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## THE SYSTEM OF INSTRUMENTS FOR THE RECOVERY AND DEVELOPMENT OF THE PROCESSING INDUSTRY OF UKRAINE

### СИСТЕМА ІНСТРУМЕНТІВ ВІДНОВЛЕННЯ ТА РОЗВИТКУ ПЕРЕРОБНОЇ ПРОМИСЛОВОСТІ УКРАЇНИ

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Трансформації, що відбувалися в економіці та системі державного управління України за роки незалежності, призвели до низки негативних наслідків. Перш за все, це зменшення валового регіонального продукту на душу населення, деіндустріалізація економіки, формування неефективної системи державного управління, погіршення інвестиційної привабливості. Одним з головних чинників такої ситуації є низький рівень інвестицій, поступова зношеність та відсутність модернізації обладнання, повільні темпи запозичення та розвитку передових технологій та інновацій у переробній промисловості. В цьому контексті запропоновано систему інструментів в частині обмеження експорту сировини та створення нових ланцюжків доданої вартості, залучення інвестицій, дерегуляції, стимулювання державних закупівель, локалізації промислового виробництва, розвитку високотехнологічного сектору, імпортозаміщення та локалізації виробництва транснаціональних компаній, стимулювання несировинного експорту.

*Ключові слова:* інструменти, система, розвиток, переробна промисловість, спеціальні функції

*Goryachuk V.F., Bondarenko O.V., Levit V.S. The System of Instruments for the Recovery and Development of the Processing Industry of Ukraine. Scientific and methodical article.*

The transformations that have taken place in the economy and public administration system of Ukraine over the years of independence have led to a number of negative consequences. First of all, this is a decrease in the gross regional product per capita, deindustrialization of the economy, the formation of an inefficient public administration system, and deindustrialization in investment attractiveness. One of the main factors of this situation is the low level of investment, gradual wear and tear and lack of modernization of equipment, slow rates of borrowing and development of advanced technologies and innovations in the processing industry. In this context, a system of instruments is proposed in terms of limiting the export of raw materials and creating new value-added chains, attracting investments, deregulation, stimulating public procurement, localization of industrial production, development of the high-tech sector, import substitution and localization of production of transnational companies, and stimulating non-raw material exports.

*Keywords:* instruments, system, development, processing industry, special functions

Changes in the economy and public administration system of Ukraine over the years of independence have led to a number of negative consequences. First of all, this is a decrease in the gross regional product per capita, deindustrialization of the economy, the formation of an inefficient public administration system, and a deterioration in investment attractiveness. Ukraine continues to lag behind in development in terms of labor productivity, energy efficiency, and added value creation. One of the main factors in this situation is the low level of investment, gradual wear and tear and lack of modernization of equipment, slow rates of borrowing and development of advanced technologies and innovations in the processing industry. Ensuring national security, increasing employment, reducing income inequality, risks, and other important aspects of the development of countries depend on the development of the processing industry. Therefore, the process of new industrialization has begun in the world. Ukraine must take into account modern global transformations and focus on supporting the processing industry.

#### Analysis of recent research and publications

The issues of developing a system of tools for the restoration and development of the processing industry of Ukraine are the subject of scientific research by the following domestic scientists: O. Amosha, Yu. Bazhal, I. Buleev, B. Burkynsky, V. Vyshnevsky, V. Geyets, A. Hrytsenko, L. Deyneko, Yu. Zaloznova, M. Kyzym,

L. Zbarazska, S. Ishchuk, Yu. Kindzersky, Yu. Shvets, S. Knyazev, O. Popelo, O. Salikhova, S. Tulchynska, D. Cherevatsky, I. Pidoricheva, G. Shevtsova, L. Shynkaruk, N. Shlafman and others. However, there are still a number of issues related to the formation and further improvement of the system of tools for the restoration and development of the processing industry, especially in terms of limiting the export of raw materials and creating new value-added chains, attracting investment, deregulation, stimulating public procurement, localization of industrial production, development of the high-tech sector, import substitution and localization of production of transnational companies, and stimulating non-raw material exports.

