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## INVESTMENT SUPPORT FOR THE DEVELOPMENT OF THE FORESTRY OF UKRAINE IN THE CONTEXT IMPROVING THE COUNTRY FOREST RESOURCE POTENTIAL

**Abstract.** The article presents the results of studies that characterize the forest industry of Ukraine as one of the components of the national economy. In turn, the structural elements of the forest sector are: forest chemistry, wood processing, pulp and paper industry. Forest enterprises are independent economic entities in the field of forestry and hunting. These problems predetermine the need for a study of new approaches to the development of investment support principles for the Ukrainian forest industry in the context of increasing the country's forest resource potential. Consideration of investment support of the forestry, analyze the causes, factors and threats associated with a shortage of investment resources in the forest industry and develop proposals for the prospects of investment activity in the direction of using, protecting and recreating the forest resource potential of the region are the purpose of the study. One of the most important conditions for sustainable development at the state level, as well as for individual enterprises, is the maximization of the innovation component of investment support. Obviously, in the conditions of reforming the forestry of Ukraine on the principles of sustainable development the need for an appropriate level of investment support for technological and technical transformation of the forest industry is even more acute. At present, Ukraine cannot meet domestic needs for wood and ensure ecological balance, therefore, studying the potential of forestry and its impact on the country's economy is relevant.

In spite of this, a big problem is that after the reorganization of collective farms into agro formation a significant part of the forest was assigned to reserve lands and was left without protection and supervision, that is, the timber potential in these forests is not used. Almost half of the forests of Ukraine are artificially created which need enhanced supervision. On this basis, it is recommended to use in reasonable proportions both the ecological and economic value of forests, ensure reforestation, increase the forest area and prevent the reduction of timber stocks in the forest policy in Ukraine.

**Key words:** forestry of Ukraine, forest industry of Ukraine, forest resource potential, forest, investment support, agro formation, land, resources, law, industry transformation.

**Introduction.** The signing by Ukraine of the Association Agreement with the European Union requires a review of the strategic priorities for the development of the main sectors of the national economy, especially those that base their activities on the use of natural resources and influence the formation of the assimilation potential of the territories. The forest sector is representative in this respect, and especially its structure-forming element - forestry. The existing model of forest management in Ukraine, which is based on the departmental principle and provides for a rigid vertical of management of the system of use, reproduction and protection of forest resource potential, already fully meets modern requirements for sustainable forest management. Moreover, a significant determining effect on the rates of expanded reproduction of the resource and production potential of forestry is exercised by the territorial asymmetry of the forest cover levels of individual regions of Ukraine.

In recent years, various scenarios and mechanisms for reforming the forest industry have been proposed. The main directions of reforming the forest industry can be identified: the transformation of the

forest management system, the improvement of the regulatory tools for influencing the markets for forest products, viewing the relationship between the forestry and forest processing segment of the forest industry.

At the same time, the main factor hindering real reforms in forestry is the long-term, or rather chronic investment deficit, which does not allow to replace physically worn and outdated equipment in most forest enterprises in a timely manner and to provide new quality of finished products, more competitive in domestic and overseas markets.

These problems predetermine the need for a study of new approaches to the development of investment support principles for the Ukrainian forestry industry in the context of increasing the country's forest resource potential. In the works of such domestic scientists, such as A. Dzyubenko, A. Deineka, I. Sinyakevich, O. Furdychko, N. Shershun, I. Yarov, and also foreign scientists: I. Verveyka, S. Korcha-gova, M. Orlova, K. Balbota covers traditional sources of expanded recreation of the resource potential of forestry enterprises, addresses topical issues of using raised and borrowed funds, explores issues of investment development of forestry. However, in our opinion, not enough attention has been paid to the specifics of developing the principles of investment support for the growth of forestry in Ukraine in the context of increasing the forest resource potential of the country.

**Purpose of the study.** The purpose of the study is to examine the problems of investment support for forestry, analyze the causes, factors and threats associated with a shortage of investment resources in the forest industry, and develop proposals for the prospects of investment activity in the direction of using, protecting and recreating the forest resource potential of the region.

**The presentation of the material.** Historically, it was formed in Ukraine that there are many-forest and low forest areas, which largely determines the specialization and diversification of production and economic activities of state forest enterprises, which the government has delegated the rights of permanent use of forest fund lands for practical implementation of national forest policy priorities [1].

