

PRIORITIES OF ECONOMIC DEVELOPMENT OF UKRAINE IN THE CONTEXT OF EUROPEAN INTEGRATION

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Abstract. *The aim of the article.* Although a large number of original and meaningful works by both domestic and foreign scientists studied issues on the topic under consideration, it should be noted that the problem of defining profitable spheres in the economy of Ukraine remains poorly researched. This also concerns the definition and development of the specificities of an innovative approach to the Ukrainian economy in the context of European integration and globalization challenges. *The subject of the study* is the priorities of the economic development of Ukraine in the context of European integration. *Methodology.* Based on the analysis of laws and regulations of Ukraine and scientific literature, the current economic situation, status of Ukraine, and strategic priorities and goals of Ukrainian economic development are interrogated. *The results of the study* revealed that nowadays Ukraine declared European integration as a key priority of economic policy. The intention of our state to meet the requirements of the modern world economic system caused the need to develop the integration strategy of Ukraine, it is a way of modernizing the economy, overcoming technological backwardness, attracting foreign investments, applying new technologies, creating new jobs, increasing the competitiveness of domestic commodity producers, entering the world markets. *Practical implications.* It is proved that presently the institutional transformation of the Ukrainian economy towards its green growth is not determined enough due to imperfections, inconsistencies, and inefficiencies of existing mechanisms. The strategic priorities of the formation of new "green" economic areas and ecological transformation of the economy of existing industries are analysed. *Relevance/originality.* For Ukraine, the EU is an important strategic partner, including the investment and foreign trade sectors. Therefore, the future of our country in the EU will be determined by signing the Association Agreement. It is proved that the EU as an integration association will hold the status of the leader in international economic relations; therefore, for Ukraine as a European state, an important step is to form a new strategy for economic development of the EU.

Key words: economy, economic sector, European integration, innovation development, green economy, strategy.

JEL Classification: O17, O1

1. Problem statement

In current conditions of the world economy, each country tries to achieve a high level of the socio-economic development. To meet increasing demands for the parameters of the national economy dictated by globalization, Ukraine must develop a strategy for the improvement that can reflect adequately our state by means of macroeconomic indicators and a standard of living of the population (Chorna, 2018).

In 1991, Ukraine gained sovereignty. However, apart from independence and autonomy, it inherited own economic system, which for that time of Ukrainian statehood was not able to meet the needs of Ukrainian people. It should be emphasized that for 17 years, Ukraine has been trying to bring the economy out of crisis phenomena, which repeatedly causes a depressive process in the economic situation in Ukraine, affecting both the regional level and the state as a whole.

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From 2014, Ukraine has confirmed the course toward integration with the European Union. From this period, a new stage of economic development has also begun in all spheres. Nevertheless, unfortunately, it should be noted that still, the Ukrainian economy is coming out of a protracted crisis.

At the current stage of state establishment, Ukraine's integration into the European Union is an integral part of the further democratization of our country, the formation of civil society (Medvedev, 2014). Therefore, the radical socio-economic transformations that have taken place over the last decade have caused both positive and negative changes in modern Ukrainian society (Pavlenko, Sevruck, Kobko, 2017).

Because of the changes in society, along with positive tendencies, individual negative ones appear and largely hinder the development of statehood in Ukraine. A serious concern is the problem of economic stability (Mohilevskyi, Sevruck, Pavlenko, 2017).

It should be emphasized that the development of the Ukrainian economy in recent years demonstrates unsustainable dynamics that confirms various adaptations of its branches to the challenges of the present, and results in lower investment and innovation activity and competitiveness. In addition, Ukraine is steadily "honourable" among the most corrupt countries (Kondratenko, 2018).

