

PROSPECTS OF ECONOMIC DEVELOPMENT OF RURAL AREAS OF UKRAINE

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Abstract: The demographics that exists today, employment of the rural population and the level of agricultural production on the example of Chernivtsi region are analyzed. It was established that the population of Chernivtsi region, including rural population, characterized by a tendency to decrease; availability of basic life-supporting factors in the rural areas of Chernivtsi region (educational, health, welfare, public utilities institutions) is much less than the demand and achieved level in the cities; the pace and level of agricultural development and the efficiency of agricultural production are insufficient; agricultural production among the last two decades was declining both in general and in per capita. The main aspects of agricultural policy of rural areas development in the EU are considered. The measures to ensure the sustainable development of rural areas based on EU guidelines are proposed, which should include: the implementation of multi-role of agriculture in society through special programs, grounding on the program SAPARD, used by EU countries; certification of rural settlements; introduction of urban standards of quality of life for rural settlements; reorganization of system of public administration in agriculture at all levels of rural self-government; development and implementation of programs for supporting development of agricultural credit cooperation; development and implementation of programs of social and engineering infrastructure in rural areas, integrated compact building in and improvement of rural settlements; design and implementation of programs for environmental safety and environment protection.

Keywords: development of rural areas, rural population, agricultural production, government agricultural policy, the common agricultural policy of the EU.

1. Introduction

Agriculture is an important part of the economy of each country, its main objective is to ensure food security, providing raw material in other sectors of the economy, the creation of the export potential of food and raw materials, motivate villagers to live and work in the countryside. Agriculture is the main activity carried out in rural areas contributes to their development and provide employment in rural areas. In turn, the basis of agricultural production is available resource potential, made of natural resources, production and human capital, which is located in a particular area and which can be used to achieve these goals, and directly affects on the economic development of territories of as macroregion and microregion.

Unfortunately, today the level of economic development of agriculture and rural areas in Ukraine is much lower than the standards of developed countries, which may cause a threat of national security (National Security Strategy). In addition, the process of dying villages is continuing, labor migration is increasing, especially among rural youth, demographic crisis, unemployment and poverty in rural areas are deepening, industrial and social infrastructure are declining and so on. Despite the fact that rural residents are owners of major national wealth – land, rural poverty today has reached its critical point, because, according to experts, 40% of farmers are unable to provide themselves with necessities. There are many statutes where the economic, social and environmental problems in rural areas are identified as strategic goal state agricultural policy and rural development, and social development of rural areas

is a priority, particularly terms of delivery of industrial and food products, health, sports, cultural, residential, transport and commercial services for science-based standards are given to the village and to the city with the same level (The Law, 1992; National Sustainable of rural development for the period up to 2020, 2010).

However, the problems of socio-economic development of rural areas for that time are remained unresolved, as evidenced by the further impoverishment of the peasants and continued degradation of rural areas. Existing today problems of economic development of rural areas need to form strategic and tactical policy of rural development, which could be aimed on forming the basis for sustainable socio-economic development of rural areas in the long term by improving the standard of living of the rural population and its employment, reduction of labor migration, optimization of social and industrial infrastructure in rural areas, environmental protection and restoration of natural resources is generally introduced to the most effective mechanisms and principles of social progress and economic processes in the country.

2. Materials and Methods

Various aspects of economic and social development of rural areas examined not only of economists, but scientists of other profiles. Thus, factors and patterns of occurrence of territorial differences in social structures and their relationship with the environment and material production is studied by social geography (Prisyazhnyy, 2011; Kurdyumov, 1990). The classical approach to the interaction between nature areas and social sphere is embedded in the concept

of "social impact" by S. Podolynsky and noosphere concept of Vernadsky (Kurdyumov, 1990; Nazarov, 1991; Nosonov, 2001; Razumov, 1998).

Among Ukrainian academic economists principles of multifunctional rural development are studied by Y.Hubeni, O.Popova, L.Shepotko, H.Cherevko, the development of human capital in agriculture – by O.Borodina, M.Malik, O.Shubravskaya, V.Yurchyshyn; problems of adaptation of land, socio-economic and spatial relations in agriculture – are studies by V.Mesel-Veselyak, O.Pavlov, I.Prokopa, P.Sabluk, M.Hvesyk, principles of social and economic development of rural management – by B.Bukrynsky, M.Melnyk, V.Trehobchuk and others.

