

## THE MODEL OF SUSTAINABLE GROWTH: KEY INDICATORS AND IMPLEMENTATION IN UKRAINE

*The key components of government system based on the principle of sustainable growth of the national economy are analyzed. Basic indicators for successful implementation of this model are determined. The most effective measures for crisis management and creating of foundations for sustainable economic growth in Ukraine are defined.*

**Keywords:** global financial crisis, crisis management, model of sustainable growth.

**Introduction.** The significant destabilization of the global financial system and low stability of post-crisis economic growth set the stage of necessity to develop a clear understanding of the key indicators and balanced growth characteristics of each and every country. Outlining a clear pool of indicators allows to calculate the success of the decisions in a better way, to analyze the lost opportunities, to isolate economic failures and to create highly probable forecasting scenarios of national and regional economy regulation. However, it is necessary to pay attention to the environment that is, in a globalized world, crucial for most countries. Moreover, there is no high-tech manufacturer that is able to reach an adequate level of profitability without the opportunity to scale internal model and access to global market. These circumstances create considerable complexity in the issue of formation and implementation of integrated anti-crisis strategy for states, especially in terms of catching up development.

**Literature review.** The problems of sustainable development were researched by of I. Ansoff, R. Basel, B. Berman, D. Boito, R. Brown, D. Carter, S. Miller. The questions of innovation development at the present stage of globalization processes are covered in the works of the following Ukrainian scientists: V.D. Bazylevych, V.G. Gerasymchuk, A.L. Kanischenko, L.L. Kisterskoho, A.I. Kredisova, N.N. Mazurin, V.F. Onishchenko, V.N. Parsyaka, O.I. Stag, G.K. Rogov, S.A. Starostin, I.A. Tkachenko, A.S. Filippenko, T.N. Tsygankov, M.G. Chumachenko, N.N. Churilov, O.I. Shnyrkov. The studies most researchers are focused on the development of key tools of optimization of innovation development model. Moreover, the permanent change of competition, implementation of technological solutions, the combination of globalization processes and geopolitical instability necessitates a continuous improvement of existing models of innovation growth as well as creation the effective mechanism of catches up development for middle countries.

**The aim of this study** is to develop an integrated model of sustainable growth of middle state in the conditions of global financial and economic crisis. In order to achieve the aim it is necessary to perform the following **tasks:** defining a clear hierarchical model of catch-up growth and sustainable development of the middle country; singling out a number of strategic, tactical and local indicators of the progress or falsity of the decisions; extrapolation of the results to the economic policy of the middle countries and development the most effective measures for crisis management and creating conditions for sustainable growth. As an example, it is to research the Ukraine as the most striking example of low effective system of economic governance.

**Research Methodology.** For the purposes of the study there were used general and special scientific methods. For disclosure of core model of sustainable economic

growth were used general scientific methods of abstraction, synthesis, induction and deduction. For disclosure of key clusters of model the following methods were used: logical analysis, system approach, the method of analogy. For isolating the primary crisis management measures were used the techniques of abstraction, system analysis, method comparison, induction and deduction, analogy. Source base of study consists of scientific works of Ukrainian and foreign researchers in the public and private management, official documents of the executive and legislative authorities.

**Body.** The creation of conditions for the full development of the middle state is inextricably linked to the quality and speed of decision-making process. This is the key component in a process of "correlation of factors of democratic decision-making, voting and formal preferences" [1, P. 175] It is also important to note that the development model, that is described in this research, is limited by characteristics of the international relations actor (state) with population within 30-50 million people and the presence of moderate deposits of natural resources, which imposes a number of restrictions to the possibility of usage of the internal market as an engine for economic development, and rejects the opportunity of the income redistribution from the export of raw materials or energy resources with purpose to force the economic development and formation of a stable demand. In addition, the use of a closed economic system model is also futile because of the low efficiency of process of successful economic model for single cluster scaling.

The key elements of the conceptual vision are overall strategy of socio-economic development, formation of a stable domestic market and development of deficient clusters of international economy. Moreover, only a set of socio-economic transformations could lead to an acceptable result.