### The main part

Presentation of the main material of the study. The world is undergoing a process of new industrialization. Ukraine should take into account modern global transformations and focus on supporting the processing industry. In modern and post-war conditions, further simplification of the economy is unacceptable for Ukraine. Ukraine should abandon the continuation of the raw material orientation in favor of creating an industrial and innovative economy. Modern and post-war Ukraine should move along the path of deep economic transformation, which involves implementing structural changes with an emphasis on the advanced development of high- and medium-technological branches of the processing industry. The priority of state industrial policy should be to protect its own producer, ensure the use of its own raw materials and labor in production, attract investment, stimulate innovation, and integrate science and industry. Special attention should be paid to the formation of a system of tools for the restoration and development of the processing industry.

1. Instruments for restricting the export of raw materials and developing existing and creating new value chains.

The export duty on sunflower seeds. The export duty on sunflower seeds was introduced in 1999 at a rate of 23%. Before that, half of the sunflower seeds grown in Ukraine were exported. In 2001, the rate was reduced to 17%, and after joining the WTO in 2008, the duty gradually decreased to 10%. Since 2000, the processing capacity of oil extraction plants has increased more than 5 times and currently amounts to about 20 million tons of oilseeds per year. Ukraine provides about half of the world's sunflower oil exports and ranks first among exporters. In 2021, a total of 5.1 million tons of sunflower oil were exported.

Export duty on scrap metal. Despite progressive deindustrialization, Ukraine still remains a country with a developed metallurgy, which is a fundamental sector of the Ukrainian economy. Scrap metal is a critically needed raw material for metallurgical plants. However, the procurement of this raw material in Ukraine has been decreasing for two decades in a row. Thus, if in 2000 the collection of scrap metal reached the level of 11 million tons, then in 2019-20 this figure decreased to about 3.0 million tons. Domestic

metallurgical plants experienced a shortage of scrap metal. In addition, scrap metal exports in 2015 reached 1.2 million tons. Therefore, to prevent crisis phenomena in the Ukrainian metallurgical industry, the Verkhovna Rada of Ukraine introduced a duty on the export of scrap metal. This had a positive effect, the scrap metal deficit decreased from 20% to 11% in the first year of the duty, and was subsequently overcome. It is much more profitable for Ukraine to process scrap metal at metallurgical enterprises into products than to export raw materials. One ton of scrap metal exports gives the state 1914 UAH, while its processing into steel provides 8200 UAH to budgets of all levels in the form of taxes.

It should be added separately that the EU plans to apply the so-called "carbon" tax to protect its manufacturers who are implementing measures to decarbonize production. The EU has adopted a plan to reduce CO<sub>2</sub> emissions (European Green Deal), according to which Europe should become an environmentally neutral continent by 2050. This will impose an obligation on European steelmakers to switch to more environmentally friendly steel production. The only industrial steelmaking technology that allows for a significant reduction in CO<sub>2</sub> emissions is electrometallurgy. And this means that very soon global demand for scrap metal will begin to grow sharply with simultaneous protectionism towards its own raw materials. The European steel lobby Eurofer has called on the European Commission to introduce restrictions on scrap metal exports.

The duty on scrap metal exports in Ukraine ensures the preservation of tens of thousands and the creation of new jobs, additional GDP growth, reduction of energy consumption and CO<sub>2</sub> emissions, as well as attracting additional investments for the re-equipment of metallurgical enterprises, which is becoming particularly relevant in the context of the deployment of the European Green Deal [1].

Full or partial cancellation of VAT refunds for grain and sunflower exports. Measures to not refund VAT on raw material exports were in effect for certain types of grain and oilseed crops in Ukraine in various forms during 2011-2016 [2]. From an economic point of view, this is a restrictive measure for traders and large oilseed producers, aimed at stimulating domestic processing of raw materials and creating products with a higher level of added value and their subsequent export. This tool leads to a decrease in the purchase price for raw materials, which is in the interests of the processing sector, but at the same time, non-refund of VAT leads to losses for farmers. Therefore, such a restriction should be used for traders and not for oilseed producers.

