

## METHODOLOGY OF DEVELOPMENT OF SOCIAL INVESTMENT PROJECTS FOR THE ECONOMY: LEGAL ASPECTS

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### ABSTRACT

**Purpose:** The purpose of the present academic paper is to analyze the methods, principles and mechanism of legal regulation of social investment activity and to develop priority directions for improving the legislative framework aimed at increasing the effectiveness of investment attraction and achieving social and economic efficiency

**Theoretical framework:** Conditions of instability require the development of social investment projects. From a legal point of view, it is necessary to reduce the administrative burden and tax pressure in the process of implementing social investment projects. This will allow for attracting investments at the global level and effectively using them at the national level for the purpose of economic development. In order to attract investors in the long term, it is necessary to reorient the tax system towards a liberal approach and optimize investment mechanisms.

**Design/methodology/approach:** To achieve the goal set, the research was conducted by applying analysis, comparison, optimization, and modeling methods.

**Findings:** The primary task is the analysis of social investment opportunities and the actualization of social investment information support, as well as the support of already existing social investment projects and programs. Improving the legal framework and introducing changes taking into account the instability of the external environment are separate directions of state regulation of social investment activities.

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**Research, Practical & Social implications:** One of the areas identified in the academic paper is the necessity of creating a comprehensive strategic plan for the legal regulation of social investment activity.

**Originality/value:** This project will make it possible to implement effective legal mechanisms for regulating social investment activities, reduce the tax burden and contribute to ensuring the country's investment attractiveness at the international level. As a result, the goal of increasing the inflow of investments and providing effective adjustment to the unstable external environment will be achieved.

**Keywords:** investment activity, legal regulation, project, improvement, optimization, efficiency.

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## DESENVOLVIMENTO DE PROJETOS DE INVESTIMENTO SOCIAL PARA A ECONOMIA: ASPECTOS LEGAIS

### RESUMO

**Objetivo:** O objetivo do presente trabalho acadêmico é analisar os métodos, princípios e mecanismos de regulamentação legal da atividade de investimento social e desenvolver direções prioritárias para melhorar o quadro legislativo que visa aumentar a eficácia da atração de investimentos e alcançar a eficiência social e econômica.

**Referencial teórico:** Condições de instabilidade requerem o desenvolvimento de projetos de investimento social. Do ponto de vista legal, é preciso reduzir a carga administrativa e a pressão tributária no processo de implantação de projetos de investimento social. Isso permitirá atrair investimentos em nível global e utilizá-los efetivamente em nível nacional para fins de desenvolvimento econômico. Para atrair investidores a longo prazo, é necessário reorientar o sistema fiscal para uma abordagem liberal e otimizar os mecanismos de investimento.

**Desenho/metodologia/abordagem:** Para alcançar o objetivo definido, a pesquisa foi realizada aplicando métodos de análise, comparação, otimização e modelagem.

**Resultados:** A tarefa principal é a análise de oportunidades de investimento social e a atualização do suporte de informações de investimento social, bem como o apoio de projetos e programas de investimento social já existentes. Melhorar o quadro legal e introduzir mudanças tendo em conta a instabilidade do ambiente externo são direções distintas da regulação estatal das atividades de investimento social.

**Pesquisa, implicações práticas e sociais:** Uma das áreas identificadas no trabalho acadêmico é a necessidade de criar um plano estratégico abrangente para a regulamentação legal da atividade de investimento social.

**Originalidade/valor:** Este projeto permitirá implementar mecanismos legais eficazes para regular as atividades de investimento social, reduzir a carga tributária e contribuir para garantir a atratividade dos investimentos do país no plano internacional. Com isso, será alcançado o objetivo de aumentar a entrada de investimentos e proporcionar um ajuste efetivo ao ambiente externo instável.

**Palavras-chave:** atividade de investimento, regulamentação legal, projeto, melhoria, otimização, eficiência.



## 1 INTRODUCTION

The economic development of each country is based on implementing investment projects that ensure the expansion of reproductive processes, the creation of new values, employment, new production and consumer potentials. In the period until 2019, capital investment projects, involving the implementation of a full investment cycle from initial investments to final profitability, gained special popularity. Starting since 2020, external challenges have changed the orientations of development and forced applying other mechanisms for ensuring economic development. Social investment projects are gaining popularity and are widely used in this period (Iatsyshyn, A., Iatsyshyn, A., Kovach, V., Zinovieva, I., Artemchuk, V., Popov, O., Turevych, A. 2020). They are based not only on the goal of maximizing profitability, but also on achieving social and informational goals of social and economic development.

