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Financial integration of businesses and amalgamated territorial communities: Mechanisms for attracting alternative financing and cost assessment based on the example of enterprise activities

Mykyta Pyriesiev*

Postgraduate Student

European University

03115, 16V Akademik Vernadskyi Blvd., Kyiv, Ukraine

<https://orcid.org/0009-0002-3405-0850>

Abstract. The study aimed to assess the effectiveness of public-private partnership programmes for Ukrainian communities and enterprises. To achieve this goal, a segmented analysis of official statistical indicators reflecting the financial potential of Ukrainian communities for the period 2020-2024 was used. A general trend of low local budget execution was identified, which did not exceed 100.72% during the period under review. The analysis found that 70.1% of amalgamated territorial communities (ATCs) in Ukraine are financially viable. The study determined that a hybrid form of public-private partnership is the most promising mechanism for alternative financing in the Ukrainian context. Business participation in such projects has demonstrated a significant economic effect: partner enterprises have invested between UAH 1.6 and UAH 3.8 million in the development of local infrastructure and production capacities, achieving profitability of 10-12% and return on sales of up to 15%. In addition, businesses have expanded their sales markets (entering national retail chains), optimised costs and increased the added value of their products. For communities, this meant an increase in the financial capacity index from 1 to 5 points, budget over-performance of up to 103% and the creation of 8-20 new jobs, which ensured stable growth in tax revenues and long-term socio-economic effects. For communities with low and critical levels of financial capacity (29.9% of all Ukrainian communities), the introduction of a hybrid model was proposed, in which private partners provide the main funding. The results of the study can be used by local authorities in Ukraine to develop effective models for the financial integration of businesses into the community

Keywords: local government bodies; private partners; public-private partnership; hybrid model; infrastructure

Introduction

In the context of decentralisation of power in Ukraine, the issue of the financial capacity of amalgamated territorial communities (ATCs) is becoming increasingly relevant.

Standard sources of revenue for local budgets are limited to a fixed list of taxes and transfers, which does not always ensure the sustainable development of communities, especially

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*Corresponding author

in conditions of martial law, migration challenges and infrastructure restoration needs. In this context, the study and implementation of alternative sources of funding is relevant.

The international scientific community has already studied possible alternative sources of funding for communities. The financial security of communities was analysed by M. Skoryk *et al.* (2023). According to the observations of scientists, in the first months of the Russian full-scale invasion of Ukraine in 2022, there was a significant reduction in funding, which made it impossible to implement territorial development projects. This problem can be solved by attracting additional sources of funding, namely by obtaining grant revenues. The possibility of sustainable development of ATCs was studied by M. Zabash-tanskyi & I. Sydor (2023). The researchers concluded that the sustainable development of Ukrainian communities is possible through the implementation of public-private partnerships (PPPs) with the expansion of areas of implementation. At the same time, as of 2023, organisational problems, in particular licensing procedures and documentation preparation, have slowed down the pace of PPP implementation across the country.

H. Nørsgaard & A.A. Thuesen (2021) analysed community development in Denmark. As a result of their research, the scientists concluded that an effective tool for providing financial support to communities is to involve residents in competitive programmes and project initiatives. This creates conditions for attracting extra-budgetary funds for the development of rural communities. The expansion of rural citizen participation in Poland was studied by D. Bednarska-Olejniczak *et al.* (2021). As a result of their analysis, the researchers noted that grants are one of the effective methods of financing communities. The study proved that participation in grant programmes contributes to increasing residents' activity and interest in the development of their own communities. This leads not only to the development of local Polish communities but also to an increase in social activity and civic capacity among the population. However, V. Wu (2021) came to the opposite conclusion. Analysing community philanthropy as one of the mechanisms for financing communities, the study confirmed its effectiveness based on empirical data. At the same time, the study noted that philanthropy is used mainly in communities with a high level of social capital. Thus, in practice, a dilemma arises: attracting extra-budgetary funds contributes to the development of rural communities, but to obtain alternative sources of funding, it is necessary to have already established social capital that is attractive to investors.

Crowdfunding is substantial in the development and implementation of projects for rural development. B. Keegan (2021), researching fundraising technologies as a tool for additional community financing, confirmed their effectiveness but also highlighted potential risks. According to the findings, regular large charitable contributions can reduce the level of autonomy of communities, creating dependence on external resources. In academic discussions, increasing attention is being paid to business

participation in financial integration with communities through PPP mechanisms. Thus, T. Liu & P. Fong (2025), comparing the experiences of China and New Zealand, confirmed that the effectiveness of PPP projects largely depends on a well-prepared business model. The researchers emphasised that it is a well-founded business case that ensures the long-term economic feasibility of cooperation between the private sector and local authorities, minimising financial risks and increasing the investment attractiveness of territories. This conclusion is relevant in the context of Ukrainian realities, where communities need additional mechanisms for integrating enterprises into development projects.

Similar conclusions were reached by M. Negrych *et al.* (2024) in a study on the gradual development of PPPs in Ukraine. The study emphasised that infrastructure projects that create synergy between business interests and community needs have the greatest potential. At the same time, the study determined that the key problem remains the inconsistency of legislative procedures with international standards, which complicates the attraction of foreign investors to Ukrainian territorial projects. In this context, the study by N. Petrukha (2024) on the prospects for PPP development in the field of infrastructure reconstruction is relevant. The study demonstrated that Ukrainian communities could develop by utilising the potential of business in the energy, transport, housing and utilities sectors. The study emphasises that cooperation between the private sector and local authorities not only ensures the modernisation of infrastructure but also creates conditions for sustainable economic growth in the regions. O. Tymkiv & D. Barabas (2025) analysed the prospects of involving Ukrainian enterprises in European financial programmes. The study noted that business participation in EU grant and investment initiatives opens additional development opportunities for communities. According to their analysis, joint projects between municipalities and enterprises within the framework of European instruments contribute to strengthening the integration of the Ukrainian economy with the European space and provide communities with access to alternative sources of capital.

Despite many studies, a single alternative approach to attraction of financial resources for community development is not developed. Specifically, a source of funding that can be successfully implemented in practice in most communities. The study filled the scientific gap and highlighted a real example of an alternative source of funding that can be successfully implemented in practice for the further development of communities and businesses simultaneously.

The study aimed to assess the effectiveness of the financial integration of enterprises and ATCs within PPPs. To achieve this goal, the following tasks were performed: the financial potential of ATCs across the country and the feasibility of involving PPPs in local budgets were determined; the possible form of PPP involvement for Ukrainian communities and enterprises was established; and the effectiveness of PPPs for communities and enterprises was determined.

