 RECEIPT OF RENTAL PAYMENT FOR THE USE OF NATURAL BUDGETS IN THE LOCAL BUDGET IN THE CONTEXT OF MODERNIZING THE ECONOMIC MECHANISM OF NATURAL USE

N. Medinska, candidate of economic sciences, associate professor
natazyv@ukr.net

Y. Moroz, methodologist of the educational-scientific-production center "Protection of natural resources and reformation of land relations"
moroz@nubip.edu.ua

The National University of Life and Environmental Sciences of Ukraine

It is substantiated that the necessary institutional prerequisite for increasing the effectiveness of extended reproduction and economic development of natural resource potential is the modernization of the economic mechanism of nature use both at the national, regional and local levels, in particular in the part of the transformation of the system of fiscal regulation of the use of subsoil for the extraction of minerals. Studies have shown that the deepening of budget-fiscal decentralization requires more effective use of endogenous factors of socio-economic development of territorial communities, in the spectrum of which the increase in the effectiveness of fiscal regulation of subsoil use through the improvement of the methodology of extraction and distribution of rent for the use of subsoil is of particular importance. It was established that in the years 2007-2021, several phases of growth and decline are observed in the dynamics of rent payments for the use of subsoil to the local budgets of Ukraine, which correlates with the dynamics of socio-economic uplift, the impact of the global financial crisis on the national economy, changes in the percentages of deduction of mineral and raw materials rents to public financial funds of the respective territories. It has been proven that in the conditions of budgetary and fiscal decentralization, favorable conditions have been formed for increasing the share of
rent deductions for subsoil use to local budgets, which will make it possible to form special financial funds for the reproduction of mineral and raw material potential and increase the interest of local self-government in its complex use. It is substantiated that the revision of the principles of subsoil use rents should be preceded by the modernization of the economic mechanism of nature use in terms of the diversification of payments for the extraction of minerals, and this will make it possible to ensure the equivalence of the extraction of mineral and raw material rents and its adequate distribution between public budgets of different taxonomic levels.

**Key words:** economic mechanism of nature use, mineral and raw material rent, rent for subsoil use, local budgets, minerals, territorial community.

**Problem setting.** Strengthening the economic self-sufficiency of territorial communities in the conditions of deepening decentralization processes depends on strengthening the local orientation of certain types of taxes and fees. That is, it is required to increase the part of fiscal payments that are concentrated in local budgets, in particular in local self-government budgets. From this point of view, the scenario that foresees the growth of the specific weight of certain types of rent for the special use of natural resources, which goes to the financial funds of the territory, is considered promising. Under such conditions, the interest of local authorities in identifying the real base for collecting rent for the special use of natural resources automatically increases, because the level of tax revenues to the budgets of the territories under their jurisdiction depends on this. In recent years, the problems of more effective administration of the rent for the use of subsoil have become especially relevant. Tying the rent for subsoil use to local financial funds actually redraws the established architecture of the development of mineral reserves in territorial communities of the basic level. Under the condition of creating a transparent mechanism for trading subsoil use rights, devoid of manifestations of information asymmetry, it will be possible to determine the real basis for collecting fiscal payments for the economic development of mineral and raw material potential.

At the same time, the improvement of the tools for the administration of the rent
payment for subsoil use requires the application of a complex of institutional and financial measures, and this requires the modernization of the economic mechanism of nature use in the part that concerns the fiscal regulation of subsoil use. Therefore, the perspective model of the modernized economic mechanism of nature management should include a range of methods, tools and levers for the equivalent extraction of mineral and raw material rent, which will make it possible to lay incentives for the reproduction and multiplication of the mineral and raw material base, as well as for the growth of revenues to the financial funds of the state and territorial communities. In the conditions of budgetary and fiscal decentralization, the improvement of the institutional basis for extracting the rent for the use of subsoil to local budgets becomes the main component of the modernization of the economic mechanism of nature use.

**Analysis of the latest scientific research and publications.** The collection of rent for the use of subsoil is an important component of the economic mechanism of nature management both from the point of view of the need for a more comprehensive use of the mineral and raw material base, and from the point of view of the expediency of filling public budgets.

Therefore, the modernization of the economic mechanism of nature use in the works of domestic scientists is associated with the improvement of the institutional basis of rent regulation of subsoil use, especially in the conditions of deepening budget and fiscal decentralization, when the equivalent extraction of mineral and raw material rent acts as a guarantee of financial self-sufficiency of territorial communities [1-3; 5; 7; 12; 13].

