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EXPERIENCE OF ECONOMIC REFORMS' IMPLEMENTATION IN POLAND AND UKRAINE

DOŚWIADCZENIE REALIZACJI REFORM GOSPODARCZYCH W POLSCE I UKRAINIE

ОПЫТ РЕАЛИЗАЦИИ ЭКОНОМИЧЕСКИХ РЕФОРМ В ПОЛЬШЕ И УКРАИНЕ

Abstract

The article combines the research of a system of indicators and own thoughts of authors elaborated on the basis of material. The authors suggest that study of Poland's economic reforms will give the opportunity to adopt a positive experience for further development of Ukraine's economy. By using different approaches to governance, two countries could achieve different results. Today, the gap in the rates of economic development of Ukraine and Poland is increasing. The acceleration of the economic growth of Poland was facilitated by its accession to the EU and the systemic structural reforms in the country until 2004. Ukraine for a long time failed to implement effective reforms, which led to the backlog of the national economy from the economies of neighboring countries.

Keywords: reforms, economy, crisis, GDP, subsidies, investments

Streszczenie

Artykuł łączy w sobie badania systemu wskaźników i własnych opinii autorów opracowanych na podstawie materiału. Autorzy uważają, że badanie polskich reform gospodarczych umożliwi akceptację pozytywnego doświadczenia w celu ciągłego rozwoju ukraińskiej gospodarki. Wykorzystując różne podejścia do zarządzania, dwa państwa mogą osiągnąć różnych wyników. Obecnie zwiększa się luka w poziomie rozwoju gospodarczego Ukrainy i Polski. Przyspieszenie wzrostu gospodarczego Polski wspierało jej przystąpienie do UE i systemowe reformy strukturalne w kraju przed rokiem 2004. Ukraina przez długi czas nie realizowała skutecznych reform, co spowodowało niedorozwój gospodarki narodowej w porównaniu z gospodarkami sąsiednich państw.

Słowa kluczowe: reformy, gospodarka, kryzys, PKB, dotacje, inwestycje

Аннотация

Статья сочетает в себе исследование системы показателей и собственных размышлений авторов, разработанных на основе материала. Авторы полагают, что исследование экономических реформ в Польше даст возможность применить положительный опыт для дальнейшего развития экономики Украины. Используя разные подходы к управлению, две страны достигли разных результатов. Ускорению экономического роста Польши способствовало ее присоединение к ЕС и системные структурные реформы в стране до 2004 года. Сегодня разрыв в темпах экономического развития Украины и Польши растет. Украина долгое время не осуществляла эффективных реформ, что спровоцировало отставание национальной экономики от экономик соседних стран.

Ключевые слова: реформы, экономика, кризис, ВВП, субсидии, инвестиции

1. Introduce

The Polish reforms experience is indicative for Ukraine. Poland is a successful example of adapting the post-socialist economy to the EU requirements. Poland managed to implement systemic market reforms by the time of accession to the European Community (2004). The state's integration into the EU is correlated with a significant improvement of the indicators absolute majority of its socio-economic development.

Since the beginning of the 1990's, after the Soviet system's decay, independent Poland and Ukraine started the economy formation on a market basis. At the same time, Poland clearly adhered to the course on European integration, while Ukraine declared multidirectional and desire for integration simultaneously in the eastern and western directions. Accordingly, the two countries have reached different economic results.

From this point of view, the scientific interest is the experience and transformational conversions of the Poland's Republic, which, like Ukraine, in the early 90's began to rebuild its statehood and social-economic system on a market basis, but was able to mobilize the population, survived through the difficult years of liberal reforms and over the 13 years of EU membership, which has shown sustained economic growth and its GDP exceeds the average European level. It should be noted that with similar starting positions, today the gap in the development of Ukraine and Poland, unfortunately, is increasing. Growth stability is the main difference between the Polish and Ukrainian economy.

2. Research results

At the time of gaining independence in 1991, Ukraine possessed a numerical human potential (52 million people), more than 60% of which had full secondary or secondary special education (primary higher education), about 20% higher education (full, basic or incomplete). The state had significant scientists achievements in the field of exact sciences; the largest chernozem agricultural land and reserves of titanium, uranium, manganese, mercury and other ores, shale gas and coal in Europe; profitable geographic and transit position. Ukraine took the second place in Europe for the power of the gas transmission system and nuclear power plants and ranked third place in the world for nuclear power, unique aerospace and other industrial technologies.

