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CHANGES IN RURAL AREAS OF UKRAINE: PROBLEMS AND OPPORTUNITIES

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Abstract

The paper describes main changes in rural areas of Ukraine. It emphasizes that the key reason of existing socio-economic issues in rural regions is the absence of well-defined rural development policy. Thus, it is necessary for Ukraine to implement long-term rural policy, as it takes place in the EU countries. Rural policy should be aimed at overcoming of existing isolation between demographic, socio-economic, environmental, and production components concerning development of rural areas. The particular attention should be paid to the creation of local action groups. Also, special strategies should be developed to expand non-farm rural activities.

Keywords: Rural development, rural policy, Ukraine. **JEL:** R11, R58

1. Introduction

The revival of rural regions in Ukraine is directly connected with the solution of socio-economic issues. Under the former command economy, socio-economic development of rural areas was ensured at a quite high level due to centralized budget resources and financing from agricultural enterprises. The situation has changed completely since Ukraine became independent and began to introduce market reforms. First, the state reduced drastically the volume of budgetary funding directed to socio-economic development of rural settlements. Agricultural enterprises also discontinued to finance these expenditures due to the complicated economic situation. Second, while agriculture remains an important economic sector, its role in the rural economy declines gradually. The existing approach for development of rural territories in Ukraine is still based on the agricultural sector. However, the current state of the rural sector confirms that it is quite problematic to support its socio-economic development using this approach. It is necessary to find directions to promote development of rural areas, to enhance the well-being of rural residents, and to increase effectiveness of the rural economy.

The objectives of this paper are:

- to investigate demographic processes in rural areas of Ukraine;
- to analyze socio-economic changes in the countryside;
- to define directions of rural development policy in Ukraine in the long-term perspective.

The method of the paper is by a review of literature and applying economic theory to explain observed developments as a result of expectations, aspirations and decisions of different stakeholders.

2. Theoretical background

We suggest that the concepts of integrated rural development, social capital, and the rural non-farm economy should be taken into account with respect to development of rural areas. Integrated rural development is considered as a way of working that seeks to deliver sustainable development in rural areas by benefiting social, economic and environmental objectives, bringing equal benefits for all three wherever possible, whilst seeking to avoid damage to any one of them (Baldlock et al., 2001).

Nemes (2005) defines integrated rural development is an ongoing process involving outside intervention and local aspirations; aiming to attain the betterment of groups of people living in rural areas and to sustain and improve rural values; through the redistribution of central resources, reducing comparative disadvantages for competition and finding new ways to reinforce and utilize rural resources.

The principles of the integrated rural development are the following:

- Integration/interdependence – integrating policies or developing a ‘package’ of linked interdependent policies, designed to harmonise different interests and to achieve economic, social and environmental objectives together;
- Individuality – acknowledging local circumstances, reflecting an area’s distinctive character, priorities, problems and opportunities;
- Involvement – emphasising active inclusion of local communities, drawing upon self-help rather than relying on external action;
- Investment – raising the social, economic and environmental ‘assets’ of rural areas to equitable and sustainable standards (The Countryside Agency, 2005).

According to the integrated rural development philosophy, cooperation between policymakers, administrations, the various economic sectors and the citizens for the benefit of their rural region is the

foundation of successful development. Working together to recognize and make use of regional potentials is the prerequisite for successful change (Giessen and Böcher, 2008).

There is the interconnection between the concepts of integrated rural development and social capital. Nooteboom (2007) defines social capital as contributing to goal achievement of actors on the basis of relationships. Goodwin (2003) states that social capital refers to the stock of trust, mutual understanding, shared values, and socially held knowledge that facilitates the social coordination of economic activity.

Due to the declining role of agriculture in terms of incomes and employment of the rural population, it is necessary to promote diversification of the rural economy. Appropriate steps should be taken to develop the rural non-farm economy (RNFE). According to Lanjouw and Feder (2001), the non-farm "sector" includes all economic activities in rural areas except agriculture, livestock, fishing and hunting. As stated by Davis (2006), RNFE may be defined as all those activities associated with waged work or self-employment in income-generating activities (including in-kind income) that are not agricultural but located in rural areas.

Undoubtedly, RNFE is crucial for successful rural development. It has a high potential to absorb social hardship from structural adjustment processes in agriculture, reduce overall rural poverty and thus keep the necessary structural change in agriculture going (Buchenrieder et al., 2007).

3. Demographic processes in rural areas of Ukraine

The crisis situation takes place in the rural sector of Ukraine. This could be confirmed by various demographic indicators. In 2008, the number of the rural dwellers was 14.7 million people, or by 22.6% less than in 1980 (figure 1). The share of the rural residents decreased from 38.1% in 1980 to 31.7% in 2008.

