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**STRATEGIC DOMINANTS OF FORMING AND DEVELOP-
MENT
OF INVESTMENT CAPACITY IN TRANSITION ECONOMY**

Abstract: The paper argues that investment is of the decisive importance for securing the living activity and development of national economy in

current unstable conditions. If to consider economy as a single integral organism, the investment plays the role of the blood circulatory system, without which the organism has no opportunities for survival and development. The volumes of investment in the economy significantly depend on the level of its investment capacity, i.e. ability to form investment resources and efficiently use and accumulate them. The fact that the research of the processes of forming and efficient use of investment capacity of the national economy is of an utmost scientific and practical importance, especially considering the instability and substantial turbulence of macroeconomic, social and geopolitical conditions, is emphasized. Stabilization of economic processes and revival of sustainable economic growth are proven to remain the most essential problems at current stage of market economy transformation in Ukraine, accompanied by considerable instability in economic, international, political and legal environments. Their successful solution brings to the fore the need to develop efficient mechanisms of forming, accumulation and enhancement of the efficiency of investment capacity realization that requires preliminary analysis of its major sources and opportunities of their mobilization in unstable conditions. The authors prove that currently the most important task is to search for financial, foreign economic, political and social balance in order to secure stable conditions of national economy development and to promote the growth of investment capacity by improvement of investment climate, bringing the economy out of shade and attraction of foreign investment.

Keywords: national economy, investment capacity, investment multipliers, economic growth

JEL classification: O22

Introduction

Analysis of main trends of investment capacity forming in Ukraine has shown that significant political uncertainty, dynamism and in some periods turbulence of socio-economic processes that accompany the gradual but not successful enough transition to market economy with the features of sustainable innovative development significantly hamper the processes of forming, attraction and efficient use of investment capacity. Lack of systemic nature, conformity and proper coordination of mechanisms of investment climate improvement at various stages of public governance contribute to the level of uncertainty, which is a disincentive for investors

to put money in the long-term projects of innovative nature, especially in the real economy sector.

The practice of developed countries shows that the investment strategy that takes into account the available capacity and opportunities of socio-economic development with the change of macroeconomic and global conditions and possible barriers and limits in the process of achievement of the country's strategic goals is an important development defining factor and coordinating instrument.

The paper aims to reveal and explain the strategic dominants of forming and development of investment capacity in the transition economy.

Main section

Strategic aspects of investment activity regulation and forming of investment policy in Ukraine are outlined in the works of many domestic scientists. However, no single complex document that defines strategic priorities, measures and mechanisms of investment maintenance of economy development in strategic perspective has been developed at the state level yet. Lack of clear legally defined investment strategy and investment policy as an instrument of strategic tasks implementation in the sphere of forming, development and implementation of the country's investment capacity stipulates the chaotic nature and randomness of managerial decisions, contributes to deepening of inter-industry, sectoral and regional disparities and reduces the level of predictability of economic processes.

There is also no single approach to interpretation of the nature of investment strategy of national level, its functions, components and methods of forming. According to Filimonova O.B., "investment strategy should be considered as a component of general strategy of functioning of national economy, which is a set of investment activity goals and program of measures to achieve them structured in the long-time perspective, inter-related with production and financial activity and directed at improvement of the efficiency, profitability and competitiveness of national economy, or those combining economic goals with achievement of social or ecological effects" (Filimonova, 2008).

Slobodyanyuk N.O. emphasizes that the investment strategy of national economy development should stipulate the following:

- creation of macroeconomic conditions that promote entrepreneurial activity in economic space of Ukraine and achievement of acceptable rate of return;
- incentives of creation and accumulation of financial resources in the country;
- forwarding the resources of credit-financial sphere to investment in real economy sector based on coordination of monetary and fiscal policies with the tasks of investment strategy;
- growing financial resources of population, domestic enterprises and the country as well as incentives for their forwarding to investing in real economy sector;
- introduction of a regimen of budgetary savings and strengthening of their role as the macroeconomic regulator and the component of investment capacity;
- creation of favourable conditions to attract foreign investment and to use it for carrying out of planned structural changes and improving of the ability of national economy to absorb the investment;
- attracting the capital that evades taxation due to being transferred abroad into the national economy by blocking the channels of illegal money outflow abroad (Slobodyanyuk, 2017).