Materials and Methods

The empirical basis of the study was based on official statistical data for 2020-2024, which characterised the financial potential of ATCs in Ukraine. The unit of analysis in this study was ATCs in Ukraine. The inclusion criterion was the availability of official statistical data on financial capacity. The exclusion criterion was a change in the administrative status of the community. The study considered all ATCs, with the exception of 107 communities that acquired the status of temporarily occupied in 2024 (Decentralisation, 2025b). To compare the financial indicators of ATCs with the all-Ukrainian and average values, regions were also included in the comparative analysis as units of analysis.

Segmented and comparative analysis was applied based on the following indicators: general fund revenue per capita in the ATC, capital expenditure per capita in the ATC on average across the country, and the share of capital expenditure (Decentralisation, 2021; 2025a). The level of planned revenue execution by items in local budgets before the start of Russia's full-scale invasion of Ukraine and the dynamics of changes in alternative financing among Ukrainian ATCs were considered (Ministry of Finance of Ukraine, 2025). For a more detailed analysis, the dynamics and structural changes in local budget borrowing were determined. A comparative analysis was applied to the level of planned revenue execution by items in the country's local budgets after the start of the Russian full-scale invasion of Ukraine and the ratio of tax revenues to non-tax revenues of local budgets, which were executed according to the revised annual plan. The comparison used a classification of communities' financial capacity levels (high, optimal, satisfactory, low, critical) based on an integral indicator of communities' financial capacity (Decentralisation, 2025b).

To evaluate alternative financing mechanisms, a case study method was used, which involved researching the implementation of the project "Development of organic berry farming in the territorial communities of Rivne Region". The project was implemented under a public-private partnership (PPP) model and covered the Korets, Hoscha, Ostroh and Pryvilne communities in the Rivne region. The private partners were: RSN-Trade LLC (2025) (Ukraine), partner of the Korets community; Polissya Organic AGRO SFG (2025) (Ukraine) – partner of the Hoshcha community; Ostrog Agro LLC (2025) (Ukraine) – partner of the Ostroh community; Organic Berry FG (2025) (Ukraine) – partner of the Pryvilne community. The case analysis was conducted based on official statistical data and open industry sources from the Decentralisation portal (2025a, 2025b), materials from K. Shor (2024), as well as open reports and analytical publications from PPP participants.

To assess the project's impact on community development, a comparative analysis of the financial capacity of four ATCs (Koretska, Hoschanska, Ostrozka, and Pryvilnenska) was conducted for the period 2021-2023, covering the project implementation period. The assessment of financial capacity was conducted using an adapted version of Ken Brown's 10-point test, available on the Decentralisation

portal (2024). In this model, financial capacity was determined by several key financial ratios (Kazuk, 2023): low level – from -10 to -1 points; satisfactory – 0-4; optimal – 5-9; high ≥ 10 points.

The study was limited by incomplete access to detailed statistical indicators of the effectiveness of implementing the hybrid PPP model for individual enterprises (in particular, RSN-Trade LLC). Therefore, the comparison of the effectiveness of partnerships for these companies is presented mainly in the form of qualitative indicators, supplemented by available financial data. After analysing the financial potential of ATCs across the country and real-life successful examples of attracting alternative financing, the final stage of the study involved comparing the main approaches that may be appropriate for attracting alternative forms of financing for financially capable and financially weak ATCs.

Results

As of 2020, 872 ATCs were operating in Ukraine, with an average general fund income per capita of UAH 5,200.6. As of 2024, the total number of ATCs was 1,331, and the average income per capita in ATCs was 8,182.8 UAH. The highest figures were recorded in the Kyiv region, namely in the Prystolychna, Borshchahivska and Kozinska ATCs, namely UAH 69,644, UAH 65,368.3, and UAH 58,824.8, respectively. The minimum indicators in 2024 were recorded in the Luhansk region, namely in the Kolomyichiska and Krasnorichenska ATC, at UAH 510.2 and UAH 280.1, respectively, as well as in the Zaporizhzhia region in the Malotokmachanska ATC at UAH 435.6. These minimum indicators are due to prolonged hostilities in the Luhansk and Zaporizhzhia regions. The growth rate of this indicator for the period 2020-2024 was 57.34%. In 2020, 31.4% of communities out of the total number showed per capita income indicators above the average, and in 2024, the same indicator was 39.3%. Therefore, it is possible to conclude that the per capita income of the general fund shows that, even despite the Russian full-scale invasion of Ukraine, the percentage of ATCs that can support themselves through resources generated within the ATC territory increased by 7.9% between 2020 and 2024 (Decentralisation, 2021; 2025a).

To demonstrate the identified imbalances, the structure of local budget revenues by main items in the pre-war period was examined. An analysis of Ukraine's official statistics leads to the conclusion that, in practice, there was a low level of implementation of planned revenues by items in the country's local budgets before the start of Russia's full-scale invasion of Ukraine (Table 1).

In the pre-war period (2020-2021), local budget revenue performance remained uneven. In 2020, total revenue amounted to 98.16% of the revised annual plan, indicating a budget shortfall of 1.84%. Only non-tax revenues exceeded the planned indicators (+0.98%). In 2021, the situation improved somewhat: the overall revenue performance indicator rose to 100.64%, exceeding the planned value for

the first time (+0.64%). This overperformance was primarily driven by tax revenues (+4.4%) and non-tax revenues (+2.85%). At the same time, all other revenue items – income from capital transactions, transfers from government bodies, international aid and special-purpose funds – did not reach the planned levels in 2020-2021, which

indicates their limited role in forming the revenue base of local budgets during this period. An analysis of Ukraine's official statistics leads to the conclusion that, in practice, there has also been a low level of implementation of planned revenue in the national and local budgets since the start of the Russian-Ukrainian war in 2022 (Table 2).