The importance of the forestry complex for recreation, human health, maintaining natural balance is difficult to overestimate, therefore the problem of forestry development is gradually becoming a priority in Ukraine. Forestry belongs to the economic complexes that are of strategic importance for the national economy, because it covers all the processes that are associated with the reconstruction and use of a strategic resource - the forest, but at the same time it occupies a relatively small place, in general, in the industrial production of Ukraine [3].

At present, Ukraine cannot meet domestic wood needs and ensure ecological balance. Therefore, the topic of studying the potential of forestry and its impact on the country's economy is relevant [2].

The forest sector is an important component of the national economy of Ukraine, as it provides for an expanded reproduction of the forest resource base, and is the basis for the assimilation potential of individual territories. The structural elements of the forest sector are: forestry, forest chemistry, wood processing, pulp and paper industry. In recent years, the level of capitalization of forestry has significantly increased, since the forest resource base is concentrated here and a permanent flow of financial resources is ensured due to the involvement of wood and non-timber resources into economic circulation [4].

The forests of Ukraine, according to their purpose and location, perform mainly water protection, protective, sanitary and hygienic, recreational and other environmental functions and meet the needs of society in forest resources [4].

Forestry is essential for the development of the agro-industrial complex, as well as for the food and energy security of the country, because the territory of Ukraine is 603,549 km<sup>2</sup>, that is, 17.6% cover forests. For comparison, the territory of Belarus is 207,600 km<sup>2</sup>, and covers 39.8% of forests. The total area of the country's forest fund is 10.4 million hectares [1]. Despite the low forest cover of the territory, Ukraine ranks ninth in Europe in forest area and sixth in terms of wood reserves. For 50 years, forest cover has increased almost one and a half times (figure 1).

At the current stage of the country's economic growth, forestry does not have sustainable development, although Ukraine has acceded to many International Agreements on the development of forestry. This, in turn, is the World Forestry Congress in Buenos Aires, the UN International Conferences in Rio de Janeiro, Strasbourg, Helsinki, Lisbon. By European standards, forests that are not affected by human activity constitute only 59,000 hectares in Ukraine.

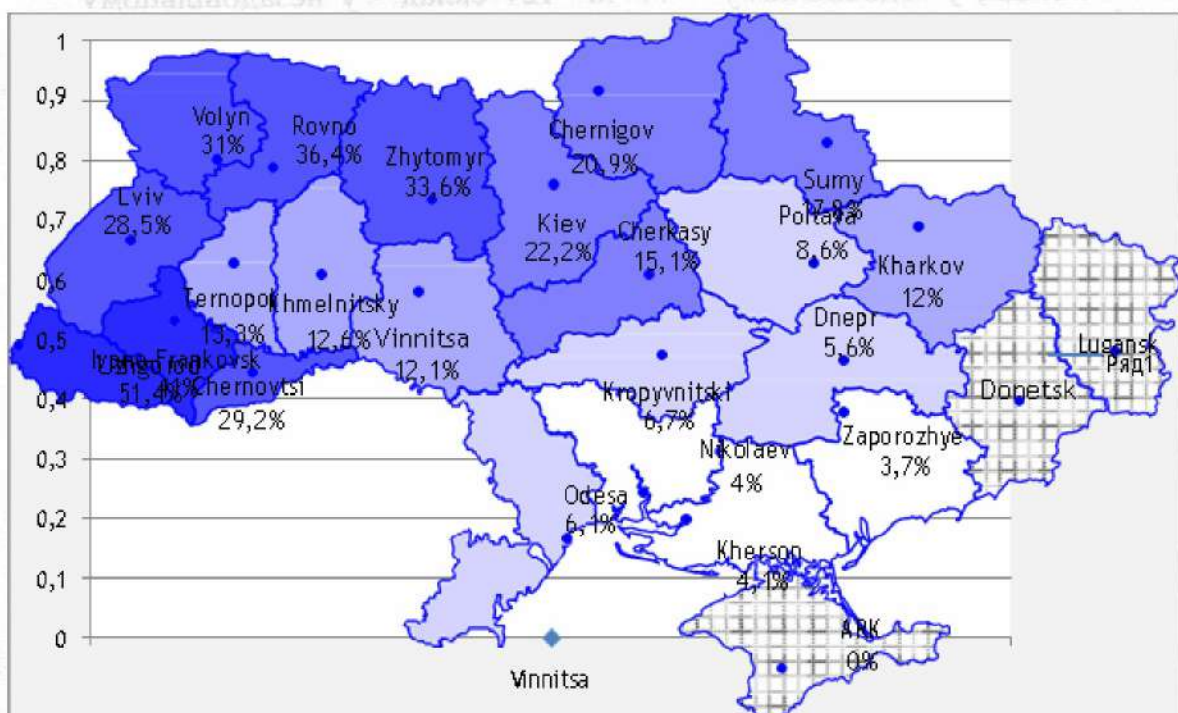
Figure 1 – State of forestry of Ukraine on January, 01 2018

