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## **INSTITUTIONAL SUPPORT OF SUSTAINABLE RURAL DEVELOPMENT IN UKRAINE**

*The directions of institutional transformations to promote sustainable rural development in Ukraine are investigated. It is pointed out the necessity of land use restructuring through the expanding of the nature reserve fund's area and providing of economic activities on these type of lands. It also highlights the need to form the business environment in the private sector of the rural economy and to realize educational projects in order to create a professional, efficient, socially responsible authorities, capable to implement the sustainable rural development model in Ukraine.*

**Keywords:** *sustainable rural development, area structure, protected areas, entrepreneurship in rural areas*

**Introduction.** The modern paradigm of economic development bases on the need for taking into account socio-ecological-economic relationships to build an effective economic system that meets the objectives of sustainable development. It is expressed in the relevant policies of economic, social, environmental state regulation and regulation of certain industries and regions. Rural Policy also stands on this background. In particular, the priority of environmental quality, social equity, cultural development, as well as efficient economic base are equally important for rural communities.

Current positive trends of economic development of Ukraine agriculture haven't turned into a factor of improving of the rural population welfare, and even, to some extent, are destructive for rural development. From this perspective, the one of the most relevant and important scientific problem is the investigation of content, organizational and economic mechanisms that form the basis of sustainable rural development and also research the tools of their adaption to domestic conditions.

**Analysis of recent research and publications.** The rural development problems are the subject of many domestic and foreign scholars research, including: F. Arfini, G. Belletti, J. Berdegue, G. Brunori, U. Eppler, G. Escobar, U. Fritsche, M. Kropivko, S. Laaks, Yu. Lupenko, A. Marescotti, V. Mesel-Veselyak, E. Mishenin, O. Pavlov, T. Reardon, H. Renting, P. Sabluk, N. Strochenko, A. Tregear, J. D. van der Ploeg et al. The researchers emphasize the need for diversified economic activity [1, 2, 6] as the basis for multifunctional and efficient rural economy, that is a prerequisite for improving the quality of the environment and quality of life [2, 4, 6]. They also determine the content and tools of such public policy improvement [2, 4, 12-14]. Noting significant achievements of scientists to address the pressing issues of forming a model of rural development in Ukraine, we should point out that there are still not investigated enough institutional transformations aimed to support promotion of environmentally-friendly business activities and socially responsible business practices.

**The purpose of this article** is to determine the factors that ground the need to improve institutional support for sustainable rural development in Ukraine implementation, as well as the content and tools of such transformations.

**The main results of the research.** Multifunctionality of agricultural production is a necessary condition for rural development, and attractive rural areas, in turn, present sufficient condition for the development of local services and infrastructure, further economic development of areas [1]. The multifunctionality of rural development is caused by natural resource potential of rural areas and may take the following forms: food security; providing recreation; environmental role, which is to preserve the natural biodiversity; cultural and historical role [2]. The current state of the use of natural resources, social and economic potential of rural areas in Ukraine is described by the following: agricultural land occupies 41511.2 ha, i.e. 68.8% of the country area, in additon to this, arable land presents 54% of the country (in 2014 year, [3]); the area of land that help restore topsoil and have ecological significance have decreased for the last fifteen years [4]; a third part of Ukraine's population is rural, at the same time, only 45.3% of them are employed

(18-60 aged), including 35.3% in agriculture, where wages are the lowest in the economy [5]; 34.2% of rural areas did not have any business entities in 2014 [5].

Taking into account above listed, full implementation of rural areas functions needs the establishment of appropriate conditions and incentives for efficient farming, withdrawal of land from agricultural use to environmental and development of human and social capital. The role of the state and the government appears as a tool for coordination, mobilization, integration and so contribution to the development of local initiatives, business and local government. Sustainable rural development policy comes by ensuring the:

- rational structure of areas [1];
- regional agro-food chains, that are effective in terms of the rural economy and food security [6, 11, 13];
- rational structure of the economic sector of the rural economy with priority of small and medium, environmental and social responsible business development [12];
- full and comprehensive cultural development of the population [2].

Let us comment cited institutional transformations, taking into account the experience of developed countries.

Areas with agri-environment schemes occupies more than 25% (46.9 mln. ha) of agricultural land in EU [7]. The share of natural areas is 17.9% of the total EU (EU-27, 2012) and Natura 2000 network reaches 9.2% of agricultural land [8]. At the same time, Ukraine's environmentally protected areas covers only 3.8 million hectares, ie only 6.3% of the total country area (to the end of 2015 year [9]). Thus, sustainable, ecologically balanced rural development requires improvements of agricultural and environmental protection land ratio in their overall structure. Lands derived from agricultural use may form the basis for different activities, that can be drivers of rural development based on a new paradigm: tourism, social services and others. It requires to support limitations of land use with legal acts regarding regulation of economic activity on the natural protection areas, in particular: liberalization of economic use, subsidies for socially aimed activities, enabling use of by-products. As a result, owners of non-agricultural land will be able to occupy a

significant niche in the tourism market and social farming. It should be pointed out that companies, that operate within the protected areas are exempt from tax [10]. It also generates incentives to maintain sustainable types of economic activity on lands of such category.

Rural development is also seen through the prism of establishing mutually beneficial relationships between village and urbanized systems [11]. The rural area becomes a "companion" of the city, carrying important socio-environmental and economic functions, including food security satisfaction through the local agrifood chains. Set a rational economic relationships in the "village-city" system requires the formation and development of entrepreneur economic structures. The modern economic environment in rural areas mainly is represented by personal peasant households. They produce 44.7% of the agriculture gross output, but don't have entrepreneur status [12]. Some studies [13] indicate, that the regions and the economy with overwhelming of self-employment in agriculture have less push factors to find income outside the farm. Thus, formed economic environment isn't able to provide economic development of rural communities. Ways of sustainable transformation of the business sector of a rural economy are seen with the establishment of full-fledged entrepreneurs based on private households. It is provided by the use of stimulating business development levers of state control (public procurement, marketing assistance) as well as by prevention and restriction of illegal activities on agro-food market [12].

The problem of the formation and development of human and social capital in rural areas lies directly in improving the quality of administrative and social services and quality of life. For instance, implementation of international assistance programs is already commonplace in Ukraine, except rural communities. In our view, the introduction of educational programs for representatives of institutional and real sector of the rural economy, along with the further development of advisory institutes, will promote the development of the project activities and form the inflow of financial resources for the improvement of self-government. The most perspective in this context are seen educational programs, seminars and workshops on access to

international grant programs in the field of environmental protection, civil society, territories marketing and management etc.

**Conclusions.** Sustainable rural development in Ukraine implementation requires certain institutional changes, that are related with changes in land use and business sector of the rural economy also. The new model of rural development policy should be based on an understanding of multifunctionality of resource potential of rural areas, as well as unity and complementarity of rural and urban settlements. Changes in land use enables to earn the synergistic effect. In other words, the spread of natural protected areas can be expected to revive economic activity in tourism and recreation, socially targeted services in the region as a whole, accompanied with prudent government regulation of economic activities and market assistance from authorities. Formation of the business environment on the basis of entrepreneurs will promote the social and environmentally responsible business development in rural areas.

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