

**POTENTIAL POSSIBILITIES, GAPS AND PROSPECTS  
FOR DEVELOPMENT OF ECONOMY OF UKRAINE**

**Mykolaichuk Mykola<sup>1</sup>**

**Mykolaichuk Natalia<sup>2</sup>**

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**Abstract.** The purpose of the study is to analyse the degree of use of potential opportunities for the development of the Ukrainian economy, determine the factors influencing it and the necessary actions for the implementation of positive changes. Realizing the goal will bring Ukraine closer to the leading European countries in terms of socio-economic development. Methodology. The research is based on the essential analysis of the correlation of the phenomena of economic systems of different countries, the conditions of their development, the possibilities of purposeful change of existing trends. A consistent analysis of the potential of successful countries in the world, the importance of its specific components in ensuring significant economic achievements, the features of their economic policies and mechanisms of state regulation, is a guideline for defining Ukraine's development priorities and the establishment of mechanisms for managing the necessary changes. Results Ukraine has a natural-resource potential sufficient to enter in the group of the most developed European countries. Therefore, the optimistic mood for the rapid development of a sovereign state was grounded. However, the actual development of events was quite different: a rapid decline in industrial production, lower incomes of the bulk of the population. The first impetus to this was the breakdown of economic ties with other republics of the former Soviet Union. Ukraine has not gained economic independence, whose aspiration is to be defended even by military methods. It turned out that the reason for the economic downturn is, first of all, managerial gaps.

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<sup>1</sup> Doctor of Science in Public Administration, Professor, Head of Department of Public Administration, Ukrainian Catholic University, Ukraine; Professor at Department of Economic and Finance Policy, Odesa Regional Institute for Public Administration of National Academy for Public Administration Under the President of Ukraine, Ukraine

<sup>2</sup> Doctor of Economic Sciences, Professor, Director of the Centre for Retraining and Skills Upgrading, Kherson National Technical University, Kherson, Ukraine

In the process of privatization, a significant start-up capital for business development was formed by people whose moral qualities allowed them to “seize” the property, earn money through questionable commodity-money schemes, the consequences of which were detrimental to the Ukrainian economy. As a result, the management elite were formed from oligarchs, whose mind and talent are aimed at protecting their personal interests and not the prosperity of the state. The intellectual elite were ashamed to deal with shadow capital, criminality and bribes. Therefore, it remained aside from the transformational processes of the country. The current state of the Ukrainian economy is anxious. Its characteristic features were the irrational structure of the economic complex. There are too high expectations for economic gains due to the development of agriculture and ignoring the development of industrial production. World experience proves that countries with a large share of agriculture in the economic structure belong to the poorest category. The modern structure of the industrial complex does not meet the developmental requirements, because contributes to the preservation of raw material specialization and threatens the loss of the opportunity to enter non-raw markets with demand for products V and VI. At a critical level, the state of the shadow economy, the outflow of capital and the migration of the able-bodied population are in the state. An increase in the tensions in society is facilitated by too much discrepancy in the socio-economic development of the regions. Therefore, it is urgently necessary to solve the problems of structural adjustment of the economic complex of the country and regions, preventing the outflow of capital and returning already withdrawn funds to the Ukrainian economy, and to reduce the disproportion in the development of regions. To do this, it is necessary to increase the competitiveness of the institutional component of the public administration system, including at the expense of updating the personnel potential of civil servants who will be able to independently and competently solve the problems of Ukraine's economic development rather than own enrichment. Practical meaning. The proposed methodological approaches to a phased change in the structure of economic complexes of regions, improvement of financial and economic mechanisms of state regulation and staffing of state administration will lead Ukraine's economy to a path of sustainable development. Value / originality. The proposed methodological approaches to the transformation of the economy of Ukraine and its regions, stimulation of structural changes through the influences that contribute to the development of self-regulatory processes that

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generate resonance positive effects, has a scientific novelty and contributes to sustainable development of the country.

