

## THE INFLUENCE OF RURAL DEVELOPMENT PROGRAMMES ON AGRICULTURAL LAND USE IN UKRAINE

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### Abstract

*The article deals with the implementation of the State Target Program on Ukrainian Village Development of Ukraine. The aim of the paper was to present the influence Ukrainian Village Development Programme 2007 – 2015 on agricultural land use taking into account its objectives. This topic is current in the context of the Village Development Programme 2007 – 2015 evaluation and search for effective tools for supporting agricultural land use. The results of research conducted in 2017 based on the data of Ministry of Agrarian Policy and Food of Ukraine and Accounting Chamber of Ukraine are presented. During the period of the State Program, about a half part of the projected amount of funds was allocated from the budget on agricultural market development. Consequently, ineffective state management and limited budget funding did not contribute to the efficient use of agricultural land by rural areas and the achievement of the expected results of the Village Development Program.*

**Key words:** rural development, agricultural land use, rural policy, state program, rural areas.

### INTRODUCTION

Predominantly rural regions account for about 75% of the land and almost a quarter of the population in OECD countries [8]. Rural regions face significant challenges in comparison to metropolitan and even intermediate areas [7].

Rural Development includes all activities that are related to rural functions:

- Food production (agriculture and forestry);
- Environmental function (biodiversity, air, water, soil); and
- Social function (basic services, income outside agriculture, cultural heritage) [4].

Traditionally, rural territories are engaged in agrarian production. Nowadays, agrarian sector makes 18 % of GDP and its share has constituted 8-9% in the total budget of Ukraine in the recent years. Above three millions of people are currently employed in agrarian sector. It is 80% of the country's territory with one third of the country's population living on it.

Three out of every four poor people in developing countries live in rural areas, and most of them depend directly or indirectly on agriculture for their livelihoods [3].

The agricultural sector plays a major role in the Ukrainian economy. Ukraine has approximately 43 million hectares (ha) of agricultural land, including 32 million ha of arable land, an area equivalent to one-third of the arable land in the European Union (EU). Half of it is black soil, the highest productive soil type in the world and a commodity in such demand that an illegal market has developed in selling it. While Ukraine has some of the largest farms in the world, covering up to 500,000 ha. small-scale farmers' produce about 50% of agricultural output [9].

Thus, the issue of rural territories development is always actual for Ukraine. Ukraine possesses substantial land resources, which could supply high living standards for rural population under conditions of rational and efficient use of them. However, actually one observes opposite tendencies.

Problems of inappropriate land uses, over-exploitation of natural assets and environmental degradation are complex and long-term in Ukraine. They are exacerbated by their linkage with poverty, inequality and social conflicts. [5].

Development of rural territories and solution

of economic, social and ecological problems in a village is defined as a strategic goal of the state land policy. Economic changes in Ukraine of the recent years considerably influence the structure, character and tendencies of land use. Redistribution of lands, introduction of a variety of the forms of ownership and farming, new land relations have caused formation of a new land status and appearance of negative phenomena in land use.

Negative effect of land use has caused soil erosion, loss of favorable living environment, excessive sensitivity of soils, reduction of carrying capacity of lands, modification of landscapes and loss of esthetic attractiveness of natural environment [2].

The main problem is that intensity of land use is not going down but up. Consequently, rise of the rates of land resources consumption forces deterioration of natural processes of natural environment revival. Excessive load on lands has caused activation of negative processes and erosion processes are the most intensive ones. The most fertile layers of soil and the most important constituent of it, i.e. humus, are destroyed, physical and physical-chemical properties are deteriorated. The area of acid and saline soils expands due to improper employment of lands.

The current situation in land relations and land use of Ukraine is still complicated and requires an urgent reconsideration of the most important directions of the state policy concerning rural territories development.

## **MATERIALS AND METHODS**

The scope of the study is to make a retrospective examination of the state programs of rural territories support as a precondition for agricultural land use development in Ukraine. A particular stress is made on the analysis of a gradual implementation of the State Target Program on Ukrainian Village Development as a key instrument for development of rural territories, agrarian market and agricultural land use in Ukraine. The purpose of the article is to assess conditions of the state support for agricultural land use within the state target

program, to define the level of financial supply for its tasks and measures, as well as to determine perspective directions of agricultural land use for development of rural territories.