According to the results of a survey conducted by investment company Dragon Capital (Kyiv) and the European Business Association, there is a widespread corruption in Ukraine and a lack of trust in the authorities, judiciary and law enforcement bodies. Interfax-Ukraine informs that as stated by a joint press release of organizations, respondents rated the indicated obstacles at 8.5 and 7.5 points according to the 10-point scale of importance (rates are equal with last year's – ed.). The third place in the rating was the factor of monopolization of markets and the seizure of power by oligarchs (5.9 points), while the military conflict with Russia and unpredictable exchange rate (5.6 points each) respectively occupied the fourth and fifth positions. The repressive actions of law enforcement bodies occupy the sixth position in the ranking (4.6 points). This is due to the widespread unlawful actions of the Prosecutor's Office, the Security Service, and Police. Other positions belonged to a constant change in statutory regulation, complex administration of taxes, and currency restrictions (Koruptsiia ta nedovira do sudovoi systemy ye osnovnymy pereshkodamy dlia investytsii v Ukrainu – opytuvannia).

Furthermore, in 2014, a significant deterioration of the economic situation was due to the military operations in the east of Ukraine, which caused a chain reaction of imbalance in all macroeconomic indicators. Affected by the events of 2014, the current economic situation is characterized by further deterioration. Among the main factors that determined economic trends in 2015

were low external and domestic demand because of economic growth inhibition; decrease in purchasing power of the population because of real incomes reduction; complicated relations with major trading partners and outflow of investments. Under the absence of appropriate measures to stabilize the situation, the complex interaction of indicators led to increasing economic decline. Ukraine suffered territorial losses, faced with the threat of economic collapse and the loss of statehood because of aggression on the part of Russia, a nuclear-weapon state. During 2014, the Ukrainian economy was operating in extremely unfavourable conditions. Russian aggression caused Ukraine unprecedented humanitarian and social losses and serious destructive processes, including the destruction of infrastructure on the territory of combat operations, disruption of established production linkages and crucial supply of resources, partial loss of external markets and export potential. Meanwhile, radical reform of domestic economic mechanisms, absolutely indispensable for the country, remained vague, and some changes were introduced very slowly (Tiutiakh, 2017).

Reforms of the system of social support in Ukraine should be based on the principle of purposefulness, which will enable real social measures to be provided to those members of society who really need this help, according to their life circumstances. The provided social assistance should include the targeted activities authorized by law state bodies. It is aimed at supporting individuals who have difficult life situations and who for objective reasons cannot independently provide their means of subsistence at a level not lower than the subsistence level, which is determined by law. The effective legal regulation and ensuring equal access to state social support in the form of subsidies will contribute to the introduction of amendments and additions to the Law of Ukraine "On Housing and Communal Services" regarding the accounting of actual amounts of income during the calculation of subsidies to individuals providing social services. Considering some of existing economic disparities in the purpose of subsidies, subsidies should be monetized urgently and the real income of recipients of social support should be verified to confirm the right to benefits. This will enable to introduce a single approach to such a form of social assistance as a subsidy aimed at supporting the life of the poorest group of Ukrainian population (Tyshchenko, 2018).

According to analysts, from 2017 to 2018, Ukraine's economy continues the recovery trend after a positive breakthrough in 2016, which led to an increase in the gross domestic product by about 1.5%. Leading Ukrainian economists expect that GDP growth may accelerate by 2.1% in the coming year, industrial production will grow by 2.5%, and inflation will slow down to 10% from 12-13% in 2016 (Obukhovska, 2017).

One of the main problems facing Ukraine, as a European state, is the need for the rapid economic shift

to the path of innovative development. The current crisis has demonstrated the danger and hopelessness of focusing on the export-raw material development model and the use of benefits associated with the relatively low cost of labour. The overcoming of the crisis and transition to sustainable growth depend on the effectiveness of state and business efforts in deploying diversification of the economy, raising its level of innovation usage, and creating conditions for the realization of creative abilities of the population that has a European level of education in Ukraine.

