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**THE TRANSFORMATION
OF THE FINANCIAL MECHANISM
OF THE STATE SUPPORT FOR THE AGRICULTURAL
SECTOR UNDER THE MILITARY INFLUENCE**

The outrunning sustainable development of the agricultural sector is considered as a strategic priority of the economic policy of the majority of countries, which is explained by the need to provide the population with agrifood products of the appropriate range, quality and safety at affordable prices, to achieve food security in the country, to meet the raw material needs of the functioning of other branches of the economy, to form worthy social-economic living conditions of the population and development of rural areas, expansion and growth of the country's export potential [1; 2].

The actualization of issues of overcoming challenges and risks of functioning and sustainable development of the agrarian sector of the economy in the conditions of martial law and post-war recovery require the transformation of the financial mechanism of its state support, taking into account the criteria of strategic direction, priority, consistency, systemic, adaptability, effectiveness and socio-economic efficiency with the aim of rational use of the agrarian potential of the post-war socio-economic recovery [3; 4].

The research of the dynamics of the volume and structure of the state financial support for the agricultural sector of Ukraine in the pre-war and war periods (Fig. 1) shows the trends of its steady decrease in relation to the gross output of agricultural products, the insufficiency of volumes to effectively support the financial and economic stability and competitiveness of national agricultural producers, a low level of the relationship with the strategic priorities of the country's agrarian development and adaptability with other instruments of the state support

for the industry, as well as the imperfection and opacity of the order and mechanisms of its distribution, the insufficient level of support for the segment of agrarian producers in the form of farming enterprises and personal peasant farms.

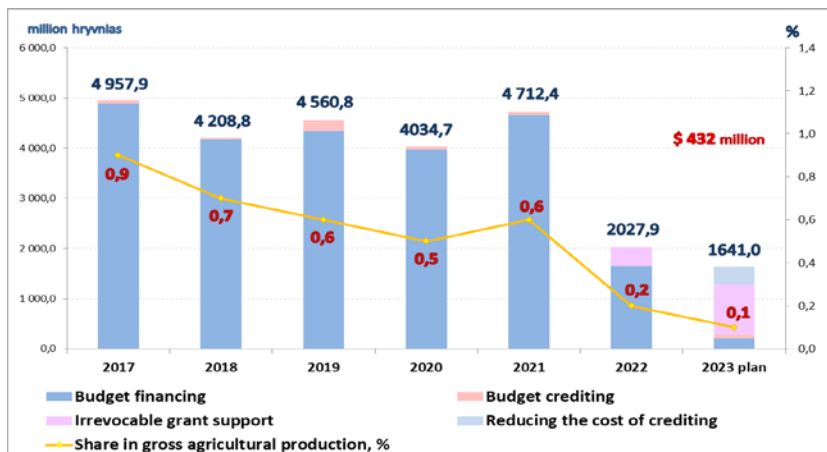


Figure 1. Dynamics of the state financial support for agricultural producers of Ukraine in 2017–2023

Source: based on the data of the State Treasury of Ukraine (<https://www.treasury.gov.ua>), the Ministry of Agrarian Policy and Food of Ukraine (<https://www.minagro.gov.ua>)

Despite the military restrictions on budget revenues and the need for priority financing of the defense complex and the social sphere, a decision was made to restore the direct financial support to the agricultural sector in the form of irrevocable grants for the creation or development of horticulture, berry growing and viticulture, greenhouse farming, and the development of a processing enterprise (grant program «eRobota» through the Diya portal) at the expense of the State Budget Reserve Fund in the amount of 383 million hryvnias (UAH) in 2022 and within the framework of the new budget program "Grants for the creation or development of business" in 2023 in the planned amount of 1 billion UAH [5].

In addition, at the expense of the EU budget aid in 2022, the irreversible financial support was provided to small agricultural producers registered in the State Agrarian Register under the budget program "Support to farms and other producers of agricultural products" in the amount of 1,645 billion UAH. The specified financial aid was provided through the Ukrainian State Farm Support Fund in the form of a budget subsidies per

unit of cultivated agricultural land to farmers cultivating from 1 to 120 hectares (3100 UAH per 1 hectare), the total amount of payments – 1,316 billion UAH, and a special budget dotation for keeping cattle to agricultural producers keeping from 3 to 100 cows (5300 UAH per head), the volume of payments – 329 million UAH. In 2023, it is planned to continue payments per unit of agricultural land and for keeping cattle in the amount of 80 million USD within the framework of the Program of the financial support and preferential lending to agricultural producers before sowing and harvesting-2023 jointly with the World Bank [5].

In addition to the above-mentioned types of the state financial support for agro-industrial producers, in 2023 it is also planned to provide financial guarantees for the credit obligations through the Fund for Partial Guarantee of Loans in Agriculture in the amount of 360 million UAH, the financial support for the development of organizations water users within the framework of the decentralization of management of reclamation systems in the amount of 201 million UAH, the budget crediting to farms in the amount of 80 million UAH.