Based on conducted research we can conclude that investment strategy at the level of national economy is the integrated complex system of inter-related goals, mechanisms and instruments that encompass the broad circle of socio-economic, scientific-technical and political scientifically-grounded and properly approved decisions, which are coordinated by directions, periods and responsible parties and are directed at maintaining the efficient forming, reproduction and use of investment capacity, while keeping the balance of public and business interests.

Taking into account the current socio-economic situation of Ukraine, consolidation of investment and innovation strategies into the single efficient mechanism is an important precondition of overcoming the crisis, which should become a peculiar “springboard” capable to outdo the

growing gap between the needs of socio-economic development, stabilizing and strengthening of competitive positions and available trends of gradual deindustrialization and resource-based existence.

In this context we agree with considerations of Dyh M.V., who contemplates that “the country lacking access to basic technologies of dominating technological pattern will inevitably be caught in economically and politically dependent environment, which will further solidify through inequivalent foreign trade exchange. Consequently, the country has every chance to become a long-time payer of intellectual rent to highly developed countries, which have already created a powerful capacity of science-intensive production and information technologies. Moreover, the lack of efficient mechanisms of innovative development management usually cannot transform scientific-technological sphere into the driving force of national economy development due to insufficient investment necessary for support of highly capitalized production and lack of weighted investment policy directed at active stimulation of development of domestic industrial production, leading to even more negative consequences” (Duha, 2013).

By all means, the investment strategy is a derivative (maintaining) strategy with regard to the general sustainable development strategy of the country. Its implementation should completely secure the funding of the types and spheres of domestic economic system that are top-priority for achievement of sustainable development goals. Therefore, it is only natural that investment capacity estimated from the viewpoint of its correspondence to achievement of the country’s strategic development goals is the object of forming of national economy’s investment strategy.

Currently the Sustainable Development Strategy “Ukraine 2020” approved by the decree of the President of Ukraine as of 12 January 2015 №5/2015 is the major strategic document of Ukraine’s development that serves as the benchmark in making decisions by Parliament and Government (Decree of the President of Ukraine, 2015).

Unfortunately, as of the late 2018 the condition of strategy implementation is unsatisfactory, in particular in the sphere of economy’s transition

to the innovation-oriented model, growing exports of goods with high added value, providing economic and food safety, etc.

Execution of administrative, legal and organizational elements of the strategy implementation is also at quite a low level. In particular, the report “On Execution of the Plan of Activities Stipulated by the Strategy “Ukraine-2020 in the Sphere of Public Governance” prepared by the experts group “Reform of Public Administration” (Cabinet of Ministers of Ukraine, 2019) provides that as of the late first half of 2018 the activities stipulated by the strategy by the end of 2018 were executed by 47% (115 out of 165 planned activities). The hampering factors are mostly the lack of understanding in coalition preventing the adoption of important laws necessary for successful reform implementation and lack of any responsibility of officials but political for implementation of activities stipulated by the strategy within their functional liabilities and competences.

In 2017, the Government of Ukraine presented the National Report “Sustainable Development Goals: Ukraine” that defines the basic goals of Ukraine’s development till 2030 and the list of reforms and activities that contribute to their implementation (Cabinet of Ministers of Ukraine, 2016). The document systematizes and adapts 17 global goals of sustainable development shared by all countries in the world depending on the specifics of national development. The goals have distinct indicators of sustainable development broken down by 5 years till 2030. They can be used for monitoring of Ukraine’s development efficiency on its way of reforms. The list of strategic goals of sustainable development lacks the goals regarding the forming of investment capacity and investment is considered only as the instrument of implementation of development goals in industrial sector, technologies and innovation activity. However, the document defines state priorities of guiding investment flows, namely:

- development of innovations and creative economy;
- infrastructural projects;
- high-value-added production;
- development of agriculture;
- human capital.

