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## **INCLUSIVE DEVELOPMENT OF NON-STATE PENSION INSURANCE AS AN ELEMENT OF INVESTMENT RESOURCES FOR THE RECOVERY OF THE NATIONAL ECONOMY OF UKRAINE**

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### **ABSTRACT**

The article examines the problems of inclusiveness of the private pension system in Ukraine. Economically developed countries demonstrate the effectiveness of pension accumulation systems. Pension funds are accumulated in accounts, are a significant source of investment in individual corporations and the national economy, and provide future pensioners with good income. Ukraine's national economic recovery plan will provide for the active development of the military-industrial complex, energy, housing and social infrastructure, industry, and other sectors of the national economy. Pension savings of Ukrainians may become one of the internal sources of investment resources for recovery. But this requires ensuring the inclusiveness of the development of the private pension insurance system, raising the level of financial literacy and investment awareness of Ukrainian society. All of this will become an important element of active investment development of the national economy of Ukraine, and first and foremost, its de-occupied and destroyed territories.

**Keywords:** restoration of the national economy, inclusion, private pension system, investment in reconstruction.

Aware of the need for rapid recovery of the economy and the social sector, the government is forming a Plan for the Reconstruction of the National Economy of Ukraine. During this period, the military-industrial complex, the energy sector, the construction of housing and social infrastructure facilities, and industry will develop quite actively. Other branches of the national economy the will be restored.

The war unleashed by russia in Ukraine leads to significant destruction in all sectors of the national economy. Reconstruction will require significant financial resources. The amount of damages from the destruction is increasing every day and, according to preliminary calculations, at least 1 trillion dollars will be needed to restore Ukraine after the war with russia [1].

In addition to external financing for the reconstruction of destroyed cities and villages, it is necessary to invest in the construction of industrial enterprises: the military-industrial complex, the engineering industry, and the extraction of natural resources. In the occupied and destroyed territories (according to the Ukrainian Wind Energy Association), more than 2/3 of wind generators in Ukraine stopped working [2]. It will also be necessary to reconstruct old oil and gas deposits, as well as to organize lithium and titanium mining enterprises. According to preliminary estimates, there are significant reserves of lithium in Ukraine, which are not inferior to the rich deposits of South America and Africa. In total, these are 4 objects - 2 deposits (Shevchenkivske, Polokhivske) and 2 sites (Dobra, Kruta balka). The demand for lithium, which is the main

component of lithium-ion batteries, has been increasing recently, according to the demand for electric vehicles, energy storage systems, etc., and the price of this metal has a rising trend [3, 4]. Ukrainians will also be involved in investment processes, but for this they must master the basics of investment mathematics, financial technologies and financial literacy. Problems of financial literacy of Ukrainians existed even in pre-war times, so these issues are relevant.

In addition to foreign investments, mortgage lending is an important investment tool. Mortgage lending has a positive impact on the development of the economic sector, which receives investment resources and stimulates the return on investment. This toolkit makes it possible to modernize production, which helps to improve the quality and competitiveness of products and accelerates the country's economic development.

In the mortgage market, the mobilization of financial resources is a priority. This is because banks have the opportunity to transform the funds raised into borrowed capital and use them to finance the economy and the real estate market by providing mortgage loans.

The development of mortgage lending and the intensification of its positive impact on the restoration of the social sector of the national economy of Ukraine are possible through the development of the real estate market, ensuring its transparency, fair pricing and balancing the supply and demand for real estate.

It is necessary to pay attention to the issue of the introduction of information innovations in the financial market and the priority directions of ensuring investment processes in the post-war period of reconstruction of Ukraine. It is also necessary to take measures aimed at increasing financial literacy and investment activity of agents of the national economy, reducing the level of the shadow economy.

Why do we focus on the financial literacy of Ukrainians and the inclusiveness of financial services in this article? After the return of all territories, in addition to the reconstruction of the economy, attention should also be paid to social policy, in particular, to the growth of the population's well-being. After all, every country is interested in having an economically active population return and work for the benefit of the national economy. For this, an effective motivational mechanism should work in the country. The main element of such a mechanism is the financial component. We mean ensuring a decent level of the value of labor capital, as well as the formation of a model in Ukraine for the accumulation of financial resources of citizens through the system of non-state pension insurance. And such a system should be transparent, accessible to all Ukrainians and business entities (inclusive), and ensure high investment activity of pension savings during the reconstruction of the national economy [5].