The purpose of the present academic paper is to analyze the methods, principles and mechanism of legal regulation of social investment activity and to develop priority directions for improving the legislative framework aimed at increasing the effectiveness of investment attraction and achieving social and economic efficiency.

Based on the purpose of the academic paper, the following aims were set and solved:

- defining the features of social investment activity and its difference from other types of investment activity;
- analysis of legal aspects of social investment activity in the context of ensuring economic development;
- analysis of the structure of investment legal relations in the framework of developing and implementing social investment projects;
- development of directions and a mechanism for optimizing investment activity in terms of ensuring the social orientation of investments;
- formation of restrictions on applying the optimization model of legal regulation of social investment activity.

The research object of the present academic paper includes principles, methods and mechanisms of regulatory and legal regulation of social investment activity in the context of ensuring the state's economic development.



The subject of the research is the economic relations arising at the national and international level in the process of selecting and implementing social investment projects and determining the legal aspects of the regulation of investment activities.

## 2 LITERATURE REVIEW

Social investment projects are a positive factor in developing the national economy. Authors Nikulina, Butyugina & Gorbunova (2019), Haydarov (2020), Kharchuk, (2020), Kramarenko (2019) define investment activity as a systematically limited and complete set of activities, documents and works, the financial result of which is profit (or other income), and the material result is the acquisition and use of new or reconstructed fixed assets (complexes of objects), financial instruments or intangible assets.

The scientific works of Hernego (2019), Ilchenko-Siuiva & Sliusarchuk (2019), Garritzmann, Häusermann & Palier (2023) emphasize the necessity to implement social investment projects as the main mechanism for ensuring sustainable social development aimed at obtaining stable income and social effect. Dawood, F. S., & Ahmed, A. F. (2023) studied the possibilities of applying the international standard (ISO 21500:2021) in the investment commission in Saladin governorate on one of its projects. It was concluded that in order to obtain and apply the specification in future projects, it is necessary to ensure that they meet the requirements for obtaining an ISO certificate. In addition, steps should be taken to improve the skills and experience of the team to ensure that the project objectives are met. Thus, investment projects can have a different orientation and scope, from the design or transformation of technological, economic or social systems, as well as for developing new management structures or research programs to ensuring social development and strengthening the state's international positions.

With the beginning of Russia's military invasion of Ukraine, social investment projects have become even more relevant for maintaining and developing the country's economy. Kharchuk (2020), in his investigation, analyzes the development of the country's economy in the conditions of an unstable external environment. The areas of reorientation of activities at the specified stage of functioning are highlighted (Dutchak, S., Opolska, N., Shchokin, R., Durman, O., & Shevtsiv, M. 2020; Iatsyshyn, A. V., Kovach, V. O., Romanenko, Y. O., & Iatsyshyn, A. V. 2019). The production of organic products in agricultural enterprises remains a priority for Ukraine (Ostapenko, R.,



Herasymenko, Y., Nitsenko, V., Koliadenko, S., Balezentis, T. & Streimikiene, D., 2020), which is facilitated by dynamic development of the global organic food market (Bazaluk, O., Yatsenko, O., Zakharchuk, O., Ovcharenko, A., Khrystenko, O. & Nitsenko, V., 2020). Positive and good results can be achieved if the adaptive model of entrepreneurship is taken into account as the main component of resource planning (Akimova, L., Akimov, O., Maksymenko, T., Hbur, Z. & Orlova, V., 2020). Ensure increased attention of employees of the communication department at enterprises of the energy complex (Malynovska, Y., Bashynska, I., Cichoń, D., Malynovskyy, Y. & Sala, D., 2022) and take into account the risks of managing logistics systems taking into account information technologies (Vakhovych, I., Kryvovyazyuk, I., Kovalchuk, N., Kaminska, I., Volynchuk, Y. & Kulyk, Y., 2021). Filyushina, K., Gusakova, N., Bakrunov, Y., & Dyadkova, E. (2023) investigated the effectiveness of investment projects aimed at increasing the efficiency of capital investments, energy and resource conservation, creating comfortable living conditions for the population, taking into account climatic zoning. Studies have shown that the use of renewable energy sources for engineering systems during the entire life cycle of a low-rise building can significantly reduce construction costs, while increasing the affordability of low-rise housing for certain categories of citizens. These investment projects are especially relevant in the conditions of war and significant housing damage.