Based on the conducted research, the place and role of investment strategy in the system of national economy strategic development is determined and shown in Fig. 1.

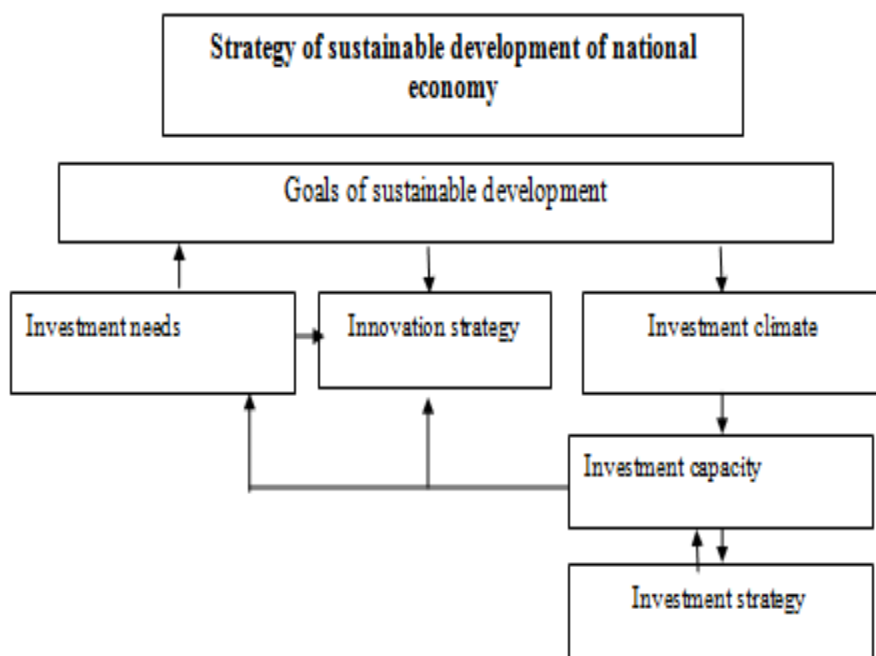


Figure 1. **Place of investment strategy in maintaining the sustainable development of national economy**

Source: Compiled by the authors.

In authors' opinion, main function of investment strategy in securing sustainable development is to define main sources of attraction and forming of investment capacity in the volumes necessary for the most complete implementation of priority goals and forming of the mechanisms of efficient redistribution of investment flows among the industries, sectors, regions and types of economic activity for the most efficient realization both from the viewpoint of the state and of the business.

Taking into account the conducted research and outlined considerations, we conclude that the investment strategy should correspond to the following requirements:

- clear substantiation of activities that promote forming of investment capacity at the level of economic entities, population and budgets of all levels;
- increasing of the efficiency of the use of budget investment resources of all levels;
- maintaining the priority of investment in strategically important economy sectors as well as stimulating of innovative form of investment at the macrolevel;
- forming of incentives to forward accumulated investment resources to investment in real economy sector based on the defined benchmarks;
- granting economically grounded preferences for long-term investment projects that stipulate further reinvestment of some share of profits and are directed in priority economy areas from the viewpoint of sustainable development;
- priority of meeting the needs of investment policy with implementation of the measures of monetary, customs, financial and credit policies.

The practice of developed countries shows that a country is the major entity of forming and implementation of investment strategy at national level. The country is a participant of two parallel processes at the same time:

- 1) it creates conditions for attraction of private investment to the economy and mechanisms of forwarding investment flows to priority industries and areas;
- 2) it serves as investment activity entity by investing money to receive profit and solve socio-economic problems.

Therefore, directions of state participation in implementation of investment strategy should look as follows (Fig. 2). Forming of investment strategy is the basis for development of efficient investment policy. Kudryavtseva V.V. mentions that “investment policy of the country should be understood as a separate component of its economic policy, which constitutes a systemic and targeted activity of the defined public authorities in terms of creation and implementation of a specific algorithm of measures with the view to activate or restrain the parameters of function-

ing of investment market or its separate segments by forming of relevant legal framework of investment relations, application of necessary means of its public regulation and direct participation of the state as an entity of this relations, which are based on the coherent model of the market enshrined in state program of investment development” (Kudryavtseva, 2016).

