ІНСТИТУЦІОНАЛЬНА ЕФЕКТИВНІСТЬ ЯК ІМПЕРАТИВ ПОВОЄННОГО ІННОВАЦІЙНОГО РОЗВИТКУ ТЕРИТОРІАЛЬНО-ГОСПОДАРСЬКИХ СИСТЕМ

Актуальність. Попри велику кількість заходів, спрямованих на підтримку науково-технічного та інноваційного прогресу, фактичні результати їх реалізації залишаються незадовільними, і пріоритетна орієнтація на інноваційний розвиток суб'єктів підприємницької діяльності в Україні та її регіонах вітіється ефективно. Формальні інститути повинні забезпечити кращі правові, економічні та політичні інституційні умови, наприклад, встановлюючи суворі та справедливі закони для захисту зацікавлених сторін, зменшуючи інвестиційні обмеження та збільшуючи свободу для бізнесу, фінансів і контролю над капіталом, а також вирішуючи проблеми корупції, бюрократії і самодержавства. Така політика є передумовою формування кращого інвестиційного середовища та підвищення ефективності розподілу ресурсів для інноваційного розвитку територіально-господарських систем в умовах повоєнного відновлення України.

Мета та завдання. Здійснити дослідження теоретико-методологічного та правового базису підприємницького середовища в аспекті інституційного забезпечення розвитку інноваційної діяльності територіально-економічних систем та запропонувати заходи щодо його поліпшення у повоєнний час для відтворення економіки України на інноваційних засадах.

Матеріали та методи. Дослідження грунтуються на результатах порівняльного, семантичного аналізу і теоретичного узагальнення розробок, сучасних наукових поглядів та емпіричних спостережень щодо впливу інституційної ефективності на інвестиції, темпи економічного зростання та загальну продуктивність факторів TFP (total factor productivity) з макроекономічної точки зору. Контекстний аналіз був застосований для визначення суперечностей існуючого організаційно-правового базису розвитку територіальних громад та суб'єктів підприємницької діяльності та економіки України в умовах повоєнного відновлення.

Результати. Удосконалено категоріальний апарат теорії регіонального управління шляхом визначення категорії «територіально-господарська система». Визначені головні формальні інститути та інституції, що регламентують розвиток інноваційної діяльності в підприємницькому секторі країни та розвиток територіальних громад. Проведений в рамках статті концептуальний аналіз існуючого інституційного забезпечення надає можливість формування висновків про те, що, в цілому, в країні сформувалось складне інституційне середовище, що обумовлене існуванням різноманітних інституцій, які регламентують інноваційну діяльність.

Висновки. Інституційне забезпечення інноваційного розвитку України має значні недоліки, які виявляються у противриччях, недостатній ідентифікації суб'єктів та об'єктів інноваційного процесу, недостатньому обліку ресурсів. Ці проблеми суттєво уповільнюють інноваційний розвиток територіально-господарських систем, а іноді й унеможлилюють його.

Управління національною інноваційною системою зазнається недостатньо координованим та неефективним, що призводить до фрагментарності. Не існує чіткого розподілу ролей і обов'язків, включаючи фінансові, між різними державними органами. Більше половини прийнятих інноваційних програм не отримали фінансування через відсутність відповідних асигнувань у державному бюджеті. Пріоритетність надається Закону про річний бюджет, порівняно з попередніми фінансовими зобов'язаннями, визначеними у програмних документах.

Ключові слова: інституціональна ефективність, підприємницьке середовище, територіально-господарська система, імператив, інститути, інноваційна діяльність.
INSTITUTIONAL EFFICIENCY AS AN IMPERATIVE OF THE POST-WAR INNOVATIVE DEVELOPMENT OF TERRITORIAL AND ECONOMIC SYSTEMS IN UKRAINE

**Topicality.** Despite numerous measures to stimulate scientific, technical and innovative development, declared by programs, legislative and departmental normative documents of Ukraine, the actual effectiveness of their implementation remains low, and priority focus on the innovative path of development did not become an integral part of it. Formal institutions should provide better legal, economic, and political institutional conditions, such as establishing strict and fair laws to protect stakeholders, reducing investment restrictions and increasing freedom for business, finance, and capital controls, as well as addressing corruption, bureaucracy, and autocracy. Such a policy is a prerequisite for creating a better investment environment and increasing the efficiency of resource allocation for the innovative development of territorial and economic systems in the context of post-war recovery of Ukraine.