The need for the legal regulation of social investment activities is defined in the scientific works of the following authors: Khrimli & Gostieva (2019), Blank, Boichuk, Vinnyk, Voronin, Herzanych, Zeldina, & Fedorov (2021). It is important that several works offer a practical solution to the issues of regulating social investment law: through the formation of national legal models (Volvach (2019); international legal models (Makhmudov (2021); models of civil law (Rym (2020). The scientific study of Fesenko (2019) deserves special attention due to the creative development of an instrumental approach to the civil-law regulation of investment relations.

In connection with the need to reorient towards the social direction of developing investment activity, the necessity arises to improve the regulatory and legal framework at the national level, taking into account international standards and external aspects of functioning.



### 3 DATA AND METHODOLOGY

To achieve the goal set, the research was conducted by applying analysis, comparison, optimization, and modeling methods. The concept of a social and investment project was analyzed in order to form and highlight the concept that describes the essence of a social investment project. Based on a comparison of the essence of these concepts, a definition is identified that most accurately describes the policy in the field of analyzing and implementing social investment projects.

Based on the results of the concept outlined, an analysis of the optimization mechanism of socially oriented investment activity was carried out. In order to construct a model for improving the regulatory regulation of assessing and implementing social investment projects, the principles, methods and mechanisms of model formation aimed at changing the structure of legislation are highlighted. A comparison of the effectiveness of applying this model in foreign countries was conducted to justify the feasibility of introducing the developed complex model for improving the regulatory and legal regulation of socially oriented investment activity.

As a result of the conducted research, a model for improving the legal regulation of social investment activities was developed. This strategy takes into account the challenges of the external environment, the level of social-economic development, the direction of state policy in the field of developing and implementing social investment projects. The application of this strategy because of the war occurs through restructuring the regulatory system, taking into account changes in the direction of project financing.

### 4 RESULTS AND DISCUSSION

Increasing the relevance of developing and implementing social investment projects posed the task of defining the essence of this concept, the features of their functioning and differences from other investment projects. The concept of social investment does not have a single generally accepted definition. Table 1 analyzes the approaches to defining the concept of a social investment project and proposes its own definition, taking into account external requirements.

The conducted analysis showed that this definition has gone through a long path of formation from identifying social investment with ethical norms to the concept characterizing social investment as a means of achieving the economic and social effect of social development. Thus, the primary difference between social investment activity





and investment activity is the goal of attracting investment and the expected result from implementing the investment project. For instance, investment activity is aimed mainly at investing funds with the aim of obtaining profit for the development of one's business activities.

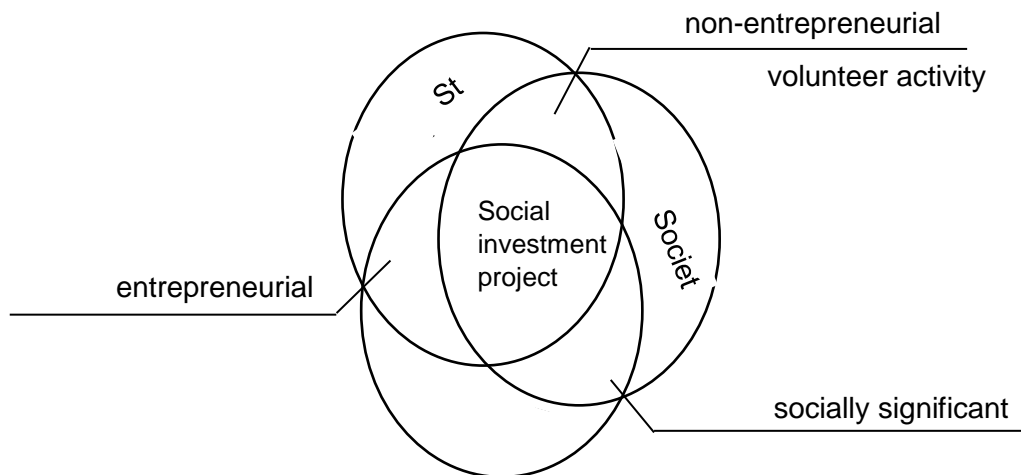
Table 1. Evolution of the concept of a social investment project (Prepared by the authors (2023))