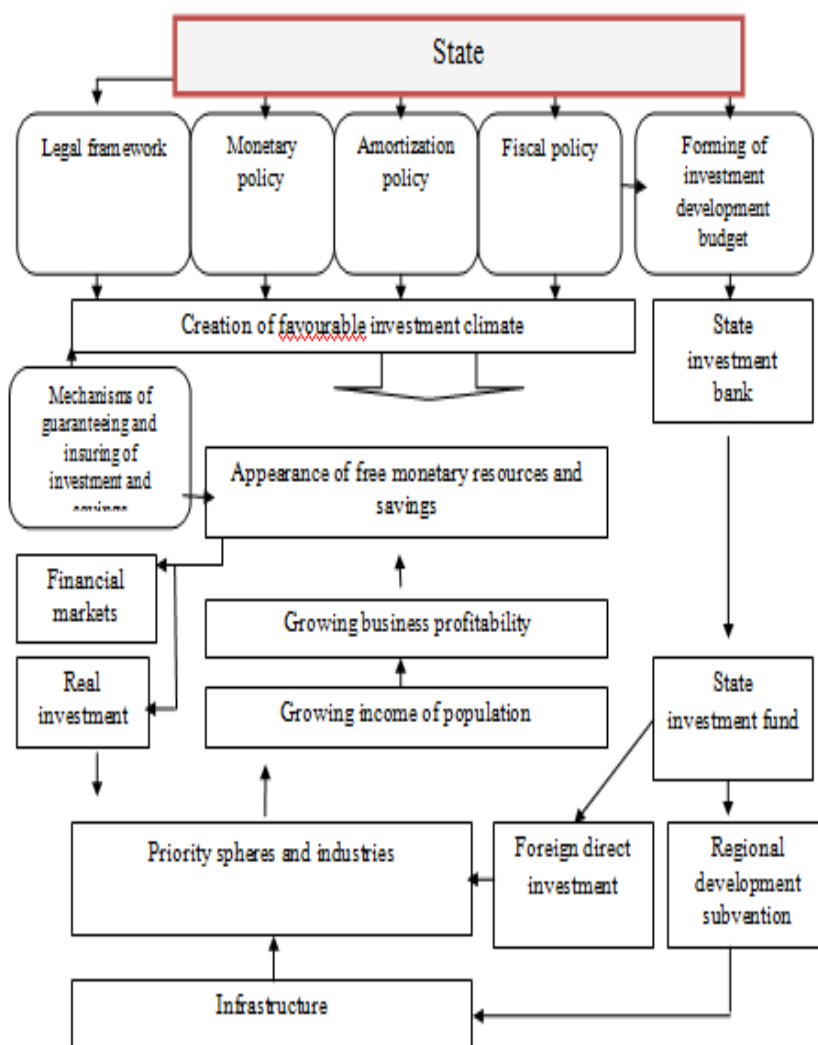


Figure 2. **Participation of a state in implementation of an investment strategy**

Source: Compiled by the authors.

Therefore, investment policy should be considered as a long-term adaptive instrument of adjustment of investment market in conditions of instability that is applied and reproduced at macro-, meso- and micro-levels and directs investment development of socio-economic system in correspondence with the selected strategic vector.

According to Hrytsenko L.E., “the nature of investment policy is defined by the degree of state intervention in economic processes, level of integration of this policy with other public institutions, including fiscal, financial and credit, amortization, licensing, price, income and employment policies, attraction of foreign investment as well as legal framework and overall administrative structure” (Hrytsenko, 2015).

Further, Dyha M.V. while considering investment strategy in the context of innovation priorities argues that “it is necessary to secure meeting the following requirements for successful realization of investment-innovation strategy:

- coherence of the volumes of investments that can be directed at innovations with resources capacity of economic entities (region or country);
- availability of efficiently operating companies-explorers on the market; coherence of planned innovation-based investments with general economic conditions (Duha, 2013]. According to strategic approach, the process of forming of investment strategy stipulates the range of main interrelated stages systematized in the relevant algorithm (Fig. 3).

