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## **THE FORMATION OF THE SYSTEM OF FINANCIAL INSTRUMENTS FOR SUPPORTING PARTNERSHIP INTERACTIONS OF THE STATE AND BUSINESS**

Successful development of public-private partnership (hereinafter – PPP) in Ukraine is not possible without stimulation of these processes by the state. One of the widely used opportunities in the world for such incentives is budget support and the provision of government guarantees. Both of these state incentives are envisaged by the Law of Ukraine «On Public-Private Partnership» [1].

The issue of improving budget support is one of the priorities in shaping Ukraine's financial policy and is extremely relevant at the current stage of state development.

If we compare the budget support for the economy in Ukraine and the European Union (hereinafter – the EU), at first glance, we have a great potential in this area, since our country uses much more of the budget's possibilities to support the economy. But the problem is different. While in the EU countries almost all budget support is provided in the form of horizontal assistance, in Ukraine the situation is the opposite – the lion's share of budget support is selective (98%) and mainly channeled to the coal industry (75.1%).

The analysis of the structure of state support in Ukraine by type in recent years, and especially in the pre-crisis years, showed that Ukraine spends almost no money on environmental protection, regional development, staff training, employment

assistance, culture. At the same time, strong support is provided to the coal industry, energy and engineering companies. That is all the opposite – the state provides powerful financial assistance in the implementation of self-supporting projects (except for the coal industry), and does not spend money on environmental protection, education, entrepreneurship development, regional development, implementation of socially significant infrastructure projects, which largely determine the conditions of the living conditions and future generations and are not always profitable in the medium term.

With regard to the coal industry, it is certainly not possible to throw it on the affordability ground. At the same time, it is necessary to carefully determine the directions of budget support in this area and to analyze the consequences it will cause. Now the situation in the industry is constantly worsening, the need for funding is increasing, there is no incentive for the development of enterprises and industry.

Therefore, such principles and amounts of budget support cannot meet the needs of the country for infrastructure development, so spreading the PPP ideology and involving foreign investors in such partnership requires a substantial revision of budget support principles in Ukraine.

Despite the fact that the Law of Ukraine «On Public-Private Partnership» is one of the means of state support for the implementation of PPP projects, the state guarantees have been provided, the use of this tool for the implementation of such projects in our country is extremely limited and in some cases (for sites communal property) and impossible at all.

In particular, the new Budget Code [2] contains such problematic provisions that need to be addressed.

Its new version of the Budget Code introduced a ban on providing guarantees to businesses that finance debt at the expense of budget revenues. This provision substantially limits the scope for PPP projects. Under the conditions existing in Ukraine, especially in housing and communal services and transport, one cannot count on participation in the development of communal infrastructure of private partners without the involvement of state and municipal guarantees, on the one hand, and the attraction of state and local budgets, on the other. In addition, this creates a

situation where businesses lose sense of attracting cheap credit from international financial institutions, since they are deprived of the opportunity to raise funds from the state and local budgets provided for by national and state target programs for the implementation of these projects.

According to the new version of the Budget Code guarantees are provided only on terms of payment, timeliness, property guarantees received from other entities. The obligation to pay when receiving guarantees in prevailing markets (such as the housing and communal services market) is unacceptable for businesses implementing utility infrastructure modernization projects, as it increases the financial burden on households as a result of tariff increases. Critical to the implementation of such projects is the provision of the Code that the loans of municipal companies under the guarantee of cities or under state guarantees should be backed by back guarantees and collateral of assets. This will significantly complicate the process of obtaining guarantees, will increase its term, significantly increase the cost of raising funds, and in many cases, in general, will make impossible the implementation of projects for the development of municipal infrastructure.

The legislation does not provide for the possibility of obtaining state and local guarantees for infrastructure projects implemented by municipal enterprises of regional subordination, that is, for the most financially powerful enterprises.

Against this background, the use of state support mechanisms requires amendments to the Budget Code of Ukraine and lower-level legal acts. The latter need to be amended to simplify the procedures for obtaining guarantees, reducing the number and establishing an exhaustive list of documents required to consider obtaining state guarantees for the implementation of projects for the modernization of municipal infrastructure; as well as defining mechanisms for obtaining state guarantees for the implementation of municipal infrastructure modernization projects by utility companies, which are under the control of regional councils, etc.

Important in forming a system of public support for the development of public-private partnerships is to determine the amount of funds that the state can spend on such support, in particular, for state capital investments, the level of which today does not meet the needs of the economy and social sphere.

In this regard, an important element in the development of the budget support system is the optimization of expenditures of the state and local budgets, the increase of investment expenditures, the prioritization of projects at the national level and the introduction of long-term budgetary planning.

## **REFERENCES**

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