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## **FINANCIAL SUPPORT AND EFFICIENCY OF IMPLEMENTATION OF GOVERNMENT HOUSING ACCESSIBILITY PROGRAMS IN UKRAINE**

**Abstract.** The state of financial support of seven state programs of housing affordability, which currently operate in Ukraine, has been studied and analyzed. As a result, the most effective programs in terms of state aid and the average amount of state aid per recipient were identified. The main significant shortcoming in the implementation of state programs for housing affordability is their constant underfunding from the state budget, which hinders the manifestation of a synergistic positive effect. Deficit of budget funds and restrictions or complete refusal to allocate budget allocations to finance state support for housing affordability programs for various categories of the population negatively affect the state of development of the residential real estate market in Ukraine. This constrains both the demand and the supply of housing due to the lack of financial resources to cover the existing investment needs both at the construction stage and during the sale of already built residential real estate. The multiplier effect from the implementation of state programs of housing affordability on the revival of the real estate market by attracting citizens' own funds to the construction industry is determined. The priority mechanisms for providing housing to Ukrainians are outlined: mortgage loans at 7% per annum with a down payment of 15% of the cost of housing and financial leasing at 5% without down payment, which are aimed primarily at supporting the population of Ukraine and strengthen protection of interest's citizens. There is a need to improve financial and credit instruments that overcome the problem of lack of financial resources for the real estate market and help to quickly create the necessary residential real estate, taking into account the strategic interests of all participants — individuals (investors), developers, banks and non-bank financial institutions, state and local authorities, as well as local communities.

**Keywords:** financial support, state program, investment projects, financial and credit instruments, mortgage loans, financial leasing, residential real estate market.

**JEL Classification** G21

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## **ФІНАНСОВЕ ЗАБЕЗПЕЧЕННЯ ТА ЕФЕКТИВНІСТЬ РЕАЛІЗАЦІЇ ДЕРЖАВНИХ ПРОГРАМ ДОСТУПНОСТІ ЖИТЛА В УКРАЇНІ**

**Анотація.** Досліджено і проаналізовано стан фінансового забезпечення семи державних програм доступності житла, що діють на сьогодні в Україні. У результаті визначено найбільш ефективні програми за обсягами надання державної допомоги і середнім розміром державної допомоги у розрахунку на одного отримувача. Основним суттєвим недоліком у реалізації державних програм доступності житла є постійне їхнє недофінансування з державного бюджету, яке стримує прояв синергетичного позитивного ефекту. Дефіцит бюджетних коштів й обмеження або повна відмова від виділення бюджетних асигнувань на фінансування державної підтримки за програмами підвищення доступності житла для різних категорій населення країни негативно впливають на стан розвитку ринку житлової нерухомості в Україні, стримуючи як попит, так і пропозицію житла через брак фінансових ресурсів для покриття наявних інвестиційних потреб як на стадії будівництва, так і при реалізації вже збудованих об'єктів житлової нерухомості. Визначено мультиплікаційний ефект від реалізації державних програм доступності житла на пожвавлення ринку нерухомості шляхом залучення власних коштів громадян у будівельну галузь. Окреслено пріоритетні для державної підтримки механізми забезпечення українців житлом: іпотечні кредити під 7 % річних із першим внеском від 15 % від вартості житла і фінансовий лізинг під 5 % без першого внеску, які спрямовані, передусім, на підтримку населення України і підсилюють захист інтересів громадян. Обумовлено необхідність удосконалення фінансово-кредитних інструментів, що долають проблему браку фінансових ресурсів для потреб ринку нерухомості і дають змогу швидко створити потрібні об'єкти житлової нерухомості, з урахуванням стратегічних інтересів усіх його учасників — населення (інвесторів), забудовників, банків і небанківських фінансових установ, держави і місцевих органів влади, а також місцевих громад.

**Ключові слова:** фінансове забезпечення, державна програма, інвестиційні проекти, фінансово-кредитні інструменти, іпотечні кредити, фінансовий лізинг, ринок житлової нерухомості.

Формул: 0; рис.: 1; табл.: 1; бібл.: 10.