At the same time, Ukraine inherited a considerable military-industrial complex, which needed restructuring. The industry was tightly linked to supply-distribution networks with other countries companies of the former Soviet Union. Ukraine did not have its own currency, banking system, skilled managerial staff etc. Private property was also practically absent. The country was slowly entering into the first economic crisis: the inflation level was 390% per annum in 1991. In 1992, inflation was already 2100% per annum.

At the same time, Poland has already got on the way of an exit from the economic crisis, in which the state was in 1989. Exactly in 1989 was adopted the Baltserovich Plan, which provided for the implementation of effective system (albeit unpopular among the population) reforms for the Poland transition from an economy, based on state ownership and centralized planning, to a market economy type.

The main radical steps of the Baltserovich-Mazowiecki government were:

- didn't prevent the bankruptcy of non-profit state-owned companies;
- liquidation of the state banking system;
- don't release the exchange rate of the national currency, despite of the galloping inflation and to introduce a fixed rate of zloty to the dollar;
- the implementation of a decentralization reform based on the subsidiarity principle;
- policy transfer of the state communal sphere into the homeowners administration.

As a result of reforms, in 1992 in Poland growth of GDP was 2.6%, and in 1995 - 7%. Annual inflation didn't exceed 3% against 639.6% in 1989.

According to the World Bank, in the early 1990s in Ukraine and Poland standard of living was approximately the same. In 1991 Ukraine's GDP amounted to 77.46 billion dollars, and in Poland - 83.86 billion dollars. At the same time, GDP per capita was USD 1,570 in Ukraine, while in Poland - USD 1,700. That is, Poland and Ukraine had similar starting conditions: almost the same GDP per capita and country amounts, as well as the share of the agricultural sector, industry and services in GDP (Table 1).

Table 1. The major macroeconomic indicators of Ukraine and Poland in 1991-2016

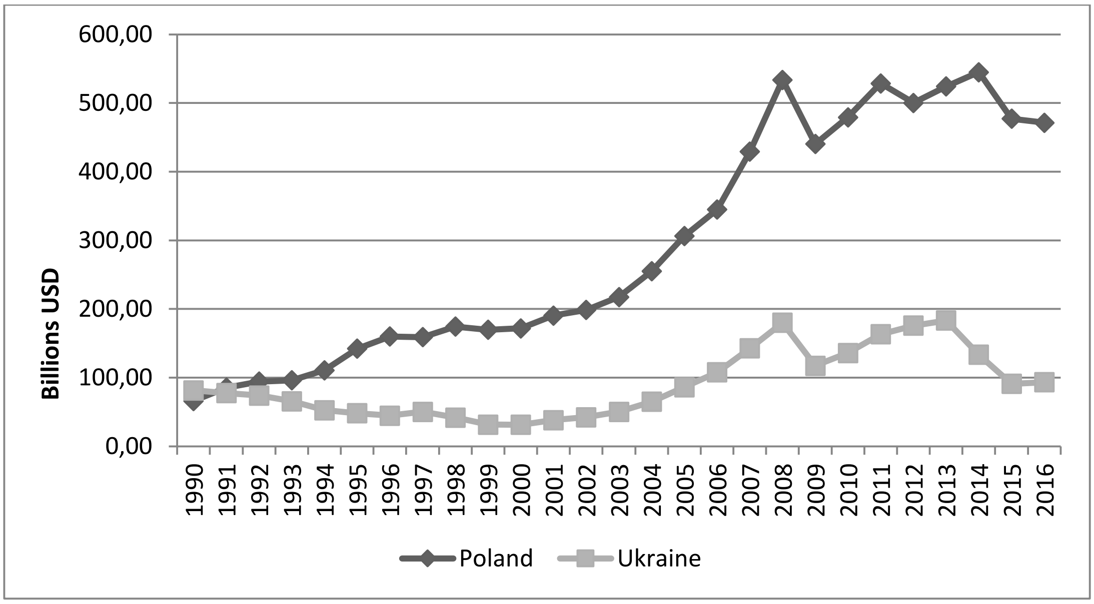
Indexes	1991		1995		2005		2015		2016	
	Ukraine	Poland	Ukraine	Poland	Ukraine	Poland	Ukraine	Poland	Ukraine	Poland
GDP (USD billion)	77,46	83,86	48,21	139,41	86,1	306,1	90,61	456,8	93,3	469,5
GDP per capita (USD thousand)	1,57	1,7	0,94	3,61	1,37	12,5	2,12	12,5	2,1	12,5
Agrarian production share in GDP (%)	22,8	X	15,4	5,29	10,9	3,0	14,0	2,78	14,0	2,5
Industry share in GDP (%)	50,5	X	47,5	37,4	32,9	32,4	25,9	33,5	27,0	33,5
Services share in GDP (%)	26,7	X	41,9	57,3	57,2	63,9	58,7	63,7	59,5	64,0

