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### **THE VILLAGE AND PEASANTRY AT THE JUNCTURE OF OPPORTUNITIES AND THE CROSSROAD OF HOPE**

*The authors provide a socioeconomic assessment of the processes that have taken place in rural areas and the agricultural sector after the establishment of Ukraine's political independence. They reveal the controversial nature of agrarian reforms resulted in the unnecessarily polarized dual structure of agriculture and the divergence between agricultural and rural development.*

*In agriculture, a division of activities between different groups of producers took place. Growing the high tech export oriented crops together with the profits from trading them were monopolized by the agricultural holdings. The marginally profitable production of labor-intensive products was concentrated in private farms, which are the most numerous representatives of the underdeveloped family-style farming. All that has restricted the resources for economic and social development of rural communities and led to a situation in which, with the growth of agricultural output, the rural areas are degrading.*

*The article shows that the Ukrainian village remains a scene of social reforms in three areas: agriculture, social services and local government. Its future will greatly depend on how well the process of reform will ensure the priority interests of rural community and the general public over the commercial goals of big business.*

*Key words: agricultural policy, agrarian reform, the dual structure of agriculture, rural employment, rural infrastructure, rural development, reform of local government.*

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**Prehistory.** Ukrainian peasantry entered the latest period of Ukrainian history with high hopes. At that time, considerable public attention was drawn to rural issues. In the last years of the Soviet Union, much effort was made to overcome the food crisis, including through supporting the socio-economic development of rural areas. In 1990, the Supreme Soviet of Ukrainian SSR, which was already elected on a multiparty basis, adopted the Law "On The Priority of Social Development of Rural Areas and Agricultural Complex in the National Economy", which laid a legal framework favorable for the formation of public rural policy. Then the State Committee on Social Development of Rural Areas was established – the central inter-sectoral government body to coordinate the work of ministries and agencies in charge of providing public services to the rural population, and developing and ensuring efficient use of rural infrastructure.

In late 1991 (almost on the eve of the referendum on Ukraine's independence) Ukrainian scientific-practical conference "The Revival of Ukrainian Village" was

held where the guidelines of the implementation of the above mentioned law were outlined. The condition of Ukrainian village at that time was characterized as a crisis. It was noted that one of the reasons for this were permanent restructuring carried out during the period of collective and state farms, including forced consolidation of farms, division of the villages into promising and unpromising ones, restrictions on gardening, unfair work compensation and lack of social security of the peasants. Also was mentioned the global cause: society, brought up on the priorities of industrialization, urbanization and large-scale industrial production, did not provide equivalent exchange between town and village, and used the latter as an inexhaustible source of manpower, and material and financial resources. Backwardness of social infrastructure, difficult working conditions and the alienation of farmers from the results of their work led to a significant worsening of demographic situation [1].

Looking ahead, it should be noted that the assessment of the condition of Ukrainian village and the ongoing processes in it made 25 years ago, is also relevant for the whole period since that time until now. But there is an essential difference: while in the first case the reason of the negative developments in the village was the agrarian policy based on the communist ideology and the command-administrative methods of its implementation, then, during the transition to a market economy, similar developments were allegedly related to objective economic laws. In reality, the decisive impact, in the first period of reform, was due to the institutional memory of the informal standards and rules together with the mentality of the agents and recipients of the agrarian reforms (the rural population), and then – due to the uncontrolled domination of the interests of big capital.

It should be noted that the conference, in addition to scientists, was attended by the heads of ministries and agencies responsible for the development of agro-industrial production and provision of services to the rural population. In their speeches, they expressed the vision and plans of the relevant bodies as to the development of their activities in the village. The opinions of local government and rural economic agents were voiced by heads of regional, district and village councils, agricultural enterprises and by farmers. The key provisions of their presentations were reflected in the recommendations of the conference and they represented the prevailing points of view in society at that time.

After independence in Ukraine were made certain steps on the implementation of the attitudes represented at the conference. Thus, in the early 1990s, pursuant to the law "On the Priority of Social Development of Rural Areas and Agriculture in the National Economy", more than 10 government regulations were adopted. In 1994, Verkhovna Rada of Ukraine adopted the Concept of the National Program on Rural Recovery for 1995–2005, which became a basis for drafting the National Program of the Development of Agriculture Production and Rural Revival for 1996–2005. However, neither the program itself nor its later version, designed for 1999-2010, were approved. Today it can be explained by at least two factors.