Table 1. Revenues of Ukrainian local budgets by item in 2020-2021

Income source	2020			2021		
	RAP, billion UAH	CP, billion UAH	CFRAP	RAP, billion UAH	CP, billion UAH	CFRAP
Additional income	289.21	285.57	98.73	332.1	346.71	104.4
Untaxed income	21.25	21.46	100.98	26.43	27.18	102.85
Income from capital transactions	4.08	3.47	85.13	4.48	3.46	77.41
From government bodies	164.75	160.18	97.22	213.21	202.73	95.08
From the EU, foreign governments, international organisations, and donor institutions	0.18	0.15	83.58	0.04	0.03	82.05
Target funds	0.82	0.65	79.12	0.75	0.57	76.12
Total	480.3	471.48	98.16	577	580.70	100.64

Note: RAP – revised annual plan, CP – completed in the period, CFRAP – completed following revised annual plan. The information is provided without the temporarily occupied territories and the Autonomous Republic of Crimea

Source: compiled by the author based on the Ministry of Finance of Ukraine (2025)

Table 2. Revenues of Ukrainian local budgets by item for the period 2022-2024

Income source	2022			2023			2024		
	RAP, billion UAH	CP, billion UAH	CFRAP	RAP, billion UAH	CP, billion UAH	CFRAP	RAP, billion UAH	CP, billion UAH	CFRAP
Additional income	389.98	393.46	100.89	424.74	434.54	102.3	423.22	441.09	104.22
Untaxed income	23.08	22.04	95.5	35.34	36.51	103.3	41.68	43.6	104.62
Income from capital transactions	3.77	2.28	60.38	3.17	3.62	104.17	5.64	4.85	86.11
From government bodies	174.58	136.75	78.33	204.36	177.39	86.8	201.11	187.93	93.44
From the EU, foreign governments, international organisations, and donor institutions	0.22	0.23	102.34	0.81	0.2	24.4	2.36	1.43	60.44
Target funds	0.71	0.34	48.25	0.45	0.35	77.85	0.61	0.62	101.34
Total	592.33	555.1	93.71	668.88	652.61	97.56	674.62	679.53	100.72

Note: the information is provided without the temporarily occupied territories and the Autonomous Republic of Crimea

Source: compiled by the author based on the Ministry of Finance of Ukraine (2025)

In 2022-2024, local budget revenue performance remained unstable and was characterised by deviations from planned targets. In 2022, the overall revenue performance rate was only 93.71%, indicating a significant shortfall (-6.29%). In 2023, the situation improved somewhat, but execution remained below plan (97.56%), and in 2024, for the first time since the start of the war, the figure reached 100.72%. Among individual items, tax revenues remained a stable source of revenue during 2022-2024, exceeding the planned indicators by 0.89-4.22% each year. Starting in 2023, non-tax revenues were added to this group, exceeding the plan by 3.3% in 2023 and 4.62% in 2024. The rest of the revenue items, however, showed unstable results. Revenues from capital transactions in 2022 amounted to only

60.38% of the plan, although in 2023 there was an over-performance (104.17%), but in 2024 there was another decline (86.11%). Transfers from government bodies were systematically under-performed (78.33-93.44%). Revenues from the EU and international organisations were particularly unstable: in 2022, they exceeded the plan (102.34%), but in 2023, they declined to 24.4%, and in 2024, they partially recovered to 60.44%. Targeted funds fluctuated from 48.25% in 2022 to 101.34% in 2024. Thus, in 2020-2024, tax revenues remained the main source of stability for local budgets, while other items proved to be unstable and could not compensate for the shortfall.

As for the ratio of tax revenues to non-tax revenues, in 2022 this indicator was 17.85, in 2023 it decreased to 11.9,

and in 2024 to 10.12. This means that at the beginning of the full-scale invasion in 2022, for every UAH 1 of non-tax revenues, there were 17.85 UAH of tax revenues, while in 2024, this ratio decreased to UAH 10.12 per UAH 1 of non-tax revenues (Ministry of Finance of Ukraine, 2025). Thus, between 2022 and 2024, there was an increase in the share of non-tax revenues in the total volume of local budgets, indicating their real growth. It is worth paying attention to the ratio of tax revenues to non-tax revenues, which was implemented according to the revised annual plan for 2022-2024. In 2022, this indicator was 1.05, and in 2024, it was 0.99. From 2023 to 2024 inclusive, non-tax revenues were implemented more effectively than tax revenues. These statistics indicate that the role of non-tax revenues in the ATC has increased, and, at the same time, the structure of local budget revenues started to balance in the context of the war.

A substantial indicator of financial capacity is the level of capital expenditure per capita. Capital expenditure per capita in ATCs averaged UAH 1,244.5 in 2020. In 2024, this figure increased by 66.8% to UAH 2,075.8. Only 381 communities had capital expenditures above the average in 2024, which is 28.63% of the total number of ATCs in Ukraine. The dynamics of the share of ATC capital expenditures in total expenditures for the period 2020-2024 were declining and decreased by an average of 2.43% across the country. In 2020, the average share of capital expenditures in ATCs was 14.9%, and in 2024 it was 12.47%. At the same time, in 2024, only 37.34% of all ATCs in Ukraine had a share of capital expenditures above the average. Thus, in 2024, only about one-third of Ukrainian ATCs had a higher-than-average level of the analysed indicator, while during 2020-2024, the capacity of ATCs to ensure socio-economic and infrastructural development decreased (Decentralisation, 2021, 2025a). The average level of general fund revenues per capita in ATCs, the ratio of tax and non-tax revenues, capital expenditures per capita in ATCs, and the share of ATC capital expenditures in total expenditures directly affect the financial capacity of communities. The analysed statistical data on these indicators highlight the advisability of increasing alternative financing for communities, as it is not always possible to increase ATC financing by attracting tax or non-tax revenues.

Overall, alternative sources of local budget financing in Ukraine increased 1.7 times between 2020 and 2024 (from UAH 3.62 billion in 2020 to UAH 6.28 billion in 2024). Revenues from capital transactions for the same period increased from 3.47 billion to 4.85 billion. Financial assistance from the EU, foreign governments, international organisations and donor institutions increased overall during the period 2020-2024 from 0.17 billion in 2020 to 1.43 billion in 2024. At the same time, revenues under aid programmes from the EU, foreign governments, international organisations and donor institutions increased from UAH 0.001 billion to UAH 0.52 billion in 2024, while grants increased sixfold (from UAH 0.15 billion in 2020 to UAH 0.91 billion in 2024). The main reason for the increase in alternative financing was the Russian-Ukrainian

war (Ministry of Finance of Ukraine, 2025). During the period 2020-2024, the structure of local budget borrowing changed significantly. Local budget borrowing in 2020 amounted to UAH 7.75 billion, namely: domestic borrowing (loans and bonds) UAH 7.34 billion, and external borrowing from foreign creditors UAH 0.41 billion. In 2024, local budget borrowing decreased by 44.9% and amounted to UAH 4.27 billion, of which domestic borrowing in the form of loans and bonds amounted to 1.2 billion UAH, and external borrowing from foreign creditors amounted to UAH 3.07 billion.

