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Analysis of the Stage of Formation of the State Financial Policy of Intensification of Investment Activity in Ukraine

Abstract

The issue of the state's stimulating influence on the economy in order to intensify investment activity in the country is constantly in the field of view of scientists and practitioners. One of the most effective areas of such influence is the financial policy of the State, which is the *subject of the study*. The *aim* of the study is to analyze the state of formation of the State financial policy of intensification of investment activity. The *research methodology* involves an analysis of regulatory legal acts and an analysis of the state of research on the state financial policy of intensifying investment activity in the scientific environment. *Results*. The current state of formation of the state financial policy of intensification of investment activity in Ukraine is characterised by the absence of the concept and strategy of the state financial policy of intensification of investment activity, and the regulatory support is implemented in the national legislation through the regulation of the instruments of the state financial policy of intensification of investment activity without proper conceptual and strategic justification of the technology of their practical application.

Keywords

concept, strategy, state financial policy of intensifying investment activity

JEL: G32, G18, F21, O16



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1 Introduction

Proceeding from the fact that the formation of the state financial policy of intensification of investment activity is understood, inter alia, as the activities of the state to substantiate the concept, develop a strategy and regulate the legal environment in the field of capital accumulation as an asset and stimulate its effective use, it is necessary to monitor the actual state of formation of the state financial policy of intensification of investment activity in three main areas:

- 1) assessment of the actual state of the conceptual justification of the state financial policy of intensifying investment activity;
- 2) diagnostics of the state of formalisation of the state financial policy strategy for intensifying investment activity;
- 3) analysis of the actual state of legal support for the state financial policy of intensifying investment activity.

The problem of the conceptual justification of the state financial policy, i.e., the intensification of investment activity in the war and post-war conditions of the Ukrainian economy, is an urgent task that needs to be addressed.

2 Conceptual Justification of the State Financial Policy of Intensification of Investment Activity

The assessment of the actual state of the conceptual justification of the state financial policy of intensification of investment activity will be considered in the context of two aspects: the availability and status of legal acts regulating the conceptual foundations of the state financial policy of intensification of investment activity and the state of the conceptual justification of the state financial policy of intensification of investment activity in the scientific environment.

The results of a search in the database of the Verkhovna Rada of Ukraine for regulatory acts using

the keyword "concept" and their analysis revealed the following.

1. There is no concept of state financial policy aimed at stimulating investment activity.

2. Lack of a state financial policy concept.

3. Absence of a concept of state economic policy.

4. There are separate concepts relating to different aspects of state financial policy (the concept of development of the public finance management system, the concept of state debt policy for 2001–2004, the concept of depreciation policy, the concept of a significant reduction in the number of tax privileges provided by law for the importation of goods into the customs territory of Ukraine).

5. There have been attempts to develop concepts for various aspects of state financial policy, which have not been successful.

On 29 October 1993, the Presidium of the Verkhovna Rada of Ukraine, considering the draft concept of preferential taxation, resolved: "Due to the fact that the adoption of the concept of preferential taxation will not contribute to the stabilisation of tax policy and given that this issue is envisaged in the Programme of Action of the Government of Ukraine for September-December 1993 and 1994, to remove it from control" (On the Draft Concept of Preferential Taxation).

On 3 March 1995, when considering the draft Concept of Tax Policy in Ukraine, the Verkhovna Rada of Ukraine resolved: "1. To reject the Concept of Tax Policy in Ukraine submitted by the Cabinet of Ministers of Ukraine. 2. To entrust the Cabinet of Ministers of Ukraine together with the Commissions of the Verkhovna Rada of Ukraine on Finance and Banking, on Economic Policy and Management of the National Economy, on Budget, on Basic Industries and Socio-Economic Development of Regions, on Agricultural Complex, Land Resources and Social Development of Rural Areas to submit in March 1995 to the Verkhovna Rada of Ukraine the Basic Provisions of Tax Policy in Ukraine" (On the Draft Concept of Tax Policy in Ukraine).