Based on the tenets outlined above it is worth to note that even before to research the accelerated implementation of the development strategy and establishment of institutions of regulation and control, the most important condition for success is the low expenditure on maintenance of the current stability in society. This component is key component of any anti-crisis concept. Some schools reflect this concept as a "consolidation of society or nation", which is incorrect in the roots, because of the policultural and polinational structure of most modern societies, which rejects the possibility of forming a monolithic society. The reason for this is the high percentage of conflict, in case of implementation. At least the cost of its creation in terms of cross-propaganda is too large. The second huge issue is that institutions of control and decision-making in medium and long term are not developed. So, objectively reasonable in this context is the concept of social consensus [2].

To accomplish this goal, it is extremely important to identify a range of issues that are most acutely on the agenda or might lead in the medium term to significant losses, especially if to take in to account the external factors. If a process to underline the acute problems is quite simple, the detection of latent conflicts must requires using the special techniques:

- Wide survey of representatives in each regional unit;
- Analysis of the conflict underlying causes in the time cut of average duration of an active social life (20-25 years);
- Separation of social imbalances and preventive implementation of measures to mitigate it;
- Monitoring the assimilating mechanisms (regarding the immigrants, closed national, social, religious communities).

Due to the high level of "explosion" of the social relations reforming system, the crucial tools are the consolidation of coercion in the hands of the person that implements the policy, the availability of real time notification system and the existence of rapid decision-making mechanisms. This feature also requires the traditional authorities: informational, fiscal, law enforcement on a regular basis. However, the quick response tools make possible to pass the point of bifurcation with minimal losses for society as a whole.

Only after the campaign on public policy stabilization is it possible to start catching up development process. It is important to note that such a strategy will be ineffective for developed countries as in the conditions of clearly defined objectives (indicators) of development; the innovative institutions do not play a significant role. On the other hand, the catching up development strategy sooner or later comes to its limits and requires to be replaced by innovative strategy.

Further process of anti-crisis policy definition and implementation should be based on generally accepted principles of management decisions "POSDCORB: planning, organizing, staffing, directing (strategic management), coordinating, reporting, budgeting" [3, P. 9] – with the addition of two components (IC): information security and control. Also, the planning process should be based on SWOT-analysis.

Let's start with planning. The primary objective is to determine the internal and external factors that occur within a single country. The next step is to systematize its classification in terms of positive and negative components. Having the big picture it is possible to proceed to the planning process. A key element of planning is singling out a common vision of the end result and the main points of growth. The dominated ideal among Ukrainian scientists as well as the former Soviet Union as a whole is the concept of national idea [4, 5], which is rather outdated concept and does not reflect the challenges of the time and modern terms of decision-making. In addition, the vision of the end result cannot be focused on the integration processes as it is or tactical interests as do both components are only a tool to achieve the goal.

The planning process should be researched in terms of the most universal concept, such as GDP growth. Overall GDP consists of consumption, investment, government spending and the difference between exports and imports. It indicates three the great clusters for growth: consumption stimulation based on domestic production capacity, policies supporting investment (both domestic and foreign) in the priority industries, creating conditions for implementation of mechanisms in exports of goods and services. Based on a pool of the priorities the following planning activities need to be done:

- Calculation of minimum consumption of individual households, its average level and goals for the period

program (minimum validity period should be from 3 years to reflect real sustainable results);

- Isolation the scarce clusters of world economy and concentrate on the development of these sectors in order to capture main sectors;
- Calculation of the set of measures that are required to be done to develop the related industries in order to reduce the cost of end products consumption and export;
- Analyze the administrative and bureaucratic costs of existing exporters and highlight duplicate and slow operational spheres with the purpose of optimization without reducing the percentage of taxation.

Organization. The organizational structure is composed of two major institutions: the existing state apparatus and ad hock structure (created at the time of transformation). This structure requires to be done due to the combination of "endogenous change as a sustainable process and transformation if needed" [6, P. 22]. Moreover, during the reform process new bodies have higher priority because there are the core places of tactical goals and situational management generation. The role of the existing system is the same: backbone, deterrent and informing. The key element of the permanent (existing) authorities is to provide objective information on socio-economic system status as a whole.