Despite the upward trend in attracting alternative sources of funding to local budgets, incorporating the financial capacity of communities, it is advisable in practice to implement PPPs as an alternative source of attracting additional funds to communities. PPP – a form of cooperation between local government bodies and private entities in the national economy, aimed at utilising the strengths of participants to achieve common goals (Giti *et al.*, 2020; Muliar *et al.*, 2022). As of 31 December 2024, 200 PPP agreements had been concluded in Ukraine, of which 11% are being implemented in practice, while 83.5% are not being implemented due to non-performance or termination of the agreement. At the same time, 5.5% of PPP agreements across the country have been suspended due to the start of Russia's full-scale invasion of Ukraine (Ministry of Economy, Environment and Agriculture of Ukraine, 2025). The implementation of PPPs is essential for Ukraine in the context of the Russian-Ukrainian war. On the one hand, there is a constant need for Ukrainian communities to improve and develop their infrastructure. On the other hand, since the start of the full-scale invasion in 2022 and up to and including 2025, in de-occupied ATCs or towns, villages and settlements under constant Russian shelling, infrastructure restoration is a substantial element of the further functioning and development of settlements.

In theory, three models of PPP involvement in infrastructure financing can be implemented: municipal, hybrid and private models. Each PPP model requires one of the main conditions to be met for its successful implementation in practice (Ruiters & Matji, 2016). Of the above models, the municipal model is not feasible for Ukrainian communities, as its effectiveness has only been demonstrated in practice with sufficient budgetary funding and effective management of financial resources. This makes it impossible to effectively implement the municipal PPP model in the Ukrainian context, as in 2024, there was still a low level of achievement of the financing revenue plan in the ATC (Ministry of Finance of Ukraine, 2025). The private PPP model is also not effective for implementation in Ukraine, as this model can only be effective in practice if the financial market is sufficiently developed. Russian full-scale invasion of Ukraine, the SARS-CoV-2 coronavirus pandemic, the unstable dynamics of the national currency exchange rate, and the imperfect Ukrainian financial system have caused a financial crisis in the country and contributed to the deterioration of the financial market (Gataullina, 2023). Such

conditions make it impossible to effectively use the private PPP model for Ukrainian communities.

A hybrid model is appropriate for Ukraine's ATCs. The hybrid model is based on cooperation between local authorities and entrepreneurs (Ruiters & Matji, 2016). In practice, the advantages of PPP were confirmed during the implementation of the project "Development of organic berry farming in the territorial communities of Rivne region" – the first PPP agreement in Ukraine on organic production (Shor, 2024). This project was created in 2021 as part of the programme "Organic Trade for Development in Eastern Europe". The project ran until 2024. The goal of the PPP was to support the export of organic products by creating berry supply chains, increasing production and trade in organic products to improve Ukraine's competitiveness in the international market. Due to the outbreak of the Russian-Ukrainian war in 2022, it was impossible to implement this project in the first quarter of 2022, so its implementation was postponed until the end of the same calendar year. In other words, the full-scale invasion had a significant impact on the small number of PPP projects that had been developed in Ukraine, as the postponement of the PPP project slowed down the implementation of alternative financing mechanisms. The main participants in this PPP project were Ukrainian ATCs, namely the Koretska, Hoshchanska, Ostrozka and Pryvilnenska communities in the Rivne region. The main partners were the Ukrainian company RSN-Trade LLC and the German company Organic Life GmbH. During the year, the National University of Water and Environmental Engineering also became a partner in the project, ensuring the continuity of the educational process. During the project, training for the community was developed and implemented, consisting of theoretical basics and practical skills in organic berry growing. The

community did not take on any financial investment obligations but participated in the formation of requirements for land and training plots. At the beginning of the project, the Pryvilnenska community allocated 0.3 hectares of land for the training and research process, on which planting work was already underway in 2023. Private partners provided the community with a tractor and equipment for it. More than 15 hectares were certified under the PPP project for the cultivation of organic berries, namely raspberries. In 2023, 10 tonnes of berries were harvested. It is worth noting that between 2022 and 2023, Ukrainian companies involved in raspberry exports increased their exports of frozen goods by 29%, reaching a record 40,600 tonnes per year. In other words, the implementation of the project "Development of organic berry growing in the territorial communities of the Rivne region" simultaneously provided Ukrainian enterprises exporting frozen products with the opportunity to meet market demand.

Along with berry cultivation, the project provided for the construction of a quick-freezing plant with a capacity of 80 tons per year to create added value. As a result of this project, not only has the infrastructure been improved and training provided to the population on growing organic berries, but four jobs have been preserved through the creation of a training process, and 20 new jobs have been created in a new workshop based in the old vegetable factory in the village of Ozhyn, 10 km from the berry plot. The goal was to create jobs specifically in rural areas for women and young people. The total budget for the project was 384,370 CHF, of which 100,000 CHF was invested by OT4D. RSN-Trade LLC further marketed the berries in the EU (Shor, 2024). During the implementation of the project, the financial capacity of the ATCs participating in the PPP agreement changed (Fig. 1).

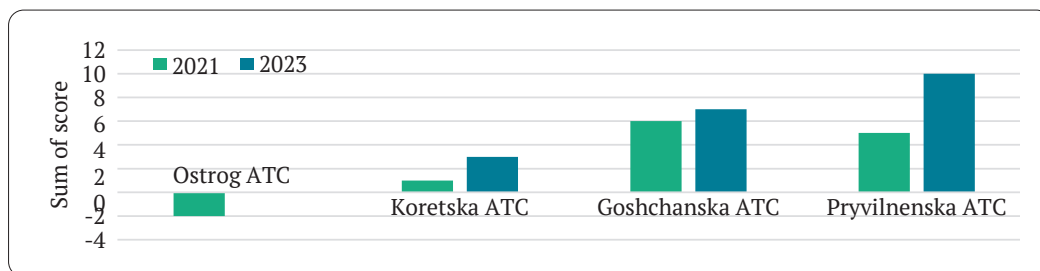


Figure 1. Change in the financial capacity of ATCs in the Rivne region for the period 2021-2023 that participated in the PPP project "Development of organic berry farming in territorial communities of Rivne region"

Source: compiled based on data from Decentralization (2024)

Figure 1 demonstrates that the financial capacity indicators of the Ostroh and Koretska ATCs in 2023 increased by 2 points compared to 2021, before the start of the PPP implementation. The financial capacity of the Hoshcha ATC for 2021-2023, i.e., after the implementation of the PPP project, increased by 1 point, while that of the Pryvilnenska community increased by 5 points. It is also worth noting other determinants that could have affected the financial capacity of the four communities analysed for

the period 2021-2023, but in general, there is a tendency for the indicator to increase after the implementation of the PPP project. To show in more detail the relationship between the financial results of communities and the activities of their business partners, it is useful to refer to a comparative analysis (Table 3). It shows that the impact of PPP was not limited to an increase in the financial capacity index but had a broader economic and social effect for both parties to the cooperation.

