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| **FORMATION OF FINANCIAL INSTRUMENTATION FOR THE SUSTAINABLE AGRICULTURAL DEVELOPMENT: INNOVATIVE APPROACH** | **Формування фінансового інструментарію сталого розвитку сільських громад: інноваційний підхід** |
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| ***Urgency of the research.*** *The objective need to popularize the foundations of sustainable development is due to an increase of anthropogenic impact on the environment. An important point is the formation of financial instruments for the sustainable development of rural areas and the development of ways of environmentalizing the agrosphere.****Actual scientific researches and issues analysis.*** *The scientific works of such scholars as M. Y. Malik, M. A. Khvesyk, O. M. Alymov, I. M. Lytsur, V. V. Mykytenko, E. M. Libanova and others deal with the financial support of sustainable development of rural territories.****Uninvestigated parts of general matters defining.*** *The scientists have not yet sufficiently developed the argumentation of the implementation opportunities of the priority areas of the formation of financial instrumentation for the sustainable agricultural development innovative approach.****The research objective.*** *The aim of this article* *is the substantiation of innovative approaches to the formation of financial instruments for sustainable development of rural communities.* ***The statement of basic materials.*** *The article deals with the features of the formation of financial instruments for sustainable rural development. The key role of the financial sector in the sustainable development of local natural and economic systems has been proved. We have calculated the resource of the local budget of Mukachevo district in 2014-2016. There have been defined the directions of expansion forms and sources of financing of the processes of reproduction of natural resources and improving environmental management through the rent relations in the process of financial providing of sustainable development management of rural communities.****Conclusions.*** *The concept of sustainable development, which covers the economic, social and environmental trends, needs to be prioritized. Strengthening the progress of the priority components of the concept of decentralized sustainable development, the possibilities of modernizing economic relations will be expanded on the basis of co-ordination of interests of communities with the interests of the authorities. It is also necessary to strengthen the development of the concept of a mutually integrated mechanism of accumulation and use of financial resources to ensure the economic basis of environmentally-oriented growth.* | ***Актуальність теми дослідження.*** *Об’єктивна необхідність популяризації засад сталого розвитку викликана зростанням антропогенного впливу на довкілля. Важливим моментом є формування фінансового інструментарію сталого розвитку сільських територій та розробка шляхів екологізації агросфери.****Аналіз останніх досліджень і публікацій****. Наукові праці таких вчених, як М. Й. Маліка, М. А. Хвесика, О. М. Алимова, І. М. Лицура, В. В. Микитенко, Е. М. Лібанової та інші мали справу з фінансуванням сталого розвитку сільських територій.****Виділення недосліджених частин загальної проблеми.*** *Науковцями ще недостатньо опрацьовані питання аргументації можливостей отримування фінансового інструментарію сталого розвитку сільських громад****Постановка завдання.*** *Метою дослідження є обґрунтування інноваційних підходів до формування фінансового інструментарію сталого розвитку сільських громад.****Виклад основного матеріалу.*** *У статті досліджено особливості формування фінансового інструментарію сталого розвитку сільських громад. Обґрунтовано ключову роль фінансового сектору у забезпеченні сталого розвитку територіальних природно-економічних систем. Проаналізовано динаміку ресурсу місцевого бюджету Мукачівського району Закарпатської області за 2014-2016 роки. Визначено напрями розширення інноваційних форм і джерел фінансування процесів відтворення природно-ресурсного потенціалу та покращення природокористування за допомогою рентних відносин в процесі фінансового забезпечення сталого розвитку сільських громад.* ***Висновки.*** *Потребує визначення першочергових пріоритетів концепція сталого розвитку, яка охоплює економічний, соціальний й екологічний напрями. Посилюючи розвиток пріоритетних складових концепту децентралізованого сталого розвитку, розширюватимуться можливості модернізації господарських відносин на засадах взаємоузгодження інтересів громад із інтересами влади. Необхідно також посилити розроблення концепту взаємоінтегрованого механізму акумулювання та використання фінансових ресурсів забезпечення економічного базису екологоорієнтованого розвитку.* |
| ***Keywords:*** *rural areas; sustainable development; system of financial support; rent relations.* | ***Ключові слова:*** *сільські громади;**сталий розвиток; система фінансового забезпечення; рентні відносини.* |

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**Urgency of the research.** The objective need to popularize the foundations of sustainable development is due to the increase of anthropogenic impact on the environment and the violation of the ability of self-replenishment of natural resources due to unwise socio-economic activities of economic entities, including in agricultural production. Accelerated economic development of the agro-food sector leads to an aggravation of the ecological situation and influences the quality of life of the rural community.