Today, only 1-2% of sunflower seeds are exported for further processing in other countries, while for soybeans and rapeseed this figure is 85% and 90%, respectively. Ukraine has enough capacity to process soybeans and rapeseed into oil. Almost all plants in Ukraine that produce sunflower oil can easily produce soybean and rapeseed oil. The capacities of such plants are only about 75% loaded [3].

Among oilseed processors within Ukraine, a very high level of competition for sunflower seeds has remained, which has ensured that a significant share of profits and added value from the global sunflower oil market conquered by Ukraine is transferred to farmers. The current situation has become beneficial for both processors and agricultural producers who grow sunflower seeds. And it is proposed to repeat this mutually beneficial success also for soybeans and rapeseed.

Some experts argue that the non-reimbursement of VAT may be considered a violation of the Association Agreement with the EU. The non-reimbursement of VAT on grain and sunflower seeds was in effect in Ukraine from 2011 to the end of 2015. And there were no comments from the EU. Moreover, the American Chamber of Commerce and the European Business Association insisted that the non-reimbursement of VAT remain in effect. This was supported by the ambassadors of the respective countries [2].

Moratorium on the export of roundwood. It has been in effect since 2015. Before that, Ukrainian forest was exported to neighboring European countries, where it was processed into products with high added value (parquet, furniture) and imported back to Ukraine as finished products. The EU negatively perceived the Ukrainian moratorium. Developed European countries adhere to a policy of free trade in raw materials. But at the same time, they limit access (import) of goods with high added value from countries that are not members of the EU.

After the introduction of a moratorium on the export of roundwood, woodworking has become one of the most attractive investment sectors of the Ukrainian processing industry due to increased access to valuable wood raw materials on the domestic market. In 2016-2020, capital investments in woodworking in Ukraine increased by 88.5%. For comparison, the capital investment index for the entire industry of Ukraine in 2016-2020 increased by only 36.0%. In 2020, nominal capital investments in woodworking in Ukraine amounted to UAH 7.8 billion.

One cube of unprocessed wood costs \$50-60. In the production of plywood, the price per 1 cubic meter increases to \$270. The cost of designer furniture, which includes high added value, starts at \$500 per 1 cubic meter of wood. Ukraine's own woodworking industry means jobs, taxes, foreign exchange earnings, and the replacement of imported woodworking products. Over time, the ban on wood export may be lifted. The main thing is that by this time the country has created its own woodworking facilities and competition with foreign manufacturers is equal.

## 2. Investment attraction tools.

Investment insurance and guarantees. Investment risk insurance is available through international structures: the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the Development Finance Corporation (DFC). The government also plans to launch insurance through the Ukrainian Export Credit Agency.

Important tools should be the provision of state guarantees and preferences for investment projects that

are of priority importance for the development of the country and regions, as well as ensuring the stability of the business environment by recognizing the jurisdiction of the United Kingdom and Singapore in investor-state disputes.

Budget program "Providing state support for the implementation of investment projects with significant investments". It is aimed at attracting investors through the introduction of state support for large investment projects and for the implementation of the Law of Ukraine "On State Support for Investment Projects with Significant Investments in Ukraine" (as amended in 2024). UAH 3 billion is planned in the state budget for its implementation. The funds will be directed to:

- construction of engineering and transport infrastructure facilities – UAH 1.2 billion;
- compensation for the cost of engineering and transport infrastructure facilities built by the applicant or investor with significant investments – UAH 1.2 billion;
- compensation for the costs of connection and accession to engineering and transport networks necessary for the implementation of an investment project with significant investments – UAH 0.6 billion.

According to Part 2 of Article 4 of the Law of Ukraine "On State Support for Investment Projects with Significant Investments in Ukraine", the total amount of state support for the implementation of an investment project is established in a special investment agreement and should not exceed 30% of the planned investment volume [4].