**Aim and tasks.** The aim of the article is to examine the theoretical-methodological and legal basis of the entrepreneurial environment in the aspect of institutional support for the development of innovative activity within territorial-economic systems. The task of the study is to propose measures for its improvement in the post-war period in order to recover the Ukraine’s economy on innovative bases.

**Materials and Methods.** The research is based on results of comparative, semantic analysis and theoretical generalization of the previous studies, contemporary scientific views and empirical observations regarding the impact of institutional efficiency on investment, economic growth rates and total factor productivity (TFP) from a macroeconomic perspective. The contextual analysis results were applied to was applied to identify contradictions in the existing organizational and legal basis of the existing institutional framework for the development of territorial communities and business entities in the aspect of their innovative activity of territorial-economic systems and the overall economy of Ukraine in the post-war recovery context.

**Research results.** The conducted research have led to a set of results, including: (1) improvement of categorical apparatus of the theory of regional management by defining the category of the "territorial-economic system", (2) determination of the main formal institutions and institutions that regulate the development of innovative activities in an entrepreneurial sector of the country and the development of territorial communities, (3) the contextual analysis of the existing institutional support conducted within the study allows for drawing conclusions that, overall, the country has developed a complex institutional environment, which is shaped by the existence of various institutions and regulations governing innovative activities.

**Conclusion.** The Institutional support for innovative development in Ukraine has significant deficiencies, manifested in contradictions, insufficient identification of subjects and objects of the innovation process, and inadequate resource allocation. The problem significantly inhibits the innovative development of territorial economic systems, and at some point makes it impossible. Strategies and management of the national innovation system remain fragmented, relatively ineffective and insufficiently coordinated. There is no clear division of roles and responsibilities, including financial ones, among different government bodies. More than half of the adopted innovative programs did not receive funding due to the lack of corresponding allocations in the state budget. Priority is given to the Annual Budget Law compared to the previous financial commitments defined in program documents.

**Keywords:** institutional efficiency, business (entrepreneurial) environment, territorial-economic system, imperative, institute, institutions, innovative activity.

**Problem statement and its connection with important scientific and practical tasks.** Institutional efficiency is a prerequisite for development of the country, its entrepreneurial sector, as well as attracting investments and advancement of new technologies. Understanding the impact of institutional efficiency on the innovative entrepreneurship development is
necessary not only for long-term state policy development, but it also serves as a reference point for regions and business entities in formulating their future innovative strategies. Therefore, studies of the impact of institutional efficiency on the country's economy and its business sector have always been relevant. However, it should be noted that the issue of studying the influence of institutional efficiency on the innovative development of territorial & economic systems remains insufficiently covered in academic circles.

**Analysis of recent publications on the problem.** Contemporary scientific research within the given topic, are mainly focused on analyzing the impact of institutional efficiency on investments, the rate of economic growth and Total Factor Productivity (TFP) from a macroeconomic perspective. According to research conducted by D. Acemoglu, S. Johnson and J.A. Robinson (Acemoglu, Johnson, & Robinson, 2002), I. Ehrlich & F. Lui (Ehrlich & Lui, 1999), R. Hall & C. Jones (Hall & Jones, 1999), P. Mauro (Mauro, 1995), A. Shleifer & R. Vishny (Shleifer & Vishny, 1993), high institutional efficiency contributes to increasing the rate of economic growth.

The aspect of dependence of institutional efficiency (in particular, subject to presence of corruption component) in attracting investment was considered in the works by S. Knack and P. Keefer (Knack & Keefer, 1995), P. Mauro (Mauro, 1995) and P.H. Mo (Mo, 2001).

The issue of the influence of institutional efficiency on Total Factor Productivity - TFP is widely covered in the scholarly works by D. Rodrik, A. Subramanian and F. Trebbi, 2004 (Rodrik, Subramanian, & Trebbi, 2004), as well as J. G. Lambsdorff (Lambsdorff, 2003a).

Some studies also indicate that institutional efficiency can contribute to economic growth through increased investment (Mauro, 1995), (Pellegrini & Gerlagh, 2004). Mauro suggests in his work that effective national governance contributes to the creation of a favorable capital market and investment environment, thereby encouraging economic growth (Mauro, 1995). According to T.J. Besley and M. Ghatak (Besley & Ghatak, 2009), and Ch-T. Hsieh and P. Klenow (Hsieh and Klenow, 2009) a robust mechanism can promote economic development through the distribution of resources, while A. Lasagni, A. Nifo and J. Vecchione (Lasagni, Nifo and Vecchione, 2015) indicate that a strong institutional background can enhance productivity.

