

Rural development in Ukraine: policy perspectives

by

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ABSTRACT

Rural development is an important component of strengthening the Ukrainian economy and society. Unfortunately, unemployment, poverty, and depopulation are the current problems of the Ukrainian countryside, and the war is dramatically exacerbating these problems. At the same time, the Ukraine's status as an EU candidate and politicians' efforts to accelerate European integration provides the background for the discussion about the ability of Ukraine to provide institutional conditions for a sustainable rural development. In this paper the author discusses the current situation in the field of sustainable rural development policy in Ukraine as well as further steps, which are necessary to overcome existing agro-political problems.

KEYWORDS

Rural development, land reform, rural policy, Ukraine

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1 Rural history

The head of one of the territorial communities complained that people were leaving their homes and going abroad to work for “earning money”. He really wants them to return with the money they earned. He went on to say that he was looking for a “large external investor to whom he could lease communal land for a long-term lease” to replenish the local budget.

The head of the community was very baffled when he was asked where people in this rural community would invest their money earned abroad if the land was concentrated in the hands of a "large investor." With such an approach to the use of agricultural land, it is difficult to hope for the prosperity of this village. Most likely, other people will leave it as well. The village will disappear along with the position of the village head... This "rural picture" reflects the current situation in Ukraine in the field of rural development, both in terms of national policy and the practice of a significant number of territorial communities.

2 Why we talk about rural development

Ukraine is a predominantly rural country with rich historical traditions of rural lifestyle: more than 30% of the population lives in rural areas. Rural development is an important component of strengthening the Ukrainian economy and society. Unfortunately, unemployment, poverty, and depopulation are the current problems of the Ukrainian countryside, and the war is dramatically exacerbating these problems. The process of degradation in rural areas is gaining momentum: dozens of villages disappear in Ukraine every year. Often, these villages can still be found on the map, but in reality they are empty houses, abandoned infrastructure and huge overgrown areas (Kapustina, 2021), and the decline of villages threatens the food security of both, community in particular and the state as a whole.

Against this backdrop, Ukraine's status as an EU candidate and politicians' efforts to accelerate European integration¹, which are in line with the position of the majority of society (Yashchyshyn, 2022), initiate a discussion about the ability of Ukraine as a state and its players in the field of agricultural policy to provide institutional conditions for a sustainable rural development. An equally important basis for such a discussion is the EU-Ukraine Association Agreement, Article 403 which stipulates that the Parties should cooperate to promote the development of agriculture and rural areas, in particular through the gradual approximation of policies and legislation (Association Agreement, 2014).

¹ On fulfillment of tasks by Ukraine for joining the EU, <https://www.euointegration.com.ua/news/2022/12/15/7152557/>

In this regard, it is important to understand, what we do actually have in the field of sustainable rural development policy.

3 Politics without policy

Politicians rarely mention the 1990 Law of Ukraine "On the Priority of Social Development of Rural Areas and the Agro-Industrial Complex in the National Economy" (Law of Ukraine, 2018), which states that the priority of social development of rural areas and the agro-industrial complex objectively follows from the exceptional importance and indispensability of agricultural products in people's life and society, from the need to revive the peasantry as the owner of the land, as the bearer of morality and national culture, and the high level of socio-economic development of the countryside is the main condition for the republic's food and raw material supply and its economic independence. As well as the fact that new programs of socio-economic development in Ukraine cannot be adopted without taking into account the priority of rural development.

The last special program document related to sustainable rural development was the State Target Program for the Development of Ukrainian Rural Areas for the period up to 2015 (Decree of Cabinet of ministers of Ukraine, 2013), which uses the term "integrated development of rural areas" as an analogue of the term "sustainable development of rural areas." Attempts to fill the vacuum in agricultural policy programming were made from time to time by individual heads of the Ministry of Agrarian Policy and Food of Ukraine, trying to promote their own personalized initiatives, which were presented as state initiatives but never received such status: Strategic Initiative "Native Village"², Reform Strategy "3+5"³.

