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# Peculiarities of Implementation of Environmental Investments in Ukraine

**ABSTRACT**

The aim of the research is to identify the problems and peculiarities of implementation of environmental investment in Ukraine. The determinants of modern social development are presented in the article, the principles of modern strategies of social and economic development of the country are formed, the trends, which are reflected in modern structural macroeconomic dynamics and which have a significant influence on the development of investment processes are identified. It is also determined that the current state of environmental investments in Ukraine can be assessed as unsatisfactory. After a noticeable increase of environmental investments in the 80's, it was a dramatic decline in the 90-ies of the XX century and this trend stayed in the new millennium. The part of environmental investments in the total structure of investments doesn't exceed 1 %. The principles that reflect the system of values of the civilization of the XXI century, including environmental progress are disclosed, it is proved that the ecologization of the investment process is a complex task of the entire system of economic management, the principles of the state policy in the field of environmental investments are formed.

**Key words:** *environmental investments, ecologization of the investment, economic.*

**Introduction.** The development of society in the early XXI century indicates the presence of contradictions and deepening of crisis of industrialism. High level of consumption in industrialized countries can be achieved by unfair price in relation to the future and the world. If the entire population of the planet had the same level of consumption, and had at their disposal the same industrial technology, then maybe it would have led to an environmental disaster. Besides, the social problems has exacerbated: war and peace; poverty and unavailability of an adequate level of education, health, and, as a consequence, the decline of culture and moral values. Poverty is mostly prevalent among the elderly and children. The part of children living in poverty, is higher than the adults' one. This is due to the fact that families who still have young disabled children is much more difficult to exist. The high level of poverty among families that have more than one child is the problem of the future social and economic potential of the society. No one should care about those who have lost the ability to earn for a living through their work, i.e. who have reached the end of their workforce, which is also a problem of the future of cultural heritage and morality.

Modern social development is characterized by a number of negative factors:

- 1) the imbalance of the research and innovation progress, environmental, social, economic processes, including investment processes;
- 2) reduction in the capacity of existing infrastructures and structures of economic management;
- 3) reducing incentives to quality education, labor, and savings;
- 4) the growing inequality of different population groups within individual countries and at the international level;
- 5) the demoralization of interstate political and economic relations.

The high level of cooperation, division of labor, integration of the whole complex of the national economy put the challenge of moving to new paths to the management, which would be safe for life technology, based on information social services, the necessity of improvement the proportional development of cross-sectoral processes with rational territorial allocation of factors of production appears.

All this determines the necessity of an integrated approach to the management of the economics, taking into account all factors of the development of different areas and population groups of the country, taking into account the combination of sectoral development of the national economy with regional forms of governance. Accordingly, the main goal of management of investment processes in the economics at present is the creation of optimal conditions for increasing the efficiency of the impact on the managed system and improving the quality of its work.

All of the above negative effects have an influence on various spheres of human activity that leads to the global crisis of a global scale. The public relations are actually transformed the means to the goal: "... the level of consumption on an industrial scale is achieved by prohibitively expensive price: the unreasonable use of the land resource; inefficient use of human potential; the imbalance between human activities and the environment" (Quanjun, 2014).

**Material and Methods.** Theoretical and methodological basis of the thesis are the fundamental points of modern economic theory, the works of leading domestic and foreign scientists on the problems of investment in the environmental sphere.

In the course of the research the dialectical method of scientific knowledge and the general scientific and special methods of research are used: analysis and synthesis, induction and deduction, the method of the unity of historical and logical; structural and functional method; comparative approach, statistical, comparative analysis.

**Research Results and Discussion.** Economic growth is an instrument, but not an end in itself. Social and environmental values should be mandatory, and should direct the functioning and development of society on the way of the progress of civilization.

Scientific and technical progress, of course, remains the leading factor of economic growth. For example, it is impossible to overestimate the historical role of inventions related to the use of solid fuel as an energy source. Economic growth is impossible without technical progress in agriculture, which has increased its productivity. The latest scientific achievements in the field of information technologies and communications has accelerated the process of obtaining information in thousands of times, making information more accessible to users. All these and many other achievements of scientific and technical progress have been made to reduce the complexity of the production. At the

same time, a new concept of human development is not limited to purely economic achievements. Economic growth should contribute to environmental and social progress of society.