6. No unified approach to the time horizon of the concepts.

Thus, the legislative environment contains concepts with a limited period of validity (the concept of state debt policy for 2001–2004, etc.) and concepts with an unlimited period of validity (the concept of depreciation policy, the concept of a significant reduction in the number of tax benefits provided by law in case of importation of goods into the customs territory of Ukraine, etc.).

7. Inconsistency in the development and formalisation of concepts.

Thus, on 14 February 1996, the Verkhovna Rada of Ukraine resolved: "To entrust the Standing Committee of the Verkhovna Rada of Ukraine on Agricultural Sector, Land Resources and Social Development of Rural Areas together with the

Standing Committee of the Verkhovna Rada of Ukraine on Finance and Banking to develop a Concept of Tax Policy in the Agricultural Sector, with land tax as its main component, and to submit it to the Verkhovna Rada of Ukraine by 1 September 1996." In fact, there is no concept of tax policy in the agricultural sector in the Ukrainian legislative field to this day.

8. There is no concept of economic development of the state.

At the same time, there are concepts for the economic development of some of its territories (the concept of the programme for sustainable socio-economic, environmental and cultural development of Sevastopol for 2006–2015; the concept of economic development of Donetsk and Luhansk oblasts). Moreover, the legislative framework includes the Order of the Cabinet of Ministers of Ukraine of 10.10.1991 No. 283-p "On Preparation of Certain Sections of the Concept of Economic Development of Ukraine". In fact, there is still no regulatory framework for the economic development of Ukraine.

9. The formalisation of the conceptual justification of various areas of state policy in national legislation is a common practice. This is evidenced by the concepts of depreciation policy, state debt policy, state innovation policy, national information policy, state industrial policy, state housing policy, agricultural policy, etc.

10. The existence of a concept is a necessary but not sufficient condition for the effectiveness of public policy. This is exemplified by the existing conceptual framework for Ukraine's anti-corruption policy (the Concept of Fighting Corruption for 1998–2005 and the Concept of Overcoming Corruption in Ukraine "Towards Integrity") and the high level of corruption in the country.

Turning to the analysis of the state of conceptual justification of the state financial policy of intensification of investment activity in the scientific environment. First of all, it is worth noting that the term "concept" is interpreted by scholars and practitioners in somewhat different ways. For example, scientists define a concept as "a system of views, ideas about certain phenomena or processes, a way of understanding and interpreting them; the basic idea of any theory, the main idea; an idea or plan for a new, original understanding" (Encyclopedia of Modern Ukraine). Practitioners, on the other hand, are accustomed to understanding the concept as a specific regulatory document in which the "system of views" is presented in a formalised structured form. In essence, there are two possible forms of existence of the concept of the state financial policy of intensification of investment activity: as a set of scientific views and as a document suitable for its regulation in legislation for the purpose of practical implementation.

Different aspects of the conceptual support of the state financial policy of activation of investment activity as a set of scientific views were studied by Desiatniuk O. M. (Yurii, Desiatniuk, 2008), Zymovets V. V. (Zymovets, 2010), Ivashko O. A. (Ivashko, 2011), Krysovatyi A. I. (Krysovatyi, 2015), Yurii S. I. (Yurii, Desiatniuk, 2008). Among the scientists who managed to develop the conceptual foundations of various aspects of the state financial policy of intensification of investment activity and present them in a formalised form, it is worth noting Maiorova T. V. (developed the concept of formation of the state financial and credit policy in the investment sphere) (Maiorova, 2015; Maiorova, 2013), Demianyshyn V. H. (developed the conceptual foundations of the financial policy of investment and innovation development of Ukraine and the budget doctrine of Ukraine) (Demianyshyn, 2014; Demianyshyn, 2018) and Myskina O. O. (developed the concept of improving the tax regulation of investment activity and improved the concept of depreciation policy in Ukraine) (Myskina, Myskin, 2017; Myskina, 2012). However, despite the fact that the developments of scientists have a clearly structured formalised form, these concepts have not been brought to regulation in national legislation. This indicates the existence of problems with the transformation of scientifically valuable and practically significant developments of scientists into the domestic practice of forming and implementing the state financial policy of intensifying investment activity.