The use of these funds will allow potential applicants/investors to:

- to begin the implementation of investment projects with significant investments, which will positively affect the activity of economic agents, the national economy and the economy of the regions where such projects will be implemented;
- to ensure the construction of engineering and transport infrastructure facilities, which will allow to improve logistics and reduce the costs of the applicant/investor with significant investments;
- to ensure a multiplier effect on related industries, since an increase in investments causes an increase in production, gross domestic product, etc.;
- to ensure the creation of new jobs, which is an important component of social policy, and will allow to employ, in particular, internally displaced persons, and prevent the loss of the working population due to migration processes;
- to ensure revenues to the budgets of all levels from activities within the framework of the implementation of investment projects with significant investments, as well as after the commissioning of investment facilities, which will allow to balance budget expenditures and revenues.

Creation of industrial parks. Many scientists, civil servants and experts believe that industrial parks are an important tool for industrial development. As an example, the experience of neighboring Hungary is given, where a third of all GDP is generated in

industrial parks. Today, the prevailing opinion in Ukraine is that industrial parks will reduce capital costs, risks and tax burden for industrial investors, become centers of development, ensure the construction of factories throughout Ukraine, create new jobs and increase GDP [12, 16, 17].

The budget program "State Stimulation of the Creation of Industrial Parks" plans to allocate 1 billion UAH to finance identified and attract investment projects for the recovery and development of the Ukrainian economy. Industrial parks play an important role in the formation of innovative knowledge and technologies, contributing to the attraction of investments, the activation of entrepreneurial activity, the creation of new jobs, the minimization of transaction costs, etc. At the same time, their development requires support and assistance at the national, regional and local levels, as well as the creation of appropriate mechanisms and conditions for their activities. Within the framework of the implementation of the budget program, it is envisaged to make expenditures for the creation and operation of the Industrial Parks Development Office, the arrangement of industrial (industrial) parks and/or ensuring the construction of adjacent infrastructure facilities, and other measures necessary for the creation and operation of industrial parks [4, 15].

Compensation to employers for a single contribution to mandatory state social insurance (MSSI). The Cabinet of Ministers of Ukraine, by its resolution No. 338 of April 18, 2023, approved the procedures for compensating employers for part of the actual costs associated with paying for the creation of new jobs and hiring officially registered unemployed people. From January 1, 2024, compensation payments are expected to be made in the amount of 50% of the actual costs of the SSC paid for each person employed in a new job. It will be paid to employers who employ employees by concluding an employment contract and pay them a salary of at least three minimum wages during the year. Provided that this level of wages is maintained, compensation will be paid for each employed person over the next 12 months. This tool will ensure a reduction in the tax burden, an increase in the chances of preserving and creating jobs, and de-shadowing of employment.

Replacing the income tax with a tax on withdrawn capital. The tax on withdrawn capital provides that the profit received by the enterprise is not subject to tax until it is paid to the owners in the form of dividends and equivalent payments, that is, it is not withdrawn from the business. Thus, any reinvestment of profits in the business is exempt from taxation. According to the authors and supporters of the tax on withdrawn capital, its introduction will provide a number of positive consequences:

- growth of business activity, acceleration of modernization of enterprises, economic growth;
- the ability of business to independently manage its money and decide whether to reinvest it in production or spend it for other purposes;

- redistribution of the tax load from those who currently bear the main burden of paying income tax to all taxpayers;
- reduction of the tax load;
- simplification of control and tax accounting, reduction of ways to minimize taxes, de-shadowing of the economy.

### 3. Deregulation tools.

Support for local authorities. First of all, we are talking about reducing bureaucratic obstacles, especially in terms of resolving land issues, issuing permits for various types of activities, approving construction projects, providing preferences when renting office and industrial premises, improving transport, energy, financial and information infrastructure. The direct participation of the head of local authority in this process is very important. A positive example is the activities of the mayor of Chornomorsk, V.Ya. Khmelnyuk, where the volume of investments per inhabitant was almost an order of magnitude higher than in the city of Odesa. It is proposed to determine the volume of investments attracted as one of the main indicators of the activity of heads of local authorities.

Compensation for connection to utility networks. Connection to networks is a big pain for any Ukrainian investor. The deputies of the Verkhovna Rada plan to simplify this problem by adopting a relevant legislative act. This will ensure a reduction in costs and risks for investors in the processing industry, increasing the attractiveness of new industrial investments.