### **1. Introduction**

Ukraine is one of the sovereign states that emerged as a result of the collapse of the Soviet Union (and the Russian Empire before). However, the people's expectation that the natural-resource potential will allow rapid economic upsurge has not materialized. Ukraine holds honourable position among European countries only in the size of territory – 603,5 thousand square kilometres (the second after Turkey with 774,8 thousand square kilometres) and 7 with a population of 42,8 million people. In 2014, more people were in Spain – 46,5 million people, Italy – 60,8 million people, the United Kingdom – 64,6 million people, France – 66,2 million people, Turkey – 77,2 million people and Germany – 81,0 million people. But the socio-economic achievements of Ukraine are much worse in comparison with these countries. Thus, the expected life expectancy at birth in Ukraine was 76,4 years for women and 66,3 years for men. In other large countries, the life expectancy at birth is over 80 years old, the highest in France is 86 years; for men in these countries, life expectancy rates are also lower than for women, but approaching to 80 years old. In Germany – 78,7 years, France – 79,5 years. The highest figure in Italy is 80,7 years old. Average wages in Ukraine in USD was almost 10,4 times smaller than in Spain and 15,2 times lower than in the UK. Significant lag and GDP per capita – from 3,8 to 5,2 times [1, p. 541–542; 545–548, 551, 561].

Such a situation in the Ukrainian economy may be considered a kind of “economic miracle.” Only in other countries the essence of the economic miracle was the rapid development of the economy despite the limited natural resources. Ukraine is marked by inability to effectively use its powerful natural resource potential. A potentially wealthy state is surprised by the low level of social and economic development. Therefore, the essential analysis of the correlation of the phenomena of the economic systems of the countries, the conditions of their development, the possibilities of purposeful change of the existing tendencies through the influences that contribute to the development of self-regulatory processes, which have a resonant positive impact, becomes of particular relevance. The purpose of the study is to analyze the degree of use of potential opportunities for the development of the Ukrainian economy, determine the factors influencing it and

the necessary actions for the implementation of positive changes. Realizing the goal requires assessment of the potential and real achievements in the development of the Ukrainian economy. In order to determine the factors of influence on the use of the potential, the main problems in economic development, the formation of the program of action, it is necessary to carry out a comparative description of the conditions of development of the countries of the world, which have achieved significant successes, with distinctive features of the Ukrainian economy. According to the results of the analysis, it is necessary to justify the directions of transformation of the Ukrainian economy and changes in the financial and economic mechanism of state regulation of the personnel policy of the state administration.

## **2. Potential and real achievements of economic development.**

Potential is a complex, dynamic, multicomponent system that characterizes potential economic development opportunities. At the same time, it is expedient to divide the whole spectrum of possibilities into two categories: “given by nature” and “created by a person”. A peculiar gift of the country can be considered a geographical location, climate and natural resources in the form of various resources: land, biological, water, recreational, mineral deposits, and others. However, the formation of industrial and agro-industrial complexes, services, industrial infrastructure, human capital, and a capable public administration system depends on the activity of the population. Further detail, depending on the purpose of the study, distinguishes material and technical potential, innovative, investment, financial, and others.

It deserves attention to the consideration of the peculiarities of the modernization potential and the proposal for the allocation of the readiness block of the country (regions) for socio-economic transformations: the socio-psychological (population and power structures); normative-legal, scientific-methodical [2, p. 37].

Ukraine has an advantageous geographical location, because it is at a crossroads between Europe and Asia, the West and the East, the North and the South. It has Black Sea ports that do not freeze in winter, as well as ports of the Azov Sea, the Danube and the Dnieper rivers. Therefore, through the territory of Ukraine there are international transport corridors, it has the highest transit rate in Europe, which contributes to the development of the transport sector and tourism [3, p. 3; 4, p. 10].

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Natural resource potential is an important component of the overall development potential; its condition significantly affects the ecological and economic security of countries. Natural resource potential (NRP) may provide a cost estimate, according to which Ukraine per capita exceeds US potential in 1,5–2 times, Germany – in 4 times, Japan – in 12–15 times [5, p. 120]. In the integrated potential, Ukrainian experts give such an assessment to individual resources: land – 44,3%, mineral – 28,3, water – 13,1%, natural recreation – 9,6%, forest – 4,2%, faunal – 0,5% [6, p. 28].

One of the most valuable natural resources is considered land, which is not only a means of production in agriculture and forestry, but also a necessary territorial resource for the development of many types of social activities. The total land fund of Ukraine is 5,7% of the territory of Europe [7, p. 8]. Conditions of effective use of land resources are considered by their level of development (agricultural production, urban and rural settlements, industrial development, etc.), preservation of soil fertility and park areas. In Ukraine is the extremely high level of the developed area – 92%. At the same time, agricultural development is one of the highest in the world and reaches 70%. Among the European countries, Ukraine has the largest agricultural land area per capita – 0,9 hectares (of which 0,7 hectares of arable land), the average European values are 0,44 and 0,25 hectares, respectively. The area of agricultural land reaches 19%, and arable land – 27% of pan-European [7, p. 9]. A significant part of Ukraine's land is particularly valuable (hump humus, etc.) – 38% of agricultural land and 44,5% of arable land. However, there is a tendency for land degradation as a result of unsustainable nature management, and the proportion of degraded land already reaches 20% of the area of arable land [7, p. 19].

