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Head of the Department
Prof. Doctor of Economics
Grynjova V.N.
_____

MASTER'S DIPLOMA PROJECT
"ADMINISTRATIVE DECISION-MAKING IN THE REGIONAL INVESTMENT ACTIVITY"

Supervisor
Master of Science (Economics)
Assistant Prof. M.M. Novikova

Professional Conlsultant
in labour safety
Senior Tuitor I.F. Shevchenko

Professional Consultant
In modern computer technology
Master of Science (Economics)
Assistant Prof. O.B. Bereghnaj

Student O.I. Maksakova

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Introduction

The necessity to bring in the investment resources helpful for the socio-economic region development has appeared in the Ukraine economy under the improvement of the market relations. In order to secure effective investment activity it is necessary to make timely administrative managerial decisions corresponding to the modern conjecture of investment market. Those questions as to the effective administrative decisions making to improve the investment activity were considered by many scientists such as I Blank V. Grynjova, Ur. Blech, U. Getze, U. Bogatin, M. Gazeev and many others, but there is no unique approach until now as to the development of the administrative decisions in the regional investment activity. That underlines the actuality of the given diploma papers, However all that is directed to create favourable climate in the investment activity in the region, which influences to get necessary amount of the investment resources.

The aim of the master's papers in a theoretical grounding and methodical provision of the process in effective administrative managerial decisions making in order to improve the regional investment activity.

In order to achieve this aim it's necessary to solve such following tasks:

to generalize the theory of the administrative decision-making in the regional investment activity ;

to improve the concept "regional investment activity";

to analyze the legislation as to the regional investment activity;

acquaintance with work and to analyze the activity of the innovation and investment policy department in Kharkiv state regional administration;

to analyze the state of the regional investment activity;

to improve the existent methods of the efficiency evaluation of the investments projects;

to develop the algorithm of making of the administrative managerial decisions in order to secure the regional investment activity;

to ground the necessity to use computer's technology in managing the regional investment activity;

to analyze the correspondence of the labour conditions in the investment and innovation department to the policy of the state standards and norms.

A research object is the methodical provision of the process of the administrative managerial decision making. The subject of the researches is the investment Activity of the region. The informative basis of the diploma papers were the official materials of the

State committee as to the questions of statistics in Kharkiv region, special scientific literary and other sources. While carrying out the diploma project such scientific methods were used: method of generalization of the scientific approaches to determine certain notions, graphic method, method of horizontal, vertical and comparison economic analysis.

The practical value of the obtained results lies in the fact that the application of the improved methods to evaluate the efficiency of the investment projects and the algorithm to adopt the administrative managerial solutions will allow to adopt grounded managerial decisions as to the realization of the most effective innovation projects.

Part I

Theoretical grounds of the administrative decision-making in the regional investment activity.

1.1. Administrative regional decision-making.

Administrative managerial decision-making can influence greatly on the stability and characteristics of the managerial processes. Decision making is the process which begins from the understanding of the appearance of the problematic situation and is over in forming the actions directed on its removal. [40, p. 44].

Understanding is based on the information as to the aim and means of action. And this is not a mere transformation of information and this is more complicated process which envisages the unity of aims and means. Problems appeared when there is no clear set purpose. The amount of possible aim may be considerable, that is why there is no definite means to determine better variant. In such case the priority is given to the volitional factor the choice of which lies namely in choosing one variant.

The next constituent in the process of decision-making is modelling of action. The model must reflect the volitional act of decision. Further the selection of “pro and con” arguments is carried out. While estimating and analyzing when reasons are compared and final choice is carried the will factor remains again the main. Depending from the will factor the decision will be different that is why it is ambiguous.

That’s why the volitional factor is considered one of the main inalienable constituent in the process of the administrative managerial decision-making; understanding the aims and means of modeling, analysis and evolution are also taken into consideration. Great importance of methodological grounds is given priority attention to develop the quality of the suggested administrative decision-making.

Appropriate information and aim is necessary for forming and decision-making. The model for the development of decision-making includes the following steps. [40, c. 65].

1) decision-making, awareness, choice, storage and providing information;
2) situation recognition;
3) decision-making preparation;
4) evaluation of the decision-making efficiency;
5) decision-making.

The task of the first block lies in the input information compression. It's necessary to prevent from the information overload in other blocks.

For the decision preparation to recognize the situation is every important element. Relying on the comparisons summarizing is carried out as to the correspondence of the situation to one of those known examples or also correspondence with several examples or as to the situation novelty Given block is the last in which an error can be removed.

Next block is connected with the choice of decision project on the basis of different methods. Methods to be utilized may be typical, standard or new, the last has very great importance in the critical situations. Decisions variants are evaluated further on. The estimation block of the decision-making efficiency includes criteria and estimation means. The got results are carried to the next block in which the decision is made and possible risk is analyzed.

Thus, administrative managerial decision is the decision which is prepared on the basis of the variant analysis and decision evaluation, has a directive value, includes setting of the aims and grounding the means of their achievement, organize practical activity of subjects and objects management for achievement of the indicated purpose.

Decisions being made in the conditions of different management structures can not be beyond the competence of the person who makes them. There are four the most characteristic grounds for the administrative decision-making which are made in practice in the limits of the general functions or the authority of managing subject.

1) operative decisions, which are directed for the creating of organizational, material and technical actions.
2) decisions for the preparations decisions in the written forms
3) decisions which are the directions for another bodies and personalities about making decisions by them in the limits of their jurisdiction
4) directions which are issued for carrying out the control over the implementation of the written decisions

A management subject undertakes the decisions on the basis of free evaluation without obligatory directions as to any actions, independently estimates such factors and decides the questions of issuing some or other acts, organizational actions. It's possible to mention several kinds of the administrative decisions [28, 36, 40, 41].

1) thematic – the result of problem studies, analytical work, treatment of large volume of information;

2) valid for one occasion, operative. Such decisions are grounded by the necessity to react. on the current and concrete changes;

3) decisions which appear because of the known legal automatic actions when the decision-making of one decision foresees preparation of the second;

4) decision which are made in extraordinary circumstances;

Independence of the body making the decision is not absolute. It is absolutely impossible to exclude the influence of another chains of managing. Complicated connections of each chain admit the possibility of external initiative in setting the question as to the necessity to develop and make the administrative decision. The forms where such initiatives appear are different. In their sum they reflect the searching action of different managing bodies and their general interest to achieve the same goal. A chart making the administrate solutions is shown in table 1.1.

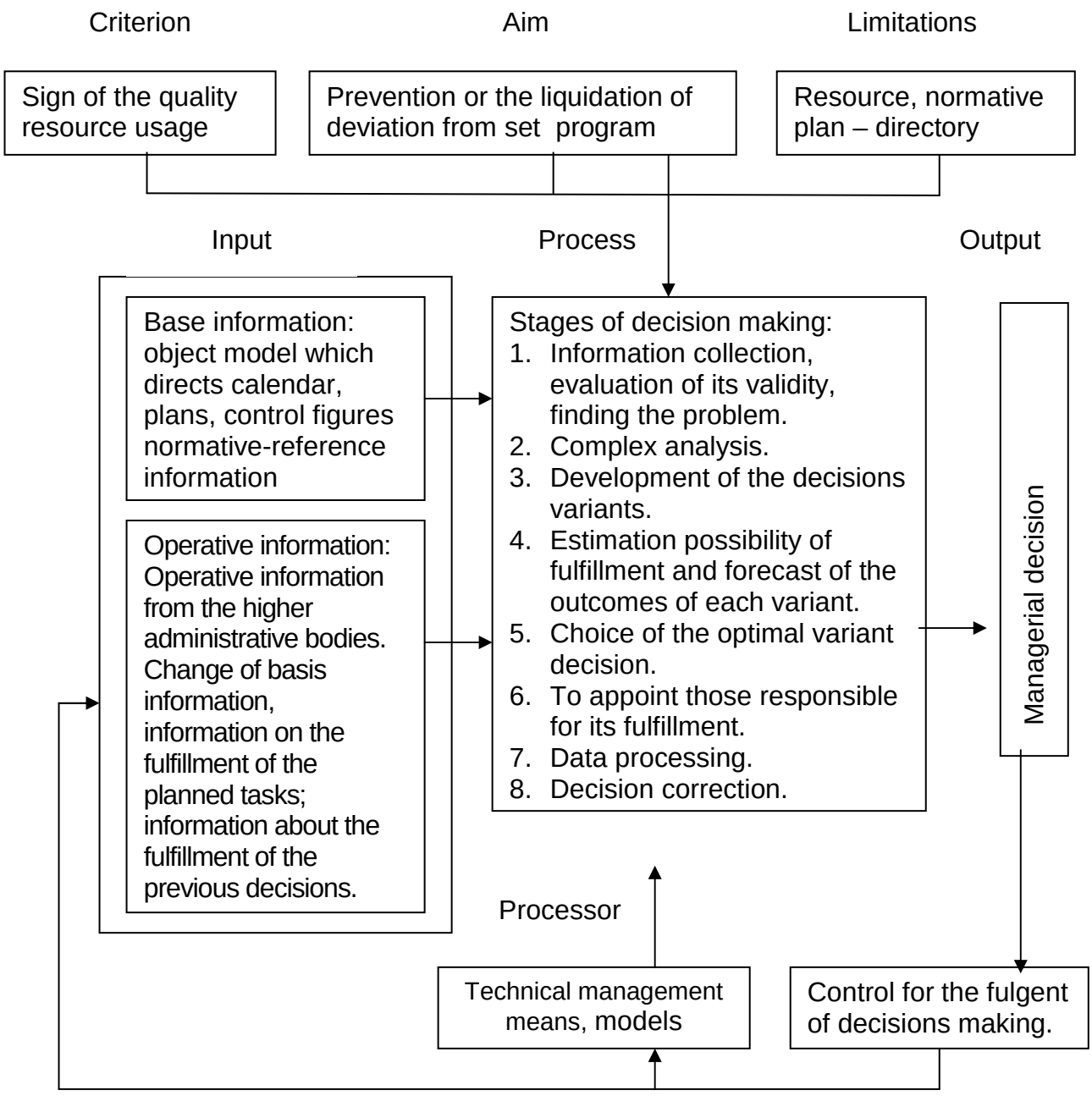


Table 1.1. Decision-making chart

Behaviour of the decision-making authority and the decision itself depends over the structure and objective characteristics of the situation according to which the decision is made. The situation is the component part of the environment in which the management subject acts and the actions occur, which can not be forecast with complete authenticity. The important signs for the decision-making is the degree of vagueness, dynamics, complication of the environment and the degree of the authorities interests conflicts, which act in that environment.

The importance of the problems as to the decision-making attracts the attention of many scientists. Sometimes the theory of decision-making is compared with the

operation researches and in this case is called mathematical theory of the optimum decisions. All social sciences have relations as to the theorical and practical questions of development and realizations of decisions. In modern decision-making theory not only scientific moments are met and also such as belonging to the art of decision-making. Nowadays there are two main parts of the decision-making theory: one – normative, which describes how the decision making must be carried out and the other part which determines how the administrative decisions are made in reality. The normative part is named the theory of the optimum decisions. It talks how it is necessary to make optimum decisions, which lead to the set goal but it does not give recommendations how to choose the goal and how it is necessary to evaluate it. The theory operates the creterion and the procedures of decision making which can be optimum under the conditions of such a model situation, which the authority was directed by making the decision. There is also psychological decision making theory. It takes into consideration the decision-making lines of the authority, that is their long term or short-term memory and speed of processing of information.

The most important functions of this theory are to foresee the authority conduct and the explaination of the process, which stipulate such conduct.

Managerial decision-making classification in scientific literature is considered from the objective-subjective sings. [40, p. 112].

1. Decisions made by the state power bodies.

1.1. Laws which come forward in quantity of the greatest form of right and regulate the most important public relations.

1.2. Acts of the supreme and local elected bodies. They regulate important socio-economic, organizational and other problems.

1.3. Acts of the state managerial bodies. These acts are adopted in the process of executive – ordering activity and are directed to establish the conduct the rules of the bodies, organizations, an thorities and citizens.

2. Decisions made by the subject which is in the same time is the object. Such decisions are made on the grounds of the social self-governemnt.

Decisions may be classified according to maintenance, form and the length of its action. As to the maintenance, for example, its's possible to identify economic, political and organizational. As to the maintenancee the decisions are divided as to degree of embracing and regulation of social relations and the degree of importance and complexity.

As to the form the decisions may be written, verbal or coded decisions, which are coded on the special documents, and magnetic stripes.

As to the length of its action the decisions are classifyed as to the long, medium, short acting and valid for one occasion decisions. The decisions can be also classifyed after other signes: as to the place and functions in the process of management.

The aggregate number of decisions of the authorities of different grades subordinating one another make the hierarchy of the decisions. It may have different character. There is hierarchy from down to up, from up to down and meeting together in the middle of the hierarchy there are the streams of information, which provide the introduction and agreement of the output data. When the evaluation of decision making is going on it's necessary to consider such factors. [46, 53, 61].

1) the level of decision development;
2) volume, veracity and operativeness;
3) time necessary to make the decision;
4) human factors;
5) competence of the subject, who makes the decision.

There are two groups of the rules to change the decision. One includes the maximacs maximin, minimacs, compromise rule using, Gurvich criterion. Another rules group uses numerical meaning of the input output probabilities. The system of rules is called strategy.

There are two groups of strategies while choosing the decision algorithmic an heuristic. An algorithmic is a system of algorithmic news rules, certain expressed and allowing to choose the alternatives for the ventual amount of steps. Heuristic – is a set of rules, principles and methods of the intuitional character which are less expressly certain and not always allowing to get optimum situation. The choice of that or other strategy depends from the situation and from the authority making the decision. For the effective functioning of the "Decision making" block the informative processes have a determining value. It's necessary to underline that information is not at any rate some figures, knowledge but only those which have the novelty elements and used in the decision – making process. Managerial information must be complete, high quality, useful and accessible. It gets to the authority making the decision from three main sources: research activity, which is used on the active search of the information, the feed-beck channel, through which goes the information about the results of the previous researches and the information about future consequences of the decision made, that is

foreseeing information. Effective managerial decision-making is based of the data processing with the help of the adequate algorithmic and heuristic procedures [74, 78].

Legal factor is to be taken into consideration, which constitutes not only juridical methodic recommendations fixing as to the development and realizetion of the decisions but also in the preparation of the new legal acts for different chains of management.

One of the important managerial function is control. The essence of control lies in checking of the correspondence of the actual state of the working system to the accepted managerial decisions. Control can be previous, current or following, general and special.

Effective managerial decisions has got great importance for the investment activity that's why many requirements are being put forward to them.

It's connected with the complexity of the tasks which appear on the different phases of choice and realization of the investment projects.

The first step in the pre-investment phase is the development of the project concept, that means to cast the main idea. The evaluation and choice of the ideas is further on carried out. As to the project analysis, its essence lies in the evaluation of project viability. The analysis includes technical, commercial, finance, ecologic, organizational, social and economic aspects. The efficiency of the project is evaluated as an aggregate of the commercial, budget and economic efficiency. Technical analysis is carried out on the first stop, that is the enterprise complex analysis, resources limits evaluation, technology, ecologic, analysis – establishment of the potential environment losses and the development of the measures according to their liquidation, organizational analysis – organizational analysis, legal, political and administrative situation and social analysis. Thus, pre-investment phase is over with investment decision making. [86]. Investment phase foresees project planning. Calender plans are developed, the aim of which is integration of all participants and utilization of the job complex, which secure the receipt of final result. Further on the decisions are made according to purchasing and delivery of the equipment, materials and constructions. Operative management is carried out and the project is over. All jobs, connecting with closing of the contacts must be carried out on the invenstment phase. They correspond to the general works, the works of customers, suppliers and contractors. Technical and administrative job complex must be carried out. [82, 85].

Control of the managing project foresees: process monitoring of the project realization finding out the reasons of rejections foreseeing of the consequencies of

rejection, grounding the necessity of the regulatory decision making. The main task of the project financial control is finding out of the rejections of the real financial data from planned.

Qualified administrative managerial decision making, as it has already been mentioned is based on the operative, true and complete information. For such an administrative decision making it is necessary to have automated informative system. Its development and exploitation must be carried out with the observance of such principles, as principle of new tasks, system approach, documents turn-over automation, unity of informative base. The stages of decision-making and realization of decision making in a region are resulted in chart 1.2.