Table 3. Comparative analysis of the financial capacity of communities and the performance of PPP participants in the Rivne region

Community	Partner company	Key community indicators (2021-2023)	Key performance indicators of the enterprise (2021-2023)	Mutual effect of PPP
Koretsk	RSN-Trade LLC	<ul style="list-style-type: none"> Change in financial capacity: Score +2 Capital community investments: 1.8 million UAH (infrastructure upgrades, land preparation) 	<ul style="list-style-type: none"> Income: +12% Investments in the project: 2.5 million UAH Return on sales: 15% 	<ul style="list-style-type: none"> 8 new jobs were created Increase in local budget revenues by 1.2 million UAH
Goshchansk	Polissya Organic AGRO SFG	<ul style="list-style-type: none"> Change in financial capacity: Score +1 Volume of alternative resources attracted: 1.1 million UAH (grant funding) 	<ul style="list-style-type: none"> Investments: 1.6 million UAH (purchase of seedlings, equipment) Expansion of sales markets: access to the GoodWine and EkoLavka networks 	<ul style="list-style-type: none"> Increase in tax revenues by 0.9 million UAH Social impact: training of 60 community members
Ostrog	Ostrog Agro LLC	<ul style="list-style-type: none"> Change in financial capacity: Score +2 Capital expenditures: 2.3 thousand UAH/resident 	<ul style="list-style-type: none"> Income: +10% Optimisation of cost structure (7% reduction in production costs) 	<ul style="list-style-type: none"> Infrastructure development (road to the logistics centre) 12 new jobs were created
Pryvilnensk	Organic Berry FG	<ul style="list-style-type: none"> Change in financial capacity: Score +5 Budget implementation: 103% 	<ul style="list-style-type: none"> Harvested crop: 10 tonnes of raspberries (2023) Investments in the freezing plant: 3.8 million UAH 	<ul style="list-style-type: none"> 20 new jobs were created Equalisation of community income through new tax revenues

Source: compiled by the author based on data of Decentralisation (2025a), K. Shor (2024)

An analysis of the data presented in Table 3 demonstrates a more detailed assessment of the mutual influence of communities and enterprises within the framework of PPP implementation in the Rivne region. A comparison of indicators reveals a clear correlation between the investment activity of partner enterprises and the growth of financial capacity of communities. In the Korets community, cooperation with RSN-Trade LLC demonstrates a balanced effect: the community made capital investments of UAH 1.8 million in infrastructure modernisation and land preparation, which contributed to a 2-point increase in financial capacity. At the same time, the company increased its profitability by 12% and invested UAH 2.5 million in the project, achieving a return on sales of 15%. This partnership resulted in the creation of 8 new jobs and an increase in local budget revenues by UAH 1.2 million, highlighting the mutual benefits of financial integration. In the Goshcha community, cooperation with Polissya Organic AGRO SFG demonstrated that even moderate community investments and the attraction of grant resources in the amount of UAH 1.1 million contribute to increased financial capacity (+1 point). By investing 1.6 million UAH in the purchase of seedlings and equipment, the enterprise was able to expand its sales markets by entering the GoodWine and EkoLavka chains. The mutual effect was manifested in an increase in tax revenues by UAH 0.9 million and the training of 60 community residents, which creates long-term social capital.

For the Ostroh community, cooperation with Ostrog Agro LLC highlights the importance of capital expenditure per capita (2,300 UAH/capita) as a mechanism for increasing financial capacity (+2 points). The company optimised its cost structure, reducing production costs by

7% and increasing profitability by 10%. The integration resulted in the creation of 12 new jobs and the development of road infrastructure, which improves logistical accessibility for businesses. The Privilnenska community and Organic Berry FG are the most notable examples of mutual benefit: the community increased its financial capacity by 5 points and exceeded its budget (103%), while the company invested UAH 3.8 million in a freezing facility, harvesting 10 tonnes of raspberries. The partnership created 20 new jobs and levelled the community's income through new tax revenues, while creating opportunities for added value and a stable market for the company. Thus, a comparative analysis shows that the implementation of PPP in the Rivne region provides a synergistic effect: communities receive infrastructure improvements and additional budget revenues, while enterprises gain profitability, investment efficiency, cost-effectiveness and access to new markets. This approach demonstrates the practical feasibility of implementing a hybrid PPP model in conditions of limited budget resources.

In the context of the effectiveness of implementing the hybrid form of PPP in communities in the Rivne region and considering all the advantages of the hybrid PPP model for businesses and communities, as presented in Table 3, it is possible to conclude that two forms of this model are appropriate for implementation in Ukrainian ATCs: "design-build-finance-operate" (DBFO) and "design-build-operate" (DBO). The difference between these models lies in the practical implementation of the stages, as indicated by the name of the model itself (Feghaly *et al.*, 2021; Modi *et al.*, 2022). In the DBFO model, the three stages, namely design, construction and operation, are conducted in practice

by a private partner, who also finances the fourth stage. In this case, the community does not participate in the initial financing, but formulates project requirements and provides partial financing only after the project has been implemented. In the DBO model, the two stages, namely design and construction, are financed by the community, while the operation is conducted by a private partner (Ruiters & Amadi-Echendu, 2022). Therefore, the higher the level of financial capacity of the community, the more appropriate it is to implement DBO. Therefore, in the selection of one of the two forms of the hybrid PPP model, Ukrainian communities should rely on their level of financial capacity. Based on official statistics on the financial capacity of ATCs across Ukraine, it is possible to conclude that in 2024, 70.1% of ATCs out of the total number of communities in the country had a high, optimal or satisfactory level of

financial capacity. Specifically, 456 Ukrainian ATCs had a high level of financial capacity, 284 had an optimal level, and 242 had a satisfactory level. At the same time, 29.9% of ATCs had a low and critical level of financial capacity. Specifically, 218 ATCs in Ukraine had a low level of financial capacity as of 2024, and 131 ATCs had a critical level (Decentralisation, 2025b). Therefore, recommendations on the feasibility of implementing one of the two forms of the hybrid PPP model depend precisely on the financial capacity of Ukrainian communities. It is not advisable to implement DBO in 29.9% of communities that had low and critical levels of financial capacity in 2024. However, it is worth highlighting DBFO as a form of hybrid PPP model. The distribution of ATCs by the advisability of implementing hybrid PPP models by region of Ukraine based on ATC financial capacity indicators for 2024 is shown in Figure 2.