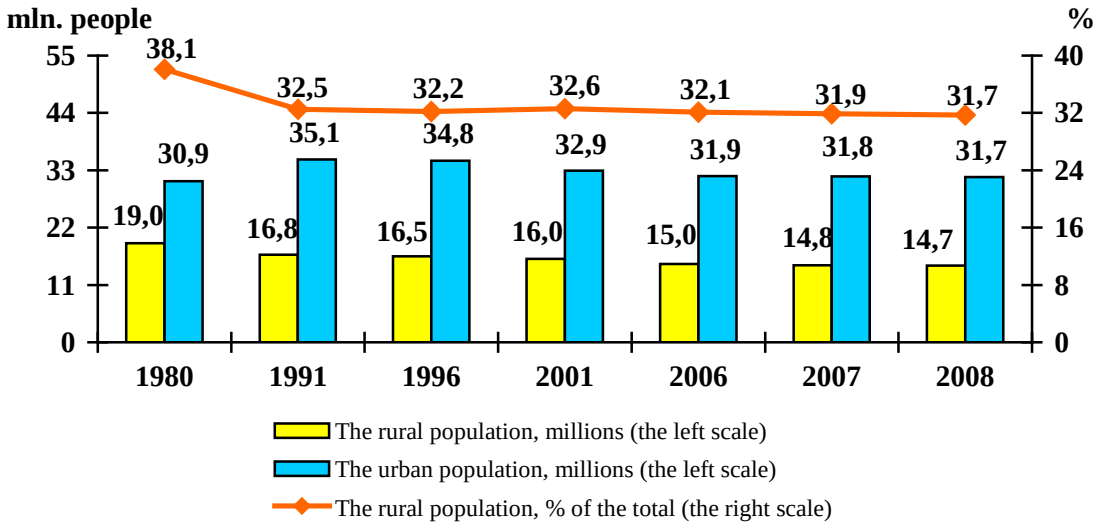

Figure 1. Dynamics of the population in Ukraine (at the beginning of the year)

Source: State Committee of Ukraine for Statistics (2008), Yakuba (2007)

Between 1980 and 2007, the number of newborns shrank by 99.1 thousand people, while the number of deceased increased by 24.7 thousand people (table 1). These factors caused that the natural population growth decreased from -14.2 thousand people in 1980 to -138.0 thousand people in 2007.

Demographic changes had certain differences by region (figure 2). In 1991-2005, the change in the number of rural inhabitants was between -16.0% and -8.1% in the majority of oblasts. The most significant demographic decline was observed in the northern part of the country, namely Chernihiv (-24.0%) and Sumy (-18.9%) regions. To a lesser extent, the reduction of the rural population occurred in the eastern and southern regions of the country. The positive demographic trends took place in Transcarpathia (+8.7%) and Chernivtsi (+0.4%) oblasts, located in the western part of Ukraine.

Table 1. Selected demographic indicators of the rural regions in Ukraine

Years	Number of newborns, thousands	Number of deceased, thousands	The natural population growth, thousands	Per 1000 people		
				The birth rate	The death rate	The natural population growth
1980	257.7	271.9	-14.2	13.7	14.4	-0.7
1990	214.4	272.5	-58.1	12.7	16.1	-3.4
1995	184.5	316.2	-131.7	11.1	19.1	-8.0
2000	147.1	301.0	-153.9	9.2	18.8	-9.6
2005	141.8	310.4	-168.6	9.4	20.5	-11.1
2006	153.7	296.3	-142.6	10.3	19.8	-9.5
2007	158.6	296.6	-138.0	10.7	20.1	-9.4
2007 (+,-) to 1980	-99.1	+24.7	-123.8	-3.0	+5.7	-8.7

Source: State Committee of Ukraine for Statistics (2008), Yakuba (2007)

Excess of births over deaths was not the only reason concerning the shrinkage of the rural population. For instance, in 1980, the decline of rural residents was 215.8 thousand people, which was caused by rural-urban migration – on 90.7%, the natural decrease – on 6.6%, and administrative-territorial changes – only on 2.7%. In 1960-1980, rural-urban migration was the main factor which led to the fall in the number of rural inhabitants (Institute of Agrarian Economics of the Ukrainian Academy of Agrarian Sciences, 2003).