A number of studies have shown that institutional efficiency significantly affects the efficiency of enterprises (Baumöhl, Iwasaki, & Kočenda, 2019; Boubakri, Ghoul, & Saffar, 2015; Faruq & Weidner, 2018; Ghoul, Guedhami, & Kim, 2017; Yasar, Paul, & Ward, 2011). Specifically, regarding firm survival, E. Baumöhl, I. Iwasaki, and E. Kočenda note that institutional efficiency is a crucial factor for firm survival, with the highest effect observed in countries with low institutional efficiency, while in countries with high institutional efficiency, this factor has a lesser impact on firm survival (Baumöhl, Iwasaki, and Kočenda, 2019).

According to the research of E. Kočenda and J. Hanousek (Kočenda & Hanousek, 2012), increased government control leads to a decrease in entrepreneurial efficiency. Additionally, state ownership has a significantly negative impact on firm survival compared to large companies, and this impact is particularly strong in the construction sector. The study by F. Demir and C. Hu (Demir & Hu, 2020) examines the interaction between institutional efficiency, firm productivity, and its effects on market entry dynamics, initial sales, firm survival, and post-entry growth. Their findings indicate that in regions with efficient institutions, Chinese firms have higher chances of market entry and survival.

The study conducted by I. Iwasaki, E. Kočenda, and J. Shida (Iwasaki, Kočenda & Shida, 2022), which analyzed 94,401 small business entities in 17 emerging European markets from 2007 to 2017, examined the factors influencing firm survival. The findings indicated that institutional efficiency is a key component positively affecting firm survival, although its impact on small business entities is less evident. Furthermore, based on the empirical analysis of firm survival and its determinants in developing European markets, E. Baumöhl and E. Kočenda (Baumöhl & Kočenda, 2022) concluded that institutional efficiency serves as an important preventive factor for business survival in all sectors of the economy. Moreover, firms in countries with the weakest institutions benefit the most from strengthening institutional efficiency.

In their study, H.A. Faruq and M.L. Weidner (Faruq and Weidner, 2018) suggest that while institutions are crucial for firm activities, institutional efficiency is also influenced by cultural differences.

Within their research, S.E. Ghoul, O. Guedhami, and J. Kim (Ghoul, Guedhami & Kim, 2017) found a strong positive correlation between corporate social responsibility and firm value in countries with relatively weak market institutions.

N. Boubakri, S.E. Ghoul, and W. Saffar (Boubakri, Ghoul & Saffar, 2015) discovered that
firms from countries, which possess reliable political institutions, exhibit higher growth rates. Additionally, in the study by M. Yasar, S.J. Paul, and M.W. Ward (Yasar, Paul & Ward, 2011), institutional efficiency regarding property rights was found to affect firm efficiency and competitiveness.

Furthermore, D. North (1994) posits that institutional efficiency acts as a stimulating structure for society and provides the foundation for economic activities. According to R. Hall and C. Jones (Hall & Jones, 1999), social infrastructure encompasses mechanisms and government policies that impact economic activity. It not only contributes to increased productivity, investment, and technological advancements but also gives rise to "predatory behavior" such as corruption and bribery.

Low institutional efficiency leads to inefficient resource allocation, which hampers technological progress of enterprises. From the perspective of unequal conditions for firm functioning, D. Restuccia and R. Rogerson (Restuccia & Rogerson, 2008) note that if an economy consists of two technologically equal firms, one being state-owned and the other private, - the state-owned one can access funds at lower interest rates while the private entity faces various financing constraints. In this case, the marginal product of capital (MPC) differs between the two kinds of firms. Specifically, the MPC intrinsic to the state-owned enterprise is lower than that of the private one, resulting in a lower gross domestic product (GDP) as compared to the scenario of free resource mobility.

In the works of V. Tanzi and H. Davoodi (Tanzi & Davoodi, 1997), as well as P. Mauro (Mauro, 1998), the assumption is made that corruption can lead to inefficient resource allocation, which negatively affects economic growth. P. Augier, M. Dovis, and M. Gasiorek (Augier, Dovis & Gasiorek, 2012) explored an impact of corporate credit and institutional environment on Total Factor Productivity (TFP). They found that due to misallocation of financial resources in Morocco, corporate loans had a significant negative impact on TFP - the higher the firm's borrowing, the lower its TFP.

