

**Leonid Tulush, Candidate of Economic Sciences,
Senior Research Fellow, Department Head**
*National Scientific Centre «Institute of Agrarian Economics»
Kyiv, Ukraine*

**Olha Samoshkina, Candidate of Economic Sciences,
Senior Research Officer**
*National Scientific Centre «Institute of Agrarian Economics»
Kyiv, Ukraine*

DOI: <https://doi.org/10.30525/978-9934-26-447-4-17>

DEVELOPMENT OF TOOLS FOR FISCAL STIMULATION OF UKRAINE'S AGRICULTURAL PRODUCTION DURING THE WAR PERIOD

The decisive influence of the agricultural sector on the pre-war dynamics of the socio-economic development of Ukraine and its rural areas, as well as its key role in guaranteeing the country's food security and maintaining the stability of the national economy during the war period, prove its strategic priority and significant internal potential for preserving and further increasing the volume of production and export activity in the conditions of wartime risks and challenges of post-war recovery.

Fiscal policy acts as the main instrument of the state's influence on the development of the agricultural sector, as it substantiates the peculiarities of the formation and directions of the use of budget funds for the development of the industry on the basis of the defined goals and priorities of the country's agrarian and rural development, taking into account the requirements for the effective achievement of the planned sectoral and socio-economic results [1]. Taking into account the importance of supporting the financial stability of Ukrainian agricultural producers during the war period in order to ensure the uninterrupted production of agricultural products and prevent threats to national food security, supporting agricultural production as a key factor in the stability of the national economy, stimulating employment and incomes of the population, guaranteeing the state's contribution to ensuring global food security, the Government of Ukraine has significantly expanded the directions and tools of state financial support for farmers in 2024 compared to 2022–2023 (Figure 1).

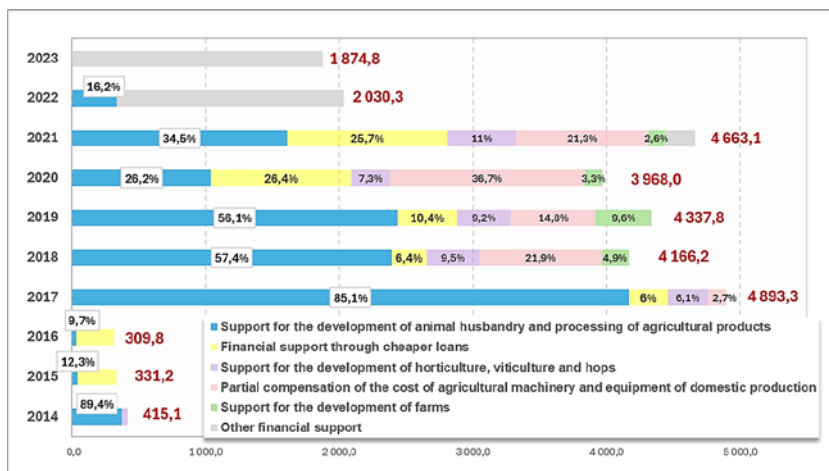


Figure 1. Dynamics of the volume and structure of budgetary support for Ukraine's agricultural producers in 2014–2023, UAH million (%)

Source: based on the data [2;3]

The list of ways of *direct non-refundable state financial support of agricultural producers* registered in the State Agrarian Register has been expanded, and the level of corresponding payments has been increased. The planned amount of budget funds under this support program for 2024 is UAH 796 million, which can be directed by farmers to cover the costs of fieldwork, payment for consumed electricity and veterinary services, the purchase of fuel, plant protection products, veterinary drugs, feed, seeds, fertilizers, maintenance of cows, mother stock of sheep and/or goats.

