

# STRATEGIC, ECONOMIC AND LEGAL DIMENSIONS OF AGRIBUSINESS DEVELOPMENT IN THE EUROPEAN UNION AND UKRAINE: PERSPECTIVES, CHALLENGES, AND OPPORTUNITIES

ANETA BEŁDYCKA-BÓRAWSKA  
IRENEUSZ ŻUCHOWSKI



**OSTROŁĘCKIE  
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## **Abbreviation Meaning**

€	Euro (currency)
EC	European Commission
EITI	Extractives Industries Transparency Initiative
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Agreement
G8	Group of Eight
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
HS	Harmonized System
IR	International Relations
KPCS	Kimberly Process Certification Scheme
MFN	Most-Favoured Nation
NAMA	Non-Agricultural Market Access
OECD	Organization for Economic Co-operation and Development
RMI	Raw Materials Initiative
RTA	Regional Trade Agreement
SITC	Standard International Trade Classification
TDCA	Agreement on Trade, Development and Cooperation
TFEU	Treaty on the Functioning of the European Union
UNCTAD	United Nations Conference on Trade and Development
UK	United Kingdom
US	United States
VAT	Value-Added Tax
WTO	World Trade Organization
WWII	World War II

## MODELS OF RURAL DEVELOPMENT IN THE CONTEXT OF EUROPEAN INTEGRATION

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### 4.1. Introduction

The development of rural areas is one of the key factors of the socio-economic stability of the country, as it determines the standard of living of the rural population, ensures food security, supports the regional economy, and influences demographic processes. The current stage of Ukraine's development is accompanied by complex challenges faced by rural communities due to hostilities, structural transformations of the economy, and the need to adapt to European standards. The degradation of social infrastructure, the reduction of employment, and environmental threats require original approaches to rural development management.

The decentralization reform has created preconditions for increasing the autonomy of communities, but its effectiveness depends on the financial capacity of local self-government, the level of infrastructure development, and the ability to attract investments. The lack of an integrated approach to the regulation of rural development, insufficient integration of modern digital technologies, and environmental standards hinder the economic growth of regions.

The relevance of the study is due to the need to search for effective models of rural development in the context of European integration and global transformations. Successful examples of EU countries demonstrate that sustainable development is possible only if a multidimensional policy that covers economic, social, and environmental aspects is implemented. Remain fragmentary, which requires scientifically grounded management decisions.

Further development of rural areas requires adaptation of European best practices, including financing mechanisms, digital transformation of management processes, and implementation of environmental standards. An important task is the creation of effective tools for post-war economic revival, in particular, the development of the cooperative movement, the diversification of the economy, and the attraction of innovative business models. The integration of these approaches into the system of state and regional policy will contribute to the formation of an effective model of rural development management and ensure the stability of socio-economic processes in the regions.

The purpose of the study is to develop models and practical recommendations for the formation and functioning of institutional mechanisms for the development of rural areas in the economic space of the region, taking into account international experience and modern challenges caused by the processes of European integration, digital transformation, environmental adaptation, and decentralization.

To achieve this goal, it is necessary to solve the following tasks:

- To substantiate the theoretical and methodological foundations of the development of rural areas by analyzing the main conditions and factors of the formation of mechanisms for their regulation.
- To explore modern concepts of rural development management, in particular European approaches, digital technologies, and environmental and financial mechanisms.
- To develop models of institutional support for the development of rural areas, adapted to the regional characteristics of Ukraine, considering their economic, social, and spatial differentiation.
- To offer practical recommendations for improving the mechanisms of rural management in the context of post-war recovery, European integration, and sustainable development.

The scientific novelty of the study lies in the development of complex models of institutional support for the development of rural areas, considering the modern challenges of European integration, digital transformation, environmental adaptation, and decentralization. Within the framework of the study, the theoretical and methodological foundations of rural development are also clarified through a systematic analysis of the mechanisms of their regulation, which includes the influence of economic, social, environmental, and institutional factors.

The results of the study can be used in the practice of state and local government to develop strategies and programs for rural development, introduce innovative mechanisms of financial support, and adapt the European experience in Ukraine. The proposed management models can become the basis for the implementation of innovative approaches to regional development, improving the mechanisms for attracting investments and increasing the competitiveness of rural areas.

The theoretical significance of the work lies in the expansion of the scientific basis for the management of rural development, the integration of modern theoretical approaches to the analysis of territorial development, and the formation of new managerial decisions in the field of agriculture, spatial planning, and economic policy.