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First, these documents, as well as the law, were developed in conditions when the system of national economy was still oriented to the command-administrative methods, which no longer worked. Secondly, in the 1990s, the country was hit by the economic crisis that severely affected the agricultural sector. Accusations appeared of bad justification of the planned reforms, of the invalidity of the line towards the "farmerization" of the agriculture, which line, though very cautiously, was outlined in the above mentioned draft programs, and so on.

So, at that time Ukraine actually faced the choice of the future model of its agricultural system, on which depended the destiny of the village. The question was whether Ukraine's would attain a stable food self-sufficiency and food safety, preserve the environment and social standards in rural areas, and development of settlement networks and public control over the rural areas or would limit itself to solving the current problems. Unfortunately, neither the politicians nor the interested strata (in particular, "the agrarian elite", scientists, farmers) nor general public did fully realize the crucial nature of this choice and were not prepared for critical decisions and actions.

**At the crossroad of agrarian reforms.** International experience shows that public interest in agriculture is most fully realized when the dominant type of agricultural pattern is household-based (family) farming, when the functions of the owner of the means of production and output, and those of organizer and worker are performed by the same individuals. On that foundation, other forms may be used, such as lease of land, hired labor, partnership (cooperation) etc. The purpose of the transition to a market economy in Ukraine was declared overcoming the alienation of the agricultural producers (peasants) from the means and results of their work, which goal, unfortunately, has not been achieved.

The history of agricultural market oriented reforms in Ukraine has been investigated quite fully [2-5]. Usually they distinguish two stages: the first one – 1991–1999, and the second one – after 2000. During the first stage, the pre-reform socio-economic rural pattern was mainly kept. At the same time, preconditions were created for denationalization and privatization of land and other property of collective and state farms and their reorganization.

The most important of them was enabling the farmers to obtain land to private ownership. Collective and state farms were reformed into collective agricultural enterprises (CAEs), which divided the land and other property they were granted to use into shares to be distributed among their members. Owners of shares had the right to withdraw from the CAEs and organize production at their own discretion, including creating individual (family) farms. However, the latter was hindered by: the lack of experience of independent farming and appropriate methodological skills regarding the establishment of family based pattern in the transitional agriculture, unfavorable economic situation, unwelcome attitude to the "individuals" on the part of officials and some members of rural communities. At the end of 1999 in Ukraine, no more than 10% of the CAEs were properly restructured.

Also slow was the pace of reform in the economic mechanisms of the agricultural sector, which was aggravated by the general economic crisis. With rampant inflation in 1992–1993, an unprecedented increase in price disparity took place. Thus, while in 1990, to purchase 1 ton of diesel fuel, a farmer had to sell 0.2 tons of wheat, in 2003 it was already 4.6 tons and in 2004 – 6.0 tons, that is, the indicator soared respectively 23 and 30 times. The same happened with the purchase of fertilizers and other inputs. A coincidence of adverse circumstances led to an avalanche-style decline in agricultural output. In 1999 gross agricultural output in farms of all categories was 49% compared to 1990, including in agricultural corporations – 28%. In peasant farms, the output remained almost unchanged at the level of 1990 (98%).

In 2000, the second stage of agrarian reform started, which is associated with the December 1999 Decree of the President of Ukraine "On Urgent Measures to Speed up Reform of the Agricultural Sector." Land shares were transformed into private land plots, the owners of certificates on the right of property on land shares were allowed to exchange them for state acts on private ownership on particular land plots. The peasants were allowed to withdraw their land plots for uniting them to their subsidiary farms or for creating a new private farm.

Collective enterprises were eliminated and, based on their productive assets and peasants' private land plots, were created limited liability companies, agricultural cooperatives, joint stock companies and other forms of enterprise. Thus a dual structure of agriculture was formed with two basic types (sectors) of agricultural producers, namely the corporate (agricultural corporations) and individual or peasant (private and subsidiary farms) ones [6].

During both stages of the agricultural reform, the measures of public policy focused on the revival of big commercial productive units. Along with the traditional production subsidies, for large agricultural units were introduced: soft loans (with partial compensation of interest payments on the loans granted by commercial banks), price support through security based purchases of grain and intervention operations, low interest rates on leasing of agricultural machinery, supplies of fuel and fertilizers at prices below market levels, and tax incentives. The bulk of those privileges were unavailable for small and medium size producers in the corporate sector and to peasant farms.

