
Summaries

L. Shynkaruk, Corresponding Member, National Academy of Science of Ukraine, Department Head
T. Tyshchuk, PhD (Economics), Senior Researcher, Institute for Economics and Forecasting

MODELING INVESTMENT FLOWS IN INPUT-OUTPUT MODELS

Input-output models are a powerful instrument of scenario based analysis of economic policy measures. However, in their classical structure, they do not allow to take into account the processes of the funding of such measures. Most of such measures in transition economies are related to the attraction of external financial resources, which is the reason why, in their planning, it is necessary to understand the dynamics of both the GDP components and the savings-investments balance. In order to expand analytical capacities, the classical input-output models should be enlarged by adding equations reflecting the flows of savings, investments and borrowings.

The proposed approach allows to construct an input-output model of the development of the domestic economy based on the well known system of the equations of input-output models to calculate the processes of the formation of national savings, attraction of external financial resources with their transformation into investments and the impact of those processes on the formation of domestic demand. Based on such a model, one can make a quantitative assessment of macroeconomic effects of the economic policy of encouraging the investment demand in a country, which is very urgent under the modern conditions of the search for ways of the expansion of the domestic market in Ukraine. Thanks to the reconciliation of the indicators of saving-investment balance with the relationships of the classical input-output model, they may be built in into the existing input-output models in order to expand their analytical possibilities.

The developed model is based on the main relationships of the national accounts and the structure of investment flows systemized in the form of a matrix. The matrix of investment flows is built based on the indicators of capital accounts and statistics of capital investments. All input data for the model are available in the official statistics of Ukraine and OECD countries, which makes it possible to compare the structures of different economies in order to analyze the practice of use and efficiency of certain economic policy measures.

The developed methodology has been tested for the task of analysis of the efficiency of use of the instruments encouraging business activities in the economy through increasing capital investments of the public sector. Calculations have been made for most European countries, which makes it possible to compare the structural peculiarities of different economies shaping the processes of the multiplication investment funds. Based on the obtained results, it is established that the state expenditures in Ukraine allow to encourage economic activities; however, the obtained GDP increase is lower than the volumes of invested funds. And the results of the use of such instruments have a postponed effect, although, as compared with other countries, that effect is quite powerful due to the well established intersectoral ties.

Key words: *input-output model, inter-industry balance, matrix of investment flows, investment-savings balance, economic policy analysis.*

I. Kryuchkova, Doctor of Economics,
Principal Researcher, Institute for Economics and Forecasting

ELIMINATION OF DISTORTIONS IN THE INSTITUTIONAL STRUCTURE OF UKRAINE'S GDI

The author proves, that in Ukraine, in recent years, due to the violation of macro-proportions in the sectoral structure of gross disposable income (GDI), a disinvestment model of economic development has emerged and consolidated, which lowered the competitiveness of the domestic producers leading to increased loss of their presence both on the foreign and on the domestic markets. Further retaining of the low level of GDI in the sector of non-financial corporations leads to the underfunding of the renewal of the fixed assets and threatens with this country's economic decay even in case of a revival of the international trade. At the same time, the article shows that the considerable decline of the GDI level in the sector of general state management is taking place due to the accumulation of the excesses in the rates of cumulative dynamics of the legally established social standards meant to match the increases in consumer prices, which expands the gap between the volumes of social contributions and social transfers with a corresponding impact on the increase in the sector's deficit.

Key words: *distortions in the structure of gross disposable income, institutional sectors of the economy, incomes from property, social transfers, capital transfers, subsistence level, social standards.*

S. Brus PhD (Economics),
Y. Bublyk PhD (Economics),

K. Rozhkova,

N. Sheludko, Doctor of Economics,
Institute for Economics and Forecasting, Ukrainian NAS

TRANSFORMATIONS OF UKRAINE'S BANKING SECTOR UNDER THE ECONOMIC DEPRESSION: FACTORS, EFFECTS, PROSPECTS

The article deals with the main preconditions and tendencies of the transformation processes characteristic for the modern stage of the development of Ukraine's banking sector (exit of the European banks and their replacement with Ukrainian and Russian ones, consolidation of the banking capital, re-orientation to domestic resources, and credit stagnation). The authors emphasize the key structural and functional changes, which will define (restrict) the development of Ukraine's banking sector in 2014. The article focuses on the importance of ensuring a stimulating influence of Ukraine's banking sector on this country's economic development in conditions of a conflict between the vectors of economic integration.

