

PRESENTATION

RISKS
OF RURAL DEVELOPMENT IN
UKRAINE

Prof. Oleksandr
Pavlov

Conceptual bases of rural development

Rural Development –it is a social process that occurs the rural area, the object of which are rural territories. Historically rural development associated with, peasant , agriculture and the village,that prevail at a certain stage of development of civilization - agrarian society. In the industrial and postindustrial era, with the improvement of technical and technological level of society, the agrarian mode of production of material goods lost universality, but remains dominant in rural area. With the evolution of society, to the traditionally rural, primary industries (agriculture, fishing, hunting and forestry) added recreation, green tourism, as well as secondary (food processing) and tertiary (trade, services) economic activities.

Thus, the economic activity in rural area is not limited to agriculture. Here are also developing of social services –education, health, culture. Rural area –it is and recreational and environmental landscapes that form the environment as a place of residence and rest not only the rural population. So rural development is associated with a certain area, economic, social and environmental components which belong to the various forms of social reproduction. As the object of rural development – rural territories perform important public functions. Risks of rural development in Ukraine to a certain extent associated with the geopolitical and economic interests of powerful international actors and global corporations, which they show to the agricultural resources of Ukraine.

And yet, the main rural development risks in Ukraine are internal nature.

Agricultural wealth of Ukraine

- Agricultural national wealth of Ukraine in the prices of 2012 is estimated at 4795 billion UAH or \$ 210 billion, including agricultural land – 431 billion UAH, production assets – 2128 billion UAH, human capital – 2236 billion UAH.
- To accelerate the development of the Ukrainian village must be \$ 75 billion (by assessment of the Committee on Agrarian Policy and Land Relations of the Ukrainian Parliament).

Classification risks of rural development

- cognitive
- psychological (mental)
- specific (spatial and sectoral)
- organizational and structural
- institutional (political and administrative)
- economic and financial
- environmental
- social

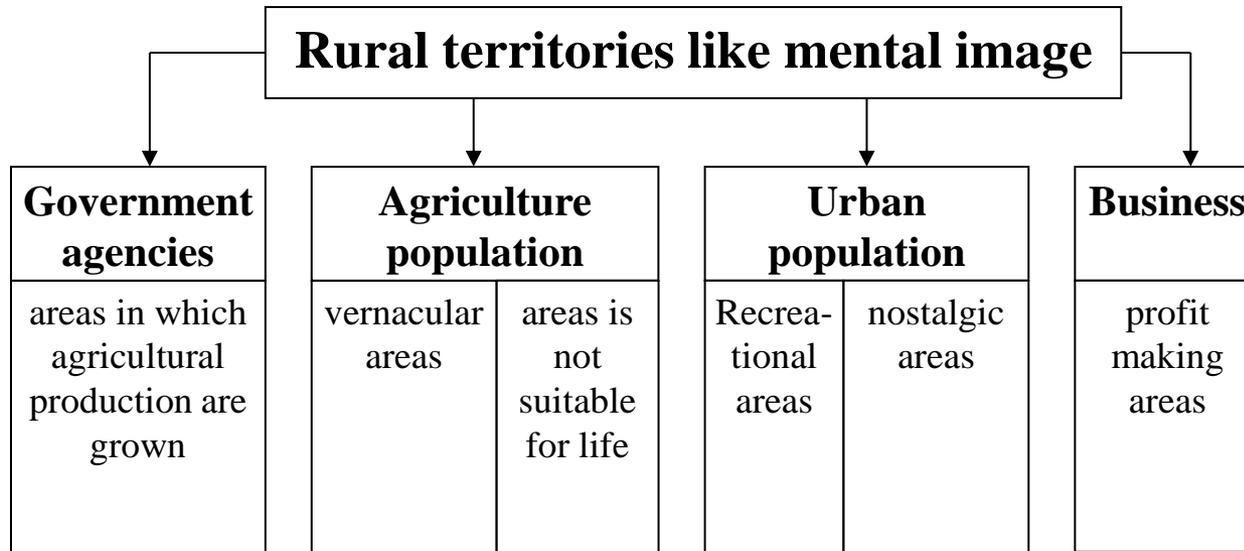
Cognitive risks

The cognitive risks of rural development in Ukraine is carried out by the scientific community, much of which is used in research practice exclusively sectoral approach. According to their logic, rural development, in the best case, is artificially limited of the agricultural sector, and at worst, considered as a historically transient (preindustrial) stage of social development, that reminds of itself relevant manifestations in countries classified as agricultural where predominate agriculture and rural population.