Source: *World Bank http://wdi.worldbank.org/table/4.2*

After the rebirth of independence and accession to the EU in 2004 Poland carried out progressive structural reforms, which allowed it to reduce the agricultural production share, industry and service sector in GDP to the indicators of the developed Europe industrialized countries.

Since the Poland accession to the European community, the country's economic growth has accelerated significantly, and the GDP growth rate has exceeded the average European indicator, which has made it possible to reduce the economic development gap level between of Poland and the EU. The gap in the GDP volume of Ukraine and Poland increased steadily from year to year (Fig. 1).

Figure1. GDP dynamics of Poland and Ukraine in 1990-2016, *USD billions*



Source: *Elaborated by the authors on the basis of World Bank* https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=DE–UA–PL–EU&start=1989&end=2015

At the time of accession to the EU in 2004, Poland's GDP was 4 times larger in comparison with Ukraine's GDP - 253.53 billion dollars against 64.86 billion dollars in accordance. In Poland GDP per capita was almost 6 times higher than in Ukraine. After Poland's accession to the EU, the gap in the above indicators has only increased.

At the beginning of 2005, Poland's GDP was USD 306.1 billion and increased 3.65 times compared to 1991. The agricultural sector share in Poland's GDP in 2005 fall to 3.0% (for comparison - in Germany this indicator was about 1%), and this dynamics continues. At the same time Ukraine's agricultural sector share in GDP remained constant high and ranged from 22.8% (1991) to 14.0% (2016). But the industry share in GDP decreased for the period of 1991-2016 by 23.5 pp. and in 2016 it was 27.0% versus 50.5% in 1991. Thus, the multi-vector trends took place in the economy structure of the two states; the Polish economy structure acquired the features of the industrial economy, and Ukraine became increasingly agrarian.

At the beginning of 2016, Poland's GDP was USD 469.5 billion, which exceeded amount of GDP in 2005 by USD 163.4 billion (or 153.4%). For comparison: Ukraine's GDP in 2016 was USD 93.3 billion and increased from 2005 on

USD 7.2 billion (or 108.4%). At the same time, the GDP of Poland in 2016 exceeded Ukraine's GDP on USD 376.2 billion or in 5 times. As for GDP per capita, in 2016 it was 12,500 dollars in Poland, and only 2,100 dollars in Ukraine.

That is, the extremely ineffective Ukrainian government's policy and unspecified system of economic governance have led to a significant break in the rates of economic development of Ukraine and Poland. And if in Poland, the reforms of "shock therapy" have been realizing since 1989 and their first positive results were felt already in the early 90's, while in Ukraine effective reform of the economy began to act only over a decade later.

The average annual growth of Ukraine's economy amounted to 2.3% during 2000-2008 and was provided by a cycle of high market conditions for raw, in particular ore and metallurgical products. When this cycle was over, the Ukrainian monotonous economy was in a protracted crisis. That is, the export model of the economy's growth has exhausted itself and at the time of the Ukrainian economy's new model formation based on objective world trends and national strategic priorities.