Key words: *banks, risks, recession, stagnation of the credit market.*

A. Shkliar, PhD (Economics)

Institute for Economics and Forecasting, Ukrainian NAS

**THE ROLE OF THE CENTRAL BANK IN ENSURING FINANCIAL STABILITY:
LESSONS FROM FOREIGN EXPERIENCE FOR UKRAINE**

The author reveals the need for the central banks (CB) to provide financial stability. The basic functions of an operationally independent central bank are studied as well as the concept of financial stability and the compatibility between such CB's targets as price stability and financial stability. The article considers the dilemma of "lean vs clean" related to the speculative growth of assets prices and systematizes the theoretical foundations and practical evidences of each approach. The author analyzes the existing CB's instruments of ensuring financial stability as well as the existing shortcomings in the approaches to regulation and supervision in the banking sphere. The use of last resort lender instruments by the CB is examined, and the criteria and risks associated with their wide use are outlined. The world experience of the CB's responsibility for financial stability is systematized with an emphasis on the strong need to develop and implement macroprudential monitoring and regulation to ensure financial stability as one of the key targets of the Central Bank of Ukraine.

Keywords: *financial stability, central bank, price stability, dilemma "lean vs clean", lender of last resort, macroprudential policy.*

O. Nykyforuk, PhD Economics, Senior Researcher,

Institute for Economics and Forecasting, Ukrainian NAS

**URGENT PROBLEMS IN THE POLICY OF MODERNIZATION
OF THE TRANSPORT INFRASTRUCTURE IN UKRAINE**

Policy of modernization is conducted based on high level documents (state strategic programs, plans and public messages). And, in the course of transport modernization, preference is given to the development of comprehensive long term transport strategies. The experience of foreign countries shows that such documents have a strict hierarchy of objectives, priorities, tasks, indicators and measures with a clear system for monitoring and corresponding institutions responsible for their fulfilment. The article provides an analysis of Ukraine's Transport Strategy and various medium-term documents on whose basis the modernization of transport in Ukraine is taking place, as well as a monitoring of the completion of the main medium-term tasks as to the transport modernization for 2010–2014, among which are: approval of the infrastructural projects of national scale, ensuring their funding from the government, as well as the World Bank, EBRD, and other donors and private investors; raising the budget funding for modernization programs and the development of the facilities of the transport infrastructure by 10% annually; and expanding the funding sources of the Road Fund. The result is the author's proposals concerning the revision of Ukraine's Transport Strategy until 2020 with its prolongation until 2030 (as regards the formulation of the transport's missions, long- and medium-term objectives, priorities, tasks, indicators and measures of national transport policy, its adjustment and reconciliation with other sectoral strategies and documents of national level. Also necessary is the transition from the financing model with prevailing foreign crediting to one with mixed crediting of the transport and its infrastructure (relying on domestic crediting), for which purpose it is necessary to diversify the sources of investment resources. It is necessary to carry out the declared policy of import substitution in order to change the rolling stock of foreign make for domestically produced items meeting the international technological and economic requirements. Due to the restricted funding of the national road facilities, it is necessary to revive the activities of the state-owned Road Fund with a clear definition of its sources and optimized expenditures.

Key words: *modernization, transportation, infrastructure, public policy, urgent problems.*

O. Diachuk, PhD (Engineering),

Senior Research Officer, Institute for Economics and Forecasting Ukrainian NAS

**ANALYSIS OF THE CURRENT STATUS AND PERSPECTIVE OF IMPLEMENTATION
OF UKRAINE INTERNATIONAL CLIMATE CHANGE COMMITMENTS:
KYOTO PROTOCOL**

It was found that the participation of Ukraine during the first period action of the Kyoto Protocol (KP) was ineffective as a result of the non-use of significant opportunities of the flexible KP mechanisms and attraction of investments to reduce the carbon intensity of the economy. The second period action of the KP no longer provides Ukraine with such extremely attractive conditions as the first period. The article presents calculations of the expected volumes of greenhouse gases (GHG) emissions in Ukraine until 2020, which show that our state won't be able to meet the international commitments for the second period of the KP in case it ratifies the Doha amendment (in its present form). Moreover, Ukraine may turn from seller, as was the case in the first period of the KP, to buyer of carbon emissions quotas, if it will not implement a well-reasoned and efficient low-carbon policies based on energy conservation, energy efficiency, energy substitution carbon intensity to renewable energy and introduction of innovative technologies. Non-ratification by Ukraine of the Doha amendment (raising ambitions about not exceeding, in 2020, the 42% of the 1990 GHG emissions level) would actually deprive Ukraine of its opportunity to be a Party in the second period of action of the KP, which contradicts the draft EU-Ukraine Association Agreement. In the article, it is offered to the Government of Ukraine to consider a question of the conclusion of bilateral agreements with EU for receiving the help in implementation of the obligations for the reduction of GHG emissions. Such assistance could be provided, for example, in the form of technology transfer in order to provide short-term measures to modernize and increase the energy efficiency of the domestic households.