While reducing the total volume of the state financial support to the agricultural sector of Ukraine in 2022-2023, the mechanisms for its provision are simultaneously being modernized in the direction of the active involvement and usage of international financial aid, as well as a gradual transition from direct program budget funding to the usage of grant support tools for the creation and development of agricultural micro, small and medium enterprises conditions for their achievement of a certain economic criteria, budget crediting, reducing the cost of crediting (State program "Available credits 5-7-9%", State program "Available financial leasing 5-7-9%"), the stimulation of the development of the credit support for an agrarian business through the creation of the Fund partial guarantee of credits in the agriculture.

Among important directions of the transformation of the financial mechanism of the state support for the development of agro-industrial production of Ukraine under the military influence, the following should be highlighted:

- strengthening the strategic direction and effectiveness of the state financial support for the agricultural sector by expanding the time range of management of the sector, developing long-term forecasts and medium-term plans for the development of agricultural sectors and the peculiarities of their state financial support in the conditions of post-war development;
- modernization of the mechanism of the state support for agricultural production in the direction of a rational combination of its state and

international financial support, as well as achieving systemic and dynamic adaptability of the use of its fiscal and monetary instruments in the context of post-war restrictions on budget revenues and the need for priority state funding of defense and social expenditures;

- scientific substantiation of the prioritization of sectorial and program areas of state financial support for the agricultural sector, including mechanisms and tools for its provision, expected results, based on a retrospective assessment and forecasting of its impact on indicators of the functioning of agrarian industries, achievement of target indicative indicators of their development, fulfillment of strategic goals and objectives agrarian and rural development of the country;

- increasing the economy and efficiency of the use of budget funds for the development of the agricultural sector on the basis of strategic program-target budget management, taking into account the criteria of priority, effectiveness and socio-economic efficiency of program measures; improvement of the formation of passports of agrarian budget programs and the methodology of determining their effectiveness indicators within the framework of medium-term budget planning;

- increasing the share of local budgets in the structure of state financial support for agrarian and rural development of the country in accordance with European standards;

- increasing the availability of state financial support for agricultural producers by digitizing and automating the processes of its provision, ensuring its orientation to the segment of micro, small and medium-sized agricultural enterprises to prevent the monopolization of agricultural production and the market, supporting regional and rural development;

- the transition to more flexible instruments of financial support depending on the priority of industry areas, the level of efficiency of economic activity, the achievement of a certain economic criteria (grant, budget subsidies and dotation);

- the shift of an emphasis from budget financing of the state support to agricultural producers to their budget crediting in the conditions of post-war budget resource limitations;

- stimulating the further development of digitization and automation of state management processes, including through the digital platform of the State Agrarian Register, which will create the prerequisites for reducing the share of management costs in the budgetary support for the functioning of the agricultural sector, as well as contribute to savings and increasing the efficiency of the use of budget funds for the development of the agricultural sector;

- achieving a rational combination of fiscal and stimulating functions of tax-customs regulation of national agro-industrial production, based on strategic sectorial priorities, requirements for the implementation of provisions of the EU Directives on common tax policy and taking into account the need to support the profitability, productivity and competitiveness of domestic agricultural producers in the conditions of European integration processes;

- the effective state support for the development of the credit provision and cheaper crediting of the agrarian business, the creation of favorable institutional prerequisites for the transformation of the agrarian sector into an investment-attractive industry and the stimulation of the involvement of private, foreign investment and credit resources in its development;

- the financial provision of institutional prerequisites for the effective use of available financial aid for candidate countries from EU pre-accession funds, including the Instrument for Pre-Accession, the Regional Development Fund (ERDF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), through the provision of production grants, investments and technical assistance;

- the state financial support for the development of agricultural insurance and its institutional support in order to stimulate growth and reduce the risks of the agrarian business in the conditions of post-war recovery;

- ensuring the differentiation of instruments, mechanisms and volumes of the state financial support for agro-industrial producers of certain territories depending on the coverage of military actions and the level of destruction (freed territories, de-occupied territories, near-front territories, front lines, combat zones), in particular, the introduction of preferential taxation, a priority regime of financial support and budgetary financing of infrastructure reconstruction;

- the state financial support for the processes of creating a favorable institutional environment, regional infrastructural prerequisites for the effective functioning of the agricultural sector and the formation of a competitive market environment, which will stimulate national agricultural producers to maximally realize their internal potential for increasing competitiveness;

- the state financial stimulation of the modernization of the material and technical base and the introduction of advanced technologies in order to increase the productivity and profitability of national agro-industrial

production to the level of advanced global indicators for successful integration into the European economic space;

– the improvement of state financial support of activities related to control over the quality and safety of agro-food products, protection of the rights of its consumers in accordance with European standards.

The achieving of systemic and dynamic adaptability of the use of fiscal and monetary instruments of the state financial support for the development of the agrarian sector of the Ukrainian economy in the conditions of timely modernization of the institutional environment of its functioning will create prerequisites for the rational use of agrarian production and export potential for socio-economic growth, sustainable development of rural areas, ensuring national and solution issues of global food security in the medium and long term.

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