The study by F. Ngendakuriyo (Ngendakuriyo, 2013) demonstrates that an effective mechanism makes economic environment more efficient, showing that institutional efficiency influences technological progress, uncertainty, investments, and transaction costs of firms.

Many scholars have discussed the impact of institutional efficiency at the country or firm level within a specific industry or group. Using the example of a rapidly developing country, M. Saikia (Saikia, 2022) investigates how institutional efficiency affects outward foreign direct investment (FDI) from Indian firms. The results demonstrate that institutional efficiency has a significant impact on FDI in an emerging markets country. Consequently, improving institutional efficiency leads to an increase in the average FDI from Indian companies. In the study by H. Leikonen and K. Heimonen (Leikonen & Heimonen, 2015), based on data from 49 emerging markets, the influence of democracy and political risk on the stock market was analyzed. Their analysis revealed that from 2000 to 2012, the level of democracy in a country had an interactive effect with political risk on stock market returns.

Furthermore, some researchers have investigated the impact of institutional efficiency on firm financing. Turkish researchers I. Çam and G. Özer (Çam and Özer, 2021) found that in countries with higher institutional efficiency, lower risk, and less asymmetric information, companies can easily obtain external financing due to a legislative framework and established rules.

Some researchers have examined the impact of institutional quality on firm survival. In their study, E Baumöhl, I. Iwasaki, and E. Kočenda (Baumöhl, Iwasaki, & Kočenda, 2019) employed a Cox proportional hazards model to investigate the influence of institutional efficiency on firm survival. They analyzed a large dataset comprising 79,591 firms from 15 countries in Central and Eastern Europe (CEE) during the period from 2006 to 2015. The findings of their research indicate that high-quality institutions play a significant role as a preventive factor, increasing the chances of firm survival. Furthermore, H. Yano and M. Shiraishi (Yano and Shiraishi, 2020) studied the efficient sources of financing for corporate innovation activities in China and how these financing sources respond to institutional efficiency. They found that internal financing is crucial for supporting a company’s innovation activities when property rights are better protected by the government against the risk of expropriation.

Allocation of previously unsolved parts of the general problem. A review of the previous scientific research on the issue indicates a large number studies has been dedicated to the issue of the impact of institutional efficiency. However, it should be noted that the issue of the influence of institutional efficiency on development of territorial-economic systems based on innovative principles, remains a relevant task for scholars and subject to further research, especially in Ukraine in
a context of post-war economic recovery, which makes the current study relevant for scholars and constituting a subject to further research.

**Formulation of research objectives (problem statement)** In our specific case, the aim is to investigate theoretical, methodological, and legal basis of the entrepreneurial environment in terms of institutional support for the development of innovative activities in territorial-economic systems. We also aim to propose measures for its improvement in the post-war period to rebuild Ukraine’s economy on innovative principles.

**Materials and methods.** This study utilizes comparative, semantic, contextual analysis, and empirical observations to examine the influence of institutional efficiency on investments as well as to identify contradictions within the existing organizational-legal basis for development of both territorial communities and entrepreneurial sector in terms of fostering their innovative activities and also taking into account in the context of post-war recovery of the Ukraine’s economy.

**An outline of the main results and their justification.** Before delving into the subject matter of the article in a more substantive manner, it is necessary to define the basic categories and concepts related to the raised question, using the approaches to semantic analysis of economic categories developed by B.V. Burkinsky, A.I. Uyomov, and V.F. Horyachuk from the Institute of Market and Economic-Ecological Research of the National Academy of Sciences of Ukraine. These approaches include the analysis of economic categories such as "entrepreneurial environment," "territorial-economic system," "imperative," "institution," "institutions," and "innovative activity," as they form the methodological basis of scientific inquiry.

In the scientific literature, the entrepreneurial environment is typically characterized through its constituent elements, parameters, and the system of external and internal factors. According to T. Tkachenko and O.P. Kavtish (Kavtish, 2012), the entrepreneurial environment includes socio-economic conditions and factors of the surrounding environment that influence the functioning of an enterprise and require appropriate responses.