Regarding the transformation branches, there are the following:

- Institute of planning; the main objectives are to create a common vision of society and the economy in the post reform period, writing a series of case plans based on different variants of external conditions and internal processes, correction steps on the basis of annual results;
- Institute of coordination. The key task is a system of coordination under the strategic plan between traditional authorities and planning institute without changing the basic subordination of executive authorities;
- Traditional institutions. All of the law enforcement agencies, tax and customs services, National Bank, local bodies subordinate to the central government. The goal is to provide conditions and implementation strategy points in the regions;
- Feedback Institute. Center that is specialized on analysis and redistribution of basic data on the state of the economy in real time regime. It includes the unit Civil Service of statistics, Public Council, Department of foreign sources baseline, own system of data collection, analytics department.

Staffing. Human resources policy should be based on generally accepted norms of governance [7].

- Open competition for positions;
- Creation of commissions on persons not taking part in government and have no interest in the regulation or in the area close to the field of regulation of contest positions;
- Availability of special education in the candidate;
- The successful management experience of large organizations;
- The nationality of the person expected to fill positions;
- Availability of property in the country;
- The absence or presence of assets abroad in that amount less than the capitalization of the property in the country of ignition position;
- Proactive decision making;
- Strategic vision;
- Creation of permanent improvement of qualifications through round tables, conferences, lectures, both within the country and abroad or involvement of foreign experts;
- Formation of human resources reserve system;
- Creation of assessment mechanism of individual and the unit as a whole;
- Contracted work basis.

Directing. The fundament of the catching up development is the decisions made by the Head of State. Equally significant is strategic plans adaptation for each body separately and its implementation in the regions. Moreover, the leadership is the only lever of influence, because even the best plan cannot be implemented without the proactive leadership. In addition, it is important to remember the "fundamentals of leadership are leader, followers, communication, situation" [8, P.310-311]. Therefore, it is possible to speak about key positions where leadership is a determining factor in the process of transformation:

- Head of State. No matter whether it is the president or prime minister;
- Heads of ministries and departments;
- Heads of regional offices, bodies subordinated to central authorities.

Coordinating. One of the fundamental principles of successful projects is coordination between different branches of government. Institute of coordination is the key component in this process. This institute has a function of forming the coordination system between traditional authorities and planning institute according to the strategic plan. Ratio of vertical and horizontal coordination mechanisms is decisive component if to analyze the success of the reform process in the medium perspective [9]. Also the important functional responsibility is to provide the Head of State with recommendations regarding the gaps in the system of interdepartmental communication and improvement of coordination mechanisms for local authorities according to overall objectives without changing the fundamental subordination of executive authorities. The parallel coordination mechanism is the implementation of electronic reform status system. Based on the presence of a strategic plan, each potential investor that is interested to invest in priority clusters can check the percentage of the market where government support is possible and where the business is possible to do on general terms only. This tool reduces excessive competition in the priority areas without creating additional entry barriers for new participants, especially international.

Resource. The policy of catching up development in the moderate deposits of natural resources cannot rely on the public cluster only. The basis for a comprehensive transformation is precisely the private sector. However, the creation and operation of planning and coordination centers are fully covered by the state. In particular, the material and technical basis for planning institute might be found in the building of the Council of Ministers / Cabinet of Ministers. Coordination bodies should be placed in the central and local apparatus of central government through the optimization of most of the executive power. Traditional institutions already have the necessary amount of resources. The feedback institute must accommodate both the central and local apparatus of Statistics. Additional resources for the operation of the Ad hock branches should be allocated to the Council of Ministers / Cabinet of Ministers with the participation of Heads of State.

As of the process of new businesses creation, a key role is played by private investors and local public authorities. In case of an entity for the investor that is ready to develop the sector of activities according to the strategic plan, the task of local government is to provide land to all basic communication and technical regulations at no cost under long-term lease (49 years) with the right of priority renew the lease in case of the stable performance of all main points of the plan determined at the time of land transfer.

Moreover, policy of decision making by local governments on a regular basis, based on the national

plan, should support decentralized process, "holding back the process of collapse of local initiatives as a result of the cycle the action of a program" [10, P. 49].

Budgeting. Financing is made by providing state funding. As an exception, additional funds might be provided by international donors or international organizations. Financing of the new industries building in priority areas of consumption and export is covered by private investors.