Stage	Source	Definition	The ratio goal / result	Interrelationship with investment activities
XVII-XIX centuries	Wesley, J. (2019).	A social investment project is understood as a certain activity aimed at eliminating the negative impact on society	Refusal to participate in certain types of activities / destabilization of the development of enterprises that have a negative impact on society	It aims to obtain a different effect from investment activity, related to the social component
XX century	King, M. L. (2020).	The social investment project is understood as a refusal to invest in the military industry against the background of the war in Vietnam	Refusal to invest in dangerous industries / boycott of weapons suppliers	Within the framework of investment activities, funds for promoting socially oriented investment are created
The 1990s	de Carvalho, G., & Frisina Doetter, L. (2022).	A social investment project is understood as the investment of funds for the purpose of preserving the environment or increasing social corporate responsibility	Social responsibility of business / achievement of social effect for the subject of entrepreneurial activity	Any investment activity aimed at ensuring a social result can be considered a social investment activity
The 2000s	The European Union has adopted the Treaty of Lisbon Ziller, J. (2019). The Treaty of Lisbon. In Oxford Research Encyclopedia of Politics.	The social investment project is considered at the international level; it involves the implementation of social tasks in developing the economy	Development of the economy due to the solution of social problems / recognition at the international level	Investment activity of the enterprise is separated from international investment activity
2011	Ungureanu, E., & Bâldan, F. C. (2019).	A social investment project is understood as direct foreign investment aimed at long-term social development priorities	Social effect in the long term / strengthening of international investment positions	Social investment activity is separated from investment activity. The Social Entrepreneurship Fund is being created.
A social investment project (the author's definition) is a project for investing resources aimed at achieving an economic and social effect based on the coordination of the goals and interests of all interested parties of the investment process, and the benefit of which is aimed not only at increasing the effectiveness of the business entity, but also and for the improvement of social life.				

Source: Prepared by the authors

Social investment activity is aimed at achieving social goals; it aims to obtain benefits not only for the subject of entrepreneurial activity, but also for society as a whole. Consequently, socially-oriented investing covers three main subjects of investment activity: the state, the business sector and society; it aims to achieve an economic effect and meet social needs (Fig. 1).

Figure 1 The environment of a social investment project (Prepared by the authors (2023))



Source: Prepared by the authors

In any case, each social investment project should contain the following components: project materials – project inputs, interested parties (the state, society, business entities) and the operations they perform, organizational and economic mechanisms of project implementation (interaction of interested parties), organizational and economic rationale, implementation mechanisms and deadlines.

Project materials include official documents necessary for planning the core results of the project and additional material developed by the participants of social investment projects during the review of these projects and preparation for their implementation. In order for the materials of the social investment project to be used for forecasting, analysis and assessment of the project, they necessarily contain as follows: information on the description of the composition of the project participants, a description of the measures to be taken, specifying the specific quantities and terms and performers, information about the exhibitor, information about the environmental and social consequences of the project implementation, supporting documents regarding the possibility of project implementation, the attitude of local authorities to the project implementation, the reasonableness of the accepted prices for services, the description of





the organizational and economic mechanisms for the project implementation, including a list of necessary state support measures, the results of the activities of each project participant and third-party business entities whose interests are affected during the project implementation, evidence of the economic capacity of their participants to implement the project on the scale of the entire national economy, especially in certain regions, conditions for the termination of project implementation. The order of the Ministry of Economy of Ukraine approved a methodological proposal for drawing up a business plan (The Law of Ukraine, 2010), which summarizes the world experience of drawing up a business plan for companies. These recommendations are designed to provide methodical assistance to enterprises in drawing up annual and long-term development plans.

The organizational and economic mechanisms for implementing an investment project include as follows: normative documents on which the interaction of subjects is based, obligations taken by participants in joint actions for the project implementation, guarantees of such obligations and sanctions for violations, investment financing conditions and measures of mutual financial, organizational or other support, special conditions of turnover of goods and resources between participants, prices of mutual settlements, commodity loans, free transfer of fixed assets for permanent or temporary use, a project implementation management system that ensures sufficient synchronization of participants' actions, protects everyone's interests and timely adjusts further measures, the main features of each participant's accounting policy.