#### **4.2. Conditions and factors of formation of mechanisms for regulating the development of rural areas**

The international community defines the concept of "development" as a process in which the actions of the people themselves are combined with the actions of the authorities to improve the economic, social and cultural conditions of the community and its integration into the general flow of the nation's life, to enable them to make the maximum contribution to national development (Liu et al., 2024). This interpretation of development most fully reflects the importance of the personal humanistic factor in achieving positive and qualitative dynamics of the object of social relations.

From the point of view of managerial activity, the sustainable development of territorial units of self-government of the rural subsystem of society can be characterized as a system of subject-object relations. At the same time, the object is the territorial units of the rural subsystem of society as a system, and the human community is the subject. Conditions for ensuring their satisfaction.

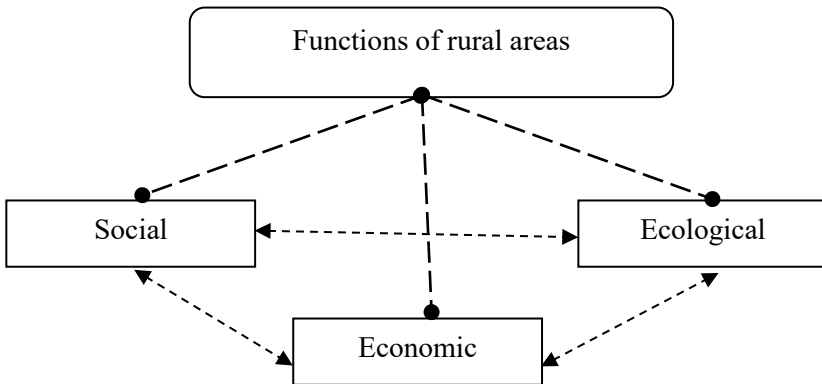
If we turn to the theories of cycles of industrial development of J. Schumpeter, then the development of rural territorial units can be studied as a process that includes the following stages:

1. The revival of rural territorial units is the achievement of such a level of social and economic development, under the conditions under which the revenues of the territory will be able to cover the costs caused by the need

to ensure an adequate standard of living of rural residents with revenues from the use of their resources and production capacities.

2. Sustainable development of rural territorial units is the stage of expanded reproduction, i.e. ensuring such a level of social and economic development of the territories of the rural subsystem of society, at which the income received from the use of their resources and production capacities will compensate for the costs caused by the need for further social and economic development, and at the same time, will contribute to the achievement of a higher than standard of living of their inhabitants and the further development of rural subsystems of society (Ribeiro et al., 2023).

The main component element of the development of territorial self-government units of the rural subsystem of society is the stability of the economic base of the village and the expanded reproduction of agricultural production in a combined combination of small, medium, and large. Hence, everything else – the social sphere, decent living conditions, the formation of a sense of ownership on this land, an active civic and political position. Without creating an economic base for the livelihood of the rural population, it is simply impossible to solve the whole complex of problems of the village. By the definition of the concept of rural development, we will note the main functions of rural areas that provide it (Fig. 1).



**Figure 1. Functions of rural areas**

*Source:* developed by the author

In Europe, there is an increasingly dominant belief that rural development is based on the development of local self-government, structural and regional policies, and the powerful influence of agricultural policy. It is a common and correct statement that the development of rural areas directly depends on the income level of rural residents and local budgets.

The development of rural areas should not be understood in a simplified way, only as the development of the material and technical base, housing, and social infrastructure in the countryside. It is certainly related to the restoration of the village from the point of view of systematizes, that is, through the restoration of rural communities. Its two vectors are important in this context: raising living standards (related to material factors) and improving the quality of life in the countryside (related to the extra-material, spiritual, and social needs of a person). However, it is not difficult to trace its other dimensions: the preservation of a specific rural way of life and its social values and the adaptation of the "rural lifestyle" to modern requirements.

For the development of rural areas to acquire a purposeful, predictable character and to be effective in compliance with the criterion of optimal use of resources, it is necessary to provide appropriate institutional support for the management of these processes.

Managerial activity implies the existence of two important components – the subject of management (exerts managerial influence) and the object of management (the component of the system, which indicates this influence, creates conditions for the implementation of the social mission of managerial influence). Managerial influence is the process of forming purposeful interaction between the subject and the object of management to achieve socially important results (Melnik-Shamrai et al., 2023). The above definition contains fundamentally important points. On the one hand, the managerial influence of the subject of management on the object is transformed from a one-sided phenomenon into their close interaction, which to a greater extent reflects the dialectical features of irreversible, directed, regular changes in socio-economic systems. On the other hand, the use of the criterion of social importance of the result of managerial influence reflects the social orientation and mission of any management system.