In 1999 fixed agricultural tax (FAT) was introduced. It replaced more than ten different taxes and charges (later some of them were restored), becoming a very moderate tax burden and a convenient form of taxation for those who used it. With the transition to fixed agricultural tax, the tax burden on agricultural corporations and peasant farms decreased 3–4 times. Indirect state support for the producers was also provided through special mechanisms using value-added tax (VAT). Export activities were encouraged through import tariffs and quotas, and export subsidies.

Since 2004, in the agricultural sector, the processes began that are associated with the third phase of reform, namely the intensification of agricultural production based on the concentration of agricultural land and property. [7] This was

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due to the incomplete results of the previous institutional change, which enabled a shadow control over the distribution of property and agricultural land of the former collective farms and land, and emergence of a shadow land market. The concentration of land through lease and sale took place in the form of consolidation of large tracts of land in the hands of some businesses and individuals. On these tracks, with the participation of industrial and commercial-and-financial capital, horizontally and vertically integrated, and export-oriented entities emerged known as agro-holdings, which started multi-profile activities on supply of resources, and primary processing and exports on hundreds of thousands hectares of leased land.

In a relatively short time (one decade) agricultural holdings became the dominant form of economic activity in the corporate segment of the agricultural sector. It is estimated that, in 2014–2015, they controlled about 40% of agrarian enterprises, (which, while formally preserving their legal independence, in reality turned into their agricultural branches), and a similar share of land cultivated by agricultural enterprises. The agro-holdings produce and sell about a half of winter wheat, corn and more than half of rape, sunflower seeds, three-quarters of sugar beets and 80% of poultry of total production of the agricultural enterprises. At the same time, the holdings' activities led to an imbalance in the system "agriculture–village". The agro-holdings have monopolized the benefits of international trade in agricultural products and food, they enjoy the greatest benefits from tax exemptions and preferences, allegedly intended for the entire agricultural sector, they receive super-profits from exhausting use of nature, and rural human and infrastructural potential. In fact, these structures appropriate and largely withdraw from the agrarian sphere part of value, which could have been a source for a full restoration of its natural resource potential and rural vital environment, environmental protection and decent quality of life.

On the contrary, the development of family-type agriculture, which is mainly represented by subsistence farms, during the reform period, was hampered due to the preserved treatment to them as to "subsidiary" and "unpromising" forms of farming. This is reflected in the formation of the market infrastructure, which is now mainly oriented to servicing the large commercial production; state support to the agricultural sector which is virtually inaccessible for the peasant farms; and the neglect of the needs of the peasant farms in modernization and qualitative improvement of human capital, in obtaining fair prices, and in protecting their economic and social interests.

The above developments, together with the legalization of the status of private farms as legal entities (which complicated the procedures of their registration, accounting, reporting, etc.) effectively blocked the formation of the household based farming, which is a basis of agricultural systems in the developed countries. The number of farms in Ukraine in 2005–2015 "frozen" at about 40 thousand, which is a meager quantity compared to the EU members and other countries. Some farmers try to copy the structure of production and management methods of large farms, others, as well as a certain part of the subsidiary farms,

search for opportunities to satisfy the needs of local food markets. The bulk of the subsidiary farms have been displaced to economically disadvantaged areas of agricultural production and operate mainly for food self-sufficiency selling surplus products to replenish their families' incomes.

**At the crossroad of social opportunities.** In the pre-reform period, collective and state farms served as a "social umbrella" for the village. They provided practically full employment for the rural population both due to diversified agricultural production, and due to the development of non-agricultural activities; and, in the last period of their existence, they also guaranteed an acceptable level of remuneration. (True, many farmers, especially young people, were not satisfied with such employment and migrated to the cities). The very collective and state farms provided to their members certain assistance in housing construction, and contributed to local social services and rural infrastructure. Supporting their operation, even if they were unprofitable, the state in its own way fulfilled its commitment of social protection of its citizens living in rural areas.

As for the authors of the market reform of the agricultural sector, they did not give too much care for the social functions of the existing agricultural enterprises. It was believed that most of these functions, in particular those related to the provision of public services and local infrastructure, would become the responsibility of local government (with an additional resource supply from the state); and part of the services would separate as independent commercial activities.