Thus, legal regulation of social investment activity should take place in the triad "state – society – entrepreneurship" (Figure 1). Modern unstable external conditions put forward new requirements for implementing social development priorities at the national and international levels. In particular, the state traditionally remains responsible for implementing social policy and determining social priorities. However, in the global international market, there is a need for coordinated decision-making on social issues through the joint efforts of all major stakeholders (national governments, regional and private social initiatives, various international organizations).

Vaitsekhovska (2021), in her scientific work, notes that the country's investment policy consists in creating a favorable investment environment for investments. The final result of the investor's activity is the profit from investment activity, which determines the direction of capital movement to countries with a high level of development and a reliable economy. This requires the country to apply measures to balance the rights of

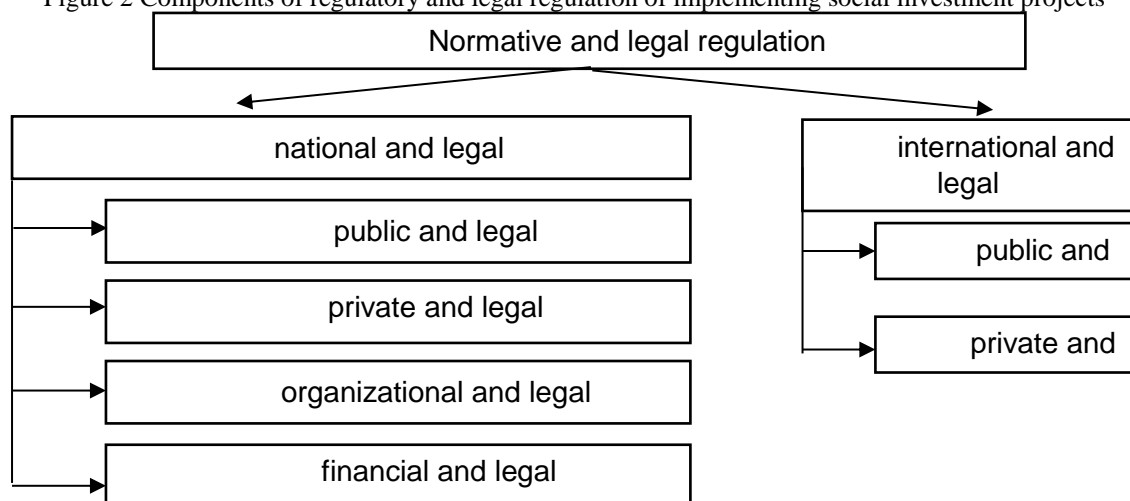


foreign and domestic companies; introduce insurance for foreign companies; expand international cooperation to secure foreign investment; state support and encouragement of companies that promote investment in the Ukrainian economy, etc. From a legal point of view, it is a combination of national and international laws and regulations in a multilateral, regional and bilateral investment process.

At the same time, national and legal regulation includes public law (norms of constitutional and administrative law) and private law (norms of civil law). International and legal regulation is also divided into public law (norms of international economic law) and private law (norms of private international law). In order to ensure the effectiveness of implementing social investment projects, the selected areas of regulatory regulation should be supplemented at the national level with the following components, presented in Figure 2.

The relevant organizational and legal instruments for regulating socially oriented investment activity are part of the state influence system on investment activity and the economy through direct and indirect state control mechanisms. The organizational and legal means of regulating the conditions of socially oriented investment activities include: the establishment of state norms and standards in the field of investment, audits of state plans and projects, and antimonopoly measures.

Figure 2 Components of regulatory and legal regulation of implementing social investment projects



Source: Prepared by the authors

Forms of ownership play a significant role in attracting capital to finance social investment projects. It is obvious that it is more difficult for individual investors than for collective or public investors to find funds for implementing social investment projects.



Such projects, as a rule, are fulfilled at the expense of the central government's funds or the state's funds and local budgets. The preliminary information memorandum is the main source document that provides potential investors or creditors with the necessary information about the investment project, that is, the decision on possible participation in the project.

The following phases can be defined as components of socially oriented investment activity:

- the creation of a legal, financial and organizational basis for project implementation;
- technology acquisition and transfer, including basic project planning;
- detailed project development, participation in tenders, evaluation of proposals and negotiation skills;
- land allocation, construction works and facilities arrangement;
- pre-production and sales, including delivery guarantee, and management formation;
- recruitment and training of personnel;
- commissioning and evaluation of the result.