Ukraine has unique natural opportunities for recreation and rehabilitation. The area of the recreational and recreational purposes reaches 12.8% of the country's territory. According to expert estimates, another 6% of the territory can be mastered for recreational purposes, because their favorable and climatic conditions are among the best [8, p. 11]. They differ in variety: the average annual temperature in the Carpathians (00 C) with a favorable period for resting 90–120 days; the duration of summer holidays in the northwestern regions is 140–145 days, on the seacoast of the steppe zone – 180–190 days, on the southern coast of the Crimea, where the average annual temperature corresponds to the temperature of the Mediterranean coast of France (12,50 C) – up to 220 days [8, p. 17,18]. Ukraine also

has significant reserves of mineral medicinal waters, whose reserves are only used for 8%. Among them became world-wide values: Mirgorodskaya, Kuyalnik, Polyana Kvasova, Naftusya, Rodonovy waters, Berezivsky mineral waters [8, p. 13, 14]. Large reserves in different regions and therapeutic mud. But the most valuable recreational resources include seaside beaches, the total length of which is 1160 km, or 47% of the coastal strip. According to the experts on the coast of the seas it is possible to organize a simultaneous holiday 4.1 million people, and recreational territories of different landscape species – 48 million people [8, p. 18]. In fact, in 2016, 35071 foreign tourists and 453561 internal tourists (citizens of Ukraine) were served. Traveling for recreation and treatment was 374789 people [9, p. 12]. That is, potential opportunities were used only at 0,8%.

Ukraine had a rather high level of development of agriculture, industry. Agriculture provided raw materials for the food industry, light (flax, wool, leather). However, over the period from 1990 to 2015, the resource supply of the industry significantly deteriorated. The total crop area decreased from 32406 thousand hectares to 26902 thousand hectares. The area of sowing of flax has decreased in 49 times – from 98 to 2 thousand hectares. The number of agricultural animals also significantly decreased: cattle – from 24623 to 3750 thousand head; pigs – from 19427 to 7079 thousand heads; sheep and goats – from 8419 to 1325 thousand heads [1, p. 307, 308, 327].

The industrial complex was focused on the production of high-tech military products and the satisfaction of the primary needs of the population with products of average quality. There was no competition between producers in the planned economy. Only 15–20% of fixed assets at the technical level corresponded to foreign counterparts. More than 25% of the equipment was morally obsolete and physically worn [5, p. 39]. Now the situation has only worsened. Substantial updating of production assets did not take place. The degree of wear and tear of fixed assets in 2014 was 83,5% and exceeded 50% for strategically important activities: industry – 60,3%, scientific and technical activities – 58,8%, information and telecommunications – 57,4%, threatening the level of wear of transport – 97,9% [1, p. 252].

During the first years of independence, due to the break of most economic ties, there was a catastrophic decline in production – in 1995, only 50.3% of the 1990 level remained. In the production of building materials, losses amounted to 65.8%, and in light industry – 70.8%. [5, p. 705]. Further rates of decline in production have decreased, and in recent years, gradual

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recovery has begun. Transportation, too, decreased significantly. For example, transportation of goods from 1990 to 2015 decreased in rail transport from 974 to 350 million tons, automobile – from 4897 to 1021 million tons, offshore – from 53 to 3 million tons, river – from 66 to 3 million tons. The same is true for passenger transport: from 669 million vehicles to 390 cars, from railways – from 8331 to 2244 million passengers, from sea to sea – from 26 million people to 0, for the river – from 19 to 1 million people, for aircraft – from 15 to 6 million people [1, p. 377, 384].

According to the characteristics of intellectual potential in the early 90's Ukraine occupied a place of honour in the top ten countries [12, p. 361]. At the world level, there were indicators of the number of highly skilled personnel (candidates and doctors of sciences), expenditures on science development, and others.