As mentioned above, in the first stage of agrarian reform, collective and state farms, and later collective agricultural enterprises continued, although increasingly less so, to serve a "social umbrella." However, the economic crisis forced them to severely limit this function. Due to the dramatic reduction in agricultural output, and elimination of non-agricultural units, the number of employees in the agrarian enterprises in the 1990s declined by almost 1.7 million people, or 38%. The reduction of employment in urban economy resulted in a corresponding decrease in the incomes of part of villagers who worked there. There was a powerful wave of labor migration, the demographic situation deteriorated, as did the moral and psychological condition of the rural communities. Migration reduced the number of the consumers of public services and the impoverishment of farmers decreased the demand for paid services; these phenomena also led to the reduction of the network of service facilities in rural areas.

In the second stage of agrarian reform, the function of rural development was finally separated from production, including in order to maximally attract outside investors in Ukraine's agriculture. For the same purpose, the budget funds for the support of the agricultural sector were spent on the preferences for the corporate segment, while family farming and rural infrastructure were virtually excluded from the view of state agrarian policy. Most peasants found themselves engaged in informal employment, social and cultural facilities and everyday services were transferred to the authority of local government, but without adequate funding for their maintenance. Introduction of an unprecedentedly preferential taxation of the agricultural enterprises weakened the budgets of local government in rural areas.

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All that greatly reduced the capabilities of rural communities to influence the situation in the villages, paving the way to capture and uncontrolled use of rural areas (especially land resources) for big capital of non-agricultural origin.

Thus, the problems of rural development were actually taken out of the agenda of the agrarian reform. However, there were several attempts to stop the degradation of the village through national decision. Decrees of the President of Ukraine in 2000 approved a document called "Basic Principles of Social Development of Rural Areas", and in 2002 was adopted the "State Program of Social Development in the Village until 2005". However, these documents remained without proper implementation mechanisms and financial support. A similar problem happened with the approved in 2007 "State Purpose Oriented Program of the Development of Ukrainian Village until 2015". Its content was mainly related to increasing agricultural output and only slightly to raising welfare of the rural population and their access to social services. While the most pressing task, namely the diversification of economic activities and expansion of employment in rural areas still remained without proper attention. The Program as a whole was not fully provided with necessary resources, and the funding of its projects on rural development was stopped due to the crisis of 2008.

The most notable negative consequence in the Ukrainian version of the "transition to capitalism" in agriculture and village was the destruction of the areas of employment for rural population. In the 1990s this was due to the crisis, which was accompanied by a decline in agricultural output and other businesses where the villagers worked, with their subsequent dismissal. Later the very agricultural enterprises (in particular, the agrarian corporations) reduced the number of their employed in so doing narrowing the specialization and intensifying the production. During 2001–2010, against the backlog of output expansion, the number of employed in the corporate segment of the agricultural sector decreased by 1.9 million people, that is, more than in the previous decade during the recession. Released labor partly moved to private farms and mainly to the subsidiary farms and the total number and share of employment in the agricultural production decreased (Table 1).

Reduction of the share of employed in agriculture corresponds to the global trends of the sector's development so it is considered a positive phenomenon providing it is followed by a spread of non-agricultural activities in rural areas. However, in Ukraine in the period under analysis, the non-agricultural segment of the rural employment reduced as well. The number of industrial enterprises (including auxiliary shops and crafts), building, transportation, recreation and other kind of enterprises and organizations located in rural areas dropped by more than a half and the share of villages having no economic agents increased from 18 to 34%. The prevailing characteristic of rural employment has become informal activities engaging, in 2014, 43% of the working population. The overwhelming part of them are members of subsidiary farms.

Hired work in agriculture becomes, for the rural population, increasingly inaccessible or unattractive. Agricultural corporations using the latest machinery and

technologies, often avoid hiring local people, explaining that they either do not have the necessary training, or are not very disciplined or committed to the company ("master"), or distracted by problems of their households. Wages of employees in agriculture, despite the increase, are among the lowest: in 2014 they were by 27% lower than the average of economic activities, and by 36% lower than in the industry. As to the employment in the subsidiary farms, it represents a *self-employment without registration*. Members of these households are actually excluded from the labor and social security legislation. They may participate in the pension system and other social insurance on a voluntary basis, but the conditions of such participation make it practically impossible. And the "inferior" character of the employment in subsidiary farms repels the youth from household based farming.