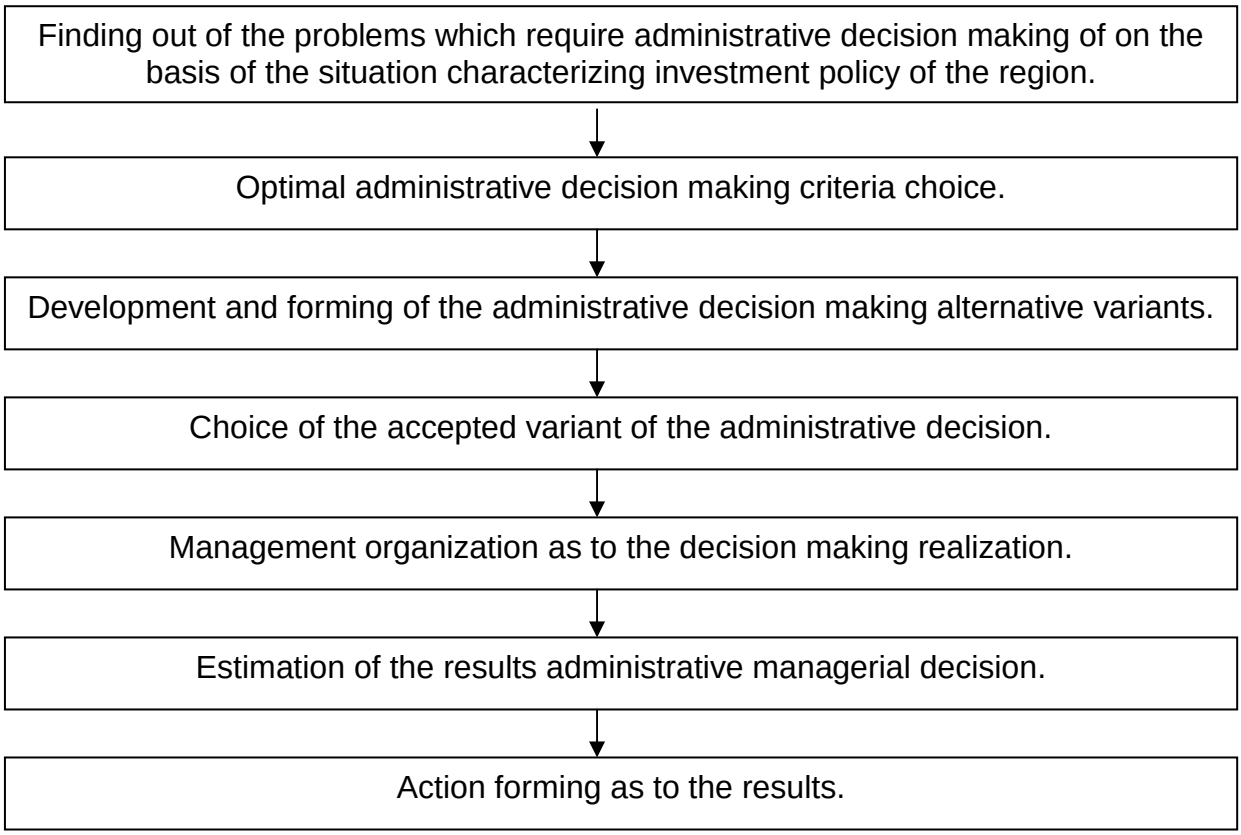


Figure 1.2. Administrative managerial regional level decision making stages and its realization.

Managerial decision making technology is the variant of the sequence variant of the decision development operations, chosen as to the criteria of its rational realization using special technique, qualified personnel in the concrete conditions of the job fulfulment. [10]. Managerial solution represents the choice of selection in aggregate of the alternative variants of one, which is the only correct in the concrete forms of management. Thus, administrative managerial decision is made in the limits of the

administration of different managerial levels. On the level of regional management the administrative managerial decision function within the limit of the regional state administration and is directed to improve different managerial objects. One of such objects is the investment activity of the region which is directed to get necessary volume of investment as to the region and their mastering.

1.2. Notion and content of the regional investment activity.

Regional investment activity is the process of inviting and mastering the investments as well as the foreign ones to the territory of the given district. The investment climate is the basis for the invitation of the regional investments which is characterized by the following signs:

1. favourable legislative provision on the regional level;
2. invariability guarantees of the economic, conditions of the financial investments regardless of changes of political situation in a region;
3. infrastructural network of the provision of investment financial institutions activity;
4. information provision of investment activity;
5. fund market development level;
6. state of the investment policy;
7. effective system of stimulation development of small enterprises, making the agreements about the division of products, leasing.

The following indexes, which characterize regional investment activity are attributed:

1) volume of capital investments of all and as to the directions
2) volume of investments as to the sources of financing
3) technological structure of investments in the fixed assets
4) investments into the fixed assets per one person
5) investments into the fixed assets according to the types of economic activity and also its volume.
6) investments into the fixed assets as to the types of enterprise activity and also their volume.
7) direct foreign investments as to the kinds of economic activity.
8) portfolio foreign investments as to the type of economic activity.

Total signs, which characterize the investment activity of the region are shown in Fig. 1.3.

Investments are the object of economic management, that means that they are related to the sphere of economic relations. They are the most active form of inviting the accumulated capital into the economic process and the use of it into different forms. Each of such forms has its own range of possibilities and the specific use mechanisms.

Investments are characterized as the possibility to invite capital into any objects of economic activity. They may be considered as the form of transformation of the accumulated capital into the alternative types of the enterprise assets. Investments are also the source of generation of the entrepreneurial activity effect. The purpose of investment is the achievement of the effect which may have economic and beyond economic character. The process of investment is connected to the time factor and before the investor there stands the question as to what object it's necessary to choose- short or long term. Also the investments are the transmitters of the risk factor. The level of risk of investment is in the direct dependence from the level of its profitability.

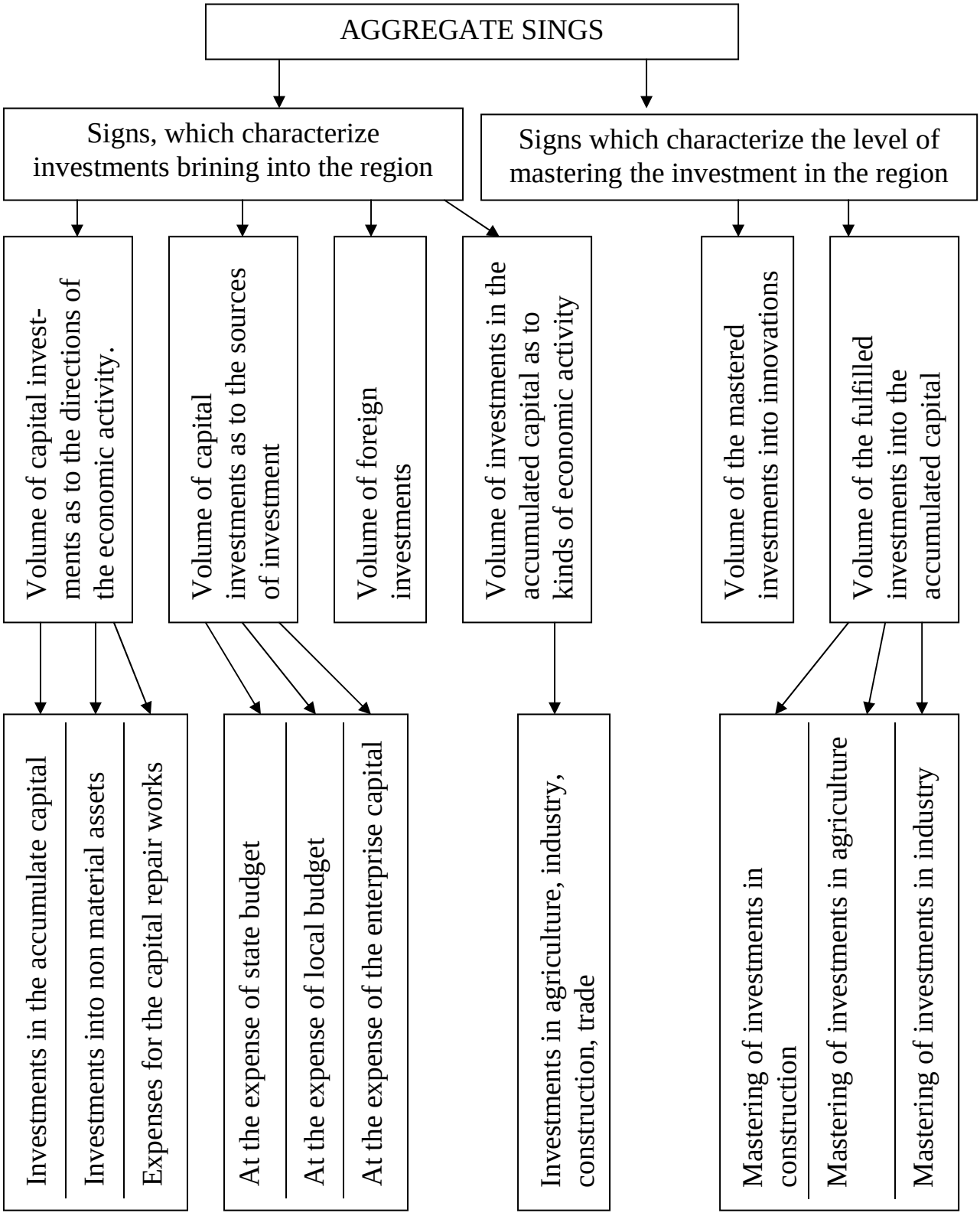
(Вставить сюда табл. следующую)

Investment resources, commodities and instruments, which act as the object of purchase – sale form the investment market. That means that investments are the object of market relations. As an object of entrepreneurial activity, the investments are the transmitters of the rights for ownership, private municipal or national, and order.

Once more description is capital, which has the factor of liquidity. Liquidity of investments is their ability to be realized if necessary on their real market value.

Thus, investments are investment of capital in all its forms into different objects of the economic activity with the purpose to get income, to achieve economic or beyond economic effect, the realization of which is related to the risk factors, time and liquidity. [14, p. 24]. And investment activity – is the process of finding necessary investment resources, choice of the objects of investment, forming of the investment program, providing its realization.

The process of investment activity organization is connected with necessity of determining of the classification investment signs. Blank I.A. [14, page 24] classifies investments after the following signs:



as to the objects of capital inlaying the investments can be real, capital investments to recreate fixed assists, into innovative immaterial assets and other

objects, which are related to realization of operative activity and improvement of the personal labour terms and financial, investment of capital into different instrument of investment;

as to the character of participation in the investment prices – is direct, which are carried by the investor and indirect investments which are carried out by a middle man;

on the reproductive ability – gross, characterize the general volume of the invested capital for certain period, reinnovative, characterize the volume of capital, which is invested into the simple recreation of the fixed assets and immaterial assets, which are amortized and clean investments that is the volume of capital which is invested in the extended recreation of the fixed assets and immaterial assets;

on the degree of dependence on the profits the investments may be productional, which correlate to the dynamics of the profit and autonomous which are not connected with forming and distribution of net profit;

in relation to an enterprise – investor – they are internal, that means investment of capital into operative asset of the enterprise investor itself and outer investment that means the investment of capital into the real asets of other enterprises;

as to the period of realization – short term investments (up to one year) and long-term investments (term more than one year);

on the compatibility of realization the investments may be independent that means the capital investment into autonomous objects of investment in the general program, interdependent – investments which characterize the capital investment into the interdependent investment objects, mutually executive investments, which need alternative choice;

as to the level of profitability – highly profitable investments, the level of the net profit greatly exceeds the middle norm of the investment income, middle profitable investments, the level of the net profit of it is equal to the middle norm of the investment income, low profit, the level of the net profit is considerably low as to the middle norm of the investment income, nonprofitable investments, which pursue beyond economics aims;

as to the level of investment risk the investment may be without risk investments, which characterize inlaying of means into without risk objects, low level risks – risk as to them is considerably low middle of investment income, middle risk, risk to them is equal to the middle market and high risk investments risk to which exceeds considerably middle market, as to the level of liquidity – highly liquidate investments – investments which may be quickly converted in money form in the term of one mouth, middle converted investments, investments, which may be converted into money form in six month term, low liquidate investments, which may be converted into money form during

considerable time period and non-converted investments which can not be independently realized;

as to the forms of capital ownership, which are invested there are private investments, characterized by the capital investments of the physical and legal persons of the non-state property, public investments and mixed investments;

on character of the use of capital in an investment process – primary investments which characterize the use of the again formed capital, reinvestments are the repeated use of the capital disinvestments – the process of exception of the capital from the investment turn over;

on the regional sources investment capital may be home and foreign;

on the regional orientation of capital which is invested – investments on an internal market and investments on an international market as to a particular branch orientation which investments in the cut of industries and spheres of activity as to their classifier;

Classification of the investment forms allows purpose fully to carry out a management investment activity. For the efficiency management it's necessary to provide realization of the following principles [14, c. 47]:

1. Integrating with general control of enterprise management because the provision of the efficiency of all enterprise activity is connected with the choice of the directions and the investment forms, optimal financing of the investment projects.

2. Complex character of forming of the administrative decisions. Investment management must be examined as a complex functional management system, which provides the development of interdependent decisions, each of which brings in the contribution to the general result.

3. High dynamism of management, which takes into account of the changing factors of outwardly environment, forming of the financial resources potential, rate of economic development and other parameters of functioning of enterprise action.

4. Variant approach to the development of the separate administrative decisions. Preparation of every decision must take into account alternative possibilities of action.

5. An orientation is on strategic forms. Implementation of these principles will allow to attain necessary eventual results of investment activity.

A primary objective of investment management is providing maximization of the favourable enterprise propriety state in current and to the future periods. And in general, forming of the investment goal depend from the task of the financial institution.

For example, for pension fund this is provision in future the realization of the fund duties, for insurance office is the realization of duties according to the insurance policy and to get the profit.

To realize the main goal of investment activity management it’s necessary to solve the main tasks, and namely. [11, 20]:

1. sufficient investment support of high rates of operating enterprise activity development;

2. maximal profitability of the separate real and financial investments and investment enterprise activity on the whole;

3. minimization of the investment risk of separate investments and investment activity;

4. optimum liquidity of investments and possibilities of rapid reinvestment of capital at the change of internal and external terms of realization of investment activity;

5. forming of the sufficient volume of investment resources and their optimum structure is in accordance with the volumes of investment activity which was forecast;

6. financial equilibrium of enterprise in the process of investment activity realization;

7. search of acceleration of the operating investment programs realization.

The system of the investment management performs certain functions which are divided into two groups depending on the content of the managerial investment activity system:

1) development of investment strategy;

2) creation of organizational structures which provide making and realization of administrative decisions;

3) forming effective informative structures which provide grounding of the investment activity alternative variants decisions;

4) analysis making of the different aspects of the investment activity;

5) investment activity planning as to the main directions;

6) development of the system of the realization stimulation of the administrative decisions in investment activity;

7) providing of the efficient control over realization of administrative decisions.

2. Functions of the investment management: management of the real investments, management of the financial investments and management of investment resources forming.

The process of management of the investment activity is based on certain mechanism, elements of which regulate the process of treatment and realization of the investment decisions. Following elements in the structure of this mechanism: market mechanism of adjustment; government normatively legal regulation, inner regulating mechanism of separate innovation activity aspects and the system of the concrete methods of management realization. [39, 51].

A market mechanism is formed on investment (market of securities) and commodity market. Demand and supply form the level of prices on separate capital commodities and financial instruments, which determine efficiency of the use of separate investment instruments, determine the middle norm of profitability of investment and level of investment risk.

Government normatively legal control is necessary because of the complexity and many-sided nature of the enterprise activity. The internal adjusting is carried out within the limits of enterprise. In relation to the concrete methods of realization of management, the following stages belongs to them: techniko-economic calculation, balance, economic statistics, comparison and so on.

The realization efficiency of the set goal depends on the mechanism of investment management, successful function of which is determined by the efficiency of its organizational provisions. The system of the organizational provision of the investment management shows by itself interdependent aggregate of internal services and subsections, which provide the development and management decision making and carry responsibility for their results. In the process of forming of the organizational structure it is necessary to take into account the volume of investment activity, its form, functions, regional diversification and other factors. The construction of the system of the organizational providing of investment management is carried out by creation of centers of investment, composition and quantity of which is different on every enterprise.

Formed centers must not only provide the task implementation but also be able to develop investment suggestments for the higher the management organs.

Also efficiency of every administrative system depends on its informative providing. The informative system is the process of continuous purposeful choice of the informative indexes which are necessary for providing analysis planning and preparation of effective administrative decisions.

The important constituent of the investment activity management mechanism is an analysis which presents by itself the process of research of investment activity and efficiency of investment activity with the purpose of finding the reserves of their growth. In the investment management theory it is possible to select such main analysis system: horizontal, vertical comparative, coefficient analysis and integral analysis. In the integral analysis a considerable place occupies SWOT – an analysis, especially at the development of the programs of investment development of region. SWOT – is an analysis which foresees the research of strong and weak sides, suitable possibilities and threats of the region economic development. Geographical situation is very important for the region development estimation, enterprises number with foreign

capital, presence of skilled labour force and resources, possibilities of local self-government organs and their support of enterprise, fund market development and access for the markets of the CIS.

The basis of mechanism of region investment activity management is made by the investment planning, that means that the system development of plans and planned indexes on providing the investment program with necessary resources, growth of its efficiency in future. Investment – planning is based on the usage of main system: prognostication of investment activity its current and operative planning. All those are in intercommunication. The system of prognostication is the most difficult, that is why it requires highly killed performers.

The current planning foresees development of investment strategy and policy. The operative planning consists in development of short-term planned tasks.

Region investment strategy is a system of a long-term investment activity aims which are signified by the general tasks of its development and investment ideology and also the choice of the most effective ways of their achievement. It determines the priorities of directions and forms of investment activity sequence of the stages of realization of long term aims. Development of the investment strategy matters very much in providing region effective development because it allows to estimate its investment possibilities, provides possibility of rapid realization of new perspective possibilities. The presence of strategy provides clear interdependence of strategic, owner fit and operative management investment activity [14, 15, 38, 42]. Investment strategy must be adapted to the changes of factors of external environment, that all of strategic changes in investment activity are the forecast or operative reaction on the proper changes of different factors of external investment environment. There must be active search of alternative variants of realization of investment activity in basis of strategic investment decisions, the choice of the best from them. While forming the strategy it is necessary to draw on the results of technological process and take into account an investment risk in the process of acceptance of strategic decisions.

