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UDC 330

УДК 330

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**FINANCES OF THE PUBLIC-PRIVATE  
PARTNERSHIP AS A WAY OF UKRAINIAN  
AGROINDUSTRIAL COMPLEX  
DEVELOPMENT**

**ФІНАНСИ ДЕРЖАВНО-ПРИВАТНОГО  
ПАРТНЕРСТВА ЯК ЗАСІБ РОЗВИТКУ  
АГРОПРОМИСЛОВОГО КОМПЛЕКСУ  
УКРАЇНИ**

**Urgency of the research.** The need to improve the policy of financing agricultural production is due to the lack of budget support and the imperfect mechanisms of indirect state support.

**Target setting.** New economic and political realities make their adjustments to the process of financing and management of investment processes in the industry, which should meet the challenges of the present, based on the world's leading experience and take into account the requirements of the Association Agreement between Ukraine and the EU. This concerns, first of all, the attraction of public-private partnership finance to the process of managing the development of agro-industrial complex.

**Actual scientific researches and issues analysis.** The research of the problems of financing the AIC is devoted to the works of such domestic scientists as P. Sabluk, O. Gudz, V. Yurchyshyn, P. Gaidutsky. The issues of the implementation of public-private partnership relations are considered by B. Danylyshyn, I. Brailovsky, I. Zapatrina, M. Zabastansky and many others.

**Uninvestigated parts of general matters defining.** The aforementioned studies do not consider the possibility of financing the agroindustrial complex on the principles of the implementation of public-private partnership relations and the advantages of a combination of public and private finance.

**The research objective.** The purpose of the article is to substantiate the possibilities of using PPP as an effective tool for financial support in the process of financing agricultural development.

**The statement of basic materials.** The present state of financing of agroindustrial complex and agricultural production as a priority branch is analyzed. The expediency of implementation of public-private partnership in the agroindustrial complex is substantiated. The main directions of using public-private partnership tools in the context of improving the policy of financing the development of agro-industrial complex are considered.

**Conclusions.** Effective, responsible and transparent use of public-private partnership finances will allow for a steady economic growth of the branches of the domestic agroindustrial complex.

**Keywords:** budget support; financing; public-private partnership; state finance; private sector finance; concession; financial projects.

DOI: 10.25140/2410-9576-2018-2-2(14)-83-87

**Актуальність теми дослідження.** Необхідність удосконалення політики фінансування сільськогосподарського виробництва обумовлена недостатністю бюджетної підтримки та недосконалістю механізмів непрямої державної підтримки.

**Постановка проблеми.** Нові економічні та політичні реалії вносять свої корективи у процес фінансування та управління інвестиційними процесами в зазначеній галузі, який має відповідати викликам сучасності, ґрунтуватись на провідному світовому досвіді та враховувати вимоги Угоди про асоціацію між Україною та ЄС. Це стосується, перш за все, залучення фінансів державно-приватного партнерства до процесу управління розвитком АПК.

**Аналіз останніх досліджень і публікацій.** Дослідженню проблематики фінансування АПК присвячені праці таких вітчизняних вчених, як П. Саблук, О. Гудзь, В. Юрчишин, П. Гайдучкий. Питання впровадження відносин державно-приватного партнерства розглядаються Б. Данилишином, І. Запатріною, І. Браїловським, М. Забаштанським та багатьма іншими.

**Виділення недосліджених частин загальної проблеми.** Вищезазначені дослідження не розглядають можливості фінансування АПК на засадах впровадження відносин державно-приватного партнерства та переваги поєднання державних і приватних фінансів.

**Постановка завдання.** Метою статті є обґрунтування можливостей застосування ДПП як ефективного інструмента фінансової підтримки в процесі фінансування розвитку АПК та, зокрема, сільськогосподарського виробництва.

**Виклад основного матеріалу.** Проаналізовано сучасний стан фінансування АПК та сільськогосподарського виробництва як пріоритетної галузі. Обґрунтовано доцільність впровадження державно-приватного партнерства в АПК. Розглянуто основні напрямки використання фінансів державно-приватного партнерства в контексті удосконалення політики фінансування розвитку АПК.