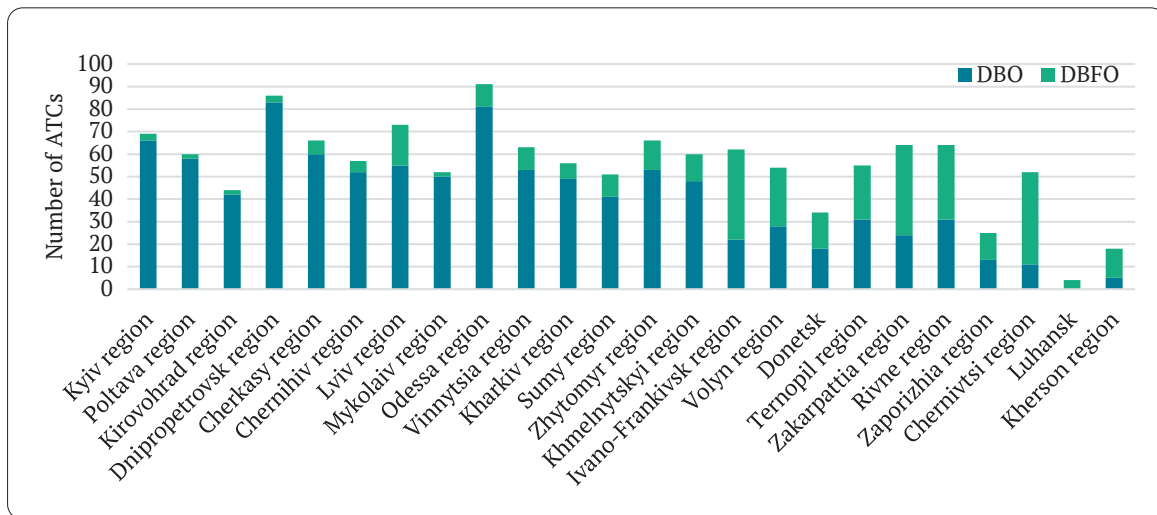


Figure 2. Distribution of ATCs by the feasibility of implementing hybrid PPP models across regions of Ukraine based on ATC financial capacity indicators for 2024

Note: DBO implementation is applied to ATCs with average and above average financial capacity, while DBFO is applied to ATCs with low or critical financial capacity

Source: compiled by the author based on Decentralisation (2025b)

Analysing the total number of ATCs in Ukraine by financial capacity by region, as shown in Figure 3, and the feasibility of implementing DBO or DBFO, the following conclusions can be drawn. As of 2024, all 69 ATCs in the Kyiv region had a financial capacity ranging from satisfactory to high. Therefore, all 69 ATCs in the Kyiv region should implement DBO. During the same period in the Luhansk region, all 4 ATCs had low and critical levels of financial capacity, so it is advisable to implement the DBFO form of the hybrid PPP model in such communities. In all other regions of Ukraine, there are several types of ATCs with levels of financial capacity ranging from high to critical. Therefore, based on the analysis of the financial capacity indicator for 2024, it can be concluded that DBO is advisable for 96.7% ATCs in Poltava region, 96.5% of ATCs in Dnipropetrovsk region, 95.9% of ATCs in Kirovohrad region, 93.9% of ATCs in Cherkasy region, 91.3% of ATCs in Chernihiv and Lviv regions, 89.1% of the ATCs in the Odesa

region, 87.5% of the ATCs in the Kharkiv region, 86.8% of the ATCs in the Mykolaiv region, 85.7% of the ATCs in the Sumy region, 84.1% of the ATCs in the Vinnitsia region, 80.3% of the ATCs in the Zhytomyr region, and 79.9% of the ATCs in the Khmelnytskyi region. Accordingly, DBFO is appropriate for implementation in 3.3% of ATCs in Poltava region, 3.5% of ATCs in Dnipropetrovsk region, 3.1% of ATCs in Kirovohrad region, 6.1% of ATCs in Cherkasy region, 8.7% of ATCs in Chernihiv and Lviv regions, 10.9% of ATCs in Odesa region, 12.5% of ATCs in Kharkiv region, 13.2% of ATCs in Mykolaiv region, 14.3% of ATCs in Sumy region, 15.9% of ATCs in Vinnitsia region, 19.7% of ATCs in Zhytomyr region, and 20.1% of ATCs in Khmelnytskyi region. The financial capacity of ATCs in other regions is significantly lower, which also requires the implementation of DBO, but to a lesser extent, namely: 56.3% of ATCs in the Ternopil region, 52% of ATCs in the Zaporizhzhia region, 52.9% of ATCs in the Donetsk region, 51.9% of ATCs

in the Volyn region, 48.5% in Rivne region, 36.9% of ATCs in Zakarpattia region, 35.5% of ATCs in Ivano-Frankivsk region, 21.1% of ATCs in Chernivtsi region and 27.6% of ATCs in Kherson region. Accordingly, DBFO is feasible for implementation for 43.7% of ATCs in Ternopil region, 48% of ATCs in Zaporizhzhia region, 47.1% of ATCs in Donetsk region, 48.1% of ATCs in Volyn region, 51.5% of ATCs in Rivne region, 63.1% of ATCs in Zakarpattia region, 64.5% of ATCs in Ivano-Frankivsk region, 78.9% of ATCs in Chernivtsi region, and 72.4% of ATCs in Kherson region. Thus, there is a general trend towards the advisability of implementing DBO rather than DBFO throughout Ukraine.

However, the DBFO model enables local authorities to improve infrastructure and transfer most of the risks to a private partner. At the same time, the company can implement large-scale projects with a long-term perspective, which provides a steady income. Therefore, the DBO model provides the following opportunities for local authorities: control over the financial resources of the project with minimal interference in the design and management process, and high-quality projects due to competition between private partners in the market. For companies, the advantages are lower risks than in DBFO and guaranteed profitability (Ruiters & Amadi-Echendu, 2022). Therefore, the choice between DBO and DBFO among Ukrainian ATCs depends on the type of project, the duration of the hybrid PPP contract, the distribution and transfer of risks, the established requirements, etc. However, preferences for the implementation of DBO or DBFO will have positive consequences for both community development and the private partner.