According to economic theory, the main problem faced by any society is the conflict between unlimited human needs and limited resources that can be used to meet these needs (Chukhno, 2010). So, entering a new millennium, human civilization must not simply solve the questions of what, how and for whom to produce, but also to orient the social development to improve quality of life. Here we must remember one of the theses of the United Nations Development Program: “The aim of development of the society is to create favorable conditions for human life in order the human’s life was long, healthy and full of creativity” (The United Nations development program).

Accordingly, the forming of a modern strategy of social and economic development should be based on four principles:

- 1) performance — everyone should fully participate in the process of income generation;
- 2) equality — people should have equal opportunities in social and economic life;
- 3) stability — access to opportunities must be provided for future generations;
- 4) empowerment — everyone should actively participate in the decision-making processes that determine the development of society.

The leading role in solving these problems, of course, belongs to the investment, because the investment process is the basis of extended reproduction on a new scientific innovation base that promotes social and economic development of society and the creation of favorable environmental conditions. The management of the investment process should be considered as a systematic rationalization for investment purposes and creation of economic mechanisms for their effective implementation. These purposes should be meant as the explanation of optimal amounts and proportions of investment in industries and sectors of the economics. Economic mechanisms are the means to achieve their goals and represent the investment of the institute of formation of optimal proportions of social development.

Describing the social and economic development of Ukraine in comparison with other CIS countries, we should mark that the growth rates of most of the indicators correspond to average values (table 1) (The state statistics service of Ukraine).

**Table 1**  
**Main Social and Economic Indicators of CIS Countries in January-December 2013**  
**(According to Publications of the CIS Statistical Committee “Social and Economic Situation of the CIS Countries in January-December 2013) (Percents to January-December 2012)**

|                     | Gross domestic product (in constant prices) | Industrial production (at constant prices) | Indexes of prices of producers of industrial production | Consumer price index | Turnover of retail trade (in constant prices; by all the ways of realization) | Transportation by transport enterprises (without piping) |
|---------------------|---|--|---|----------------------|---|--|
| <b>Azerbaijan</b>   | 105,8                                       | 101,8                                      | 102,6   | 103,5                | 109,9   | 104,2  |
| <b>Belarus</b>      | 100,9                                       | 95,2                                       | 110,7   | 116,5                | 118,2   | 94,2   |
| <b>Armenia</b>      | 102,62                                      | 106,8                                      | 105,1   | 105,6                | 100,1   | 102,8  |
| <b>Kazakhstan</b>   | 105,72                                      | 102,3                                      | 99,5  | 104,8                | 112,8   | 108,7  |
| <b>Kyrgyzstan</b>   | 110,5                                       | 134,3                                      | 89,2  | 104                  | 107   | 104,2  |
| <b>Moldova</b>      | 108,02                                      | 106,63                                     | 104   | 105,2                | 102,3 <sup>3,4</sup>  | 126,2  |
| <b>Russia</b>       | 101,3                                       | 100,3                                      | 103,7   | 106,5                | 103,9   | 98,2   |
| <b>Tajikistan</b>   | 107,4                                       | 103,9                                      | 102,1   | 103,7                | 118,8   | 100,9  |
| <b>Turkmenistan</b> | 110,02                                      | ...  | ...   | 99,55                | 119,9 <sup>2,6,7</sup>  | 107,3 <sup>2,8</sup>                                     |
| <b>Uzbekistan</b>   | 108   | 108,8                                      | ...   | 103,59               | 114,86  | 104,48   |
| <b>Ukraine</b>      | 100   | 95,7                                       | 101,7   | 100,5                | 109,5   | 98,4   |
| <b>CIS</b>          | 102   | 100,3                                      | 103,5   | 105,3                | 105,6   | 102,5  |

<sup>1</sup> December 2013 — December 2012.

<sup>2</sup> January — September 2013 — January — September 2012.

<sup>3</sup> January — November 2013 — January — November 2012.

<sup>4</sup> Income of trading companies from the sale of goods..

<sup>5</sup> September 2013 — December 2012.

<sup>6</sup> Including the turnover of catering enterprises.

<sup>7</sup> In current prices.

