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## **SUPPORT MECHANISMS FOR THE AGRO-INDUSTRIAL COMPLEX AND BUDGETARY REGULATION IN MILITARY CONDITIONS: REALITY**

One of the main segments of public administration is the budget component, which is the financial embodiment of the national policy. Fiscal security is in the coordinates of hybrid threats to the financial system.

Under the conditions of military aggression of the Russian Federation, the subjects of the Ukrainian economy are experiencing a shortage of resources. Such a shortage of resources is a consequence of the destruction, cessation or decline in business activity of enterprises, forced relocation, loss of human, physical and financial capital, reduction in the activity of market institutions, deterioration of the investment climate, destruction of communications.

The financial market is the main intermediary in the processes of movement of financial resources, which is served by a large number of instruments that formalize and accelerate the turnover of capital; therefore, by areas of the financial system, they can be divided into instruments of the state, municipal finance and financial market sectors. The first group includes monetary, budgetary, tax, state and financial market instruments. The second group covers municipal borrowing, third party loan guarantees, tax and budget instruments. Credit instruments and securities belong to the third group.

The pre-war practice of managing the financial stability of Ukraine was based on the mutually agreed application of tools to ensure the operation of individual sectors (monetary, budgetary, tax), as well as policy directions (debt, currency, exchange rates, etc.). Due to the fact that the Strategy for the Development of the Financial Sector of Ukraine until 2025 (Strategy, 2022) does not take into account the scale of instability that occurred as a result of the war, as part of updating the methodology for supporting the financial stability of Ukraine, the National Bank (hereinafter referred

to as the NBU) adopted the updated Fundamentals of Monetary Policy for the period of martial law (NBU, Basic Principles, 2022), which summarizes the strategic course of regulators.

The government has also adopted a number of regulatory documents to support farmers due to the partial guarantee of loans from commercial banks for the sowing campaign; cancellation of additional procedures for certification of seed material; permission to operate agricultural machinery without their registration for the period of martial law; reduction of VAT on fuel; expansion of the list of goods of critical import; provision of humanitarian assistance in terms of fixed and working capital; expansion of logistics capabilities, etc.

Currently, the development and search for options for expanding the financial and material support of agricultural producers are ongoing.

According to the analysis of the legislative field, financial instruments to support the agricultural sector under martial law can be conditionally divided into blocks: direct support of the industry through budget financing; organizational and regulatory support to preserve the structure of the industry and its horizontal-vertical links. The basis for the formation of financial conditions for ensuring food security is the Decree of the President of Ukraine No. 64/2022 On the introduction of martial law in Ukraine, where clause 4, par. 2, it is envisaged to provide funding and take other measures related to the introduction of martial law within the limits of authority.

Based on the fact that the classical definition of the term "financial instrument" is a product of the financial market, in the form of a contract or agreement and used to raise financial resources by one party and receive profit and / or economic benefit - by another (IFRS 9), not all of the listed categories government support are strictly financial instruments.

Agricultural sector support mechanisms that have a financial component include the Budget Process, Taxation, Funding from the State Budget, Lending, Agricultural Insurance.

According to the review of state support for the agricultural sector by the relevant ministry (Minagro, 2022; Review, 2021), the support portfolio for 2014-2022 is dominated by support at the expense of tax benefits.

These benefits are estimated as the difference between the potential and actual tax burden of enterprises in the agricultural sector, resulting from the special single tax regime of the 4th group of the simplified taxation system. Until 2017, the biggest source of tax benefits for farmers was the special VAT regime. The level of budget support is estimated according to the functional expenditures of the state budget for the industry, and price support, regulated by the state until 2017, is estimated according to the OECD methodology (OECD, 2022).

In the first months of the war, the state financial system of Ukraine actually abandoned such a source of income as taxes and contributions. The government comprehensively promoted the support of business under martial law. The package of measures aimed at helping business entities included: reducing the percentage or cancelling the payment of ERUs for certain categories of citizens; tax deferral for small and medium-sized businesses; the abolition of all measures of market and consumer supervision on all issues, except for price regulation and price control; establishment of a moratorium on business inspections, etc. (Funding, 2022). For the agricultural sector, these measures were also embodied in additional legislation.