**Formulation of the problem.** The underdevelopment of the financial market in Ukraine and the small share of the real estate market in its composition had a negative impact on the indicators of the usage of the real estate as a type of capital circulating in a characteristic segment of the financial market — real estate market in general and residential real estate in particular. Current trends in the development of the domestic residential real estate market authenticate that government programs to increase housing affordability are an important tool for improving the existing and introducing a new financial and investment mechanism for state support for the construction (acquisition) of affordable housing.

**Analysis of recent research and publications.** The issue of the development of financial and credit instruments to ensure the functioning of the residential real estate market in Ukraine has been studied by such domestic scientists as T. Voronkova, D. Halahan, P. Hudz, A. Diachenko, S. Sharova, V. Kovtun, O. Mukhin, K. Pavlov, V. Prokopenko, A. Holovko, M. Stolbova, H. Zahorodnii, and others. Nevertheless, the issue of the effectiveness of state housing affordability programs in Ukraine as a financial and credit instrument for financing the investment needs of the residential real estate market remains insufficiently studied and is becoming increasingly important in the crisis phenomena in the economy and low creditworthiness of borrowers.

**The purpose and objectives of the study.** The purpose of the study is to assess the financial support of state housing affordability programs currently in force in Ukraine and the effectiveness of their implementation. As well, determining the most effective way to provide housing to the population by implementing a mechanism of providing preferential long-term housing loans and other credit instruments of finance real investment projects.

**Recital of the main material.** The peculiarity of state support through the mechanisms of implementation of state programs of housing affordability is the creation of a powerful synergetic

effect by simultaneously attracting funds from the population, which is three times higher than the effect of direct budget funding [1, p. 112].

The effectiveness of state housing programs in Ukraine is an important indicator of the impact of state support on the functioning and development of the residential real estate market and, in our opinion, has the potential for growth.

Providing citizens with affordable housing in Ukraine is carried out by providing state support, which consists in the paying of the state [2]:

- 30 percent of the cost of construction (acquisition) of affordable housing;
- 50 percent of the cost of construction (acquisition) affordable housing for citizens covered by the status of war veterans and guarantees of their social protection,
- 50 percent of the construction cost (acquisition of affordable housing and/or preferential mortgage loan for citizens covered by the Law of Ukraine «On Ensuring the Rights and Freedoms of Internally Displaced Persons»)

Except for the state program of providing affordable housing, citizens may have access to local support programs, which may be determined by special conditions established by current regulations at the regional level.

Thus, the amounts of expenses of the taxpayer to pay for the construction (acquisition) disbursements of affordable housing, defined by law, including the repayment of preferential mortgage loan granted for such purposes, and interest thereon, refers to the list of costs allowed for inclusion in the tax discount [3].

During 2010—2020, seven state targeted programs to provide citizens with affordable housing (hereinafter — the Programs) were implemented in Ukraine. 4807.8 million UAH of state aid was provided within the framework of their implementation during the specified period at the expense of budget funds to improve housing conditions for 53,178 people and their families (Table).

Table

**Cumulative indicators of implementation of state target programs for providing citizens with affordable housing in Ukraine in 2010—2020**

State program	State aid provided		Number of recipients of state aid		The average amount of assistance, thousand UAH
	Amount, UAH million	Specific weight, %	Deals	Specific weight, %	
The State Socio-Economic Program «Affordable Housing»	978,7	20,36	5103	9,60	191,8
The State Program for Housing Youth (providing soft loans to young families for the construction [acquisition] of housing)	1626,0	33,82	3527	6,63	461,0
The State program that provides for the cheapening of mortgage loans to provide affordable housing to citizens in need of better housing conditions (3/13)	484,7	10,08	3557	6,69	136,3
The State program of partial compensation of interest rate on loans of commercial banks to young families and single young people for construction (reconstruction) and acquisition of housing	629,7	13,10	17885	33,63	35,2
Providing soft loans to young families at the expense of the State Fund for Support of Youth Housing Construction (Derzhmolodzhytlo)	508,0	10,57	1077	2,03	471,7
The State program to provide preferential long-term state credit to internally displaced persons, participants in the anti-terrorist operation and the Joint Forces Operation to purchase housing	276,7	5,76	511	0,96	541,5
The State Target Program on Village Development of Ukraine	304,0	6,32	21518	40,46	14,1
Total	4807,8	100,00	53178	100,00	90,4