In particular, budget funds will be provided in the following directions and in the following amount:

- budget subsidy for 1 hectare to farmers who cultivate up to 120 hectares of agricultural land of destination; the amount has been increased from UAH 3100 in 2022 to UAH 4000 per hectare;
- separate budget subsidy per 1 hectare for farmers from de-occupied territories and those territories where hostilities have ended; the amount of support – UAH 8000 per hectare;
- special budget subsidy for keeping cattle (cows) of all productivity areas for farmers keeping from 3 to 100 heads; the amount has been increased from UAH 5300 in 2022 to UAH 7000 per head;

– special budget subsidy for the maintenance of the mother stock of goats and/or sheep for farmers keeping from 5 to 500 heads; the amount of support is UAH 2000 per head.

The key direction of state support for the industry during the war period is still *the active state stimulation of credit support for the activities of agricultural producers and their preferential lending* with the participation of the state using the mechanism of compensation (subsidization) by the state of part of the interest rate on loans depending on the number of new jobs created and the provision of state guarantees for the performance of credit obligations. In particular, *the state program "Affordable Loans 5-7-9%"* continues to operate, under the terms of which agricultural producers can receive a loan at reduced interest rates of up to UAH 90 million, and agro-industrial enterprises – up to UAH 150 million, with a loan term for investment purposes of up to 10 years. In addition, mechanisms for additional compensation by the state for the riskiness of the activity have been introduced for enterprises operating in de-occupied territories and territories subject to hostilities, in particular, compensation of interest rates for investment purposes up to the levels of 1% for the first two years and 5% from the following year, 3% for working capital financing, increasing the credit limit from UAH 90 to 150 million, increasing the term of lending for investment purposes to 10 years. The volume of credit resources has raised by agricultural producers under the State program "Affordable Loans 5-7-9%" since the beginning of the current year amounts to 16 billion hryvnias.

Moreover, last year, new state programs "Affordable Financial Leasing 5-7-9%" and "Affordable factoring" were launched and their spread in de-occupied, affected and areas close to hostilities is being stimulated. According to the *"Affordable Financial Leasing 5-7-9%"* program, agricultural producers can use machinery, equipment, and vehicles for commercial and industrial purposes at reduced interest rates. In the current year, under this program, agricultural producers concluded contracts worth 1.5 billion hryvnias. The state program *"Affordable Factoring"* (lending against receivables) aims to create prerequisites for meeting the working capital needs of micro, small, and medium-sized agricultural enterprises and improving their liquidity through quick access to financing and reducing the risks of non-payment by counterparties. According to the terms of the program, the maximum financing limit for the counterparty will be 95% of the amount of the claim or up to UAH 150 million, taking into account the support

received under the state lending and leasing programs of 5-7-9%, the maximum period of using factoring financing is 360 days, the state will compensate the payment costs the factor's basic remuneration to the level of 13% per annum.

Furthermore, in the current year, *the Fund for Partial Guarantee of Credits in Agriculture* with a charter capital of almost UAH 400 million of budget funds has become operational, which will provide guarantees in the amount of up to 50% of the credit obligations of individual agribusinesses, micro, small and medium-sized agricultural producers with land plots of up to 500 ha for up to 10 years. Therefore, agricultural entrepreneurs who cultivate up to 500 hectares can receive a guarantee for credit obligations through the fund and thus reduce the collateral for the loan by half. According to the fund's estimates, 17700 small Ukrainian farmers can potentially use this support tool to purchase agricultural land, machinery, and equipment for agricultural production.

Another direction of state financial support for agricultural producers in 2024 is *the restoration of the program of partial compensation for the cost of agricultural machinery and equipment of domestic production*, which had already been functioning in the pre-war years 2017–2021. Farmers will be able to receive compensation from the state in the amount of 25% of the cost of purchased equipment from specified Ukrainian manufacturers. UAH 1 billion has been earmarked for the implementation of this program in the state budget, which, according to preliminary calculations, will allow to satisfy the applications of about 4000 farmers.