The consequence of ineffective use of the country's potential is the low level of achievement in sustainable development, which is estimated on the basis of the Human Development Index (HDI). In 1993, Ukraine ranked 45th in the ranking of countries, but in 2001 moved to 74th place. According to the latest report, Ukraine occupies 84th place [5, p. 43; 10 p. 199]. This state of affairs threatens the perception of our country by the world community as a weakly developed. However, Ukraine is significantly different from the underdeveloped countries by the level of education, the development of science. It has “all the industries inherent in the economy of a large, European scale, modern country” [5, p. 120]. However, the long period of instability in production, the lack of implementation of advanced technologies, deterioration of nutrition, medical care, living conditions can lead to negative changes in the psychology of those people who remain in the country. Then, indeed, the country will lose its chance to raise the level of socio-economic development to world achievements.

### **3. Gaps in the development of the Ukrainian economy**

One of the main gaps that had devastating consequences for the Ukrainian economy is the economic dependence on the former Soviet republics. Thus, the textile industry was left without raw materials for the production of cotton fabrics, previously supplied by Asian republics. Kherson Cotton Factory, one of the largest in Europe, which produced a wide range of fabrics (furniture, decor, terry, world-known fabrics in the cell, thin chiffons and batistes), which were supplied to more than 80 countries of the world,

did not cope with this problem and stopped its existence. Machine-building, aircraft engineering used component parts and materials from Russia, Kazakhstan and other former republics of the Soviet Union. There are also problems with sales markets. Depending on the supply of Russian gas significantly affected the competitiveness of products, welfare of the population, gave rise to political conflicts.

The gaps in the development of the economy are connected with the irrational structure of the economic complex. First of all, it has a large share of agriculture, which in 2011 reached 19.4% [calculated from 1, p. 209]. Ukraine has always been perceived as a breadbasket, nurse. However, global experience proves that countries with a large share of agriculture are among the poorest. The dependence of economic development of the country on the structure of its economic complex offers to consider on the basis of a sectoral model of economy, which characterizes the peculiarity of the structure at different stages of technological development and human needs. To this end, five sectors (levels) of the economy are allocated: the first (agriculture and forestry, hunting, fishing, extractive industry); second (processing industry, construction); the third (transportation and communications, trade, utilities, repair of cars and household products); the fourth (activity of hotels, restaurants, financial institutions, services for entrepreneurs, real estate transactions); the fifth (public administration, education and science, culture and sports, health care). At the pre-industrial stage in the low-income countries, satisfaction of urgent needs prevails due to the development of the first sector. In the countries of the industrial stage of development, which include Ukraine, the second and third sectors predominate. In the most developed countries of the post-industrial development stage, the second sector continues to grow, the first and third sectors are shrinking, and the fourth, but predominant, fifth sector is expanding. In the period from 1970 to 2011, the share of agriculture in developing countries has decreased from 25,0% to 9,4%; on average in the world – from 9,8% to 4,4%; developed countries – from 4,7% to 1.4%. That is, the share of agriculture in the Ukrainian economy is much higher than in developing countries [12, p. 9–11; 13, p. 99].

Important sense also has the structure of the industrial complex. In the developed countries, the manufacturing industry is growing at a faster pace. The share of extractive industries in the total cost of industrial products in these countries over the period from 1970 to 2010 decreased from 17,9% to



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5,9%, while processing increased from 77,5% to 87,7%. In the manufacturing industry, the leading industry is mechanical engineering, whose share increased from 20,7% to 45,3% over the period. The production of electronic equipment is growing, its share increased in 4,6 times (from 4,3% to 19,8%). The share of production of vehicles and equipment increased significantly from 5,7% to 10,3%. However, the share of metallurgical production and finished metal products declined somewhat – from 6,8% to 4,2% [13, p. 110, 111].

During the years of independence in the structure of the industrial complex of Ukraine there were negative changes. The share of metallurgical production increased from 11,0% in 1990 to 26,5% in 2004. During this period, the share of machine building decreased from 30,7% to 13,7% [14, p. 98].

In 2015, the share of extractive industry amounted to 10,9%, processing – 64,6%. Somewhat decreased the share of metallurgical production – up to 15,9%. There is catastrophically low share of mechanical engineering – 6,5%, production of vehicles – 2,3%, production of computers, electronic and optical products – 0,4% [1, p. 270].