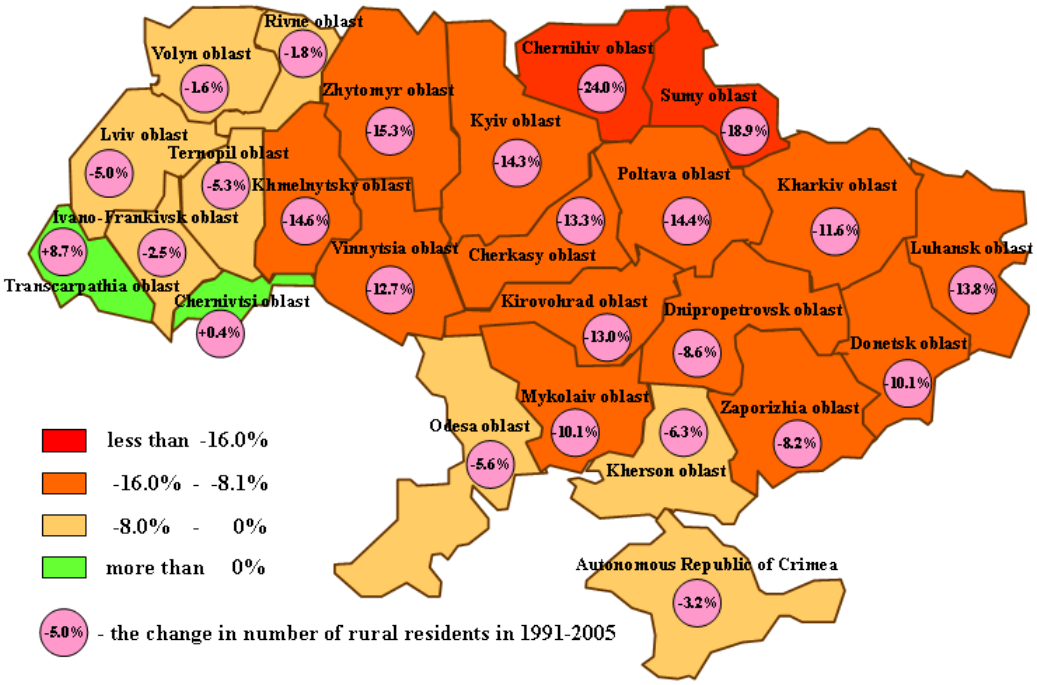

Figure 2. Changes in number of rural residents in 1991-2005, by region (at the beginning of the year), %

Source: Institute of Agrarian Economics of the Ukrainian Academy of Agrarian Sciences (2003), State Committee of Ukraine for Statistics (2006b)

Later, the impact of the migration component on the drop of rural dwellers gradually reduced. This tendency remained the same during the next years, and depopulation became a main reason of the decrease of rural residents. In 2007, the total shrinkage of the rural population amounted to 164.7 thousand people. 83.8% of this decline was related to the natural decrease and 16.2% – to migration processes.

Considerable changes were observed with regard to the age composition of the rural population. In 1979-2007, the most significant decline took place for rural residents under working age: from 4.6 to 2.7 million people. The share of this age group decreased from 23.8% to 17.9%. There was an opposite tendency for the rural residents at working age and over working age. Their portion grew by 2.9% i 3.0% and amounted to 55.4% and 27.0% correspondingly. As a result, the changes in the age structure caused the total ageing of the rural population. For the above-mentioned period, the average age of rural inhabitants rose from 38.0 to 40.7 years. The deformation of the age composition and the gradual ageing led to deterioration of reproductive and labor characteristics of rural people and essentially limited opportunities for positive socio-economic changes in rural settlements.

4. Rural employment changes

Significant changes occurred with regard to employment of rural inhabitants. First, the total number of the rural labor force decreased from 8.9 million people in 1999 to 8.3 million people in 2005, or by 6.7%. Second, if in 1990 the majority of rural dwellers (68.7%) worked in the place of the residence, this type of employment was typical only for 27.2% of rural people in 2005. The structure of employment of the rural dwellers working in the place of the residence was substantially altered as well. In 1990, a large part of this population (41.9%) was employed in the agricultural sector. The drastic decrease of the volume of agricultural production and farm restructuring led to the significant decline of the number of workers employed. Between 1990 and 2005, the number of rural inhabitants engaged in agriculture went down from 3.7 to 1.1 million people. As a result, in 2005, only 13.8% of rural people worked in agriculture.

Due to the lack of other job and income-earning opportunities, the majority of the former members of state and collective farms were forced to start to work in household plots. The share of rural dwellers engaged in individual plots grew essentially: from 2.5% in 1990 to 31.7% in 2005. In 1990-2005, the number of the rural population occupied in the household plot sector increased from 0.2 to 2.7 million people. So, rural employment became largely dependent on subsistence farming.