Evaluating the domestic system of rent regulation of subsoil use, V. Mishchenko notes that the system of payments for subsoil, which has developed in Ukraine, reflects the initial - transitional - stage of the market-economic reform of relations in the field of subsoil use. It witnessed certain achievements, but with the evolution of the transitional economy, its shortcomings and functional contradictions became increasingly apparent, primarily related to the leveling of the regulatory and accumulative role of payments and the non-systematic introduction of relevant financial mechanisms in general [11, p. 55].
Agreeing with the opinion of the scientist, it is necessary to clarify that the regulatory function of the rent payment for the use of subsoil is lost due to the excessive uniformity of payments for the extraction of minerals, and the accumulative function is due to the institutional lack of regulatory influence of the state and local self-government on the processes of fiscal regulation of the economic development of mineral and raw material potential as in terms of granting licenses for the extraction of the corresponding type of mineral raw materials, as well as in terms of the distribution of mineral and raw material rent between the state budget and local financial funds.

In the opinion of V. Golyan and I. Androschuk, the lack of appropriate incentives for the modernization of the production and technical base of the economic development of mineral and raw material potential is connected with the imperfection of the domestic system of collecting rent for the use of subsoil for the extraction of minerals, the characteristic features of which are the absence of even critical the necessary level of differentiation of rates and the approximation of the amount of payment for certain types of minerals to the average European level, underestimation of rates for the extraction of certain types of mining resources and excessive overestimation of rates for the extraction of non-metallic minerals, in particular construction mineral raw materials [4, p. 158].

That is, the authors consider the imperfection of rent regulation of subsoil use as one of the factors of the lack of incentives for more rational use of minerals, but do not connect this factor with the formation of the tax base for filling public financial funds, in particular, local self-government budgets.

The approach of V. Matyukha and O. Sukhina, who believe that it is necessary to empower local self-government bodies to independently set the amount of rent payments for the use of subsoil, is a high level of institutional justification and fiscal systematicity regarding the transformation of the system of collecting rent for the use of subsoil in the context of strengthening the financial self-sufficiency of territorial communities for the extraction of minerals of local importance and thus strengthen the institution of local self-government in the context of decentralization of power [7, p.
This approach, in the conditions of deepening budgetary and fiscal decentralization, will clearly increase the effectiveness of rent regulation of the economic development of minerals of local importance and will have a positive impact both on the interest of local self-government bodies to more effectively use the mineral and raw material potential of the reporting territories, and on the fullness of the budgets of territorial communities of the basic level.

Based on the fact that rent for the use of subsoil in Ukraine does not have such a specific weight in the revenues of the consolidated budget as in countries rich in hydrocarbon raw materials, the domestic system of fiscal regulation of subsoil use should be oriented towards strengthening the local orientation of the distribution of mineral and raw material rent, which will enable to increase the revenue part of local self-government budgets and to form special financial funds for the multiplication and reproduction of minerals in the respective territories.

Therefore, the improvement of the institutional support for the collection of rent payments for the use of subsoil and their allocation to local budgets is a significant component of the modernization of the economic mechanism of nature use both at the national and local levels.

**Materials and methods of scientific research.** During the research, the statistical materials of the State Statistics Service of Ukraine and the State Treasury Service of Ukraine were processed based on the use of the following methods: graphical - for the construction of combined diagrams that reflect the trends of rent payments for the use of subsoil to local budgets and the dynamics of the specific weight of local budgets in the total receipts of this type of rent to public budgets as a whole; structural and dynamic analysis - to distinguish the phases of growth and decline of rent payments for the use of subsoil to local budgets over different periods of time.

**The purpose of the article** is to develop perspective directions for improving the system of rent regulation of extended reproduction and economic development of mineral and raw material potential, in particular the extraction and distribution of rent for the use of subsoil, in the conditions of budget-fiscal decentralization as a component
of the modernization of the economic mechanism of nature management.

**Research results and discussion.** The increase in the effectiveness of extended reproduction and economic development of natural resource potential, as well as increasing the effectiveness of the influence of domestic natural raw materials on the pace of socio-economic development depends on the modernization of the economic mechanism of nature use through the incorporation into the range of existing methods and tools of additional approaches that will make it possible to increase the fiscal return of involvement natural wealth of the country in the reproductive process.

In recent years, the domestic economic mechanism of nature use, despite the preservation of certain vestiges of the transition period, continues to approach market analogues operating in highly developed countries. However, the import of instruments and methods of regulation of the economic development of natural resource potential proven by world practice runs into the unpreparedness of the domestic institutional foundation (the absence of the necessary set of formal and informal institutions), which leads, in the case of the incorporation of new institutions into the economic mechanism of nature use, to the strengthening of institutional gaps between the interests of the state and territorial communities and the interests of the corporate sector [4, p. 148].