To solve the set problems the research used the monographic method to review the relevant literature as well as the laws and program documents that regulate rural development in Ukraine. Additionally, a comparative analysis was made between the amount of planned and actual financing of the state program over the analyzed period. The information on activities and expected amounts of financing were derived from the records of passport of the State development program from the Ministry of Agrarian Policy and Food of Ukraine, and the actual data were extracted from the audit report of Accounting Chamber of Ukraine.

A stimulus for undertaking this research problem arose from two sources: the negative tendency in agricultural land use and the growing interest in territorial planning of rural areas over the past few years.

The focus was to analyze the legal regulations of rural development in Ukraine and to explore influence of state target programs on agricultural land use under the land reform conditions.

## **RESULTS AND DISCUSSIONS**

The Law of Ukraine of October 17, 1990, № 400 “Concerning priority of social development of a village and agro-industrial complex in the economy” has initiated legislative regulation of rural territories development. The Law determines that priority of social development of village and agro-industrial complex is objectively forced by extreme importance and irreplaceability of the produced products of agriculture in life activity of people and society, by the need of peasants’ revival as land masters, representatives of morality and the national culture [12].

However, improvement of the conditions of rural population has not happened. Thus, the Decree of the President of Ukraine of June 15, 2002 № 640/2002 “Concerning the urgent

measures of support for development of social sphere of a village” approved the State program of social sphere development in a village for the period until 2005. The Program expects rise of rural population employment at agricultural enterprises of different organizational and legal forms and private peasant farms by increase of the output of agricultural products, its primary processing and storage, application of the practice of differentiation of the kinds of economic activity in rural location [11].

Having completed the State program of social sphere development in villages for the period until 2005, the state approved the Concept of a Complex program of support for development of Ukrainian village for 2006-2010 of December 21, 2005 № 536-p.

To implement the program in the field of development of land relations and forms of economic activity, the state has developed the measures concerning improvement of the system of state administration of land relations, creation of legal and social-economic mechanisms of efficient enforcement of the right of ownership for land, development of the required regulatory base on the issue of agrarian land use and performance of agricultural land market. Particular attention is paid to the position of the state in development of land relations. The state should supply:

- inventory and probing of lands of different intended use;
- stimulation of withdrawal of degraded, low-productive and technologically polluted agricultural lands out of exploitation;
- support for sustainable performance of melioration systems, improvement of conditions and efficiency of meliorated lands exploitation;
- protection and reclamation of soil fertility, particularly by application of soil-protective technologies;
- improvement of maintenance of the state land cadaster and monitoring of lands;
- formation and performance of agricultural land market with protection of the rights of the market subjects;
- formation of an ecological network as an efficient mechanism to protect landscape

biological diversity;

- development of a competitive land use on the base of cooperation, intensification, concentration and specialization of production and partnership production relations [1].

To implement the Concept, the state approved the State Target Program on Ukrainian Village Development for the period until 2015 of September 19, 2007 № 1158. The Program was a separate chapter of the State program of economic and social development of Ukraine for the corresponding year. Its main tasks include:

- creation of organizational-legal and social-economic conditions for a complex development of rural territories and balancing of the conditions of life activity of urban and rural population;
- rise of the efficient employment level, intensification of rural population motivation to develop entrepreneurship in rural location as the main condition for improvement of living standards of the population;
- support for competitive capacity of agrarian sector under conditions of Ukraine’s integration into the world economic environment;
- liquidation of unregulated and shadow agrarian market;
- supply of ecologically safe conditions for life activity of population, protection of natural environment and rational use of natural resources, particularly agricultural lands [10].

In 2008-2015, there were 64 billion UAH or almost 50% of the expected amount (128.2 billion UAH), approved by the State program, spent for implementation of the State Target Program on Ukrainian Village Development for the period until 2015. Particularly, 63.8 billion UAH or 52.8 % of the expected amount (120.8 billion UAH), were spent from the state budget, 0.2 billion UAH or 2.7 % of the expected amount from the local budgets (Table 1).

Within the State program, the financial resources were focused on implementation of the program tasks and measures in 2008-2015 and used in the following directions: development of agrarian market – 39.5 % (25,279 million UAH), professional education

– 27,4 % (17,529.9 million UAH), improvement of the existing instruments and reforming of the management system in agrarian sector – 17.9 % (11,502.5 million UAH), financial supply for agrarian sector – 7.3 % (4,703.2 million UAH), development of

social sphere and rural territories – 4.1 % (2,608 million UAH), agrarian science – 3.8 % (2,427.5 million UAH), development of extension service – 0.02 % (10.2 million UAH).

