



UDC 336.132.338.43

Impact of Martial Law on Development Financial Mechanism of the Agricultural Sector of Ukraine

Oksana Radchenko^{*}, Dmytro Strykhovskiy¹, Serhii Leontovych²

¹National Scientific Center "Institute of Agrarian Economy"
03127, 10 Heroiv Oborony Str., Kyiv, Ukraine

²National Defence University of Ukraine named after Ivan Cherniakhovskiy
03049, 28 Povitroflotskyi Ave., Kyiv, Ukraine

► **Abstract.** Martial law and hostilities on the territory of Ukraine have an unprecedented devastating impact on the national economy. There is a restructuring of management and financial regulation to preserve statehood and security. The purpose of the article is to summarize the state of the financial mechanism in the agrarian sector of Ukraine, primarily on the example of its budgetary instruments, in a war economy. A monographic method was used to review scientific publications and the regulatory framework, system analysis and synthesis to display the dynamics of indicators for the object of study. The methodological foundations of the functioning of the financial mechanism of the agricultural sector are summarized through its structural levels, strategy and tactics, methods, levers and tools. The definition of the categories of the financial mechanism, financial instruments of the financial and agricultural markets has been clarified, their connection with agricultural policy has been highlighted. The structure of the regulatory field, according to which the financial mechanism of agrarian policy is regulated under martial law, is determined. The state of the financial market of Ukraine, the structure and volume of its resources for the period of conducting the hybrid military aggression of the Russian Federation are analyzed. The state of the financial mechanism of the agricultural sector in 2013-2022 is highlighted. for financial instruments and components of budget support, lending, fiscal and price regulation, capital consumption, capital investment; connection of the volumes of financial resources of industry corporations with the results of activities in terms of profitability. The financial instruments of international assistance for the economy and the agricultural sector of Ukraine are summarized. The novelty of the study is the systematization of the features of the financial mechanism and its constituent instruments for the agricultural sector of Ukraine under martial law and the forecast of the volume of financial potential for 2022 by individual components. The directions of transformation of the financial mechanism for post-war reconstruction are outlined. It is shown that a significant criterion for the impact of agricultural policy on financial processes is the growth of qualitative characteristics of the mechanism for their implementation, primarily the expansion of the regulatory field for the formation of financial resources and attraction of investments, the simplification of agricultural business, the expansion of logistics and ways of marketing products, the formation of food balances, export-import operations. Separate results of the study in terms of determining the structure and volume of the financial potential of the directions for further transformation of the financial mechanism can be used in the formation of the financial component of the Strategy for the post-war recovery of the economy of Ukraine

► **Keywords:** agrarian policy, agricultural sector, budget support, lending, financial mechanism, financial market, financial instruments, post-war reconstruction strategy

► Introduction

Under martial law, the role of state financial regulation is significantly strengthened. The current models are transformed by adapting the financial mechanism and its instruments exclusively to ensure national security. It provides for the redistribution of state and public funds for priority measures, primarily financial, foreign economic, energy and food

security through appropriate models of their implementation.

Economic entities of Ukraine are experiencing a lack of resources, which is a consequence of the destruction, termination or decline of business activity of enterprises, forced relocation, loss of human, physical and financial capital, reduction of market

► **Suggested Citation:** Radchenko, O.D., Strykhovskiy, D., & Leontovych, S. (2022). Impact of martial law on development financial mechanism of the agricultural sector of Ukraine. *Ekonomika APK*, 29(5), 47-56.

*Corresponding author

institutions, deterioration of the investment climate, destruction of communications, logistics. The agricultural sector continues to work even in the conditions of war, but its financial mechanism faces great challenges, as the domestic market is weak and the state does not have significant resources that can be used to restore and support the activities of corporations. Thus, it is essential to explore the financial mechanism of guaranteeing food security under martial law, which includes a wide range of issues and interconnected links.

The purpose of the study is to summarise the specific features of the financial mechanism for the agricultural sector of Ukraine and to analyse the impact of the introduction of the legal regime of martial law on its structure. The objectives are: clarification of the essence of the category "financial mechanism", determination of its structure through financial instruments; establishment of links between the financial mechanism and agricultural policy, in particular on the example of budget, credit, and price support (2013-2022); analysis of the structure of the financial mechanism by components of the financial potential of the industry; determination of areas for post-war development of the financial mechanism.

The state and development of the financial mechanism under martial law are explored by scientists, analytical centres, and public platforms and are reflected in the adoption of legislative acts and the preparation of new ones, which together affect the development of financial policy. Ukrainian scientists A. Bilochenko, I. Gushcha [1], O. Halytskyi [2], M. Latynin, T. Kharchenko [3], O. Kvasnytsia, T. Nekliudova [4] covered the organisational aspects of financial support and the mechanism of state regulation of the agro-industrial complex; I. Hryshchenko, T. Kovtun [5] – state support for business; V. Demianyshyn and Z. Lobodina [6] – development of the financial mechanism in the context of reforming the financial system of Ukraine; Ya. Dropa [7], A. Mykhailov [8] – financial instruments for the development of resources in the context of globalisation; N. Tanklevska, O. Synenko [9] – possibilities of adapting the foreign experience to improve the financial mechanism of functioning of agricultural enterprises; N. Trusova et al. [10] – financial mechanism as a tool for ensuring sustainable development of agricultural enterprises. L. Tulush et al. [11; 12] – analysis of fiscal instruments for the agricultural sector; S. Petrukha et al. [13] – sustainable development purposes and triggers for the

modernisation of public finance; V. Shaleny et al. [14], L. Tytarenko, V. Yatsenko [15] – issues of financial support for business during the war, etc.