2. Literature review

The theoretical and practical aspects of the current state and innovative development of the Ukrainian economy in the context of European integration were studied in the scientific works of such scholars as: A.A. Broiaka, B.V. Burkynskyi, M.V. Verteletskyi, T.P. Halushkina, D.F. Dukov, V. Zapukhliak, I. Ivashchuk, O. Ivashchuk, L.L. Kalinichenko, M. Kondratenko, S.I. Lozynska, A. Neholiuk, K. Obukhovska, V.Ye. Reutov, D.I. Sirokha, O.V. Tyshchenko, O.V. Tiutiakh, O.P. Khaietska, S.M. Chernous, N.P. Chorna, R.S. Chorny, S.K. Shandruk. *The aim of the article.* Although a large number of original and meaningful works by both domestic and foreign scientists studied issues on the topic under consideration, it should be noted that the problem of defining profitable spheres in the economy of Ukraine remains poorly researched. This also concerns the definition and development of the specificities of an innovative approach to the Ukrainian economy in the context of European integration and globalization challenges.

3. The main material

Such a path necessitates significant changes in the institutional environment of doing business in Ukraine, the formation of a favourable innovative climate, intensification of research and development, a breakthrough in the use of modern information and communication technologies. Ukraine has to overcome a significant backlog in innovation activities of enterprises compared to the developed countries of the world and, first of all, its neighbours, the EU countries. In Ukraine, this parameter does not exceed 20% (according to surveys of innovative activities), while the EU average, let alone the countries that are innovative leaders, is 44%. Moreover, the low costs for research and development do not meet the innovative course, especially in the Ukrainian industry (Innovatsiina Ukraina 2020: natsionalna dopovid).

The future of Ukraine is an innovative, European-oriented economic policy. It is important for domestic enterprises to increase their potential, to develop capacities for the realization of opportunities,

to establish high-tech production, to introduce principles of free international trade. The strategy of "building up," which is based on the principle of steady growth of own scientific, technological, and innovative potential to occupy the leading positions in the world market, should be the main strategy of Ukraine's innovative development (Kalinichenko, 2016).

In August 2017, the Moody's Investors Service, a rating agency, for the first time in nearly two years changed the sovereign rating of Ukraine from stable to positive (a step from Caa3 to Caa2).

In the structure of Ukraine's GDP, the share of enterprises of the 4th (planes, cars, ships, etc.) and 5th (mobile communication, microelectronics, and computer science) technological structures is small. They do not meet the innovative course and the low costs for research and development, especially in the Ukrainian industry. Therefore, traditionally the reason for the low level of innovation of the enterprise is considered lack of funds. At the same time, over 3 billion UAH were spent on the innovation of Ukrainian enterprises, of which about 64% were spent on the technological innovations (Kondratenko, 2018).

Nominal GDP in Ukraine has increased over the last six years due to an increase in the average price level. This fact is confirmed by the fall of real GDP from 1 079 346 million UAH in 2010 to 996 236 million UAH in 2016 at constant prices in 2010. Recently, GDP has been increasing due to the construction industry (prices are rising); increase of the share of agriculture in the structure of GDP ($\approx 12\%$); changes in the banking and financial sector. The economic well-being of citizens is linked closely to GDP per capita (Lozynska, 2011).

Analysis of its changes confirms trends similar to the dynamics of GDP. Thus, nominal GDP per capita is steadily increasing, while real GDP per capita is decreasing. While in 2010 it amounted by 24 798 UAH per person, in 2016, real GDP in 2010 prices fell by 5.8% to 23 346 UAH per person, indicating the impoverishment of the nation (Broiaka, 2017).

Comparing the dynamics of macroeconomic indicators of Ukraine with other countries, in the European Union in general, GDP per capita is more than 35 thousand dollars, and the number of people living in 28 EU countries is more than half a billion, according to estimates of the European Bureau of Statistics (Eurostat). Overall, throughout the European Union in 2016, the average GDP growth rate is 2.3% (Latvia – 4.8%; Lithuania – 3.9%; The Netherlands – 3.8%; Spain – 3.1%; Austria – 2.9%; Germany – 2.1%). Non-EU countries also show high growth rates: Romania – 5.7%; Czech Republic – 5.5%; Poland – 4.4%; Sweden – 3.9% (Osnovy svitovoi ekonomiky, 2017).