Unfortunately, today the conduction of economic development of rural areas is still problematic, steady growth of rural population and agricultural production is not yet achieved, financial resources of local budgets remain limited, financial support for small-scale agricultural producers is almost completely lacking, the number of objects social infrastructure is decreased and so on. Therefore, these issues remain relevant and require further in-depth research.

The article aim is to analyze demographics situation, employment of the rural population, improvement of rural areas and the level of agricultural production existing today on the example of Chernivtsi region. To consider the main aspects of agricultural policy on rural development in the countries of EU. Propose measures to ensure the sustainable development of rural areas based on EU guidelines.

3. Results

The condition and prospects of rural of Chernivtsi region can not be overlooked, since the past two decades, the share of rural population of region accounted for more than 50% (Table 1), which is dominated on city. According to this we consider it is necessary to pay due attention to improving the livelihoods of rural areas, which today is characterized by indicators rather low level, which in turn promotes the deterioration of the demographic situation and the increase of level of migration, causing permanent depopulation of villages, especially the population of working age.

As we can see, in 2013, compared from 1990, the population of Chernivtsi region decreased on 33.3 thousand peoples or 3.5% , including the rural population number of which is decreased on 17.6 thousand peoples or 3.3% (see

Table 1). Natural population growth in 1990, as a whole in region was 3550 peoples, including the rural population – 1446 peoples; in 2013 these figures were respectively 89 persons and 185 persons (Statistical Yearbook, 2013; 2014).

The mortality rate of the rural population during the last twenty years has increased from 12.7% to 14.0%, while the number of deaths of residents of rural areas in 2013 was 1.9 times larger than the number of deaths of residents of (Statistical Yearbook, 2013; 2014). It has long been known that the high mortality rate among the population of any country influence on its development. For example, in 1526, the famous scientist Nicolaus Copernicus, preparing treatise on the causes of the decline of the state for the Polish King Sigismund and he identified a high mortality rate as one of them (Cherevko, 2006). Note also that if the settlement network in Ukraine during the current period was reduced on 355 number of towns and fraction of villages with population amount to 100 people (the so-called risk group) increased from 20% to 24%, so reducing the number of rural population in Chernivtsi region has caused fewer of villages and towns. Today, there are 398 villages and 8 towns (Statistical Yearbook, 2013; 2014).

Availability of basic life-supporting factors in the rural areas of Chernivtsi region (educational, health, welfare, public utilities institutions) is much less than the demand and achieved level in the cities. If for the social development of the village was spent solid money – and it is an undeniable fact – schools, hospitals, residential care facilities, houses had been built) during the period of the Soviet Union. So over the past twenty years, the situation almost is not improved. In particular, in 2013, the provision of childcare facilities was 42% of the needs of the school –on 43% medical outpatient clinics – 69% (Statistical Yearbook, 2013; 2014). The roads are in poor condition and require significant investment. Over the past two decades, the construction of new roads in rural areas, and measures for maintenance of existing roads in good condition hardly performed, it make a negative impact on quality of life in rural areas and on the efficiency of vehicles, as we know that trucks with gasoline engines, carrying loads of paved roads in need of repair, spend 20% more fuel on dirt roads in the dry state – 30-40% more fuel, and the eroded dirt roads and off-road consumption on fuel increases more (Kotelyanets, 2007). Improvement of rural settlements of Chernivtsi region remains low. For example,

Table 1.

Dynamics of the availability and employment of population of Chernivtsi region

Indicator	1990	1995	2000	2005	2010	2013
Current population – in general, thnd peoples	938,6	945,4	927,9	908,2	904,3	905,3
including rural population, thnd peoples	539,8	542,9	548,6	535,2	523,2	522,2
Rural population as a percentage of total population, %	57,5	57,4	59,1	58,9	57,9	57,7
Resident population – in general, thnd peoples	939,6	940,7	922,5	905,1	901,2	902,2
including rural population, thnd peoples	545,4	553,5	551,3	537,1	525,1	524,1
Rural population as a percentage of total population,%	58,0	58,8	59,8	59,3	58,3	58,1
Population, official engaged in agriculture, thnd peoples	88,1	138,0*	80,3	105,6	102,0	105,0
The number of workers, employed in agriculture, thnd peoples	88,1	88,4	49,1	20,9	10,6	10,3

* Due to different accounting methods it was taken into account population engaged in personal holding farming activities to the number of employed population in agriculture in 1990-1995 years.