As a result of agrarian reforms and European integration processes, significant structural changes have taken place in Ukraine's agriculture. The introduction of the land market, decentralization of management, digitalization of the agricultural sector, and integration into EU policies have become key factors in the transformation of rural areas.

In parallel with these processes, new models of rural development management are being formed, based on the involvement of communities, local self-government, and businesses as active participants in regional development. An important task is the adaptation of rural areas to modern challenges, such as economic instability, the consequences of war, population migration, climate change, and the need to transition to ecological production.

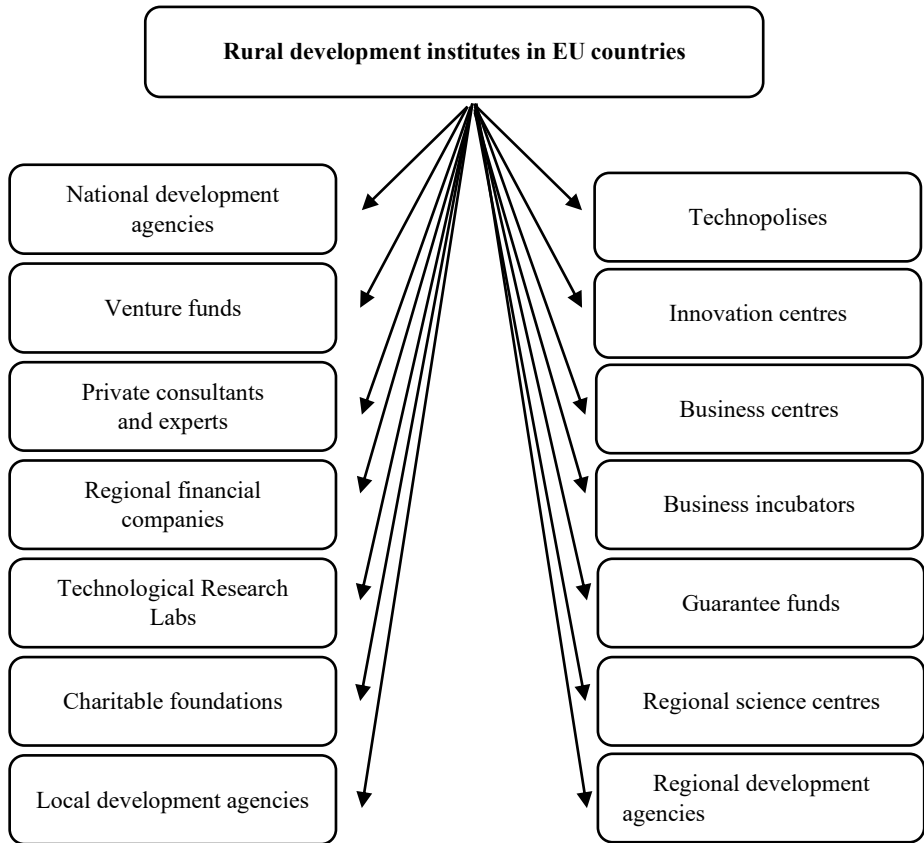
Modern rural communities are not only administrative units but also centers of sustainable development, implementing economic, social, and environmental initiatives in cooperation with state institutions, businesses, and international partners. Rural development increasingly depends on the ability of communities to generate their financial resources, attract grant funding, create cooperatives, and implement local initiatives.

In modern regional politics, the balance of territorial development is considered a key task of economic reforms. The EU uses the "growth poles" model, which allows stimulating the development of depressed territories by creating economic clusters and promoting domestic investment.

The experience of the EU demonstrates that the lack of an active regional policy can lead to increased socio-economic disparities between regions. Studies show that rural development requires a targeted movement of capital and investment to underdeveloped regions, which is in line with the principles of the EU cohesion policy (Li et al., 2021).

Summarizing the experience of European countries, it is possible to provide a list of institutions (Fig. 2) that are directly involved in the processes of irreversible, directed, natural change of the rural area along with state authorities and multi-level local self-government bodies.

The concept of "new regionalism", which dominates in Europe, provides for an integrated institutional approach to rural development. This means that state bodies, local governments, agribusiness, and public organizations must act together to find effective models of cooperation and investment.



**Figure 2. Rural Development Institutions in EU Countries**

*Source:* formed by the author based on Martino, 2024)

In Ukraine, agribusiness is traditionally focused on achieving its profitability, but in recent years, there has been an increase in its participation in the development of local communities through corporate social responsibility programs. Some agricultural holdings and large enterprises invest in social infrastructure, education, environmental initiatives, and support for small farms. However, this process is not yet systemic and requires state stimulation.