Table 1

## Employed in Ukraine's agrarian sector, 1990–2014

Indicator	1990	2000	2010	2014*
Total employed in agriculture, forestry and fishery. <i>ths persons</i>	5022.8	4334.1	3115.6	3091.4
Share in total employed. %	19.8	21.5	15.4	17.1
Out of total employed in agriculture, forestry and fishery:				
– in enterprises, institutions and organizations:				
<i>ths persons</i>	4344.8	2681.6	768.2	573.3
%	86.5	61.9	24.6	18.5
– in private farms				
<i>ths persons</i>	–	71.5	98.4	94.8
%	–	1.6	3.2	3.1
– in subsidiary farms				
<i>ths persons</i>	678.0	1581.0	2249.0	2423.3
%	13.5	36.5	72.2	78.4

\* Less the temporarily occupied territories of Ukraine.

Source: calculated on data of statistical bulletins "Economic activities of Ukraine's population" and "Ukraine's agriculture" for corresponding years.

According to statistics, the overall level of material well-being of the rural population now is slightly lower than that of the urban dwellers. Average monthly cash income of rural households per one household member in 2014 was by 17% lower than in towns. However, the difference is partly offset by the use of products obtained in own farms making the *cost of gross resources* per one household member in rural areas only by 8% lower than in urban areas. However, the difference in the structure of expenses between rural and urban households is quite significant. In the villages the share of expenses on food is notably higher (55 vs. 50%), while lower is the share of expenses on recreation and culture (0.8 vs 2.2%), education (0.7 vs 1.3%), communal goods and services (7.4 vs. 10.3%), indicating a lower quality of life.

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In the field of vital services, in rural areas, during the period under consideration, mostly negative changes took place. The alienation of agricultural economic agents from participation in the maintenance and construction of engineering and social infrastructure, insufficient budget funding of even current expenditures of the social facilities led to deterioration in the quality of public services and in the rural population's access to them. The networks of social and cultural facilities reduced, including schools and pre-school facilities (although in recent years their numbers began to rise), and health care and culture facilities (Table 2). Thus, the number of schools per 100 villages in 2014 decreased compared to 1990 by 17% and number of clubs and houses of culture – by 21%. The number of health facilities decreased by only 5%, but this is due to the relative stability of the network of primary medical assistance; and the amount of local hospitals and clinics reduced to a minimum. There are an increasing number of rural commercial businesses set up by individuals. But at the same time increases the number of villages completely lacking such establishments: in the smallest settlements, the expenditures on their maintenance make it unprofitable to keep them, so such settlements are supplied with goods on a periodical basis by mobile vendors, social workers, and sometimes even by the postmen.

*Table 2*

### **Provision of rural areas with social facilities and engineering networks, 1990–2014**

<b>Indicator</b>	<b>1990</b>	<b>2000</b>	<b>2005</b>	<b>2014**</b>
Secondary schools total, <i>units</i>	15096	14916	14066	12101
per 100 villages, <i>units</i>	53	52	49	44
Pre-school facilities total, <i>units</i>	12608	8896	6755	9075
per 100 villages, <i>units</i>	44	31	24	33
Health establishments total, <i>units</i>	19481	19469	19106	17790
per 100 villages, <i>units</i>	68	68	67	65
Clubs and houses of culture total, <i>units</i>	20297	17727	16030	15290
per 100 villages, <i>units</i>	71	62	56	56
Commercial establishments total, <i>units</i>	51406	46422	61023	66527
Number of villages lacking commercial establishments, <i>units</i>	3475	6803	7292	8119
Post offices, <i>units</i>	11818	11572	11641	10202
Number of villages with access to gas network, <i>units</i>	2498	7596	10318	14733
Share in total number, %	9	27	36	54
Number of villages with water pipes, <i>units</i>	...	6651	6360	4709
Share in total number, %	...	23	22	17

\* Less the temporarily occupied territories of Ukraine.

*Source:* calculated on data of statistical bulletins "Socio-economic condition of rural settlements in Ukraine" and Statistical yearbooks of Ukraine for corresponding years.

In the 1990s there was a significant decline in housing construction in rural areas, but its volume after 2000 began to increase and the indicator per 1000 inhabitants is almost 15% higher than in 1990. New housing is mainly built in suburban areas (for example, in 2014, Kyiv oblast accounted for a third of all new housing in rural areas), while in the rural "outback", housing construction was almost absent. At the same time, the share of residential buildings that are used seasonally, increased from 3.5% in 1995 to 5.7% in 2014, and that of unused, – respectively, from 2.1 to 10.2%. Regarding the engineering infrastructure, the development of gas pipeline networks was quite successful. The share of villages with access to gas network increased from 9% in 1990 to 54% in 2014. Instead, the number of villages with water pipes decreased (Table 2). However, the share of houses with mechanical water supply grew to 33% in 2014, although this was mainly due to the placement of individual water systems.