<sup>8</sup> Including transportation of goods through pipelines.

<sup>9</sup> June 2013 — December 2012.

In the world economy and in particular in Ukraine’s economics we can identify the following trends, which are reflected in modern structural macroeconomic dynamics, which have a significant impact on the development of investment processes.

1. Strengthening of the social orientation of economic dynamics and priority update of social sphere. This also corresponds to the orientation of the structural transformation of the economy for social and economic sustainability and security of economic activity.
2. Increase of relative weight and significance of knowledge-intensive industries, the phased transition to the innovative type of development. Therefore, the importance of the pre-production stage of social reproduction and, accordingly, intellectual, engineering, investment, structural, entrepreneurial training production increases.
3. Rapid growth of production and consumption in large-scale technological renewal of production machinery.
4. Growing of corporatization of the economics as the main directions of formation of its sustainable organizational and functional framework based on self-organization of money, integration of industrial, financial, trade organizations, and merger.
5. Growing needs in the structural adjustment of the national economics to international division of labor in terms of growth, integrity of the world economics.

6. Growing of interest in environmentally friendly technologies that can meet market demand and ensure a high quality of life for the entire population.

7. Clear need for strengthening of state regulation of the structural transformation of the national economy. It is necessary to search for a worthy place in the global economy, and from the point of view of the internal problems of economic and social progress.

All these trends point to the need to develop effective strategies for structural transformation of the economics of Ukraine, focused on the priority development of high-tech and infrastructure sectors, which will contribute to the reduction of the macroeconomic indicators and improve the quality of economic growth.

The established in Ukraine's economics sectoral proportion of investment in fixed capital is a legacy of the Soviet period, when most of the resources were directed to the sectors producing goods needed to sustain heavy industry (machinery, equipment, vehicles, measuring devices, etc.). In the last decade there have been some positive changes in the structure of the distribution of investments in Ukraine. The state statistics service informs about the increase in the share of investment in the industry, providing market and non-market services. In 2013, in the structure of capital investments, the industry had a share of 26 %, of which — processing industry 16 %, mining — 8 % (for comparison: in 2003, the share of industry was 38.7 %, of which in mining accounted for 8.9 %, processing — 22.9 %). Significantly increased the share of investments in the construction sector (from 4.9 % to 16 % over the period 2003 to 2013), the share of trade increased from 6.8 % in 2003 to 8 % in 2013.

Transformation of investment preferences reflects the structural changes in the economics caused by the transition to the market economy. The currently formed structure of investment proportions is not optimal and satisfactory, as it has no scientifically grounded system basis of the balanced development of society and economics. Solving this problem will let us to create an effective mechanism for managing the entire investment process of national economy complex of Ukraine. It is necessary to justify the normative structural proportions of capital investment by areas and types of economic activity in order to achieve economic stability, social balance and environmental sustainability in the whole country, and in different regions of Ukraine.

Natural exchanging processes between society and nature in the period of industrialization have been violated. Karl Marks wrote that the associated producers rationally regulate their interchange with nature, put it under their total control; improve it with the least effort and in the most worthy conditions of their human nature adequate to it (Marx, 1844). Exploitation of natural resources till the beginning of the XXI century has created a critical need to solving the problems associated with environmental protection and rehabilitation. In this regard, it is not right to consider the investment not only as costs directed to reproduction of human capital because they help the environmental reproduction.

Environmental investments (investments in natural capital) are investments in the environment in order to obtain additional natural resources and environmental conservation. Natural capital — is the part of the national wealth in the form of the land and its mineral resources, climate, water and airspace, as well as the flora and fauna. (Stelmashchuk, 2012) Any economic activity is in some way affected and also depends on the environment. Showing such cooperation can take different forms, due to the type of economic activity (technology, enterprise, industry, population, economy as a whole) and the environment (local and global, static or dynamic, market or non-market, natural or artificial).

At the beginning of XX century French scientists P. Teiar de Sharden and E. Lerua introduced the concept of the noosphere, the scope of interaction between nature and society, where intelligent human activity is a major determinant of evolution (Gutner, 2010). By definition of V.I. Vernadskiy, the noosphere is a new, higher stage of the biosphere associated with the emergence and development in its humanity, which by studying the laws of nature and improving technique, becomes the greatest force, on the scale of geological forces, and begins to make a decisive impact on the processes in the Earth, deeply changing it with their work (Vernadskiy, 2013).