One of steps of forming in the investment strategy is forming of the investment policy, which presents by itself the form of realization and investment ideology and strategy in the section of the most essential aspect of investment activity on its separate stages of realization. The system of forming of investment policy is carried out on the basis aspects of the investment activity: policy of management of the real investments, policy of financial investment forming, investment management risks policy.

The basis of investment activity is made by real investment. It is the main form of realization of region economic development strategy has the most high level of profitability as compared with financial investment and high degree against inflationary

defense. But real investment together with advantages has and failings are such, as a high level of risk of moral senescence and low level of liquidity. There are a lot of forms of realization of the real investment, for example, acquisition of integral property complexes new construction, reconstruction and modernization of the fixed assets of production, modernization types of equipment and others like that. A policy of the management real investment is part of the general investment strategy which provide preparation, evaluation and realization of the most effective real investment projects. This process envisages the analysis of the real investing state in the past period, determination of the real investment analysis state in the future period, determination of the forms and search of the investment objects preparation of the business-plans of the real investment projects, providing high efficiency and minimum level of investment risks, forming and realization of the investment program.

Investment project is a document, which determines the necessity of the realization of the real investment, in which the main project descriptions and financial indexes are signified and which are with its realization.

Laid out [14, p. 227]. The project has the following sections: short description and basic idea of project, analysis of market and marketing conception, raw material and deliveries, location of project, planning and technology, organization of management, labour resources, planning of realization of project, financial plan and estimation of the investment efficiency. The estimation of efficiency projects must be carried out on the basis of correlation of the volume of the investment charges and sum's and terms of returning of the investment capital. It is also necessary to pay attention to the estimation of risks of the real investing which is resulted as financial consequences in the form of loss of the expected investment income in the situtiation of vagueness of terms of its realization. On the basis of comprehensive estimation of every considered project forming of investment programme is a carried out. [31, 63, 77].

Management realization of the real investment projects is directed on realization of them in the foreseen terms with the purpose of providing of the timely returning of the inlaid facilities as a clean money stream. This management is carried out in the section of every project which entered to the investment program [47, 54, 58, 70, 83, 87]. To the system of the operative management of the investment program are included measures not only on its effective realization but also on its current adjustment. High responsibility and making action of administrative decision is connected with the creation of the separate projects on the investment programs. Possibility of the rapid output of the project must be yet considered on the stage of its development. With the purpose of providing the investment income formation parallel with grounding of the decision on the

project exit from the program it's necessary to prepare the decision on the possible forms of the most effective reinvestment of the capital [56, 57]

Financial investments are considered as an active form of the use temporally free capital and as an instrument of the strategic aims realization. They are the basic means of realization of the external investment, allow to choose the investment instruments taking into the consideration the correlation of profitability and risk and profitability and liquidity. Process of grounding administrative decisions, which is connected with carrying out financial investment is simple.

Financial investment is carried out in forms of inlaying of capital in: the charter fund of compatible enterprises, profitable kinds of money and fund instruments [45, 49, 50, 55, 60]

A policy of financial investment management is part of general investment policy of region which provides the choice of the most effective financial instruments of capital investment and its timely reinvestment. In the process of carrying out policy the financial investment realization state is analyzed in the post period and determination of its volume in future period is done, the forms of investment are chosen, estimation of separate financial instruments is carried out. [16, 18, 19]. The estimation of financial instruments qualities present by itself integral characteristic of their separate kinds, which is carried by the investor taking into consideration the aim of forming the investment portfolio. While using in the process of investment some or another financial instrument it's necessary to estimate its risk. Under the risk of separate financial instruments of investment it's understood its probability rejecting of investment income actual from its expected.

The financial investment portfolio is then formed and its operative management is provided. An investment portfolio is an aggregate of financial instruments which are intended for carrying out the financial investment in accordance with an investment policy. The prime aim of forming of this portfolio is providing the realization of the main directions of the financial investment policy by the way of selection the most profitable and safe financial instruments. [17, 21, 22, 32, 44].

After the completion of forming of the starting portfolio the management of its restructuring is carrying out. Under operative management of the financial investments restructuring is understood grounding and realization of the decisions, which provide support of aimed investment direction of the formed portfolio as to parameters of its profitability, risk and liquidity by the way of rotation of its separate instruments.

All directions and forms of the investment activity are carried out due to forming of investment resources. Investment resources are all forms of capital, which is laid in the objects of real and financial investing. Forming of investment resources is the main condition of realization of the investment process and it is related to all of its stages and purpose of investment strategy.

A policy of forming of investment resources is part of investment strategy which consists in providing necessary level of investment capital from different sources. One of main tasks of forming investment resources is optimization of their structure taking into account the level of profitability and risk.

The basis of development of the regional direction orientation of investment activity is an estimation of investment attractiveness of region. [37]. So the estimation is carried out to the following elements: level of the general economic development of the region level of development of the investment infrastructure in a region, its demographic description, revel of development of market relations and commercial infrastructure and the level of safety of the investment activity in region. For the estimation of every element certain indexes are utilized.

Especially for the characteristic of the general economic level of the region development analytical indexes are utilized: specific weight of the region in a gross domestic product and the country national income, volume of industrial and agricultural products, which is made in a region per capita, middle level of population income average annual volume of capital investment in a region for the last years.

The level of the investment infrastructure development is determined by the following indexes: amount of the building enterprises by contract in the region, volumes of local production of the building materials and power resources. Closeness of railways and highways with hard coverage on 100 sq. km of territory presence of exchange and commodity stocks, amount of brokerage houses et. al.

Demographic description is estimated on the basis of the following indexes: specific gravity of the region population as to the general amount of inhabitants of country, correlation of urban and rural population, of region specific gravity of working population level of qualification of capable to work of the population and others like that.

Level of development of market relations and commercial infrastructure can be described by such indexes: specific gravity of enterprises of nonstate form of ownship as to the general amount of enterprises of region, amount of enterprises joint ventures with foreign partners, the amount of bank and insurance institutions.

Level of economic crimes in calculation on 100 thousands of inhabitants of region, specific number of enterprises with hazardous emission, which exceed possible

norms, middle radiation back ground in the cities of the region and other indexes which characterize the degree of safety of investment activity in a region.

Estimation of investment attractiveness of economy industries and region promotes the validity of the administrative decisions on the questions of a particular branch and regional diversification.

Thus, the important task of the local organs of state administration and organs of local self-government is activation of investment activity in the region and considerable increase of volumes of investments in a regional economy. Investors while investing capital pay attention on the national terms of creation favourable investment climate and increase of investment activity. At the same time the investor estimates terms which can provide in the limits of their jurisdiction the local bodies of the state administration and also which formed historically.

The determining task of regional policy in the field of investment activity is creation equal, identically favourable terms for business undertaking and investment of region economy by the subjects of management of different forms of ownership, realization of the process of investment on transparent and civilized principles, improvement of the investment structure sources.

1.3. Legal basis of the regional administrative managerial decision-making.

Ukraine economy and its regions requires additional resources, which can be attracted due to the investments on the basis of creating favourable investment climate. It's known that one of the basis constituents of the investment climate is an investment legislation. Administrative decision making as to the region investment activity is based on existing operating legislative acts. Influence of the legislative field on the mechanism of the decision-making is represented on the chart 1.4.

To the main laws which regulated the investment activity belong such laws of Ukraine! "On the investment activity", "On the special mode of the investment and innovative activity of the technological parks," On the mode of foreign investment", "On the defence of foreign investments", "On the dedicated mode of the investment activity on the territory of Kharkiv!", "On the institutes of the joint investment". The programs of the investment of the region development are grounded on the position of the Ukraine constitution, Degrees of Ukraine President from 22 in 2001 № 108/2001 "About additional measures on the increase of reciepts of investment in the Ukraine economy". From the 12th of July 2001 № 512/2001. "On the measures as to the increase of the investment climate of Ukraine" from the 25th of May 2001 p. № 341/2001. "On the conception of the state regional policy" from 5th of February 2002, № 104/2002". On the

program of measures as to completion of entry of Ukraine to World organization of trade.

Conceptions of regulation of the investment activity under the conditions of the market economy transformation ratified by the decision of the Cabinet of Ministers of Ukraine of the 1st of June 1995 № 384 [1, 7, 8].

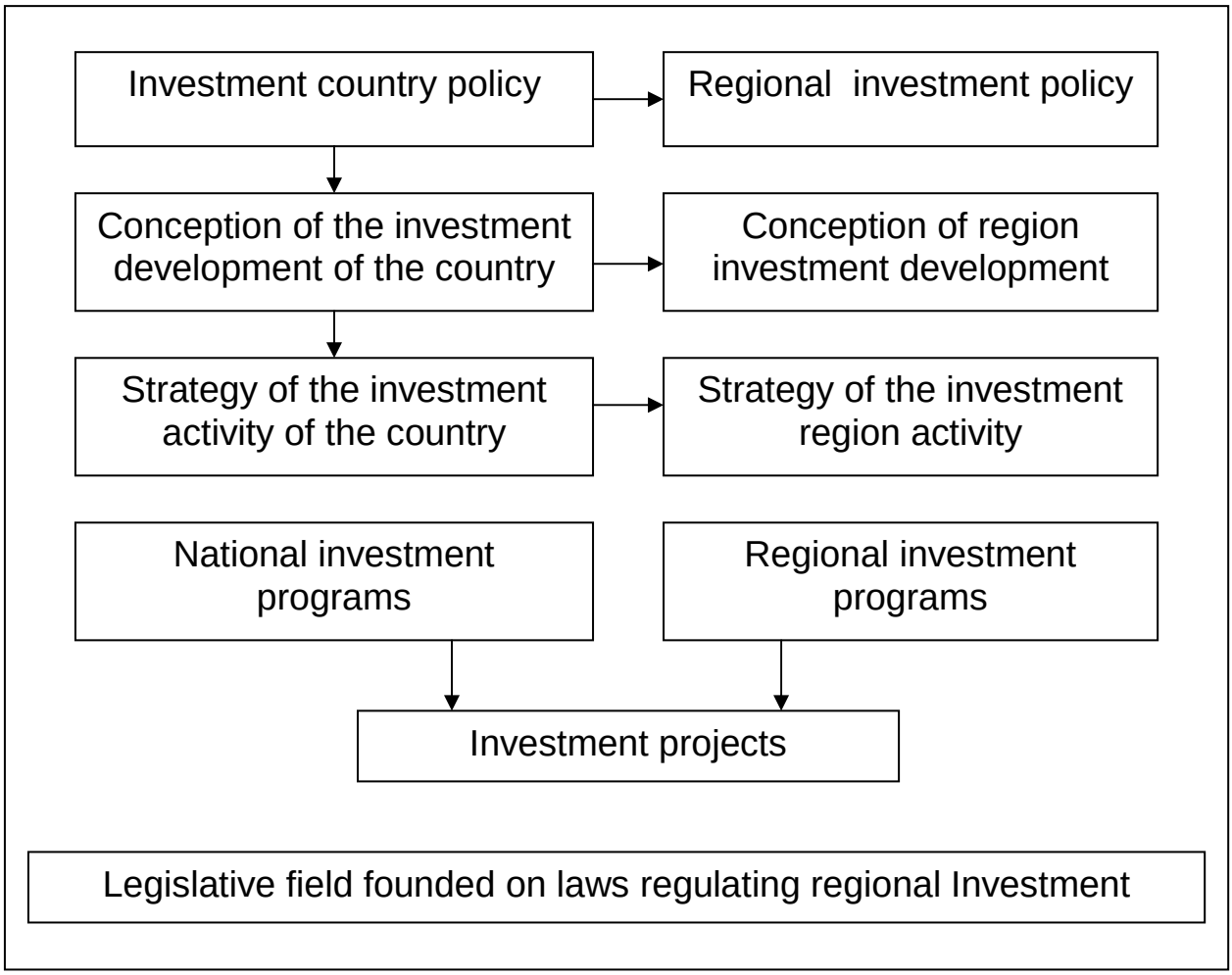


Chart 1.4. Administrative management of the region investment activity.

The main law that regulates the investment activity of the region is the Ukraine law “On the investment activity”. It determines general legislative, economic and social conditions of the investment activity on the Ukraine territory and directed to provide equal right defense, interests and property of the subjects of the investment activity, to the effective investment of Ukraine national economy, development of international economic corroboration and integration.

and integration.

This law defines investment activity as all practical acts of citizens, juridical persons and state, which are aimed at investment realization [3, p.2]. Under this law all subjects of investment activity have equal rights to realize investment activity regardless of forms of ownership and economic activity if the opposite is not stipulated by the legislative act of Ukraine [3, p7]. The law defines objects of investment activity and objects which cannot be invested into. It also defines the responsibilities of subjects of investment activity, regulates relations between them and lists prospective sources of financing for investment activity. Objectives, forms of state regulation of investment activity, its termination conditions, the order of taking decisions concerning republic state investment and objects of state examination are also defined by this law.

Peculiarities of investment activity in Ukraine carried out by subject of economic activity located abroad, as well as subjects of Ukraine in the free economic areas are stipulated by special legislation.

The law of Ukraine “On Joint-Investment Institutions” defines the legislative and organizational bases for creating, functioning and responsibilities of joint-investment subjects and peculiarities of their assets allocation, it determines requirements to content, structure and store assets, to allocating and circulation of securities of joint-investment institutions, order and volume of providing information to joint-investment institutions aimed at involving and allocating funds of investors.

The aim of this law is to regulate social relations in the sphere of social financing, defending right of securities possession and the rights of stock exchange members. The law defines the types of joint-investment institutions and the order of their auditing examination. The state regulation of the joint-investment is carried out by the Commission in accordance to the law of Ukraine “On State Regulation of Secutity Market in Ukraine”.

The law of Ukraine “On Special Investment Treatment and Innovation Activity of Technological Yards” prescribes the peculiarities of introduction the special treatment for investment and innovation activity. It defines the special treatment of investment and innovation activity as a legal treatment that includes setting tax preferences when realizing projects of service yards and granting other state aid to stimulate technological yards activity, their members, branches and joint enterprises which carry out projects in the priority direction of technological yards activity [6, p.2].

The order of the Minisry of Economy and the Ministry of Finance ratifies the provision concerning the criteria for establishing priority types of economic activity in special (free) areas and on the territories with special treatment of investment activity and the order of its implementation. This Provision introduces criteria for establishing priority types of economic activity in special (free) areas and on the territories with special treatment of investment activity, sets out organisational bases for their implementation and lists the main requirements to documents submitted for approval to central bodies of executive power.

The order of the Ministry of Education and Science “On the order of monitoring the realization of investment and innovation projects in the priority direction of technological yards activity” has been issued to monitor the realization of the investment and innovation projects in the priority direction of technological yards activity, and to secure the system of constant monitoring and control. This provision establishes the order, form and content of monitoring the realization of the investment and innovation projects in the priority direction of technological yards activity as well as the authority of Ministry of Education and Science, rights and obligations of technoyards, their members, branches and joint enterprises which carry out investment and innovation projects in the priority direction of technological yards activity [6].

On the territory of the city Kharkiv there is a special investment activity treatment which is regulated by the Law of Ukraine “On special treatment of investment activity on the territory of the city Kharkiv” [5]. It establishes the conditions of entrepreneurial activity of priority types of economic activity and the objective of the special treatment – increasing financing for development of prioroty types of economic activity on the territory of Kharkiv. The legislation of Ukraine acts in accordance with the Constitution of Ukraine and taking into consideration all the peculiarities stipulated by this Law. According to the law, the body of special treatment management is the Council of special treatment and investment activity. The functions and sources of its material support are also stipulated by this law.

Foreign investments make a substantial impact into the development of the region. The order of foreign investment is established by the Law of Ukraine “On foreign investment treatment”. The main criteria which foreign investors take into consideration when investing their capital are national conditions for favourable investing climate and activization of investment. In order to take a complex approach to creating favourable investment climate in Ukraine and to accelerate investment activity a decree “On measures to improve investment activity” [4] has been issued by president.

Conditions for defending foreign investors are being created in Ukraine, thus there is a law “On protection of foreign investors in Ukraine” [2]. Foreign investors have obligations as well as special rights, i.e. they have to abide by the law of Ukraine and not to damage its social and economic interests.

A substantial impact into the development of the country was made by the government program “Towards people”. It stipulates humanitarian, informational, legal, budget, industrial and investment policy. The government considers creating an industrial potential which is competitive both on domestic and foreign market to be the main task of industrial and investment policy in the conditions of market economy formation.

Following the trend of international division of labour one has to use mechanisms for reorientation of employees to new technology, modernization and re-equipment on the basis of innovations. It is bound to encourage raising of sceintific and technical level and balancing of economy, thus inflating inland market with high-quality goods and increasing export part in gross national product. The modern policy stipulates mininization of administrative interference of government into economy; taking measures to reduce investment risks; transperant using of state investment resources in accordance with program and purpose principles.

The government activity will be aimed at active implementation of results of sceintific and research development into production as a major element of the strategy to raise economy competitiveness.

The government will encourage establishing of informational society with new technologies which provide new opportunities for civil rights realization, self–actualization of a person and acquiring new knowledge. Informatisation will create unique opportunities for development of regions, granting equal access to workplaces to all citizens and creatng new workplaces.

In the program much attention is given to the regional policy.