V.R. Kucherenko, A.I. Buyenko (Kucherenko & Buyenko, 2004), and T.A. Govorushko (Govorushko, 2007) consider an entrepreneurial environment as a complex of conditions that influence the opportunities for entrepreneurial activities formation and implementation. They include key elements such as economic freedom, personal interest, market space, resource supply conditions, energy, personnel, consumers, scientific and technological progress, political and legal environment, demographic situation, and the role of the state.

In accordance with Yu.F. Pachkovskiy (Pachkovskiy, 2001), an entrepreneurial environment is also understood as a complex of external conditions and factors that influence the opportunities and ultimate results of the activities of market relations subjects and contribute to the achievement of entrepreneurial goals and functions.

There is also a broader definition of an entrepreneurial environment, as proposed in a scientific study: "The entrepreneurial environment is a socio-economic situation that includes the degree of economic freedom, a presence or possibility of forming an entrepreneurs’ corps, a prevalence of market types of economic relations, and an ability to form entrepreneurial capital and utilize necessary resources."

Considering the views of economists, we can state that the entrepreneurial environment is defined as specific conditions that are formed in society and impact the development and functioning of entrepreneurial entities.

As part of the current research, it should be noted that an important task of national, regional, and local governance is the development of territorial-economic systems.

However, the results of research in contemporary economic literature on this issue indicate the lack of a clear definition of this category. In example, the study on the methodology of strategic management in territorial-economic subsystems conducted by N.V. Yanchenko (2017) notes that territorial-economic subsystems represent strategic zones of industry that need to be taken into account when selecting a strategy.

Sh. I. Ibatullin, O. V. Stepenko (Ibatullin & Stepenko, 2013) consider natural-economic territorial systems as complex formations that combine natural and economic components. They primarily represent homogeneous territories with a certain type of interrelation, interaction, and interdependence of its constituent parts, which determine the nature and extent of involvement of natural conditions and resources in economic circulation.

Based on the purpose of our research, we will provide a definition of the essence of the territorial-economic system: a territorial-economic system is a set of interacting economic entities (individuals and legal entities) registered, located, and operating in a specific territory, whose functioning and development are
stimulated, regulated, and controlled by relevant territorial institutions.

To determine the conditions that influence the development (particularly, the innovative development) of territorial-economic systems, it is also relevant to define the category of "imperative." Imperative (Latin: imperativus, meaning authoritative) is, according to Immanuel Kant's well-known approach, a duty or command that serves as an unconditional principle for specific behavior aimed at achieving defined goals. When considering this concept in relation to territorial-economic systems and their potential for innovative development, it is appropriate to examine certain institutional conditions as imperatives. These include the "institutions" and "institutes" attributed to a particular territory, which contribute to innovative activities implementation.

The works of representatives of the institutionalism economic school provide detailed explanations of the concepts of "institute" and "institutions." It is commonly believed that Douglass C. North, an American scholar, Nobel laureate (in 1993) and the founder of the "new" institutionalism. Representatives of the "new" institutionalism research school distinguish the concept of "institutes" and "institutions." According to Douglass C. North's approach (North D.C., 1994), the term "institutions" encompasses any constraints created to direct human interaction in a particular direction. The purpose of institutions in society is to reduce uncertainty by establishing a stable structure of social relations and human interaction. Institutes (or organizations, as another term) are concrete manifestations of institutions. An institute is a subject of the institutional mechanism. In Douglass C. North's words, "...there are no alternatives except for using of institutional mechanisms to establish the rules of the game and to the use of organizations to enforce those rules."

The state is the primary official body that regulates territorial-economic systems and promotes development of their innovative activities. It creates the necessary conditions and establishes rules of conduct for economic entities through an extensive system of state bodies and institutions. In the current study, the institution of the state is addressed from two perspectives. In accordance to the first one, the institution of the state can be considered as a network of individual governing bodies and as a system of typical institutional complexes, such as norms, rules, and regulations, created and approved by these bodies. The second one stipulates detection of the manner in which the institution of the state influence the innovative activities of economic systems.

All institutions (governing and state bodies), which impact innovative activities of territorial-economic systems, and therefore on their functioning, can be conditionally categorized in into two groups: (1) institutions of general influence and (2) institutions of indirect influence.

The first group includes the President of Ukraine, the Verkhovna Rada of Ukraine (parliament of Ukraine), and the Cabinet of Ministers of Ukraine.