Researches of M. Behnassi, M. Haiba [16], T. Benton et al. [17] T. Glaben et al. [18] focus on the consequences of the Russian-Ukrainian war for global food security; M. Buti, M. Messori [19] – on the role of the central fiscal potential in combining the EU's domestic and global agenda, etc. However, researchers have not sufficiently covered the aspects of the financial mechanism and its instruments in the agricultural sector under martial law, as hostilities continue, deepening losses and worsening forecasts of recovery resources, which is the object of this study.

► Materials and Methods

The monographic method was used for the review of scientific publications and systematisation of the regulatory framework for agricultural policy and the corresponding financial instruments, system analysis and synthesis for the classification of financial instruments of the agricultural sector, a graphical method for displaying the dynamics of the studied indicators, a statistical method for identifying the efficiency of financial instruments and their integration into the structure of the financial market, abstract-logical method for theoretical generalisations and conclusions.

The study is based on the definition of the essence of the financial mechanism, generalised by researchers [4, p. 150; 7, p. 682;] with the development of the hypothesis that the financial mechanism is a set of forms, methods, and levers of regulatory and information support for the establishment and management of financial resources for the needs of stakeholders in the financial market and the national economy.

For the study, the methods and levers of the financial mechanism are designated as financial instruments. Then, the schematic diagram of the financial mechanism as a link to financial policy (Fig. 1) will act as a practical implementation of financial strategy and tactics, which has its structure. The financial mechanism is essentially institutional, it connects economic, social, political, ethical, legal, and other problems and has various manifestations at the level of the state, the financial market, sectors of the economy and corporations, and the population.

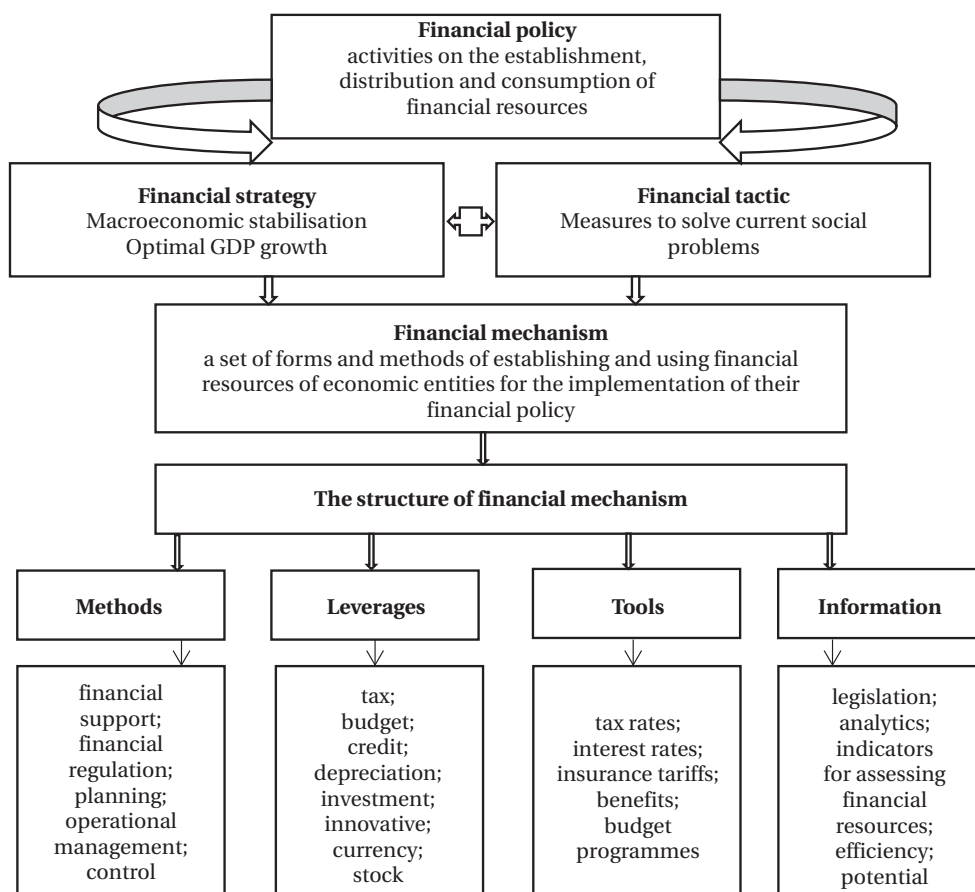


Figure 1. Structural links between financial mechanism and financial policy

Source: developed by the authors based on the research of O. Kvasnytsia, T. Neklyudova [4]

The financial mechanism of the agricultural sector is defined as a set of organisational, regulatory, and managerial measures to maintain the balance of financial resources of corporations and the industry to optimise financial flows (redistribution of financial resources). It is implemented in the financial market and has appropriate methods and levers.

Financial instruments are specific products, in the form of a contract/agreement that is used to attract financial resources and allow the state and business entities of the agricultural sector to expand sources of investment.

The research of the financial mechanism involves its qualitative and quantitative assessment. Such an assessment in the pre-war practice of Ukraine was implemented through financial stability management indicators by the Strategy for the Development of the Financial Sector of Ukraine until

2025. It is based on the mutually agreed application of instruments of the monetary, budgetary, and tax sectors, debt, currency, and exchange rate policies. With the beginning of the implementation of martial law, the NBU adopted the Basic Principles of Monetary Policy for the period of martial law, which summarises the strategic course of regulators that correspond to economic realities.

The government of the country pursues a policy of promoting the development of the domestic financial market, which restrains the economic decline, and activates investment processes. The study is based on the legislative framework, calculations, and forecasts of the Government of Ukraine and international organisations regarding the state of the research object. In particular, several key legislative initiatives for organisational and financial support of the agrarian sector and food security are presented in Table 1.