Disappointing perspectives may be caused by numerous imperfect and controversial regulations on environmental protection, the lack of new technologies adapted to the conditions of the modern economic space, and the instrument of ecologization of the agro-food sector and sustainable development.

**Issue statement**. An important point is the formation of financial tools of sustainable development of rural areas and the development of ways of environmentalizing the agrosphere, covering the system of certain types of activities aimed at preserving the natural environment, harmonizing the relations between society and the environment, forming a proper societal attitude to nature for its preservation, restoration and development. The previous unreasonable application of technologies in the agricultural sector has led to a decrease in its efficiency in terms of environmental production, suspended the use of innovative ecologically oriented technologies aimed at nature preservation activities, etc. These mentioned tendencies lead to the search of new effective mechanisms of financial management of the subjects of this branch in the direction of innovative development and improvement of natural and living environment.

**Analysis of recent researches and publications**. Scientific investigations of such Ukrainian scientists  are devoted to the topical issues of sustainable development: M. Y. Malik [6], M. Khvesyk [4], O. M. Alymov [8], I. M. Lytsur [8], V. V. Mykytenko [8], E. M. Libanova [7] and others.

Well-known Ukrainian scientists M. Y. Malik and M. A. Khvesyk [6, p. 4] note that now it is possible to talk about the general debt of our society to the Ukrainian village and this debt affects not only the economic component, but also demographic and even socio-psychological.

Scientific researches of Sh. I. Ibatyllin, M. A. Khvesyk Y. M. Dorosh [4] are devoted to the issues of market infrastructure development, financial and credit markets in particular, which promote the attraction of stock instruments and the formation of fictitious capital on the basis of land capital of the region.

The importance of research is due to problematic issues of optimizing the financial component of the state economy. According to the authors of the monograph "Capitalization of Natural Resources" [5], sustainable development requires wise usage of its own territorial resources and attraction of other financial resources. It is important to find ways of increasing the value and simultaneously involving territorial resources in financial turnover.

However, it is possible to agree with the opinion of the authors of the monograph "Formation of rental relations in the water sector of Ukraine" [11], about the absence of reliable mechanisms of mobilizing and accumulating financial resources in the field of environmental management and environmental taxation, as well as the targeted use of funds with the purpose of environmental protection.

**Defining** **uninvestigated parts of general matters.** In these works, scientific and methodological foundations of studying the problems of forming financial instruments of sustainable development of rural communities are laid. The great social significance of the above-mentioned problems gives the ground for further researches of unexplored aspects. Thus, in our opinion, the most relevant direction is justification of the peculiarities of financial provision of sustainable development of rural communities.

**The research objective.** The aim of the study is to substantiate innovative approaches to the formation of financial instruments for sustainable development of rural communities.

**Main results of the study.**

**1. Sustainable financing of rural communities.**

Ukraine's integration processes into the world community require wide implementation of sustainable development foundations for the native village and the acceleration of the decision-making process in this direction. Improving the development tendencies for rural communities is part of the process of creating an effective competitive environment with the economic systems of other developed countries.

Thus, it is should be pointed out that the village degradation has a bad effect on the development of the agricultural sector, as well as on the economy as a whole, since there are threats to the loss of food security, cultural heritage and socio-economic control in the state.

All above mentioned explains the need of financial instruments for sustainable development of rural communities. This will help to revitalize rural communities' initiatives, improve service quality, expand the number of rural jobs, and, as a result, improve rural population's quality of life.

Famous Ukrainian scientists O. M. Alymov, I. M. Litsyr and V. V. Mykytenko [8, p. 38] note that the formation of our country's  potential of sustainable development is due to: a) process allocational technology, which consists of combining the theory of macrosystem evolution with the means of methodology of process and allocational control; b) the regeneration of the real economy sector and the invariance of the integration processes implementation; c) the formation of an adequate methodology for analysis and making forecasts for the resulting indicators in the system of managing the process of forming the sustainable development potential.