Therefore, social investment activity has an economic and legal nature and a complex judicial and legal direction. The legal support of socially oriented investment should consist of the following aspects: determination of the regulatory framework, determination of the status of social investment activity's subject, establishing the responsibility of social investment activity's subject, determining the directions of using the results of fulfillment of the social investment project, regulating the relations of social investment activity's subject with other interested parties in developing and implementing the social investment project.

In Ukraine, the Verkhovna Rada exercises legal supervision over socially oriented investment activities through laws, government regulations (orders, resolutions), and presidential decrees. Laws, legislation and regulatory actions determine the subject and the object of social investment activity.

At the same time, the internal support of social investment activities is insufficiently effective. A negative role was played by the deterioration of the external situation (the COVID-19 pandemic, Russia's military invasion of Ukraine). Reducing the negative impact of the external environment is possible due to the stimulation of social



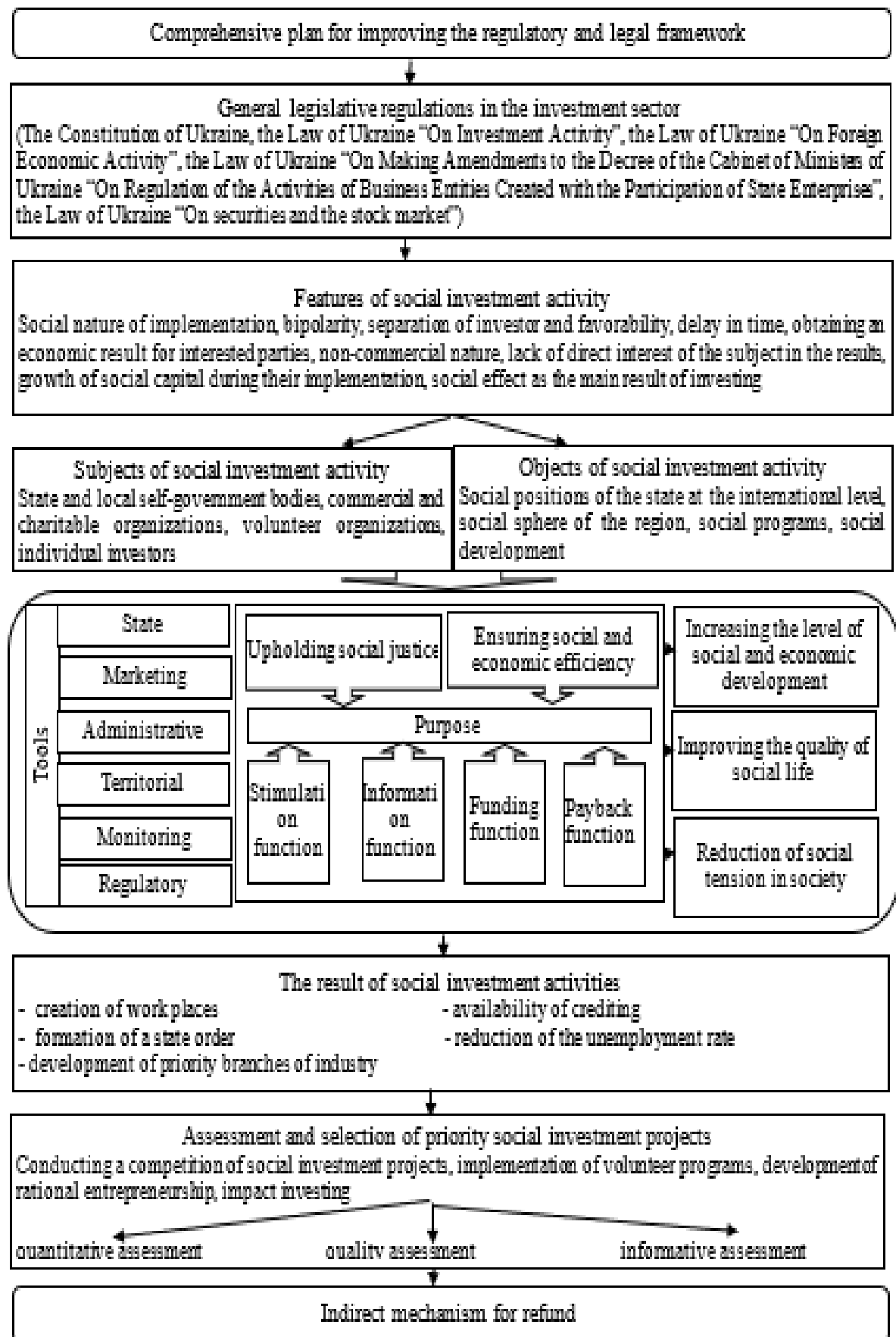
investment activities, which will ensure an increase in profits (income) for investors due to applying indirect methods of legal regulation. There are many contradictions in the current legislation preventing the implementation and effective operation of the social investment development model. As can be seen from the analysis of world practice, direct state support of the level and intensity of the process of socially oriented investment in the economy is considered a key condition for its structural restructuring, leading to the acceleration of economic growth. The development and implementation of a mechanism for attracting commercial banks to increase the volume of social investments, mainly through long-term lending, remains relevant. The social investment policy of each country must be aligned with the country's strategic goals and interests. Ukraine is no exception. Its strategic task is to achieve economic growth and improve people's well-being through implementing the national investment model of development. In order to achieve the goal outlined, it is necessary to create an institutional environment favorable for the social investment process, and to immediately improve the regulatory and legal system for regulating socially oriented investment activities in Ukraine. This will contribute to increasing the number, efficiency of use and prioritization of investment resources at the expense of all resources and ensuring the effective use of capital investments.