Information security. He information provision is extremely important for the implementation of reforms. This tool is a link of communication between government agencies (initiators of reforms) and private investors (the main beneficiaries of the profits). Based on international experience, the most manageable model is asymmetric two-way communication [11, P.4]. The essence of the model is the formation of a positive image of the object making and creating a system of feedback. However, this system is not representative, so the PR campaigns correction of decision making are based on social surveys. The process of information provision should be based on two columns:

- The unified electronic resource of reforms. It reflects the real time information on integrated strategic plan for a defined period, priority investment areas, territorial distribution, the percentage of the program for each industry and company name / owner's name, the approximate percentage content areas of the economy after running businesses which have already received, authorization documents that need to have to be involved to the program, performance and business requirements, penalties for failure of conditions, contacts the electronic decision-making centers;

- PR campaign in media; additional information campaign in the media (primarily on state TV channels) to involve as many stakeholders as possible, as well as public involvement process control.

Control. Control of the plan as a whole is covered by the Head of the State. The intermediate stages of the program are monitored by heads of ministries and departments, based on the feedback institute reports. The reports are based on the analysis of data from the internal departments, State Statistics Service, the Public Council and foreign sources.

To tactical performance indicators in a specific areas include the percentage of the strategic plan implementation, its industrial retrospective, the number of successful projects to the number of failed, the dynamics of incomes growth. Regarding macroeconomic indicators, it is better to use generally accepted such as:

- Inflation in percentage terms;
- GDP growth;
- The level of employment;
- Current account balance;
- The discount rate and its dynamics;
- Exchange rate;
- Adjustment of public finance.

Also, it is useful to compare these figures with the index of the relative stability of the country to see a dynamic picture according to global trends [12, P.217].

Based on this system, there is extremely important to analyze the strategy of catching up development for the Ukraine. The primary goal is to develop the strategy for economic development of Ukraine for at least 10 years and action programs that allow implementing the harmonizing activities of authorities and private sector to overcome the crisis and lead to the economic development. This package of measures is based on an analysis of the problematic mechanisms of local budgeting in the conditions of essential decentralization [13], as well as financial and economic

regulation of Eastern Europe [14] and the BRICS countries [15] (the researches were published before). This pull of the countries is the closest to Ukraine in terms of key economic indicators and troubled sectors of the economy.

The next point is the revision of decision-making process by highest public authorities, especially the Cabinet of Ministers of Ukraine and the Council of the National Bank of Ukraine in order to exclude the possibility of blocking decisions through the process of delaying the appointment of hiring procedures.

The next step is to create a permanent commission for businesses and publicity to participate in decision-making process and public debate on the lobbying law, which suppose to create the real prerequisites for coordination between the government and private companies.

Next key component of real economy development is the mechanisms of implication of national companies to perform government contracts under the program of industrial establishments to meet the needs of domestic consumption. It is also extremely important to implement the procedure for reimbursement of the loans payment interest for those manufacturers who purchase domestic machine-building equipment.

The development of legislative initiatives in the context of the creation of production-territorial units that combine the capabilities of free customs zones of industrial type with opportunities of free economic zones in the conditions of implementation of specific investment projects. Also, there is necessary to grant the fiscal preferences to the businesses that are able to hold the contacted amount of positions.

In the area of tax policy the following reforms need to be done:

- The preservation of simplified tax system and increase of the amount of maximum income for single taxpayers (groups #1-3);

- Implementation of investment model of income tax of enterprises through the mechanism of distributed profits (tax on derived capital)

- Improving of the instrument control regarding transfer pricing with its orientation to the control of large taxpayers;

- The implementation and effective maintenance of the online services;

- Recovery exemption from VAT treatment of equipment import to Ukraine that has the purpose to become the contribution to the statutory funds of enterprises;

- Reducing the tax pressure to the payroll by the gradual reduction of rates of Single Contribution;

- Amendments to the Budget Code of Ukraine regarding the allocation of funds to subscriptions from corporate income tax and debts of VAT reimbursement.

In terms of monetary policy it is necessary to stabilize the economic system process by providing deposit insurance system entities. The most effective way is to adopt the law on deposits guarantees of legal entities. Also, the important regulation is to reduce the interest rate to the level of the inflation under targeted corridor for lending operations of NBU (inflation + 1.5%). It would help to reduce the cost Hryvna's loans for business and decrease the inflation and increase profits of private business. It is also possible the implementation of the Cabinet of Ministers of Ukraine decision on direct lending for banks with guarantees to invest money in production enterprises.