The Polish economy most dynamically developing in the European Union as for 2017 (according to the Poland's Central Bank and the European Statistical Office (Eurostat)). In early July 2017, the country's Central Bank (*Narodowy Bank Polski* (NBP)) raised its GDP growth forecast from 4.0% to 4.7% by 2017, while inflation was expected to decline to 2.3% per annum (10) . At the same time, Ukraine hasn't shown significant economic success. The population welfare remained extremely low: economic growth in 2017 was 2%, inflation in 2017 rose to 13.7% against 12.4% in 2016 (Ministry of Finance. The Inflation Indexes, 2017).

The Poland's economic growth positive dynamics contributes to the formation of the country in the European and world community and allows to develop effectively in all directions.

First of all, joining the EU has promoted to the development of Polish export. According to the World Bank, the volume of export during 2005-2016 has increased from USD 89.437 million to USD 202.522 million (or on 2.26 times) (World Bank [15]), which explains positive structural transformations of production and export towards high-tech products. The export growth and its excess over import was a determining factor in the steady growth of the Polish economy after the 2008-2009 crisis.

During the same period (2005-2016), Ukraine's export grew up from USD 34.228 million to USD 36.364 million (or in 1.06 times) (World Bank [15]) .

The low growth rates of Ukrainian export are primarily explained to the preservation of the commodity nature of production, while the main factor in the growth of Polish export is the engagement of foreign investment's significant volumes, which contributed to the modernization of the production base of industry. However, in recent years the structure of Ukrainian export has seen positive developments: the demand for high-value Ukrainian products is increasing in the EU, while metallurgy goods, agro-food, light and chemical industries are increasingly coming to the EU in their finished form rather than as raw materials. Another positive trend is the implementation of Ukrainian high-tech services on the EU market.

A significant reason for the small volumes of Ukrainian export's finished products is its discrepancy with European quality requirements. Unfortunately, Ukrainian producers are not actively engaged in improving product quality management. In Ukraine for USD 1 billion GDP has 3 certificates of ISO 9001, and in Poland - 12. As a result, export opportunities of Ukrainian enterprises are not as favorable as of Polish enterprises.

Military conflict and related risks have worsened the investment climate of Ukraine. Today, according to the level of investments into the economy, Ukraine is still returning to the pre-war indicators, although there is a slight positive dynamics. Thus, according to the State Statistics Service, the volume of direct foreign investments in the economy of Ukraine (share capital of non-residents) as of October 1, 2017 amounted to USD 39.719 billion, which is 5.9% higher than at the beginning of the year. Foreign capital investment in Ukraine is about 3% of the total volume of all investments and doesn't significantly affect the development of the economy.

At the same time, positive trends are continuing in Poland's investment field. In the early 1990's a foreign investment law was passed in Poland, which abolished the restrictions on the share of foreign citizens in the enterprises' share capital and also granted tax incentives to foreign investors (in regions with high unemployment benefits were more substantial).

According to a study by Ernst & Young (Attractiveness survey Europe, May 2017) , Poland was among the top five most popular destinations among global foreign investors for the first time in the last nine years. It occurred due to a large number of implemented projects (256), which exceeded the 2016 indicator by 21%. The implementation of such large-scale investments in Poland will create at least 22 thousand new jobs (an increase of 12% relative to 2016), which is the second result in Europe after the UK. Foreign investors implemented an average of 142 projects a year in 2003-2004 in Poland, and in 2014-2016 this number exceeded 200 units.

In addition, Ernst & Young experts suggest that not Ukraine, but the Czech Republic will be the strongest competitor in Poland in the fight for investment. The reason is the high position of this country in the 2017 Readiness for Change Indicator, compiled by the KPMG Audit Company (Change Readiness Index, July 2017) . This indicator measures the ability of the country to respond to shock situations and advanced trends assesses the degree of readiness for abrupt global changes, and studies the political and economic factors and risks of different countries, which is especially relevant in the era of global change in technological structure (Industry 4.0; block chain technology). The Czech Republic became the leader in the 2017 Indicator among the CEE countries, having gained 25th place (Poland has 28th place, and Ukraine is on the 95th place due to the weakness of state institutions) (Mirror of the Week, 2017) .