The European model of rural development is based on the principles of multi-level governance. EU governments are mostly assigned the function of creating favorable conditions – developing a legislative framework, forming infrastructure, and providing financial resources. Regional authorities act as an

intermediary between central policy and local initiatives, helping communities implement development strategies (Pollermann et al., 2020).

To finance regional development, the EU has a Cohesion Policy (Cohesion Policy 2021–2027), for which 392 billion euros have been allocated. A significant part of the funds is directed to depressed areas, innovative projects, environmental initiatives, and digitalization. Just Transition Fund (JTF) and Invest EU programs are also important as they contribute to the sustainable development of rural regions.

The EU also has territorial convergence programs aimed not only at new member states but also at neighboring states, including Ukraine. Through the Neighborhood, Development, and International Cooperation Instrument (NDICI), Ukraine receives funding to support rural areas. In addition, the ENPARD initiative ensures the adaptation of Ukraine's agricultural sector to the standards of the EU Common Agricultural Policy (CAP) (Stoustrup, 2021).

A special role in rural development is played by the LEADER program, which stimulates community development through Local Action Groups (LAGs). LAGs are created from representatives of the community, NGOs, and local government. Several LAGs are already operating in Ukraine, attracting international funding and contributing to the formation of local initiatives.

The basic principles of operation of LAGs include:

- Development of local partnerships and cooperation networks.
- Integration of different sectors of the economy.
- Decentralization of management and public control.
- environmental sustainability and the use of renewable resources.
- digital transformation of rural communities.

An important aspect of LEADER is the active participation of the community, which contributes to the empowerment of local self-government and the formation of sustainable economic models at the rural level.

The territorial rural community should play the role of a local economic driver, coordinating sustainable development and digital transformation initiatives. Its main functions are:

1. Development of the economy and entrepreneurship, attracting investments, support for farmers' cooperatives and SMEs.
2. Digitalization and innovative development, including Smart Villages, electronic services, and the development of IT infrastructure.
3. Creating jobs and developing human capital, expanding employment opportunities, training specialists for the modern agrarian economy.

4. Development of social infrastructure and improvement of the quality of life, including healthcare, education, culture, and public spaces.
5. Environmental sustainability and climate adaptation, development of a circular economy, support for ecological farming.

Modern rural development should be based on an integrated approach that includes public policy, local autonomy, international support programs, and the private sector. Within the framework of this strategy, four main models of institutional partnership can be distinguished:

1. Institutionalized partnership between government bodies – community associations, regional development agencies, intermunicipal cooperation.
2. Flexible intermunicipal partnership – implementation of joint projects at the level of territorial communities, cross-border cooperation.
3. Private business partnership – development of cooperatives, agricultural clusters, value chains, innovation ecosystems.
4. Public-private partnership (PPP) is cooperation between communities and businesses and international investors to implement environmental and social projects.

Thus, modern communities should be not only coordinators but also active participants in the development of rural areas, using European financing mechanisms, digital technologies, and sustainable development strategies.

At the same time, an American researcher, based on the generalized experience of the development of the rural subsystem of society, in particular in the United States and some European countries, has developed three models of the functioning of a special institute for the development of territories (Sili et al., 2022).

Model 1. The Institute of Territorial Development functions as a subdivision of the government at the local level, in particular in the form of the Department of Planning and Economic Development. It is formed by the following departments: economic planning; planning; economic development; public services; financial management; business development, employment, and training.

Model 2. The Institute of Territorial Development functions in the form of a commercial enterprise and is based on private property.

Model 3. The Institute of Territorial Development functions in the form of an associative association of local self-government bodies, business structures, and public organizations.

The models of functioning of special institutions for the development of territories, proposed by E. Blackley, remain fundamental, but in modern conditions, they need to be updated and adapted to new challenges. Today, the development of territories requires flexible approaches, the integration of digital technologies, international cooperation, and the implementation of sustainable development principles. With this in mind, traditional models of territorial development are complemented by new management tools that consider modern European practices, Smart Village policies, and environmental transformation.

The updated state model of territorial development provides for the functioning of local development agencies, communal enterprises, or economic development departments in communities. It is focused on strategic planning, spatial management, and the involvement of international partners through the LEADER, Interreg, and Horizon Europe programs. Of particular importance in this model is the introduction of digital governance (Smart Governance), which includes electronic platforms for territorial management, digital cadastre, and mechanisms for the transparent allocation of resources.