Key words: *Climate change, Kyoto Protocol, greenhouse gas emissions, modeling, forecasting, TIMES-Ukraine model.*

*A.Boiko, PhD (Economics),
Institute for Economics and Forecasting Ukrainian NAS*

THE FOREIGN EXPERIENCE OF ESTABLISHMENT AND DEVELOPMENT OF NATIONAL INNOVATION SYSTEMS AND ITS USE IN UKRAINE

The foreign experience of establishment and development of national innovation systems in retrospect was investigated and the key elements of their performance were defined. The weaknesses in the Ukrainian NIS were determined based on a comparative analysis of foreign experience. The author provides various guidelines to update the existing Ukrainian NIS. They include improvement of the existing organizational structure of the management of scientific, technological and innovational activities from the central to local levels, as well as the development of the interaction between producers, customers and go-betweens in this field.

Key words: *national innovation system, innovation policy, foreign experience, Ukraine.*

G.Minassian, Doctor of Economic Sciences, Professor Bulgarian Academy of Sciences, Bulgaria

BULGARIAN BANKING: LOOKING FOR SUSTAINABILITY

In this work, we trace and analyze the emergence of the crisis in the Bulgarian banking system as well as the behavior of the central bank and other macroeconomic institutions. The average annual rate of growth in the net profits of the commercial banks for the period 2002-2008 amounted to 31.6%, which encouraged and accounted for the increase in credits. After 2008, the pendulum began to swing back as the difficulties in collecting loan repayments increased, the strain in financial balances tightened and assistance and support from the regulators were requested. The level of the financial and operating income was maintained primarily because of the high interest rates on the loans, but the structure of their distribution shifted substantially. Administrative costs and depreciation were nearly frozen up, and impairment and provisions grew at the expense of profit. This work shows that macroeconomic policies allowed the expansion of the lending boom and encouraged its irrational development. Poor operation and poor quality of the institutions not only allowed but also enabled direction of investments to financing of inefficient production structures. Underestimating the negative consequences shoring up a dysfunctional institutional environment is deemed a form of irrationality; however, not one of the immediate economic players acted to override the economic and political environment. The financial and economic crisis currently affecting the country has its roots in the deficiencies of the domestic macroeconomic policies, and therefore, the efforts toward overcoming these failures should be directed at improved domestic macroeconomic management.

Key words: *commercial banking; central banking; financial crisis.*

*M.Piekut, PhD (Engineering), Assistant Professor
Warsaw University of Technology, College of Economics and Social Sciences*

INTERSTATE COMPARISONS OF THE HOUSEHOLDS' CONSUMPTION IN THE BEGINNING OF XXI CENTURY

The aim of the paper was to analyze the level and structure of household consumption as well as the consumer durables in European households. The data came from statistical offices in Ukraine, Poland and Eurostat, between 2001 and 2011. The paper is organized as follows. After the introduction, it was presented aim and research methodology. Following section brings empirical results obtained by panel data analysis approach. It was focused the analysis of the level and structure of consumption expenditure of households and global trends in household consumption. The article ends with a recapitulation and major conclusions.

In the households located in Western and Northern Europe higher consumption expenditure with its more beneficial structure is observed, as compared to the households from Central and Eastern Europe. Households with the most favorable situation are in the United Kingdom and Austria. The most unfavorable situation is in households of Ukraine, Estonia, Latvia, Poland. The number of households with access to Internet has increased, in spite of the crisis.

It is necessary to continue to monitor the level and structure of expenditure in households. The consumption is a growth accelerator. Higher consumer spending means a faster development of the country. In particular, the idea is to increase in consumer spending in households of Central and Eastern Europe, in order to accelerate the development of these countries.

Households analysis makes it possible to prepare for future demands, changes. Households with countries with lower levels of consumption will seek to achieve the level of countries with higher level. These analysis are also of interest to the private sector, since households are the basic consumer unit.

Key words: *consumer expenditure, household, durable goods, the European Union, Ukraine, cluster analysis.*