Table 1. Expected and actual amounts of financing for the State Target Program on Ukrainian Village Development in 2008-2015

Sources of financing	Amount of financing, million UAH		By years							
			2008	2009	2010	2011	2012	2013	2014	2015
State budget	plan	120,750.5	15,318.9	15,153.5	14,550.4	75,727.7				
	actual	63,330.2	12,681.9	9,377.7	9,118.1	10,137.9	8,367.0	6,525.0	4,865.5	2,757.0
Local budgets	plan	11.2	0.1	0.3	10.1	0.7				
	actual	225.2	0.0	0.0	0.0	51.0	47.9	52.6	53.5	20.2
Other sources	Plan	7,402.4	407.2	984.1	1,028.2	4,982.9				
	Actual	4.9	0.0	0.0	0.0	0.0	1.9	1.4	1.6	0.0
Total	Plan	128,164.1	15,726.2	16,137.9	15,588.7	80,711.3				
	Actual	64,060.3	12,681.9	9,377.7	9,118.1	10,188.9	8,416.8	6,579.0	4,920.7	2,777.2

Source: Source: Own calculation based on the statistical data from Decree [10] and Accounting Chamber of Ukraine

Consequently, in 2008-2015 the state support for supply of development of rural territories, agricultural production and agrarian market

was lower than the expected one due to the State program (Fig. 1).

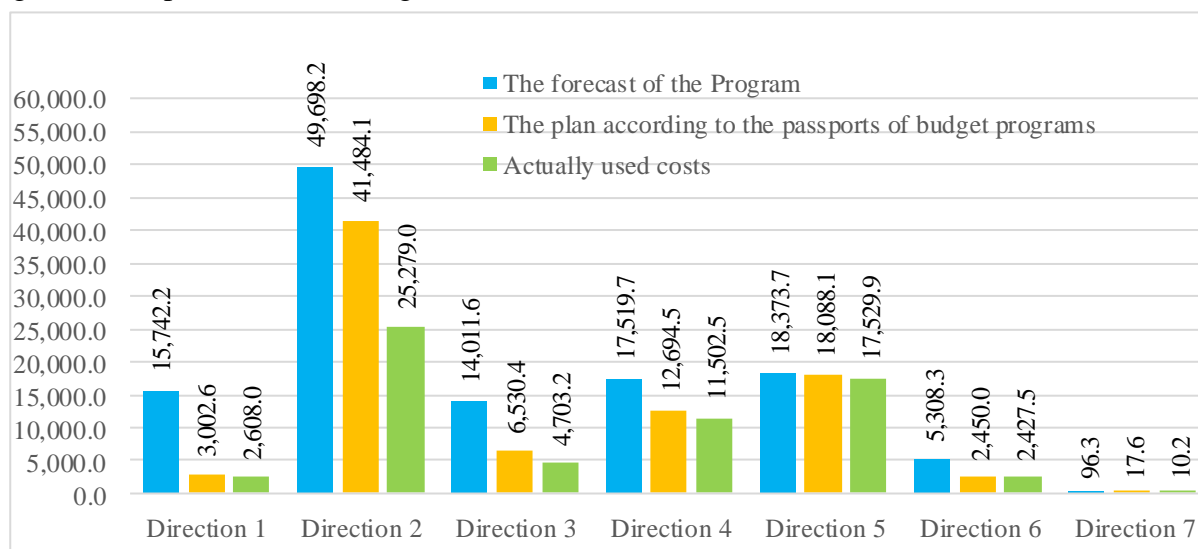


Fig. 1. Financing within the State Target Program on Ukrainian Village Development for the period until 2015 (million UAH)

Source: Own design based on the statistical data from Decree [10] and Accounting Chamber of Ukraine

Development of social sphere and rural territories expected implementation of the measures concerning development of agricultural land use in villages by means of financial support for farming enterprises. Such measures applied costs of the state budget in the amount of 378.8 million UAH,

or 70.6 % of the expected amount (536.5 million UAH). The state support was gained by 4,691 farming enterprises obtaining interest free credits on both non-repayable (start-ups in 2008-2010) and repayable basis (Fig. 2).