 The financial sector plays an important role in ensuring the sustainable development of natural and economic systems of territories by means of the sustainable financing of all types of economic activity and territorial communities. In the conditions of decentralization of natural resources management, sustainable financing of rural communities' development provides [3, p. 13]:

• responsible financing - building a financial component of the nature management process based on the concept of project management and financing;

• responsible investment in natural assets - investments are carried out taking into account environmental and social factors on the principles of preservation of natural resources, "Blue", "Green" economy;

• sustainable insurance - a strategic approach, taking into account the risks and opportunities of the insurance business, which correlates with environmental, social and economic aspects;

• taking into account natural capital in goods and services - integrating the cost of natural resources into the economic process as a source of income;

• stock market development. The establishment of common stock-exchange institutions (ETF-exchange-traded funds) may be very useful for the decentralization of the financial sector.

Taking into account the opinion of some researchers [1, p. 85], a decentralized basis for funding the process of incorporating natural resources into economic turnover must be created basing on the concept of consolidated financing with the participation of all concerned parties - state, municipalities, business, etc. The idea of special investment funds created to preserve assets for long-term goals, i.e., sovereign wealth funds (SWF), deserves attention and spread. It is possible to create a SWF in Ukraine based on the income from recreational activities and the use of mineral resources, land, water and forestry capital, etc. [3, p. 51].

An important task for the sustainable development of rural communities is the choice and justification of investment tools that would ensure a sustainable increase in the living standards of the rural population and contribute to solving a number of issues concerning the attraction of sufficient investment resources, as market sources of investment are formed very slowly.

**2. Determining the increase of the local budget resource by implementing the reforms of budget and tax systems**

An important step towards strengthening the financial security of sustainable development of local communities was in 2015 with the introduction of 100% revenues from the local budget for providing administrative services, increasing revenues from the retail sale of excisable goods and concentrating 80% of the environmental tax in the budgets of the communities.

In order to elaborate variants of the algorithm for calculating the effect from innovations, we have conducted such assessment for the Mukacheve district of the Transcarpathian region (Tab. 1). As an estimated effect value, we propose to determine the increase of local budget resource.

We have calculated the resource of the local budget of the Mukacheve district in 2014, under the conditions of the old system and the tax and budget system reforms implemented in 2015 and 2016. The calculations are carried out with the help of software used by the financial department of the Mukacheve District State Administration and on the basis of running provision at the time of settlement of the Budget Code of Ukraine in force [2]. This table indicates an increase in the resource of the local budget of Mukacheve district in 2015 and 2016 compared to 2014. The main source of growth in the local budget's resources in 2015 and 2016 was the new transfers due to the increase of wages of employees of the budget sphere.

*Table 1*

**Resource of the local budget of the Mukacheve district of Transcarpathian region, million UAH**

(calculations were conducted by the authors on the basis of financial management data of the Mukacheve district of the Transcarpathian region)

| Local budgets of the Mukacheve district | 2014 | 2015 | 2016 |
| --- | --- | --- | --- |
| **Revenue**common fund | 20,3 | 29,5 | 115,8 |
| **+** |  |  |  |
| **Revenue**Special fund | 30,5 | 6,5 | 10,7 |
| **+** |  |  |  |
| Equalisation grant | 220,6 | - |  |
| **Basic grant** | - | 40,7 | 40,3 |
| - |  |  |  |
| Extraction**/****Reverse grand** | - |  |  |
| + |  |  |  |
| **New Transfers** *(educational, medical, training employees,* centralized activities of the Ministry of Health*)* |  | 362,5 | 413,6 |
| **=** |  |  |  |
| **Resource** | 271,4 | 439,2 | 580,4 |
| **Increase (to 2014)** |  | +167,8(+61,8%) | +309(+113,9%) |

As of the beginning of 2017, 39 rural, village councils belong to the Mukacheve district, till this time no unification of communities happened; administrative and territorial reform was ignored. We proposed to conduct community unification through several stages, at the first stage, it is advisable to consolidate them into 17 territorial communities, taking into account the territorial peculiarities and population size. The main source for increasing the financial soundness of the communities after the consolidation is the revenue from the personal income tax and new transfers (educational, medical, training, centralized activities of the Ministry of Health).

Thus, in the conditions of decentralization, there is a need to develop innovative approaches to the formation of financial tools for sustainable development of rural communities aimed at providing sources of investment resources and effective use of existing industrial, socio-cultural and communal-residential potential of rural development, in particular, tools for effective real investment in priority areas, considering the risks of agricultural production.