**Висновки.** Ефективне, відповідальне і прозоре використання фінансів державно-приватного партнерства дасть змогу забезпечити сталі економічне зростання галузей вітчизняного АПК.

**Ключові слова:** бюджетна підтримка; державно-приватне партнерство; фінансування; державні фінанси; фінанси приватного сектору; концесія; фінансові проекти.

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**Urgency of the research.** In the context of the Association Agreement between Ukraine and the European Union, the task of developing of effective organizational, economic and financial mechanisms for the progress in agro-industrial complex (AIC) is a priority for the state economic policy. In agroindustrial complex of Ukraine the investment processes and financial policy of forming industries must be based on the principles of integrity implementation and harmonization of the economic, social and environmental interests of the state and economic entities.

**Target setting.** The above causes a necessity of scientific and applied problems solving that are connected with the new financial support instruments of the AIC development based on the interaction between the state and business. In modern conditions it is impossible to achieve the strategic goals of the national economy development without their constructive cooperation. In order to solve these problems, the implementation of financial relations based on the principles of public-private partnership (PPP) is rather urgent.

**Actual scientific researches and issues analysis.** The financing of agroindustrial complex development as a system-forming branch and agriculture growth particularly always has been relevant and was the core of attention of such scholars as P. Sabluk, O. Gudz, V. Yurchyshyn, P. Gaidutsky. The works of B. Danylyshyn, I. Brailovsky, I. Zapatrina, M. Zabastansky, P. Shilepnitsky and many others researchers are devoted to the study of introduction and development of the PPP relations.

**Uninvestigated parts of general matters defining.** The tribute of above-mentioned scientific developments must be appreciated highly but it should be noted that the financing of native agroindustrial complex and its forming branches in the context of the formation of the PPP relations is remained uncertain and requires to be studied deeply.

**The research objective.** The purpose of the article is to substantiate the possibilities of using PPP as an effective tool for financial support in the process of financing agricultural development.

**The statement of basic materials.** The general level and rates of development Ukrainian AIC sphere are determined by macro and microeconomic proportions of the social economic reproduction that forms the corresponding cash flows and the movement of financial resources due to the action of economic laws. The general problem of financial provision of agro-industrial complex is its multidimensional and complexity. State revenues are involved to the investment process by the instrumentality of budget financing and state lending mechanisms, state lending of investment projects, as well as due to the submitting of tax privileges to enterprises. However, the applying instruments are not always effective, and they are generally unviable in conditions of special tax regimes abolition and budget support reduction.

The primary source of financial support for native agribusiness is the funds of a State Budget for the relevant year. The main spending unit is the Ministry of Agrarian Policy and Food of Ukraine. The dynamics of the volume of state expenditures for the agrarian sector Ukraine is shown in Table. 1.

Table 1

**Expenditures of the State Budget of Ukraine for the agrosphere supporting, UAH million**

| Показник  | 2010     | 2011    | 2012    | 2013     | 2014    | 2015   | 2016   |
|---|----------|---------|---------|----------|---------|--------|--------|
| Expenditures on agriculture, forestry and hunting, fish farming   | 7208,307 | 7487,05 | 7486,34 | 7705,119 | 5868,4  | 4214,4 | 4372,8 |
| including General fund  | 3459,2   | 4781,8  | 4561,24 | 4424,9   | 3416,7  | 3092,8 | 2722,0 |
| including Special fund  | 3749,09  | 2705,23 | 2925,1  | 3280,22  | 2451,66 | 1640,1 | 1650,8 |
| Fundamental and Applied Research and Development in the Field of Agriculture, Forestry and Hunting, Fisheries | 485,604  | 519,329 | 1025,58 | 812,818  | 731,125 | 762,3  | 757,0  |
| including General fund  | 338,092  | 341,866 | 780,734 | 546,151  | 489,12  | 348,4  | 336,3  |
| including Special fund  | 147,512  | 177,463 | 244,848 | 266,667  | 242,005 | 413,9  | 420,7  |

