

**Pivovarov O.A.** — Doctor of Science in Engineering, Professor, Rector, State Higher Educational Institution “Ukrainian State University of Chemical Technology”, 8, Gagarin Av., Dnipro, Ukraine, 49005; +38 (0562) 47-46-70; apivo@ua.fm

**Dubnytskyi V.I.** — Doctor of Science in Economics, Professor, Professor of Department of Theoretical and Applied Economics, SHEI “USUCT”, 8, Gagarin Av., Dnipro, Ukraine, 49005; +38 (0562) 47-46-70; dub1945@mail.ru

**Fedulova S.O.** — PhD in Economics, Associate Professor, Head of Department of Theoretical and Applied Economics, SHEI “USUCT”, 8, Gagarin Av., Dnipro, Ukraine, 49005; +38 (0562) 47-46-70; [sveta\\_fedulova@ukr.net](mailto:sveta_fedulova@ukr.net)

## **EVALUATION OF INVESTMENT ATTRACTIVENESS OF WATER AND SEWERAGE UTILITIES AS A BASIC SECTORS OF THE NATIONAL ECONOMY**

***Abstract.** Today, in conditions of growing crisis, many experts agree with their opinions regarding the revival of the basic sectors of the national economy. Modern technological level of the industries in need of updating on innovative and investment principles of sustainable development of the regions. The article presents the conditions for the functioning of water and sewerage utilities as a basic sector of the national economy from the perspective of its investment attractiveness. The industry is presented in all regions, in contrast to others. It does not form development of the regional economy. Water management has a significant impact on other sectors of Ukraine. Operational and technical – economic performance indicators of the companies of water and sewerage utilities of Ukraine are unsatisfactory. The need to replace obsolete equipment, capital repairs of the networks of water pipes is requires significant financial costs that at the present time the company of water and sewerage utilities can carry out only at the expense of revenues for services rendered. The main problem of water supply networks is the uncertainty of funding for necessary expenses. Since the main*

*source of investment financing is own funds, it is important to ensure financial condition of companies of water and sewerage utilities that are unprofitable today. In recent years, the tariffs for centralized water supply and sanitation for population were reduced. Therefore, they did not cover the costs of water channels for services. Tariffs for water supply and sanitation services must be economically justified. Under such circumstances, in our opinion, it is a good time for the formation of investment and innovative foundations of the development of water and sewerage utilities.*

**Keywords:** *investment, basic industry, infrastructure, water and sewerage utilities, tariff.*

## **INTRODUCTION**

In the conditions of market transformations of Ukraine, problems that require immediate solution are ripe. The water and plumbing economy of Ukraine is a branch of infrastructure. The unsatisfactory state of this industry does not allow the national economy to develop. Water management has a significant impact on other sectors of Ukraine.

This industry is present in all regions and does not form their potential, but is an important branch of the infrastructure. In the conditions of the economic crisis, experts are increasingly reflecting on the revival of the basic branches of the national economy. Their technical level needs to be updated and invested.

The purpose of the article is to study the functioning of the water supply and sewerage system as a basic branch of the national economy and to assess its investment attractiveness.

## **MAIN TEXT**

According to the economic encyclopedia, the basic branches are: types of economic activity, the growth and development of which determines the growth of regions or cities. To the basic industries, the branches export goods and services [1].

In the structural subdivision of the Donetsk administration there is even a separate Department for the development of basic industries (the city of Kramatorsk). The main tasks of this department are aimed at developing the industry, fuel and energy complex, transport industries (aviation, road, rail, sea and river) and communication and energy saving.

The report of the National Bank of Ukraine identifies five basic industries (industry, construction, agriculture, as well as wholesale and retail trade). That is, all branches of material production.

Scientific studies of national economies of different countries allow us to conclude that there are two subgroups of industries in the economy. These are the basic industries of material production and infrastructure industries. Industries that do not create a product, and branches of the non-productive sphere are referred to as infrastructure. Infrastructure is a set of industries that are aimed at meeting the needs for services.

The concept of infrastructure can be considered at the national, regional and microeconomic levels. The function of infrastructure is the creation of conditions for the development of basic industries and ensuring the livelihoods of the population. For this purpose, capital facilities of national purpose are created, the use of which is provided by the state (railways, highways, bridges, urban water supply systems, airports).