The government sets a task for itself to provide local authorities with effective instruments for regional development. This task demands to coordinating strategic goals and priority development of the country and the region; state investing into improving transport and telecommunication infrastructure; realizing big projects of individual investing which needs government supporting and international credits of international financial organizations; clear demarcating of central, regional and local authority functions concerning budget, ownership, state power and mechanism for

providing social services; creating economical, legal and organizational conditions for effective realization of tasks and functions of local authorities.

At this stage of economy develpment of the region one has to take into account the program of the country development when making administrative decisions. Since sufficient results can be achieved only by following a clear plan and effectiveness of investment activity depends on the current legislation. Thus, development and realization of administrative decisions are connected with realization of different aspects of investment activity in the region. As the complexity of tasks which accompany the choice and realization of investment projects grows, so do requirements to administrative decisions. A precise and most effective task division between the investor and the manufacturer is very important in investing . It is also necessary to be aimed at the final result and efficiency increase of investing.

In general investment activity in the region is a source of additional opportunities i.e. funds, resources and new technologies. Managerial process of investment activity is based on a certain mechanism the elements of which regulate the process of making and carrying-out of investment decisions. Real investment constitues the basis of investment activity . It is the main form of realization of strategy of economic development of the region. Investment activity is carried out through realization of investment projects.

Efficiency of making and realization of administrative decisions on investment activity depends on favourable investment climate which includes investment legislation. The investment activity in the region is currently regulated by the Constitution, laws of Ukraine and Decrees of the President.

PART 2

THE ANALYSIS OF THE INVESTMENT ACTIVITY CONDITIONS IN THE KHARKIV REGION.

2.1 The characteristics of the department of investment and innovation policy of the Kharkiv regional state administration.

The department of investment and innovation policy is a structural subdivision of the Central administrative board of the economy of the regional state administration which is established by the Chief of the Central administrative board. This body is controllable and accounable to the Chief of the Central administrative board and the first deputy of the Chief of the Central administrative board.

The Regional state administration represents the executive power of the region. It is controllable and accountable to the executive authority of the higher level. It is made up by the Head of the Regional state administration who in his turn is appointed and dismissed by the President under the nomination of the cabinet of Ukraine. The Regional state administration secures the pursuit of the Constitution of Ukraine, legislative acts of the President, the Cabinet and other bodies of the executive power as well as carrying out state and regional programs for social, economic and cultural development and preparation and carrying out regional budgets and defending the rights of citizens. The determinations of the Head of the Regional state administration can be reversed by the President if they contradict the Constitution and the laws of Ukraine.

The activity and the aims of the Regional state administration are regulated by the law ‘On the local state administrations’, by the Decree of the President of Ukraine of 5 November 1996 № 1035 ‘On measures for higher performance and responsibility of territorial subdivisions of the ministries and other central bodies of executive power as well as for their cooperation with the Council of Ministers of the Autonomous Republic Crimea and local state administrations’, by the Decree of the Cabinet of Ukraine of 8 May 2001 № 821 ‘On the structure of the local state administration’, and by the Decree of the Cabinet of Ukraine of 9 March 1999 № 339 ‘On the control procedure of the fulfillment of the delegated authorities of the executive power authorities by the institutions of local governing’.

The Central administrative board of the economy of the regional state administration is a structural subdivision of the regional state administration. It is controllable and accountable to the Head of the regional state administration and to the ministry of economy of Ukraine in the sphere of the realization of the unified state policy of economic and social development of Ukraine. The organizational structure of the Central administrative board of the economy of the regional state administration is indicated in the figure 2.1.

The primary goals of the Central administrative board is to provide for the realization of the state policy for the economic and social development of the region; for forming and carrying out of the state regional policy; for pursuing the state foreign policy and the state innovation and investment policy.

The Central administrative board analyses the state and trends of the economic and social development of the region, participates in determining its priorities, forming courses of the investment policy and submits propositions aimed at the economic safety and sustained development of the economy to the Head of the regional state administration and the Ministry of Economy of Ukraine; it also provides for strategic planning, programming and forecasting of the social and economic development of the region. It also takes part in working out of projects for the state, inter-branch, branch regional and interregional programs and in forming necessary balances (financial balances, balances of cash income and expenses of the population, the balances of labour market and of labour resources development, supply and demand balance for the main types of energy and the balance of indusrtial production and provisions). The Central administrative board determines the investment demand of the region.

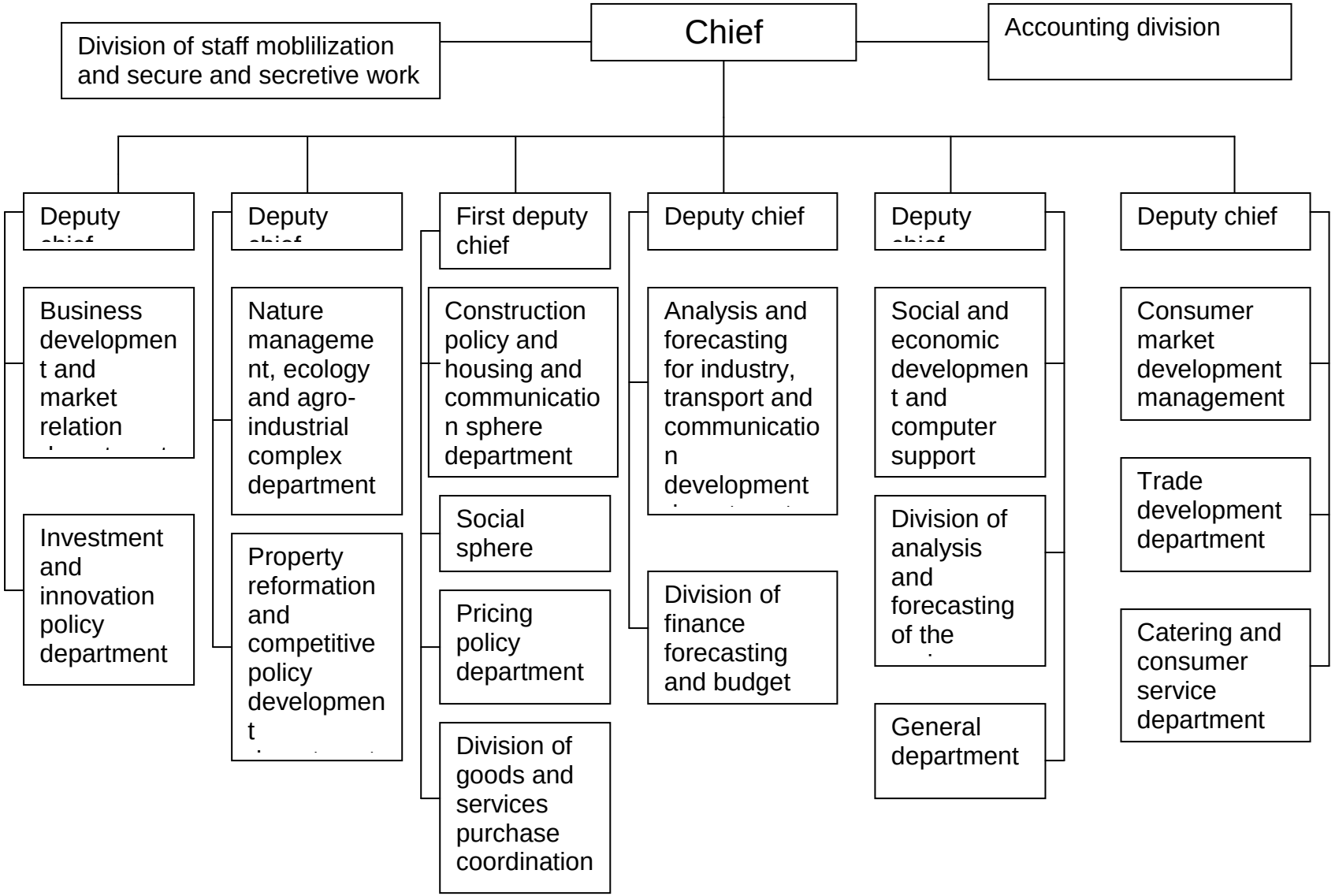


Fig 2.1 Organizational structure of the Central administrative board of economy of the Kharkiv regional state administration.

The Central administrative board of economy takes part in preparing propositions for creation and functioning of special economic areas, encourages science and technology development as well as new technology application.

The activity of the investment and innovation poilicy department is ruled by the Constitution of Ukraine, the laws of Ukraine, instruments of the President and the Cabinet of Ukraine, decrees of the Minisrty of Economy of Ukraine, prescriptions of the Head of the regional state adminisrtation, resolutions of the regional council, resolutions of the committee of the Central administrative board, and decrees of the Head of the Central administrative board.

The department is headed by the chief who is appointed and can be dismissed by the chief of the Central administrative board on the nomination of the first deputy chief of the Central administrative board. The chief of the department is privately responsible for carrying out tasks of the department and he determines the functions and the degree of responsibility of his subordinates. In case of absence of the chief of the department his duties are taken up by the chief of the business development and market relations department by order of the chief of the Central administrative board and on the nomination of the first deputy chief of the Central administrative board. The staff of the department is appointed by the chief of the Central administrative board on the nomination of the chief of the department and agreement of the first deputy chief of the Central administrative board.

The main tasks of the investment and innovation poilicy department are: carrying out state investment and innovation poilicy on the territory of the region, carrying out state foreign policy in cooperation with other structural subdivisions. This department secures the economic and legal rights of Ukraine as well as of domestic and foreign economic entitities.

The investment and innovation policy department coordinates the activity and supports of the executive authority institutions, local governing structural divisions of regional state administration in the sphere concerned with measures for foreign investments attraction. The department takes part in developing innovation structures of the region, studying and spreading up-to-date experience of foreign investments attraction in the economy of the region and running the regional programs of investment activity.

The investment and innovation policy department analyses the state and tendencies of investment and innovation activity in the region, takes part in determining

its priorities in introducing structural changes and submits propositions for forming investment and innovation policy directions. The department coordinates and controls running of the regional program of investment activity development ‘Kharkivshina - 2010’.

The investment and innovation policy department in cooperation with other structural subdivisions of regional state administration takes part in state foreign policy pursuing, submits propositions for development and improvement of goods and services export-import structures to the Ministry of Economy of Ukraine. It also provides data concerning economic potential and investment opportunities of the region.

This department develops and organizes the procedure of realization of measures aimed at investment upgrading and favourable investment climate creating. Furthermore the department takes part in preparing propositions for creating and functioning of special economic areas, inrtoducing special treatment of investment activity on territories of priority development and provides in the accepted order the information on these questions to the Ministry of Economy of Ukraine.

One of the tasks of the department is to encourage the development of science and technology, new technology application, raising of engineering performance standard and quality of production and territorial innovation centers creating.

This department in cooperation with the corresponding boards of regional state administration works out prognostic activities concerning foreign investment attraction, external economic activity, science and technology and innovation development to the Program of economic and social development of the region on the basis of the given activities and trends

This department analyses the state of investment and innovation development, submits propositions concerning investment and innovation climate improvement to the head of the regional state administration and the Ministry of Economy of Ukraine. It also places the information on investment opportunities of the region in the global net ‘Internet’, informs the enterprises, organizations and institutions which are situated in the region on the proposition concerning cooperation, business and economic links from foreign partners and other interested institutions. It also analyses appeals from citizens and organizations.

The department takes part in: working out propositions on existing legislation perfection, in meetings, conferences, seminars dedicated to investment and innovation policy.

The department has the right to take in specialists from other structural subdivisions of regional state administration, enterprises, institutions and organizations (on agreement with their chief) to consider questions which are in the competence of the specialist; to receive in the determined order documents and other materials necessary for performing its tasks from other structural subdivisions of the regional state administration, institutions of local governing, enterprises, institutions and organizations. The department can in the determined order organize meetings on the questions which lay in its competence.

The investment and innovation policy department cooperates with other structural subdivisions of regional state administration, institutions of local governing, territorial ministry agencies and other central agenies of executive authority as well as enterprises, institutions, organizations and citizen unions.

2.2 Analysis of the investment activity development in the Kharkiv region.

One of the main tasks of local institutions of state governing and institutions of local governing is activization of investment activity in the region and raising of investment in the regional economy. Growing of investment influx is considered to be a priority direction of activity of local institutions of state governing and institutions of local governing in the Kharkiv region.

Owing to consistent efforts of the Kharkiv regional board and the Kharkiv regional state administration there has been a notable activisation of investment activity in the region. The rates of the investment into the region economy has been growing appreciably since 2001. The main source of investment is private funds of enterprises and organizations and the rest comes from state and local budgets, external investing bank investing. On the table 1.2 one can see data on sources of investment financing into the region economy (in mln.hrn.).

Growing of investment into the region economy has been intensified by creating an effective system of small-scale business stimulating, persistent work of regional governing institutions directed at realization of the oppurtunities given by the Law of Ukraine ‘On special treatment of investment activity on the territoty of the city Kharkiv’, reducing cashless settlements and payments within the regional state.

On 1 January 2006 the Board of special treatments of investment activity on the territory of the city Kharkiv ratified 61 investment projects with the general value of $ 357.7mln, out of which foreign investment take up to 21.4 %, 54 projects of value

$310.9 mln are being realized [9]. By 1 January 2006 $194.2 has been attracted including $66.4 mln of foreign investment $15.4 mln out which was invested in 2005 which is 3.7 times less comparing to the rate of 2004.

Table 2.1

Sources of investment into the fixed capital.

Rates/Years	2000	2001	2002	2003	2004
Total	1372.6	1954.8	2467.8	3553.5	5055.4
Including at the expense of:					
The state budget funds	22,1	38.2	39.6	76.0	126.7
The local budgets funds	31.3	62.3	85.4	148.7	168.5
Private funds of enterprises and organizations	1087.4	1475.9	1900.6	2700.1	3597.0
Foreign investors funds	77.8	73.1	123.0	170.5	357.5
Population funds for private house-building	70.0	66.8	79.2	92.4	116.1
Bank credits and other loans including:	7.7	92.4	110.6	285.5	454.0
Foreign banks credits	0	0	0	79.1	140.8
Domestic investment companies funds	0	0	31.9	21.8	58.8
Other financing sources	76.3	146.1	97.5	58.5	176.8

In 2004 the rate of investing into the fixed capital reached the point of 5055.4 mln. hrn. which is by 25.2% more than the rate of the year 2003 and the rate has declined in 1.5 times [78], (Appendix).

In the sructure of investment into the fixed capital the share for capital buiding is 53.8% and for machines, equipment and tools purchase – 46.2% (Appendix).

In December 2005 enterprises special treatment investment activity subjects (hereafter STIAS) obtained investment capital of 5.4 mln hrn. out of which 4.6 mln hrn. came in the form of equipment, 0.04 mln hrn. – in the form of raw material, 0.2 mln hrn. - funds, 0.5 mln hrn. -other expenses [9].

In 2004 comparing to the year 2003 the biggest source of investment into the fixed capital was private funds of enterprises and organizations – 71.2 % which is by 4.9 % less than in 2003, the local budgets funds reduced by 1% and totalled 3.3%, state budget funds – 2.5%; bank credits and other loans increased by 1% and totalled 8.9%; foreign and domestic investors funds increased almost by 2 times; other financing sources totalled 5.8%. According to the kinds of economic activity in 2004 the biggest share of the investing into the fixed capital was ditected to the processing industry –

25.7% which is by 4% more than the last year, transport and communication -17.3% which is by 3% less than in 2003; construction – 12.4%; real estate activities, renting and services to juridical persons – 13.1%. These types of activity were also priority in the last year. The share of investing into the fixed capital in the agriculture totalled 164.2 mln hrn.(3.2% of the overall investing capital of the region), (Appendix).

According to the technilogical structure, 12.8% of all capital investment into the agriculture was directed to building and assembly jobs and 85.1% - to machines, equipment and tools purchase (Appendix).

The structure of the investments according to the kinds of economic activity in 2004 is illustrated on figure 2.2 (in proportion to the total investment sum).