Source: [1]

So, Tab. 1 reflects the overall increase of agriculture, forestry, hunting, and fisheries expenditures until 2014. However, the trend towards the general budget expenditures in percentage terms is quite the opposite: the share of costs for agriculture, forestry, hunting and fisheries supporting is reducing annually. Thus, in 2008, the indicated share of expenditures was 4.6%, in 2012 - 2.18%, and in 2016 -

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0.9% only [1]. This situation contradicts the public importance of the industry and does not contribute to its further development. In 2016, transitional conditions for the use by agricultural producers of a special regime for VAT payment were introduced. It is supposed the 15 % preservation in their disposal - for operations with grain and technical crops, 80% - for operations with livestock products, 50% - for other agricultural operations and it was decided to abrogate this transitional provision beginning from January 1, 2017 [2]. In turn, the share of bank lending in Ukraine takes less than 20% of the working capital in agrarian sector, while this share reaches 70% in developed countries. In Ukraine, 64% of agricultural enterprises need long-term loans, 16% have medium-term, and only 10% have short-term loans. At the same time, short-term loans of the agro-industrial complex are provided only by 40% of the needs, and long-term ones by 15% [1].

The total value of investment projects in the agroindustrial complex in the first half of 2017 amounted to about UAH 37 billion, the main financing sources are own funds of enterprises - UAH 27.6 billion (74.7% of the total value). According to the results of the 2017 first half in Ukrainian agricultural sector there were implemented 233 investment projects, 25% of which were directed to the animal husbandry development, 20.6% - to processing and storage of cereals and technical crops. The estimated cost of 9% of agribusiness development projects varies from 100 till 500 million UAH, other projects need financing in the amount of less than 100 million UAH. According to researching the best investment activity was observed in Cherkasy, Poltava (23 projects), Kherson (22 projects) and Kirovohrad (18 projects) regions in this period. The volume of development of capital investments in these regions has reached to 1 billion UAH [1].

Thus, the importance of public-private partnership as one of the leading tools for the development of agro-industrial complex in the context of the national economy is determined by the increase of the efficiency for state property and budget expenditures and by the development of appropriate infrastructure, taking into account interests and active participation of business. Currently, according to State Budget of Ukraine 2018, there are two conditions for the increasing of the budget supporting of small businesses in the agroindustrial complex: the first condition includes the formation of appropriate budget supporting programs and providing of participating for small agribusiness, and another condition supposes the transformation of microbusiness agroindustrial subjects to business entities and their further inclusion to the corresponding registers for budget payments. It should be emphasized that in our time some researchers consider the use of PPP as a tool of funding sources. For example, I. Brailovsky defines PPP as a mechanism of state economic policy, which allows to attract extrabudgetary financial sources as well as intellectual, technological, managerial and other resources of the private sector to solve socially important investment tasks [3, p. 10]. The Law of Ukraine "On the Public-Private Partnership" states that the PPP is "cooperation between the state of Ukraine, the Autonomous Republic of Crimea, territorial communities in the person of the relevant state authorities, local self-government bodies (state partners) and legal entities, except state and communal enterprises, or individual entrepreneurs (private partners) [4]. However, according our opinion, PPP should be considered not only as a form of private sector financing, but as an integration of benefits and interests, the distribution of possible risks and responsibilities during the investment process. Such conception gives us the opportunity for consider that it is more expedient to deem the PPP just as a system of financial cooperation.

The analysis of world experience shows us that there is a tendency for financial interaction based on partnership between the state and business to improve the efficiency of agricultural enterprises. In agriculture it applies to projects that are beneficial to farmers and are important and necessary for the country's food security, but are rather expensive for financing by farmers (realizing research and innovation in agribusiness enterprises). In this case we offer the following priority of project areas (Tab. 2).