A generalized characteristic of structural parameters of economic development is provided by means of assessing national wealth (NW). The volume and structure of the national wealth of Ukraine corresponds to low and middle income countries. Thus, NW per one person of the population of Ukraine amounted to 29,3 thousand US dollars in 2005. Of these, natural capital amounted to 23,5%, produced 24,7%, intangible capital of less than 60%. In countries with low and average income, the NW per capita reached 27,3 thousand US dollars, the share of natural capital was 21,1%, produced was 19,9%. On average, in the world, the NW per capita amounted 115,6 thousand US dollars. In its structure natural capital is 6,2%, and 17,6% is produced. In high-income countries, the average indicator of NW per capita is 561,1 thousand US dollars. The share of natural capital is 2,5%, capital generated – 17%, intangible capital amounted to more than 80% [15, p. 74].

The large share of natural capital in the NW shows a low level of GDP and low efficiency of capital and intangible assets use. Indeed, in the global volume of NB, which was conditionally determined on the basis of settlements in 154 countries, the share of Ukraine in 2005 was 0,2%, Poland – 0,7%, Russia – 1,5%, China – 3,5%, United States – 30,7% [15, p. 74].

The level of GDP and NW of the country depends on the innovative development and technological structure of production, which in Ukraine

does not meet the requirements of time. World leaders to accomplish the formation of new industries and markets products based on innovative technologies using VI technological mode. In Ukraine, 95% of the technologies belong to the III and IV modes, the characteristic features of which are the use of rail transport, inorganic chemistry, electricity, coal, and the development of universal machine building. In the developed countries, in the mid-1970s, it exhausted the IV technological mode that is stored in our country in the production of polymer materials, non-ferrous metallurgy, oil refining, instrument making, and others. Only 3-5% of the structure of the national economy is occupied by production, which corresponds to the V technology: complex computer technology, aviation industry, software, advanced weapons, robot construction, and others [15, p. 149].

Another gap in the Ukrainian economy is the poor utilization of resources. Energy intensity of GDP is higher than in economically developed countries in 3-5 times [14, p. 99].

Labour productivity in Ukraine is in 23 times lower than in France, in 22,5 times less than in Finland, in 18 times less than in Japan, in 5,5 times less than Slovenia and Estonia, in 4,5 times lower than in Poland [16, p. 23].

In order to change the situation, it is necessary to attract investments for the renewal of production on an innovative basis. But you need to solve the problem of improving the business climate.

The comparative characteristics of business climate in different countries provide international indices of economic freedom and ease of doing business.

The Index of Economic Freedom (IEF) assesses the level of state liberalization in its interaction with business, the existence of restrictions and obstacles in the implementation of economic activity. The level of economic freedom in Ukraine is too low in comparison with the countries of Europe and with the countries of the post-Soviet space. For the period from 2010 to 2015, Ukraine's rating was kept at 162 positions from 186 countries. Only in 2014, in anticipation of positive changes after the events on EuroMaydan, he rose to 155 seats. Compared to 2011, the situation with the protection of property rights deteriorated (from 99 positions the country moved to 138 position), the level of corruption remained unchanged (148-149 position), public spending increased (changes from 155 to 163 positions), the situation improved only with the regulation of prices (from 163 positions Ukraine moved to 68 place) [17, p. 14; 18, p. 88].

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Unfortunately, in 2016, Ukraine remained 162 in the world and 44 in Europe. Depending on the index value, which is determined by the 100-point system, countries are divided into five categories: a free economy – 80 points and above, mostly free – from 70 to 79,9 points, moderately free – from 60 to 69,9 points, mostly non-free – from 50 to 59,9 points, suppressed (despotic) – less than 50 points [19, p.33]. Ukraine belongs to the last category. Moreover, the achievements of many post-Soviet countries are much better. By the last category, together with Ukraine, were Belarus, Uzbekistan and Turkmenistan. The economy of Russia, Kyrgyzstan and Tajikistan is considered to be largely non-liberal. Countries with a moderately free economy are Azerbaijan, Armenia and Kazakhstan. The economy of Georgia, Latvia, Lithuania and Estonia is generally considered to be free [20, p. 58].

Consequently, the gaps in Ukraine's economic development are, in most cases, gaps in management.

### **4. Directions for transformation of management of economy of Ukraine**

Management problems need to be addressed through fundamental changes in the formation of personnel potential of public administration and conceptual approaches to governance.