The situation regarding the improvement of the economic mechanism of nature use in terms of regulating the use of subsoil for the extraction of minerals is particularly complicated, since it is during the extraction of this type of natural resources that the interests of the state, territorial communities and the corporate sector intersect to the greatest extent [9; 10]. Until recently, the interests of territorial communities were almost not taken into account when distributing rent for the use of subsoil for the extraction of the most liquid minerals. The deepening of budget-fiscal decentralization created the prerequisites for increasing the specific weight of the rent for the use of subsoil for the extraction of minerals, which will be directed to local budgets.

At the same time, the change in the principles of the distribution of mineral and raw material rent between public budgets of different taxonomic levels should be preceded by the improvement of institutional support and the methodology for setting rent rates for the economic development of individual components of the mineral and
raw material potential.

Against the background of constant changes in the market conditions of mineral raw materials and the dynamics of costs for their extraction, there is a need to constantly improve the economic mechanism of the field of subsoil use in accordance with national interests, the tasks of sustainable development of the domestic mineral and raw material complex, and the requirements of environmental policy. Among the important constituent elements of this mechanism, an important place is given to payments for the use of subsoil for the extraction of minerals, since they are entrusted with such functions as equalizing the economic conditions of management of mining enterprises, encouraging more rational use of subsoil, and centralizing the share of income by the state based on the ownership of natural resources resources [7, p. 55].

In the conditions of deepening budgetary and fiscal deregulation, there is a need not only for centralization, but also for decentralization of the share of rent for the use of subsoil, that is, its concentration in local budgets. Under such conditions, the growth of revenues to the public financial funds of the territories is ensured, the probability of creating special funds for the reproduction of mineral and raw material potential in local budgets increases, and this ultimately strengthens the influence of mineral reserves on the pace of socio-economic development of territorial communities.

Therefore, the improvement of institutional and methodological provision of rent regulation of subsoil use and inter-budgetary distribution of rent for subsoil use are among the most "bottlenecks" in the system of the economic mechanism of nature use, which need to be eliminated as a priority.

This depends on the adequacy of rent rates to the real value of mineral reserves that are involved in economic circulation, the timely implementation of reclamation and geological exploration works, the spread of the practice of recycling secondary raw materials, strengthening the financial self-sufficiency of territorial communities, which are the area of concentration of mineral and raw material potential [4, p. 149]. In order to develop promising directions for improving the toolkit for the extraction of mineral and raw material rent and its partial concentration in local self-government budgets, it is necessary to identify the trends of rent payments for the use of subsoil to
local budgets in recent decades. In order to compare the income of this type of rent payment for time intervals that were marked by an unequal state of the macroeconomic situation, we will analyze the period 2007–9 months of 2021 (Fig. 1). During this period, there were actually three main phases of rent receipts for the use of subsoil. In 2007-2010, the amount of mineral and raw material rent revenues to local budgets ranged from UAH 70-195 million. The receipt of this payment to local budgets significantly increased in 2011 compared to 2010 (by 8 times).

Fig. 1. Receipt of rent payment for subsoil use to local budgets of Ukraine*
*calculated according to the data of the State Treasury Service of Ukraine and the State Statistics Service of Ukraine

The reason for this situation was an increase in the share of rent for the use of subsoil, which was directed to local budgets. If in 2010 the specific weight of local budgets in the total revenues of rent payments for the use of subsoil to the Consolidated Budget of Ukraine was 12.1%, then in 2011 it was 53.8%. This situation also arose in connection with the reformatting of the institutional format of rent regulation of subsoil
A certain influence was also exerted by the revitalization of socio-economic upliftment trends (the economy began to gradually recover after the global financial crisis of 2008 and the need for mineral raw materials increased). In 2013, compared to 2012, the downward trend in the dynamics of rent payments for the use of subsoil to local budgets resumed, which actually lasted until 2017 inclusive. In 2018, compared to 2017, rent payments for subsoil use to public financial funds of individual territories increased by UAH 2,125 million.

Such a sharp increase in total revenues is due to the fact that the share of rent deductions for the special use of the subsoil for the extraction of certain types of hydrocarbon raw materials was increased. It should be considered a positive point that in 9 months of 2021, the receipt of mineral and raw material rent to local budgets exceeded the figure of 2018 and 2019. In 2018-2021, there was also a higher level of the specific weight of local budgets in the total receipts of rent payments for the use of subsoil to public budgets as a whole compared to the period of 2013-2017. If in 2013-2017 the specific weight of local budgets in the total receipts of mineral and raw material rent to public budgets as a whole fluctuated in the range of 2.5-7.2%, then in 2018-2021 - in the range of 6.0-9.6%.