Table 1. Legislative initiatives to support the agricultural sector during the period of martial law

Document	Contents on support for the agricultural sector
Decree of the President of Ukraine No. 64/2022 "On the Introduction of Martial Law in Ukraine" (2022, February)	Development of financial powers and other measures related to the introduction of martial law
Law of Ukraine No. 7137-d "On Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding the Validity of Provisions for the Period of Martial Law" (2022, March)	The amendments provide for: establishing the specific features of single taxation; setting the rate of excise tax on fuel; abolition of land tax

Table 1, Continued

Document	Contents on support for the agricultural sector
Law of Ukraine No. 2145-IX "On Amendments to Certain Legislative Acts of Ukraine on Establishing Conditions for Ensuring Food Security under Martial Law" (2022, March)	The priority of public (state) interests in the conditions of war is established. It defines the conditions of land use for agricultural production, and infrastructure placement
Resolution of the Cabinet of Ministers of Ukraine No. 274 "On Amendments to Certain Acts of the Cabinet of Ministers of Ukraine on Providing Credit Support to Agricultural Producers" (2022, March)	The financial mechanism for providing soft loans to small and medium-sized agricultural producers has been improved
Resolution of the Cabinet of Ministers of Ukraine No. 312 "On Amendments to the State Program "Affordable Loans "5-7-9%" (2022, March)	Financial instruments of credit support for agricultural producers for sowing and other necessities have been introduced
Resolution of the Cabinet of Ministers of Ukraine No. 438 "Some Issues of Financial Support for Entrepreneurship, in Particular Agricultural Producers, under Martial Law" (2022, April)	The decision to allocate the remaining funds of the special fund to the programs: "Governance and management in the agricultural sector", "Land inventory", and "Measures to improve access of agricultural SMEs to export markets"
Resolution of the Cabinet of Ministers of Ukraine No. 918 "On Approval of the Procedure for the Use of Funds Provided in the State Budget for the Provision of Support to Farms and Other Agricultural Producers" (2022, August)	The State Agrarian Register has opened registration for farmers (1-120 hectares) to receive support for 1 hectare (not more than UAH 372 thousand); and for 1 cow (UAH 5.3 thousand)
Resolution of the Cabinet of Ministers of Ukraine No. 7465 / No. 7465-1 "On Amendments to Certain Legislative Acts of Ukraine on Peculiarities of the Financial Sector Activities in Connection with the Introduction of Martial Law in Ukraine"	Supporting the stable operation of the financial sector during the war. Loans restructuring. Abolition of the requirement to guarantee monetary claims by first-class banks for foreign investment
Decision of the Council of the National Bank of Ukraine "Basic Principles of Monetary Policy for the Period of Martial Law" (2022, April)	The National Bank determined the basic principles of functioning of the banking and financial system of the country to provide for the economy and defence requirements

Source: summarised by the authors according to the above regulations [20]

The financial crisis in the agricultural sector of Ukraine caused by the war requires the development of sufficient financial resources and efficient management of financial flows. The development of the financial mechanism of the agrarian sector in terms of regulatory support is focused on lending under state guarantees, establishing logistics routes for the sale of agricultural products, and simplifying the issuance of permits. The Government has adopted several regulations to support farmers through partial guaranteeing of loans from commercial banks for sowing campaigns; 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 critical imports; provision of humanitarian assistance in terms of fixed and circulating assets; expansion of logistics capabilities, etc. During martial law, an agricultural platform was launched to collect the actual requirements of farmers, and an online platform was established to improve logistics routes. The financial mechanism for supporting the agricultural sector, presented by the relevant ministry [21], includes levers: budget process, taxation, financing from the state budget, lending, agricultural insurance, and price support. Currently, developments and search for options to expand financial and material support for agricultural producers continue.

Analysis of the legislative field demonstrates that the financial mechanism for supporting the agricultural sector under martial law can be conditionally

divided into blocks: straight financial support through budget financing, lending, insurance, and organisational (implicit, regulatory) support to preserve the structure of the industry and its horizontal-vertical relations through taxation, tariffs, price regulation; investments, regulation of capital consumption, etc. These blocks have specific sets of levers and financial instruments. According to the disclosed methodological approach, the study analyses mainly financial instruments of the first block, in particular, budgetary ones.

► Results and Discussion

The International Monetary Fund [22] forecasts a 35% drop in Ukraine's economy in 2022. As for the agricultural sector, the risks are even greater, in particular, the level of food security according to the analysis of the food availability index has already decreased by almost 50% [23]. According to [24], the number of industry losses for six months amounted to \$ 4.29 billion, or almost 7.8% of the financial resources of the period 2021. According to scientists of the NSC IAE, direct losses of the agricultural sector exceed \$ 6 billion, additional economic losses – up to \$ 22 billion, and from the decline in revenues in the agro-industrial chain – up to \$ 30 billion, the volumes of which are increasing with the conduct of hostilities [25]. In total, the losses amount to USD 58 billion, or UAH 2300 billion. For comparison, the total output of agriculture according to the balance of production and income generation accounts (in actual prices) in 2021 amounted to UAH 1366 billion, or

59% of the industry's losses, and the average annual output for 2014-2020 was 70%. The volume of financial resources of agrarian corporations (according to the financial balance sheet) in 2020 amounted to 1130 billion UAH, or 49% of losses, and the average annual level of financial resources for 2013-2020 – 38% of losses incurred from military aggression. To reduce the decline in production indicators, the level of income of agricultural corporations, the alignment

of food security in terms of availability and accessibility of food, and appropriate compensation mechanisms, primarily financial instruments, are required.

The financial mechanism of the agricultural sector is a component of the national economy. Its condition is determined by the total volume and availability of resources of the financial market of Ukraine, the structural components and dynamics of which for the period 2018-2022 are presented in Fig. 2.