For the sake of justice, it should be noted that there is also the government's 2015 Rural Development Concept (Order of Cabinet of ministers of Ukraine, 2015), which is scheduled to be implemented until 2025. It states that there is a need for a comprehensive approach to solve rural development problems based on the principles of sustainable development. The Concept contains a list of measures to be developed for its implementation, but in fact, this document, as well as the Action Plan for the Implementation of the Concept of Rural Development (Order of Cabinet of Ministers of Ukraine, 2017) adopted for its execution, do not provide any kind of dedicated resource support, which has turned them into a useless formality.

²<https://minagro.gov.ua/news/mikola-prisyazhnyuk-golovne-spryamuvannya-initsiatiivi-ridne-selo-pidvishchennya-dobrobutu-silskikh-meshkantsiv>

³https://senda.com.ua/news/strategiya_reform_35_ot_ministra_agrarnoj_politiki_t_kutovogo.html?lang=ua

The fact that the Concept of Rural Development is a formality for the authorities is evidenced by the structure of the Ministry of Agrarian Policy and Food of Ukraine⁴, which contains no hint that rural development is at least one of the tasks of this executive body.

The State Strategy for Regional Development for 2021-2027 (Decree of Cabinet of Ministers of Ukraine, 2021) contains a lot of text describing the problems of rural areas. It even formulates tasks in the areas of "Development of Rural Areas", "Counteracting Crises in Areas with Special Development Problems (Rural Areas in Adverse Conditions, Small Monofunctional Cities, Border Areas in Adverse Conditions)", etc. that relate to rural development in one way or another. However, in the Action Plan for 2021-2023 for the implementation of the State Strategy for Regional Development for 2021-2027 (Order of Cabinet of ministers of Ukraine, 2021), there are only two measures under the Rural Development direction: broadband internet in rural areas and rural tourism development.

There were hopes that the National Economic Strategy for the period up to 2030 (Decree of Cabinet of Ministers of Ukraine, 2021) would give impetus to the formation of a sustainable rural development policy, since the strategic goal "Ensuring a stimulating and advisory agricultural policy" outlined strategic goals that to some extent correlate with European approaches to sustainable rural development. It was expected that the Strategy would become the basis for ministries and other central executive bodies to develop action plans, draft program and strategic documents, draft laws and other legislative acts. But expectations were not met. And then a new phase of Russia's war against Ukraine began.

The attempt to formulate a "New Agrarian Policy" (Project Plan for Ukraine's Recovery, 2022) within the framework of the National Council for the Recovery of Ukraine from the Consequences of the War⁵, developed in July 2020, is also difficult to call successful. This is either due to the authors' difficulty in really assessing the current situation in the agricultural sector and rural areas (since no one has conducted large-scale and thorough field research for a long time) or due to the non-transparency of the procedure for preparing such a document (a significant number of stakeholders were simply not involved in its preparation). This document looks more like a response to the current situation with a set of individual - albeit very important at the moment - projects rather than a systematic, balanced reflection of the country's agricultural strategy.

To summarize, it can be said that the weakest point of most policy and program documents related to rural development is the lack of resources, lack of quality monitoring and adjustments based on the results of monitoring. In addition, there is a weakness, and often the absence, of institutions that would help achieve the goals set (Abram'yiuk, 2012). In the following, we will address the topic of institutions in more details.

⁴ <https://minagro.gov.ua/pro-nas/struktura>

⁵ <https://www.kmu.gov.ua/diyalnist/nacionalna-rada-z-vidnovlennya-ukrayini-vid-naslidkiv-vijn>

4 Institutions: “seven nannies have a child without an eye”

The Regulation on the Ministry of Agrarian Policy and Food of Ukraine⁶ stipulates that this ministry is the main body in the system of central executive authorities that ensures the formation and implementation of state agricultural policy, state policy in the areas of agriculture and rural development. In the Regulation on the Ministry of Communities and Territories Development of Ukraine (Decree of Cabinet of ministers of Ukraine, 2014), we find information that this ministry, in accordance with its tasks, carries out, in accordance with the law, the overall coordination of rural development, develops and ensures the implementation of rural development programs with the participation of other executive authorities and local self-government bodies, develops and implements measures aimed at the comprehensive progress of rural areas, and submits relevant proposals to the Cabinet of Ministers of Ukraine. How to understand that one ministry is in charge and the other is responsible for overall coordination in the field of rural development? It is everyone’s guess at the effectiveness and transparency of the provided policy. In the meantime, the rural development policy does not “grow” under two nannies. And are they really „nannies“?