It should be noted that the state can take a direct participation in the PPP projects implementation, it regards to performing design, financing, construction, etc. The sources of PPP financing are including: financial resources of private partners, borrowed resources, state and local budgets funds and other sources. According this, we consider it is advisable to agree with I. Zapatrina and T. Lebeda [5, p. 53], they are assured that it is false to consider that PPP projects can be implemented exclusively by private partner resources, even in developed countries the public investment in such

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projects is required. The state support and guarantees are positive aspects of such cooperation, while the banks should become an integral part of the financing process. They have a wide range of interactions including the direct investing, complex of credit schemes, financial advisory services, investment advisory services, etc.

Table 2

### Priority directions of PPP projects in AIC

| Directions of PPP projects of small forms   | Distribution of functions between PPP participants  |  |
|---|---|--|
|   | Participation of the state  | Participation of subjects of small forms of management   |
| 1. Creation of facilities for primary processing of milk, meat, fruits and vegetables | designing and preparing engineering infrastructure;<br>- loans;<br>- government contracts;<br>- Rental of machinery and equipment;<br>- training of personnel | - planning, economic substantiation and control of business processes;<br>- search and attraction of financing;<br>- organization of works on the construction of infrastructure objects;<br>- management of supply of raw materials and materials;<br>- selection and training of personnel;<br>- management of production processes;<br>- organization of sales and promotion of products. |
| 2. Construction of objects of storage and distribution                                |   |  |
| 3. Creation of vegetable-growing farms of closed soil                                 |   |  |
| 4. Development of irrigation ground management.                                       |   |  |
| 5. Creation of family business farms  |   |  |

**Source:** formed by authors based on their own research

The investment component of PPP relations involves the budget support of agro-sector and the direct combination of public financial resources and private investment. For example, native engineering, transport, logistics and social infrastructure of the agrarian market can be developed successfully by the concession. According to the concession model, a private economical entity performs products or provides certain services directly to end - users (the population) and thus receives the right to finance its costs directly by the remuneration or payment for use. Thus, the Law of Ukraine "On the Concessions" (dated 16.07.1999, No. 997-XIV, Article 3) determines the list of state or communal property objects that can be financed by concession grants. It includes objects in such spheres of economic activity as water supply, removal and treatment of sewage, maintenance of functioning of irrigation and drainage systems; construction, reconstruction and operation of inland reclamation systems and individual objects of their engineering infrastructure [6].

The possibility of state financial participation in PPP projects should be based on medium and long-term programmatic planning, the priority areas of which are the following:

- subsidization of agricultural producers' expenses, joint investment and attraction of investments to the authorized capital;
- stimulating of investment activity by tax levers and development of state lending;
- granting of loans guarantees, reimbursement of expenses due to exchange rate fluctuations, effective implementation of government procurement mechanism.

At the same time, for the transformation of public-private partnership financing into the modernization of the Ukrainian agro-industrial complex, for the government it is necessary to form certain preconditions to improve the regulatory framework, create a favorable institutional environment, provide state support and state guarantees to the private sector particularly.

**Conclusions.** In Ukraine, the use of public-private partnerships as an effective tool for financing of native economy strategic sectors is remained at the stage of formation. But according to the world practice in the leading countries of the world PPP is a promising direction for the development of economic relations, including the agro-industrial complex, too.

Thus, the benefits of this financing form are the ability for attraction of additional financial resources, the possibility of funds redistribution of public and private partners to the investment process for development of social infrastructure of rural areas, as well as accelerating for financing of innovation activities and solving problems of budget constraints based on the attracting private financial resources. So, the responsible and transparent applying of public-private partnership financing will be able to ensure a steady economic growth of the of the native agroindustrial complex branches.

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Received for publication 01.03.2018

**Бібліографічний опис для цитування :**

Kosach, I. A. Finances of the public-private partnership as a way of development of ukrainian agroindustrial complex / I. A. Kosach, Zh. P. Lysenko, A. G. Oleksyn // Науковий вісник Полісся. – 2018. - № 2 (14). Ч. – С. 83-87.

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