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

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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.

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