Despite the fact that in 2018-2021, compared to other time periods, starting from 2007 (with the exception of 2011-2012), the share of local budgets in the total revenue of subsoil use rents to the Consolidated Budget of Ukraine increased, compared to other countries remains critically low. That is, despite the fact that since 2015, the decentralization of power and the reform of local self-government have been forced in Ukraine, in particular, the process of unification of territorial communities has been completed, a significant breakthrough in strengthening the local focus of rent payments for the use of subsoil has not occurred.

This is due to the delay in reforming the system of fiscal regulation of subsoil use as a whole, the lack of a specific action plan regarding the capitalization of mineral and raw material potential both at the national and regional levels, and the slow implementation of advanced foreign experience in the extraction of mineral and raw
material rent. At the same time, there is a significant potential for the growth of subsoil rent revenues to local budgets, in particular due to the improvement of the administration of state and local subsoil rents, as well as the improvement of extraction of amber rent and rent for hydrocarbon raw materials.

**Conclusions.** Despite the fact that Ukraine does not belong to the list of countries that are rich in hydrocarbon raw materials, mineral resources play an important role not only in providing energy for the needs of the national economy, but also in creating a resource base for the development of the mining and metallurgical complex, the building materials industry and other activities. At the same time, mineral resources, in particular minerals, can act as a significant factor in the financial self-sufficiency of territorial communities where they are concentrated, provided that the modern mechanism of accrual, extraction and distribution of rent for the use of subsoil is institutionalized.

The deepening of budget-fiscal decentralization created the institutional basis for increasing the share of the rent for the use of subsoil, which will be concentrated in the local budgets of Ukraine. The revision of the principles of the inclusion of rent for the special use of subsoil to local budgets should be preceded by institutional support for the diversification of instruments for the fiscal regulation of subsoil use, which will increase the base for extraction of mineral and raw material rent by an order of magnitude and accelerate the processes of more complex use of minerals, including secondary resource use.

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Мединська Н.В., Мороз Ю.О.

НАДХОДЖЕННЯ РЕНТНОЇ ПЛАТИ ЗА КОРИСТУВАННЯ НАДРАМИ У МІСЦЕВІ БЮДЖЕТИ В КОНТЕКСТІ МОДЕРНІЗАЦІЇ ЕКОНОМІЧНОГО МЕХАНІЗМУ ПРИРОДОКОРИСТУВАННЯ

Обґрунтовано, що необхідною інституціональною передумовою підвищення результативності розширеного відтворення та господарського освоєння природно-ресурсного потенціалу є модернізація економічного механізму природокористування як на загальнонаціональному, так і на регіональному і місцевому рівнях, зокрема в частині трансформації системи фіскального регулювання користування надрами для видобутку корисних копалин. Дослідження показали, що поглиблення бюджетно-фіскальної децентралізації вимагає ефективнішого використання ендогенних чинників соціально-економічного піднесення територіальних громад, у спектрі котрих особливе значення має підвищення результативності фіскального регулювання надрокористування через удосконалення методології вилучення та розподілу рентної плати за користування надрами. Встановлено, що у 2007-2021 роках у
динаміці надходжень рентної плати за користування надрами до місцевих бюджетів України спостерігається декілька фаз зростання та спаду, що корелює з динамікою соціально-економічного піднесення, впливом глобальної фінансової кризи на національне господарство, зміною відсотків відрахування мінерально-сировинної ренти до публічних фінансових фондів відповідних територій. Доведено, що в умовах бюджетно-фіскальної децентралізації сформувалися сприятливі передумови для підвищення частки відрахувань рентної плати за користування надрами до місцевих бюджетів, що дасть можливість сформувати спеціальні фінансові фонди відтворення мінерально-сировинного потенціалу та підвищити заінтересованість місцевого самоврядування у його комплексному використанні. Обґрунтовано, що передувати перегляду принципів зарахування рентної плати за користування надрами до місцевих бюджетів має модернізація економічного механізму природокористування в частині диверсифікації платежів за видобуток корисних копалин, а це дасть можливість забезпечити еквівалентність вилучення мінерально-сировинної ренти та її адекватний розподіл між публічними бюджетами різних таксономічних рівнів.

Ключові слова: економічний механізм природокористування, мінерально-сировинна рента, рентна плата за користування надрами, місцеві бюджети, корисні копалини, територіальна громада.