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STATE SUPPORT OF INVESTMENT PROJECTS AS A WAY OF THE COUNTRY'S ECONOMIC AND SOCIAL GROWTH DURING THE POST-WAR RECONSTRUCTION

The article has been grounded that the state's economic and social growth directly depends on the effectiveness and efficiency of investment activities, which correlates with the implementation and support of investment projects. The authors prove that the significance of an investment project depends on the quality of the written business plan, the correctness of the project's selection and expertise, the quality of its management, and the timeliness and optimality of the financing of each stage. The authors emphasize that as a result of the deployment of a full-scale war by the Russian Federation against Ukraine, more than a third of industrial enterprises stopped working, and significant amounts of investment are needed to rebuild the destroyed capacities of enterprises. The article has proved that an important mechanism for stimulating the investment activity of enterprises is state support in the form of compensation of part of the interest rate, provision of state guarantees for loans, etc.

Keywords: project; investment; management; organization; project's expertise; investment management; growth; state support.

Formulation of scientific problem and its significance. Ukraine has irreversibly entered the path of market transformation. Investment problems are constantly in the field of scientific research. This is due to the fact that investment resources make it possible to introduce advanced technologies, the latest equipment, innovative forms of labor organization, and production management. Innovations, new technologies, and organizational solutions enable enterprises to get out of crisis situations, ensuring high product and enterprise competitiveness. The state's economic and social growth directly depends on the effectiveness and efficiency of investment activities, which correlates with the implementation and support of investment projects. The significance of an investment project depends on the quality

of the written business plan, the correctness of the project's selection and expertise, the quality of its management, and the timeliness and optimality of the financing of each stage. The state provides support in various forms for the implementation of various types of investment projects. However, constant changes in legislation require tracking the specifics of the forms and mechanisms of such support. In view of this, the study of the problems of state support of investment projects is relevant and timely.

Analysis of recent research and publications. Domestic and foreign scientists, such as I. Blank, L. Borshch, T. Mayorova, V. Martynenko, E. Matviishyna, M. Melnyk, A. Merzlyak, A. Peresada, V. Fedorenko, O. Chemerys, etc., were engaged in the study of various problems of investment activities. A significant part of these works is devoted to the problems of investment projects financing. However, despite the comprehensiveness of research in the field of investment management, today there is a rather limited number of publications that investigate the issue of state support for the implementation of various types of investment projects.

The purpose of the article is to study the features of various types of investment projects and mechanisms of state support for ensuring the country's economic and social growth.

Presentation of the main material. As a result of the deployment of a full-scale war against Ukraine by the Russian Federation, more than a third of industrial enterprises stopped working [1]. According to estimates of the Kyiv School of Economics, from the beginning of the war until September 2022, 412 industrial enterprises were damaged and destroyed, including large and medium-sized facilities in the eastern and southern regions of Ukraine [2]. According to the results of 2022, the total amount of direct losses of enterprises is estimated at \$13 billion [3]. Reconstruction of the destroyed production capacities of enterprises requires significant amounts of investment. According to a joint assessment published on March 23, 2023 by the government of Ukraine, the World Bank Group, the European Commission and the United Nations, Ukraine's needs for recovery and reconstruction have increased to \$411 billion. Reconstruction and restoration costs are expected to span ten years and will be financed by both public and private funds.

Despite the familiarity of use in the scientific and practical circulation of the term «investment project», approaches to its definition are ambiguous.

According to the Law of Ukraine «On Investment Activities», an investment project is a set of measures (organizational-legal,



managerial, analytical, financial, and engineering-technical), determined on the basis of the national system of values and tasks of innovative development of the national economy and aimed at the development of certain industries, sectors of the economy, industries, regions, the implementation of which is carried out by subjects of investment activity in accordance with the provisions of the law [4]. With the help of an investment project, an important task is solved to clarify and justify the technical feasibility as well as the economic feasibility of creating an object of entrepreneurial activity of a chosen target orientation.

In accordance with the Law of Ukraine «On Stimulating Investment Activity in Priority Sectors of the Economy for the Purpose of Creating New Jobs», an investment project in a priority sector of the economy is an investment project that is expected to be implemented at a newly established or existing enterprise, which will be reconstructed or modernized (on the mandatory condition of the selection of a separate structural unit on which the investment project will be implemented) and which simultaneously meets the following criteria:

a) the average salary of the company's employees is at least 2.5 times higher than the minimum salary of the reporting year;

b) the total estimated cost of the project exceeds: 3 million euros (for large business entities); 1 million euros (for medium-sized enterprises); EUR 0.5 million (for small business entities);

c) the number of new jobs created exceeds: 150 (for subjects of large entrepreneurship); 50 (for medium-sized enterprises); 25 (for small business entities) [5].

Own funds of Ukrainian enterprises are limited. In nine months of 2022, 43.5% of Ukrainian enterprises suffered losses in the amount of UAH 118 billion. During the same period in 2021, domestic enterprises had a profit of UAH 392.7 billion; 75.4% of enterprises were profitable.