The second group includes executive authorities and advisory bodies, which are aimed at mobilizing commitment, promotion of development and ensuring an effective functioning of territorial economic systems. Institutions of executive power, which belong to the group of institutions of indirect influence, include governments, ministries, agencies and other state bodies responsible for development and implementation of policies, programs and strategies in the field of innovation and development. These bodies of executive power ensure the implementation of state policy in the field of science, technology, innovation and entrepreneurship support. They make decisions on allocation of resources, creation of favorable conditions for the innovative environment development, support for research and development, stimulation of entrepreneurial activity and attractiveness of the country for investments. Consultative and advisory bodies, in turn, are included in the group of institutions of general influence and may include independent commissions, councils, expert groups and public organizations. Their task is to provide advice, expert support and develop recommendations in the field of innovation, as well as representing the interests of the public and various population groups. These two groups of institutions interact with each other and jointly create interest in the development of innovation processes. They contribute to the creation of favorable conditions for innovative activities, the development of technologies, and the transformation of an idea into a commercially successful product or service. Such interaction contributes to the support and growth of territorial and economic systems, ensures the development of innovative potential and contributes to the increase of the country's competitiveness. These include the Ministry of Community and Territorial Development, the Ministry of Education and Science of Ukraine, the Ministry of Digital Transformation, the Ministry of Economic Development, Trade, and Agriculture, the Ministry of Culture and Information Policy,
and others. Figure 1 presents the structure of the main institutions of state regulation and stimulation of innovation activities in Ukraine.

There are two directorates within the Ministry of Education and Science of Ukraine, which are responsible for the state regulation and stimulation of innovation activities, namely the Directorate of Science and the Directorate of Innovation and Technology Transfer. The main tasks of the Directorate of Science include forecasting and information-analytical support, coordination of social guarantees for employees in the scientific and technical field, coordination of scientific research in higher education institutions and research institutions, formation of scientific and technical programs, and state orders. The spectrum of the main tasks for the Directorate of Innovation and Technology Transfer comprises project expertise and registration, monitoring and control of project implementation, development of technology transfer infrastructure, and prioritizing innovation development.

In 2019, the Department of Intellectual Property Development has been established within the Ministry of Economic Development, Trade, and Agriculture of Ukraine. The Department has taken over functions of the reorganized State Intellectual Property Service. A scope of functions of this Department include conducting examination of applications for intellectual property rights issuing corresponding patents and certificates, registering intellectual property rights objects, agreements on rights transfer, and licensing agreements, as well as maintaining relevant registries. It also engaged in issues related to enforcement of intellectual property rights and formulation of proposals for improving legislation in the field of intellectual property rights.

![Fig. 1. Main institutions for state regulation and stimulation of innovation activity in the entrepreneurial sector of Ukraine*](image)

*Source: author's development

The Directorate of Industrial Policy and Regional Development Stimulation ensures formation and implementation of the state industrial policy, determination of priority directions for industrial development, scientific and technical potential of industrial sector of the economy, and improvement of a mechanism for state regulation of the industrial sector of the economy.

The Innovation Management Department ensures an implementation of the state innovation and investment development policy.

The Scientific-Organizational Department of the Presidium of the National Academy of Sciences of Ukraine (NAS of Ukraine), as well as some specialized sections and departments of the NAS of Ukraine are the entities within the National Academy of Sciences of Ukraine, which conduct expertise on research projects.

In respect to institutions, the national innovation legislation includes provisions of the Constitution of Ukraine, the Civil Code of Ukraine, the Economic Code, as well as laws of Ukraine such as "On Priority Directions of Science..."

The institutional (normative-legal) basis can be conditionally divided into two groups: (1) general normative acts in the field of social relations regulating innovation activity at the national level, and (2) specific normative acts in the field of innovation, scientific and technical activity, and intellectual property at the national, regional, and basic levels.

In Ukraine, general normative acts in the field of social relations regulating innovation activity at the state level include:

- The Constitution of Ukraine - establishes general principles of state functioning, including the protection of intellectual property rights and support for innovation activity.
- Resolutions and orders of the Cabinet of Ministers of Ukraine, ministries, and other central executive bodies that contain provisions regarding the regulation of innovation activity, support for scientific and technical development, and intellectual property.

These general normative acts provide a framework for the development and regulation of innovation activity in Ukraine at the national level.