The share of rural dwellers employed in agriculture in the place of residence varied widely across regions (figure 3). The lowest level of this indicator was in Transcarpathia oblast (14.1%), the highest level – in Kirovohrad oblast (62.7%). In the majority of regions, this indicator was within the range 50.1-60.0%. Its average level in Ukraine was equal to 50.6%. Also, the indicator was relatively lower in the western part than in the central and eastern parts of the country.

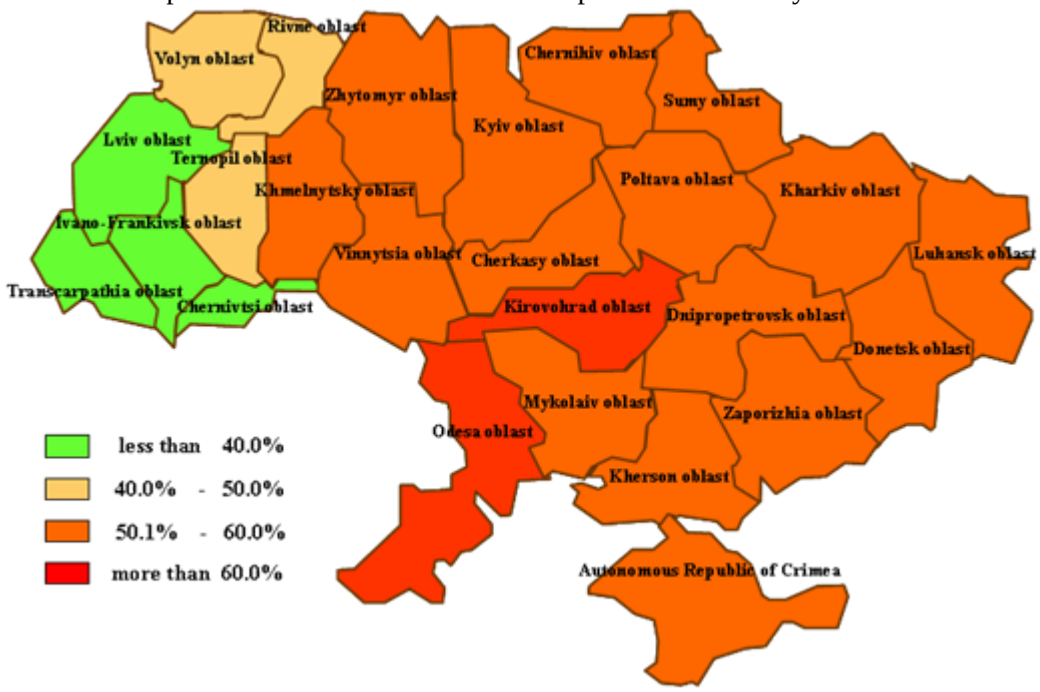

Figure 3. The share of rural dwellers employed in agriculture in the place of residence (as of 01.01.2005), %

Source: State Committee of Ukraine for Statistics (2006b)

The employment rate of the rural population grew from 54.8 to 61.5% between 1999 and 2007. However, this simple quantitative change of the indicator does not mean that the positive tendency took place with regard to rural employment. The point is that, in Ukraine, the level of employment is calculated as the ratio (in percent) of the employed people aged between 15 and 70 to the total number of the population of the same age group. According to the program of the survey of economic activities of the population, among other categories, the employed persons also include inhabitants, who work in household plots and sell, at least partly, their products at a market (Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine, 2007). At the same time, the unemployment rate declined insignificantly: from 5.8% in 1999 to 5.4% in 2007. This fact confirms that the certain group of rural residents is characterized by continuous socio-economic inertia in respect to labor employment in the public sector (Yakuba, 2007).

Data on the level of rural employment by region are presented in figure 4. In general, this indicator was quite low in all oblasts of Ukraine. Its lowest rate was in Ivano-Frankivsk oblast – 51.4%, while the highest rate was in Luhansk oblast – 70.8%. Regions with the low level of rural employment were mainly located in the western, central, and southern part of the country. Yet another indicator that confirms the difficult situation with regard to rural employment is the share of rural settlements which do not have any legal entities engaged in economic activities. In 2005, its average level in Ukraine amounted to 49.3%. Compared to 1991, the number of these settlements grew by 2.8 times. The lack of legal entities in the majority of villages led to destructive processes in the territorial and economic organization of rural territories.