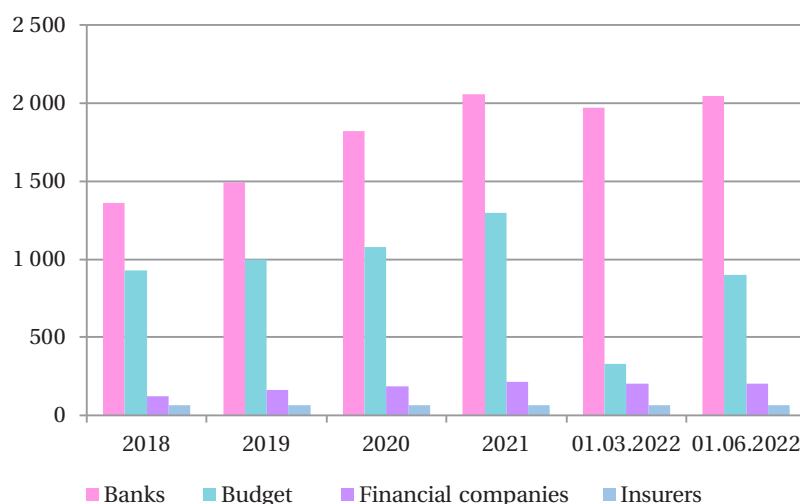


Figure 2. Dynamics of financial market resources in Ukraine for 2018-2022, UAH billion

Source: developed by the authors based on the NBU data [26]

According to these data, in 2018 the volume of financial resources of the market (including state budget resources) amounted to UAH 2476 billion, in 2021 – UAH 3629 billion, or 47% more. In the first quarter of 2022, resources decreased almost to the level of 2018, but already in the 2nd quarter of 2022, they increased by almost 30% compared to the level of 2018, and compared to the level of 2021 they are only 12% lower, not 29%, as it was in the 1st quarter of 2022. Thus, the relevant measures implemented by the Government and the NBU allowed partial stabilising of the financial system and state budget revenues, which is the greatest achievement of state regulation under martial law.

According to the State Tax Service [27], for 2 quarters of 2022, the State Budget revenues amounted to UAH 418.1 billion, which is 23.3% more than the corresponding period of the previous year. The state budget was executed with a deficit of UAH 412.0 billion against the planned UAH 743.4 billion for this period. The state borrowings for this period amounted to UAH 613.8 billion, 66% of which are domestic government bonds. Before the war, the state budget was more or less balanced, but now tax revenues cover only about 40% of public spending. Therewith, military expenditures account for more than 60% of the budget [12], and their financing through external borrowing is limited. Therewith, the monthly financial demands of the government are estimated at USD 5 billion.

Thus, since the beginning of the large-scale aggression of Russia against Ukraine, the support of the government by the National Bank has become the main one, but in the future, it is planned to increase alternative financing of the budget deficit from other sources, such as attracting international and market financing. The NBU summarises that the current model of managing the financial system of the state is based on the following principles: financing the budget deficit by issuing; maintaining low yields of hryvnia government bonds; fixing the exchange rate and strengthening currency restrictions [28]. In general, the Government's forecasts for the implementation of the budget for 2022 are moderately pessimistic. The presentation of information on existing fiscal risks in public finance increases the degree of validity of financial policy decisions in the agricultural sector.

The dynamics of resources of agricultural enterprises according to their financial balance sheet (Fig. 3) demonstrates a steady increase in the volume of financial resources, in particular at the end of 2021 to 1306 billion UAH, which is 4.2 times higher than in 2013. An increase in profitability is noted – from 30% in 2015-2017 to 40.3% in 2021, but a decrease is expected in 2022 [29]. Producers predict that without the establishment of logistics, none of the crops will be profitable, and taking into account the prices of fertilizers, PPE, fuel, collection services, etc., breaking even is optimistic [30].

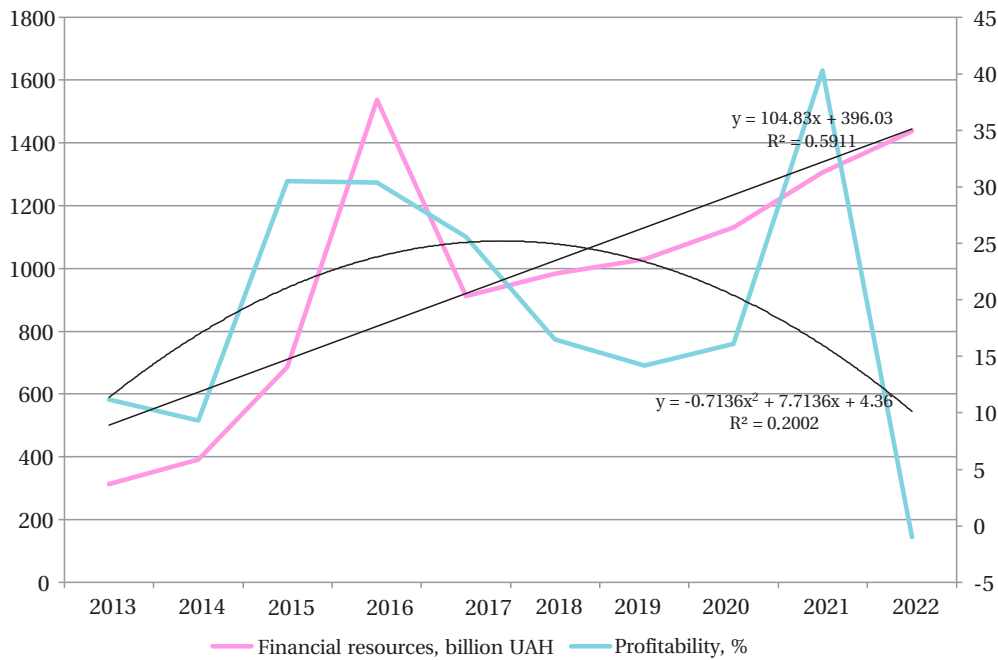


Figure 3. Dynamics of financial resources and profitability of activities of agricultural enterprises of Ukraine for 2013-2022, UAH billion, %

Source: developed by the authors based on the data of the State Statistics Service [31]

Note: *2022 – forecast

The reason for the low efficiency of the financial mechanism of the agricultural sector is primarily due to the fact that the state support of the industry during this time was unstable (Fig. 4). For the period 2014-2022,

support from tax privileges prevails, which in 2020 harmoniously aligned with price support but later again outstripped it. In forecasts [30] for 2022, state support by species was expected at the level of 2021.