Bank lending to enterprises for investment purposes in wartime conditions is highly risky for banking institutions. And consumers of bank credit services are offered unattractive conditions for obtaining them: the weighted average interest rate of deposit corporations on loans in the processing industry in February 2023 was 18.5% (the average for the economy is 17.1%).

Therefore, at present, state support is an important mechanism for stimulating investment activity.

The Law of Ukraine «On Investment Activities» defines the following forms of state support for the investment projects implementation:

1) co-financing the implementation of investment projects from the state budget;

2) provision of state guarantees for the implementation of investment projects in order to ensure the fulfillment of debt obligations for borrowings;

3) lending from the state budget to business entities implementing investment projects;

4) full or partial compensation for state budget funds, interest on loans of economic entities, etc. [4].

To monitor the investment projects implementation that have received state support, these projects are entered into the State Register of Investment Projects.

The list of priority sectors of the economy is determined by the Cabinet of Ministers of Ukraine. Such branches of the economy are agro-industrial complex (production, and storage of food products, in particular baby food, biofuel); residential and communal complex (creation of waste management facilities; as well as construction, reconstruction, and technical re-equipment in the field of heat and water supply and drainage); machine-building complex (production of new types of computers, electronic and optical products, machines and equipment, vehicles); transport infrastructure (construction, reconstruction and technical re-equipment of transport infrastructure); resort and recreation sphere and tourism (construction of resort and recreation facilities and tourist infrastructure facilities); processing industry (metallurgical production) [5].

State support for investment activity in priority sectors of the economy is carried out in the following forms:

1) by financing the implementation of investment projects from state or local budgets; the amount of funds allocated to state support is determined annually by the Law on the State Budget;

2) preferential taxation of business entities implementing investment projects (income tax rates are: until 2018 – 0%; from 2018 to 2023 – 8%; from 2023 – 16%); until 2023, depreciation of fixed assets is calculated using the method of accelerated reduction of their residual value;

3) preferential taxation with import duties of business entities implementing investment projects (until 2018, equipment (equipment) and accessories for it are exempt from import duties, provided that the specified goods: are not subject to excise duty; were manufactured no more than 3 years before the state registration of the investment project; are not produced and have no analogs in Ukraine).



Investment projects in priority sectors of the economy, which involve the use of state support, are subject to state registration by the Ministry of Economic Development.

To date, state support for investment projects is carried out in the form of compensation of part of the interest rate, provision of state guarantees for loans, etc. Yes, the program is implemented within the framework of the project «Affordable loans 5–7–9%». Under this program, the state compensates business entities for part of the credit burden; loans can be issued for investment purposes or to replenish the working capital of enterprises.

However, currently the program is rather weak in stimulating investment activity – UAH 10.9 billion has been allocated for investment goals for 2023. Taking into account the priority of the financing goals of the current period, entrepreneurs took the most anti-crisis loans – UAH 62.3 billion, as well as loans for anti-war purposes - UAH 51.6 billion; UAH 28.7 billion was taken to refinance previously received loans.

The CMU Resolution «On Amendments to the Procedures Approved by Resolutions of the Cabinet of Ministers of Ukraine dated January 24, 2020 No. 28 and July 14, 2021 No. 723» extended the program to enterprises destroyed during the war. Entrepreneurs of such enterprises can receive a loan for the restoration of production facilities at 9% per annum for up to five years in the amount of up to UAH 60 million. Fulfillment of obligations under such loans is partially (up to 80%) secured by a state guarantee [6]. A new or renewed enterprise cannot be located closer than 50 km to the battle line.

The deficit of budget funds, caused by the conditions of martial law, led to the emergence of debts in the Entrepreneurship Development Fund to banks for the payment of the compensatory difference in interest rates. In fact, the burden of repaying the full interest rate in many cases falls on entrepreneurs, as a number of banks refuse to work under this program.

In order to optimize budget expenditures, on March 14, 2023, the Resolution of the CMU «On Amendments to Certain Resolutions of the Cabinet of Ministers of Ukraine Regarding the Provision of Financial State Support to Business Entities» was adopted [7]. The financing program at 0% per annum was canceled (financing aimed at preventing and overcoming the consequences of the COVID-19 pandemic and military aggression, including the refinancing of such loans was excluded), the base rate was increased, and the compensation rate was increased to 5–7–9% per annum.

Currently, there are following investment incentives within the legislative and regulatory field:

1. State support for large investment projects to attract strategic investors to the economy of Ukraine in the following way [8]:

- exemption from paying the corporate income tax and customs duties when importing new equipment into the customs territory of Ukraine;
- granting the right to use a plot of land for the implementation of an investment project with the payment of rent under special conditions;
- provision of adjacent infrastructure objects (roads, communication lines, means of heat, gas, water and electricity supply, engineering communications, etc.) because of the construction/reconstruction of such infrastructure at the state's expense.

At the same time, the total amount of state support should not exceed 30% of the amount of investment in the project; the amount of the investments in investment objects during the implementation period of the investment project with significant investments must exceed the amount equivalent to 20 million euros.