The peasantry is regarded as an anachronism and a social layer, which conservative with respect to innovation.

This ignores the fact that the advent of postindustrial society does not replace the agrarian mode of production of material goods.

Psychological (mental) risks



Subjective manifestations of mental image of rural territories

Specific spatial risks

- branch structure of the rural economy
- inequality investments
- insufficient development of human capital
- uncompetitive
- territorial remoteness
- depopulation and migration of the rural population

Specific sectoral risks

- dependence on climatic conditions and natural resources
- price fluctuation
- slow capital turnover
- dependence on yield
- discontinuous technological cycle
- the seasonal nature of production
- inelasticity of demand for agricultural products

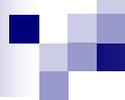
Organizational and structural risks

(structuring of business entities)

	Agroholdings	Medium enterprises	Farms	Economy the population
Quantity, thousand units	0,160	6,8	40,7	4242
Average size, hectare	55546,8	1065,6	109,2	1,52

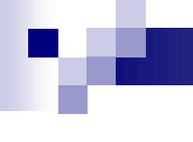
Asymmetrical dual structure of agricultural production

Sectors	Share in production	
	agricultural products in general	including animal products
Corporate: <ul style="list-style-type: none"> • 55.9 thousand enterprises, including 160 large agroholdings • 3,5 million people engaged 	55,1	45,5
individual: more that 4 millions economy the population	44,9	54,5



The role of agricultural holdings in the agrarian development

Holdings in Ukraine has a positive change, which include the growth of labor productivity per person employed in agriculture in 2015 to 6,6 times in comparison with 2000, exports of agri-food products – 11,5 times, the expansion of foreign investment from 20 to 900 \$ millions



Participation of agroholdings in the social development of the village

Agroholdings not take part in the social development of rural areas.

Their reception area are the cities in which live not only owners these companies, and from 30% to 50% managers of medium and large enterprises

The structure and the level of agricultural production

- **Vegetable sector – 70,3% of total production**
- **In 2011, the first time the production of plant products exceeded 1990 level by 11,6%**
- **specific gravity:**
 - **- Grains and legumes – 26,5%**
 - **- Technical cultures – 21,0%**
 - **- Potatoes, vegetables, melons and gourds – 18,1%**
 - **Fruit, Berry and Grape – 3,4%**
- **Animal sector – 29,7%**
- **Animal and poultry breeding – 14,1%**
- **Milk production – 11,2%**
- **Today animal production is carried out at 40 percent less than in 1990**

Institutional (political and administrative) risks

2007 year

- State program of development of the Ukrainian village for the period up to 2015 – has not been implemented

2010 year

- February – The Conception of the State Target Program sustainable development of rural territories for the period until 2020(September –this conception has been cancelled)
- June – Sectoral program of socio-economic development of rural territorial community (model project "New rural community") – has not been implemented
- Draft Conception of a comprehensive state reform program and agricultural development in Ukraine (not approved)

2013 year

- The strategy of development of the agricultural sector for the period up to 2020

2015 year

- A single comprehensive strategy for the development of agriculture and rural territories of Ukraine for the years 2015–2020

Economic and financial risks

- the disparities in the development of vegetable and animal sectors
- raw monoeksport , which is dominated grain and sunflower oil
- price disparities in agriculture and the food industry
- technical and technological backwardness of agriculture
- imbalance in the innovative development of agriculture and the food industry
- spatial discontinuity of agro-food sector

Social implications economic and financial risks

The most threatening consequences has asymmetrical structure of agricultural production, where at the one pole concentrated large vertical integrated companies holding type, and at the other – economy the population, which are in spite of the absence of cooperative relations are competitive .