3 Formalisation of the Strategy of the State Financial Policy to Intensify Investment Activity

A search of the Verkhovna Rada of Ukraine's database of legal acts using the keyword "strategy" and their analysis revealed the following. First, the Ukrainian legislative field lacks strategies for state financial policy in general and for intensifying investment activity in particular.

Second, in the field of public finance management, the concept-strategy-practice relationship is clearly visible. For example, the concept for the development of the public finance management system, approved by Resolution No. 633-p of the Cabinet of Ministers of Ukraine dated 03.09.2012, was further developed in the strategy for the development of the public finance management system, approved by Resolution No. 774-r of the Cabinet of Ministers of Ukraine dated 01.08.2013. Moreover, the strategy for the development of the public financial management system itself has been constantly rethought, adapting to dynamic changes in the economy (while the concept of the development of the public financial management system has remained unchanged). This is evidenced by the following regulations:

- Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Strategy for Reforming the Public Finance Management System for 2017–2020" No. 142-p dated 08.02.2017;
- Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Action Plan for the Implementation of the Strategy for Reforming the Public Finance Management System for 2017–2020" No. 415-p dated 24.05.2017;
- Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Strategy for Reforming the Public Finance Management System for 2022–2025 and the Action Plan for its Implementation" No. 1805-p dated 29.12.2021.

The situation is very similar in the area of public debt management. In this area, the concept of the state debt policy for 2001–2004 approved by the Cabinet of Ministers of Ukraine in its Resolution No. 1483 of 28.09.2000 was developed into a medium-term strategy for public debt management, which, starting in 2010, was formalised through the Cabinet of Ministers of Ukraine Resolution No. 978 of 27.10.2010 "On Approval of the Procedure for Developing the Medium-Term Strategy for Public Debt Management and Control over its Implementation" with annual re-approval.

Given the above-mentioned legal acts in the field of public debt management, two circumstances deserve attention:

1) the concept of the state debt policy was adopted for 2001–2004 (which is not quite logical, since it is actually outdated);

2) the continuity in the strategic rationale for public debt management (when each subsequent strategy provided for the invalidation of the previous one) was broken in 2015–2017 (during this period, the medium-term public debt management strategy was not approved by the Cabinet of Ministers of Ukraine) and, as a result, the Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Medium-Term Public Debt Management Strategy for 2013–2015" No. 320 dated 29.04.2013 is still in force today.

These circumstances indicate the absence of a systematic approach to the implementation of the "concept – strategy – practice" model.

Third, the NBU takes a rather comprehensive approach to the scientific justification of its strategic directions. Thus, the legal framework of Ukraine includes the NBU's Decision No. 37-рД "On the Monetary Policy Strategy of the National Bank of Ukraine" dated 13 July 2018, Decision No. 769-рш "On Approval of the Currency Intervention Strategy of the National Bank of Ukraine" dated 29 December 2020, and Decision No. 261-рш "On Approval of the Currency Intervention Strategy of the National Bank of Ukraine for 2016–2020" dated 06 September 2016.

In this context, the Memorandum of Understanding and Cooperation between the National Bank of Ukraine, the National Securities and Stock Market Commission, the National Commission for State Regulation of Financial Services Markets, the Deposit Guarantee Fund and the Ministry of Finance of Ukraine on the preparation and implementation of the Financial Sector Development Strategy of Ukraine until 2025 is particularly noteworthy. It demonstrates the well-established interaction between the subjects of the state financial policy of Ukraine.