Saving the procedures of currency regulation by using the policy of 50% of foreign income to be exchanged immediately and by increasing up to 180 days the period of payments for export / import of goods transactions.

Legislative support of mechanisms for the transformation of international borrowing of Ukraine to the loans for small

and medium enterprises, with restrictions on the amount of lender margin, for the reduction of financing price.

In terms of foreign relations:

- Creation of the State Development Bank and National Export and Credit Agency. Determination of the mechanism to fill up the share capital. The most likely source of start income is privatization;

- The adoption of the Law of Ukraine to the proper use of the international financial support to ensure the adaptation of the Ukrainian economy to new technical standards, the European system of competition and trade marketing, information and legal support of entrepreneurs in the process of adaptation to the Free Trade Area between the Ukraine and the EU;

- Resumption of trade missions of Ukraine in the European Union, Africa and Asia.

The last important point is the development of public procurement system and electronic trading system based on an open auction. In this context, particular attention should be paid to the complex information security. This issue was the weak link during the implementation of electronic document systems in government agencies, because of the amount of confidential information. This is the reason that greatly hinders the process, because the cost reduction of e-document system does not cover the cost of security systems maintenance in general.

**Conclusions.** Thus, by checking the system measures considered to apply accelerated development of the economy, it is possible to conclude that the catching up development is based on the strategy of socio-economic development, the formation of stable domestic market and the development of deficit clusters of international economy. A fundamental element of this model is public consensus as the basis for further growth policy. The tools for the implementation of a strategic development plan are planning, organizing, staffing, leadership, coordination, resources, budgeting, information security and control. The key macroeconomic indicators are inflation in percentage terms, GDP growth, the level of employment, the current account, the discount rate and its dynamics, exchange rate and the adjustment of public finance. For the complete understanding of the process it is advisable to compare a pool of macroeconomic indicators with a coefficient of relative stability of the country to see the dynamic picture according to global trends. As for tactical tools, there are the following: the percentage of the strategic plan implementation, the number of successful projects to the number of failed one, the dynamics of incomes growth.

As for the anti-crisis strategy for Ukraine, it must be based on the strategy of economic development of Ukraine elaborate for at least 10 years ahead, creation of effective mechanism of NBU and the Cabinet of Ministers decision-making process, the introduction of mechanisms to support domestic manufacturers by reducing the tax pressure and decreasing the cost of credit resources, the implementation of the effective mechanisms of transfer pricing control, creation of the State Development Bank and National Export and Credit Agency, restoration of trade missions of Ukraine.

**Discussion.** The research allows summarizing the existing anticrisis measures for medium states and creates the fundament to formulate the immediate measures for catching up development for the economy of Ukraine. In further studies the extended impact analysis of administrative levers of regulation in order to optimize the mechanisms of government and formation of sustainable economic growth is planned.

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### МОДЕЛЬ СТІЙКОГО ЗРОСТАННЯ: ОСНОВНІ ПОКАЗНИКИ ТА ОСОБЛИВОСТІ РЕАЛІЗАЦІЇ В УКРАЇНІ

*В статті проаналізовано ключові компоненти системи державного управління заснованої на принципі формуванні стійкого зростання національної економіки. Виокремлено показники успішності впровадження даної моделі. Визначено ряд найбільш ефективних заходів щодо антикризового регулювання та створення підвалин до стійкого зростання економіки України.*

*Ключові слова: Світова фінансово-економічна криза, антикризове управління, модель стійкого зростання.*

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### МОДЕЛЬ УСТОЙЧИВОГО РОСТА: ОСНОВНЫЕ ПОКАЗАТЕЛИ И ОСОБЕННОСТИ РЕАЛИЗАЦИИ В УКРАИНЕ

*В статье проанализированы ключевые компоненты системы государственного управления основанной на принципе формирования устойчивого роста национальной экономики. Выделены показатели успешности внедрения данной модели. Определен ряд наиболее эффективных мер по антикризисному регулированию и созданию основ к устойчивому росту экономики Украины.*

*Ключевые слова: Мировой финансово-экономический кризис, антикризисное управление, модель устойчивого роста.*

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