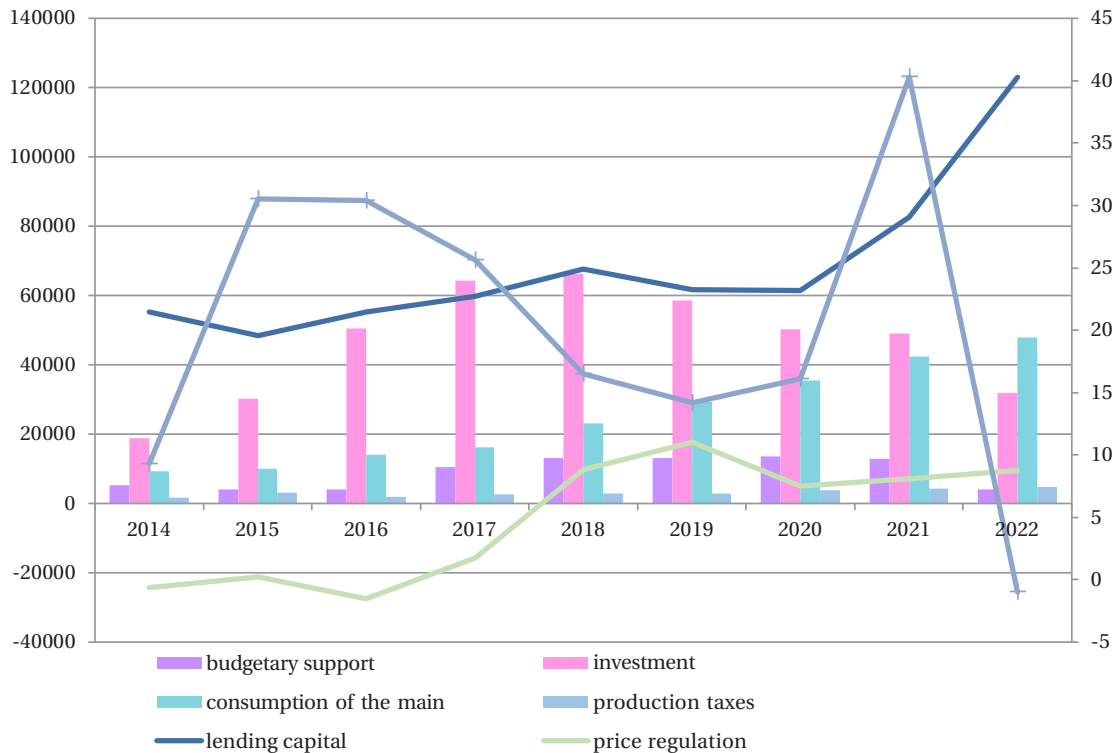


Figure 4. Dynamics and structure of individual instruments of the financial mechanism of the agricultural sector of Ukraine for 2014-2021, UAH million

Source: developed by the authors based on [21; 28; 29]. The level of budget support is given according to the functional expenditures of the state budget for the industry, production taxes – according to the macroeconomic accounts of the industry [31], and price support – according to the OECD [32]

Note: *2022 – forecast

A specific share in the structure of the financial mechanism of the agricultural sector is budget financing, but now its volumes mainly rely on the capabilities of the State Budget, which are very limited. Since 2017, funding has almost steadily reached UAH 12 billion per year. However, these funds, even if allocated in full in 2022, are not significant for the industry, compared to the losses already incurred as a result of hostilities. For 2022, the agricultural budget was adjusted downward from UAH 6.78 billion to UAH 1.95 billion, or by 71.4%. Over the two quarters, the sector was financed by UAH 685 million, which is 35.2% of the adjusted annual financing plan. Therewith, additional amendments have been introduced to the provisions of the Law of Ukraine "On the State Budget of Ukraine for 2022", in particular regarding the support of farms and other agricultural producers. The new program of assistance to small agricultural producers provides UAH 1.5 billion, which is financed with the support of the EU. Thus, the volume of agricultural expenditures in the state budget has been increased to UAH 2.118 billion.

As for financial lending instruments, the volume of loans granted in 2 quarters of 2022 reached UAH 123 billion, while for the entire 2021, it amounted to UAH 61.5 billion, an increase of 2 times. The Government pays particular attention to microcrediting of small and medium-sized enterprises, in particular through the program "Affordable Loans 5-7-9%", which has been amended, and the lending objectives are focused on investment loans for the purchase of agricultural machinery, loans to replenish working capital for the purchase of seeds, fertilisers and fuel, and lubricants. According to the Ministry of Agrarian Policy, for the 2 quarters of this year, 28.5 thousand corporations attracted 50.752 billion UAH of loans, the largest volumes of which are in Kyiv (4.21%), Vinnytsia (3.34%), Khmelnytsky (2.19%) regions [21].

The impact of martial law on the structure of the financial mechanism of the agricultural sector of the Ukrainian economy is manifested in the redistribution of its components. The structure of agrarian financial resources in 2017 in terms of financial potential for 1024 billion UAH (37 billion USD), 90% consisted of own resources of corporations [33]. During the introduction of martial law in 2022, the financial potential of the industry is projected at UAH 1645 billion (\$ 41.1 billion), where the share of own resources of corporations has decreased to 82-87%, which is close to the level of the crisis of 2012-20214. In the forecasts for 2022 (Figs. 3; Fig. 4), the volume of own resources of agricultural corporations, price, investment, and tax components of financial potential are determined according to the actual state at the end of 2021, with the adjustment of budget support from 13.4 billion UAH to 4 billion UAH, price support from 4.6 billion UAH to 9.6 billion UAH, and actual lending for 2 quarters.

