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FINANCIAL REGULATION OF THE INVESTMENT PROCESS: EUROPEAN EXPERIENCE

ФИНАНСОВОЕ РЕГУЛИРОВАНИЕ ИНВЕСТИЦИОННОГО ПРОЦЕССА: ЕВРОПЕЙСКИЙ ОПЫТ

Zelenkevich M.

Institute of Business BSU, Belarus, e-mail: marina.zelenkevich@gmail.com

Зеленкевич М. Л.

Институт бизнеса Белорусского государственного университета, Беларусь

ABSTRACT

INVESTMENT PROCESS, FINANCIAL MARKETS, FINANCIAL REGULATION, INTEGRATION ASSOCIATION, EURASIAN ECONOMIC UNION, EUROPEAN UNION, INVESTMENT PLATFORM

The article considers the forms of financial regulation of the investment process in the European Union. The problems and directions for improving

АННОТАЦИЯ

ИНВЕСТИЦИОННЫЙ ПРОЦЕСС, ФИНАНСОВЫЕ РЫНКИ, ФИНАНСОВОЕ РЕГУЛИРОВАНИЕ, ИНТЕГРАЦИОННОЕ ОБЪЕДИНЕНИЕ, ЕВРАЗИЙСКИЙ ЭКОНОМИЧЕСКИЙ СОЮЗ, ЕВРОПЕЙСКИЙ СОЮЗ, ИНВЕСТИЦИОННАЯ ПЛАТФОРМА

В статье рассмотрены формы финансового регулирования инвестиционного процесса в Европейском союзе. Определяются проблемы и направле-

budgetary and investment financing in European countries are identified. The necessity of using the European experience of creation of investment platforms in the EAEU countries with the purpose of co-financing investment projects with the participation of international financial organizations, national development banks and private investors is substantiated.

ния совершенствования бюджетного и инвестиционного финансирования в европейских странах. Обосновывается необходимость использования европейского опыта создания инвестиционных платформ в странах ЕАЭС с целью со-финансирования инвестиционных проектов с участием международных финансовых организаций, национальных банков развития и частных инвесторов.

The experience of regulating the investment process in the context of Eurasian Economic Union with the participation of Belarus, Russia, Kazakhstan, Armenia and Kyrgyzstan is currently an insufficiently studied academic area. This circumstance makes it vital to study the experience of implementing social and economic processes, including the laws governing the mechanism for regulating investments in well-established integration associations, in particular in the European Union (EU).

Application of the above methods together with analysis of relevant academic literature has made it possible to determine that the EU has a single investment regulation mechanism, which is implemented in the following areas:

- Having common goals and instruments selection for the implementation of the investment policy within the EU,
- Formation and functionality of a supranational regulatory mechanism that facilitates investment,
- Creation and reformation of the institutional and legal and regulatory framework,
- Stimulation of the flows of investment, based on the overall socio-economic development goals of the EU member states, accounting for national interest,
- Development of governmental and business interrelations for widening of the sources of investment financing,
- Developmet of a favorable investment climate within in the integrated association.

Regional development has always been and remains one of the priorities of the integrated financial market of the EU , implemented through a policy of adjusting the level of national economic and financial systems for higher consistency. The process of financing investments, organizing it, identifying priority areas for regional development is implemented in the EU through a system of budgetary financing. Budgetary resources are distributed through five specialized structural funds of the EU (ESI Funds). The total budget of structural funds is approximately 450 billion Euro for the period of 2014-2020.

The funds are transferred through the mechanism of national co-financing of long-term targeted programs.

It should be noted, that to date the experience of implementing investment programs in the EU through structural funds differ to some extent in their effectiveness. This is to some extent is due to the flaws in centralized financing. In particular, the insufficient targeting of the financial resources mobilization, overfunding of individual projects, and sometimes – dispersion of funds. There are also shortcomings in organization, implementation and management of investment programs. As S. Glinkina and N. Kulikova point out, the experience of recent years has shown weak ability of the integration model of economic growth practiced in the Central East European countries. The significant transfers made by the EU from structural funds and the Cohesion Fund to the new EU countries (in the total volume of 2.6 % of their total GDP) could not stop the tendency to increase the heterogeneity of the Europe [1].