Simplification of changing the purpose of land. Draft law No. 9627 has been submitted to the Verkhovna Rada, which provides for a radical simplification of the procedure for changing the purpose of land for the purposes of economic recovery. The standard procedure for changing the purpose of land takes 1-3 years. The new procedure, included in draft law No. 9627, will take about 1.5 months. Changing the purpose of a land plot will take place only on the basis of a reasoned opinion of the authorized body for urban planning and architecture of a village, settlement, or city council regarding the possibility of placing the relevant object on the land plot. The development of separate urban planning documentation, as well as documentation on land management, is not required. The basis for corruption will disappear [5].

After the adoption of Law No. 9627, the simplified procedure for changing the purpose of a land plot will apply to:

- industrial buildings and warehouses;
- pipelines, communications and power lines (except for main oil pipelines and main gas pipelines);
- complex industrial facilities (except for enterprises and facilities of enterprises for enrichment and processing of nuclear materials; facilities and furnaces for waste incineration; nuclear power plants);
- buildings for agricultural purposes, forestry and fisheries.



This initiative is one of the elements of the Processing Industry Development Plan in Ukraine [6].

Introduction of a letter of credit form of payments between small and large enterprises. It is proposed to introduce a provision into the Law "On Support for the Development of Small Entrepreneurship" on the introduction of a letter of credit form of payments between small and large enterprises in order to prevent non-fulfillment or postponement of the latter's fulfillment of their contractual obligations for 6-9 months.

4. Public procurement tools and localization of industrial production.

Public procurement. They can and should stimulate the domestic market and become a support for Ukrainian business, especially manufacturers, in times of crisis. However, ill-considered creation of preferences can lead to the victory of "their" rather than Ukrainian manufacturers. It can also violate a number of international obligations of Ukraine, in particular the Association Agreement with the EU. Therefore, Transparency International Ukraine called for refraining from hasty changes to the ProZorro system. Many experts consider it more expedient to focus on other tools: subsidies, investments, preferential taxation and lending, predictable tax policy and market regulation, impartial actions of control and law enforcement agencies, fair judicial proceedings [7-8]. This will allow Ukrainian manufacturers to become more competitive, and not win with a more expensive offer due to preferences.

Partial compensation for the cost of Ukrainian-made agricultural machinery. According to the decision of the Cabinet of Ministers of 08.03.2024, a program of 25% compensation for the cost of Ukrainian-made agricultural machinery comes into effect - 6691 nomenclature items of machinery and equipment from 64 manufacturers (tillage machinery and equipment; sowing and tillage complexes; seed bunkers and grain storage-overloaders; machines for cleaning, sorting, calibrating seeds, grain and legume crops; grain loaders and grain throwers; screw conveyors, elevators; machines for applying mineral fertilizers; sprayers for chemical protection of agricultural crops; tractor trailers and dump trailers for transporting grain; machinery and equipment for irrigation and drip irrigation; equipment for drying grain; equipment for keeping pigs, cattle and calves). UAH 1 billion is planned for its implementation in the budget (budget program "Partial compensation for the cost of agricultural machinery and equipment of domestic production") [4]. To receive partial compensation for the cost of agricultural machinery, farmers will need to purchase domestically produced machinery and submit an application for compensation and supporting documents to an authorized bank. At the same time, farms can additionally receive partial compensation in the amount of 15% of the cost of the purchased agricultural machinery [9].

Budget program "Supporting domestic demand for domestic goods and services". It provides for the allocation of 3 billion UAH. to increase demand for domestic goods, by partially compensating for their

cost, purchased from domestic manufacturers and/or their dealers. In particular, it is planned to provide partial compensation for the cost of municipal and special equipment, public transport, energy equipment, elevators and elevator equipment of domestic production. 4.95 million UAH are planned for measures to strengthen institutional capacity for the preparation of public-private partnership projects.

Support for agricultural processing. It is planned to introduce a program to stimulate agro-processing through the purchase of equipment for processing agricultural products with the localization of production in Ukraine.