At the regional level and the level of territorial communities in Ukraine, specific regulatory acts in the field of innovation, scientific and technological activities, and intellectual property include:

- Laws and decisions of regional, city, and village councils that establish local conditions and measures to support innovation, develop the scientific and technological sector, and stimulate intellectual property.
- Programs supporting innovation and the development of the scientific and technological sector at the regional level, which are developed by local self-government bodies and include measures to stimulate innovative activities.
- Decisions and provisions of local self-government bodies aimed at supporting innovation, creating innovation clusters, developing technology parks, and other infrastructure facilities for innovative activities.

The main regulatory acts that determine the principles of functioning and development of territorial communities in Ukraine include the following:

1) the European Charter of Local Self-Government, the Charter of Cross-Border Cooperation and other international legal acts;
2) the Constitution of Ukraine - establishes general principles of organization and functioning of state power in Ukraine, including local self-government;
3) the Law of Ukraine "On Local Self-Government in Ukraine" - defines the legal framework for local self-government, including the powers and competencies of territorial communities;
4) the Law of Ukraine "On Local State Administrations" - establishes the legal basis for the organization and activities of local state administrations, which ensure the implementation of state policy at the territorial level;
5) the Law of Ukraine "On Local Budgets" - sets the rules for the formation, approval, and execution of local budgets of territorial communities.
6) the Law of Ukraine "On Ensuring the Implementation of Rights and Freedoms of Citizens in Territorial Communities" - defines the rights and freedoms of citizens, as well as mechanisms for their protection at the territorial level.

These regulatory acts establish fundamental principles, structure, and competencies of territorial communities in Ukraine, ensuring their functioning and development.

The analysis of the regulatory (institutional) framework for territorial communities functioning in Ukraine indicates that, at the state level, it is more focused on functioning of regions rather than territorial communities. It contains numerous contradictions and inconsistencies, which complicate their innovative development. Proposals for improving the regulatory and legal (institutional) framework for the functioning of territorial communities in Ukraine are represented in Table 1.

Conclusions and prospects for further research. In our opinion, as well as the opinion of many experts (Heyts, V. M. et al., 2015; Grinov B.V., 2012; Melnikova I., 2018; Innovations in Ukraine, 2011), the main problems hindering innovation activity in the entrepreneurial sector of Ukraine are:
Established (in Ukraine, territorial lawyers argue that current legislation does not provide for innovative development.

However, the possibility of delegating powers between territorial communities is not provided. The establishment of such a form of cooperation as the delegation of powers is essential since it is stipulated by the Law of Ukraine "On Local Self-Government in Ukraine" that the territorial community is the primary element of local self-government, the key bearer of its powers and functions.

### Proposals for improving the regulatory and legal (institutional) framework for the functioning of territorial communities in Ukraine.