Among the proposals for changing the paradigm of governance is the development of Ukraine as a multi-disciplinary corporation [21, p. 285]. The advantage of such an approach is the systemic and balanced management. However, we need to pay attention to the fact that the purpose of corporations is to make a profit. Attention to the person is only one of the means of increasing the efficiency of the use of human potential. In the public administration, according to the paradigm of sustainable development, the main attention should be paid to human development and environmental protection, and economic results are a prerequisite for resource support for achieving the goal.

The entrepreneurial approach has led to the involvement of oligarchs in the government. The logic was that a person who can effectively manage his own capital would successfully manage state development. However, their own interests prevail and their formula for success is: “that is beneficial to the oligarch, is unprofitable for Ukraine” [21, p. 291].

In our view, the thesis that a high (exceeding the amount of bribes?) salary is a counteraction to bribery on the part of judges and other officials

is considered false. Since a person who seeks to make “easy money” in any way will never stop.

Much higher than the average in Ukraine salaries of deputies, additional payments for recreation during the rest, the possibility of lobbying someone's interests leads to the fact that the gap between the standard of living of the majority of the population and deputies is increasing. It is therefore appropriate to create conditions under which the deputies follow the vocation and not for the sake of benefit. It is logical that the deputies of the Verkhovna Rada of the parties receive wages at the level of the average in the country, and from the region (by majority system) – the average wage of the appropriate region.

The deputies choose the population of the country; therefore, their preferences depend on the age structure and awareness of the possible consequences of giving preference to a certain political force. Population of Ukraine in the age of 20-54 years was, in 2016, 50,6% of the total population, 55 years and older – 29,5%. That is, in the best years of youth almost 37% of potential voters were in Soviet times. Then people were the “cogs” of the system that shaped the country's future and limited the possibilities for interference by an average citizen in this process. The era of total deficits was “a paradise pleasure” for those involved in its distribution. Therefore, they strive at any price to return the past. Much of the retirement age, despite the turn and deficit, also wants to “have past” for cheap food, free education and health services. They were not able to travel to other countries and compare the conditions of the existence of two worlds: the “planned” and “market” economies. In addition – the most accessible means for obtaining information for the elderly – television during the planned economy created a positive mood for people, because it systematically informed about the achievements of the country in various spheres. In today's conditions, in pursuit of “hot” news, journalists have flooded the screens with terrible episodes of accidents, fires, and violence. It creates an atmosphere of fear, negatively affects the health and mental state of people. The technical progress of many frightens, because they are not able to use ATMs, the Internet. Therefore, it is necessary to create conditions for the full participation of the elderly in social processes. It is possible to start with study programs on television that compare the peculiarities of everyday life, programs and conditions for the preparation of children in pre-school institutions, schools, med-

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ical care, and others. It is advisable to create centres where pensioners can get consultations, use the Internet for free, etc., which will enable them to understand the benefits of new technologies, to feel the need of a modern country.

Young people like the modern lifestyle. Therefore, a significant part of young people are trying to leave the country in search of “better luck.” A significant number of Ukrainians have already made such a choice. Official statistics do not provide accurate information on the number of emigrants, because only those who are officially employed abroad send their relatives a remittance. According to the results of surveys carried out from 2008 to 2012, the number of migrant workers abroad in 2012 amounted to 1,95 million people. According to unofficial data, their number is approaching 7 million people [22, p. 174; 23, p. 45].

Among the factors driving migration, they are considered the most important: the lack of income (68,4%), the lack of employment opportunities (55%), the desire to make money quickly (34,5%), poor housing conditions (25,8%), example of relatives or friends (11,0%) [24, p. 96].

Demographic situation in European countries contributes to labour migration, which complicates the process of population recovery. Therefore, according to experts' forecasts, to maintain the number of able-bodied population at the required level for the EU by 2050, 79 million migrants will be required [23, p. 44].

Migration processes have both negative and positive consequences. Among the positive effects for Ukraine is a reduction in unemployment, a transfer of funds, which are a more reliable source of currency than investment. Thus, in 2013, foreign direct investment amounted to 4,4 billion US dollars and money transfers – 8,5 billion US dollars [25, p. 6]. On average, income from labour migrants in Ukraine is about 3% of the population's income, and in the western regions this ratio is much higher. Thus, in Ivano-Frankivsk and Ternopil regions it reaches 12-19%, while in the Zakarpatska and Chernivtsi regions it exceeds 23% of the population's income [22, p. 177]. Nevertheless, the negative effects are more significant. Emigrants from Ukraine are many scholars and specialists with higher education, for which many years and public funds have been spent. It is these people who would have to build a new effective state economy. However, the Country Competitiveness Report 2017-2018 states that Ukraine takes up a lasting place by the ability of the country to attract talent (attract foreign

specialists) and retain talent – the corresponding positions in the ranking of 106 and 129 of 137 countries [26, p. 297].