GDP per capita is one of the most accurate ways to assess the economic development of the state. The latest report Index of Economic Freedom of The Heritage Foundation, the international organization, contains

indicators of GDP and GDP per capita (by PPP). In 2017, this indicator in Ukraine was \$2205; compared with the leading countries of the world, Ukraine's GDP is significantly behind and our country is at position 133 among 187 countries of the world under study (Reytnynh krain za VVP na dushu naseleattia u 2017).

According to the International Monetary Fund (IMF), the indicator of Ukraine's GDP in comparison with neighbouring countries lags seriously. Compared to Ukraine, the GDP of the CIS countries is much higher than that of the European Union countries. International rating agency Moody's predicts that in Ukraine GDP per capita will remain the smallest among the CIS countries in 2017–2018 years (Khaietska, 2018).

Nevertheless, compared to, for example, 2013, the GDP indicator in 2016 fell by 14.1%. Exports of coal and metals from this area were banned that affected the country's economy. However, the economy managed to cope with the effects of the blockade, and in 2017, its growth amounted to about 2%. In addition, the normal scope of export of goods from the country was restored due to the conclusion of an agreement on the Deep and Comprehensive Free Trade Area between Ukraine and the European Union in January 2016 (S&P onovylo prohnoz VVP Ukrainy na 2017-2018 roky).

It should be noted that production in key industries has stopped falling and began to recover primarily due to industry, agriculture, and metallurgy. According to statistics, in 10 months of 2016, the economy of Ukraine received 3.1 billion dollars FDI, which is 41% more than in 2015, of which 2.2 billion dollars came to the country as a result of the banks' capital accumulation by shareholders. To attract investment and stimulate business, in 2016, the National Bank continued to ease actively currency restrictions imposed in 2014 and mitigate monetary policy. These steps became possible due to the stabilization of the hryvnia exchange rate. However, to improve the lives of tangible citizens of our country, higher rates of economic growth are needed, and hence more reform and effective corruption combating. Even with the pace of economic growth of 3-4%, recovery to the level of pre-crisis 2013 will take 4-5 years (Obukhovska, 2017).

Therefore, it is necessary for Ukraine to distinguish several positive stages of the economy formation overall. It is primarily to determine exactly what potential Ukraine has nowadays for effective development and stabilization of the economy, which will have a positive impact on poverty reduction and economic growth of the state. In addition, the experience of the advanced foreign states concerning the "green" economy should be implemented presently. Therefore, this article reveals the process.

In the present time, Ukraine has a potential for growth, namely: agriculture and everything connected with it (35% of Ukrainian exports is agricultural products,

moreover, Ukraine can produce twice as much); high tech (Ukraine has thousands of high-tech companies, mostly small, it's a great competitive advantage); supply (now many Polish medium-sized enterprises are transferring their production to Ukraine). Our country can become a powerful "sub-supplier" to European markets, as Bulgaria and Romania did. However, today, relations with Poland are worsening, so there are certain risks (Kondratenko, 2018).

Another important institutional component of the innovative economic development is the creation of institutional capacity for entry into foreign markets of producers with highly processed products, as it is the result of an innovative way of development, especially for small and medium-sized businesses, which potential is frequently used in Ukraine in contrast to many successful Eastern European countries that have come a long way. Ukraine should overcome this way throughout a structural crisis and considerable unemployment. Overcoming difficulties and entering an innovative way will require an appropriate policy and strategy of state support for exports in small and medium-sized businesses. For this, the main state institutions, similar to the Ministry of Industry and Trade of the Czech Republic, or the Ministry of Industry and Energy of Germany, sectoral ministries and departments, financial, banking, and insurance companies and a large number of public organizations should be involved to deal with the reduction of institutional barriers and the promotion of companies to new markets and their support in these markets. Moreover, export support for high-tech small and medium-sized businesses is the basis of the institutional conditionality of the state's actions (Innovatsiina Ukraina 2020: natsionalna dopovid).