A significant backlog of animal production negatively affected at the present state of food security in Ukraine. In particular, are not respected meat consumption rates, dairy and fish products.

Financial and economic threat rural development is manifested in the lack of investment support of agricultural production, lack of financial support for small agricultural enterprises, households and farms.

Environmental risks (soil condition)

Simple reproduction of soil fertility is ensured by making 8,6 tons of organic fertilizer per 1 hectare of cultivated area and 170 kg / hectare of fertilizer nutrients (this balance was only in 1990).

On the 75% of the area agricultural land since 1993, the humus content in the soils is 2–3 times below from the norm. The annual loss of humus is to 0,65 tonnes per 1 hectare.

The total loss of humus for the last 20 years is estimated at 453,4 billion UAH losses.

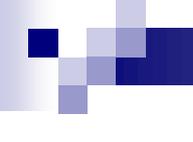
Regions of export-oriented production and potential environmental disaster

region	The area of land, thous. hectare	Subjected to erosion		Grains and oilseeds		The share of oilseeds in the cultivated area,%
		area, thous. hectare	% of cultivated area	area, thous. hectare	% of cultivated area	
Ukraine	41596,4	17003	40,8	22367	80,5	20,7
Dnipro	2514,6	1018	43,8	1675,8	88,1	29,0
Donetsk	2044,7	1356	66,3	1208,9	85,0	32,0
Zaporozhye	2246,6	1319	58,7	1398,5	88,0	37,5
Kropyvnytskyi	2040,4	1029	50,4	1341,1	81,2	30,6
Lugansk	1910,2	1602	83,9	889,7	87,9	35,9
Nikolaev	2009,2	984	49,0	1301,5	86,7	32,3
Odessa	2593,3	1242	48,0	1501,6	84,2	23,6
Kherson	1970,6	631	32,0	952,8	72,0	28,2

Social risks

(state social services in rural areas)

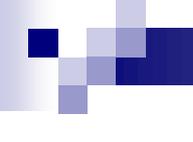
- In Ukraine for 1990–2014 years, the rural population decreased by 2800000 people, 407 villages had been removed from the register, in 369 villages, removed from the register, there is no population
- 47% of households do not receive municipal services
- 41,8% villages have emergency medical services
- 28,5% – health care services
- 10,6% of homes is unoccupied
- 78% of villages are not provided with centralized drinking water supply
- Only 16,6% of villages have water supply, 1,9% – the sewage system



Risk management rural development

So, the risks of rural development in Ukraine should be identified as challenges and threats, which require drastic measures to revive and balanced development of rural territories in the transition from international cooperation to international economic integration.

To this end, implemented 3+5 – Strategy of prosperous country and the decentralization of state power, which provides creature self-sufficient, financially sustainable integrated territorial communities.



3+5 – Strategy of prosperous country (strategy development of agrarian sector)

Three directions this strategy

- land reform
- reform the state support
- reform of state owned enterprises

Five directions this strategy

- development of rural territories
- market expansion
- organik production and niche culture
- irrigation
- safety and guality of food products

Policy decentralization of state power

Decentralization of state power, which provides for the establishment self-sufficient, financially sustainable integrated territorial communities

The number of integrated territorial communities on 06.10.2016

■ administrative districts	490
■ cities	460(50)
■ settlements	885(113)
■ villages	28385(204)
■ village councils	10279
■ total integrated territorial communities	367

In parentheses indicates the number of communities

Author's model of rural development in Ukraine

which should include measures to

- development of cooperation and contracting in rural areas
- state support for family farms
- creation of a favorable investment climate for individual sector of the economy
- creation for rural producers tax breaks
- diversification of economic activities on the rural territories
- the introduction of higher procurement prices for agricultural products supplied to processing plants
- state protection and promotion of the natural and social environment of the village
- reassessment of role of the rural territories in ensuring food and national security of Ukraine
- Formation new outlook on life on the rural territories and appropriate ideology population of Ukraine



Thank you for attention!