The private-economic model of territorial development, which traditionally provided for the functioning of commercial enterprises based on private property, is now being transformed into the creation of innovative rural hubs, agro-industrial parks, and green incubators of entrepreneurship. It is focused on the development of venture funds, corporate initiatives, cooperation of farmers, and attraction of international business. In this model, the key priorities are the development of agro-processing, short food chains, green economy, and agritourism, which is in line with the European Green Deal strategy and the principles of the circular economy.

The partnership model of territorial development has evolved from a classic associative association of local authorities, business structures, and public organizations to a more integrated system of intersectoral cooperation. The modern approach involves the development of cluster models and interaction between communities, businesses, and educational institutions. This model is based on inter-municipal cooperation networks, international funding programs, grant initiatives, and public-private partnerships (PPPs). It also includes the creation of Community Development Centers, platforms to support small businesses, consultation centers for farmers, and agro-innovation hubs that ensure the integration of intellectual capital into the development of territories.

Thus, modern models of territorial development should combine public management mechanisms, private initiatives, and partnership formats within the framework of the overall strategy of Smart Rural Development and Green

Transition. This allows us to ensure the sustainable development of rural areas, their financial self-sufficiency, integration into the European economic space, and improvement of the quality of life of the population.

Rural development should be based on maintaining a balance between the autonomy of local communities and effective interaction with state institutions. It is important to ensure the independence of NGOs working in the field of rural development from political influence, promoting their role as drivers of local initiatives and partners in the implementation of Smart Village strategies. But also, to take an active part in the processes of planning, attracting investments, digital transformation, and ecological adaptation of territories (Stojanova et al., 2021).

The development of rural areas directly depends on local resources, managerial traditions, and regional specifics. The use of cluster approaches, decentralized financing models, and cross-border cooperation allows territories to adapt to global challenges and form sustainable development strategies. Considering local specifics, environmental potential, and digital opportunities, a determining factor for the effective development of each community.

Therefore, its management requires an organization whose main mission is the collective interests of the peasants in the development of the rural area. Such an organization should have clear links with local and regional authorities, in particular in matters of management, financing, or defining development tasks. To perform these tasks, the institution must meet the following criteria:

- be perceived as an institutional mechanism of regional development by state authorities, local and regional self-governments, and other structures.
- coordinate their activities with state and self-government structures.
- at the same time maintain autonomy in decision-making.
- Have a developed rural development strategy that will be consistent with the priorities identified by public authorities and the public.
- Have sufficient financial resources for the implementation of basic projects for the development of rural areas, support of their infrastructure.
- Have qualified professional staff.

Rural development management should be conducted based on a mechanism for involving various institutions (government agencies, organized public, local business, community-based organizations) in the development process and determining the necessary prerequisites for their effective interaction.

The main role in the organization of coordinated work of all management entities (state and local authorities, business sector, community) should be played by optimal institutional support, the assessment of the effectiveness of which is a necessary condition for improving the tools for the influence of local authorities on the nature of changes taking place in the local socio-economic system (community). The assessment methodology should be aimed, on the one hand, at analyzing the level of socioeconomic development of the rural area and, on the other hand, at assessing the process of community participation in the development and implementation of strategic concepts and programs for the development of the community itself.

From the point of view of the possibilities of their application by local governments and compliance with the basic criteria for rural development management, modern tools for diagnosing the level of development can highlight advantages and disadvantages. Significant shortcomings are the insignificant attention paid to the assessment of the managerial impact on the level of rural development and the underestimation of the significance of the social and environmental components of development. In addition, the analysis of the management process itself on formal grounds (sequence of stages, compliance with procedures, etc.) is not sufficiently related to the real (actual) results of managerial influence on the community.

The methodology used by the institutions of power to determine the effectiveness of the program, plan, and concept conducted and planned for implementation has quite wide opportunities for comparing and grouping a large number of territories according to the level of development, determining the rank of a particular of them. However, it does not allow assessing the adequacy of the management decisions made and their perception by residents and contains contradictions in the dynamics of interrelated indicators. An important criterion for analyzing the quality of management is the correspondence of the goals and objectives of territorial socio-economic development to the interests and needs of the population, the rural community. Therefore, in the study of the effectiveness of management, the attitude of residents to the results of managerial activities of local authorities and the level of interaction of various subjects in the management of rural development should be considered.