At the same time, the analysis of the content of the Strategy for the Development of the Financial Sector of Ukraine until 2025, which is published on the website of the National Bank of Ukraine, made it clear that the NBU is strategically aiming to achieve the following goals: effective regulation of the financial sector and improvement of supervisory approaches, transparent financial sector, resilience of the financial sector to challenges (shocks), improvement of the quality of corporate governance and risk management in the financial sector, ensuring the sustainability of public finances, facilitating lending to the economy, strengthening the protection of the rights of creditors and investors, creating conditions for attracting long-term resources, increasing the availability and level of use of financial services, and enhancing the protection of the rights of financial services consumers, improvement of the level of financial literacy of the population, promotion of the development of non-banking financial services markets, efficient capital market infrastructure, creation of liquid markets for financial instruments and mechanisms/tools to reduce the risks of financial transactions, integration of Ukraine's financial market into the global financial space, development of an open financial market architecture and overseas markets, ensuring the development of the FinTech market, digital technologies and regulatory platforms, supporting the development of SupTech & RegTech and the development of the digital economy (Strategies for the Development of the Financial Sector of Ukraine until 2025).

In the context of this paper, it is worth noting that the strategic goals of the National Bank of Ukraine do not include the intensification of investment activity. This indicates that the instruments of the monetary component of the state financial policy of Ukraine are mainly aimed at achieving the overall goals of the country's economic development.

Fourth, domestic legislation in the area of strategic support for the implementation of various aspects of state financial policy is sufficiently adaptive to changes in the country's economy. This is exemplified by the Order of the Cabinet of Ministers of Ukraine "On Approval of the Strategy

for Digital Development, Digital Transformation and Digitalisation of the Public Finance Management System for the Period up to 2025 and Approval of the Action Plan for its Implementation" No. 1467-p dated 17.11.2021 and the Order of the Cabinet of Ministers of Ukraine "On Approval of the Main (Strategic) Areas of Activity of Public Sector Banks for the Period of Martial Law and Post-War Economic Recovery" No. 356-p dated 07.05.2022.

Fifth, as early as 2011, the Cabinet of Ministers of Ukraine (when adopting the resolutions "On Approval of the Procedure for Developing, Monitoring and Evaluating the Results of Implementation of the State Regional Development Strategy" and "On Approval of the Procedure for Developing, Monitoring and Evaluating the Implementation of Regional Development Strategies") drew attention to the need to monitor and evaluate the results of strategy implementation. However, this useful practice has not been extended to other strategies.

Sixth, the wide range of anti-corruption strategies, given the high level of corruption in the economy, shows that any strategy is not an end in itself. It is a mandatory element of public policy, but not sufficient to achieve the expected result.

Seventh, qualitative changes in the strategy of formulating and implementing the state's economic policy are clearly visible.

Thus, the Decree of the President of Ukraine "On the Strategy of Sustainable Development "Ukraine – 2020" of 12.01.2015 No. 5/2015 mainly declaratively identified 62 reforms and development programmes to be implemented in the economic sphere. When describing the tax reform, there is no mention of creating preconditions for investment or intensifying investment activity, and the investment attraction programme is not disclosed at all (the strategy contains only its name) (On the Strategy for Sustainable Development "Ukraine – 2020").

The Resolution of the Cabinet of Ministers of Ukraine "On Approval of the National Economic Strategy for the Period up to 2030" No. 179 dated 03.03.2021, which was developed at the initiative of the President of Ukraine and the Prime Minister of Ukraine, reveals the economic policy of the state in general and the issues of intensifying investment activity in particular at a qualitatively new level.

Taking into account the provisions of the National Economic Strategy for the period up to 2030 on the need to "take it as a basis for the preparation of draft programme and strategic documents, draft laws and other legislative acts, draft action plans in the economic sphere" (On Approval of the National Economic Strategy for the period up to 2030), as well as the relevance and importance of the National Economic Strategy for the period up to 2030 as a basis for the formation and implementation of the state financial policy of intensifying investment

activity, let us consider it in more detail in the context of the purpose of this article.

Based on the results of the analysis of the dominant factors of the actual state of the economy, challenges and barriers, as well as measures to create the preconditions for the country's investment development (including the state financial policy tools), outlined by the National Economic Strategy, the patterns of the state financial policy to intensify investment activity, which are defined by the National Economic Strategy for the period up to 2030, were identified (Figure 1). The strategy of the state financial policy of intensification of investment activity should be developed with their consideration.