Discussion

Based on an analysis of the performance indicators of the ATC revenue plan across Ukraine and the average income per ATC resident across the country, the average level of expenditure per resident of the ATC, the ratio of tax and non-tax revenues to local budgets, as well as the indicators of the share of capital expenditures of Ukrainian communities on average across the country, the study determined that for Ukrainian ATCs, attracting alternative sources of funding is not just an advantage, but a necessity. Since approximately 30% of ATCs out of the total number of Ukrainian communities are financially weak. The presence of financially weak ATCs is characteristic of all regions of the country, except for Kyiv, excluding the temporarily occupied and annexed Ukrainian territories as of 2024. The importance of strategic planning based on the evaluation of previous development programmes has been emphasised in academic research by O. Karyy *et al.* (2019), which provided a conceptual foundation for assessing the effectiveness of community development strategies.

The analysis concluded that it is feasible and advisable for Ukrainian ATCs to implement PPPs as one of the possible options for attracting alternative financing based on statistical indicators of the financial capacity of Ukrainian communities. Exploring the possibilities of PPPs in more detail, R. Osei-Kye *et al.* (2021) noted the possibility of building

homes for the elderly in villages. The effectiveness of PPPs for the development of Spanish transport infrastructure was confirmed by L. Garrido & J. Vassallo (2020). PPP is also appropriate for the development of schools, hospitals, railways, housing, and energy infrastructure, as highlighted by I. Akomea-Frimpong *et al.* (2024) and G. Pinilla-De La Cruz *et al.* (2022) in an analysis of alternative financing for infrastructure projects. These data partially confirm the results of this study regarding the feasibility of implementing PPPs in Ukraine in various areas of infrastructure restoration during the war. However, analysing the simplicity of implementing PPPs for infrastructure restoration, T. Mandiriza *et al.* (2021) determined that this form of alternative financing is more complex, as it is accompanied by a range of problems: mismatch between cost and quality, regulatory complexity and political interference. In their analysis of PPP implementation in China, S. Zhang *et al.* (2015) determined that problems can be avoided by simultaneously implementing institutional changes alongside PPP implementation. However, analysing the roles of PPP stakeholders, T. Mandiriza & D. Fourie (2023) found that companies are primarily interested in maximising profits, which slows down the implementation of PPPs.

As a result of researching the mechanisms of interaction between private partners and local authorities in community development, three PPP models were identified, namely municipal, private and hybrid models. By examining the possibility of implementing the three models in practice and comparing them with the Ukrainian reality in 2024, the study found that the municipal PPP model is not feasible for Ukrainian communities because, as the results of the thematic study showed, the main condition for the successful implementation of such a model was a high level of budgetary funding for communities. As of 2024, Ukraine's actual revenue collection correlated with planned targets and was close to the 2021 figure, i.e., to the pre-war period. In addition, during the period 2020-2024, Ukrainian communities managed to fulfil the plan for tax and non-tax revenues only within the range of 0.98-4.62 points. At the same time, the ratio of tax revenues to non-tax revenues, which was achieved according to the revised annual plan for 2022-2024, decreased by 0.06 points. Given these facts, it can be concluded that the fully municipal PPP model is not the most optimal option out of the three possible models.

The private model, effectively implemented in the thematic study, was not considered in detail for Ukrainian communities, since the main condition for its implementation is a developed financial market, which in Ukrainian reality is not highly developed and has many problematic issues that need to be addressed as a matter of priority. In the context of the Russian-Ukrainian war and the constant need to rebuild infrastructure, it is advisable to implement a hybrid PPP model in Ukrainian reality. The study determined that the implementation of PPP is possible in other areas of community development, not limited to infrastructure aspects. As shown by the experience of implementing

PPPs in the Korets, Hoscha, Ostroh and Pryvilne communities in the Rivne region, the implementation of PPPs affects not only the development of the infrastructure of the ATC but also the preservation and creation of jobs and the education of the population, which ultimately leads to an increase in the financial capacity of communities. Following the implementation of the hybrid PPP project "Development of organic berry farming in the territorial communities of Rivne region", the financial capacity of each of the participating communities increased from 1 to 5 points for 2021-2023. At the same time, RSN-Trade LLC has gained opportunities to ensure a steady supply of products for export, diversify product sales, invest in the development of community infrastructure, and enter new product markets.

Analysing the effectiveness of the hybrid PPP model, A. Sinkala *et al.* (2022) confirmed its effectiveness for the implementation of infrastructure projects. However, the researchers noted that the implementation of the hybrid PPP model is accompanied by a large number of institutional problems related to the processes of its approval in practice. T. Musekiwa *et al.* (2025) reached similar conclusions, noting that the lack of transparency and burdensome legal frameworks affect the joint management of the hybrid PPP model. Other scholars, such as O. Sebitlo *et al.* (2022), highlighted that the dominance of the state in the creation of strategic infrastructure and its politicisation directly affects the reduced use of PPP.

As determined, each partner enterprise is substantial in increasing profitability, return on investment, investment activity, and job creation. For example, RSN-Trade LLC invested about 2.5 million UAH, achieved a profitability of +12%, a return on sales of 15%, and created 8 new jobs; this had a direct financial impact on the community through an increase in local budget revenues of approximately UAH 1.2 million. Organic Berry FG invested more than UAH 3.8 million in a freezing plant, harvested raspberries, created 20 jobs, and the community received income equalisation and a budget surplus of 103%. Such results confirm that business within PPPs can be a driving force for economic impact when it has access to investment and an effective sales market. These results are confirmed in international literature. A. Kumar *et al.* (2022) found that in projects in India, the key factors for the profitability of PPP companies are the size of investments, the effective use of leverage, and the ability to attract innovative technologies.

The results of the study showed that the main criterion for the successful implementation of the hybrid model is the high financial capacity of the ATC in the case of DBO, or of the private partner in the case of DBFO. The analysis determined that for ATCs with high, optimal or satisfactory financial capacity, it is advisable to implement the DBO form, and for ATCs with low and critical financial capacity, the DBFO form. In the Ukrainian context, it is advisable to implement the DBFO and DBO forms of the hybrid PPP model. The analysis showed that, based on the 2024 indicators, it is advisable for ATCs with high financial capacity, of which there were 456 in Ukraine, to implement the DBO form of the

hybrid PPP model in practice. Similarly, it is advisable to implement the DBO form of the hybrid PPP model in practice for ATCs with an optimal level of financial capacity, of which there were 284 in Ukraine. It is advisable to implement the DBO form of the hybrid PPP model in practice for ATCs with a satisfactory level of financial capacity, of which there were 242 in Ukraine. For ATCs with low and critical levels of financial capacity as of 2024, of which there were 218 and 131 units in Ukraine, respectively, it is advisable to implement the DBFO form of the hybrid PPP model in practice. At the same time, information on occupied and annexed territories was not covered in these calculations.