Table 2.**The dynamics of agricultural production in Chernivtsi region***at constant prices 2010*

Index	1990	1995	2000	2005	2010	2013
Agricultural output – total, million uah.	4805,8	3444,3	3044,2	3406,8	3899,1	4318,6
In % before 1990	-	71,7	63,3	70,9	81,1	89,9
Agricultural output per capita, million uah.	5,12	3,64	3,28	3,75	4,31	4,77
In % before 1990	-	71,1	64,1	73,2	84,2	93,2
Including: crop production, million uah.	2224,8	1765,3	1665,1	1813,1	2193,6	2597,4
In % before before 1990	-	79,3	74,8	81,5	98,6	116,7
Crop production per capita, million uah.	2,37	1,87	1,79	2,0	2,43	4,77
In % before 1990	-	78,9	75,5	84,4	102,5	201,3
Including: livestock production, million uah.	2581,0	1679,0	1379,1	1593,7	1705,5	1721,2
In % before 1990	-	65,1	53,4	61,7	66,1	66,7
Livestock production per capita, million uah.	2,75	1,78	1,49	1,75	1,89	1,90
In % before 1990	-	64,7	54,2	63,6	68,7	69,1

in 2013 only 9 villages (2.3%) were provided with water, 11 villages (2.8%) – with sewage, 227 villages (57.0%) with gasified natural gas. In 1990 these figures were respectively 5 villages (1.3%), 4 villages (1.0%) and 9 villages (2.3%) (Statistical Yearbook, 2013; 2014). The environmental situation is unsatisfactory, measures for protection of the environment is not practically implemented, number of unorganized dumps domestic, industrial and others waste are growing. As we can see, improvements are observed only for the gasification of villages region, but as for the other parameters of improvement, the improvement almost is not happen over the past twenty years.

The number of employed population in agriculture area decreased in 2013 compared to 1995, 33 thousand peoples or 23.9% (Statistical Yearbook, 2013; 2014; Statistical Yearbook of Chernivtsi region during 2001, 2002), the number of workers employed in agriculture in terms of employment during the same period decreased by 66.1 thousand peoples or in 7.4 times (Statistical Yearbook, 2001; 2002; 2013; 2014). It should be noted that during the period the majority of the rural population has been and remains employed in agriculture, despite on the low yield (average wages in agriculture in 2013 was 1689 UAH, and it was one of the lowest among all economic activities (Statistical Yearbook, 2013; 2014). The reason of the high rural population in agriculture we consider as monofunktsionally of rural areas, it appears in a significant predominance of agriculture over other activities. Potential kinds of economic activities which could be an alternative to agriculture in rural areas of Chernivtsi region is very small, it could be explained by absense of investment and support of business activity, low density settlement residents of rural areas, the absense of information about alternative forms of business, poor level of social and production infrastructure and so on.

A significant decrease in the number of agricultural workers promote to the growth of labor productivity in agriculture. However it does not cause great optimism because it was due by extensive factors. Thus, during the current period the number of agricultural workers's decrease has outpaced reduce the value of gross output.

Inspite of the high employment of population in agriculture of Chernivtsi region, the pace and level of development and the efficiency of agricultural production remains insufficient. As we can see (Table 2), agricultural production among the last two decades was declining both in general and in per capita.

Crop production as a whole, compared to 1990 increased only in 2013, while per capita – in 2010 and 2013. Livestock production during the period as a whole, and in per capita decreased by about threefold. Thus, the actual level of agricultural production in the Chernivtsi region was and remains low, indicating that the under-utilization of available land and human potential areas. The result of the decline in agricultural production and low-wage of agricultural workers is a significant backlog of science-based standards of consumption of staple foods.

