

DOI: [https://doi.org/10.30970/fp.3\(47\).2022.061314](https://doi.org/10.30970/fp.3(47).2022.061314)

JEL Classification: G32, G38, H54

FORMATION OF FINANCIAL RESERVES IN THE CONTEXT OF PROVIDING GUARANTEED BUDGET SUPPORT OF PUBLIC-PRIVATE PARTNERSHIP PROJECTS

SHULIUK Bohdana*PhD in Economics, Associate Professor,**Doctoral student of the Department of Finance named after S.I. Yuriy,**West Ukrainian National University**ORCID ID: <https://orcid.org/0000-0001-8692-1983>*

Abstract. *The article substantiates the need for budgetary support of public-private partnership projects. A low level of providing this support in domestic practice has been established, which is associated with the imperfection of budget legislation and the instability of economic development. In order to change the direction of state-legal relations from a restrictive to a stimulating one, measures are proposed regarding the formation of state financial reserves, which will make it possible to increase the confidence of investors, creditors and citizens in the implementation of joint projects with state authorities.*

Keywords: *public-private partnership, projects, financial reserves, budget support, guarantee obligations, goals of partnership participants.*

In the conditions of a constant deficit of budget funds, Ukraine deepens relations with business entities with the aim of restoring infrastructure facilities. The financial participation of the state or local self-government bodies in partnership infrastructure projects with business involves an optimal ratio of public and private financial resources. After all, insufficient state funding leads to the ineffectiveness of the project as a whole or its incompleteness due to the transfer of too large a level of financial risks to a private partner. In order to realize the social goals of the project and ensure the profitability of the investor, it is necessary to provide for guarantee financial reserves in case of impossibility of fulfilling the tasks. In particular, it is

necessary to create as part of the state budget a Fund for budgetary support for the implementation of public-private partnership projects (hereinafter – PPP), the main functions of which should be: guarantee-compensation, credit-security and investment.

The main tool for minimizing possible losses in fulfilling the financial obligations of the state partner is effective budget planning and forecasting of expenses for budgetary support of PPP projects. In domestic practice, medium-term budget planning does not allow determining the amount of budget support for a long period. At the same time, without the state partner making long-term financial commitments, the success rate of implementing PPP

projects decreases. Therefore, we believe that to solve this problem it is necessary:

1) in the Law of Ukraine «On Public-Private Partnership» determine the list of industries in the order of priority, which require the implementation of partnership projects of the state and business;

2) in the same legislative act, establish provisions regarding the amount of budgetary support for the implementation of PPP projects in each industry within the defined general limits;

3) in order to fulfill the long-term financial commitments made by the state partner, it is necessary to create the mentioned Fund for budgetary support for the implementation of PPP projects and to ensure the formation of the income part at first at the expense of budget funds, and in the future, in order to save budget funds, to carry out a gradual transition from budgetary

sources to sponsoring private capital and generated income from project implementation.

In addition to comprehensive budgetary support, it is advisable to carry out financial risk insurance. Therefore, an integral participant in the process of implementation of PPP projects should be an insurance company, which for a certain fee, assuming a part of the investment or credit risks, can provide insurance services or directly participate in the financing of PPP projects. The development of the insurance segment in the structure of the PPP financial mechanism enables authorities, on the one hand, to cooperate with a reliable investor - an insurance company, and on the other hand – to eliminate financial risks arising in the process of financing PPP projects.

References

1. Bilovodska, O. A. (2016). Ekonomichni vidnosyny v rehionalnykh systemakh upravlinnia: derzhavno-pryvatne partnerstvo [Economic relations in regional management systems: public-private partnership]. *Mekhanizm rehuliuвання ekonomiky – Mechanism of economic regulation*, 1, 97–105 [in Ukrainian].

2. Zapatrina, I. & Lebeda, T. (2011). Derzhavno-pryvatne partnerstvo yak faktor ekonomichnoho zrostantia ta problemy yoho rozvytku v Ukraini [Public-private partnership as a factor of economic growth and problems of its development in Ukraine]. *Ekonomist – Economist*, 3, 52–58 [in Ukrainian].