It should be noted that although Ukraine is called the European breadbasket, last year we bought products worth three billion dollars. In addition, the average citizen of Ukraine is 400 times poorer than ordinary Swiss. The average resident of Ukraine for one year produces goods and services in the amount of 46 thousand hryvnias but receives a salary of 23 percent more, 62.8 thousand hryvnias. For example, the German earns 47 thousand euros for the state and receives for its work 46 thousand euros. Our indicators show not the persistent work of Ukrainians but the economic imbalance. The main reason for it is the raw material economy, due to which all our products cost very little. In addition, the shadow economy and low productivity role contribute to it. Recently, the Credit Suisse bank published a study on living standards in different European countries. According to its results, Switzerland has taken the leading position, where the wealth of every adult is 576 thousand dollars. Ukraine came last in the ranking with a score of \$1,337 (Neholiuk, 2016).

In addition, today the population decreases to 35 million people. The main cause of the demographic crisis is the reduction in the number of able-bodied

citizens. Representatives of the older generation begin to retire massively, and young people look for employment options abroad. In other countries, Ukrainians look for both work and higher education. For example, in 2014, more than 40 thousand students from Ukraine studied abroad. Their return to their homeland is questionable (Neholiuk, 2016).

Weak implementation of high technologies, lack of innovation infrastructure, low innovation activity makes it impossible to characterize any of the regions of Ukraine as a high-tech. However, innovation is still a determining characteristic of modern scientific, technical, industrial, social, economic, and social processes of our state. This is stated in the Strategy of Sustainable Development "Ukraine 2020" (Ukraine's entering leading positions in the world; Ukraine should become a state with a strong economy and advanced innovations), in the National report "Innovative Ukraine-2020", in the project "Strategies of Innovative Development of Ukraine for 2010–2020 Under Globalization Challenges" and other state programs and documents (Kondratenko, 2018).

The main thing is not even money but young educated staff and science in the first place. Unfortunately, practically they are not used in Ukraine, because there is no internal demand for intelligence and new knowledge, there is no infrastructure that will provide this demand. Intellect and knowledge are one of the main reserves of the country, and the only renewable resource (Kondratenko, 2018).

Therefore, the continuation of economic development without a radical change in the current economic model will lead to the deployment of environmental threats and make sustainable development impossible. In this regard, economists, sociologists, politicians, representatives of natural sciences and business began to seek new ways of development that would restore the environment and, at the same time, provide a decent standard of living for the population (Cato, 2009; Burkynskyi, Halushkina, Reutov, 2011).

The "green" economy represents the system of relations involving production, distribution, exchange, and consumption, which are based on the principles of ecologically oriented activities, support the preservation and restoration of the natural environment, and provide a minimal negative impact on it through the development of "green" sectors of the economy and the reduction of "brown," creation of "green" jobs, and production of "green" goods and services. The goal of the "green" economy is to create an effective environment for economic and social progress based on minimizing the negative impact on the environment and the efficient use of natural resources while maintaining a decent standard of living for the population.

Analysis of Ukrainian state economy, conducted on the basis of data for 2005–2012, enables to identify a number of key issues that determine the need for a "green" course. These issues concern using resources

(restorative and non-renewable), preservation and restoration of the natural environment, economic activity, employment, public consumption, etc. Using resources is accompanied with significant losses due to both obsolete technologies and ineffective pricing policies (in particular, for those business entities that use them in the production process and end users): losses of water taken during transportation were significant and amounted to 15.4% (2.3 billion cubic meters) and 16% (2.35 billion cubic meters) respectively in 2005 and 2012; leakage and unaccounted water consumption due to improper condition of water supply systems (some water supply networks) amounted to 25% (2005) and 30.2% (2012) of all water supplied to the water supply network, because 38.2% of the total length of the water supply networks were dilapidated and unserviceable; Ukraine occupies 95th place among 122 countries on the level of rational use of water resources and water quality; heat losses in 2005 made up 10.3% of the produced (13.1 million GCal), and in 2012, 13.3% (13.8 million GCal); electricity losses in public utilities amounted to 13.3% of the produced (24.8 billion kWh) in 2005 and 11.5% (21.7 billion kWh) in 2010 (Innovatsiina Ukraina 2020: natsionalna dopovid).