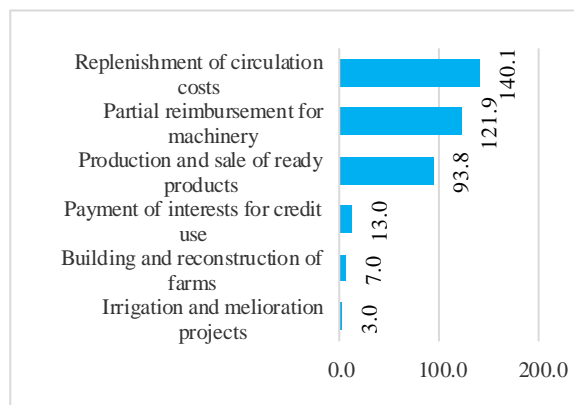


Fig. 2. Directions of budget costs application for financing of farming enterprises in 2008-2015 (million UAH)

Source: Own design based on the statistical data from Accounting Chamber of Ukraine

The program of agrarian market development determines the following directions of development of rural territories, particularly:

- development of crop production;
- land organization and state land cadaster;
- protection and improvement of soil fertility, greening of agricultural production;
- improvement of land monitoring system;
- land melioration.

It is planned to develop crop production by improvement of land relations and introduction of modern technologies.

Table 2. Application of the state budget costs for support of agricultural land use

Measures	Unit of measure	Expected amount of financial resources	Actual amount of financial resources	Target achieved (%), increase (times)
Grants payment per 1 ha of crops of cereals and industry crops	million UAH	9,191.0	1,042.2	1.3
	million ha	108.9	130.2	1.2 times
State support for agricultural enterprises, located in complicated climatic conditions	million UAH	348.8	35.0	10.0
Fight against pests and diseases of agricultural crops	million UAH	49.9	65.7	1.3 times
	million ha	9.2	20.6	2.2 times
Partial reimbursement of electric energy costs, necessary for irrigated lands	million UAH	548.1	147.0	26.8

Source: Own calculation based on the statistical data from Decree [10] and Accounting Chamber of Ukraine

To implement the measures within the State program, only 31,7 % of the expected costs were supplied from the state budget. A part of the costs was used to support agricultural land use (Table 2).

Measures of the state policy concerning rational organization of rural territories and agricultural land users are to be fulfilled by means of a complex land management of rural territories and agricultural landholdings:

- to make inventory of agricultural landholdings and land uses;
- to prepare a methodology and examine agro-ecological conditions of agricultural lands;
- to develop recommendations concerning the rational location of agricultural production depending on soil quality;
- to secure organization of landholdings and land uses of agricultural enterprises, farming and peasants households with consideration of their optimal sizes and requirements of ecological-landscape organization of the territory;
- to implement environmental measures, including agro-forest-melioration and anti-erosion ones;
- to make evaluation of land-resource, recreational and curative potential;
- to make conservation of low-productive, degraded and technologically polluted lands;
- to make consolidation of land parcels by merging of land shares, creation of cooperatives and other partnership companies;
- to implement measures concerning reclamation of meliorated lands;
- to secure the legislative requirements concerning the order of assignment of land parcels to land share owners;
- to secure implementation of the owners' rights for land parcels, land shares and business entities concerning higher responsibility for holding of the terms of lease agreement and their state registration;
- to create a regulatory base and system of computerized recording of the state land cadaster;
- to improve the order of lands recording with consideration of quantitative and qualitative indicators and secure their intended use;
- to specify methodology of soil judging, economic evaluation of lands and normative monetary evaluation of lands with consideration of market conditions of agricultural production.

However, in the direction the Program only expects costs for protection and safety, rational use of forests, which are intended for permanent use by agro-industrial enterprises, i.e. only for one of the above-mentioned measures.

It looks illogical, considering the problem conditions of the other directions. It is also strange that other measures are not even included into the passports of budget programs.

Such non-system character is observed in the state policy on land protection, improvement of soil fertility and ecological safety of rural territories. According to the Program, it is expected to implement a complex of the following measures:

- optimization of the structure of cropping area and crop rotation to improve productivity of agricultural lands, prevent erosion processes and make reclamation of soil layer fertility;
- improvement of the balance of humus and main nutrients by increase of the applied amounts of mineral fertilizers and organic fertilizers, including peat composts and organic residues of crops;
- wider application of soil-protecting technologies of soil treatment;
- implementation of the measures concerning pollution of soils with heavy metals, industrial residuals, pests and other agro-chemicals;
- application of chemical melioration of soils to improve their fertility;
- state control for implementation of the measures concerning protection and reclamation of soil fertility;
- rise of responsibility of landowners and land users for rational use and protection of lands;
- stimulation of withdrawal of degraded, low-productive and technologically polluted agricultural lands out of intensive use;
- formation of an ecological network as an efficient mechanism to protect landscape biological diversity.

However, the direction defines only two priorities, which consider liquidation of the consequences of mine flooding and formation of the national ecological network.