Domestic sources of investment in Ukraine are rather limited - the level of domestic savings is extremely low compared to neighboring countries - only 13.3% of GDP, whereas in Poland - 23.3%, the Czech Republic - 33.1%, Belarus - 31.0% The primary reason for the low level of savings of Ukrainians is the low income of the vast majority of households - the average wage in Poland is 970 euro, and in Ukraine - 173 euro. Due to the high level of risk Ukrainians are afraid to invest in the banking system or business development, which negatively affects the activities of the banking system and the state of the economy as a whole.

At the beginning of the reforms, Poland, unlike Ukraine, took bold steps that laid the foundation for further modernization of the financial sector, created a reserve of flexibility, deprived of its administrative levers of influence, and reduced unjustified public expenditures. The financial policy of the Polish government in the period of "shock therapy" provided for tight budget constraints and a budget deficit.

In early 1989, nine regional banks were allocated from the National Bank of Poland, which created the basis for the formation of a two-tier banking system. Regional banks have assumed the functions of direct servicing of economic agents, which is characteristic of commercial banks. There are also cooperative banks operating in Poland, which began to recover actively from the second half of the twentieth century. In the first years of reforms in Poland, the number of banks grew, but their capitalization was low. Since 1996, the processes of privatization and reforming of the banking sector have accelerated significantly; consolidating and merging banks have intensified. Foreign banks began to come in the banking sector of Poland, the main condition for the passage for which was the participation in the reorganization and restructuring of Polish banks. Thus, the Polish Central Bank tried to help solve the problem of restructuring the national banking system, and foreign capital became one of the main sources of financing its development.

In 2017 there were 68 banks in Poland, in particular one state-owned *Bank Gospodarstwa Krajowego* (BGK). At present, Polish banking system is financially sustainable, and the national electronic banking system is recognized as one of the most developed and safe in Europe.

At the end of 2017 there were 86 banks in the banking system of Ukraine, 38 of which are banks with foreign capital, in particular 18 banks with 100% foreign capital. The share of the state in the banking sector accounts for 56% of net assets and 62% of deposits of the population. However, the capitalization of Ukrainian banks is lower in comparison with the Polish ones.

In 2017 the Ukrainian banking system provided UAH 1 007 131 million of loans, which exceeded the volume of loans granted to the Ukrainian economy in 2016 (UAH 998 681 million) by 100.8%. It should be noted that bank loans in Ukraine for most companies are inaccessible due to their high cost – 18-20%. High lending rates are primarily due to high credit and deposit risks. Banks of Ukraine attract deposits under 10-17%, and because of this credit resources cannot be cheaper. Despite the slow pace of the loan, there is a steady growing dynamics in the provision of credit facilities to legal and natural persons in the Ukrainian banking market.

In 2017 the NBU set the discount rate at 12.5% (in October it rose to 14%), which became the lowest indicator since 2015, but the cost of resources for the economy remained high. The main credit support of the Ukrainian economy is the credit resources of the state banks, which most actively lend to corporations of agro industrial complex and food industry.

Comparing the credit policies of Poland and Ukraine, we see different approaches: if the Poles stimulate lending in every way, then in Ukraine in recent years, bank lending is actually restrained by the actions of the central bank. By implementing the inflation targeting approach, to keep inflation and the hryvnia exchange rate, the NBU limits the growth of money supply and removes hryvnia from circulation by selling government bonds to banks. Given the high liquidity and the lack of reliable borrowers, banks are willing to buy these government securities that guarantee them zero risk returns. The volume of placed government bonds as of mid-2017 reached UAH 50-60 billion, which exceeded the amount of loans granted to enterprises in Ukraine by ten times (Korablin S., 2017). In fact, these are funds that could be used as loans to the real sector and contribute to economic growth.

Unlike Ukraine, Poland's special attention is given to providing access to financial lending to small and medium-sized businesses (SMEs), which create about 70% of GDP. SMEs are most actively developing in the field of agriculture, construction, trade, food, and jurisprudence. In Poland, SMEs are funded primarily by small banking institutions, namely: cooperative banks that specialize mainly in lending to medium and small enterprises and at the expense of international assistance programs. Such institutions meet the needs of business entities in providing a variety of services, including lending, leasing, financial advisory, investment, etc.