**ІІІ Rent relations in the innovative system of forming financial instruments of sustainable development of rural communities**

On the basis of the results of studying the problematic issues of the development of rural communities, it is evident that modern mechanism of payments and fees for the use of natural resources on a rental basis should be improved, in particular with regard to deep consideration of environmental losses of communities.

The direction of expansion of forms and sources of financing the process of nature use is the introduction and spreading of rent relations (Table 2) in the process of financial provision of sustainable development of rural communities.

*Table 2*

**Innovative forms of implementation of rent relations in innovative system of forming financial instruments of sustainable development of rural communities** (authors’ own elaboration)

|  |  |
| --- | --- |
| **Name of the form** | **Characteristics of the form** |
| **Capitalization** | * transformation of natural resources, as factors of production, into capital of economic systems on the basis of sustainable development of rural communities;
* the formation of a structured asset from natural resources, the financial assessment of which exceeds the sum of the costs of the constituent resources;
 |
| **Corporatization** | * the formation of organizations, associations of private individuals and legal bodies whose ownership consists of a share of production and non-production direction, in order to form an effective business enterprise and to share the consumption of natural goods on the basis of sustainable development;
* concentration of investment capital on the development and implementation of innovative technologies of regulating natural resources and sustainable development of rural communities;
 |
| **Institutionalization** | * improvement of norms, standards and forms of economic development of villages’ resource potential;
* definition and legislative consolidation of the specification of rights to use natural resources;
* definition of a list of environmental activities’ types covered by public-private partnership agreements
* formation of rules for concluding mortgage contracts with banking institutions on the bail of land funds;
 |
| **Diversification** | * Growth of community budget revenues by expanding the list of paid services;
* reinvestment in the expanded reproduction of environmental infrastructure at the expense of funds received as a result of the sale of local loan bonds and mortgage lending on land bail;
* attraction of funds from foreign investors and international financial and credit institutions for the implementation of environmental projects;
 |
| **Securitization** | * issue of local bonds by local councils under the bail of land funds;
* issue of securities for low-liquidity arrivals, to ensure the flow of resources directly from investors to consumers, reducing transaction costs.
 |

Thus, the proposed innovative forms of rent relations give the possibility to modernize the concept of rural communities’ sustainable development on the basis of ecologically oriented nature management and to improve the living standards of rural population. In addition, the opinion of scientists [9] on the human-centeredness of the society, according to which the result of successful development consists in fair treatment and accommodation of interests of both current and future generations deserves attention.

In the modern context of economic management, the problem of the transformation of social relations concerning the use of land resources on the basis of methods of market economy, and according to the postulates of sustainable development, the combination of personal and social interests in the process of making management decisions requires special attention. Taking into account the political problems and drawbacks of ecological and land normative framework, the issue of land preservation in Ukraine becomes relevant [10].

Many scientists [7; 9; 10] have devoted their work to revealing the concept of sustainable development in the dialectical symbiosis of philosophical theoretical aspects with modern technologies of ecological, social and economic development. The most important goal is to defend the national strategy of sustainable development.

The effectiveness of the program of sustainable development of rural communities is mainly determined by the ability of developers to take into account complex interaction of objective environmental and economic laws, including their specific manifestations in the agrarian sector. Simultaneously, the use of laws of proportional economy development and social infrastructure, land rent, cycles of reproduction, principles of labor activity, etc. are of particular importance.

In addition, consideration of laws of resource potential functioning, as a basis for sustainable life necessities of rural population, which directly affects the development and functioning of the rural labor market, the efficiency of agricultural production, diversification of agribusiness, employment rate, quality of life, etc., is mandatory.

**Conclusions.** Despite theexisting achievements in the development of the Ukrainian village, the competence of the authorities and self-government has not been clearly defined until now; there is no effective cooperation between them in the process of drafting and implementation of development programmes. The concept of sustainable development, which covers the economic, social and environmental trends, needs to be prioritized. Strengthening the progress of the priority components of the concept of decentralized sustainable development, the possibilities of modernizing economic relations will be expanded on the basis of co-ordination of interests of communities with the interests of the authorities. It is also necessary to strengthen the development of the concept of a mutually integrated mechanism of accumulation and use of financial resources to ensure the economic basis of environmentally-oriented growth.

Taking into account the multifaceted problem issues regarding the peculiarities of forming financial instruments for the sustainable development of rural communities, it is possible to conclude that it is necessary to specify the ways of their solution and further research on this subject taking into account the foreign experience of economic reforms.

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