At the same time, it should be noted that the results of the implementation of management decisions and programs adopted by government institutions without coordination with the rural community do not always meet the expectations of residents. Therefore, the system of indicators for assessing the effectiveness of rural development management should include two parts:

- 1) evaluate the results of rural development.
- 2) Grouped indicators of the analysis of the process of managing the development of rural areas with the involvement of rural communities.
  - The main directions of improving the instruments of influence of local authorities on the nature of changes taking place in the local socio-economic system – the local community – are as follows:
  - Increasing attention to the assessment of managerial impact on the level of rural development.
  - Introduction to the toolkit for assessing the social and environmental components of development.
  - Minimizing the list of indicators.
  - Simplification of calculations due to the introduction of integral indicators.
  - "e-governance" systems.

Assessment of the compliance of the goals and objectives of territorial development with the interests and needs of the rural community is an integral element of the analysis of the quality of management of rural development. In the study of the effectiveness of management, it is necessary to take into account the attitude of residents to the results of managerial activities of local authorities and the level of interaction of subjects of management of rural development with such indicators as the level of trust in local authorities, public awareness, the level of participation of residents in implementation of development programs and others. Such a system of indicators for assessing the management of rural development allows, on the one hand, to assess the dynamics of the main areas of rural development (economic, financial, social and environmental), on the other hand, to assess the process of rural development management as a set of program documents: strategic plan, programs and development projects and current activities of local authorities. In addition, it makes it possible to answer the questions of how the dynamics of indicators of various spheres of life of the village is reflected in the well-being of the population; what are the problem areas in the activities of local authorities in the field of governance, etc. (Shelenko et al., 2023).

A different understanding of the essence of the development process inevitably affects the nature of its management, which is reflected in the typology of approaches to determining the content of the category of "management" of rural development (Table 1).

The systematization of approaches to development management is the beginning for understanding the peculiarities of local development and the specifics of managing this process, the formation of a system of priorities for the development of rural areas, which corresponds to modern trends in the development of society and management relations. In addition, the comparison of different approaches to the composition of participants and the expected results of management lays the foundation for the development of modern tools for assessing the effectiveness of local development management.

**Table 1. Typology of Approaches to Determining the Essence of the Process of Management of Rural Development**

No. p/p	Approach	Subjects of action (management)	Results
1	Objective (evolutionary)	Not considered	Identifying changes that can be both positive and negative
2	Command and Administrative	Power institutions (authorities: ministries, departments)	Meeting the needs of sectoral ministries and departments, new development of territories
3	Economic (infrastructure)	Local authorities	Development of infrastructure, increasing the efficiency of economic activity and management of state property.
4	Comprehensive	Various subjects (primarily state and local authorities)	Achieving a certain level of development to meet the needs of the community and the state in a certain territory
5	Quality	Many actors/stakeholders (state and local authorities, communities, and the business sector)	Improvement of the well-being of the population (more complete satisfaction of needs), its involvement in the management process, and preservation of the previous environment

*Source:* developed by the author

Based on the generalization of approaches to the management of rural development, it can be concluded that in modern conditions, the analysis of the management process should be based not only on quantitative but also on qualitative criteria. The main goal of development should be to improve the living conditions of the rural population, which are reflected by a complex indicator

that includes the level of income, the number and quality of jobs, the level of education, the quality of the habitat and other indicators that characterize the ability of rural residents to meet their needs.

The development of the territory is influenced by a complex mix of subjective and objective factors. Objective factors include spatial location, resource potential (natural resource, financial and human potential), and place in the management system (district center, rural settlement, etc.).

Subjective factors include the availability of qualified managerial personnel, their understanding of the essence of socio-economic development and their ability to organize it (development of a strategic development plan), conjunctural factors, investment attractiveness, and participation of the population in development.

The development of a rural area depends on a combination of natural factors and the purposeful action of interested subjects, i.e., the management of this process. For successful adaptation to changes in the external and internal environment of local authorities, it is necessary to adjust the traditional functions performed by local development management entities to supplement them with new ones corresponding to the modern model of "joint management" (Table 2).

Table 2 shows the ratio of traditional functions performed by subjects of the process of managing the development of rural areas, target areas of improving its quality. The study of the level of implementation of the reflected benchmarks is an essential element of the analysis of the tools for assessing the effectiveness of management of rural development.

As mentioned above, the main tools of the development management process are the strategy and programs of rural development. In practice, there is often an identification of planning and programming processes, which reduces the effectiveness of the use of these management tools. The strategy of socio-economic development of rural areas should be built taking into account modern principles of strategic planning, which allows to fully use the potential of local authorities and use all available resources, including social capital, and based on a clear idea of the state of the object of management, possible changes in the external environment that open up new development opportunities or create threats to it (Gutorov & Gutorova, 2023).