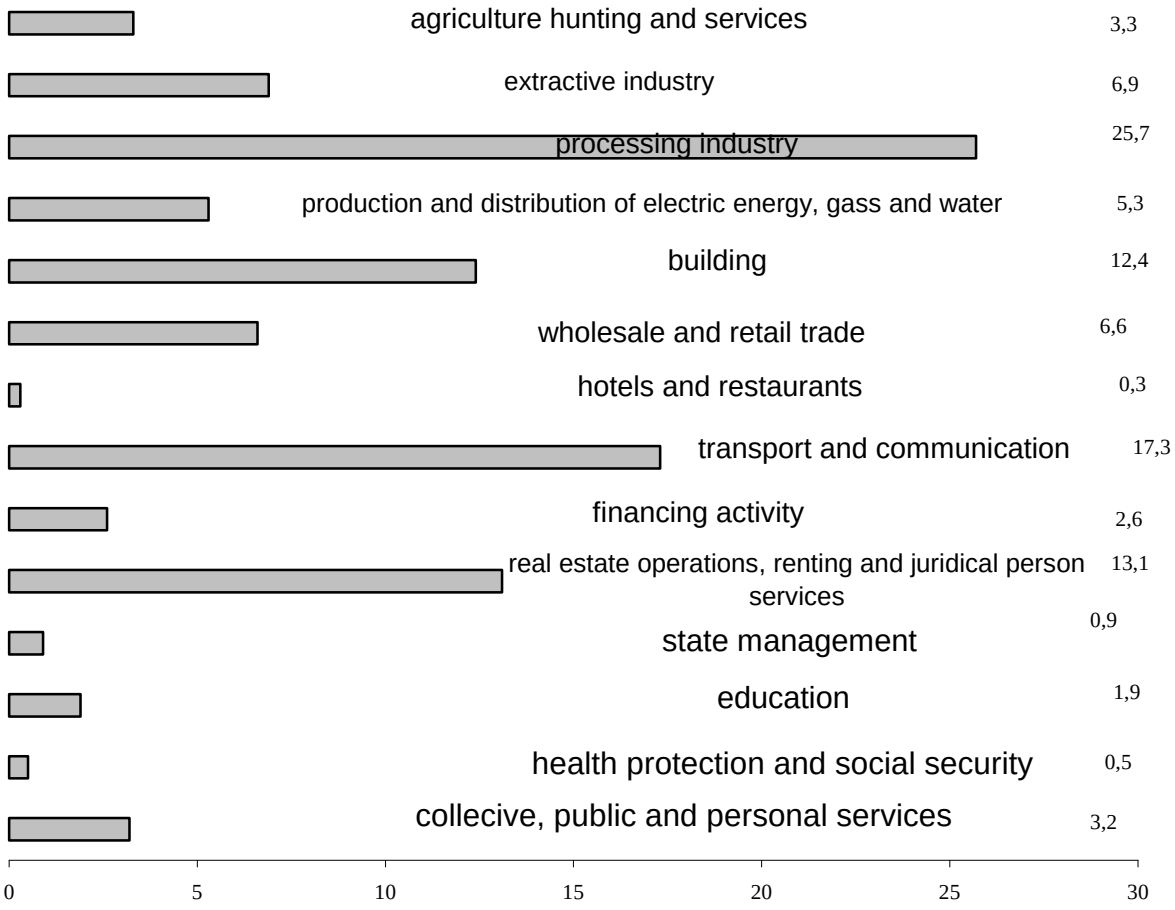


Fig 2.2 The investments structure according to the kinds of economic activity in 2004

Figure 2.3 shows the diagram of monthly intake of investments and indicates the year. Until the year 2004 there was a growth of monthly investments intake rate. The highest investment rate compared to the basic rate of the year 2000 can be observed in 2004 (544%) in 2005 the rate of investment declined to 114%.

Average monthly rate 2000 0.9

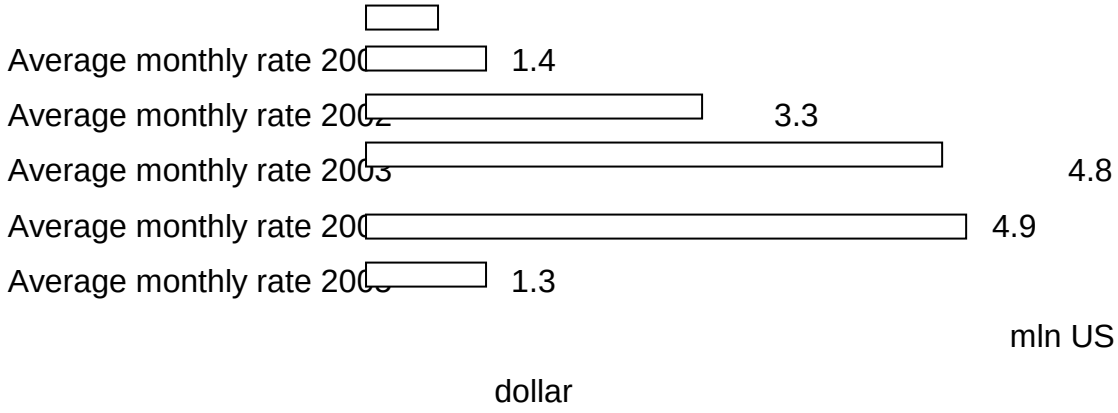


Fig. 2.3 Investment intake to the Kharkiv region

Much attention is paid to the rate which characterizes the development of investment. Thus in 2004 construction and reconstruction were finished and a range of productive capacities were set in operation; among them shops producing polyethylene, plastic package, tinned and meat products, confectionery, spirits and tobacco products; workshops processing meat, groats, flour, bottling mineral water, paper and cardboard processing, polygraphic printing. Furthermore 2,2 km of paving highways, 2.51km of undeground tunnels, 25 km of gas pipe line dial exchanges with 86.7 numbers were set in operation [73].

Figure 2.4 illustrates the indusrtial disrtibution of investing by 1 January 2006

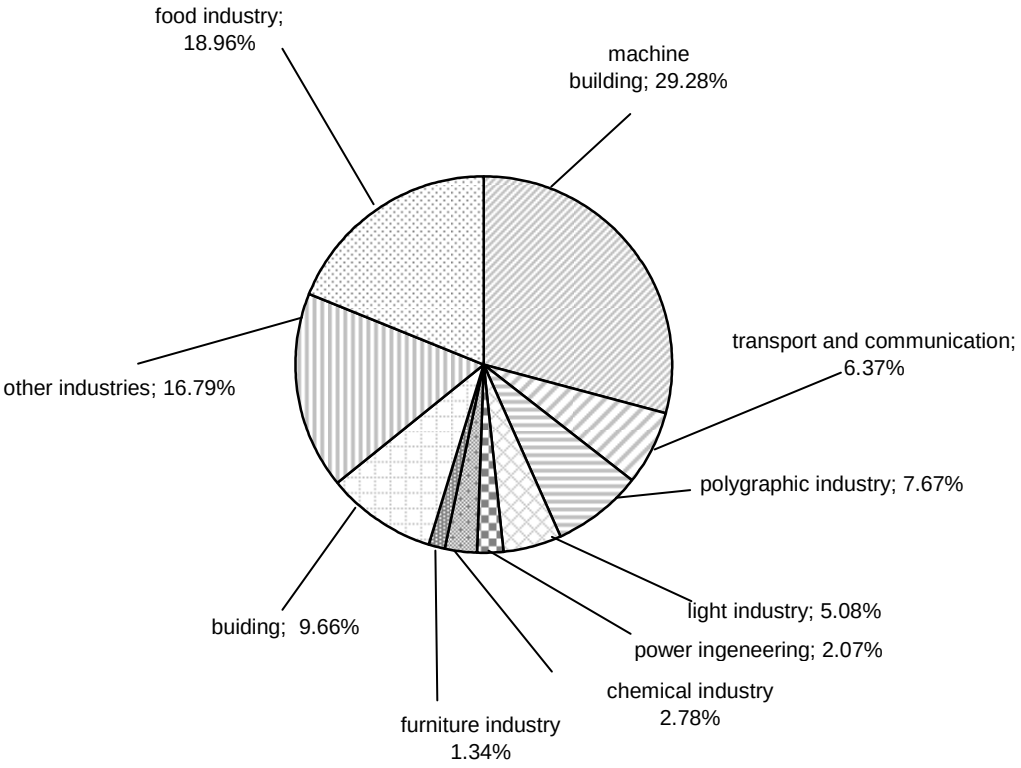


Fig.

The industrial distribution of investing by 1 January 2006 in propotion to the total account.

The share of the developed investments into fixed capital used for resources conservation is 0.6% (3.3 mln hrn) compared to 0.8% of the previous year. In 2004 the share of investment into the invironment protection declined by 4.5% compared to the previous year. With the current pace of investment into the invironment protection it will take about fifty years to attain the state of 1990 [73].

During 2004 housing buildings with the total area of 368.6 thousand square metres, including individual buildings (261.5 thousand of square metres) were set to operation; this housing takes up 70.9 % of all housing. The given rate is 5.8% more than tha rate of 2003.

In the rural area housing buidings of the total space of 92.7 thousand of square metres (25.2 of the housing in the region), including individual buildings – 88.2 thousand of square metres were set to operation; this housing takes up 95,1% of all housing sett to operation. Furthermore an educational was establishment for 264 students was constructed and a gasification network of 163.9 km was laid.

The following objects were also set to operation: heat network 1.33km, gasification network – 259.07 km, disrtict boiler installation with capacity of 43.91 Gcal per hour, ambulance polyclinic station for 435 receptions per day, two establishments of general education for 664 students, a

sport comlex with the training space of 1663 of square metres and a cultural centres for 1277 seats and other.

By the 1.01.2006 enterprises STAIS subjects ralized production for the total value of 4.566bln hrn, including 1.682 bln hrn in 2005 which is in 1.3 times more than in 2004. The export share of this sum is 14.7%. has the biggest share – 26.59%, furniture industry – 17.85%. As to the export production, the biggest part here is taken up by furniture industry – 61.94% out of all export production, the food industry and machinery each have 10 %.

By 1.01.2006 the enterprises STAIS subjects paid 433.4 mln hrn of taxes and compulsory payments including 187.9 mln hrn in 2005 to the budgets of all levels which is in 1.6 times more than in 2004. In December 2005 the sum of budget receipts from investment projects realization totalled 14 mln hrn.

During the period of special treatment functioning in the city Kharkiv enterprises have got preferences for the total sum of 203.1 mln hrn, including 8.1 in 2005 which is in 7.1 times less than in 2004 . In December 2005 no enterprises STAIS subjects got any preferences.

In December 2005 65 workplaces were created and their total sum is 8442 workplaces. The number of maintained workplaces in December of the same year did not change and totals 2735. The dynamics of creation and maintenance of workplaces in various periods is given below in figure 2.5.

Before 2005 the dynamics of creation and maintenance of workplaces had an unstable character. The greatest growth rate in comparison with the basic rate of 2000 was observed in 2003 and reached 200% after that there was a steady decline of this rate. In 2005 the growth rate is 136%.

In 2004 the economy of the Kharkiv region got 142.49 mln dollar of direct investment which is in 1.3 times more than in 2003. the biggest share of the direct investment in 2004 was received by the enterprises which is concerned with the following types of economic activity: financial activity – 88.6 mln dollar that is 62.2% of the total receipt, wholesale trade and intermediate trade – 17.34 mln dollar (12.2%); chemical and petrochemical industry – 9.92 mln dollar (6.9%); machinery –

8.86 mln dollar (6.2%) [73].

Fig. 2.5 The dynamics of creation and maintenance of workplaces.

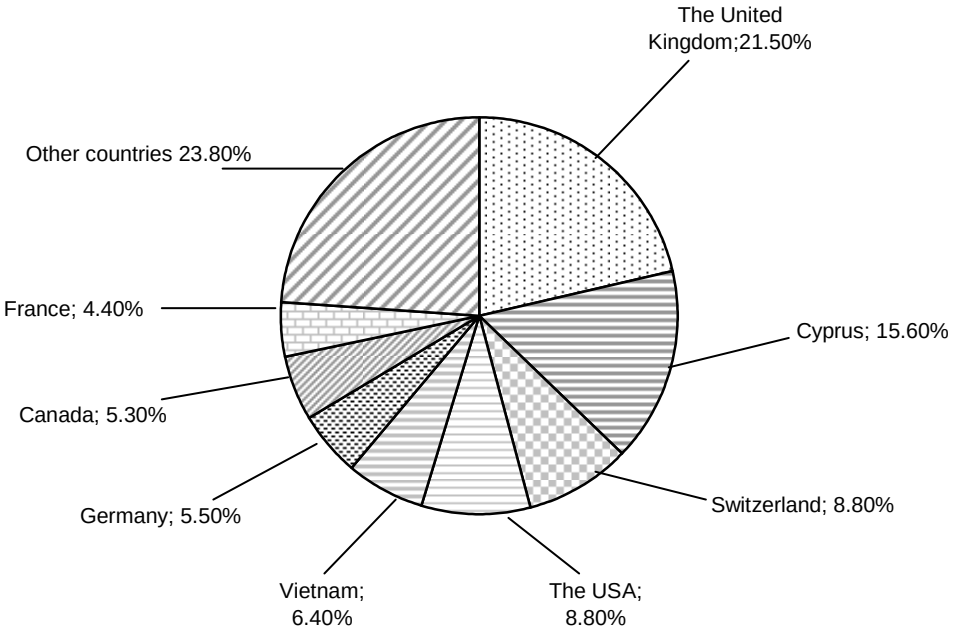
By 1 January 2005 the total sum of foreign investment into the Kharkiv region was 426.90 mln dollar , of the direct investment – 385.40 mln dollar.

Figures 2.6, 2.7 and 2.8 illustrate the distribution of direct investment between countries in 2003, 2004 and 2005. They visaulize percentage of investment in countries investors and show the changes in the structure of foreign investors (Appendix).

The biggest portfolio investments in 2004 came from the United Kingdom – 24.20 mln dollar which is 58.3% of total portfolio investments; and the USA – 11.48 mln dollar (27.7%). In 2004 400 enterprises of the region had direct foreign investments. Most enterprises received direct foreign investments from the Russian Federation – 73 organizations whereas in 2003 – only 658 enterprises received portfolio investments; 51 organizations received direct investments from the USA (in the previous year 48), portfolio investments were received by 11 organizations; direct investments from Germany were received by 39 organizations which is by organizations more than in 2003, portfolio investments – by 3 organizations; direct investments from the United Kingdom were received by 36 organizations (in 2003 - 29), portfolio investments – by 6

organizations; direct investments from Cyprus were received by 30 (25 in 2003) and portfolio investments – by 2 organizations.

Fig. 2.6 Countries investors direct foreign investment structure. The state on 1. 01. 2004.



In 2004 the currency presentation of investment was as follows: USA dollar – 272.53 mln units of currency, hrivna - 189.43 mln units, Czech crown – 78.86 mln units, EURO- 51.87 mln units, Russian ruble – 21.65 mln units and other.

Accordingly in portfolio investments: hrivna – 191.88 mln units, USA dollar – 3.08 mln units, EURO – 1.66 mln units [73].

In general, the direct investment growth in 2004 totalled 112.45 mln dollar which is 1.1 times more than in 2003. The growth rate of direct investment in 2004 is 141.2 % (162.7in the year 2003). By the growth rate of the direct investment the Kharkiv region occupies the sixth place exeeded by the Lugansk region, the city Sevastopol, Kirivograd and Khmelnilckaya regions and the Autonomous Republic Crimea.

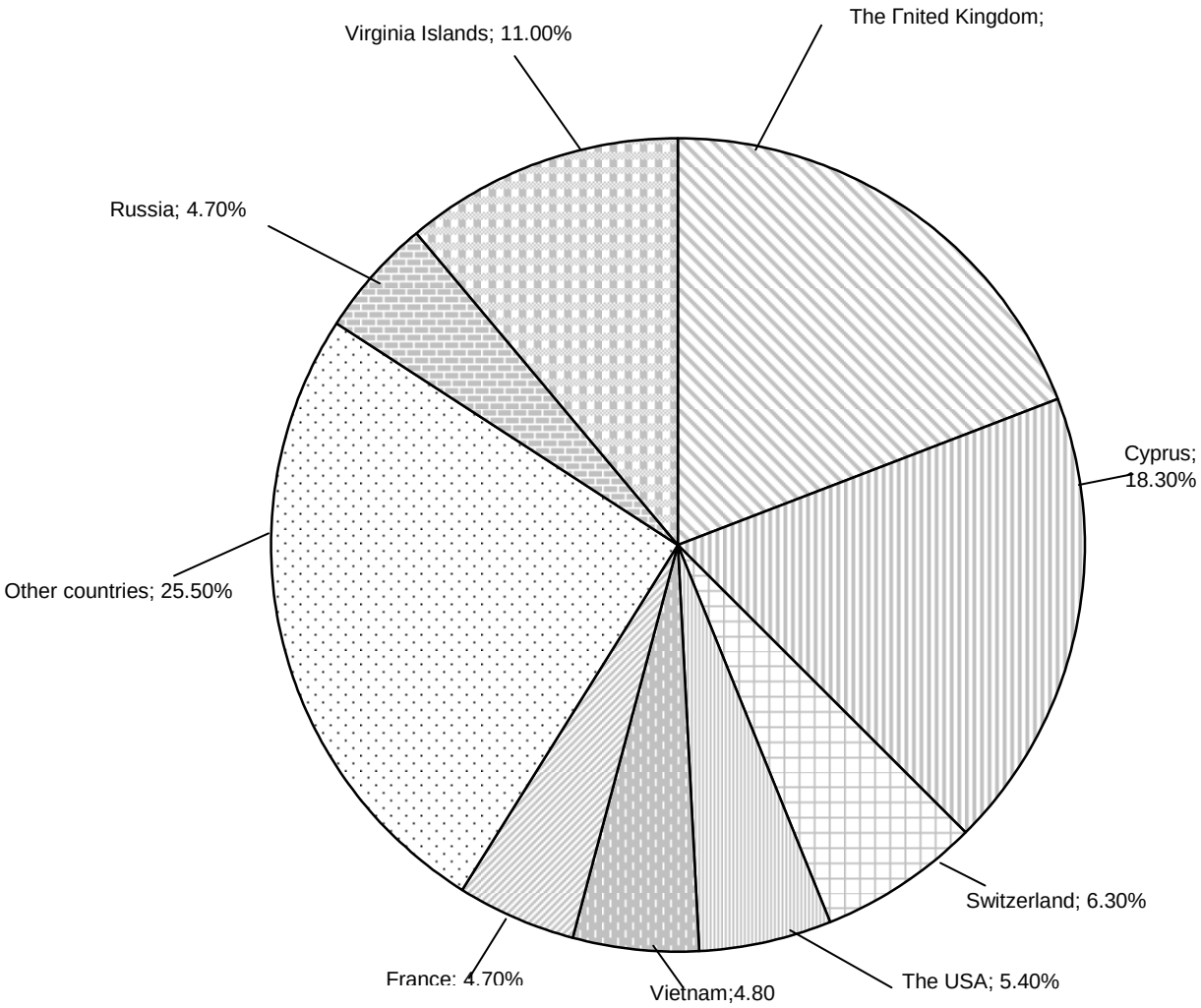


Fig. 2.7 Countries investors direct foreign investment structure. The state on 1. 01. 2005
In 2005 the structure of foreign investments changed considerably. The capital from France increased to 44.02%, but the flow of investments from the United Kingdom declined almost by 5%, from Russia – by 4%, from Canada – by 5%. The developed countries make more than half (55.2%) of direct investments. Among countries which can not be classified as developed the biggest investors in 2004 are Cyprus- 70.42 mln. dollar, Virginia islands – 42.40 mln. dollar and Vietnam – 18.57 mln. dollar.