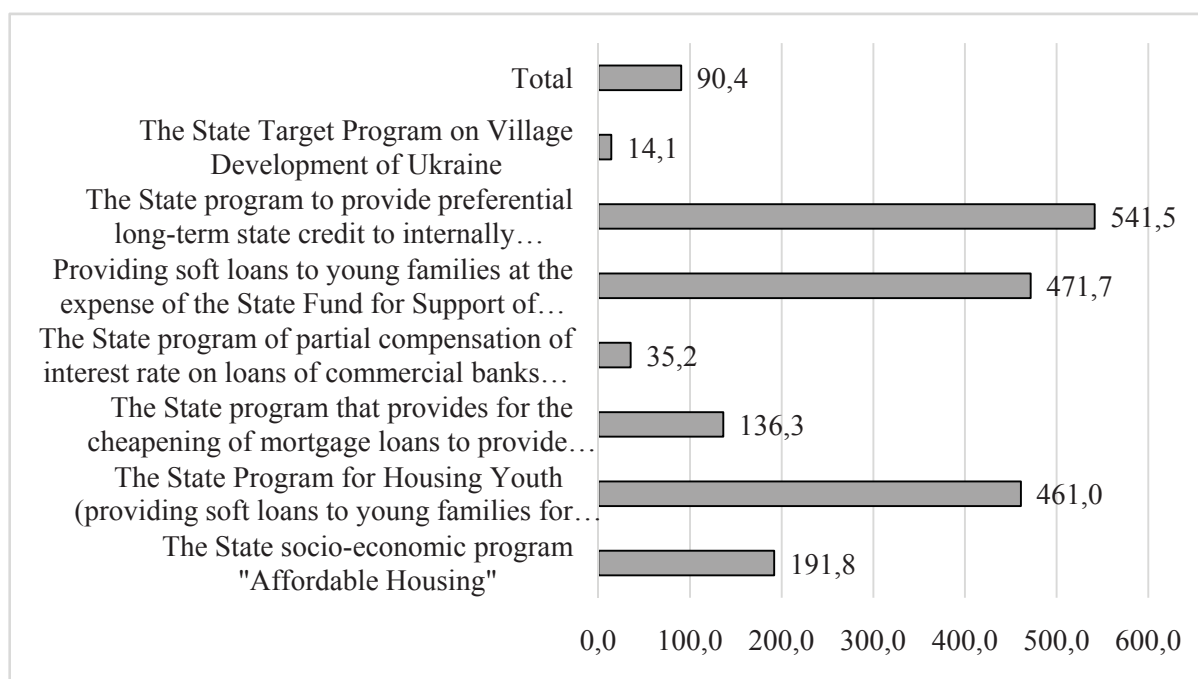
Source: calculated by the author according to statistical data [4; 5].

At the same time, 33.82% (UAH 1,626.0 million) of state aid for providing affordable housing was provided within the State Program for Housing Youth (providing soft loans to young families for construction (acquisition) of housing), 20.36% (UAH 978.7 million) — «Affordable Housing», 13.10% (UAH 629.7 million) — under the program of partial compensation of the interest rate of commercial bank loans to young families and single young citizens for construction (reconstruction) and purchase of housing, 10.57% (UAH 508.0 million) — within the framework of providing soft loans to young families at the expense of the State Fund for Support of Youth Housing Construction (Derzhmolodzhytlo) and 10.08% (UAH 484.7 million) — under the State program to reduce the cost of mortgage loans (see *Table*).

The smallest amounts of state aid were provided under a relatively new program — the State program to provide preferential long-term state credit to internally displaced persons, participants in the anti-terrorist operation and the Joint Forces Operation to purchase housing (5.76% of the total), and closed in 2015 The State Target Program on Village Development of Ukraine (6.32%) [4].

As a result of the implementation of state programs to support housing construction in the construction sector attracted an additional 1062.6 million UAH of own contributions of citizens, which is 244% of the allocated funds from the State budget) [4].

As can be seen from *Fig.*, on average, one recipient was provided with UAH 90.4 thousand of state aid to improve living conditions in 2010—2020.



**Fig. The average amount of state aid per recipient in terms of State target programs to provide the population with affordable housing in 2010—2020**

*Source:* author's calculations based on statistical data [5; 6].

In terms of the amount of state aid and the average amount of state aid per recipient, the most effective programs, among others, are:

- The State Program for Housing Youth (providing soft loans to young families for the construction (acquisition) of housing);
- The State Socio-Economic Program «Affordable Housing».