<table>
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<tr>
<th>Institutions</th>
<th>Deficiencies</th>
<th>Proposals for legislation</th>
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<tr>
<td>Constitution of Ukraine, Article 140; Law of Ukraine &quot;On Local Self-Government in Ukraine,&quot; Article 2, paragraphs 1 and 2; European Charter of Local Self-Government, Article 3, paragraph 1.</td>
<td>The definition of basic subjects of local self-government, including the concept of a territorial community, lacks clear definitions, except for the Article 140 of the Constitution of Ukraine. This article states that &quot;local self-government is exercised by a territorial community in the manner prescribed by law, both directly and through local self-government bodies: village, town, city councils, and their executive bodies.&quot; However, the Law of Ukraine &quot;On Local Self-Government in Ukraine&quot; (Article 2) defines that &quot;local self-government is exercised by territorial communities...&quot; rather than their associations.</td>
<td>In order to ensure a clear legal status and legal personality of territorial communities in Ukraine, taking into account the advanced experience of other developed countries, it is necessary to conduct a comprehensive inventory of municipal property, develop mechanisms for direct democracy and maintain registers of territorial communities. It is also important to adhere to the principle of the universality of local self-government, as well as to establish clear boundaries of administrative-territorial units, eliminate the concept of “lands outside settlements” from legislation, and transfer agricultural lands (except those that should remain state-owned) and private land plots into the ownership of territorial communities.</td>
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<td>Law of Ukraine “On amendments to Certain Legislative Acts of Ukraine on Expanding the Powers of Local Self-Government Bodies and Optimizing the Provision of Administrative Services” dated 10.12.2015, No. 888-VII.</td>
<td>The criteria for determining a person as a member of a specific territorial community are not established (in Ukraine, territorial community registers are currently being formed). As a result, there is uncertainty in identifying individuals who have the right to participate in communal property direct management and decision-making on all matters of local importance within the competence of the territorial community, including innovative activities. The issue of membership in a territorial community for citizens of other states and persons without citizenship remains a subject of debate, as some scholars argue that current legislation does not prohibit such a membership. The exact number and composition of a territorial community (i.e., individuals who have authority over communal resources property rights and participation in their management) are difficult to determine.</td>
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<td>European Charter of Local Self-Government, Article 3, paragraph 1.</td>
<td>In accordance with the ratified European Charter of Local Self-Government, right to local self-government are granted to local self-government bodies, rather than the territorial communities themselves, which creates a contradiction.</td>
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<td>Statutes of territorial communities Property registries</td>
<td>The majority of rural territorial communities do not have approved statutes that define the procedure for exercising the right of community members to participate directly in local self-government through local initiatives and public hearings. The absence of approved statutes deprives community members of the right to participate directly in local self-government through local initiatives and public hearings, as well as limits their ability to initiate innovative municipal projects. In such communities, there is a lack of unified public registries of property and other resources, which restricts community members’ access to information about these resources and prevents their formal use for innovative development.</td>
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<td>Law of Ukraine “On Cooperation of Territorial Communities” Law of Ukraine &quot;On Local Self-Government in Ukraine&quot;</td>
<td>The powers of territorial communities as participants in cooperation are not specifically defined. The legislation specifies the powers of local self-government bodies and their officials, rather than the territorial communities themselves. According to the Law of Ukraine &quot;On Local Self-Government in Ukraine,&quot; the powers transferred to local state administrations based on decisions of district and regional councils are considered delegated powers granted by law to local self-government bodies. However, the possibility of delegating powers between territorial communities is not provided.</td>
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1. Lack of specific mechanisms for implementing innovation policy: Innovation policy is considered a component of the overall development program, and there are insufficient specific mechanisms for its implementation. This can complicate the effective implementation of innovative projects and initiatives at the regional level.

2. Insufficient funding for regional innovation programs: The Budget Code of Ukraine does not allocate specific sources of funding for regional innovation programs, which can result in insufficient financing. Regional budgets are usually allocated for other types of expenses rather than supporting innovation.

3. General goals and lack of control mechanisms: regional innovation development programs often have general goals and a lack of effective control mechanisms for their implementation. This can make it difficult to determine specific steps and accountability for implementing innovation projects at the regional level.

4. Insufficient innovation support for the entrepreneurial sector: Ukraine has an imperfect system of regulatory and legal support and state support for innovation activities in the entrepreneurial sector. This can hinder the development and implementation of innovative projects in business.

These problems hinder the effective development of innovation activities at the regional level in Ukraine. Overcoming these contradictions may require changes in legislation, improvement of innovation support mechanisms, and ensuring sufficient funding at the regional level.

The institutional framework for innovation development in Ukraine requires significant improvements as it has numerous contradictions and shortcomings. This creates obstacles to clearly defining the subjects and objects of the innovation process, effective resource accounting, and hinders the development of territorial-economic systems.

Despite the implementation of various measures to stimulate scientific, technical, and innovation development, their actual effectiveness remains low. Innovation orientation has not become an essential component of the country's development. Strategies and management of the national innovation system remain fragmented and inefficient, with a lack of clear role distribution and responsibilities, including financial ones, among different government bodies. More than half of the innovation programs did not receive funding due to the absence of corresponding budget allocations, highlighting the priority of the annual budget over program documents.

Statistical data from the State Committee of Statistics indicate that nearly 40% of deficiencies in innovation activities stem from the imperfections of the legislative framework. This leads to the disregard of laws and the discontinuation of legislation related to financing and stimulating scientific, technical, and innovation activities. Funding for scientific and technical activities from the State Budget of Ukraine over the past five years has not exceeded 0.4% of GDP, despite the Ukrainian Law "On Scientific and Scientific-Technical Activities" setting a norm of 1.7%. The share of targeted program financing for scientific research accounts for only 10% of the total science expenditure, while the legislation envisages 30%.

Nevertheless, in our opinion, improving innovation activities in the country does not necessarily require increasing the number of legislative acts without ensuring coherence and balance considering the fact that this could lead to even greater disorganization. Instead, it is necessary to create effective mechanisms for implementing existing legislation. Global and domestic experience shows that frequent changes in legal norms lead to a deterioration in their implementation.

**REFERENCES**


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2023