In May of this year, the Government has launched the procedure of *partial state compensation to farmers for the costs of demining agricultural lands* to maintain stability and restore agricultural production in the territories where hostilities have ended and in the de-occupied territories. This instrument of financial support provides partial state compensation of the cost of demining services for farmers whose land has already been demined by certified mine action operators in the period from February 24, 2022, to April 15, 2024, as well as for farmers who are only planning to start demining their agricultural plots or employed as tenants. UAH 3 billion has been allocated for these needs in the 2024 budget, and the state will compensate 80% of the cost of demining.

In 2024, the practice of contributing financial support to agricultural producers by providing *non-refundable grants for the creation or development of horticulture, berry growing and viticulture, greenhouse*

farming, the development of a processing enterprise on the condition that new jobs are created, and assistance in filling the revenue part of the budget through the payment of taxes in the amount of the received grants will continue. The amount of grants for the development of gardens is up to UAH 7 million, greenhouses are up to UAH 10 million, and state support is provided in the amount of no more than 70% of the project cost. After the approval of the project, financial funds are sent to agricultural producers within a month.

The program of *financial support for agricultural producers who use reclaimed land and water user organizations* continues to operate, which provides for compensation of up to 50% of the cost of restoration and construction of reclamation systems, in particular, the laying of pipes, drainage, sprinkler equipment. In the state budget for 2024, 200 million hryvnias are provided for the goal.

In 2024, new state support programs for Ukrainian producers will also be introduced, which can also be used by representatives of the agricultural industry:

- provision of state support for the implementation of investment projects – UAH 3 billion;
- support of internal demand for domestic goods and services – UAH 3 billion;
- provision of state guarantees for compensation of damage caused as a result of armed aggression of the Russian Federation to the owners of sea vessels and inland navigation vessels – up to UAH 2 billion;
- state stimulation of industrial parks, in particular in the food industry, processing of agricultural products, production of compound feed, ecological fertilizers – UAH 1 billion.

It is also important to effectively implement the Strategic Plan for the Recovery, Reconstruction, and Modernization of Ukraine (*Ukraine Plan*) in the "New Agrarian Policy" part, the approval of which is a necessary condition for receiving financial assistance from the EU budget in 2024–2027 through the Ukraine Facility, which, in its turn, will act as a catalyst for accelerating Ukraine's accession to the European Union after it acquired the status of a candidate for membership on June 23, 2022. The sectoral development strategy of Ukraine Plan defines the agro-food sector as a key industry of national importance and global potential, the growth of which will ensure comprehensive development of the economy and activate related industries. This will require the concentration of investment resources and government efforts to stimulate the sustainable development of

agro-food production, increase its competitiveness and productivity, facilitate adaptation to European standards, ensure the quality and safety of food products as well as increase the level of environmental friendliness of production processes [1; 4].

There is a significant expansion of the directions and instruments of state financial support for agricultural producers in 2024 compared to 2022–2023 in the conditions of the functioning of the wartime budget with the priority funding of defence expenditures, social protection of the population and limited opportunities for budgetary stimulation of economic development. The declared amounts of state financial support for farmers will generally be sufficient to support the financial stability of domestic agricultural production and its partial recovery in the affected territories, but under the condition of ensuring the fulfilment of the planned amounts of the revenue part of the state budget and the timely receipt of international financial aid.

References:

1. Development of the agricultural sector and rural areas in the conditions of martial law and post-war reconstruction: scientific report / [Y.O. Lupenko, O.M. Nechiporenko, M.I. Pugachev, etc.]. K.: NSC "IAE", 2023. 224 p. [in Ukrainian].
2. Official website of the Ministry of Agrarian Policy and Food of Ukraine. Available at: <https://www.minagro.gov.ua> (access date: 22.05.2024).
3. Official website of the Ministry of Finance of Ukraine. Available at: <https://www.mof.gov.ua> (access date: 22.05.2024).
4. Samoshkina O. (2024) Modification of budgetary support for agroindustrial producers in the conditions of post-war development of Ukraine's economy. *Transformation processes of the economic system in the context of modern challenges*: International scientific conference (Klaipeda University, Klaipeda, Lithuania, February 2–3, 2024). Riga, Latvia: "Baltija Publishing", pp. 139–143.