A comprehensive plan for improving the regulatory and legal system should include optimization mechanisms for improving the legislative framework and the development of the social investment climate. We propose the following mechanism for improving the regulatory and legal support of social investment activity (Fig. 3).

Thus, the optimization of social investment mechanisms should be one of the areas of improving social investment legislation, namely:

- provision of tax and customs benefits;
- improvement of legislation in the field of waste management;

Figure 3 Comprehensive plan for improving regulatory and legal regulation of social investment activities



Source: Prepared by the authors



- simplification of the privatization process;
- mechanisms for obtaining cheap loans and non-refundable grant support for small and – medium-sized enterprises;
- optimizing the location of production facilities;
- effective cooperation with state authorities and local self-government bodies;
- change in the regulatory policy of the state.

Social-economic balance and sustainable development of subjects and municipal entities can be ensured by establishing a single system of strategic and territorial planning documents without creating legal regulators and legislative gaps. However, it is almost impossible to change the situation quickly. Many processes, such as improving corporate governance, ensuring the reliable functioning of the judicial system, overcoming corruption and other institutional changes, are long-term in nature. Therefore, the main task at the current stage is to ensure a permanent, stable improvement of the situation. Investors should be confident that today's situation is improving, although this tendency does not depend on the political situation. Therefore, the long-term strategy of stimulating and attracting investments, including foreign ones, should be integrated into the national economic policy. Considering the unstable political situation in Ukraine, one can hope for the support of all important social-political forces that may be in power in the country.

Indicators of social-economic efficiency consist of an increase in the physical number of services, a decrease in the estimate of services, a reduction in the current costs of social sphere organizations, a reduction in the number of times of participation in recreational activities and unemployment benefits. The profitability of an investment is based on minimizing the costs of its development and implementation: absolute (the difference between the size of capital investments and the monetary value of the result), relative (the ratio of the monetary value of the result to total costs), and determinacy (the payback period). The diversity of the purpose and result of social investment activities hinders the possibility of developing a systematic approach to assessing and implementing social investment projects. For instance, the authors Dzwigol, H. (2020), Yurchenko, I., Vanzha, V., Bandurin, M., Volosukhin, V., & Bandurina, I. (2019, February) considered in detail in their scientific works the approaches to quantitative and qualitative assessment of investment projects. At the same time, social investment activity is characterized by an indirect mechanism of return of funds. It requires new approaches





to evaluating performance.

It is also necessary to distinguish the internal and external direction of the result. In the scientific works of Nikitina, A. V., Shersheniuk, O., Kyrchata, I., Popkova, K., & Khrystoforova, O. (2020), Pochenchuk, G. (2021), an analysis and assessing the results of investment activities was carried out. At the same time, social investment projects require involving a wide range of interested parties. Therefore, at the stage of analysis, it is impossible to take into account, predict and evaluate the result of implementing a social investment project.