3. Zakharina, O. V., Khodakivskyi, Ye. I. & Yakobchuk, V. P. (2020). Eksplikatsiia poniattia «derzhavno-pryvatne partnerstvo» v teorii publichnoho upravlinnia [Explication of the concept of «public-private partnership» in the theory of public administration]. *Naukovi horyzonty – Scientific horizons*, 3 (88), 26–33 [in Ukrainian].

4. Kruhlov, V. V. (2019). Rozvytok derzhavno-pryvatnoho partnerstva v Ukraini: mekhanizmy derzhavnoho rehuliuвання: monohrafiia [Development of public-private partnership in Ukraine: mechanisms of state regulation: monograph]. Kharkiv: HarRI NADU «Master», 252 [in Ukrainian].

5. Pavliuk, K. V. & Pavliuk, S. M. (2010). Sutnist i rol derzhavno-pryvatnoho partnerstva v sotsialno-ekonomichnomu rozvytku derzhavy [The essence and role of public-private partnership in the socio-economic development of the state]. *Naukovi*

pratsi KNTU. Ekonomichni nauky – Scientific works of KNTU. Economic sciences, 17, 10–19 [in Ukrainian].

6. Babiak, N. D. & Nahorni, Ye. O. (2017). Perspektyvni napriamy finansuvannia proektiv derzhavno-pryvatnoho partnerstva v Ukraini [Promising directions of financing public-private partnership projects in Ukraine]. *Visnyk ONU imeni I. I. Mechnykova – Bulletin of I. I. Mechnikov ONU*, 22, 5 (58), 158–162 [in Ukrainian].

7. Kachula, S. V. (2018). Vdoskonalennia derzhavnoi finansovoi polityky pidtrymky publichno-pryvatnoho partnerstva yak instrumentu sotsialnoho rozvytku [Improvement of the state financial policy of public-private partnership support as a tool of social development]. *Ekonomichni visnyk universytetu – Economic Bulletin of the University*, 36/1, 293–301 [in Ukrainian].

8. Ovcharova, N. V. (2014). Rol biudzhethnoho zabezpechennia derzhavnoi pidtrymky proektiv derzhavno-pryvatnoho partnerstva v sotsialnii sferi ta problemy yoho rozvytku. Stan ta perspektyvy rozvytku ekonomiky Ukrainy v umovakh hlobalizatsii: teoriia ta praktyka. Ch. I: monohrafiia [The role of budgetary provision of state support for public-private partnership projects in the social sphere and problems of its development. State and prospects of the development of the economy of Ukraine in the conditions of globalization: theory and practice. P. I: monograph]. Uman: «Vizavy». Retrieved from: https://essuir.sumdu.edu.ua/bitstream/123456789/50086/8/Ovcharova_Rol_biudzhethnoho_zabezpechennia.pdf [in Ukrainian].

9. Gerardo Reyes-Tagle, Oscar Ponce de León, Luiz Eduardo T. Brandão, Adilio Celle, Izabel Dompieri, Jose Grijalva, Cynthia Martins Vieira, Andres Rebollo & Bruno Ventim (2021). Fiscal Impact of PPPs in Latin America and the Caribbean, 2021. Retrieved from: <https://publications.iadb.org/publications/english/document/Fiscal-Impact-of-PPPs-in-Latin-America-and-the-Caribbean.pdf> [in English].

10. Zapatrina, I. V. (2018). Kerivnytstvo «Posylennia roli biznesu v dosiahnenni TsSR v Ukraïni» v ramkakh proektu PROON/GIZ «Pidtrymka realizatsii Tsilei staloho rozvytku v Ukraini» [Guide «Strengthening the role of business in achieving the SDGs in Ukraine» within the framework of the PROON/GIZ project «Supporting the implementation of the Sustainable Development Goals in Ukraine»]. Kyiv, 70 [in Ukrainian].