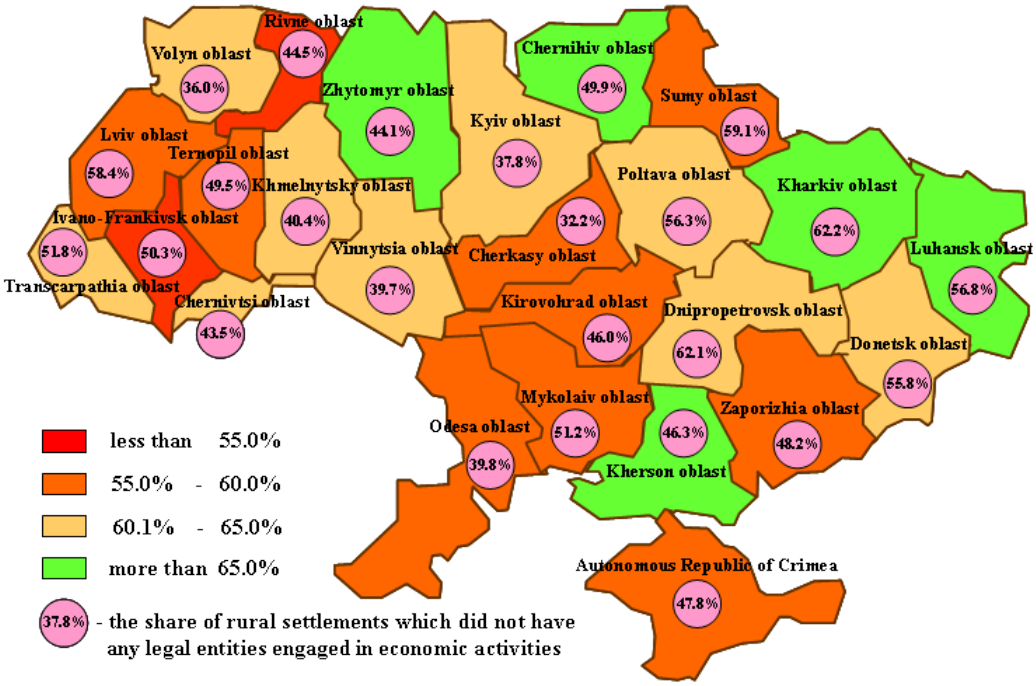

Figure 4. The employment rate of rural residents in 2005, by region (%)
Source: State Committee of Ukraine for Statistics (2006b)

5. The level of living of the rural population

Considering the results of socio-economic changes in rural districts, it is important to pay attention to the level of living of rural inhabitants. The growth of the economy of Ukraine, which took place in the pre-crisis period, had a certain positive impact on incomes and expenditures of rural people. In nominal terms, the total resources of rural households increased by 5.0 times between 1999 and 2007: from 364 to 1822 Ukrainian hryvnias (UAH).

In 1999, the biggest share in total resources of rural households was occupied by in-kind income from subsidiary household plots (44.4%), followed by wages (16.3%), pensions, scholarships, benefits and subsidies (13.4%), and income from sales of agricultural products (9.4%). Urban households differed considerably with respect to the structure of total resources from rural households. The main sources of total resources in urban families were wages (43.3%) and pensions, scholarships, benefits

and subsidies paid in cash (17.7%). While the portion of income received from household plots by urban inhabitants was also quite significant (11.9%), it was essentially lower than by rural residents.

As compared with 1999, the structure of the total resources of rural households changed considerably in 2007. The positive feature was the rise of the portion of money incomes from 45.1% in 1999 to 81.5% in 2007. However, rural inhabitants continued to lag behind urban residents with respect to total incomes. In 2007, the main income sources for both rural and urban households were wages and pensions, scholarships, benefits, and subsidies paid in cash. Their shares in incomes of rural households were 32.7% and 26.6%. The same indicators for urban households accounted for 57.7% and 21.6% correspondingly. These facts also confirmed the improvement of the income structure of households. At the same time, incomes of rural households were less diversified. The portion of rural income received from self-employment activities was only 3.8%. Rural households were much more dependent on consumption of products from individual plots and sales of agricultural products, compared to urban households. In 2007, despite the decline of the shares of the above-mentioned sources of income, they remained at a quite high level: 12.8% and 11.7% respectively.

The impact of the socio-economic changes on the well-being of rural residents could be also examined on the basis of the structure of total household expenditures. In general, this structure improved to a certain extent. The portion of the rural household expenditures spent on foodstuffs fell from 74.0% in 1999 to 59.3% in 2007. Nevertheless, the situation did not change substantially. As in previous years, in 2007, the largest share of the expenditures was spent on food products. According to the structural criterion, people are defined as poor if they spend more than 60% of total expenditures on food products (Libanova, 2008). Thus, the data show that the standard of living of rural people was at the low level in Ukraine.