**Table 2. Rural development management institutions, according to the model of "joint management"**

No. p/p	Subjects	Traditional functions	What should be the participation in management
1	Institutions of state power	Formation of the legal space, implementation of macroeconomic planning and control	Selective support for priority areas of development
2	Local Government Institutions	Forecasting and planning of development, solving current problems, control functions	Emphasis on the effective use of the existing development potential, organization of interaction between management entities, search for "new ways of development"
3	Business entities	Meeting the needs of the population in goods, services, and jobs, and making decisions on their investment policy.	Partnerships with local authorities in the development and implementation of development programs
4	Community	Choosing the type of your behavior and the form of dialogue with the authorities	Transition from the state of the object of influence on the position of the subject of development (self-development)

*Source:* developed by the author

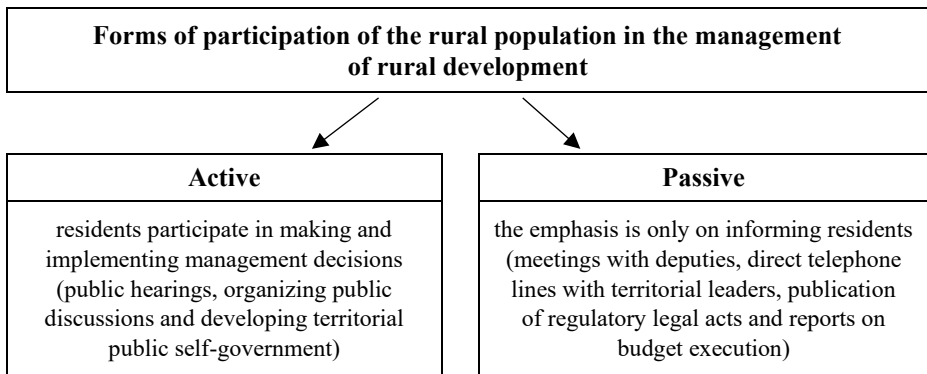
Therefore, the strategy for the socio-economic development of rural areas is not a tool for attracting resources from budgets to solve current problems and "patch up existing holes", as is the case now.

In the management of local development, new requirements for strategic management should be reflected. The most relevant for local institutions of power are such interrelated factors as changing the role of management entities, increasing the importance of information, involving the population in the process of development management, etc. An important characteristic of effective management is the orientation towards moving away from standard solutions and finding new ways to achieve goals, which is especially important in the context of increased differentiation of institutional formations by the level and potential of development.

Active involvement of the community in development management contributes to improving the quality of the "management product" due to several factors:

1. by researching and considering the needs of the rural community when making strategic decisions that provide a positive assessment of the process of rural development.
2. due to the use of such an inexhaustible resource of development as social capital and creative abilities of people living in rural areas.
3. due to the consolidation of the rural community, which will contribute to a more effective achievement of the goals of rural development.

There are two forms of participation of the rural population in the process of managing the development of rural areas: active and passive (Fig. 3). In modern conditions, the active participation of the rural community in the process of building a strategy and concept for the development of a rural area is a priority since it reflects the issues of rural life and their further solution.



**Figure 3** Forms of participation of the population in the management of rural development

*Source:* generated by the author

A necessary condition for improving the tools for the influence of local authorities on socioeconomic development is not only the assessment of the management process itself but also the determination of its effectiveness. Traditionally, when evaluating efficiency, the emphasis was placed on economic indicators, but modern approaches require an emphasis on social, environmental, and managerial aspects that directly affect the quality of life of the population.

In Ukraine, the process of adaptation of European methods for assessing the development of territories continues, but there is still no single comprehensive toolkit for analyzing the effectiveness of management of socio-economic development of communities. The existing system of statistical indicators does not fully consider the real needs of local communities, and sociological surveys often show discrepancies with official data.

In recent years, steps have been taken at the state level to improve the methods of monitoring the development of rural areas (Tymoshenko, 2024). In particular, the Ministry of Community Development and the State Statistics Service of Ukraine use indices of tax capacity of territorial communities, indicators of local budgets, assessments of the level of administrative services, and economic activity of the population. In addition, international initiatives are being implemented, including the LEADER, DOBRE, and U-LEAD programs with Europe, which include the assessment of social cohesion, employment levels, and the availability of medical, educational, and transport services in communities.

However, the modern approach to assessing the development of territories requires going beyond traditional economic indicators. To obtain objective analysis results, the following aspects must be considered:

- the opinion of the population regarding changes in the community and the level of satisfaction with services,
- availability of information on the activities of local authorities,
- the degree of interaction between government agencies, business, and civil society,
- Focus on finding innovative solutions in the development of territories (for example, digitalization, green energy, smart rural communities – Smart Villages).