The result of the decline in agricultural production and low-wage of agricultural workers is a significant backlog of science-based standards of consumption of staple foods. In order to determine the adequacy of the level of major agricultural products to population's consumer needs, we analyzed the output in per capita and compared with the consumption of basic foodstuffs in 2013 and a rational (recommended) consumption norms approved by the Ministry of Health of Ukraine (Table 3).

Table 3.**Production and consumption of the main types of food in Chernivtsi region, in per capita per year 2013**

View products	Production	Consumption			Rational intake
		total	In cities	In villages	
Meat and meat products, kg	42,8	42,0	52,8	34,8	80
Milk and milk products, kg	340,7	224,4	226,8	222,0	380
Eggs, pieces.	452	192	240	156	290
Potatoes, kg	548,9	67,2	75,6	61,2	124
Vegetables and melons, kg	242,2	111,6	115,2	108,0	161
Fruits and berries, kg	107,5	28,8	38,4	22,8	90

As you can see, the consumption of the main types of food, either in the whole in region, or in the context of urban and rural settlements, significantly deviates from the rational (recommended) consumption rates. Moreover, in rural area consumption level of main types of food is lower not only than rational norms of consumption, but also than the level of consumption in cities and the average consumption in the region. It certainly negatively affects the quality of life and health of population of rural areas and leads to deepening demographic crisis in the countryside.

To overcome the negative trends in rural areas substantial financial resources are required. In 2013, investments into rural areas of Chernivtsi region amounted to 1433.6 million. (Statistical Yearbook, 2013; 2014) and it was not sufficient to solve even the most pressing problems. In general, in Ukraine investments for rural development are also insufficient. As noted in the draft of National Doctrine on Reforming and Development of agro-industrial complex of Ukraine annual investments in social development of rural areas are only 7.6 billion. UAH and is much lower than the need for them (National Doctrine, 2011). According to conclusions, made by scientists of NSC "Institute of Agrarian Economy", annually in Ukraine no less than 50 billion UAH should be allocated for rural development.

As a positive step towards resolving the problem of the decline of rural areas we consider the establishment and successful implementation in the Chernivtsi region of a comprehensive program of social development of rural areas «Private house» during 2007-2011, and continuation by the session of Chernivtsi Regional Council of duration for 2012-2015 years. Thus, only during 2012 Chernivtsi Regional Fund for individual housing construction in rural areas financed 17 loan agreements for a total amount of 1,445,000 UAH. These are agreements for the financing of new buildings, purchase of houses, renovation and completion of construction, gasification. On the whole, in 2012 the Found has registered 1,055 resorts of citizens to obtain soft loans for a total amount of 60.8 million. For 2006-2012 the Found developed 8.2 million, there were signed 181 loan agreements for housing construction under 3% per annum in UAH. During validity of the program "Private House" has gained wide popularity among the rural population, as it involves the provision of long-term loans from the budgets of all levels and innovative sources of financing at 3% per annum and if the borrowers have three under-aged children as of the moment of conclusion of the agreement – an interest-free loan. The "Private House" is not only the improvement of living conditions in rural areas, but also creation of new workplaces, increase of tax revenues and incomings to the regional budget (Comprehensive program "Own House" – in action). We consider it appropriate to recommend the development of similar programs in other areas, as well as implementation throughout Ukraine.

Rural area development takes an appropriate place in the agricultural policy of the EU countries. Thus, in recent years countries of European Union increase funding programs for rural area development. Starting positions

for the development and implementation of strategic documents on sustainable development of rural areas are recommendations from Earth Summit and "the Agenda for 21 century", World Summits on Sustainable Development "Rio +5" and "Rio +10", and Conferences of Ministers of the Environment in Europe (Malik, 2010). Increased contributions to rural development embodied in the regulatory requirements of the EU CAP. Rural Development Programmes are jointly financed by States members of EU with financing 50% of the budget of the European Union, with the system support from EU to all EU states under the same rules and procedures. These programs include measures to promote investments, promotion and diversification of agriculture, the environment protection, combating climate changes, development of renewable energy, water resources management, protection of biodiversity, maintenance of plantations, schemes of early retirement, aid to farmers in less favorable regions, aid in learning, etc. (Kobuta, 2009). For example, in Poland there is the Program for Rural area Development for 2007-2013, which makes the process of modernization and development of the Polish economy of Food and Rural Development. Under this program jointly from the EU budget and from the national budget it will be allocated 17.2 billion euros.