Budgetary financing for regional and sectorial development is an important, but not the only source of stimulation of investment within the EU. The subject of our analysis is that part of it covers the regulation of investment flows for the purposes of economic growth. This direction is carried out at the integration level – through the European Commission (EC) and the European Investment Bank (EIB), and at the national level – through the banking and budgetary systems, as well as the financial institutions of countries. The reflection of these actions is currently the adoption of the so-called Junker Plan (Investment Plan for Europe, 2015). It is prepared by the European Commission and the European Investment Bank to stimulate investment within the European economy [2].

The most important element of the financial provision of the Investment Plan is the European Strategic Investment Fund (EFSI) with an initial resource of 21 billion Euro. This amount of resources will allow investors to create a pool of additional funds for investments, that will be managed by the European Investment Bank (for supporting infrastructure and enterprises) and the European Investment Fund (to support the small and middle enterprises). The European Investment Bank is depending on the scale of the project, can invest in three options: directly, either through financial intermediaries or through investment platforms. The choice of the financing option depends on the scope of the project, the level of investment risk and some other factors. To finance medium-sized projects (up to 25 million Euro), as well as for projects with high added value, the EIB developed a portfolio approach, creating so-called investment platforms.

The Investment Plan provides an opportunity to apply different options for sharing the resources of the EFSI and structural funds to finance priority projects within the EU. The first option provides co-financing, when the support of structural funds programs covers part of the cost of the project. For example, a national investor provides a portion of the initial investment amount. The remaining part of the financial resources is covered by the structural funds in the form of a grant, and the remaining part of the resource is covered by the loan from the EFSI. The second option reflects the situation when the money available from the structural funds provides the basic financial need of an investment project through an international or cross-border financial instrument, in the form of a loan or a guarantee. The support of the EFSI is ensured by the EU guarantee. The internal investor also participates in the financing, therefore making the project more attractive due to the guarantee and credit provided by the structural fund. The third option involves co-financing of structural funds and the EFSI at a higher level than individual projects through the formation of an investment platform into which the EFSI and other investors channel their resources in the form of a multi-level fund. Thus, the investment platform accumulates capital from the EFSI and separates funds from the structural funds programs, as well as their investment in specific projects, in which national investors can also participate.

Investment platforms are a relatively new entity in the financial markets. They combine the resources of state investment structures at the European and national levels, as well as involving private investors. In this process, commercial banks, investment and pension funds, sovereign investment funds and other financial institutions participate as private investors. Traditionally in Europe, this function was performed by the commercial banks. However, it is now established that banks are not always able to effectively perform their investment tasks. In this connection, attention is now focused on the direct movement of resources through financial markets. To a large extent, financial assets are accumulated in the securities market, through the issuance of bonds and other debt instruments. In such conditions, the role of financial intermediaries – subjects of the securities market – significantly increases.

Experience of the mechanism for regulating the investment process in the EU makes it possible to draw some conclusions that should be taken into account in the process of forming investment regulation mechanism in integration associations with the Republic of Belarus:

• the main goal of regulating the investment process in the integration association is the long-term investments growth of the real sector of the economy. At the same time, it is necessary to achieve financial stability of the balanced and uniform development of individual national economic and financial systems. This feature is directed at increasing sustainable economic growth and improving welfare of the population within the integrated association,

• regulation of the investment process within the framework of a regional association is a long-term dynamic process that requires constant improvement and adaptation of its methods and tools to the achieved level of socio-economic and political development of the member states,

• market regulation of investment in the integrated association should be based on the use of progressive financial instruments and intermediaries, the degree of activity of which depends on the level of development and features of national financial markets. The formation of an integrated financial market is the determining condition of a single regulatory mechanism and provides additional sources of investment financing,

• state financial participation in stimulating the investment process is expedient to realize through investment platforms. This applies to joint platforms for collective investment involving international, national government investment structures, as well as private investors - banking and non-banking financial institutions.

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