Financial support of the Programs is provided from the general and special funds of the state budget and local budgets. In comparison with the expected results from the implementation of the programs planned in the passport of each program, it should be noted a significant underfunding of programs from both state and local budgets [7—9].

Thus, the crisis phenomena in the economy, which causes a deficit of budget funds and restrictions or complete refusal to allocate budget appropriations to finance state support for

programs to increase housing affordability for various segments of the population, negatively affect the state of the residential real estate market in Ukraine, restraining both the demand and supply of housing due to lack of financial resources to cover existing investment needs both at the construction stage and during the sale of already built residential real estate.

From an economic point of view, government programs are aimed at stimulating the demand for housing through partial compensation for the expense of the purchasing of housing by the low-income groups by compensating part of the interest rate and providing loan guarantees, facilitating the conditions for obtaining loans for certain categories of citizens. However, the constant underfunding was not allowing the positive effect to be fully manifested.

The main source of financing the investment needs of the residential real estate market is the funds of developers and the population. Bank loans do not have a significant impact on the dynamics of the residential real estate market development, as due to the low creditworthiness of borrowers (individuals and legal entities), short-term loans for major repairs and mortgage loans secured by housing are in demand.

In addition, the available financial and credit instruments used in the residential real estate market are mainly focused on stimulating the demand for housing by expanding the opportunities for the population to obtain bank loans, in particular through government support. Crisis phenomena and macroeconomic problems (budget deficit, distortions in levels of interest rates, profitability, construction prices, etc.) cause a situation where banks cannot develop investment lending, which best meets the needs of developers. Under such conditions, the financial risks inherent in housing as an object of investment are transferred to buyers, the danger of financial pyramids and insecurity of investors' interests increases, the development of financial intermediation and bank lending is hindered.

Factors that hinder the development of the modern real estate market in Ukraine include:

- slow development of mortgage lending;
- inefficiency of taxation of residential real estate;
- understatement of the price of the transaction with residential real estate;
- making financial calculations outside financial control;
- lack of mechanisms for accumulation of private investments for urban development with insufficient budget funding;
- lack of integration mechanisms securities market and real estate market;
- lack of a unified state policy for the development of the residential real estate market.

Currently, state programs for affordable housing are aimed primarily at supporting the population of Ukraine. In addition, they have a multiplier effect, which helps to revive the real estate market and the inflow of funds into the construction industry. Providing citizens with affordable housing requires a significant amount of their own funds to purchase housing. However, most categories of the population targeted by these government programs lack their own funds to make the down payment. According to economic practice, under such conditions it is impossible to achieve a tangible effect in providing housing for the low-income groups.

In order to concentrate financial resources and more effectively implement new mechanisms for providing Ukrainians with housing, a law on merging the State Mortgage Institution and the Ukrainian Financial Housing Company was adopted and issuing UAH 20 billion of government bonds for an affordable mortgage program was envisaged. First of all, the efforts of the merged company will be focused on two programs, namely: the first — a mortgage at 7% per annum with a down payment from 15% of the cost of housing; the second — financial leasing at 5% without down payment. In the long run, interest rates will be decreasing and the conditions of the program will be improving so that more and more potential borrowers will be able to take advantage of it [10].

The difference from a mortgage and the undoubted advantage of financial leasing for the borrower is the absence of a mandatory down payment. And for low-income people, this is a strong argument. Also, no collateral is needed and a level of credit risks is much lower. This approach allows to avoid the threat of foreclosure by third-party lenders. Under conditions of financial

leasing, state funds are not invested in construction, but only in ready-made housing, which also strengthens the protection of citizens' interests. The «disadvantages» include the fact that with a mortgage a person immediately acquires ownership of housing. In the case of financial leasing, ownership is granted only after full repayment of the value of the apartment and interest [10].

Despite the existing features of mechanisms for providing citizens with affordable housing through the implementation of various government programs, they all have one vice in common, namely: constant underfunding, which restrains the manifestation of a synergistic positive effect in full. Therefore, the urgent task is to improve financial and credit instruments that overcome the problem of lack of financial resources for the real estate market needs and allow you to quickly create the necessary residential real estate, taking into account the strategic interests of all its participants — individuals (investors), developers, banks and non-banks. financial institutions, the state and local authorities, as well as local communities.

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