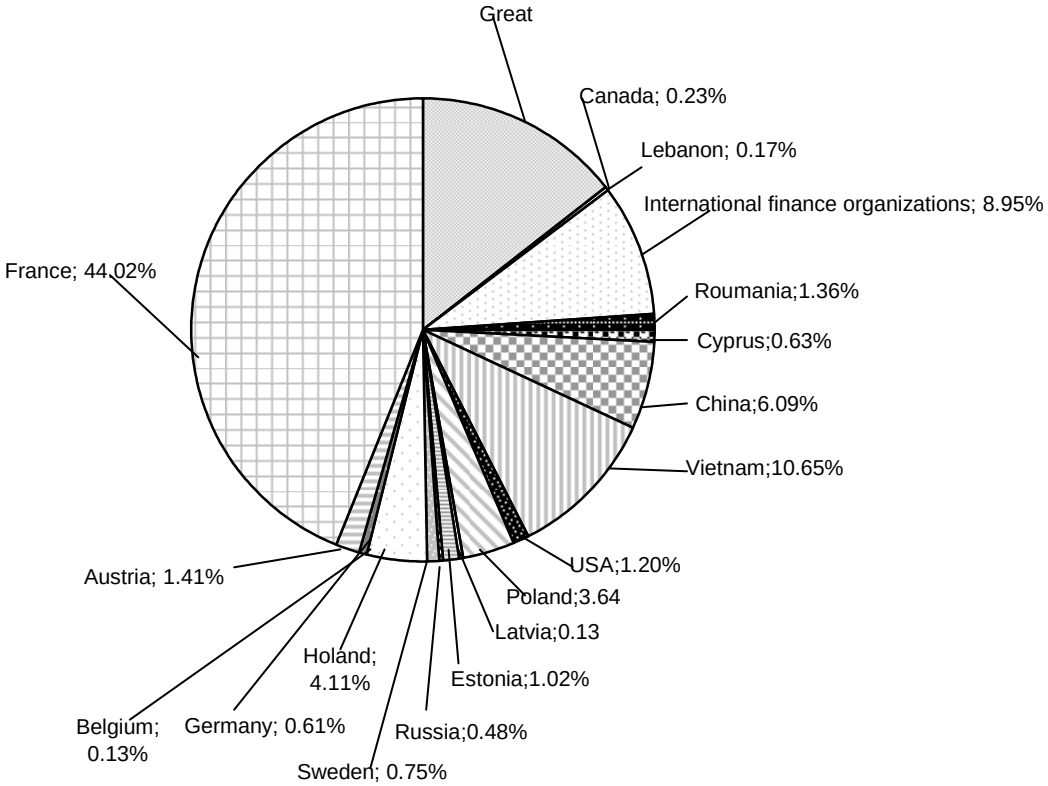


Fig.2.8 Countries investors direct foreign investment structure. The state on 1. 01. 2006.

Priority areas to direct investments in the region are still enterprises of food industry – 53.23%, polygraphic industry – 13.31% and machinery – 13.11 %. The sectoral structure of the practically developed investments by the 01.01.2006 is illustrated in fig.2.9.

The sum of credits and loans received by the enterprises of the region from direct non-resident investors by January 1, 2006 totalled 1.58 mln. dollar. The biggest sum is provided by the investors from Poland – 0.64 mln. US dollar, Cyprus - 0.55 mln. US dollar and Germany – 0.25 mln. US dollar.

The total sum of direct investments in the region including loanable capital on January 1, 2006 was 386.98 mln. US dollar.

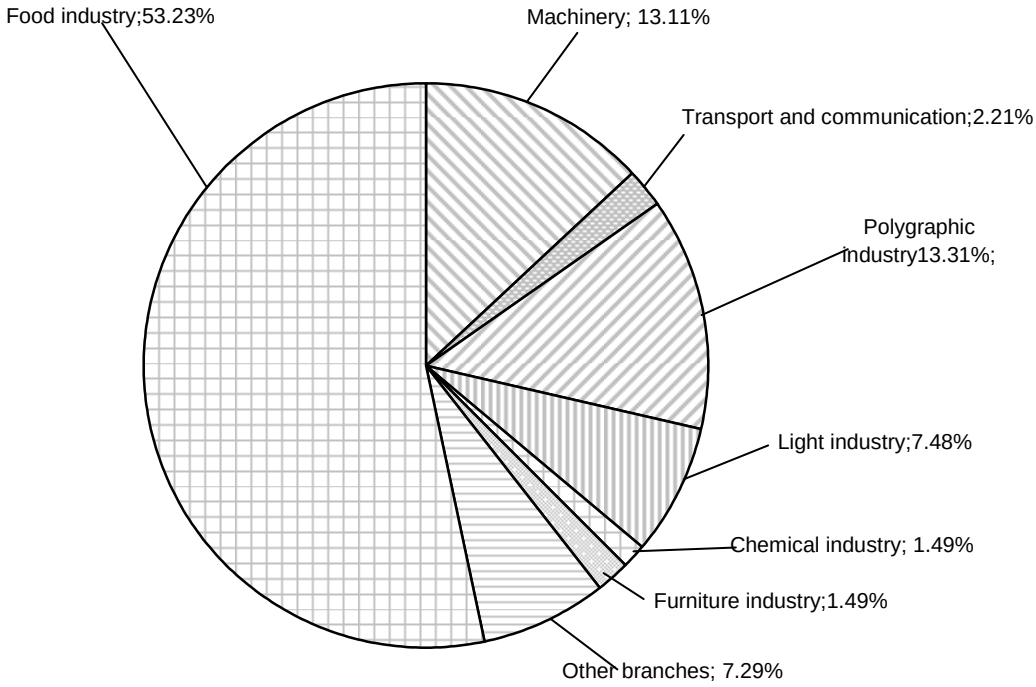


Fig.2.9 Sectoral structure of the practically developed foreign investments on 1.01. 2006.

Growing of economic potential of the Kharkiv region is favourable for functioning of special investment treatment on the territory of the city Kharkiv. During the five years of functioning of the special treatment the enterprises realizing investment projects have received investments for the sum 177.5 mln dollar which makes up 48.2% of the sum stipulated by the projects. The share of foreign investments in the investments which have been received since the beginning of the projects realization in Khariv is 18.9%.

The results of SWOT analysis of the overall economic state of the Kharkiv region will help to study its investment activity level more thoroughly.

The strengths of economic comlex of the Kharkiv region are:

1) the center of the region is a megapolis of national significance and has a highly concentrated and highly capacious market for local producers.
2) skilled labour force avalability.
3) steady growth of foreign capital enterprises
4) consistent growth of foreign investment
5) the city Kharkiv is a traditional trade center.
6) the situation of Kharkiv and the Kharkiv region on the border with the Russian Federation.
7) the situation on the crossroads of motor- and railways.

8) unique producing complexes availability; well-developed scientific and educational base.
9) growing number of economic subjects who raise goods and services quality, technological processes, and management processes.
10) most of industries are included into the area of special treatment of investment activity on the territory of the Kharkiv region.

The weaknesses of economic comlex of the Kharkiv region are:

1) low speed of basic capital renewals
2) the economy relies on a limited nember of big enterprises which depend on political decisions.
3) lack of authority of local governing institutions
4) unsatisfactory condition of most of paving
5) extremely difficult economic situation on the territory of certain disrticts and small towns
6) manpower drain
7) insufficient development of the stock market

Opportunities for the economy development of the region:

1) steady support of entrepreneurship by local authorities;
2) fast application of scientific and technical development
3) development of home market of the country and the region.
4) access to CIS market.
5) coordination improvement of business groupings and unoins.
6) positive changes in legislation: decentralization of budget process, strengthening of regions
7) international and interregional cooperation.
8) application by bank and non-bank institutions of economic inducements for long-term deposit funds of the population.
9) securing priority of direction of budget capital deposits into profitable and strategically perspective projects

Threats for economy development of the region:

1) insufficient use of favourable geopolitical situation;
2) slow formation of regional financial and industrial groups;
3) tendencies to monopolization of separate sectors of economy of the region by the local financial and industrial groups;
4) availability of sufficient quantity of imported consumer goods on the market;
5) scarcity of funds for support of scientific researches and innovations;
6) negative demographic tendencies – agening and natality, negative balance of migration, flow-out of scientific elite and brilliant young specialists;
7) slow social and economic changes in rural area.

Thus, investment activity in the Kharkiv region is supervised by the Investment and innovation policy department of the regional state administration. One of the main tasks of the department is acivization of investment activity in the region and increasing investment rate into region economy.

By January 1, 2006 the Council of special treatment of investment activity on the Kharkiv city territory has approved 61 investment projects for the total value of 357.7 mln US dollar, investments for the total sum of 194.2 mln US dollar. Increasing of economic potential of the Kharkiv region enhances the functioning of special treatment of investment activity on the Kharkiv city territory. During the five years of special treatment of investment activity functioning, the enterprises which realize functioning projects have received investment for the sum of 177.5 mln. dollar which makes up 48.2% of the sums stipulated by the projects.

However, due to the efforts of the Kharkiv regional state council and the Kharkiv region state administration there is a notable activization of investing into the region economy. The growth rate of investment into the region economy has sufficiently increased since 2001.

PART 3
The Methodical Base of Administrtive Management Decisions Making on Investment Activity in the Region.

3.1 Indicators which characterize efficiency of real investment projects.

In the system of investment activity management estimation of investment projects efficiency is very important. There are basic principles to estimate them [14, p231]. Estimation of investment projects efficiency is to: be done on the basis of comparison of investment expenses with sums and terms for return of the capital that is invested, cover all resources which are used in the realization of the projects, rely on the "discounted net flow" [12,13,23,24]. Besides it is necessary to adjust the sum of expenses and and net money flow to the current cost. Many scientists have occupied themselves with the issue of estimation of investment projects efficiency. I.A. Blank made a big impact into the modern investment policy.

It is necessary to study the method of calculation and conditions usage of main indicators of estimation of investment projects efficiency, which is suggested by Blank [14, p.234].

Discounted net profit gives the most simplified characteristics of the investment result that is, the final result. The discounted net profit is the difference between the current sum of the net cash flow of the period of project realization adjusted to the current cost and the sum of investment costs of the project realization.

The given indicator is calculated according to the formula in case of one-time investment costs:

$$DNP = \frac{NCF_{\mathrm{t}}}{(1+\mathrm{i})^{\mathrm{t}}} - C; \qquad (3.1)$$

where:
DNP is the discounted net profit of the investment project;
NCFt is the amount of net cash flow in the separate periods of time;
C is investment costs of the realization of the project;
i is dicount rate expressed in decimal fraction
n is the number of discounting periods used in settlement period t;
If the investment costs connected to the project realization are divided into several payments, discounted net profit is calculated as follows:

$$DNPm = \sum_{\mathrm{t}=1}^{\mathrm{n}} \frac{DNP_{\mathrm{t}}}{(1+\mathrm{i})^{\mathrm{t}}} - \sum_{\mathrm{t}=1}^{\mathrm{n}} \frac{C_{\mathrm{t}}}{(1+\mathrm{i})^{\mathrm{t}}} \sqrt{a^2+b^2}; \qquad \textbf{(3.2)}$$

where:
DNPm is the amount of the discounted net profit of the investment project with multiple costs.
NCFt is the amount of net cash flow in the separate periods of time;
Ct is investment costs in the separate periods of time;
i is dicount rate expressed in decimal fraction

n is the number of discounting periods used in settlement period t;
A project with negative or zero discounted net profit indicator must be rejected as it is not likely to bring profit to the invested capital. A project with a discounted net profit indicator higher than zero gives the opportunity to raise capital.

Profitability index attempts to identify the relation between the amount of costs to the future discounted cash flow. The given indicator is calculated according to the formula in case of one-time investment costs:

$$PI = \frac{\sum_{t=1}^{n} \frac{NCFt}{(1+i)^t}}{C};$$

(3.3)

Where:
PI is the profitability index;
NCFt is the amount of net cash flow in the separate periods of time;
C is investment costs of the realization of the project
i is dicount rate expressed in decimal fraction
n is the number of discounting periods used in settlement period t;
If the investment costs connected to the project realization are divided into several payments, the profitability index is calculated as follows:

$$PIm = \frac{\sum_{t=1}^{n} \frac{NCFt_t}{(1+i)^n}}{\sum_{t=1}^{n} \frac{C_t}{(1+i)^n}};$$

(3.4)

Where:
PIm is the the profitability index in the investment project with multiple costs.
NCFt is the amount of net cash flow in the separate periods of time;
Ct – amount of costs in separate time periods of the the project realization;
i is dicount rate expressed in decimal fraction
n is the number of discounting periods used in settlement period t;
A project with negative or zero profitability index should be rejected.
Lerner index attempts to identify the amount of investment profit in the discounted cash flow and it is calculated as follows:

$$LI = \frac{NP}{C};$$

(3.5)

Where:
LI is Lerner index, profitableness index of a given project;
NP is annual amount of net investment profit during the project realization;
C is the cost of project realization;

Pay-off period is the most common indicator. It is calculated by two methods – atatic and discounted. Nondiscounted indicator of the pay-off period is calculated by static method as follows:

$$POn = \frac{C}{NCFa};$$

(3.6)

Where:

POn is nondiscounted period of investment costs pay-off

C is the cost of project realization

NCFa is the annual amount of net cash flow of the period of project fulfilment.

The discounted indicator of pay-off period is calculated as follows

$$POd \frac{C}{\sum_{t=1}^{n} \frac{NCF_t}{(1+i)^n \times t}};$$

(3.7)

$$ПО_Д \frac{ИЗ_E}{\sum_{t=1}^{n} \frac{ЧДП_t}{(1+i)^n \times t}}$$

where PPd – discount pay-off period of nonrecurring charges for project;

ICn – the amount of nonrecurring investment charges;

NCFt– the amount of net cash flow for general period intervals of investment project exploitation;

i– discount rate, which is expressed by decimal fraction;

n – quantity of intervals in general settlement period t.

t – general project exploitation period.

The internal profitability rate characterizes the level of profitability for concrete investment project, which is expressed by the discount rate, on which the future cost of net cash flow results in the current cost of investment charges. The calculation of this index can be done according to the formula:

$$\sum_{t=1}^{n} \frac{NCF_t}{(1+IPR)} = 0;$$

(3.8)

where IPR – internal profitability rate for the investment project, which is expressed by decimal fraction;

NCFt – the amount of net cash flow for general period intervals of project exploitation,

n – quantity of intervals in the general settlement period of t.

The Kharkiv regional state administration department of investment and innovative policy does not calculate the indexes, which characterize the efficiency of investment projects, but makes decisions about their realization on the basis of calculating. For decision-making the department leader pays attention to the following indexes: discounted net profit, profitability index, internal profitability norm, discount and nondiscount pay-off period. The results are shown in the comparative table in the following form: 3.1.

Amount of ranks		16	12	8	
Internal profitability rate	rank	2	3	1	
	index	16,96	4,11	22,74	
Pay-off period, months	rank	2	1	3	
	index	54	23	59	
Lerner	rank	3	2	1	

ndex	inde x	1,28	1,4	1,58	
Discounted net profit, thous. of grv	rank	3	2	1	
	inde x	14748 2	17001 9	70362 0	
Profitability index	rank	3	2	1	
	inde x	1,09	1,28	1,85	
Discounted profit, thous. of grv	rank	3	2	1	
	inde x	18435 2	21252 3	87953 5	
Investment projects		Project 1	Project 2	Project 3	Projec t n

But it is necessary to correct the method of index calculations that characterize the efficiency of investment projects. The improved method is following:

1. Discounted profit:

$$DPn=\sum_{t=1}^{n}\frac{CF_t}{(1+i)^t} — IC_E;$$

(3.9)

where DPn – the amount of discounted profit for the investment project in case of nonrecurring investment charges realization;

CFt – the amount of cash flow for separate periods of project realization;

ICn – the amount of nonrecurring investment charges bound up with realization of investment project;

i – discount rate, which is expressed decimal fraction;

t – concrete settlement period;

n – number of periods in general settlement period for the receipt of cash flow;

m – number of periods in general settlement period of investment instrument deposits.

$$DFs=\sum_{t=1}^{n}\frac{CF_t}{(1+i)^t} - \sum_{t=1}^{m}\frac{IC_t}{(1+i)^t}; \qquad (3.10)$$

where DFs– the amount of discounted profit for the investment project in case of standing investment charges.