A real disaster for the village has been a catastrophic deterioration of the road network. Most of the rural paved roads were built more than 20, and some even 30–40 years ago and during the recent one and a half or two decades they were hardly repaired. A particular damage is made by the heavy vehicles used by the agricultural holdings. And they destroy not only the paved roads: there are cases when after the passage of such vehicles along village streets there appear cracks in the foundations and walls of the nearby houses. The destruction of the road network creates difficulties for both the development and diversification of economic activities in rural areas, and for the implementation of reform programs for the social sectors (mainly health and education), making it practically impossible to access service facilities of higher level located in other settlements.

Thus, positive changes in the system of basic rural facilities have occurred mainly in the private segment of the sector of housing and communal services, and were supported by the households with sufficient funds. Much of the houses in the suburban villages and recreational areas ("second home", suburb villas, "dachas") were built by wealthy urban residents and building companies for the purpose of sale. Other categories of citizens who have improved their housing conditions include villagers with sufficient income from agricultural activities (heads and specialists of agricultural enterprises, successful farmers and owners of commercial private farms, etc.), non-agricultural activities, work abroad and more. As for the negative changes, they are mainly associated with transport and social infrastructure and related shortcomings in the work of the corresponding public agencies and institutions as well as businesses. The changes also indicate the increased differences in quality of life between: a) different strata of the rural population, especially between those occupied mostly in low-income farming (living conditions worsened) and those engaged in other activities (living conditions improved) b) different types of rural settlements – suburban and recreational villages and administrative and industrial centers (living conditions improved) and peripheral villages (living conditions worsened).

The separation of the corporate segment of agriculture from participation in rural development was accompanied by a similar tendency in the activities of the

ministry responsible for the formulation and implementation of agricultural policy. After unification in the early 1990s, of the State Committee for Rural Social Development with the then agricultural ministry, the latter became the "main authority for comprehensive rural development", as stated in the Regulations of the Ministry of Agrarian Policy of Ukraine (2006). Within the Ministry, there was a relevant department. However, over time, the Ministry of Agrarian Policy began to transfer the function of implementing programs and measures on rural development and the powers to coordinate the activities of other government bodies in this area to other ministries and departments.

Scope of the Ministry's purpose department was narrowed and it was merged with the Department of Education and Science. Later, even the mention of the village disappeared from the name of the combined department. In the recent Regulations of the Ministry of Agrarian Policy and Food of Ukraine (approved on 25.11.2015) in the list of areas where it is determined as superior in the system of central executive bodies, rural development (or the development of rural areas) is simply absent. However, in one of the three major tasks related to the formulation and implementation of public policy, rural areas are referred to as part of "the sphere of the agricultural production." Thus, Ukraine is "a unique country" where public regulation of rural development remains beyond the main functions of the Agricultural Ministry.

**The modern crossroad.** Today's village remains a place of the reforms of social relations at least in three dimensions: agrarian; generation and provision of social services; and local government and territorial organization of power. Since the reforms are taking place against the backdrop of unfinished transition from the "socialist" to "capitalist" economic system, they are accompanied by the resolution of the contradiction between the care about the interests of rural population (and general public) and aspirations of big business to obtain rental profits.

In the agricultural sector, competition is being waged around the two key problems: "the completion of land reform" and the preservation of preferential taxation of the agricultural producers, which remains the most significant support of the agricultural sector. "The completion of land reform" is identified with the abolition of the moratorium on sale of agricultural land and the introduction of its market turnover. Behind all discussions on the above mentioned issues is the underlying question, which is crucial for Ukrainian village: who will eventually possess the land plots that the peasants (or their heirs) obtained in the course of land privatization in the late 1990s – early 2000s: the agricultural holdings or (at least part of) the household farms? As for the preferential taxation of the farmers, the issue is mainly associated with the reorientation of the national policy from supporting large scale agricultural production towards achieving the objectives of rural development.