And recently, the Ministry of Communities and Territories Development has been merged with another ministry (Cabinet of Ministers of Ukraine Decree, 2022), and the Ministry of Agrarian Policy and Food of Ukraine is facing another liquidation⁷. Will this contribute to the sustainability of agricultural policy? The question is rhetorical...

5 Rural development and land

In 2021, the largest agricultural holding in Ukraine used 514,000 hectares of agricultural land (Petrushko, 2022). The average German farm currently operates on 63 hectares. That is, one Ukrainian agricultural holding, which usually has little connection to the local community, is almost 8159 German farms whose activities are closely connected to the life of the local community. Different countries practice different restrictions on the ownership and use of agricultural land: they limit the size of land plots that can be owned by one person; they set requirements for professional education and farming experience; some have citizenship requirements for potential land buyers; some give preference to family forms of production, etc. (Decree of Cabinet of Ministers of Ukraine, 2017).

In 2019, members of the Committee on Agrarian and Land Policy in Verkhovna Rada voted in favour of draft Law 2178-10, which provided for the right of one person to own up to

⁶<https://minagro.gov.ua/en>

⁷<https://zn.ua/ukr/POLITICS/vlada-uzhodila-novu-strukturu-urjadu-planujuchi-zalishiti-14-ministerstv-zamist-20-znua-diznalisja-detali.html>

200,000 hectares of land⁸, with virtually no restrictions, after a transition period. Such a legislative initiative is hard to imagine in any European country. It is also hard to imagine the mechanism of non-publicity of such important decisions that will have a key impact on the development of both agriculture and rural communities in general (Samokhvalova, 2019). Obviously, this caused protests among Ukrainian farmers and the public.

The Law "On Amendments to Certain Legislative Acts of Ukraine on the Terms of Turnover of Agricultural Land" (Law of Ukraine, 2020) adopted by the Verkhovna Rada of Ukraine stipulates that consolidation of agricultural land in the amount of 10,000 hectares is possible only from January 1, 2024. In addition, a Rural Development Fund had to be established to be used for development expenditures in infrastructure, energy conservation, education and healthcare in rural areas, and the implementation of state programs for the development of small and medium-sized agricultural producers. Although two draft laws on the creation of such a fund were registered in the parliament, both have already been withdrawn from consideration⁹.

This situation became possible, in particular, because there is virtually no representation of small and medium-sized businesses in the Verkhovna Rada of Ukraine, and most members of the "agrarian" committee of the previous convocation were connected to agrarian business, which meant that there was a conflict of interest¹⁰. Moreover, the leadership of the Ministry of Agrarian Policy and Food of Ukraine is dominated by nominees of big agribusiness, whose interests are not always in line with the goals of sustainable development. This significantly limits hopes that European agricultural policy aimed at sustainable rural development will quickly become a Ukrainian political practice.

As for sustainable development for example, in Germany (in accordance with the Coalition Agreement of 07.12.2022), the remaining land managed by BVVG (Bodenverwertungs- und -verwaltung GmbH) will not be sold but will be used for leasing to organic agricultural enterprises or agricultural enterprises that adhere to the principles of sustainable development. The use of such an approach in regulating land relations in Ukraine in the context of ensuring sustainable rural development deserves attention.