2. Discounted net profit:

$$DNP_E=\sum_{t=1}^{n}\frac{CF_t}{(1+i)^t} - ICn; \qquad (3.11)$$

where DNPn – the amount of discounted net profit for the investment project in case of nonrecurring investment charges;

CFt – the amount of cash flow for separate periods of project realization;

ICn – the amount of nonrecurring investment charges bound up with the realization of investment project;

i – discount rate, expressed by decimal fraction;

t – concrete settlement period;

n – number of periods in the general settlement period for the receipt of net cash flow;

m – number of periods in the general settlement period for the investment instruments deposit.

$$DNPs=\sum_{t=1}^{n}\frac{CF_t}{(1+i)^t} — \sum_{t=1}^{m}\frac{IC_t}{(1+i)^t}; \quad (3.12)$$

DNPs– the amount of discounted net profit for the investment project in case of standing investment charges.

3. Profitability index (coefficient):

$$PIn=\frac{DPn}{ICn};$$

(3.13)

Where PIn – profitability index (coefficient) for the investment project in case of nonrecurring investment charges;

$$PIs=\frac{DPs}{\sum_{t=1}^{m}\frac{IC_t}{(1+i)^t}};$$

(3.14)

where PIs– profitability index (coefficient) for the investment project in case of standing investment charges.

4. Lerner index (coefficient):

$$LI=\frac{DNPn}{ICn};$$

(3.15)

where LIn– lerner index for the investment project in case of nonrecurring investment charges;

DNPn – the amount of discounted net profit for period of realization of investment project.

$$LIs=\frac{DNPs}{\sum_{t=1}^{m}\frac{IC_t}{(1+i)^t}};$$

(3.16)

where LIs – lerner index for the investment project in case of standing investment charges.

5. Pay-off period for investment project:

$$PPn=\frac{ICn}{\sum_{t=1}^{n}\frac{CF_t}{(1+i)^t}}\times n; \qquad (3.17)$$

where PPn – pay-off period for investment project in case of nonrecurring investment charges.

$$PPs=\frac{\sum_{t=1}^{m}\frac{IC_t}{(1+i)^t}}{\sum_{t=1}^{n}\frac{CF_t}{(1+i)^t}}\times n; \qquad (3.18)$$

where PPs – pay-off period for investment project in case of standing investment

charges.

All these indexes of efficiency for real investment projects are interrelated, that

is why when estimating the project efficiency it is necessary to consider them in complex.

A project with the least amount of grades is considered to be the best. It can be selected for realization. But it is possible that the project is selected

on the basis of separate indexes which are considered to be a priority for this region.

3.2.Algorithm development for administrative decision-making

The efficiency of investment activity in a region is based on choice of the most effective investment projects, which can be carried out on this territory, from the point of choosing the best use of joint resource potential of this region.

According to the general definition of efficiency, we may say that the efficiency of investment activity of a region is achieved by the increase of profit from realization of investment projects and also due to the cost cutting on their development and realization.

In order to cut costs on development and realization of investment projects, it is necessary to develop an algorithm of administrative decision-making in connection with the efficiency of investment activity in the region.

The algorithm scheme is presented in 3.1.

The first block of algorithm means conducting an analysis of investment situation in a region in order to reveal problems on the basis of given results. Thus the dynamics of basic investment activity indexes in a region must be analyzed.

analysis of a situation of an investment activity in a region, its estimation and definition of a problem

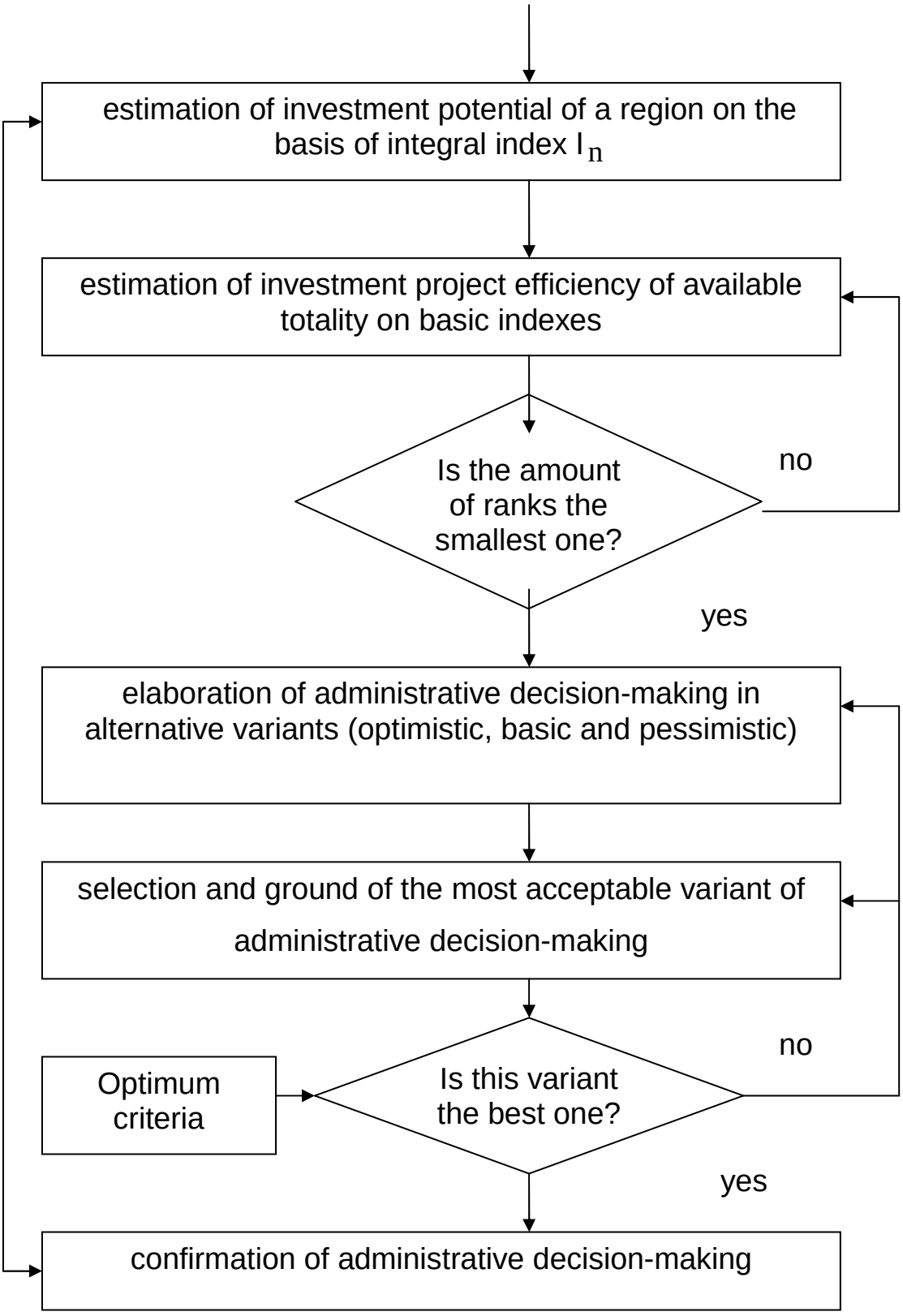


Figure 3.1. The algorithm of administrative decision-making in connection with the efficiency of investment activity in a region.

It is necessary to attribute to such indexes: investments in the fixed capital in Ukraine and the Kharkiv region, technological structure of investments in the fixed capital in Ukraine and the Kharkiv region, investments in the fixed capital of the economy industries in Ukraine and the Kharkiv region, introduction of general funds in Ukraine and the Kharkiv region, introduction of general funds on the economy industries, investments in the fixed capital per capita in Ukraine and the Kharkiv region and mastering investments per capita.

The second block of algorithm is related to estimation of potential investment in a region.

The integral index of potential investment is following:

$$Ir = NNr + NLr + NM\text{-}Tr + Fr + Ir ; \qquad (3.19)$$

where Ir – integral index,

Nn – potential of natural resources,

Ln – potential of labour resources,

M-Nn – potential of material and technical resources,

Fr – potential of financial resources,

Ir – potential of informative resources.

In the conditions of improvement of market relations the administration must take well-grounded administrative decisions which are directed towards achievement of certain goals. It is possible to consider the optimum decision as the effective decision according to the criteria of maximization of a result and minimization of charges.

It is possible to estimate every type of potential according to the one of the methods which are described in scientific literature. Thus it is necessary to take one approach separate potentials definition. For example, it is

possible to use a methodical approach which is based on decomposition of each separate potential on the component indexes, by which it can be characterized, then to define a specific gravity of every index that characterizes the regional development.

The realization of the third block of algorithm means the estimation of efficiency of investment projects, which can be realized on this territory in accordance with the resource potential of region. This estimation can be carried out according to the method of estimation of investment projects efficiency.

The realization of the fourth block of algorithm means the formation of different variants of administrative decision-making. The development and analysis of alternative variants will help to adopt the effective decision about the situation in a region and foresee its possible changes.

The fifth block of algorithm means a choice of well-grounded administrative decision that is most suitable for the region.

Along with the question of optimization of administrative decision-making it is necessary to take into consideration some principles:

1) taking into account the main purposes of region and industry development;

2) clear optimum criterion;

3) optimum functioning of each element of investment management system in a region;

4) taking into account the dynamics of limitations imposed on resources and figures of management system of region development;

5) possibility and expedience of management tasks formalization of the development of investment activity by means of economic and mathematical methods.

Optimum variant – is an administrative decision which allows to attain the aim with the minimum resource charges.

While developing the models of management of the region investment activity it is necessary to choose quality criteria of a management, to take into account such principles, as the estimation of expedience of primary purpose and tasks of management; taking into account the changes of studying parameters of the management system, taking into consideration the dynamic quality of management process.

The development of administrative decisions includes the methods and ways of implementation of operations which are necessary for administrative decision-making. They include the methods of analysis and treatment of information, and also the choice of variants of actions. Administrative decision-making is caused by the choice of suitable variant, and it is necessary to choose it in the conditions of aggregate alternative variants of decision in the current situation.

Last stage of algorithm is a confirmation of administrative decision.

The efficiency allows the administrative decision to secure the consideration of all factors which affect a state of economic environment in the process of their development and realization.

Optimization of administrative decision means cutting costs on achievement of certain goal of investment development of a region. Optimum administrative decision is a decision that allows to attain a desired planned result at the minimum charges of financial, labour, material and informative resources. Thus the optimum decision can be accepted only in the conditions of alternative that means the development of aggregate variants of administrative decisions which allow to attain the planned result in the forms of alternative variants.

Thus, management of the development of investment activity in a region must be directed on index improvement, that characterizes the internal economic environment. Acceptance of administrative decision directed on the development of investment activity in a region must be financially well-

grounded and take into account the interests of investors and enterprises which operate on its territory.

In the system of investment activity management the estimation of investment projects efficiency is of great importance. The capital return date, variants of its alternative use and future profits depend on the objectivity and comprehensive approach to this estimation.

3.3. Use of modern information technologies in the management of investment activity in a region.

Under the current situation it is necessary to treat large volumes of information for certain decision-making. The presentation of information in a form of electronic tables is a comfortable method of information treatment which allows to automatize a process of treatment of economic information.

The electronic tables replaced the calculators. They do not need a previous preparation and professional knowledge in case of their use and are enough comfortable means of organization the document checking. The use of these electronic tables considerably saves working time.

For carring out this work holder of a master's degree the tabular processor Microsoft Excel was used. This program tool allows to treat a statistical material easily, to solve complex financial and economic tasks and present these data in the evident graphic form. The information given as graphs and diagrams makes a process of decision-making and analysis of situation easier.

The Excel electronic tables contain the tabular computations, business graphics, database, and can be used at: technical and economic planning, efficient operation management, business and bank accounts, material support, financial planning, computations of economic activity.

The investment activity in a region is characterized by many interrelated factors which usually considered in dynamics. Exactly then, when the

indexes are analyzed during several years, it is convenient to use graphics. The effectiveness of investment activity in a region is shown in the dynamics of work creation and maintenance index. In the figure 3.2, which was created in Microsoft Excel, these index data are cited. Due to the possibility of an easy data exchange between the different supplements of Microsoft Office, the table was inserted in the

Microsoft Word document. For carring out this action it is necessary, while holding on the left button of a key mouse, to select a table in the Microsoft Excel by a cursor. Then it is necessary to push the button „Copy" on the standard toolbar, to pass to the Microsoft Word document and push the button "Insert" on the standard toolbar. After the appearance of a table it is necessary to adjust its size. Point a cursor on the right lower corner of the table, wait for appearance of bilateral arrow and pull it to the necessary size.

The program tool Microsoft Excel can easily present the data of this figure as graphics (3.2). It is necessary to select a table, to push the button „Master of diagrams" on the standard toolbar. All the process of diagram creation is divided into four stages.

Firstly, we need to select a type and a kind of a diagram. In our case this graph with markers that mark out the data points. Secondly, we select a range of data on the basis of which the diagram will be created and determine a method of placing data – data in columns. The third stage is the introduction of names of diagram and its axes, establishment of various parameters which are related to its original appearance. So, in regards to this graph, it is expedient to clean the legend and on bookmark „Signing data" – to switch on a parameter in the opposite field „Meaning". The last stage is the selection of variant of the diagram placing. Since the diagram was created, it is necessary to copy it and insert in the Microsoft Word document.

For the 2000, 2001, 2002, 2003 and 2004 years the average monthly indexes of these years were selected. Then we need to determine the size of

the graph, type of its legends, colour of markers and lines. In order to change an object it is necessary to press the left button of key mouse twice in the place of editing and bring correct it. The net lines and scope were cleared on this graph. It was also expedient to level the signatures of diagram axes. To get such result it is necessary to press the left button of a key mouse twice on the diagram axis and to change the orientations of signatures in book-mark “Smoothing”.

Figure 3.2

Quantity of work creation and maintenance on periods

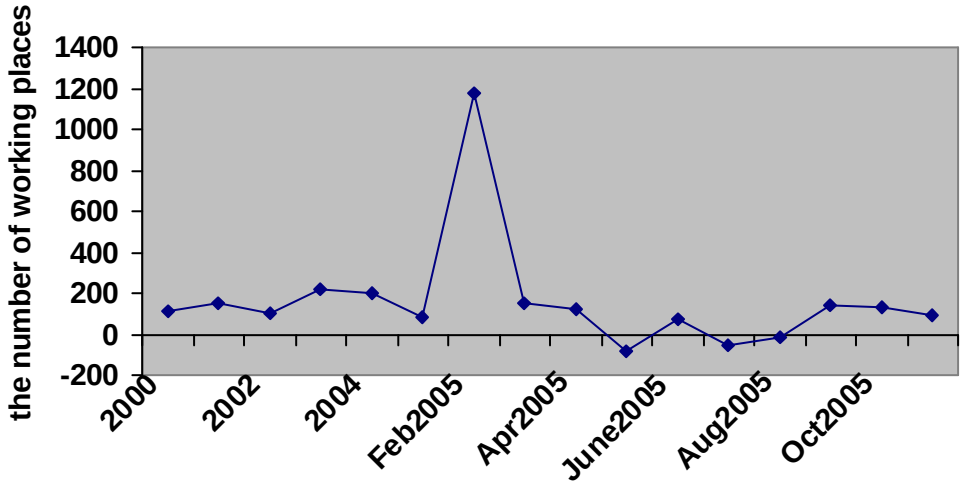
Period	Number of working places
2000 year	112
2001 year	150
2002 year	105
2003 year	224
2004 year	197
January 2005	82
February 2005	1178
March 2005	154
April 2005	122
May 2005	-79
June 2005	74
July 2005	-57
August 2005	-12
September 2005	146
October 2005	128
November 2005	89

This graph is especially convenient to use when there are negative figures as in our case. The dynamics of this index has a variable character. At the beginning of 2005 we can see a sharp increase in the quantity of

working places. The graph shows that it was a single case in five years. In May of the same year was the reduction of working places in the number of 79; the same but not so high was in July and August. From September 2005 the number of work creation substantially increased almost to the level of the year 2001. The dynamics of work creation is gradually decreasing, but old working places are preserved.

Such sudden changes in the dynamics of this index in 2005 were the consequence of economic changes of the region: abolishment of privileges for special treatment investment activity subjects, unstable political situation in the country and the changes in investment legislation.

3.2. The dynamics of workplaces creation and its maintenance



To January, 1, 2006 Council of special investment activity matters in Kharkiv has approved 61 investment projects with overall cost of $357,7 mln, the quantity of foreign investments is 21,4%. To January, 1, 2006 the quantity of developed investments is $194,2 mln, among them the quantity of foreign investments is $66,4 mln, it is 3,7 lower then in 2004.

The sectoral structure of developed actual investments is shown in the figure 3.3, and of foreign investments- in 3.4.