School Bus Program. The Cabinet of Ministers of Ukraine intends to activate the School Bus Program to purchase 1,500 school buses from domestic manufacturers over three years. In 2024, as in the previous year, the state budget has allocated UAH 1 billion for the purchase of school buses.

The state mortgage lending program for housing "eOselya". The demand for building materials will be provided by the mortgage program "eOselya" (launched in October 2022). It provides an opportunity to purchase housing with a mortgage at 3% and 7%. Only military personnel, security forces, doctors, teachers and scientists can participate in it. The program provides that Ukrainians will take out mortgages in banks – and the state will compensate institutions for the reduced interest rate.

Involvement of international organizations in the procurement of Ukrainian goods. Ukrainian government officials and regional authorities should promote the positive experience of the American USAID, the Japanese JIKA, and the Danish Government, which, when implementing their assistance programs to Ukraine, purchase goods of Ukrainian production, including mechanical engineering products.

Cashback on consumer goods. This tool is designed to increase the consumption of Ukrainian goods by citizens. The government plans which consumer goods will receive cashback, what IT solutions are needed for this, what amount of funds and sources of financing.

5. Financial instruments.

According to the survey, Ukrainian companies specifically identified grant support, soft loans, and access to new loans as the most important measures of state support.

State program "5-7-9". The Entrepreneurship Development Fund implements the State programs "Affordable Loans 5-7-9" and "Affordable Financial Leasing 5-7-9" in terms of reducing the cost of loans for business entities in accordance with the procedures approved by the Resolution of the Cabinet of Ministers of Ukraine "On the Provision of Financial State Support" as amended on 24.01.2020 No. 28 [10].

Since the beginning of martial law, the opportunity to use the state program "Affordable Loans 5-7-9" for agricultural producers has been expanded to support business entities in order to ensure spring and autumn field work. The opportunity to obtain loans has been provided to large businesses and state-owned enterprises to rebuild fixed assets of business entities

destroyed as a result of military aggression. For these purposes, the maximum loan amount has been increased to 60 million UAH, and for agricultural producers - to 90 million UAH.

As of June 17, 2024, during the period of military aggression in Ukraine, 55,516 loan agreements were concluded within the framework of this program for a total amount of UAH 221.2 billion. A total of 90,338 loan agreements were signed for a total amount of UAH 310.8 billion since the start of the Program. [11].

State Program "Affordable Factoring". In 2024, a new State Program "Affordable Factoring" is being introduced, which will become another important tool for supporting and developing micro, small and medium-sized businesses in Ukraine in the context of ongoing military aggression. Thanks to this program, enterprises will be able to cover daily expenses, reduce the risk of "non-payments" from counterparties, and improve the sustainability of the entire supply chain of goods. Financial support for business entities under factoring agreements will provide compensation for the interest rate for factoring at a level of up to 13% per annum. An authorized factor will provide factoring to a business entity in the amount of up to 95% of receivables, but the amount of financing cannot exceed 150 million hryvnias, including funds received under the programs "Affordable Loans 5-7-9%" and "Affordable Financial Leasing 5-7-9%". Important financial instruments are capital amnesty and tax breaks.

6. Tools for the development of the high-tech sector.

State support for scientific, technical and innovative activities. Compliance with current legislation on the norms of financing scientific, technical and innovative activities at the level of 1.7% of the country's GDP is of great importance. Today, this norm is not being met.

Creation of innovative development funds. These funds should ensure: financing of projects for the development of knowledge-intensive industries and production; increasing the efficiency of processing industries; development of non-traditional energy sources; ensuring energy efficiency of the production sector; development of nano-, bio-, space and nuclear technologies; widespread use of information technologies, telecommunications and digitalization in all spheres of human activity.

7. Tools for import substitution and localization of production of transnational companies.

Protective import duties. This tool is widely used by the EU towards third countries, including Ukraine. For example, in the association agreement with the EU, import duties are applied to a wide range of goods. But the use of this tool by Ukraine may violate a number of international obligations of Ukraine, in particular the association agreement with the EU.