A significant part of the forest after the reorganization of collective farms in agro formation was attributed to the lands of the reserve and left without protection and supervision, that is, the potential of wood in these forests is not used. Almost half of the forests of Ukraine are artificially created, which need enhanced supervision. The program "Forests of Ukraine" considered an increase in the number of plantations throughout 2010-2015, but these tasks and many others (in particular, an inventory of forest belts and assigning them to land users, the resumption of agro forestry services, the creation of protective stands on eroded lands of private and communal property, etc.) are not implemented in a timely manner [1].

An important indicator of the state of forests, in terms of the long-term perspective of their use, is the age structure - the distribution of forest areas by age groups. In the Ukrainian economy, the division of forests into young stands (age up to 40 years), medieval (40-60 years), maturing (60-80 years), ripe and over mature (more than 80 years) has been preserved. Economically the most profitable is the uniform distribution of planted areas by age groups. Unfortunately, the forests of Ukraine are characterized by an uneven distribution of forest plantations by age groups with a significant predominance of young and middle-aged (70-80% of all areas) and an insufficient number of mature and over-mature (6-15%) [6].

Another important feature is bonitet, which is determined by a number of characteristics - the average height of the trees depending on age, the average trunk volume, the number of trees per 1 ha, and, consequently, the stock of wood (volume per 1 ha), current and average increment of wood stocks. For each breed and bonitet, tables of growth rates of tree stands are compiled, which reflect the magnitude of the above indicators, ranging from planting to the age of over-ripeness, with an interval of 10–20 years [5].

Forestry enterprises are independent economic entities in the field of forestry and hunting. Forestry on 99.9% of Ukraine's forest land is conducted by specialized state and communal forest enterprises subordinate to a large number of ministries and departments, however, most forest products and services are produced by enterprises of the State Forest Resources Agency of Ukraine. Forestry in Ukraine, according to the "Classification of Economic Activities", includes four groups: forestry and other forestry activities (group 02.1), logging (02.2), wild-growing non-timber products (02.3) and the provision of ancillary services in forestry (02.4). Forest enterprises also provide services in a number of other important sectors: hunting, primary woodworking, food processing, and others. [14]



As for the country's economy, the contribution of the forest industry is very small. The cost of forestry products and services is only 0.2-0.4% of the total gross output. The share of wood in total exports is somewhat higher - about 1.5%, which is usually also not a determining factor. The decline in public funding opportunities, the lack of own funds of state enterprises and limited access to bank loans do not provide an opportunity to increase production rates and the quality of forest products, hinder the development of the scientific and technological potential of the forest industry.

One of the most important conditions for sustainable development at the state level, as well as for individual enterprises, is the maximization of the innovation component of investment support. In fact, in the conditions of reforming the forestry of Ukraine on the principles of sustainable development, the need for an appropriate level of investment support for technological and technical transformation of the forest industry is even more acute.

As of January 1, 2018, forestry attracted investments in the amount of UAH 767.5 million (figure 2).

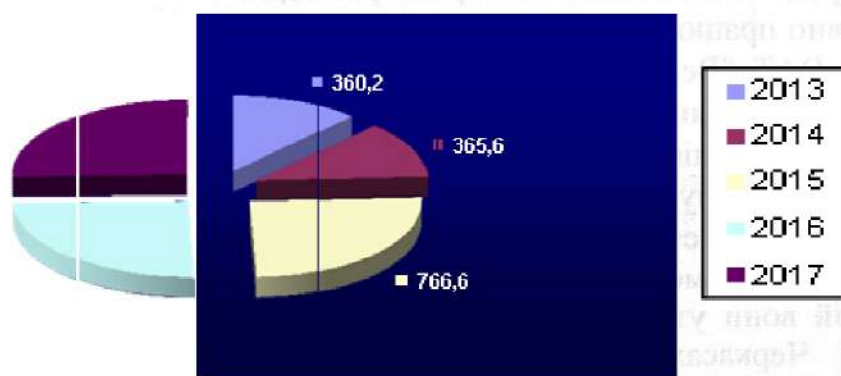


Figure 2 – Attracted investments in forestry of Ukraine, 2013–2017

Source: State Statistics Committee of Ukraine.