The main tasks to be solved in implementing a "green" economy in Ukraine are: the formation of new "green" industries; modernization of existing production in order to substantially increase their resource efficiency/productivity with simultaneous reduction of waste, emissions, and discharges that have a negative impact on human health and environment; introduction of a sustainable production and consumption model; formation of "green" infrastructure as a system of institutional support for "green" development in general and with an emphasis on primary types of economic activity; ensuring qualitative progress in modernizing the system of standards and their wide implementation by business entities; development of activities and support for projects aimed at waste disposal, emission and discharge reductions, provision of recycling; support for innovation development (in terms of developing and implementing eco-innovations); development of "green" employment and increase of "green" jobs (Innovatsiina Ukraina 2020: natsionalna dopovid).

The adoption and targeted implementation of a "green" course in Ukraine can significantly improve the situation, but the expected results depend on how effective and even aggressive the policy in this area is.

Several scenarios of development are worth considering, namely:

- a) maintenance of the tendencies that have developed in previous years (development as it is);
- b) concentration of efforts on progress in certain areas (non-systematic or departmental approach);
- c) concentration of all necessary resources on the complex "green" development (eyes on leaders).

Within the implementation of these goals in 2020 and 2025, the following results, estimated on the basis of "green" indicators, can be expected:

carbon productivity of GDP:

–under scenario "a" will reduce reaching by 2020 by 0.95 and by 2025 by 0.87 USD per 2005 PPP/kg CO₂;

– under scenarios "b" and "c" will increase by 1.3 and 1.8 USD per 2005 PPP/kg CO₂;

water productivity of GDP:

–under scenario "a" will increase respectively by 2020 by 23 and by 2025 by 25 USD per 2005 PPP/m³;

–under scenarios "b" and "c" will be respectively 24 and 32 USD per 2005 PPP/m³;

the productivity of agricultural land relative to GVA of agricultural sector:

–under scenario "a" will decrease by 2020 by 45 and by 2025 by 52 USD per 2005 PPP/ha of agricultural lands;

–under scenarios "b" and "c" will increase by 67 and 89 USD per 2005 PPP/ha of agricultural land;

material (non-energy) productivity of GDP:

–under scenario "a" will increase respectively by 2020 by 0.85 USD and by 2025 by 0.91 USD per 2005 PPP/kg of extracted non-energy materials;

–under scenarios "b" and "c" will be respectively by 1.2 and 1.4 USD per 2005 PPP/kg of extracted non-energy materials.

the index of the ecological efficiency of Ukraine, which characterizes the efficiency of ecosystem conservation – under scenario "a" will not be more than 47, while under scenario "b" will be no less than 51.

In all cases, under scenario "c" by 2025, it can be expected that the "green" indicators will at least reach the current average for the OECD countries.

According to the Strategy, to stimulate economic development, the Government focuses primarily on attracting investment and innovation, accelerating the development of high value-added production and introducing new technologies, upgrading production facilities and infrastructure.

Finally, the "green" economy should start developing first in certain regions of Ukraine with a basis for development, as well as gradually spread throughout the state using innovative approaches.

In this regard, the transformations that took place in the economy and the system of public administration of Ukraine during the years of independence led to a number of negative consequences in regional development. First, this is an increase in the share of depressed regions from 24% to 60%, a decrease in the gross regional product per capita (less than 70% of the 1991 level), formation of the inefficient regional development management system, deterioration in the investment attractiveness of regions, increase in the complexity of investment involvement into regional development. To achieve the main goals of the State Strategy for Regional Development for the period up to 2020 (reducing the differentiation of regions by the level of

economic development, reforming the system of public administration by regional development, improving the competitiveness of regions), it is extremely important to stimulate investment in the economic development of the regions of the country and increase the efficiency of their use. Investment strategy implementation tools (agreements on the regional development, state programs for overcoming the depression of certain territories, state programs for the development of trans-frontier cooperation, state target programs in certain spheres of the socio-economic development, state target programs for the development of separate territories and other) are neither a comprehensive, effective system, nor used on regular basis, while legal norms do not conform to European standards. All of this requires a clear justification of scientific and methodological approaches and recommendations for the formation of an integrated mechanism of public investment management in regional development (Dukov, 2018).