Thus, according to the National Bank of Ukraine (NBU, 2022), budget revenues decreased, in particular, due to preferential taxation of imports, while expenditures increased significantly, primarily for military needs and social programs. In January-June 2022, revenues (balance) to the consolidated budget amount to UAH 526.1 billion, which is 16.1% more than last year. At the same time, the government's monthly financial needs are estimated at about \$5 billion.

According to the analysis of the Ministry of Finance (Information on fiscal risks, 2022), the payers of the third group of the single tax can now be individual entrepreneurs and legal entities without restrictions on the number of persons in labour relations with them with an income of up to UAH 10 billion (previously 7.6 million UAH).

Budget financing was a capacious volume in the structure of the “support portfolio” of the agricultural sector, but its volume directly depends on the possibilities of the State budget. Since 2017, funding has been almost stable - about UAH 12 billion per year. However, these funds, even fully allocated in 2022, are not significant for the industry, compared to its already incurred losses as a result of military operations.

The activities of the Ministry of Agrarian Policy are focused on lending under state guarantees, establishing logistics routes for the sale of agricultural products, as well as simplifying the preparation of all documentation as much as possible. In addition, during martial law, an agrarian platform was launched to collect the actual needs of farmers for sowing in real time: <https://agrostatus.org>; an online platform was created to improve the logistics routes of farmers under martial law: <https://prodsafety.org> (Minagro, 2022).

Agricultural insurance also received a boost, the Law of Ukraine No. 5104 was adopted, which amends the Tax Code and regulates relations related to the insurance of agricultural products with state support. The tax rate on income under insurance contracts for agricultural products is increased by 0.5 percentage points to 3.5% in order to further channel these funds to support insurance of agricultural products.

Thus, the fiscal regulation of the development of the agro-food sector of Ukraine under martial law is focused on the fact that the government has introduced tools to support farmers through tax easing, budgetary and international financial support, insurance, partial guarantees of loans from commercial banks; cancellation of additional licensing procedures; expansion of the list of goods of critical import; provision of humanitarian assistance in terms of fixed and working capital; targeted support for individual industries, farms, value chains, expansion of logistics capabilities, etc.

Financial instruments of state support for the agricultural sector of the Ukrainian economy should solve the problems of stabilization and growth of agricultural investment in the war and post-war periods. Effective policy implementation requires the coordinated work of the involved branches of government and proper regulatory

support in terms of taxation, credit, insurance, income support, marketing, export and security at all levels.

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## **УПРАВЛІННЯ ВИРОБНИЧИМИ РИЗИКАМИ МОЛОКОПЕРЕРОБНИХ ПІДПРИЄМСТВ КИЇВСЬКОЇ ОБЛАСТІ**

Аналіз економічного потенціалу і фінансової стійкості конкретного підприємства молокопродуктового підкомплексу АПК Київської області дозволяє більш ґрунтовно підійти до визначення ризику та його оцінки. Отже доцільно проаналізувати функціонування процесу молокопереробки на конкретних підприємствах області. З метою систематизації прояву ризиків у виробничій діяльності молокопереробних підприємств розглянемо процес виробництва і реалізації молочної продукції.

Розглядаючи цей процес, ми встановили, що в ході його виникають фінансово-товарні потоки між товаровиробниками сировини та переробним підприємством, а також молокопереробною структурою і організаціями реалізації готової продукції. Процес виробництва готової продукції об'єднує два види діяльності – зберігання і переробка продукції. В результаті проведеного аналізу ми визначили наступні фактори ризику:

1) втрати при зберіганні – перебої із електропостачанням; непристосованість приміщень для зберігання; поломка обладнання; неякісна первинна обробка; недотримання умов правильного зберігання;

2) втрати при переробці – порушення технології виробництва готової продукції; збільшення проценту браку; поломка обладнання; перебої в