sectors, support for the formation and expansion of regional investment infrastructure implementation in accordance with the laws of Ukraine priority investments; the interaction of research, investment companies, institutions and organizations, public authorities to invest in Ukraine. (6)

2) Research Institute of Legal Support for innovation development, in accordance with the Statute of the main activities of the Institute are: fundamental and applied research in the field of innovation, participation in the development of concepts, draft laws and other regulations on innovation, scientific and judicial examinations of innovation, coordinating research on major problems in innovation, training of scientific staff. The main objectives of the Institute is to carry out fundamental and applied scientific research on the identification and assessment of legal protection and product innovation, development of national innovation system analysis and synthesis of international experience in the legal regulation of innovation, implementation of legal research and preparing legal opinions expertise on innovation activities in accordance with the laws of Ukraine, providing legal counseling, information and other services for innovation and the rights, training of scientific staff in the field of innovation. (7)

3) State Service of Intellectual Property of Ukraine – central organ of executive power with activity directed and coordinated by the Cabinet of Ministers of Ukraine by the Minister of Education, Youth and Sports of Ukraine. The main objectives of the State Service are: implementation of state policy on intellectual property; submission to the Minister proposals for public policy in the field of intellectual property. (8)

4) State Enterprise “Ukrainian Institute of Scientific, Technical and Economic Information”. The main goal of its activity is the creation of the formation of national information resources on scientific-technical and innovation activities and means of access to and construction of information and analytic service users of all levels – from government to the student. (9)

5) State Enterprise “Ukrainian Centre for Scientific, Technical and innovation expertise” – performs scientific and technical expertise, innovation and investment projects and state programs. (10)

6) Regional centers of scientific and technical information (such as libraries).

7) The State Innovation Finance and Credit Organization is a continuation of property rights and obligations, including contracts to provide innovative loans, the State Innovation Fund and its regional offices, State Enterprise “Ukrainian Innovation Finance and leasing company”. The founder of the institution is the state represented by the Cabinet of Ministers of Ukraine. Institution governed by the State Agency for Investment and management of national projects. Main tasks are: (11)

1. organization of selection of innovative and investment projects and programs for their financial support;
2. funding (from its own and borrowed funds) science and technology and market research, design and technology and other design work, scientific finding;
3. financing of the development of innovation infrastructure;
4. financing of innovation and investment projects and programs supported by the Cabinet of Ministers of Ukraine;



5. attracting funds, including foreign guarantees for the financing of scientific-technical and market research, design and technology and other design work, scientific search of innovative and investment projects and programs;
6. ensuring the return of the Institution of innovative loans liquidated by the State Innovation Fund and its regional offices;
7. development and implementation of complex measures for investing activity;
8. supporting innovation and investment projects and programs, monitoring the implementation of effective and targeted use of the subjects of innovation provided by Authority of funds;
9. cooperation with international financial institutions, governmental and non-governmental organizations of foreign countries for attracting financial resources in the economy of Ukraine and realization of joint investment and innovation projects and programs;
10. participation in the development and implementation of complex measures of organizational, financial, economic and legal character to provide business development support to SMEs in science, technology and innovation.

8) State investment company – company governed by the State Agency for Investment and management of national projects. The company formed for the purpose of investment activities related to the reproduction of fixed assets, capitalization of state assets, public support for innovation and investment projects of national and regional importance.

In addition, there is also an advisory and consultative body under the President of Ukraine – the Council of national and foreign investors (12) contributes to defining the main directions of state policy to improve the investment climate in Ukraine, attracting and efficient use of national and foreign investment for economic development of Ukraine, acceleration of integration into European and world economies; prepares proposals to stimulate investment activity in Ukraine, particularly in view of the advanced domestic and foreign experience in the field of investment; analyzes and summarizes the problems that hinder investment in Ukraine's economy, preparing proposals for ways to address them, considering principal problems of the investment process, regulation of investment at the macroeconomic level, involved in the revision of state programs, developing proposals for improving the forms and methods of regulation of Ukraine's economy through investment policy in accordance with modern international standards.

An advisory and consultative body under the President of Ukraine is also the Committee on Economic Reforms, whose main tasks are: (13) processing given the current socio-economic situation in Ukraine and based on best international practices of the national strategy of economic reforms, setting directions, priorities, mechanisms for necessary economic reforms of public discussion, continuous monitoring of the effectiveness of the national strategy of economic reforms.

Advisory and consultative bodies of the executive committee are: the organization of technological parks and innovation structures of other types (14), Council of national and foreign investors in certain ministries (15), Commission for pre-trial settlement of disputes with investors attached to executive authorities (16).

Private research, public and professional bodies, organizations and projects in the field of investment and innovation are: National Academy of Sciences of Ukraine, Commerce and Industry of Ukraine, Ukrainian Union of Industrialists and Entrepreneurs, the Council on Competitiveness of Ukraine, Council of National Associations of Manufacturers, European Business Association, American Chamber of Commerce in Ukraine, Ukrainian Investment Business Association, Ukrainian Social Investment Fund, U.S. Agency for International Development (USAID), Ukrainian Center for Agricultural Development, Ukrainian Center for the promotion of public-private partnership, association of private investors, Internet-project “Innovations.com.ua” Kyiv-Mohyla Business School.