This could be also confirmed considering the share of households with average per capita monthly expenses below the living wage (table 2). While this indicator shrank by 18.7% during the analyzed period, even in 2006, it remained at a relatively high level – 63.9%. Besides, villages exceeded urban settlements by 19.3% regarding the share of households with average per capita monthly expenses below the living wage.

Table 2. The level of living of the rural population

Indicators	2000	2001	2002	2003	2004	2005	2006	2006 (+,-) to 2000
The share of households with average per capita monthly expenses below the living wage*, %:								
- rural	82.6	87.0	89.2	84.9	75.0	65.2	63.9	-18.7
- urban	79.1	80.6	80.4	71.9	61.0	50.4	44.6	-34.5
The ratio of total expenditures of the richest 20% to the poorest 20% of the rural population, times	4.0	4.4	4.1	4.0	4.2	4.2	4.2	+0.2
The relative level of poverty (%)** of:								
- the rural population	28.7	32.3	34.3	36.7	35.0	35.2	38.4	+9.7
- the urban population	25.4	24.7	23.6	21.5	23.5	23.2	23.0	-2.4

* the 4th quarter of 2000 – 270.1 UAH; 2001 – 311.3 UAH; 2002, 2003 – 342.0 UAH; the 4th quarter of 2004 – 362.23 UAH; 2005 – 423.0 UAH; the 4th quarter of 2006 – 472 UAH.
** 75% of the median level of the total equivalent expenditures
Source: Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine (2007), State Committee of Ukraine for Statistics (2007)

The situation was also aggravated by the fact that the income gap between different social groups of rural population and the level of the rural poverty continued to grow. For the period 2000-2006, the ratio of total expenditures of the richest 20% to the poorest 20% of the rural population went up by 0.2 times and reached 4.2 times. The relative level of poverty rose from 28.7% in 2000 to 38.4% in 2006. This means that the standard of living of rural dwellers is gradually declining compared with its average level in the country.

Rural social infrastructure plays an important role with regard to the quality of living conditions of rural residents. However, the significant part of the rural population in Ukraine does not have access to basic social services. The provision of medical and consumer services in rural areas is in a very bad shape. For example, in 2005, only 2.7% and 1.1% of villages were provided with them. The share of rural settlements, which had pre-school organizations and schools, were 29.4% and 49.2% (State Committee of Ukraine for Statistics, 2006b).

In the planned economy, agricultural enterprises were actively involved in resolving issues concerning the rural development. Though, in the new market conditions, these enterprises were not able to support development of rural social infrastructure any more, as it had been earlier, because of the lack of funds. That is why the major part of social assets was transferred from balances of agricultural enterprises to balances of local governments. Local administrations were charged with the task to perform these important social functions. Nevertheless, today their possibilities are very limited in this respect because of the lack of well-defined rural development strategies and insufficient financial resources. As stated by Borodina et al. (2008), appropriate organizational and financial conditions to carry out social functions by local authorities using the self-management system or the entrepreneurial approach were not created in the restructuring period and later years. This unfavorable situation is also linked with psychology of “the social maintenance”, which was formed in Soviet times, the low level of the willingness of rural people to solve local issues based on their own initiatives and resources.

Now, rural policy is considered only as a part of agricultural policy. That is why budget resources are used mainly to support certain agricultural products, instead of spending them to the solution of the most pressing problems of rural territories. In 2007, only 0.2% and 0.3% of budget funds directed to agriculture were allocated to dissemination of experience and consulting services and development of rural infrastructure (Borodina et al., 2008).

6. The identification of reasons for regional differences with respect to rural development

As it has been mentioned earlier, there are significant differences between rural regions in terms of demographic and socio-economic indicators. Based on these indicators, it is possible to identify reasons explaining why some rural areas develop more successfully than other regions, and why there is the gap (or, perhaps, this gap is widening) between rural territories concerning their growth. From our point of view, one of the key indicators in this regard is the change in number of rural residents. This indicator has a certain integrated character because the positive demographic changes eventually confirm that there are more favorable living and labor conditions for rural inhabitants in some rural regions, compared to the others.

To examine peculiarities of development of rural areas, we used data about the changes in number of rural residents by region in 1991-2005. Data concerning this indicator were divided into four intervals:

1) less than -16.0%;
2) -16.0% – -8.1%;
3) -8.0% – 0%;
4) more than 0%.