Currently, a number of circumstances indicate that corporate segment of the agricultural sector has more chances to resolve these problems to their favor. Thus, the large agricultural producers, especially the agro-holdings, have significantly higher financial capacity to acquire land after the lift of the moratorium on

its sale than small businesses, commercial farms and especially subsidiary farms. Proposals for restrictions on the sale of land to one person, for participation in the sale of representatives of the government and local communities will hardly stop further concentration of land ownership. Recent developments also indicate that supporters of the concentration of land in the ownership of large agricultural corporations create additional barriers to the entry of the household farms to the land market: the adopted by Verkhovna Rada amendments of the legalization of family farms are formulated so as to prevent the subsidiary farms from legalizing and purchasing land for agricultural production.

The fight for the preservation of preferential taxation in agriculture, including the special regime for VAT is also being waged for the retention of the agrarian corporations' priority access to indirect budget support of the agricultural sector. In 2016 there were attempts to cancel the existing procedure and shift over direct payment of the full VAT to the budget. But the lobbyists for the agro-holdings supported by the representatives of private farmers managed to keep partial return of VAT to the agrarian producers and launched a campaign to restore the full return. This means that the revision of the current system of support of the agricultural sector may be further postponed.

Despite the above mentioned developments, the possibility remains that, at the present crossroad of agrarian developments, the rural interests will be considered better than during the past reforms. Society becomes increasingly aware of the risks of the excessively polarized dual model of farming, and social and environmental threats of further consolidation of the holdings in the agrarian sector. Among the peasants' farms, there is a group of market-oriented agricultural producers that meet internationally recognized criteria of family farms, who, according to our estimates [8] account for 20% of all peasant farms, i.e. 700-800 thousand farms.

With the creation of a favorable institutional environment (registration, accounting and reporting, social security, economic and organizational support, etc.), they can be a powerful factor in balancing Ukrainian agricultural system and strengthening the economic basis of rural development, in particular, in consolidating the rural middle class.

Overcoming the structural distortions in the agricultural sector, including the divergence between agricultural and rural development is required by the Association Agreement between Ukraine and the European Union. A significant event was the formulation of the "Single Comprehensive Strategy of Agricultural and Rural Development in Ukraine for 2015–2020", which was approved by the National Council of Reforms. The document envisages focusing the measures for the revival of rural development on three areas: 1) supporting small agricultural producers; 2) improving the quality of life and diversification of economic activities in rural areas; 3) promoting rural development on the basis of the communities. These guidelines not only meet the basic principles of rural development in the EU, but also suggest certain reference points to implement, in rural areas, the basic provisions of the new reforms in public services and local government.

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Reforming the public services is primarily planned in education and health care; appropriate changes are consistent with the provisions of the reform of local government. The concepts of reforms in these areas have been developed, and a series of draft laws aimed at implementing the concepts have been prepared and submitted to the Parliament. The reform of local government has better progress: as of early 2016, 159 joint territorial communities were established. The main results of the reforms, as declared in the corresponding documents, should be the improvement of the affordability and quality of services and rise in the quality of life in all settlements, including the rural ones (Table 3).

*Table 3*

### **Main provisions of the Concepts of the Reforms of Local Government, Education and Health Care related to the quality of life in rural areas**

<b>Local government</b>	<b>Education</b>	<b>Health care</b>
<p>Ensuring the availability and quality of public services by:</p> <ul style="list-style-type: none"> <li>- providing basic services on the territory of the basic administrative unit ("community") of client's residence;</li> <li>- developing local infrastructure;</li> <li>- organizing passenger transportation in communities;</li> <li>- performing a proper management of secondary, pre-school and school education;</li> <li>- providing first aid, primary health care, preventing diseases.</li> </ul>	<ul style="list-style-type: none"> <li>• Structuring general secondary education by levels: primary, basic, senior; organization of primary education at the children's residence.</li> <li>• Demonopolization: education may be provided in public or private institutions or in the form of home or individual learning.</li> <li>• Legalization and codification of individual teaching activities.</li> <li>• Applying multifunding schemes.</li> <li>• Directing budget funds for secondary education to service providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Consolidating the provision of primary medical care (family doctors as autonomous agents of PMC, patient's choice of family doctor).</li> <li>• Reforming the hospital network, eliminating discrimination between public and private institutions.</li> <li>• Applying multifunding schemes.</li> <li>• Separation of the functions of service provider and customer: purchasing agencies.</li> <li>• Licensing of physicians and their contracting.</li> </ul>

*Source:* compiled from corresponding documents.