Having analysed the state of reflection of the strategy of the state financial policy of intensification of investment activity in the regulatory legal acts of Ukraine and having established that today there is no strategy of the state financial policy of intensification of investment activity in the legislative environment, the article will now proceed to monitoring the state of formalisation of the strategy of the state financial policy of intensification of investment activity in the works of scientists.

The analysis of scientific achievements of domestic scientists has shown that the strategy of the state financial policy of activation of investment activity as a separately formed document is not available today. At the same time, certain aspects of the strategic justification of the state financial policy in the field of stimulation of investment activity have been studied by scientists.

Thus, from the point of view of identification of strategic priorities, the intensification of investment activity was studied by Hutkevych S. O. (considered theoretical and practical issues of formation and implementation of the state investment strategy (Hutkevych, 2016)), Krakhina V. A. (developed a strategy for improving the infrastructure support of investment activity in the regions (Krakhina, 2014)), Babenko V. A. (focused on the state strategy for intensification of investment activity in Ukraine in general (Babenko, 2005)) and others. In the context of determining the strategic priorities of the state financial policy, it is advisable to highlight the work of Krysovatyi A. I. (who studied the methodological dominants of the strategy for developing tax, loan and transfer forms of financial support for the formation of a sustainable development society (Krysovatyi, 2015)), Myskin Yu. I. (who developed a strategy for the budget policy of ensuring the socio-economic development of Ukraine (Myskin, 2019) and Martyniuk V. V. (who described the pragmatics of developing and implementing the strategy of the state financial policy of innovative development (Martyniuk, 2017)).

4 Legal Support of the State Financial Policy of Intensification of Investment Activity

Therefore, according to the above, the concept and strategy of the state financial policy of intensification of investment activity are absent in the national legislation. As for the direct regulation of the practical application of the instruments of the state financial policy of intensification of investment activity, it can be divided into three groups: legal support for tax depreciation (Tax Code of Ukraine No. 2755-VI of 02.12.2010 (as amended) (Article 138), Order of the Ministry of Finance of Ukraine "On Approval of the National Accounting Regulation (Standard) 7 'Fixed Assets'" dated 27.04.2000 No. 92 and Decree of the President of Ukraine "On the Concept of Depreciation Policy" dated 07.03.2001 No. 169/2001), legal acts regulating the use of tax benefits (Tax Code of Ukraine dated 02.12.2010 No. 2755-VI (as amended) (Article 30) and Resolution of the Cabinet of Ministers of Ukraine "On Approval of the Procedure for Accounting for Amounts of Taxes and Duties Not Paid to the Budget by a Business Entity in Connection with Receipt of Tax Benefits" dated 27. 12.2010 No. 1233), and legal support for the implementation of public investments (Budget Code of Ukraine No. 2456-VI (as amended) dated 08.07.2010 (Article 33-1)).

5 Conclusions

Summarising the assessment of the conceptual justification, diagnostics of the strategy's formalisation and analysis of the legal support of the state financial policy of intensifying investment activity, the following conclusion can be made.

The actual state of formation of the state financial policy of intensification of investment activity in Ukraine is characterised by: absence of the concept of the state financial policy; absence of the concept of the state financial policy of intensification of investment activity; separate concepts are available for different aspects of the state financial policy (the concept of development of the public finance management system, the concept of the state debt policy for 2001–2004, the concept of depreciation policy); attempts to develop concepts of various aspects of the state financial policy, which were unsuccessful; lack of a unified approach to the time horizon of the concepts; lack of a strategy of the state financial policy to intensify investment activity; absence of a systematic approach to the implementation of the "concept – strategy – practice" model.

Regulatory and legal support is implemented through the regulation of the instruments of the state financial policy of intensification of investment activity without proper conceptual and strategic justification of the technology of their practical application.