It is methodologically difficult to compare financial costs for participants and social outcomes for recipients. Evidence that positive long-term economic outcomes are associated with social programs is also limited. Evidence of economic impact requires constructing specific logical chains of related phenomena. Investments in employee training programs can improve the quality of services provided. The best quality of service leads to greater customer satisfaction. Higher customer satisfaction leads to greater brand loyalty. In turn, increased loyalty ultimately leads to repeat purchases, increased company profits, and an increase in its share of the client's business. Similar chains of logic can be built for other types of social investments. However, several intermediate stages make it difficult to determine the degree of influence of social investments on the final positive financial result.

Thus, the complexity of analyzing and forecasting the effectiveness of implementing a social investment project dictates the question of social investment participants' motivation. After all, they are more inclined to provide philanthropic assistance than to develop comprehensive programs. Thus, the issue of determining economic efficiency is a means for further investigations of the complex phenomenon of social investments.

At the same time, at the initial stage of implementing a social investment project, an urgent question arises regarding the potential of combining financial resources from various sources in order to implement a socially beneficial idea. Therefore, more and more state and private social funds are being formed in the world along with the resources of the state budget. Along with this, charitable organizations and individual benefactors continue to be active. The issue of choosing and justifying an increasing number of alternative technologies for financing social projects is being updated. In particular, the spread of fundraising trends and the ever-increasing popularization of grant writing



practice necessitate an in-depth study of grant making nature.

## 5 CONCLUSION

Based on the research results, theoretical and methodological definitions of the concept of social investment as a mechanism for coordinating the corporate sector's interests with society's and the state's interests have been clarified. A comparative analysis of modes of interaction between society, business and government in Ukraine and abroad was conducted. The assessment of the effectiveness of investing in the social environment has been studied. The following conclusions and recommendations were made according to methodological studies and principles of the social investment management method based on a strategic management approach.

Considering socially-oriented investing as a mechanism of interaction between entrepreneurship and the social environment includes defining the essence of the concept of "corporate social investing" and its content, the formation of investments and the status of social investing in the relationships between enterprises and society. The starting point for this complex of issues is the clarification of the term "social investment project". The academic paper defines social investment as a dynamic process of relationships between social and environmental entities to ensure a balance between the interests of the corporate sector and social and national interests.

The dual nature of socially oriented investments emerged as a tool to meet the needs of both the public and corporate sectors. It is the dual nature of social investment that gives grounds for distinguishing it as an independent type of investment, and the investment process as an independent type of corporate activity.

The main criterion for characterizing the effectiveness of socially oriented investing is the "benefit" for the enterprise, which is obtained due to implementing investment projects in a social environment. "Benefits" can take the form of positive financial results (profits) or other forms of ensuring the general improvement of the efficiency of social activity. Increasing the effectiveness of socially oriented investing can be achieved either by reducing the costs of implementing investment projects, or by increasing the company's income from social investments.

The successful functioning and sustainable development of the country depends on the interaction of the state, society and the economy, the basis of which is the entrepreneurial sector. The role of the state in stimulating business investment in the



social environment is crucial. Authorities at all levels should contribute in the form of institutions, focusing on the process of investing in the social environment, social projects and programs. After all, their co-financing is both an effective form of interaction and a tool for social development and implementation of social policy. State administration bodies should take measures aimed at reducing the risk of corporate social investment. This task will be solved by creating conditions for companies to implement their own projects in the following key areas effectively: determination of priority areas of investment with the aim of orienting companies to participate in their implementation, ensuring “transparent” rules of the game regarding the minimization of administrative risks, creation of effective financial instruments for servicing the company’s social projects (joint investment funds, risk insurance).

In the process of social investment, the state as a subject of social investment functions in the triad “state – society – entrepreneurship” and forms relations with various social groups. Thus, the state has a primary role in managing social investment projects based on diversified forms of public-private partnership within the framework of targeted projects. In this context, it is necessary to optimize organizationally and legally prescribed methods of assessing the social benefits of planned investment projects. All investment projects should be, in particular, regionally and socially oriented and include an assessment of the expected impact of investments on the environment.

To a great extent, implementation of the concept of sustainable development depends on the effectiveness of social investment projects. When evaluating the effectiveness of such programs, it is important to determine the benefits and costs of their implementation with differentiated consideration of the time factor. The proposed model can determine the net value of such projects, taking into account the time factor, using methods of compounding and discounting cash flows at different points in time, as well as social projects, taking into account the relevant social discount rate for specific risks. Subsequent studies should be aimed at improving the methods of assessing the social impact of such investment projects.



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