Most immigrants from the less developed countries of Asia and Africa immigrate to Ukraine, which creates epidemiological and other problems rather than improves their human potential. Therefore, it is necessary to create conditions for the preservation of skilled personnel.

The main hope of the country for the part of active youth, which selflessly protects the country's independence, seeks to revive economic development and bring Ukraine to the circle of developed European countries. To this end, it is necessary to involve patriots with appropriate professional training in the government. Thus, the composition of the Cabinet of Ministers should be formed not by quotas, but by professional qualities.

What changes in economic development are necessary? To reduce social tension in society, it is necessary to reduce the differences between the level of socio-economic development of the regions, to provide them with certain self-sufficiency in meeting the primary needs of the population, providing social services, creating conditions for comfortable living and personal development. Positively affects the economic security of the country and its regions, employment, growth of its welfare, development of the domestic market. But this process must be managed in order to provide the necessary structural changes in the economy in order to obtain a synergistic effect from the interaction of different industries and fields of activity, increasing competitiveness and forming a positive image of the state in the world community. In this case, it is advisable to make phased changes in the structure of economic complexes of regions.

The development of agriculture should be aimed at ensuring the needs of the population in food products according to rational norms and needs of the light industry in the raw materials subject to rational nature management, conservation of soil fertility and environmental cleanliness. The preservation of the rural population will contribute to the development of rural tourism, quality drinking water, educational and medical services, and the development of high-quality roads.

The next step should be the restoration of light industry. After all, through the trade network of enterprises only 8,6% of clothing manufactured in Ukraine, 3,1% of footwear is sold [1, p. 432]. By the fall of production after the collapse of the USSR, the light industry enterprises of the Kherson region provided a significant contribution to the region's bud-

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get, to meet the needs of the population in products, employment of the population, balancing demand for male and female labor. Among these enterprises were: one of the largest cotton mills in Europe, a sewing factory for tailoring men's wear, a shoe factory, and the production of leather and articles made of it.

At the third stage, it is necessary to restore machine-building enterprises on an innovative basis. It is important to provide the needs of agricultural machinery, equipment of enterprises, vehicles.

At the state level, it is necessary to solve the problems of ensuring the production of equipment for widespread implementation in the management of information technology. So far, the share of domestic production sold through the retail chain is only 0,8% in the category of computers, peripheral equipment, software, and even less in the category of "audio and video equipment, telecommunication equipment" – 0,3% [1, p. 432].

It is necessary to change the structure of foreign trade. Thus, in 2015, 24,8% of exports consisted of non-precious metals and products, 20,9% – plant products, 8,1% – mineral products, 10,3% – machinery, equipment and mechanisms, electrical equipment, 5,6% – production of chemical and related industries. At the same time, 31,2% of total imports consisted of mineral products, 16,7% machinery, equipment and machinery, 13,4% chemical products, 4,6% land transport vehicles, aircraft and floating means [1, p. 403]. Consequently, instead of exporting raw materials, it is necessary to give preference to meeting the needs of their own production.

Consequently, in the context of globalization, the development of the internal market of goods and services at the expense of its own production can become the basis for stabilization and further development of the economy. But financial support for development, investment of own production by business structures and not the withdrawal of funds abroad are of special importance. To do this, it is necessary to create barriers for the hidden withdrawal of capital, since only in 2013 from Ukraine to the offshore more than 40 billion hryvnias were withdrawn [27, p. 64]. Such barriers are the conditions under which the legal transfer of profits from countries that directly produce goods or services into tax havens should be more costly than paying taxes at the place of production and illegal to be accompanied by prosecution. One of the interesting proposals of specialists of Ukraine is the introduction of a tax payment of 15% of transactions with non-residents [27; 28, p. 156].

An urgent problem is the return of previously withdrawn funds to Ukraine. To this end, it is proposed to build a system that will provide for tracking, freezing, seizing and confiscating illegally withdrawn funds from the country [27, p. 19]. An alternative can be to stimulate the return of previously withdrawn funds to the Ukrainian economy in the form of investments.