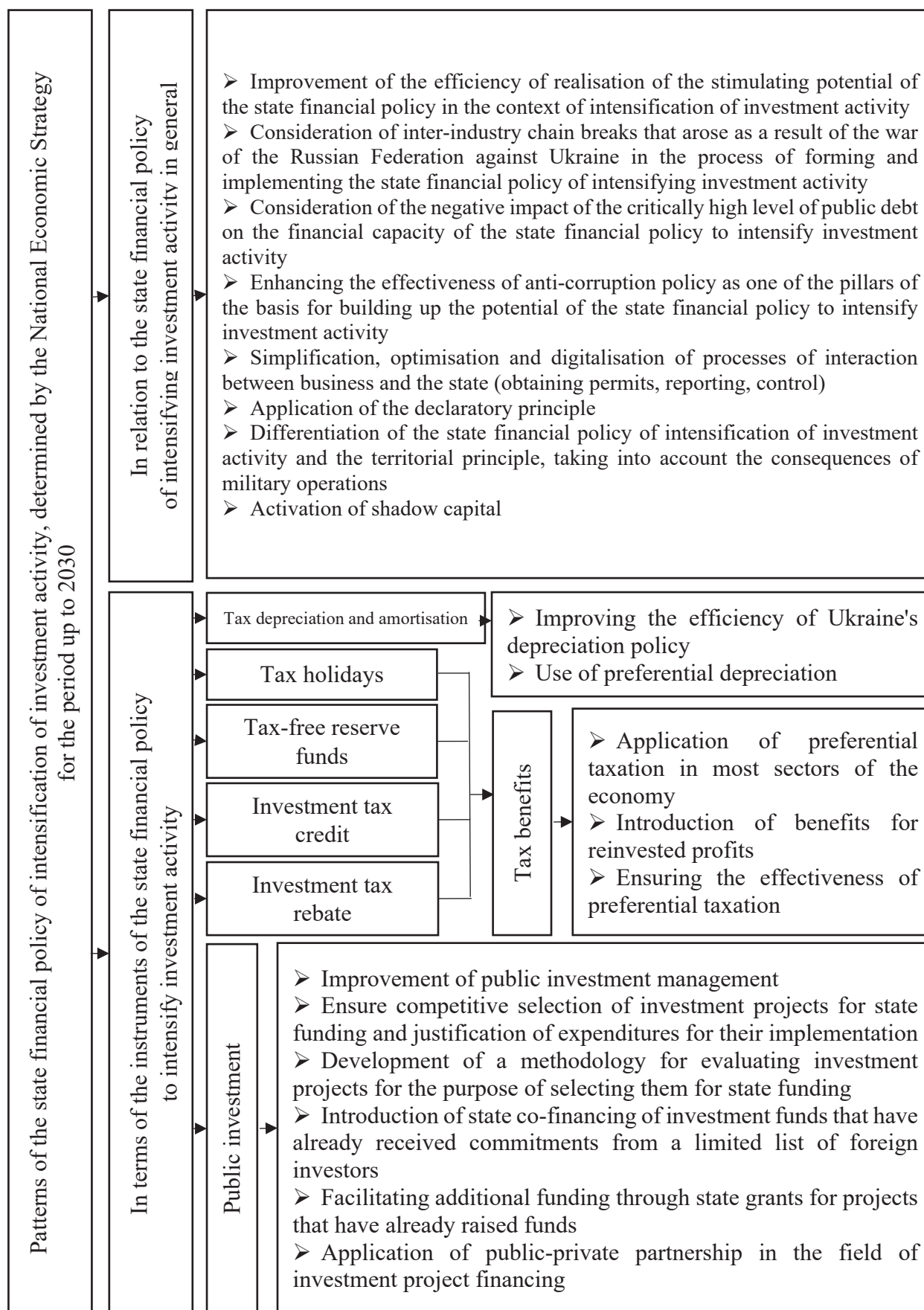


FIGURE 1 Patterns of the state financial policy of intensification of investment activity according to the National Economic Strategy of Ukraine

Source: compiled by the authors

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