Own and attracted financial resources in 2022 are critically insufficient to compensate for losses and level the development of the agricultural sector under martial law. Thus, the Government is

negotiating and hoping for international donor support. In particular, a probable scenario for Ukraine is the experience of supporting the economies of new EU member states. Programs – financing instruments were provided for Poland and Hungary: PHARE (economic restructuring), SAPARD (support for rural development), and ISPA (infrastructure development) [32]. As a country that received the status of a candidate for EU membership on 06/23/2022, Ukraine gains the opportunity to receive financial assistance under the Instruments of Pre-Accession, IPA through grants, investments, technical assistance, and participation in EU programs and initiatives [34].

When developing the budget for 2023, the Government stated that Ukraine requires \$38 billion to cover the budget deficit, which it hopes to attract from international partners – the US, the EU, and the IMF. In addition, based on the assessment of losses, a budgetary Fund for the elimination of the consequences of armed aggression can be established, the sources of which will be confiscated funds of the Russian Federation [35]. Currently, new cooperation areas with Ukraine are offered by the European Investment Bank; the well-known investment company BlackRock, the International Finance Corporation (IFC) from the World Bank group, etc.

Therefore, it is natural that the vector of influence of agrarian policy on financial processes under martial law is to increase the share of market resources and international loans, the second block of the financial mechanism. State regulation of the financial mechanism of the agrarian sector contributes to the growth of qualitative organisational features of the financial potential, without which agrarian entrepreneurship is impossible: expansion of the regulatory field for the development of financial resources in terms of customs, tax, budget, investment regulation, simplification of agricultural business, expansion of logistics and marketing routes, development of food balances, export-import operations, mitigation of inflation and currency pressure, etc. [36].

Further development of the financial mechanism of the agricultural sector involves its integration and interaction with the Post-War Recovery Strategy of Ukraine. To implement the strategic purposes and objectives set before the agricultural sector by the wartime challenges, its financial mechanism requires a transformation of methods, tools, and levers. They have to solve the problems of stabilisation of financial capital, sufficient financial resources for reproduction of production and food security, growth of agricultural investments in the war and post-war periods, and entry into the EU financial system through financial market components and special programmes of state and international support. For the effective implementation of financial policy on the development of the financial mechanism, it is necessary to coordinate the work of agrarian corporations, the branches of government involved, and proper regulatory support in terms of guaranteeing investment, taxation, lending, insurance, income support, sales, export, logistics, etc.

Thus, the financial mechanism of the agricultural sector of Ukraine during the period of martial law is described by the fact that the Government, in response to the threats, expanded the existing and introduced new financial instruments to support farmers through regulation of prices for components of production costs; simplification of taxation; guaranteeing budget support; attracting international public and private donor assistance and borrowing; partial guarantee of compensation for loans from commercial banks; projects of organisational and permissive nature; stimulating the preservation and maintenance of human, material and financial capital. In addition, indirect organisational instruments of support are the provision of humanitarian assistance in terms of fixed and circulating assets; targeted support to individual industries, farms, value chains, development of logistics, etc.

► Conclusions

The financial mechanism of the agricultural sector of the Ukrainian economy during martial law solves the problems of stabilisation primarily through financial levers and instruments of state support. Its transformations are mainly related to the requirements: compliance of financial instruments of the industry with the main trends of the financial market; focus on achieving the strategic purpose of agrarian development; focus on the development of balanced sources and necessary volumes of financial resources for the industry.

The originality of the study is the generalisation of the features of the financial mechanism and its constituent instruments for the agricultural sector of Ukraine under martial law and the forecast of the financial potential for 2022 by individual components. If in the pre-war period 90% of the financial resources of the agricultural sector were accounted for by producers' resources, in 2022, it is expected that their share may be at most 82-87%, as in the financial crisis of 2014.

The practical value of the study is that the limited budget resources pose great challenges to agricultural policy, which are systematised by vectors of direct and indirect financial regulation. Since the agricultural budget of the current year has been

► References

- [1] Bilochenko, A., & Gushcha, I. (2022). Organisational aspects of financial support for the agro-industry: The experience of developed countries. *Path of Science*, 8(7), 1011-1020. doi: 10.22178/pos.83-4.
- [2] Halytskyi, O.M., Naida, I.S., & Voziian, V.I. (2018). Organizational and economic mechanism of state regulation of agricultural production development. *Agrarian Bulletin of the Black Sea Littoral*, 89, 21-31.
- [3] Latynin, M., & Kharchenko, T. (2021). Effectiveness of the functioning of the financial and economic mechanism of the state regulation of sustainable development of the agrarian sector of the economy of Ukraine. *Scientific Herald: Public Administration*, 3(9), 68-8. doi: 10.32689/2618-0065-2021-3(9)-68-86.
- [4] Kvasnytsia, O., & Nekliudova, T. (2020). Improvement of the financial mechanism for the development of the agrarian sector. *Svit Finansiv*, 64(3), 139-152. doi: 10.35774/sf2020.03.139.
- [5] Hryshchenko, I.M., & Kovtun, T.Yu. (2022). State support for business during wartime. *Scientific notes of V. I. Vernadsky Taurida National University. Series: Public Management and Administration*, 33(72), 2, 29-36. doi: 10.32838/TNU-2663-6468/2022.2/06.
- [6] Demianyshyn, V., & Lobodina, Z. (2020). Development of the financial mechanism under the conditions of reforming the financial system of Ukraine. *Formation of Market Economy in Ukraine*, 43, 59-80. doi:10.30970/meu.2020.43.0.3019.

reduced by more than 70%, the regulatory mechanisms of indirect influence on financial resources are becoming more critical. All the efforts of the government are designed to facilitate access to financial market resources, primarily lending, attracting international assistance, expanding exports through the development of logistics, new markets, new niche products, stimulating the development of livestock on its feed base, etc.