Localization of production of transnational companies. This tool involves the use by transnational companies of a certain share of local resources (raw materials, materials, other intermediate products manufactured in Ukraine, labor, scientific achievements, etc.) instead of imported ones. It is

envisaged to encourage foreign companies to create assembly plants in Ukraine with an appropriate coefficient of localization of internal potential. This will ensure the formation of new and development of existing value-added chains.

8. Non-raw material export incentives.

Removal or reduction of tariff and non-tariff restrictions on the export of Ukrainian finished products. In 2014, the Association Agreement between Ukraine and the EU was signed, which did not provide for adherence to the principle of "free trade" in foreign trade with respect to soybean oil. In the Agreement with Ukraine, the EU left the same import rates for soybean oil that it applies to countries with which it has not signed any free trade agreements. That is, the EU did not make any concessions, but received additional concessions from Ukraine.

That is, the EU did not make any concessions, but received additional concessions from Ukraine. For example, we are obliged to export raw materials for oil to the EU duty-free, import processed products back duty-free, and the EU retains the import duty on our oil [2]. [2]. An important area of state work is lobbying for duty-free access of Ukrainian goods to foreign markets and conducting trade diplomacy.

Activation of the work of the national export credit agency. Financing and insurance of non-raw material exports is provided by the Export Credit Agency. In this context, the government's tasks are:

- increase the authorized capital to 10 billion UAH;
- launch of a program for compensation of interest on loans for the implementation of export contracts and financing of importers of Ukrainian products (500 million per year);
- launch of export factoring;

A separate area of work is the continuation of duty-free access for Ukrainian goods to foreign markets and the launch of trade diplomacy.

The sea corridor, which initially operated only for grain, became available for metal in the fall. We are now expecting the opening of container transportation.

Implementation of the Export Strategy for the Information Technology Sector 2019-2023. As part of the need to develop applied tools to increase awareness among domestic producers of changes in EU technical regulations, summarized in the latest version of the EU Blue Guide (2022), it is necessary to identify target groups among domestic producers according to certain criteria (manufacturers of goods or services; manufacturers of industrial or food products; existing producers engaged in export activities and those only planning to enter EU markets). In accordance with the division into target groups, information materials should be developed that will provide enterprises with relevant information on the website of the Ministry of Economy.

9. Financial support for the processing industry development plan.

The restoration and development of Ukraine's processing industry requires large amounts of financing, which the country does not have. Therefore, the help of donor countries is necessary. Over the past 2 years, several international forums have been held to

discuss the development of programs for the recovery of the Ukrainian economy in the war and post-war period. One example was the Marshall Plan, which was implemented after the end of World War II and provided for the recovery of the industrial economy and employment of Germans through the development of industry and its high-tech industries. The experience of Japan, which created one of the largest economies in the world through the development of export-oriented industrial products, as well as the experience of South Korea, which created a successful high-tech economy

from nothing through the development of the processing industry and exports, was considered.

Under the auspices of the Verkhovna Rada Committee on Economic Development, a group of experts assessed the need for financing the Plan for the Restoration and Development of the Processing Industry of Ukraine in 2023-2032 (Table 1).

The modeling of the effect of state incentives for the development of new production capacities in Ukraine is based on the inflow of \$90 billion in investments into the processing industry over a ten-year period (2023-2032) [13].

Table 1. Estimated financing needs for the Plan for the Restoration and Development of the Processing Industry of Ukraine in 2023-2032, million US dollars