The results of the grouping of oblasts by the changes in number of rural dwellers allowed us to determine several essential peculiarities with respect to total household resources (table 3). First, the higher level of these resources was observed in regions with the positive demographic changes than in other regions. During 1991-2005, this indicator was 1122.3 hryvnias in oblasts, which had the change in number of the rural population less than -16.0%. The same indicator for oblasts with the change of the rural inhabitants more than 0% was equal to 1467.8 hryvnias, or by 30.8% bigger compared with the previous oblast group. Second, substantial differences between oblast groups could be identified

concerning the structure of total household resources. It was more diversified in regions with the positive demographic tendency. Wages (28.0%) and pensions, scholarships, benefits and subsidies paid in cash (21.1%) accounted for the largest share of total household resources in this oblast group. It should be noted that, in these regions, the portion of entrepreneurial income was also significant – 15.8%, which was substantially higher than in other regions of Ukraine. The share of incomes from sales of agricultural products was considerably lower in this region group (5.9%) in comparison with others. Thus, we can make a conclusion that the oblasts with the positive demographic trends were less dependent on agriculture.

Table 3. The structure of total household resources, depending on changes in number of rural residents

Indicators	Changes in number of rural residents in 1991-2005				Ukraine, on average
	less than -16.0%	-16.0% - -8.1%	-8.0% - 0%	more than 0%	
Total household resources (2005), hryvnias	1122.3	1205.4	1342.3	1476.8	1259.9
The structure of total resources (2005), %:					
wages	20.2	26.6	27.9	28.0	27.1
entrepreneurial income	0.4	2.0	3.9	15.8	3.7
incomes from sales of agricultural products	16.4	16.6	11.4	5.9	13.6
pensions, scholarships, benefits and subsidies paid in cash	35.1	27.9	27.0	21.1	27.5
cash assistance from relatives and other people, other cash incomes	5.3	6.9	7.6	7.5	7.0
natural incomes from household plots	16.3	12.7	16.1	15.7	14.6
other resources	6.3	7.3	6.1	6.0	6.5

Source: Own calculations based on the data of the State Committee of Ukraine for Statistics (2006a, 2006b)

The grouping of oblasts by the share of villages, which did not have social infrastructure objects, depending on changes in number of rural residents, is represented in table 4. The results confirm that there were substantial differences between regions with positive and negative demographic tendencies with regard to the provision by social infrastructure objects.

It can be seen that in oblasts with the change in number of rural dwellers less than -16.0%, the share of rural settlements without pre-school organizations was 83.3%, schools – 66.4%, medical establishments and movable medical services – 30.7%, and club-houses – 52.9%. The corresponding figures for oblasts with the change in number of the rural population more than 0% were 44.5%, 18.0%, 9.1%, and 18.9%. So, a direct link is observed between the level of development of social infrastructure and changes in number of rural dwellers.

Based on the results of above-mentioned groupings, the significant differences could be identified in regions with positive demographic changes compared with other areas, including the higher level and the more diversified structure of total household resources, the larger share of incomes received from entrepreneurial activities, the lower dependency on agriculture in terms of employment and incomes, and the relatively higher provision by social infrastructure objects.

So, the unfavorable demographic situation, the lack of employment possibilities, the significant deterioration of the socio-economic conditions, and the non-diversified economy are specific features of the majority of rural areas of Ukraine. In our opinion, the main reason of this situation is the absence of well-defined rural development policy. Moreover, rural policy is not separated from agricultural policy. These factors complicate the situation and do not create necessary prerequisites for positive changes in rural districts.

Table 4. The share of villages, which did not have social infrastructure objects, depending on changes in number of rural residents

Social infrastructure objects	Changes in number of rural residents in 1991-2005				Ukraine, on average
	less than -16.0%	-16.0% - -8.1%	-8.0% - 0%	more than 0%	
Pre-school organizations (in villages which have children aged 0-6)	83.3	67.7	70.2	44.5	70.8
Schools (in villages which have children aged 7-17)	66.4	56.1	39.7	18.0	51.4
Medical establishments and movable medical services	30.7	26.9	19.2	9.1	25.1
Club-houses	52.9	44.5	31.9	18.9	41.2
Consumer service establishments	98.9	98.5	98.1	94.6	98.3
Post offices	66.1	57.8	56.4	39.6	59.1
The stop of public transportation	38.2	29.1	18.7	16.5	26.8
The hard surfaced road	28.9	24.5	29.7	22.7	26.3

Source: Own calculations based on the data of the State Committee of Ukraine for Statistics (2006b)

7. Opportunities for rural development

Nowadays, the components of rural development are considered separately in Ukraine. The current approach is that rural regions are self-regulative systems which can resolve their social and economic problems on the basis of the development of agricultural production. The most attention is given to the production component, mainly to agriculture. That is why the major part of budget resources is allocated to the agricultural sector. The other components of rural development (demographic, socio-economic, and environmental) are taken into account only to a limited extent. However, international experience shows that this assumption can hardly be upheld in the face of continuing globalization and increasing competition in world markets.