Thus, in Ukraine, according to the legislation 16 technology parks were created, of which operates 8, scientific park “Kyiv polytechnic”, 11 special (free) economic zones and special investment regime in certain areas of the 9 regions, 3 self-regulatory organizations of professional securities market participants, 1,368 collective investment institutions, including 224 investment funds and 1,144 mutual funds.

### **3. Global competitiveness of Ukraine. Innovation and investment aspects**

Let's turn to The Global Competitiveness Report 2010–2011 (17), which provides the latest survey data of the global competitiveness of Ukraine. According to the report, strengths of competitiveness of Ukraine at present are: a high level of general population (the quality of primary education in Ukraine is 49 seats), a flexible and efficient labor market (the ratio of wage-productivity (26 seats), the ease of hiring and firing (18 seats), a large amount of the internal market and external trade (37). Good performance places Ukraine in the group of factors of innovative development: high capacity for innovation (37), quality of research institutions (68 seats), the availability of scientists and engineers (53). However, Ukraine's competitiveness index remains low (89 seats), which characterizes the entrepreneurial and investment climate in the country as difficult.

The worst performance among other countries Ukraine is demonstrating with regard to groups of factors related to macroeconomic conditions, governmental institutions, the efficiency of trade and financial markets. This greatly hampers competition and prevents the development of entrepreneurship in the country. The biggest obstacles to doing business in Ukraine today are: political instability, corruption, difficult access to financing, inefficient tax regulations, government instability and the possibility of coups, ineffective government, high inflation, high tax rates. (18)



## Conclusions

Considering the above, we believe that state regulation of innovation and investment, despite the large number of institutions that often duplicate their tasks and powers, needs improvement and perfection, as necessary measures aimed in particular at improving the institutional component of investing and innovation activities in Ukraine are: the formation mechanisms of the Law of Ukraine “On public-private partnership”, the definition of new, considering international experience, approaches to the introduction of special regimes to stimulate investment and innovation, development of guidelines for cluster development and innovative cities in Ukraine; development of the national target economic development program industry in Ukraine for a long period.

## Bibliography

1. Cabinet of Ministers of Ukraine of 06.08.2003 № 1219.
2. Cabinet of Ministers of Ukraine of 03.05.2007 № 255-p “Issues of formation of regional innovation development centers” and renamed according to the Cabinet of Ministers of Ukraine of 30.06.2010 № 1289-r “On the renaming of regional innovation development centers”.
3. Cabinet of Ministers of Ukraine of 26.11.2008 № 1024.
4. Cabinet of Ministers of Ukraine of June 15, 2000 № 979 “On the question of the State innovation financial-credit institutions”.
5. Cabinet of Ministers of Ukraine of 02.03.2010 № 217 is a member of the Academy of Sciences of Ukraine.
6. Cabinet of Ministers of Ukraine of 29.12.2010 № 1217 “Some aspects of the Council of domestic and foreign investors in central and local executive power”.
7. “Current trends in the dynamics of indicators of global competitiveness”. Policy Paper, Division Globalistics and Security Strategies (A. Reznikov), access mode //www.niss.gov.ua/articles/379/
8. Decree of President of Ukraine of 26.02.2010 № 273/2010.
9. Decree of President of Ukraine of 01.09.2010 № 892/2010.
10. Decree of President of Ukraine of 09.12.2010 № 1085/2010 “On the optimization of the central authorities”.
11. Decree of President of Ukraine of April 8, 2011 436/2011 Polozhennya number of State Service of Intellectual Property of Ukraine).
12. Decree of President of Ukraine of April 13, 2011 N 455/2011 of the State Agency of Environmental Protection of Ukraine.
13. Decree of President of Ukraine of May 12, 2011 № 583/2011 approves the Regulation on State Agency for Investment and management of national projects of Ukraine (Ukraine Derzhinvestproekt).
14. Decree of President of Ukraine on the Ministry of Economic Development and Trade of Ukraine of May 31, 2011 N 634/2011.
15. [http://www.uintei.kiev.ua/viewpage.php?page\\_id=7](http://www.uintei.kiev.ua/viewpage.php?page_id=7).
16. <http://dknii.gov.ua>
17. President of Ukraine Decree on the Ministry of Education, Youth and Sports of Ukraine of April 8, 2011 № 410/2011.

### **State regulation of innovative and investment activity**

The necessity of reorganization and optimization of the structure of public institutions responsible for the development of innovative and investment area has been proved. There has been examined the mechanism of formation and strategy of innovation and investment activities. Low competitiveness of Ukraine's investment and economic growth has been considered.

### **Państwowe regulacje innowacyjności i działalności inwestycyjnej**

Udowodniono konieczność reorganizacji i optymalizacji struktury instytucji państwowych odpowiedzialnych za rozwój obszaru innowacyjności i inwestycji. Zbadano mechanizm powstawania i strategii działalności innowacyjnej i inwestycyjnej. Stwierdzono przy tym niską konkurencyjność inwestycji na Ukrainie i wzrostu gospodarczego.