Let us turn to the essence of inclusion in the context of the development of non-state pension provision. Inclusion is the process of increasing the degree of participation of all citizens in society. The need for increased participation is primarily felt by those with physical or mental impairments, mental disorders due to prolonged occupation or loss of property due to bombings. It envisages the development and application of such concrete solutions that will allow each person to participate equally in academic and social life. The concept of inclusion is close in meaning to the concept of "integration" and opposite to "segregation". In inclusion, all stakeholders must actively participate in order to achieve the desired result.

Inclusiveness is the inclusion of everyone in a certain system (for example, pension insurance), regardless of their physical, physiological or other characteristics. Inclusive values are, first of all, recognition of diversity, equality, justice, cooperation, participation [6].

Inclusiveness is the inclusion of everyone in a particular system (for example, pension insurance), regardless of their physical, physiological or other characteristics. Inclusive values are, above all, the recognition of diversity, equality, justice, cooperation, and participation [9].

Inclusive development aims to ensure that all citizens of society benefit from sustainable economic and social development. Many organizations implement this approach in the fight against poverty by supporting education and providing livelihoods for those in need. It is the inclusive approach that will help Ukrainians become more active in making decisions about the need to invest in a decent life after they leave the workforce.

At the same time, inclusive values are not working in the field of private pensions.

There is a problem of insufficient control over the activities of non-state pension funds (hereinafter referred to as NPFs). There are negative trends in the financial performance of the funds, which is caused by non-transparent relations between NPFs and their counterparties.

The inefficiency of the non-state pension insurance system is confirmed by the unbalanced geographical distribution of NPFs and the low level of participation of Ukrainians in this system.

In the pre-war period, as of June 30, 2021, administrators of non-state pension funds concluded only 92.4 thousand pension contracts.

The structure of pension contracts as of 06/30/2021 was as follows

- with individual depositors - 85.5 thousand pcs;
- with individual entrepreneurs - 0.1 thousand;
- with legal entities - 6.8 thousand.

This situation is typical for economic relations in the financial services market. At the same time, the world experience shows that the role of the state in regulating the activities of non-state pension funds requires a stable legislative and legal framework, developed stock and insurance markets [7, p.50].

Non-state pension funds in developed countries play an extremely important role - they have taken over some of the functions of the state, in particular in relation to citizens who have reached retirement age. In order to ensure that non-state pension funds fulfill their obligations properly, a system of regulation and supervision is being created.

The International Social Security Association (ISSA), established in 1937, provides advice and a platform to its members (350 member organizations in 150 countries) to shape dynamic social security and its policies worldwide [8].

In 2004, the International Organization of Pension Supervisors (IOPS) was established to improve the quality and efficiency of supervisory activities for private pension funds around the world, thereby contributing to their development, increasing the efficiency of their operations and increasing the level of security of this source of income for pensioners [9].

The share of non-state pensions depends on the type of pension system operating in the country. There are three types of pension insurance systems (Table 1).

**Table 1.** Types of pension systems [10].

Type of pension system	Features	Countries in which the system operates
One-level system	Solidarity	Germany, Sweden, Switzerland, Czechoslovakia, Romania, Bolivia
	Cumulative	
Two-level system	State (solidarity) and non-state (accumulation) systems operate	France, Great Britain, Denmark, Netherlands, USA, Chile, Australia

	in parallel	
Three-level system	The first level is a mandatory solidarity pension system; the second level is a compulsory accumulative pension system; the third level is a voluntary accumulative pension system	Latvia, Hungary, Kazakhstan, Poland, Croatia, Ukraine

When studying the issue of pension insurance, it is worth paying attention to the problem of distribution of insurance contributions from the pension fund between employers and employees. According to some foreign experts, in order to maintain and increase the competitiveness of enterprises in the global market, it would be advisable to redistribute pension funding to all pension insurance payers equally. In particular, countries with developed market economies, by introducing a funded pension system and mandatory and voluntary pension insurance, have relieved enterprises of some of the burden of financially providing pension payments to the population. This funding was transferred to the working population [11].