The form of the European Union policy, and accordingly the size and structure of spending on agriculture and rural area development in the future is determined by the strategy "Europe 2020", which was adopted in March 2010 and is called "Strategy of intelligent and balanced development, promoting public participation". Priorities identified by this strategy, cover all three elements of the classical concept of balanced development: economic, social and environmental (natural).

The European Commission in October 2011 started publishing projects as to the CAP operating, which is primarily formed on the strategy "Europe 2020". In these projects, the main goal of the EU are not only improving the competitiveness of the EU in the global market, but also more efficient use of natural resources and concern for a balanced environment of performing business activity.

In the messages of European Commission, published in November 2010, one of the main priorities of the CAP recognized balanced territorial development, including:

- Support of employment in rural areas and help in preserving social structures in rural areas;
- Improve of rural economy and support diversification;
- Consideration of the structural diversity of agricultural systems, improving conditions for small enterprises and development of local markets.

Accordingly, there are amendments proposed to the basic tools of CAP, including use of direct payments and market products and rural development.

Concerning rural development it is identified 6 priorities of CAP:

1. Enhancing knowledge transfer in agriculture and forestry.
2. Strengthening the competitiveness of agriculture and providing existence of economies.

3. Support of the food chain and risk management in agriculture.

4. Preserving and enhancing ecosystems dependent on agriculture and forestry.

5. Support of efficient use of raw materials and the transition to a low emission economy in the agricultural sector.

6. Potential of workplace and rural area development (Report on the common agricultural policy, 2010).

It follows that the development of rural areas in countries of European Union is an equal direction of agricultural policy, along with support for agricultural producers. To coordinate activities to promote rural area development within European Union there is European Agricultural Fund for Rural Development (EAFRD), which funds all activities related to the development of rural areas. In the process of European integration of Ukraine measures for promotion of rural area development should be strengthened, as it previously happened in Central and Eastern Europe, in Ukraine it is inevitable shift of state support for agriculture (Bitter, 2009). As without the development of rural areas, welfare of the country is not possible, as the country which develops only the center doomed to futility of existence. In addition, programs to support rural area development related to the "green box" that is released from reduction commitments under the WTO. At present, there are many reasons to hope that in the course of European integration processes in Ukraine it will be actively developed the market infrastructure for farms, in other words the state will contribute into marketing of agricultural products including harvesting, processing and dissemination of market information, and will support development of infrastructure in rural areas, particularly active building roads, power supply, reclamation facilities. Also in the future government will support the investment into human capital in rural areas, environmental protection, backward regions, and so on.

4. Conclusions. Provided studies give an opportunity to say that during analyzed period in Chernivtsi region there was deterioration of living conditions in rural areas and worsening technogenic and ecological security and rural poverty occurred, which led to a threat to further existence of rural way of life and requires use of appropriate measures to improve existing situation.

Governmental support under the criteria of creating conditions for the development of rural areas is characterized by incomplete using principle of consistency in their organization that is sporadically and inconsistently. In addition, for today legal requirements for supporting agriculture through financing secured government programs of rural development are not followed, in fact there is no state support for social development of the village.

Development of rural areas should be the focus of Agrarian Policy in Ukraine. Key measures for sustainable development of rural areas should include:

✓ the implementation of multi-role of agriculture in society through special programs, grounding on the program SAPARD, used by EU countries;

✓ certification of rural settlements;

✓ introduction of urban standards of quality of life for rural settlements;

✓ reorganization of system of public administration in agriculture at all levels of rural self-government;

✓ development and implementation of programs for supporting development of agricultural credit cooperation;

✓ development and implementation of programs of social and engineering infrastructure in rural areas, integrated compact building in and improvement of rural settlements;

✓ design and implementation of programs for environmental safety and environment protection and so on.

It is necessary to provide investment of sustainable rural development at the account of state and local budgets, private domestic and foreign investments and also funds of rural and village communities, implementation should cover all villages.

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