It is demonstrated that an essential criterion for the impact of agrarian policy on financial processes is the growth of qualitative characteristics of the mechanism of their implementation, primarily the expansion of the regulatory field for the development of financial resources and investment attraction, simplification of agricultural business, expansion of logistics and marketing routes, development of food balances, export-import operations with a tendency to a commodity rather than a raw material assortment.

The post-war strategy of agrarian development of Ukraine will require the involvement of all mechanisms of the financial market. The reconstruction should involve both Ukrainian and international financial instruments, using the experience of European and other countries where the agrarian sector and its logistics structure were destroyed by military conflicts. Such experience can be useful for the domestic agricultural sector in terms of attracting international assistance for recovery, capital investment under state guarantees, structural organisational restructuring of the industry, horizontal and vertical linkages, balancing the development of crop and livestock production, shifting the emphasis on commodity rather than raw material production, expanding markets, etc. Thus, the specific features of the process of developing new instruments and sources of financing in the agricultural sector are areas for further research on this subject.

► Acknowledgements

The authors express their sincere gratitude to the Directorate of the SSC IAE, and colleagues of the Department of Financial, Credit and Tax Policy – Head of the Department, PhD L.D. Tulush, PhD, Doctor of Economics O.M. Kalivoshko for ideas and organisational support for the implementation of this study.

- [7] Dropa, Ya. (2017). Financial instruments for the formation of resources in the national economy in the conditions of globalization. *Global and National Problems of Economics*, 16, 682-687.
- [8] Mykhailov, A. (2019). Financial instruments for investment resource formation in the agricultural sector of the national economy in terms of globalization challenges. *Ekonomika APK*, 3, 52-60. doi: 10.32317/2221-1055.201903052.
- [9] Tanklevska, N.S., & Synenko, O.O. (2020). Possibilities of adapting foreign experience to improve the financial mechanism of the functioning of agricultural enterprises. *Taurida Scientific Herald. Series: Economics*, 2, 221-232. doi: 10.32851/2708-0366/2020.2.27.
- [10] Trusova, N.V., Prystemskyi, O.S., & Sakun, A.Zh. (2019). Financial mechanism and tools for ensuring sustainable development of agrarian enterprises. *Accounting and Finance*, 4, 96-105.
- [11] Tulush, L., Strikhovskiy, D., & Hryshchenko, O. (2022). *Evaluation of the effectiveness of the introduction of a 2% turnover tax (in the form of a single tax of the third group)*. Kyiv: NNTs "IAE".
- [12] Tulush, L.D., Leontovych, S.R., & Radchenko, O.D. (2022). State regulation of financial security under military conditions. In *The Russian-Ukrainian war (2014-2022): Historical, political, cultural-educational, religious, economic, and legal aspects* (pp. 331-338). Riga: "Baltija Publishing". doi: 10.30525/978-9934-26-223-4-41.
- [13] Petrukha, S.V., Petrukha, N.M., & Krupelnytska, O.L. (2022). Sustainable development goals and triggers for the government finance modernization. In *The Russian-Ukrainian war (2014-2022): Historical, political, cultural-educational, religious, economic, and legal aspects* (pp. 252-263). Riga: "Baltija Publishing". doi: 10.30525/978-9934-26-223-4-33.
- [14] Shaleny, V., Shtefan, N., Krylova, O., Myronchuk, V., & Tsurkan, I. (2022). On the question of financial support for business during the war (Ukrainian case). *Amazonia Investiga*, 11(54), 232-242. doi: 10.34069/AI/2022.54.06.22.
- [15] Tytarenko, L., & Yatsenko, V. (2022). State policy directions in the face of war challenges. *Scientific Journal of Polonia University*, 52(3), 196-203. doi: 10.23856/5224.
- [16] Behnassi, M., & Haiba, M. (2022). Implications of the Russia-Ukraine war for global food security. *Nature Human Behaviour*, 1-2. doi: 10.1038/s41562-022-01391-x.
- [17] Benton, T.G., Froggatt, A., Wellesley, L., Grafham, O., King, R., Morisetti, N., & Schröder, P. (2022). *The Ukraine war and threats to food and energy security*. Retrieved from https://www.chathamhouse.org/sites/default/files/2022-04/2022-04-12-ukraine-war-threats-food-energy-security-benton-et-al_0.pdf.
- [18] Glauben, T., Svanidze, M., Götz, L., Prehn, S., Jamali Jaghdani, T., Durić, I., & Kuhn, L. (2022). The war in Ukraine, agricultural trade and risks to global food security. *Intereconomics*, 53(3), 157-163. doi: 10.1007/s10272-022-1052-7.
- [19] Buti, M., & Messori, M. (2022). *The role of central fiscal capacity in connecting the EUs domestic and global agendas*. Retrieved from <http://hdl.handle.net/1814/74593>.
- [20] Official website of Verkhovna Rada of Ukraine. (n.d.). Retrieved from <https://zakon.rada.gov.ua/laws/>.
- [21] Website of the Ministry of Agricultural Policy and Food of Ukraine. (n.d.). Retrieved from <https://minagro.gov.ua/>.
- [22] IMF Country Report No. 22/74. Ukraine: Request for Purchase under the Rapid Financing Instrument and Cancellation of Stand-by Arrangement-Press Release; Staff Report and Statement by the Executive Director for Ukraine. (2022, March). Retrieved from <https://imf.org/en/Publications/CR/Issues/2022/03/10/Ukraine-Request-for-Purchase-under-the-Rapid-Financing-Instrument-and-Cancellation-of-Stand-514148>.
- [23] Review of food security and policy. (2022). Retrieved from <http://surl.li/czcyt>.
- [24] Review of the damage from the war in agriculture in Ukraine. (2022). Retrieved from <http://surl.li/czcym>.
- [25] Hromov, O. (2022). *Agriculture during the war: Changing priorities*. Retrieved from <https://ukurier.gov.ua/uk/articles/silске-gospodarstvo-pid-chas-vijni-zmina-prioritet/>.
- [26] Financial sector statistics. (2022). Retrieved from <https://bank.gov.ua/ua/statistic/sector-financial#2fs>.
- [27] Website of the State Tax Service. (n.d.). Retrieved from <https://tax.gov.ua/>.
- [28] Shevchenko, K. (2022). *Financial and economic policy during wartime*. Retrieved from <https://zn.ua/ukr/macrolevel/finansovo-ekonomichna-politika-za-vojennoho-chasu.html>.
- [29] Review of state support in the agro-industrial complex of Ukraine. (n.d.). Retrieved from <http://surl.li/cvpjh>.
- [30] Agrarians shared their forecasts regarding business prospects and the profitability of agricultural crops. (n.d.). Retrieved from <https://agrotimes.ua/article/agroprognoz-2022-agrariyi-podilylysa-svoyimy-prognozamy-shhodo-perspektyv-gospodaryvannya-ta-rentabelnosti-silgospkult/>.
- [29] Official website of State Statistics Service of Ukraine. (n.d.). Retrieved from <https://www.ukrstat.gov.ua/>.
- [32] OECD Statistics. (n.d.). Retrieved from <https://stats.oecd.org/>.
- [33] Chronicle of Russia's war against Ukraine: What is happening to the financial system (LIVE). (2022). Retrieved from <https://finclub.net/ua/news/khronika-viiny-rosii-proty-ukrainy-shcho-vidbuvaetsia-z-finansovoiu-systemoiu.html>.
- [34] Haidai, Yu. (2022). *Financing instruments for the reconstruction of the economy of Ukraine: The experience of EU structural funds*. Retrieved from <https://ces.org.ua/financingthe-reconstruction-of-ukraines-economy>.
- [35] Ukraine received the status of a candidate for EU membership. (2022). Retrieved from <http://surl.li/dcltl>.
- [36] Hevchuk, A., & Christoffers, B. (2021). Methodological support for the analysis of debt security in agribusiness and measures to improve its level. *Scientific Bulletin of Mukachevo State University. Series "Economics"*, 8(3), 18-30. doi: 10.52566/msu-econ.8(3).2021.18-30.
- [37] Shyian, N., & Kotelnikova, Iu. (2019). Assessment of social and environmental dimensions of stockbreeding efficiency at agricultural enterprises. *Economics of Development*, 18(4), 28-40. doi: 10.21511/ed.18(4).2019.04.