Ukraine is currently unable to make a radical transition to a mandatory funded system. This requires: the overall development of the national economy, growth of incomes, the formation of an effective system of non-state pension funds, a developed legislative framework and the preparation of society as a whole for the practical implementation of such reforms.

Ukraine faces the task of transitioning to models of long-term investment accumulation as an effective means of economic growth. This path lies through the active use of the last two levels of funded pension provision - compulsory state and voluntary private pension provision. The main institutions that are called upon to provide the latter are non-state pension funds.

The study of the world experience of the functioning of non-state pension funds and the regulatory and legal support of the activity of the NPF in Ukraine allowed us to come to the conclusion that these are quite reliable and promising players of the financial services market, and their effective development will allow to accelerate the pension reform in Ukraine and thereby activate investment processes and increase welfare pensioners

The gradual winding down of the economically inefficient solidarity system of pension insurance and the introduction of mandatory cumulative insurance will lead to positive socio-economic results. In particular: it will provide a decent pension, establish a real dependence of the size of pensions on the amount of earnings and work experience, strengthen the stimulating function of wage legalization, become an important component of creating a powerful source of investment resources for the growth of the national economy.

Despite the rather optimistic forecasts of analysts, who estimated that half of the pension savings, aimed at investing in the national economy, will contribute to GDP growth in the long term. As of June 30, 2021, the main areas of investment of pension assets were government securities (47.2%), deposits in banks (35.6% of invested assets), bonds of enterprises whose issuers are residents of Ukraine (8.1%), total real estate objects (3.1%), domestic local loan bonds (2.5%) This is due to a number of reasons, the main of which is the low level of income and distrust of ordinary citizens in financial intermediation [12].

Inclusive development aims to ensure that all citizens of a society benefit from sustainable economic and social development. Many organizations implement this approach in the fight against poverty by supporting education and providing livelihoods for those in need. It is the



inclusive approach that will help Ukrainians become more active in making decisions about the need to invest in a decent life after they leave the workforce.

Given that inclusive development is aimed at ensuring that all members of society benefit from sustainable economic and social development, addressing the issue of pension insurance inclusion in Ukraine will help to overcome poverty among socially vulnerable and economically inactive members of society, inequality, social exclusion, etc. The inclusion of non-state pension insurance will help Ukrainians become more active in making decisions about the need to invest in a decent life after retirement.

At the same time, inclusive values in the field of private pension provision are not working in Ukraine. The goals declared when the third pillar of the pension system was introduced have not been achieved.

A study of the global experience of non-state pension funds and the regulatory framework for NPFs in Ukraine has led to the conclusion that they are quite reliable and promising players in the financial services market, and their effective development will accelerate pension reform in Ukraine, thereby boosting investment processes and improving the welfare of pensioners. In order to solve the problems, it is necessary to turn to positive international experience and create an effective system of regulation and supervision of NPFs.

Co-financing of pension contributions by the employee and the employer at the initiative of the employee could be an effective factor in motivating individuals in a ratio that should be calculated actuarially taking into account the following initial conditions:

- the state loses a part of the income tax as a result of including the sums contributed to the NPF as part of gross expenses.
- the employer loses a part of the profit, therefore appropriate compensating mechanisms must be provided;
- the employee voluntarily partially gives up consumption in favor of saving for old age.

A possible option would be to provide a citizen (spouse) with a legally established right to educate their children at the expense of the budget (provided that the amount of pension savings is available to pay for it on a commercial basis).

The lack of awareness of the principles of functioning and the low level of trust in the NPF institution can be overcome mainly through appropriate explanatory and educational work and, as we have already noted, by raising the level of financial literacy of the population.

Therefore, the government should consider launching appropriate public awareness programs to cover all aspects of the pension reform, including private pensions, as widely as possible. It is advisable to create programs to teach the basics of investment mathematics and financial literacy.

Finally, the presence of significant savings in the private pension system may be the basis for an earlier retirement from the mandatory funded system (if it is introduced) and even from the PAYG system. In our opinion, the retirement age in all three components of the pension system should be interconnected in some way, i.e., represent a comprehensive incentive system.

All of these measures will help to ensure the inclusiveness of the private pension insurance system, increase the level of financial literacy and investment awareness of Ukrainian society. All of this will become an important element of active investment development of the national economy of Ukraine, and first of all, its de-occupied and destroyed territories.

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