The concept of infrastructure is widely understood in modern economic literature. Some authors, among them V.N. Vasilenko, V.I. Zakharchenko, S.B. Kolodinsky, V.M. Lysyuk, represent the infrastructure as a set of branches of the economy, which are aimed at the effective functioning of economic entities in the production-consumption system. In order to reveal the importance of infrastructure for the social and economic system of the region, an industry approach is used. Allocate transport and logistics infrastructure, educational infrastructure, communications infrastructure. B.V. Burkinsky, N.A. Mikula, Z.V. Gerasimchuk, L.L. Kuznechnoe, V.N. Stakhanov, V.S. Platonov, MP Butko consider the functioning of the infrastructure of the region depending on the development of

each infrastructure component separately. The infrastructure of the region is identified with the market. At the same time, the following types are distinguished: industrial (roads, warehouses, communication systems, ports, etc.), Social (schools, colleges, theaters, stadiums, hospitals, etc.), financial, information, commercial infrastructures. This classification is carried out without taking into account the specifics of the economic complex of the region.

The basic industries are industry. In the structure of industry in Ukraine, the production and distribution of electricity, heat, gas, and water are allotted. Many countries in the world believe that water can become the next carbon due to its acute shortage. Schemes for the assessment and trade of water, its pollution will soon be formalized [2]. The water industry is becoming a huge global market, which can be compared with the oil and gas industry and electricity generation. In recent years, the Exchange-Traded Funds (ETF), which invest in the water industry, have started to actively form.

Therefore, the study of water and water supply and sewerage economy of Ukraine is relevant. The plumbing and sewerage industry of Ukraine can be considered as a branch of infrastructure, which is aimed at meeting the needs for services.

Operational and technical and economic indicators of robots of water supply and sewerage enterprises of Ukraine are unsatisfactory. It is necessary to replace the obsolete equipment and make a major overhaul of the water supply system. The enterprises of the water supply and sanitation sector can receive the necessary financing only for the services provided.

Most enterprises have fulfilled the regulatory deadline. The degree of depreciation of fixed assets in 2015 was 62% in Ukraine according to the State Statistics Committee [3]. The most worn-out funds of the water supply and sewerage industry are water supply networks. Their depreciation by regions is 70%. The most worn out water supply networks are in the Crimea, Donetsk and Lugansk regions, some of which are now temporarily occupied.

The efficiency of their operation of water supply and sewerage systems is noticeably decreasing and irrational losses of water are growing. For 2011-2014, irrational water losses amount to 30% of the water supplied to the network.

The main problem is that there are no sources of financing for enterprises that have losses. In recent years, tariffs for centralized water supply and drainage for the population are too low. A part of losses to water companies are compensated by enterprises and organizations. They have too high tariffs. But they are 10% of the total number of consumers. Every year there are more accidents on the water mains, in the sewerage, in the treatment and water supply facilities.

Tariffs for water supply and sanitation services should be economically justified. The Cabinet of Ministers adopted in 2015 a decree that terminates the application of a single tariff for centralized water supply and drainage. The national authorities began to set economically feasible tariffs for water supply and sanitation for water utilities.

These tariffs take into account all expenses for water supply and drainage and fully cover the cost price. In the tariff the profit which should be directed on investment-innovative activity, on updating of a water supply and sewage economy is put in pawn.

The quality of water resources and their growing scarcity are among the most important problems of our time. In the world, water consumption and pollution levels are increasing. Water has become one of the main factors of economic development.

Each region of Ukraine is part of the water supply and sewerage system. Therefore, it is necessary to develop an effective infrastructure complex of the region.

Modernization and reconstruction of the municipal industry need big money, for their development it is necessary to have 140 billion hryvnia. For Ukraine, this is a large sum, it is 30% of all state budget expenditures for 2016 [5].

Approved programs for 106 enterprises to the amount of 872 800 000 hryvnia [5]. Considering the amount for modernization and the pace of

implementation of programs, the reconstruction of this area can be completed in 500 years. International financial organizations actively support the Ukrainian housing and communal sector. Will be implemented five major projects for the reconstruction of public utilities to the amount of 32400000000 hryvnia [5].

It is necessary to take into account regional peculiarities when forming the infrastructure of the industry. The study of the infrastructure complex of the region should be oriented towards market transformation and the processes of globalization. In our opinion, it is necessary to determine additional classification features that allow to take into account the infrastructure components.

## **CONCLUSIONS**

In conditions of growing crisis, many experts agree with their opinions about the revival of the basic sectors of the national economy. Modern technological level of the industries in need of updating on the innovative and investment principles of sustainable development of the regions. The article presents the conditions for the functioning of water and sewerage utilities as a basic sector of the national economy from the perspective of its investment attractiveness. The industry is represented in all regions, in contrast to others. It does not form the development of the regional economy. According to the State Agency for Water Resources of Ukraine, the top five water consumers in Ukraine include Dnepropetrovsk, Zaporozhye, Donetsk, Kherson and Kiev regions. The impact on the country's economy of water and water supply and sewerage is enormous. Obsolete and worn-out equipment significantly reduces the efficiency of the infrastructure industry. It is time to form an investment and innovative basis for the development of the water supply and sewerage system. The main problem is the uncertainty of the sources of financing. But it is possible to make certain optimal steps for raising funds and reforming.

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