Sources and instruments of financing	Total	2023	2024	2025	.....	2032
USA Investment Guarantee Fund MIGA	5000	222	278	333		833
Portfolio guarantees of MFIs (50% coverage of the amount of loans in commercial banks)	20250	900	1125	1350		3375
Development Bank:						
— compensation of 10% (percentage points) of the credit rate	11498	180	405	594		2233
— capitalization of the bank for the purpose of lending to projects in the processing industry	14000	1000	1250	1500		1875
Industrial parks (development and connection to utility networks)	500	125	125	84		–
Compensation for the cost of connection to utility networks	6300	280	350	420		1050
Targeted Program for the State Procurement of Domestic Complex Industrial Equipment (Airplanes, Ships, Firefighting Equipment, etc.)	510	30	30	40		80
State program to support agricultural producers through partial compensation for the cost of domestically produced agricultural machinery and equipment	600	60	60	60		60
ECA for insurance and crediting non-commodity exports	1410	300	100	100		50
Export Development Fund:						
— compensation for part of the costs of SMEs for exhibition activities	200	10	10	15		30
— compensation for part of the cost of product certification for SMEs	130	5	5	10		25
Innovation Development Fund: co-financing national R&D in the field of new industrial designs, environmental protection solutions, energy efficiency, digitalization, etc.	150	5	5	10		25
Need for public/donor financing *excluding portfolio guarantees of MFIs	43415	5960	7134	3166		6361
including those issued on a non-refundable basis	19378	665	960	1193		3423
Total investment	90000	4000	5000	6000		15000

Source: compiled by authors on materials [13]

The modeling results indicate that the implementation of the plan for the restoration and development of Ukraine's processing industry will ensure an increase in its share in GDP to the level of OECD countries, and will also ensure an increase in the share of the processing industry in Ukrainian exports to the European level [13].

### Conclusion

The article defines a system of tools for the recovery and development of the processing industry: in the context of limiting the export of raw materials

and creating new value chains; attracting investments; deregulation; stimulating public procurement; localization of industrial production; development of the high-tech sector; import substitution and localization of production of transnational companies; stimulating non-raw material exports. The results of modeling the implementation of the Plan for the Recovery and Development of the Processing Industry of Ukraine in 2023-2032 indicate the possibility of increasing the share of the processing industry in GDP to the level of OECD countries, as well as increasing its share in Ukrainian exports to the European level.

## Abstract

The transformations that have taken place in the economy and public administration system of Ukraine over the years of independence have led to a number of negative consequences: a decrease in the gross regional product per capita, deindustrialization of the economy, the formation of an inefficient public administration system, and a deterioration in investment attractiveness. One of the main factors of this situation is the low level of investment, gradual wear and tear and lack of modernization of equipment, slow rates of borrowing and development of advanced technologies and innovations in the processing industry. In this context, a system of instruments for the restoration and development of the processing industry is proposed in terms of: restrictions on the export of raw materials and the creation of new value-added chains (export duty on sunflower seeds and scrap metal, full or partial abolition of VAT refunds for the export of grain and sunflower crops, a moratorium on the export of round timber); attracting investments (insurance and guarantees for investments, budget program "Providing state support for the implementation of investment projects with significant investments", creation of industrial parks, compensation to employers of a single contribution to mandatory state social insurance, replacement of income tax with a tax on withdrawn capital); deregulation (support for local authorities, compensation for connection to engineering networks, simplification of the change in the purpose of land, introduction of a letter of credit form of settlements between small and large enterprises); public procurement and localization of industrial production (public procurement, partial compensation for the cost of Ukrainian-made agricultural machinery, budget program "Support for domestic demand for domestic goods and services, support for the processing of agricultural products", "School Bus" program, state housing mortgage lending program "eOselya", involvement of international organizations in the purchase of Ukrainian goods, cashback on consumer goods); development of the high-tech sector (state support for scientific, technical and innovative activities, creation of innovative development funds); import substitution and localization of production of transnational companies (protective import duties, localization of production of transnational companies); stimulation of non-raw material exports (removal or reduction of tariff and non-tariff restrictions on the export of Ukrainian finished products, activation of the work of the national export credit agency, implementation of the Export Strategy for the Information Technology Sector 2019-2023). The article considers the Financial Plan for the Restoration and Development of the Processing Industry of Ukraine. It is based on the receipt of \$90 billion in investments in the processing industry over a ten-year period (2023-2032). The modeling results show that the implementation of the plan for the restoration and development of the processing industry of Ukraine will ensure an increase in its share in GDP to the level of OECD countries, and will also ensure an increase in the share of the processing industry in Ukrainian exports to the European level.

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