The algorithm suggests that strategic investment goals are the major criteria in development of investment strategy. They are directed at securing sustainable economy development, intensification of innovation activity and reduction of interregional imbalances displayed in quantitative indicators with the defined planning horizon and are agreed at strategic level with macroeconomic goals of draft State Sustainable Development Strategy “Ukraine 2030”.

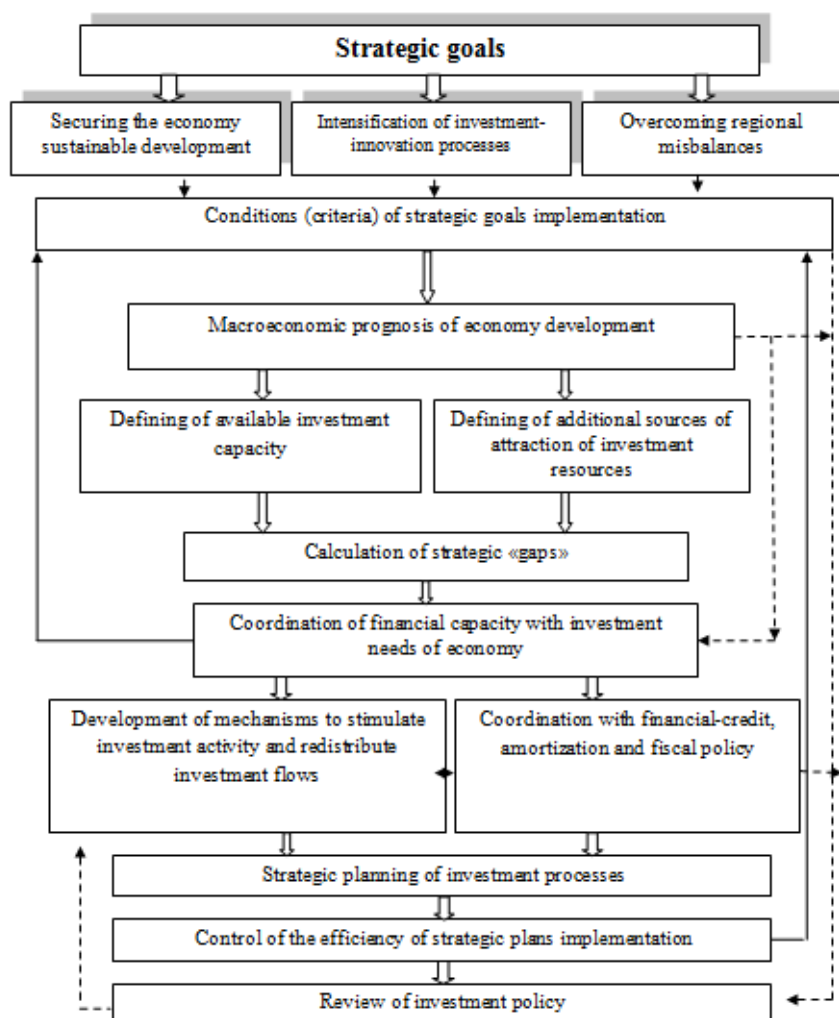


Figure. 3. **Process of forming of investment strategy in conditions of economy transformation**

Source: Compiled by the authors.

Conclusion

In the process of research, the fact that no single complex document defining strategic priorities, measures and mechanisms of investment maintenance of economy development in strategic perspective has been developed at state level was revealed. Lack of clear legally defined investment strategy and investment policy as an instrument of strategic tasks implementation in the sphere of forming, development and imple-

mentation of the country's investment capacity stipulates the chaotic nature and randomness of managerial decisions, contributes to deepening of inter-industry, sectoral and regional disparities and reduces the level of predictability of economic processes.

The paper substantiates an algorithm of investment strategy forming in conditions of current transformations of national economy that will contribute to systemic and balanced nature of making strategic investment decisions in conditions of changes and its implementation will secure meeting the goals of economy's sustainable development.

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