Implementation of the state Program on improvement of the system of lands monitoring should be done by means of:

- compulsory agro-chemical examination of soils, control for the change of their quality conditions, implementation of agro-chemical certification of land parcels;
- evaluation of potential risks and harm, caused to land resources by emergency situations of natural and technological character;
- improvement of the standards and norms in the field of use and protection of lands, including protection and reclamation of soil fertility.

To improve the land monitoring system, 165.7 million UAH were spent for implementation of agricultural lands classification for the period of the State program (general fund constituted 133.5 million UAH, special fund – 32.2 million UAH), that was 2.1 times more than the expected amount of financial resources (78.8 million UAH).

There was an examination of agricultural lands on the area of 36.6 million ha, that constituted 94.1 % of the expected amount (38.9 million UAH). Samples were taken at 3.6 million ha and there were 17.6 million of analytical researches. The examination has resulted in issuing of 671.5 thousand of agrochemical passports (Table 3).

In Ukraine, financing for the process of creation of a common state system of standards, norms and rules in the field of land organization, land protection and sustainable land management has an impermanent short-term character. Currently, among the 17 developed projects of branch standards, i.e. 5 national standards (DSTU) and 12 branch standards (SOU), only two are enacted. One of them concerns the rules of completing of normative documents, development, presentation, design and requirements to the content of normative documents, the other one deals with the rules of development of technical documentation concerning normative money evaluation of settlements lands.

To improve the employment of potential capabilities of meliorated lands, the Program expects efficient performance of melioration

system, creation of the conditions for supply of the farms, which make irrigation of arable lands by high-productive watering machinery, and development of the system of regulation of soil water-air status under drainage conditions.

Table 3. Application of financial resources in the direction of agrarian market development

Principal directions	Costs, million UAH	Percentage, %
Formation and support for development of agrarian market infrastructure	11,529.8	45.6
Land melioration	5,090.1	20.1
Supply for crop production development	3,883.2	15.4
Supply for animal breeding development	2,999.4	11.9
Guaranty of safety and quality of food products	889.2	3.5
Formation and renewal of materials and technical resources	594.3	2.3
Improvement of land monitoring system	165.7	0.7
Rational organization of rural territories and land users	58.0	0.2
Protection and improvement of soil fertility, greening of production	54.5	0.2
Supply for development of foreign economic activity	14.8	0.1
Total	25,279	100

Source: Own calculation based on the statistical data from Accounting Chamber of Ukraine

However, only 5,091.1 million UAH were spent for land melioration that constituted 20% of total expenses in the direction of “agrarian market development” (Table 3). However, the costs are insufficient for efficient exploitation of state melioration systems. In 2012-2013 and the first half of 2014, on the territory of Odesa, Mykolaiiv and Kherson regions almost 520 thousand ha or about 62 % of the amount of irrigated agricultural lands were not irrigated because of unsatisfactory technical conditions of the state and internal economic melioration systems, pump and other equipment, its high energy capacity. Length of melioration system in the regions has reduced almost by 24 kilometer and the losses made above 20 million UAH [6].

## CONCLUSIONS

Consequently, one should note that the State Target Program on Ukrainian Village Development for the period until 2015 had a

positive impact on development of agricultural land management of rural territories in Ukraine. However, inefficient managerial decisions and limited financing prevent a complete achievement of the expected results.

The first reason for such conditions is that there is no relation and coordination concerning development and implementation of the state, inter-branch, departmental programs, connected with development of land management of rural territories, as well as coordinated goals, priorities, stages of performance and supply with appropriate resources for their implementation.

Such approach is described in the Concept of rural territories development until 2025, which was approved in 2015 and expected introduction of an inter-sectoral approach to its implementation.

The Concept expects improvement of the system of rural territories management and development of a natural-reserve fund by strengthening of the position of territorial communities of villages and settlements in planning of land management of rural territories development, support for development of state-private partnership for implementation of the projects of rural territories development in order to attracts investments, establishment of the fund of rural territories development, introduction of economic motivation for implementation of land-protective measures and creation of a register of unproductive lands, which can be used for growing of energy crops.

However, as in the recent years, one can observe the tendency of insufficient system interaction between declaring of goals, implementation of measures and their financing. A plan of measures to implement the Concept was approved only two years after its approval.

Thus, nowadays it is very important to develop regional programs of rural territories development within the approved Concept, which should expect the costs necessary to organize implementation of the planned measures.

It is practically impossible to secure efficient use of land-resource potential of rural

territories without appropriate funding.

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