The quality of life in rural areas could be contributed from: *de-monopolization of services* (they will be provided not only by public facilities, but also by private ones, as well as by and licensed professionals working individually); *multi-funding* – financial resources of service providers will be formed from budget allocations, contributions by enterprises and organizations (such as medical insurance of employees), customers of paid services and other sources; implementation of the principle that budget funds follow the consumer; and other novelties. It is hoped that the current customers' shadowed payments ("sponsorship", "pa-

rental fee", "royalties" etc.) will be legalized, with the customers' share in funding high quality services likely to increase.

At the same time, concern is raised by possible early introduction of changes aimed at increasing the quality of services, including a new wave of network optimization (i.e. reduction of the number) of service facilities, their narrow specialization, and privatization of health facilities. Inconsistency of such measures with the overall change in the situation in rural areas (restoration of road network, staffing educational and health sectors and local government at the community level, and increasing income of rural residents, without which they cannot participate in co-financing the services sector) could worsen the quality of life in most villages.

As shown in Table 3, the bulk of educational, medical and administrative and other public services for the new system of territorial organization of power must be provided to the population within the new administrative units that will be created in the course of enlargement of the current territorial communities (village councils, city councils). It is assumed that, on one current rural administrative district, 3-4 or 1-2 new communities will be created. To encourage village councils to unite, they are promised additional revenues to local budgets, and grants for infrastructure development. Also it is promised not to close the elementary schools, provide the access to primary medical care and more.

However, mindful of the consequences of previous reforms, the villagers do not really believe that a mere enlargement of the communities, even with a reallocation of budget funds will improve their living conditions. And their disbelief has obvious reasons. Foreign experience demonstrates the ineffectiveness of such reforms if they are based on purely paternalistic approach to the regulation of social processes. Therefore, the modernization of rural self-government, territorial organization of power and public services should be combined with the implementation of community based rural development policy. In the context of rural development, communities are considered not as administrative units, but as self-organized villagers who share a common living space (usually within one village), and are united by the desire, willingness and actions to improve the economic, social and environmental situation and who have created, for this purpose, a group of common action and appointed a leader from among its members.

Rural development provides for raising the communities to a level where, in order to raise their well-being, they are able to use the existing local assets and combine them with external capabilities on the basis of partnership, including a partnership with the state. It is only in this way that can be successfully implemented the measures on changing the current agricultural policy in favor of public interest, and on implementing the reforms in the areas of public services and local government. The driving force here is the community's initiation of decisions affecting its vital functions and environmental progress. Participation of the community should not be formal (pseudo participation) but a real one, which is achieved through self-organization of the peasants.

### **Conclusions**

In summary, it should be noted that in a highly competitive global agricultural markets, agricultural development in Ukraine will inevitably be associated with increased intensity of production hence with further reduction of employment in agricultural enterprises.

For many reasons it is advisable not only to increase agricultural exports, but also to keep cultivation of rural areas as a basis of state-oriented approach to agricultural and rural development in Ukraine. In this context it is necessary:

- first, to create proper conditions for agricultural diversification and alternative employment opportunities in rural areas and especially to support family farming, the development of which would facilitate the access to resources, especially land, small loans, favorable markets and so on;
- secondly, to support the development of collective action and other market integrators to enhance the marketability of family farms, both in terms of agriculture and other economic activities that would create additional opportunities for rural incomes in the conditions of the lack of organized areas for the application of labor;
- thirdly, to support the development of real rural self-government, especially in terms of leadership and multi-channel funding of local initiatives, because it is impossible to develop rural areas only "from above";
- and fourthly, – the most important measure, that will create opportunities for implementing local initiatives – "reviving" the road transport network, and providing the villagers with high-quality communication services (including telecommunications), and broadband internet. At the same time, it is necessary to connect to these services the local authorities and budget organizations, which also improves the quality of life and helps attain a new level of communication between population and government: getting assistance online, without spending time on traveling to the town or district center, paying taxes and effecting other payments and purchases without leaving home, accessing educational resources and unlimited communication and so on. Eventually there should not be any difference whether the user lives in urban or rural area.

Formulation and implementation, in Ukraine, of the community based state-oriented approach to the policy of agricultural and rural development can change the negative tendencies in the development of Ukrainian village at the modern crossroads of possibilities and give a hope for its modernization based revival in the interests of the whole society.

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