To address the above-mentioned problems in Ukraine, it is necessary to implement rural development policy with long-term target priorities, based on the experience of countries of the European Union. Rural policy should be adjusted to overcome the existing isolation between demographic, socio-economic, environmental, and production components concerning the development of rural areas. Thus, to increase the efficiency of rural policy, instead of separate measures, an integrated rural development approach should be introduced. Besides, rural policy measures might be grouped into axes as in the EU countries. This approach provides a blueprint for the implementation, monitoring, and evaluation of appropriate rural development measures. To ensure a coherent rural policy, a national rural development plan should be worked out in Ukraine. It is also recommendable to create a special governmental organization, for example, the National Agency for Rural Development, which could be charged to implement long-term rural policy, coordinate all rural development activities at the national level, and respond to the needs and initiatives of rural dwellers.

It is necessary to note that there are various programs on the state and regional levels, which have a significant impact on rural territories in Ukraine. Also, there are some programs related to agriculture and other sectors of the economy that directly influence rural regions. All these programs should be taken into account when designing a rural development program for the country.

One of the key questions is to switch from the sectoral approach concerning development of rural districts (which is based mainly on agriculture) to the territorial approach. Budget funds should be directed towards socio-economic development of rural areas instead of supporting the output of certain agricultural products.

The other peculiarity of rural development in Ukraine is that, as a consequence of the former command economy, the authorities make almost all decisions related to development of rural regions using the top-down approach. It does not give an opportunity to take into account all existing

peculiarities of rural territories. Thus, the necessary condition is the decentralization of rural development and the maximum attraction of the local population for the solution of rural problems. To reach positive changes in this respect, the bottom-up approach should be implemented. It is essential to improve rural social capital, based on the formation of public-private partnerships. A program similar to LEADER initiative, which operates successfully in the EU countries, could be particularly useful regarding development of rural areas in Ukraine.

The special attention should be paid to the creation of local action groups (LAGs), which, to a significant extent, could promote the solution of socio-economic issues in rural regions. The groups should be formed taking into account needs of certain rural territories and ideas and initiatives of local rural communities. Considering the possible impact of LAGs on development of rural regions, its several directions might be identified. LAGs could foster the establishment of informal contacts between various social groups of the rural population and the mutual decision-making by group participants for the solution of rural development problems. Also, the groups could provide good opportunities for rural residents to be direct participants of socio-economic changes in the countryside, for the introduction of measures for development of rural areas, and for the elaboration of new innovative methods and approaches concerning rural development.

With regard to expected results of the impact of LAGs, positive changes concerning the enhancement of the socio-economic situation and the promotion of multifunctional development of rural territories could take place. They will require substantial efforts of all participants of rural development processes. For instance, Schuh et al. (2006) consider behavioural changes and changes in interaction patterns as the core value added of the LEADER approach. Successful activities of LAGs will help to improve the socio-psychological situation in the countryside and to convince rural people that they can address existing rural issues by themselves. The development of interregional cooperation will be also an important result of the impact of LAGs. It will allow the participants to receive additional opportunities for discussions of problem situations, the exchange of information and experience, and dissemination of successful models of rural development to other areas.

Taking into account the declining role of agriculture in the rural economy and the rural employment, it is necessary to stimulate the growth of the non-farm rural sector. Within the framework of rural policy, special strategies should be elaborated to promote development of non-agricultural activities. These strategies should encourage rural dwellers to participate actively in various projects related to the growth of the non-farm rural sector. Also, rural people could play an important role with regard to the attraction of internal resources for the project implementation. On the state level, appropriate target programs need to be worked out to diversify the rural economy, to increase its competitiveness, and to create new non-farm jobs for rural inhabitants. We suggest that the active involvement of the rural population could become an important component for the achievement of positive changes in this respect. Non-agricultural activities in rural regions could be also developed on the basis of public-private partnerships. Using these partnerships, it will be possible to attract a significant number of local and external participants interested in the implementation of rural development projects. Besides, the development of the rural non-farm economy should be directed to meet the certain needs of the rural community. Of course, goods and services produced in the non-farm rural sector should be in demand among consumers. This will give an opportunity for the sector to be economically efficient.

8. Conclusions

From our point of view, there is no a real alternative to using the integrated rural development approach for Ukraine. The country should work out its own long-term rural development policy, taking into consideration the experience of the countries of the European Union. This policy will give good possibilities to improve the socio-economic situation in rural districts, to increase the standard of living of rural people, and to enhance the competitiveness of the rural economy.

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