The data of figure 2 show that since 2014 the volume of attracted investments in forestry has increased by 2 times, but this figure does not yet allow for the effective operation of forestry enterprises. At present, the main source of financing capital investments in the forestry of Ukraine remains the own funds of enterprises and organizations and makes up about 70% of the total cost. [6].

State-owned forestry enterprises are investment-attractive because they have a predictable medium-long-term forest resource base, which is a very significant factor for convincing foreign and domestic investors to finance forestry projects and woodworking production projects. The forecasted raw material base is an important prerequisite for the design of primary and in-depth wood processing facilities and the planning of production, economic and investment activities.

Forestry enterprises are state-owned enterprises, which creates opportunities for using such a powerful tool to increase the investment attractiveness of forestry production, such as government guarantees, which in turn will allow enterprises to modernize production with fixed assets. [15].

A significant factor in increasing capital investments in forestry production would be to simplify the mechanism for using financial leasing, which would speed up the process of renewing the production equipment and forestry equipment fleet and ensure a gradual decrease in the level of physical deterioration of fixed assets of state forestry enterprises.

The development of the forestry complex requires the use of projects to build up forest resource potential and introduce modern woodworking technologies.

The main direction of reforming the forestry of our country should be the gradual integration of forestry production into the system of expanded reproduction of the entire natural resource complex, since best practice shows that integrated management of natural resources (land, forest and water) is the basic determinant of resource-saving and sustainable environmental management. So, state-owned forestry

enterprises should work more actively with the subjects of agrarian business, water management and recreational activities, since forest biocenosis are today a necessary condition for the sustainability of agricultural landscapes and restoration agriculture, the protection of watercourses and inland waters, the formation of natural resources for sanatorium-resort and tourist and recreational economy [7].

In the European Union, it is common practice to encourage farmers to increase the extent of a forestation of agricultural land and conduct agro forestry activities, which makes this category of agricultural producers subjects of forestry. Obligations made by Ukraine to the European community and the requirements of the European Union environmental directives to require the involvement of domestic agricultural producers in the processes of expanded reproduction of forest resource potential, since the level of tilled agricultural land is one of the highest in Europe and threatening the environmentally balanced socio-economic development of the vast majority of regions of Ukraine. Considering that the overwhelming majority of agricultural producers (subjects of agricultural entrepreneurship - agricultural enterprises, farmers and personal peasant farms) do not have the necessary production, technical and organizational potential for a forestation and agro forestry, as well as the maintenance of forest cultures, the overwhelming majority of forest management activities on agricultural land and coastal water protection zones should be implemented by state forestry's enterprise.

Considering that the non-state sector of management has long been formed in the agricultural sector and the direct influence of the state does not work here, it is necessary to use regulators and modern institutional forms that will stimulate the subjects of agricultural entrepreneurship to involve state-owned forest enterprises in the reproduction of forest resource potential and implementation agroforestry works on the territory of agricultural land. A very promising form of integration of agrarian entrepreneurship and state forestry enterprises is a public-private partnership. In this form of interaction, one of the parties acts as a state and the other as a private partner. Agricultural enterprises, farmers and private farms can be private partners, and state forestry enterprises can be state partners. The initiators of establishing partnerships for a forestation can be both public and private firms [8].

The implementation of public-private partnerships is also necessary for the development of the recreational forestry industry [4]. Since state forestry enterprises as permanent forest users have significant recreational potential, ensuring its efficient use will allow diversifying production and economic activity and shifting the center of gravity to increasing the level of capitalization of forest and forestry assets from the scope of increasing the volume of harvesting liquid wood to the integrated use of forest resource potential. Considering the above, the state forestry enterprises should become a public partner, and specialized recreational enterprises, subjects of green and rural tourism should become a private partner [10].

Forest clusters are a priority form of activating recreational forest management, which are also voluntary associations on a non-statutory basis and on the principles of partnership of forest enterprises, subjects of recreational activities, local governments, financial institutions and universities. The innovative core of such clusters should be state-owned forest enterprises, to ensure the harmonization of priorities for sustainable and continuous forest management with the priorities of the economic development of the recreational potential of the forest. For multi-forest areas, in particular, the Carpathian and Polesye economic regions, forest clustering will ensure the integration of agriculture, forestry and recreational farms, which will cumulatively reflected on the employment dynamics of the local population and the development of related industries.

Use in reasonable proportions of both the ecological and economic value of forests, the provision of reforestation, the increase in forest area, and the avoidance of declining timber reserves - these should be the principles of forestry policy in Ukraine.

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