Вплив воєнного стану на розвиток фінансового механізму аграрного сектору України

Оксана Дмитрівна Радченко¹, Дмитро Миколайович Стріховський¹,
Сергій Петрович Леонтович²

¹Національний науковий центр «Інститут аграрної економіки»
03127, вул. Героїв Оборони, 10, м. Київ, Україна

²Національний університет оборони України імені Івана Черняхівського
03049, просп. Повітрофлотський, 28, м. Київ, Україна

► **Анотація.** Воєнний стан та бойові дії на території України чинять безпрецедентний руйнівний вплив на національну економіку. Відбувається перебудова управління та фінансового регулювання задля збереження державності та національної безпеки. Мета статті – узагальнити стан фінансового механізму в аграрному секторі України, насамперед на прикладі його бюджетних інструментів, в умовах воєнної економіки. Використано монографічний метод для огляду наукових публікацій та нормативної бази, системний аналіз та синтез для відображення динаміки показників щодо об'єкту дослідження. Узагальнено методичні засади функціонування фінансового механізму аграрного сектору через його структурні рівні, стратегію та тактику, методи, важелі й інструменти. Уточнено визначення категорій «фінансовий механізм», «фінансові інструменти» фінансового та аграрного ринків, висвітлено їх зв'язок з аграрною політикою. Визначено структуру нормативного поля, за якими здійснюється регулювання фінансового механізму аграрної політики в умовах воєнного стану. Проаналізовано стан фінансового ринку України, структуру та обсяг його ресурсів за період ведення гібридної військової агресії РФ. Висвітлено стан фінансового механізму аграрного сектору в 2013–2022 рр. за фінансовими інструментами та складовими бюджетної підтримки, кредитування, фіскального та цінового регулювання, споживання капіталу, капітальних інвестицій; зв'язок обсягів фінансових ресурсів галузевих корпорацій з результатами діяльності за рівнем рентабельності. Узагальнено фінансові інструменти міжнародної допомоги для економіки та аграрного сектору України. Новизною дослідження є систематизація особливостей фінансового механізму та його складових інструментів для аграрного сектору України в умовах воєнного стану та прогноз обсягів фінансового потенціалу на 2022 рік за окремими складовими. Окреслено напрями трансформації фінансового механізму для поствоєнного відновлення. Показано, що вагомим критерієм впливу аграрної політики на фінансові процеси є зростання якісних характеристик механізму їх реалізації, насамперед розширення нормативного поля щодо формування фінансових ресурсів та залучення інвестицій, спрощення ведення аграрного бізнесу, розширення логістики та шляхів збуту продукції, формування продовольчих балансів, експортно-імпортних операцій. Окремі результати дослідження, в частині визначення структури та обсягів фінансового потенціалу, напрямів подальшої трансформації фінансового механізму можуть бути використані при формуванні фінансової складової Стратегії повоєнного відновлення економіки України

► **Ключові слова:** аграрна політика, бюджетна підтримка, кредитування, фінансовий ринок, фінансові інструменти, стратегія повоєнного відновлення