2. Support for the development of industrial parks; this will be facilitated by the implementation of the following initiatives:

- amendments to the Customs and Tax Codes of Ukraine: exemption from import VAT and import duty on equipment; exemption from income tax for 10 years; authorization of local self-government bodies to grant benefits in the payment of local taxes;
- approval of the mechanism for using the tax-exempt funds for industrial park participants; the released funds can be directed to the development of the activity of the industrial park participant in the creation or re-equipment of the material and technical base, increase in production volume, implementation of the latest technologies;
- determination of the financing mechanisms for the arrangement of private enterprises and interest rate compensation for loans for the arrangement or implementation of economic activities within their limits.

In addition to the above, it is important to introduce tax benefits for enterprises that invest funds in fixed capital, such as, in particular, the formation of special investment reserves; introduction of investment allowances; benefits for reinvestment; innovative investment.

It is worth noting that the needs of wartime and post-war economic reconstruction require a clearer outline in the Government's Priority Action Plan for 2023 of directions and steps to create conditions for



investment in processing enterprises. The launch of this process will contribute to a powerful positive synergistic effect in related sectors (agriculture, transport, energy, etc.), acceleration of reforms in all areas, and stimulation of structural changes in the economy.

It is important to intensify the dialogue regarding the expansion of access to financial instruments, financial and technical support programs of the EU (in the context of using the opportunities provided by Ukraine's status as a candidate country for joining the EU, the EU's support for Ukraine in a full-scale war with the Russian Federation - with the aim of attracting investments in Ukrainian projects to rebuild Ukraine's industrial potential), as well as regarding the participation of EU donor organizations in private investment projects.

As part of the investment case, there is project viability. The viability of the project is evaluated in terms of cost, implementation time, and profitability. Qualitative assessment allows you to identify the reliability, payback, and effectiveness of the project. Project viability means its ability to generate cash flows not only to compensate for invested funds and risk but also to make a profit.

When making a decision on investing money in a project, project expertise plays an important role. Expertise is an assessment of a project in order to prevent the creation of objects whose use violates the interests of the state, and the rights of individuals and legal entities or does not meet the established requirements of standards, as well as to determine the effectiveness of investments made.

It is worth mentioning that the experience of states with developed market economies shows that the most important component of improving the efficiency of state support of the economy is associated with the introduction of market mechanisms and the involvement of private businesses in public goods production. The possibilities of partnership between the state and business in solving such issues in our country are still limited due to the underdevelopment of market relations and the low motivation of the private sector. At the same time, in the long term, as the necessary institutional prerequisites are formed and developed, such interaction can provide a solution to many socio-economic problems.

Conclusions. Thus, it is worth noting that the needs of wartime and post-war economic reconstruction require a clearer outline in the Government's Priority Action Plan of directions and steps to create conditions for enterprise investment. The launch of this process will contribute to a powerful positive synergistic effect in related sectors

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ДЕРЖАВНА ПІДТРИМКА ІНВЕСТИЦІЙНИХ ПРОЄКТІВ ЯК ШЛЯХ ЕКОНОМІЧНОГО ТА СОЦІАЛЬНОГО ЗРОСТАННЯ КРАЇНИ У ПЕРІОД ПІСЛЯВОЄННОЇ ВІДБУДОВИ

У статті обґрунтовано, що економічне та соціальне зростання держави напряму залежить від результативності та ефективності інвестиційної діяльності, яка корелює з реалізацією та підтримкою інвестиційних проєктів. Автори доводять, що значущість інвестиційного проєкту залежить від якості написаного бізнес-плану, правильності відбору та експертизи проєкту, якості управління ним, своєчасності та оптимальності фінансування кожного етапу. Так, життєздатність проєкту оцінюється з точки зору вартості, часу реалізації та рентабельності. Якісна оцінка дозволяє визначити надійність, окупність і ефективність проєкту. При прийнятті рішення про вкладення коштів у проєкт важливу роль відіграє експертиза проєкту, тобто оцінка проєкту з метою запобігання створенню об'єктів, використання яких порушує інтереси держави, права фізичних і юридичних осіб або не відповідає встановленим вимогам стандартів, а також для визначення ефективності здійснених інвестицій. Автори наголошують, що внаслідок розгортання Російською Федерацією повномасштабної війни проти України більше третини підприємств припинили роботу, а для відновлення зруйнованих потужностей підприємств потрібні значні обсяги інвестицій. У статті доведено, що важливим механізмом стимулювання інвестиційної діяльності підприємств є державна підтримка у вигляді компенсації частини відсоткової ставки, надання державних гарантій за кредитами тощо. В статті підкреслено, що на сьогодні, в межах законодавчого і нормативно-правового поля діють такі інвестиційні стимули як: державна підтримка

великих інвестиційних проєктів для залучення в економіку України стратегічних інвесторів, а також підтримка розвитку індустріальних парків.

Ключові слова: проєкт; інвестиції; управління; організація; експертиза проєкту; управління інвестиціями; зростання; державна підтримка.

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