Various clubs of local initiatives and business incubators, whose activities are aimed at providing advisory assistance to start-up entrepreneurs, play an important role in the development of Polish SMEs. The most promising projects, subject to the transfer of 15% of the shares of the new incubator, may receive investment from a business incubator in the amount of PLN 100,000, which is approximately USD 32.000 (14) .

Ukrainians failed to form an attractive business environment - this applies to both small and large businesses. However, a number of effective steps towards deregulation have been made in 2014-2017, but still many problems need to be addressed (first of all, trust in the judicial system). In Poland, considerable attention is paid to issues of registration of property rights, issuing loans, protecting investments, trade policy, providing contracts and conducting a bankruptcy procedure, which promotes the attractiveness of its business environment.

There are no restrictions on foreign exchange operations in Poland. In addition, companies registered in Poland can receive funding from sources located outside the country. Sources of funding may include structural funds and the EU Solidarity Fund, programs of international financial organizations and commercial structures (Association of Ukrainian Business in Poland, 2017) .

The reflection of the characteristic features of the national economy, its structure, is the securities market. The Ukrainian securities market is in a recession since the financial and economic crisis of 2008-2009. However, it should have played a leading role in attracting investment and transforming the economy, contributing to its systemic modernization. The daily volume of trading in shares in the Ukrainian Stock Exchange in 2011-2016 amounted to USD 15-50 million, while on the Warsaw Stock Exchange - USD 300-400 million.

That is, the Ukrainian securities market is institutionally incapable of performing its functions. This is due to significant regulatory restrictions for foreign investors in the domestic financial market, the impossibility of liberalizing the currency legislation of Ukraine, the insecurity of minority shareholders' rights, the current state of corruption and the shadowing of the Ukrainian economy and the financial services market. Therefore, foreign and domestic investors refrain from investing in instruments of the financial market of Ukraine in recent years.

The particular attention in the Polish economy deserves public-private partnership (PPP), which is formed by the consolidation of efforts of the government, local authorities and businesses.

The development of PPP in Poland began from the generalization of the EU countries' experience and the common definition of terms and legal framework of Poland's concession legislation. In 2003, the Rules for a successful PPP, which summarizes the provisions of UNCITRAL, adapted to EU legislation, were adopted. PPP Green Paper adopted in 2004, summarized the preceding documents on various EU directives and the countries' experience that are members of the European Community (Bakhurinskaya M., 2017).

In Ukraine, for the successful implementation of PPP projects, there are a number of obstacles: the lack of trust and cooperation between partners; complex and controversial legislation on PPP; lack of available financial resources; lack of professionalism of public training partner for PPP projects. For successful functioning, public-private partnership needs a strong public sector that is able to adapt to new roles and develop new competencies *(*Karyy O. et al., 2015*).*

In Poland, innovation activities, to which the government pays considerable attention, belongs to the priority directions of development. If the company carries out research or develops intellectual property products for the production of qualitatively new products or provision of innovative services, the state will reimburse up to 50% of the costs for this activity. By 2020 it is planned to allocate up to 3% of the total GDP for innovation projects in Poland.

The instruments for promoting entrepreneurship in Poland include the operation of special economic zones (hereinafter referred to as SEZs), which were created within the framework of the Government program "Entrepreneurship in the first place". There are 14 SEZs in Poland. The main objective of the SEZ is the accelerated and even development of regions by attracting new investors and creating new jobs. During 1995-2001 15 SEZs were created, 14 of which still work. According to the results of 2015 SEZ attracted 34 billion dollars investments (on the average rate 1995-2015).

Companies with work permits in the Polish SEZs receive substantial privileges, including tax benefits. The size of the tax exemption for covering new investment and job creation is 50% of capital investment for large enterprises, 60% for medium-sized enterprises and 70% for small enterprises. Another advantage of work in the SEZ is the opportunity to receive cash assistance from the state when starting up a business.

For example, in addition to the 6 SEZsin the Lublin Voivodeship, there are also 2 science and technology parks and several academic incubators of entrepreneurship. Science and technology parks, as partner institutions of regional and local authorities, educational institutions and research organizations, as well as companies and institutions that support entrepreneurship development, are a successful example of the harmonization of the work of educational institutions, science, government and business.