Figure 3.3

The state of the sectoral structure developed actual investments in the region for January, 1, 2006 (the persentage of total volume)

Sector	Quantity
Engineering industry	22,04%
Transport and communication	7,84%
Printing and publishing industry	11,81%
Light industry	3,6%
Power industry	2,72%
Chemical industry	4,72%
Woodwork and timber industry	2,69%
Building industry	1,25%
Food industry	32,08%
Other industries	11,25%

Figure 3.4

The state of the sectoral structure of developed foreign investments in the region for January, 1, 2006 (the persentage of total volume)

Sector	Quantity
Engineering industry	13,11%
Transport and communication	2,21%
Printing and publishing industry	13,31%
Light industry	7,48%
Chemical industry	1,49%
Woodwork and timber industry	1,88%
Food industry	53,23%
Other industries	7,29%

These tables were made in the Microsoft Excel by analogy with the figure 3.2. And were copied in the same way to the Microsoft Word document. Now they can be easily presented in the form of diagrams. In the

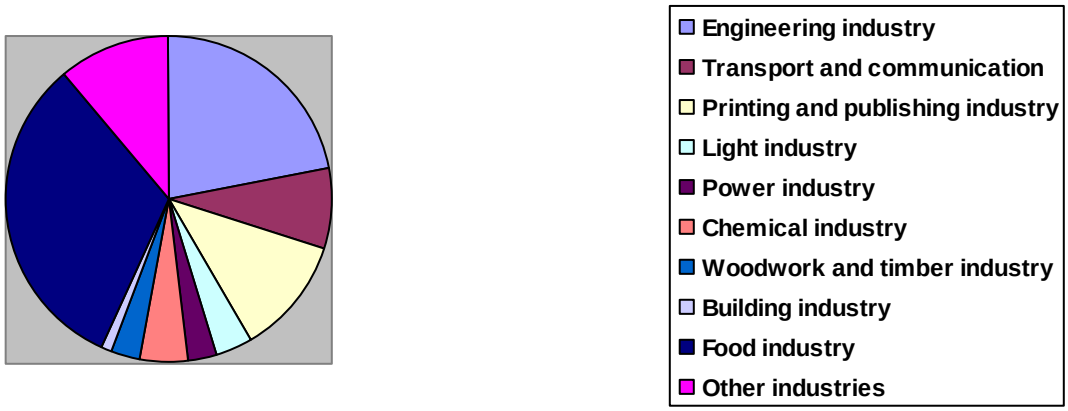
case when we need to show the proportion of the whole and its parts it is whorth to use a circle diagram.

The initial data for diagram building (3.3, 3.4) were taken from the tables.

It was whorth to add the category names and figures to the diagrams. And multicolored data points help easy and quickly distinguish them. The type and size of letters alteration was done by a double pushing of the left button of a key mouse in a free space of a diagram area that opens contextual menu. Then we choose the point “Formatting diagram area” and it appears a dialogue window with two insets. In the inset “Type” the necessary type and size were chosen. In order to change the colour of the diagram we need to open a contextual menu by a double pushing of the left button of a key mouse and to choose the point “Formatting data lines”. This action will open a dialogue window that allows to change the form of data lines. Thus the colour and pattern of the diagram were changed.

So, in the structure of developed actual investments predominate the investments in the food and engineering industries, while in the structure of foreign investments the food industry takes more than 50%, but power and building industries do not get foreign investments at all. The investments in transport and communication industry take almost 8%, but the volume of foreign investments in this industry is 2,21%. Foreign investments in food industry are very high. Foreign investors consider it very attractive, it especially concerns the production of: sweets, ice-cream, semi-manufactured goods, which are fairly qualitative and are of great demand not only in Ukraine.

3.3. The state of the sectoral structure developed actual investments in the region for January, 1, 2006 (the persentage of total volume)



3.4. The state of the sectoral structure of developed foreign investments in the region for January, 1, 2006 (the persentage of total volume)

Sector	Quantity
Engineering industry	13,11%
Transport and communication	2,21%
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The objects of social infrastructure have a constant priority in the development of a region, so investments in these objects have to be stimulated more active. While placing capital, the foreign investors are influenced by the criteria which are unchangable during last several years. An investor pays attention to general conditions of the creation of favourable investment climate and increase in the investment activity.

The analysis of foreign investments in the Ukrainian regions shows that before the decision about investment investors take into account:

1) easiness of access to raw materials and labour force;
2) presence of well-developed transport infrastructure;
3) presence of well-developed system of modern means of communication;
4) competitiveness of investment object's goods and services;
5) social and political stability of a region;
6) presence of experienced labour force.

So, in order to activate the investment activity of a region it is necessary:

1) to create a favourable legislation for investments in a region;
2) good security of transparent procedures of decision making about permissions distribution, licences and other documents and papers which are necessary to entrepreneurs;
3) to guarantee the stability of economic conditions of investment for foreigners apart from political situation in the country;
4) acceleration of installation of modern techniques in regional economy, especially in strategically important objects;
5) informational support of investment activity- development of databases, lists of industrial and unindustrial objects.

Thus, the management of investment activity development in a region must be directed to the perfection of indexes that characterise the domestic economic environment. The administrative decision-making which is directed to the development of a region's investment activity must be well-grounded from the point of view of financial support and take into consideration the interests of investors and their enterprises.

In the system of investment activity management the estimation of investment project efficiency is of great importance. The terms of capital recover, variants of its alternative use and future profits depend on the objectivity and thoroughness of this estimation.

Actually we need to analyse great volumes of information for decision-making on specific matters. The effective method of processing information is the information in forms of electronic tables. It allows to automatize the process of economic information analysis.

In this master's degree paper we used the figure processor Microsoft Excel. This program allows to analyse the statistic material easily, solve complicated financial and economic tasks and present the data in the graphic form. The information given in the form of graphs and diagrams makes the decision-making process easier.

PART 4
LABOUR PROTECTION

4.1. The analysis of sanitary and hygienic norms of labour in the innovative and investment policy department of Central administrative board of economy of the Kharkiv regional state administration.

The Kharkiv regional state administration is sutuated in the Derjprom building. The department of innovative and investment policy is a subdivision of Central administrative board of economy of the Kharkiv regonal state administration. The Board is situated in a many-storeyed building on the second floor. The department occupies one office, its square is 20m², the height is 4m, total size is 80m³.There are 4 employees, so one employee has 20m³ of total size and 5 m² of square, that corresponds to the SNR II-90-81, and according to it the norms of square and size of a room on one employee are >=15m³ and >=4m².

The inner surface of the walls, ceiling, operative constructions, floor without ledges, hollows allows to clean it easily. All the rules of industrial aesthetics fulfilled in the institution: the walls are papered with wallpaper of a

light colour, the ceiling is whitewashed, there is a light linoleum on the floor, the furniture stand along the walls, the desks stand in front of the windows.

There is a natural ventilation in this office so windows are opened almost at a half of their square and a fresh air is free to get into the room, but also there is a central mechanical extractor. The central heating system is of pavement kind. It operates due to the return of warmth from building constructions with tubes in which a heated water is circulated.

The data of meteorological conditions of labour, light, noise, vibrations in the room are given in the figure 4.1.

Figure 4.1

Parameters of sanitary and hygienic terms of labour

Parameter	Actual quantity	State standard 12,1-005-88 and other standards	Correspondence to the state standard
Noise, dBA	50	55-65	Corresponds
Light, lk	300	300-500	Corresponds
Air temperature, ˚C in winter in summer	21 25	21-25 22-28	Corresponds Corresponds
Air humudity, %	50	40-60	Corresponds
Speed of air movement, m/s	0,2	0,2	Corresponds

The system of lighting is natural and artificial. The natural side light attains by 2 large windows (1,3×1,5 m²). We need to estimate the natural light by the formula:

$\underline{S_w}$ >=0,2-0,166,

S_f

(4.1)

where S_w – window square,

S_f – floor square.

$\frac{S_w}{S_f} = \frac{(1,3 \times 1,5) \times 2}{(4 \times 5)} = 0,195.$

According to this calculation the natural light is sufficient as its result is normal.

The artificial light is common as there are 4 lights of LB-type, each one has two lights with the power 40V. CPO corresponds to the norms of workwith average accuracy.

While projecting the room the specification of administrative work was taken into account, so there is difused light that aloows to avoid sharp shadows.The level of noise and vibration are in norm.

Lets make a calculation of ventilation for this number of employees.We can use the formula 4.2:

$$L = L1 \times n, \quad (4.2)$$

where L – the number of air flow,m^3/hour;

L1- the norm of air feeding on 1 person, m^3/people;

n- the number of employees, people.

The total size of the room is 80m^3, the number of employees-4.

According to the sanitary norms if the size of a part of a room to one person is less than 20m^3, the quantity of a necessary air is 30m^3/hour to each person.

The norm of air feeding to one person we can calculate by the formula 4.3:

$$L1 = V/n, \quad (4.3)$$

where V – the size of a room;

n- the number of employees.

So, the norm to one person is 15m³/person. According to the terms of our question the quantity of air feeding that is necessary for the ventilation of this room is 120m³/hour.

Lets make a calculation of ventilation on warmth remains. We know that threre are no conditioners so we calculate additionally their necessary quantity for this room.

We know that there are 2 computers in the room. Each of them generates 200V of warmth remains. There are 4 employees in the room, and each of them generates about 174 V of warmth (the category of works 1b).

Lets calculate the general quantity of warmth in the room:

1) from computers, formula 4.4:

$$Q_{re1}=n\times200=2\times200=400V, \quad (4.4)$$

where Q_{re1}- the warmth generated by computers;

n- the quantity of computers.

2) from lights by the formula 4.5:

$$Q_{re2}=n\times N, \quad (4.5)$$

where Q_{re2}- the warmth generated by lights,

n- the number of lights,

N- the lights power.

$$Q_{re2}=8\times40=320\ V.$$

3) from the staff by the formula 4.6:

$$Q_{re3}=Q_p n_1=174\times4=696V, \quad (4.6)$$

where Q_{re3}- warmth from the staff,

Q_p-energy expenditures of the staff;

n_1- the number of employees.

The total amount of warmthremains we can calculated by the formula 4.7:

$$Q_{re}= Q_{re1}+Q_{re2}+Q_{re3}=400+320+696=1416V, \quad (4.7)$$

The quantity of necessary air for the room ventilation we can calculate by the formula 4.8:

$$L=3600\times Q_{re}/c\times\rho\times(t_a-t_e), \qquad (4.8)$$

where Q_{re}- warmth remains,

c- specific heat air capacity, which is 1010J/kg,

ρ- air density,it is 1,29 kg/m³,

t_a- air temperature feeding to the room, which is 21˚C,

t_e- air temperature extracting from the room,17˚C.

So the necessary quantity of air for room ventilation is

$$L=3600\times1416/1010\times1,29\times(21-15)=625,08 \text{ m}^3/\text{hour}.$$

Lets calculate the necessary quantity of conditioners if their productiveness is 600 m³/hour.For this action we can use the formula 4.9:

$$K=L/G=625,08/600\sim1, \qquad (4.9)$$

where K- the necessary quantity of conditioners;

L- the necessary quantity of air for the room ventilation;

G- the productivity of 1 conditioner.

So, in the office of innnovative and investment department it is necessary toplace 1 conditioner SAMSUNG for a good job environment of workers.

The common rooms except eating-room are situated on the same floor, the eating-room is situated on the ground floor. There are two closets, each one has two cabins and a wash-stand. These rooms meet the norms of SNR.

4.2. Prevention of accidents

The room belongs to the kind of rooms without high electric danger, that is a dry room with air humidity is not higher than 80%, and the temperature does not exeeds 35˚C.

The wiring is situated in accordance to the project of the room, and mounted in the wall, but it became obsolete and need to be substituted. There is a danger of fire in result of short circuit. There are two computers and one printer Canon in the room. The computers are situated along the wall in a distance of 0,5m from it, the distance between desks with computers is 1,5m. There are 8 socket at the height of 0,8m from the floor.

The equipment in the room works from the power of 220V, the electricity is variable. For the protection of the staff from electricity used the neutral grounding- it is a special electical connectionwith the ground or its equivalent of metal parts that don't conduct electricity and can be under tension. The electrical isolation and blokade are also used.For the artificial grounding used vertical and horizontal electrodes.

There is the folder with instructions for prevention of accidents in the Department, and all the workers are familiar with it. The instructions on prevention of accidents for work with computers are made in time, because computers are a sourse of danger in the institution. That is why this department has made clear instructions about the exploitation of computers. Before the beginning of work it is necessary to check the wiring, plugs, sockets and grounding.

We must say that the instructions and execution of the rules of accident prevention and the problems of labour safetyin this institution are on high level. The organization of control of labour safety carries out the head assistant of the department. The industrial traumas are absent.

4.3. Fire safety

The department office belongs to the fire safety category B, the level of fireproof of the room is II.

The fire danger can be caused by the old wiring, by the creation of large transition resistance in the places of wire contacts, connection of

equipment with wiring, that causes additional quantity of warmth and leads to overheat of wiring and to the fire in isolation and inflammable materials. To the preventional methods we can attribute: working and operative schemes of wiring, systems of protection of automatic machines, net grounding, prophylactic repair of electric equipment, fire safety instructions.

The choice of heating and ventilation systems is chartered by SNP 2.04.05-91. The fire safety and exploitational regimes of ventilation work are determined by the work instructions.Fire safety consists of the systems of fire prevention and fire protection.

The system of fire prevention is a complex of organizational and technical means directed to the excluding of the possibility of fire rise, to the prevention of creation of inflammable environment, excluding the possibility of arising sources of fire.

The system of fire protection is secured by fire-extinguishers in the ventilation system, in the system of air heating. The anti-fire water-supply is connected with the system of general water-supply. The rooms have automatic fire indicators. They are smoke indicators that react to a smoke, their sensitive element are radioisotopes of RID-1 type.

There are evacuation ways with 2 exits. The external doors are 2m wide. The corridors are of 2m wide and it is enough for evacuation of people from the building.

All the workers are familiar with the rules of fire safety.

To the means of fire extinguishing belong: carbonic acid fire-extinguisher FC-5, foam fire-extinguisher FF-10. These tools are situated in the hall, here is also a fire board with necessary tools for fire extinguishing.

According to the analysis of the labour safety state we can conclude that the ecological estimation is satisfactory, the general state of labour hygiene is also satisfactory, sanitary norms are fulfilled, most of the parameters are in accordance with norms. But it is necessary to repair general rooms, to change equipment. Fire safety measures are done in

time and properly, but the state of wiring is not satisfactory.It is essential to change wiring. It is also necessary to mount a conditioner in the room.

CONCLUSION

1. The administration decision making can greatly influence on the stability and characteristic qualities of the management process of investment activity in a region. An administrative decision making- it’s a decision prepared on the basis of variative analysis and accepted estimation, has a directive meaning, includes purpose setting and grounding for the means of their achievement, organises the practical activity of subjects and objects of management activity for the aim achievement.

At a regional level an administrative decision making on the investment activity is made within the regional state administration.

2. The regional investment activity is a process of attraction and increase of investments in a region. Investments are the capital commitment in all his forms in different economy objects with the intention of making profits, achieve some economic or out-of-economic effect, which realization is connected with risk, time and liquidity factors.

The basis of invesrment activity is the real investment. It is the main form of region economic development strategy realization, has the highest level of profitability compared to the financial investment and a high level of inflation control. The document that determines the necessity of real investments is the investment project.

So, the important task for regional state administrations and local institutions of state governing is to intensify the investment activity and considerable regional investment volume acceleration.

3. The Ukraine regional economy needs additional resources that can be attracted at the expence of investments on the basis of favourable investment climate creation. It is a well-known fact that the investment

legislation is one of the components of the investment climate. Administrative decision-making on regional investment activity is based on the current legislation. The main of them are: the Constitution of Ukraine, “The investment activity” law, “The foreign investment regime”, “The foreign investment protection”, “The specific investment activity regime on the Kharkiv territory” and Presidential edicts.

4. The innovative and investment policy department of Kharkiv regional state administration takes part in the management of state innovative and investment policy in the region.

To the main tasks of the department belongs the analysis of state and tendencies of innovative and investment activity in the region, development and organization of means of investment resources intensification, creation of favourable investment climate in the region, motion preparation on creation and functioning of special economic areas, incalculation of special investment activity regime on the territories of priority development.

5. Owing to the intensive efforts of Kharkiv regional state administration and Kharkiv regional council, the intensification of investment activity in the region became evident. From the beginning of 2001 the rate of regional investment has sharply increased.

The positive part in the increase of regional investment volumes played the creation of small business development stimulation system.

To January, 1, 2006 Kharkiv local council for special investment activity regime has approved 61 investment projects with the total cost of $357,7 mln, the foreign investments form 21,4%, 54 investment projects with the total cost of $310,9mln are under realization now. To January, 1, 2006 there have been attracted $194,2mln of investments, and the cost of foreign investments is $66,4mln.

In the same time, for objective and thorough analysis of the current situation, the regional authorities state in official documents that the actual

investment policy is not favourable enough to the creation of attractive investment climate for both domestic and foreign investors.

6. In the investment activity management system of investment projects estimation is of great importance. The innovative and investment policy department of Kharkiv regional state administration does not calculate indexes that characterize the investment project efficiency, but makes decision on their realization on the basis of given indexes. For decision-making the head of the department pays attention to the following indexes: discounted net profit, profitability index, internal profitability norm, discounted and non-discounted pay-off period.

7. The efficiency of a regional investment activity is based on the choice of the best investment projects which can be realized on the given territory. According to the general definition of efficiency we can say that the efficiency of a regional investment activity is achieved by increasing profits from investment project realization, and also by the cutting costs for its development and realization.

Under the conditions of market relations perfection the administration must make reasonable decisions which are directed to a certain goal achievement.

8. Actually we need to analyse great volumes of information for decision-making on specific matters. The effective method of processing information is the information in forms of electronic tables. It allows to automatize the process of economic information analysis. The Microsoft Excel processor allows to analyse the statistic material easily, solve complicated financial and economic tasks and present the data in the graphic form. The information given in the form of graphs and diagrams makes the decision-making process easier.

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