Two forms of the PPP hybrid model ensure that communities can attract alternative financing for further community development, while private partners can increase their revenues and reduce investment risks. Analysing the possibility of small and medium-sized enterprises participating in the PPP model, I.K. Oyegbade *et al.* (2022) concluded that PPPs are appropriate between the state and small and medium-sized enterprises in both developed and developing countries, which confirms the results of this study. For the state, the benefits are expressed in encouraging entrepreneurship and stimulating sustainable economic growth in communities, and for enterprises, in easing the financial burden. At the same time, the valuation of the enterprise in this study was presented not in monetary terms, but through the structure of the financial burden through investments by both parties. In other words, the value is expressed in relative terms in the context of Ukrainian communities adopting international experience. These results are confirmed by the findings of a study by P. Esposito and S. Dicorato (2020), who, as a result of assessing the effectiveness of PPPs, proved that private partners are not limited to the goal of increasing profitability, but include the social significance of PPPs in their effectiveness, responding to the needs of the population of a particular community.

Thus, the results of the study show that PPP not only provides access to additional financial resources for communities but also stimulates the activity of private partners in the field of investment and innovation. At the same time, to increase the effectiveness of such cooperation, it is necessary to improve legal mechanisms, institutional support, and minimise political risks. Practical examples of PPP implementation in the Rivne region prove that this model can provide synergistic effects for both parties, combining economic benefits with social significance. The results obtained form the basis for developing specific conclusions and recommendations on scaling PPP in the context of Ukraine's post-war recovery.

Conclusions

The results of the study indicate that although the average level of general fund revenues per capita in Ukrainian ATCs increased by 57.34% during the period 2020-2024, the level of planned revenue execution for the same period remained low. Only in 2024 did the fulfilment of planned local budget revenues reach 100.72%, which was close to the 2021 figure,

i.e., the pre-war period. In terms of the ratio of tax and non-tax revenues for 2020-2024, tax revenues prevailed until 2022, within the range of 0.99-1.05. Starting in 2023, non-tax revenues were implemented in ATCs across the country more efficiently than tax revenues. The share of capital expenditures per capita in communities in 2020-2024 decreased by 2.43% on average across the country. These statistics indicate the financial capacity of communities in Ukraine, 70.1% of which had an average or higher level of this indicator. Therefore, the involvement of PPPs is advisable for Ukrainian ATCs. During the period 2020-2024, total borrowing by local budgets in Ukraine decreased by 44.9% with an increase in external borrowing by more than 7 times, while the level of PPP implementation remained low.

The study determined that a hybrid PPP model would be appropriate for implementation in Ukraine in 2025. Based on the successful experience of implementing a hybrid form of PPP in the Korets, Hoscha, Ostroh and Pryvylina communities in the Rivne region, the study determined that such actions lead to an improvement in the financial capacity of communities. For enterprises, the hybrid PPP model provides access to new markets and satisfies market demand, diversifies sales and investments in infrastructure. Therefore, hybrid PPP models such as DBO and DBFO are practical. Given the differences between the models, the study concluded that ATCs with high, optimal or satisfactory financial capacity, as opposed to ATCs with critical and low financial capacity, should implement different forms of hybrid PPP models. DBO is recommended for communities

with satisfactory financial capacity and above, which, as of 2024, accounted for more than 70% in Ukraine. DBFO is recommended for communities with low financial capacity and below, which, as of 2024, accounted for about 30% in Ukraine. By implementing such forms of alternative financing, the community can develop infrastructure and transfer financial risks, preserve and create new jobs, in addition to attracting financing, while private partners can increase their revenues, as the experience of ATCs has shown.

Given the diversity of existing forms and models of alternative financing, the models and forms identified in this study do not cover the full range of practices, which is a limitation of this study. Therefore, it would be advisable to conduct a follow-up study focusing on a systematic analysis and comparison of successful practices, identifying opportunities and/or barriers for implementation in the Ukrainian context. Such results would help to identify possible gaps in this study and determine more possible approaches that communities with different levels of financial capacity could apply in practice in Ukraine.

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Conflict of Interest

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Фінансова інтеграція бізнесу та об'єднаних територіальних громад: механізми залучення альтернативного фінансування та оцінка вартості на прикладі діяльності підприємств

Микита Пиресєв

Аспірант

Європейський університет

03115, бульв. Академіка Вернадського, 16В, м. Київ, Україна

<https://orcid.org/0009-0002-3405-0850>

Анотація. Метою дослідження була оцінка ефективності реалізації програм державно-приватного партнерства для українських громад та підприємств. Для досягнення мети був використаний метод сегментованого аналізу офіційних статистичних показників, що відображають фінансовий потенціал українських громад за період 2020-2024 років. Визначено узагальнену тенденцію низького виконання місцевих бюджетів, що не перевищувала за досліджуваний період показника 100,72 %. В результаті аналізу встановлено, що 70,1 % об'єднаних територіальних громад (ОТГ) в Україні є фінансово спроможними. Було визначено, що гібридна форма державно-приватного партнерства є найбільш перспективним механізмом альтернативного фінансування в українських умовах. Участь бізнесу у таких проектах продемонструвала вагомий економічний ефект: підприємства-партнери інвестували від 1,6 до 3,8 млн грн у розвиток місцевої інфраструктури та виробничих потужностей, досягаючи прибутковості на рівні 10-12 % та рентабельності продажів до 15 %. Окрім того, бізнес отримав розширення ринків збуту (вихід на національні торговельні мережі), оптимізацію витрат і зростання доданої вартості продукції. Для громад це означало підвищення індексу фінансової спроможності від 1 до 5 балів, перевиконання бюджетів до 103 % та створення 8-20 нових робочих місць, що забезпечило стабільне зростання податкових надходжень і довгостроковий соціально-економічний ефект. Для громад із низьким та критичним рівнем фінансової спроможності (29,9 % із загальної кількості українських громад) запропоноване впровадження форми гібридної моделі, за якої головне фінансування беруть на себе приватні партнери. Результати дослідження можуть бути використані органами місцевого самоврядування України для формування ефективних моделей фінансової інтеграції бізнесу у громаду

Ключові слова: органи місцевого самоврядування; приватні партнери; державно-приватне партнерство; гібридна модель; інфраструктура