Unfortunately, it must be noted that Ukraine, which has experience in the functioning of the SEZs, could not use them to successfully solve socio-economic problems. In 1992-2005, 12 SEZs were created in Ukraine, but only about UAH 1.2 billion of direct foreign investment was attracted. According to a group of reputable scholars, "special economic zones", as an economic phenomenon, completely discredited themselves in Ukraine, due to significant losses of budget revenues, along with corruption and false entrepreneurial activity (Höllzler H. et al.,2015).

Of course, the magnitude and dynamics of the macroeconomic indicators of the development of Ukraine and Poland affects their social indicators, first of all, on the welfare of the population. And for Poland, and for Ukraine, the only tendency in recent years, which is only growing, is the growth of migration flows from both countries to the west. Since joining the EU in 2004, more than 2 million Poles left Poland, primarily to Britain and Germany, where the working conditions and salaries are better. Enterprises and utilities in Poland experienced a severe shortage of labor. Earners from Ukraine significantly softened the problem of the wage. At the same time, the fact that more and more citizens from Ukraine go to the West has already been acknowledged by scientists as the biggest problem with which the economy will collide soon.

Money remittances of migrant workers are an additional source of funds for their homeland. The share of labor migrants' transfers in Ukraine's GDP increased from 0.01% in 1996 to 6.61% in 2015. Similar situation was in Poland, but the country managed to improve the economic situation, broke a negative trend: at the end of 2015, the contribution Polish labor migrants accounted for 1.5% of GDP, while in 2006 this figure was 2.5%.

3. Discussion questions

As we see, with favorable start-up preferences in 1991 among other post-Soviet countries, Ukraine has evolved from the most promising country of the socialist camp into a country with weak market institutions, marked deindustrialization, uncompetitive enterprises, corruption, and the impoverished population. However, despite current problems in the country since 2014, systemic reforms are ongoing. Scientists point to "institutional traps" that are hampering the implementation of reforms. Such "traps" are the rootedness of the shadow economy, the stagnation of the oligarchic model of relations of power and business, the paternalistic model of social protection, etc.

According to the 2016-2019, approved by the Cabinet of Ministers of Ukraine, the Forecast of Economic and Social Development of Ukraine for 2017-2019 provides for "a radical change both for Ukraine's economy itself and for its functioning." In fact, a radically new Ukrainian economy is being formed on a fundamentally different basis, the main of which is the scourge of the very system of economic relations, which was built on corruption and the oligarchic financial and industrial elements of the structure. There is a gradual diversification of the priorities of economic growth.

The external attitude towards Ukraine and even the foreign economic environment is changing" (Ministry of Economic Development and Trade of Ukraine, 2017).

According to former Deputy Minister of Economy A. Maksyuta, "Today Ukraine is a potentially "profitable asset", brought to a loss due to poor governance." The geographical location of Ukraine, the Association Agreement with the EU, the establishment of a free trade zone and visa-free regime have already made our state a part of the European space. However, Ukraine's welfare needs to be done a lot, patience, wisdom and perseverance in order to meet European standards of doing business.

4. Conclusions

Two neighboring countries with similar resource, labor and economic potential with different approaches to managing it can achieve uneven results. It has to be noted that the gap in the rates of economic development of Ukraine and Poland is increasing. Poland's accession to the EU contributed to accelerating economic growth, but before 2004, systemic structural reforms took place in the country. The reforms of the "shock therapy" era laid the foundation for further economic development, and EU membership only strengthened it.

The biggest problem in Ukraine is the low potential of economic growth. Other issues, such as unfavorable investment climate, deindustrialization, inefficient state sector of the economy, lack of competition in many sectors of the economy and underdevelopment of financial and commodity markets, weak state institutions, corruption and inequality of income distribution in Ukrainian society are the main factors of this fundamental problem.

We believe that Poland, in the light of its experience of transformation, can support Ukraine in three areas: creating conditions for the development of small and medium-sized enterprises (SMEs), local self-government reform and the creation of a holistic anti-corruption system. As the Polish experts point out, even in the dramatic conditions of the war that is being continued in eastern Ukraine, the Ukrainian economy can make a breakthrough.

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