Therefore, Ukraine needs to transform its economy into an economy competitive with the European states.

Nowadays, European states are aimed at the transformation of the economy into the most competitive in the world with innovation and knowledge dominating in development and economic growth, but not all countries can meet the requirements. The revision of the principles of the Lisbon Strategy contributed to the emergence of new priorities for the development of the EU and the introduction in 2010 of a new strategy called "Europe 2020. A European strategy for smart, sustainable and inclusive growth." The Europe 2020 strategy focuses on the areas (Europe 2020, 2010). such as the development of knowledge-based economy and innovation (no less than 3% of the EU's GDP should go to R&D, at least 40% of young people must have university education, the proportion of students, who left school undergraduate, does not exceed 10%); sustainable development (efficient use of resources, consideration of environmental problems, competitive economy) (reduction of harmful emissions into the environment should be by 30%, reduction of greenhouse gas emissions should be by 20%, increase of the share of renewable energy in final consumption should be up to 20%); employment and social inclusion (75% of the population aged 20-64 must be employed, including women and able-bodied elderly citizens, reduction of the number of people living below the poverty line) (Ivashchuk, 2013).

4. Conclusions

The young Ukrainian state faces extremely complex and important tasks in the sphere of the economy. The integration into the European Union depends largely on their solution. Therefore, the implementation of the economic program of the newest Ukrainian state should become a vital concern of every citizen of the country. For that reason, primary Ukraine should focus on

corruption combat and return of citizens' trust to state bodies, judicial and law-enforcement system. Until this is achieved, the economic instability and outflow of financial capital can be expected as negative consequences.

In addition, the negative dynamics in the service sector, including education, healthcare, and the financial sector still cause slower pace of overall economic growth. Moreover, weak external demand and conflict in the east of the country remained factors of deterrence. On the other hand, the growth of gross fixed capital formation, which exceeded 20%, was the main positive surprise in 2016, as it concerned mainly investment in manufacturing equipment, which indicated an improvement in the investment climate. Nevertheless, Ukraine will need additional external financing to cover the net repayment of external loans by the real sector, which is estimated at about \$7 billion annually for 2017–2019. Therefore, prolonged cooperation with the IMF and other international lenders will remain important for restoring international reserves and increasing investor confidence.

The GDP indicator in Ukraine continues to remain at a rather low level, which is a significant problem that the country needs to overcome. Ukraine should increase its production and export of finished products, which in the future will increase GDP. Many factors offset the results of government actions aimed at increasing GDP, among them: a monopoly on the market of important

sectors of the economy (alcohol, coal, fuel), corruption, market shadowing, the war in the eastern part of the country. To overcome all these problems and achieve efficiency in the future, significant and effective reforms are needed (Khaietska, 2018).

Finally, now it is the time for the Ukrainian economic development strategy on an innovative basis and the adoption of relevant legislative acts, developed and implemented in many countries of the world, including the countries of the European Union, such as Great Britain, Germany, Poland (Innovatsiina Ukraina 2020: natsionalna dopovid, 2015). Therefore, today it is necessary to analyse in detail the existing legislative framework that regulates innovative activity in Ukraine, and implementation of effective proposals for the change of this framework considering the tasks of economic modernization on an innovative basis. To fulfil these tasks, transition of the national economy to the “green” model of development based on sustainable production and consumption, decoupling of economic growth and implementation of measures on combating degradation of the environment and exhaustion of natural resources and implementation of “green” growth policies based on the effective use of material resources, as well as the results of scientific research and environmentally-oriented innovative technologies, promotion of business activities in resource-efficient and environmentally safe production are important.

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