6 Rural development and communities

The EU's Common Agricultural Policy (CAP), which is based on sustainable rural development approaches, plays an important role in communities, in particular through the

⁸<https://news.agro-center.com.ua/agri-policy/200-tisjach-gektariv-zemli-v-odni-ruki-komitet-radi-pidtrimav-alternativnij-zakonoproekt-pro-rinok-zemli.html>

⁹ http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?id=&pf3511=72072

¹⁰ https://www.epravda.com.ua/cdn/cd1/2017/03/konflikt_interesiv_v_agrarnomu_komiteti/

use of the LEADER/CLLD approach¹¹. Our own practice shows that most community leaders and specialists know little about sustainable development, and even less about the EU CAP and LEADER/CLLD. As a result, communities are not ready to become participants in the agro-political process, participating in bottom-up strategizing.

Korinets et al. (2020) suggests that despite the fact that agriculture remains an important component of the local economy, the vast majority of communities are characterized by an unwillingness to deal with agricultural issues and rural development. There is a lack of understanding of the importance of the community's internal strength for its development and a focus on external sources of funding for development projects, including rural entrepreneurship.

If we analyze the regulatory acts of the Ministry of Agrarian Policy and Food of Ukraine, we can conclude that this ministry does not see communities as its partners. Until recently, the existing Ministry of Community and Territorial Development of Ukraine did not focus on solving the problems of agricultural producers (primarily small and medium-sized ones) in its work with communities, although their activities have an impact on regional development.

7 What's next?

Ukraine's current agricultural policy (even in the absence of its documented formulation), which is aimed at increasing agricultural production, is an echo of the Soviet past. In our opinion, the desire of representatives of large companies, which de facto determine the nature of Ukraine's agricultural policy, to concentrate 200,000 hectares of land in one hand is a kind of return to collective farms, only private ones. The events after February 24, 2022 (a new round of Russian aggression against Ukraine) demonstrated the flaws in this policy.

Ukraine's movement towards the EU requires more attention to the development of a new agricultural policy aimed at improving rural life based on sustainable development approaches rather than simply increasing production. Unfortunately, as we see, despite existing political declarations, sustainable rural development has not yet become part of Ukrainian political practice. The formation of such a political practice in Ukraine requires a proper political culture at different levels - national, regional, and local. An important element of such political culture is its consistency, predictability, transparency in preparation and implementation, responsibility for fulfilling obligations, and resource support. Such a culture should be based on an understanding of current trends in this area, especially in the European Union, where rural development can be seen as both a goal and a value. Ministry of Rural Affairs¹² - the name of the Ministry of the Republic of Estonia is a clear demonstration of the purpose of its activities and the values it embodies. The

¹¹ https://enrd.ec.europa.eu/leader-clld_en

¹² <https://www.agri.ee/en>

government of Ukraine could be guided by this example when building agro-political institutions. In addition, it is important for the future policy of sustainable rural development to overcome communication gaps between agricultural policy makers and regional policy makers, between policy makers and communities.

The described existing agro-political problems may become a barrier to Ukraine's accession to the EU. Using of such an instrument as IPARD (Instrument for pre-accession assistance for rural development) could help to overcome such barriers (Directorate-General for Agriculture and Rural Development, 2022)¹³. However, in order to use such a tool, Ukraine should submit its rural development program for approval by the European Commission. In other words, Ukraine should start programming rural development as soon as possible. Given the current situation due to the war and the weak institutional capacity of the authorities to formulate such a program, it seems important to have the assistance of European partners with the broad involvement of scientific and educational institutions.

The rural story described at the beginning of this article could have been different if the community saw their fellow villagers as the best investors, not only caring about the income from their own farm or other rural local business, but also about preserving the environment, the local club and school, since their children and grandchildren live here... And such stories are already happening¹⁴, although they are still few and far between. They are evidence that the culture of sustainable rural development is becoming, even if slowly, a part of Ukrainian rural life.

¹³https://agriculture.ec.europa.eu/news/european-commission-will-support-agriculture-and-rural-development-pre-accession-countries-over-2022-03-23_en

¹⁴<https://drive.google.com/file/d/1lMyIU4pLZoA14xk3SYquxfblECDpEn-g/view>

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