There appeared a serious concern of the world community because of the state of environment and future development of civilization, as huge vital area became contaminated, in the last decade of the XX century. Most environmental problems today have global, planetary character — a radioactive contamination of the atmosphere and oceans; ozone depletion; pollution of the seas, rivers, oil and other discharges; transcontinental transfer of harmful ingredients in the atmosphere; destruction of populations of rare animals and plants. Therefore, the value system of the XXI century civilization has an impact of many factors, including environmental progress:

- The priority of environmental categorical values over industrial and economic interests;
- Categorical ensuring of the harmonious development of stable equilibrium anthropogenic and environmental systems;
- Categorical providing prevention and environmental pollution and violations of standards of nature reduction;
- Categorical ensuring of expanded reproduction of renewable natural resources.

Thus, the ecologization of the investment process is a complex problem of the entire system of economic management.

Environmental investments include investments of real, human and financial resources in the process of strict and consistent implementation of technological, administrative and other decisions that allow increasing the efficient use of natural capital and conditions with improving or at least maintaining the quality of the natural environment at local and global levels.

Nature conservation and environmental improvement are priorities of the Ukrainian state and society. It plays the main role in maintaining the global functions of the biosphere, as well as its vast territories, occupied by different natural ecosystems; present a significant part of the biodiversity. The scale of natural resource, intellectual and economic potential of Ukraine is predetermined by its important role in solving global and regional environmental problems.

The environmental situation and the state of modern economic regions of Ukraine needs a comprehensive review of the economic problems from the standpoint of the requirements of environmental protection and economic development (Chirkov, 2012).

Most environmental problems are directly related to investment and, accordingly, to optimization of investment processes in Ukraine. In our opinion, the state policy in the field of environmental investments should be based on the following principles:

- equitable distribution of investment income from the use of natural resources;
- prevention of negative environmental impacts as a result of implementation of investment projects (programs, activities), the environmental effects;
- refusal of investment projects (programs, activities) related to the impact on natural systems, if their unpredictable consequences for the environment;
- use of nature, and reimbursement to the population and environment of damages caused by violation of legislation on environmental protection;
- transparency of environmental information during the development and implementation of investment projects (programs, events);

- the participation of civil society, governments and the business community in the preparation, review, approval and implementation of investment decisions in the field of environmental protection and rational nature management.

Current state in the field of environmental investments in Ukraine can be assessed as unsatisfactory. After a noticeable increase in environmental investments in the 80's, it was a dramatic decline in the 90-ies of the XX century and this trend continued in the new millennium. The share of environmental investments in the total investments doesn't exceed 1 % (Chaplygin, 2012).

Besides, today the main investors in the environmental field are the companies that use nature resources (they accounted for 60% of environmental investments). The main source of cover relevant expenses is profit businesses, and other financial sources.

**Conclusions.** Considering the problem of environmental investments, it should be noted that they will somehow increase regardless of prevailing economic conditions and tactics of development. The country caused a lot of nature 's losses, which should not be accumulated and redeemed.

Thus, the main task in the field of ecologization of investment processes in Ukraine is the economic regulation of market relations in the direction of environmental management, also to reduce the load on the natural environment, attraction of budgetary and extra-budgetary funds for environmental activities. We can say that today it is necessary to develop targeted programs for all vertical control of the investment process in the field of environmental protection, where the primary objects of investment, sources of funding, expected effects and results, as well as measures to monitor their implementation would be clearly defined. The emphasis should be placed on the regional level of government, because it is possible to classify the issues about nature provisions of territory, natural resources, and level of urbanization, environmental conditions, and system of payments for use of natural resources, social and economic policy, and the availability of environmental legislation.

According to the results of the analysis of the problems of management of investment processes it is established that they are primarily associated with the need for modernization of production, disturbance of ecological balance, insufficient investment in innovation, low level of industrial growth and the lack of social stability. This allows making conclusions that their removal is necessary for effective investment, reasonable proportional distribution of the gross domestic product between consumption, accumulation and its use.

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