In agriculture, it is necessary to stimulate livestock development. This will have a positive effect on meeting the needs of meat and dairy products, providing farms with organic fertilizers, raw materials for the textile industry and leather enterprises. For the formation of the forage base, it is necessary to reduce the farmers' benefits from the cultivation of technical crops, sunflowers, which adversely affect the soil fertility. Facilitating the solution of this problem is obligatory to compensate farmers for the costs of restoring humus content on land leased to them.

In addition to increasing production it is necessary to take care of the growth of solvency of the population. After all, even with the consumption of meat and dairy products, much less than rational standards, in 2015, the population spent on food products 57,9% of income [1, p. 94].

Some experts believe that the improvement of the economy contributes to the utility of wages, especially during the period of depression. There is fear that wage increases will not improve the living standards of the population due to rising inflation. However, avoiding the negative consequences of increasing the incomes of the population may be due to the faster growth of supply of goods.

It is also mistaken for managers of enterprises to solve economic problems and increase the competitiveness of products at the expense of reduction of wages. On the contrary, a higher wage level contributes to a reduction in personnel turnover and the costs associated with the search, training and adaptation of new employees to the business environment; attraction of more qualified specialists; the motivation of labour and the corresponding increase in its productivity; reducing the unit cost of production and increasing sales of products, profits. These provisions are also confirmed by World Bank data. In the 15 years (from 1984 to 1999), the average annual wage in the US manufacturing industry increased by 51,5%, while the added value created by employees increased by 86,7%. Similar trends have also been observed in Japan, Germany, the United Kingdom, France, and Canada [14, p. 388].



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The success of management of economic processes in the region depends on trust in the government, the establishment of interaction between all interested groups: representatives of the authorities, business, academics, and the public. At the same time, the formation of a positive image of the region, creation of conditions for the residents to feel the care of their fate, and the pride of their “Little Fatherland” is gaining great significance.

With the general desire to make it almost impossible, despite all the hardships and obstacles, to achieve the real goal of ensuring sustainable development of the region in accordance with world standards, the main task of the regional administration is the formation of development goals, the justification of the ways of their achievement, stimulation of available means of activity of business entities, aimed at realizing the strategic tasks of the region.

Training for the renewal of the economy should be carried out by providing the second higher education in public administration on the basis of basic technical, agrarian, economic, with compulsory mastering of the state language and foreign language.

### **5. Conclusions**

Ukraine's natural and resource potential has given rise to hopes for a rapid economic outburst as a result of sovereignty. But due to his imbalance, the significant economic dependence on Russia and other former Soviet republics, the result was the opposite. The decline in industrial production, corresponding to a decline in living standards, led the country to the poorest countries. It differs from Ukraine as a scientific potential, a high level of education of the population, which, unfortunately, migrates to more developed countries. Therefore, problems in the socio-economic development of Ukraine are mainly managerial. They relate to the formation of a management elite among the oligarchs, whose own interests are contrary to the interests of the state. This also contributes to the mentality of a significant part of voters who are accustomed to being “cogs” of a mechanism that does not perceive “interference” in its work. Infusion of means of information of fear, a feeling of disaster, adversely affects the health of the population, the psychological state of people. These voters (mostly retirement age), consider themselves “abandoned” by the state, seek to turn back the times of planned economy, believe in deceptive promises. Therefore, it is necessary to create conditions for the awareness of the elderly of the ben-

efits of “European choice”, the possibility of their participation in positive changes.

In order to reduce migration, it is necessary to restore economic development, create new jobs. This will be facilitated by the development of the domestic market of goods and services, filling of its products with domestic producers. The priority directions of development should be intensification of agricultural production, increasing the share of organic products, improving the quality of products in the food industry, the revival of light industry, development of tourism activities.

Such actions will positively affect the employment of the population, its welfare, will allow to accumulate funds for the development of science-intensive production V, VI forms. State regulation should be carried out by stimulating the necessary changes by financial and economic levers. People who sincerely want Ukraine's prosperity and not their own enrichment have to manage these processes. Therefore, work in the parliamentary corps should be carried out “on the call of the soul”, but not in commercial interests. The pay of the deputies from the parties should be at the level of the average in Ukraine, and from the districts – the average in the region. The Cabinet of Ministers should be formed on professional grounds, and not by party quotas. Further researches should be aimed at finding ways to reduce the outflow of capital from Ukraine, the return of already withdrawn funds in the form of investments in the most important projects for the development of the economy of the country and regions.

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