Modern rural development management tools should consider not only current statistical indicators but also the complex impact of management decisions on the well-being of the population, social cohesion, and environmental sustainability of the community. This requires the development of new models for assessing efficiency, which will be based on international practices and adapted to the specifics of the development of the territories of Ukraine.

### **4.3. Modern concepts of formation of mechanisms for the development of rural areas**

The development of rural areas of Ukraine is formed under the influence of global, national, and local factors that interact with each other, determining the features of economic, social, and environmental processes. Global trends, such as growing demand for food, technological progress, climate change, urbanization, and the strengthening of the role of sustainable development, create new challenges and opportunities for the transformation of the agricultural sector and rural communities. In turn, national factors, including state agrarian policy, land reform, regional decentralization, and European integration processes, determine the strategic directions of territorial development, their financial support, and institutional capacity.

Local factors, such as the level of economic activity of the population, natural resource potential, social cohesion of communities, the quality of local infrastructure, and the availability of state support, form direct conditions for the development of rural areas. The interaction of these levels of influence creates a complex system in which rural development is not a linear process but occurs through the adaptation of local communities to external changes and the use of existing opportunities.

According to institutional theories, institutional changes in rural space occur gradually through the interaction of formal and informal norms, management traditions, and cultural and socio-economic constraints. Formal institutions, such as legislative acts, state programs, financial support instruments, and regulatory mechanisms, determine the framework for the functioning of the agricultural sector and local self-government. Informal institutions, including customary law, traditional forms of management, social values, and local practices of interaction, affect the effectiveness of the implementation of reforms and the perception of changes in the community.

Globalization and integration of Ukraine into the European space require adaptation of the institutional environment to modern management standards, which provides for the digitalization of the agricultural sector, the introduction of sustainable technologies, the development of cooperation between communities, and the formation of a polycentric system of spatial development. Modern challenges, such as market liberalization, land reform, environmental constraints, demographic changes, and migration processes, require flexible management models that ensure the stability and self-sufficiency of rural areas.

Rural development is a dynamic process that depends on the ability of institutions to adapt to change and ensure a balance between economic efficiency, social stability, and environmental responsibility. This requires an integrated approach in which global, national, and local mechanisms are integrated, aimed at creating a sustainable and competitive rural economy.

Given the complexity and multidimensionality of the processes affecting rural development, modern governance mechanisms should be based on the integration of different approaches and tools (Adamowicz & Zwolińska-Ligaj, 2020). Traditional methods, which focused on agricultural production and administrative regulation, can no longer ensure sustainable development. Instead, it is necessary to introduce more flexible, adaptive models that consider the specifics of regional development, digital transformation, environmental challenges, and the needs of local communities.

Current trends in rural management require a transition from a narrow sectoral vision to an integrated approach, including the development of entrepreneurship, the expansion of local markets, the improvement of infrastructure, the introduction of innovative technologies, and the attraction of international resources. Of particular importance is the active role of communities, which should become initiators of local projects and effectively use financial support mechanisms.

In this context, it is important to analyze the key concepts on which modern mechanisms of rural development are based. They cover approaches to spatial planning, financial security, international cooperation, and the use of the latest technologies to create a sustainable and competitive rural economy.

#### **4.4. Decentralization and strengthening the financial capacity of communities**

The ongoing decentralization reform in Ukraine has become a key factor in transforming approaches to rural management. The transfer of financial and managerial powers from the central government to the local level has opened up new opportunities for communities for economic growth, social development, and infrastructure modernization. As a result, local communities ceased to be passive recipients of state subventions, but instead turned into independent business entities that can form their development strategies, attract additional financial resources, and effectively manage local budgets.

One of the main achievements of decentralization was the strengthening of the financial capacity of territorial communities. Thanks to the reform, there was a redistribution of tax revenues, which allowed local authorities to gain direct access to some taxes, in particular, personal income tax (60% remains in the community), land fees, single tax, and excise duty. This allowed municipalities to increase their budgets and allocate funds to development projects, modernization of communal infrastructure, social initiatives, education, and medicine.

However, for effective management of financial resources, the institutional capacity of communities is necessary – the availability of professional personnel capable of implementing local programs, managing budgets, planning investment projects, and ensuring the effective use of available funds. In this context, the creation of local development agencies (LDAs) – specialized structures that help communities develop and implement development strategies – plays a key role.

Local development agencies perform many essential functions, including the following:

- Attracting investments – contribute to cooperation with business, attracting private capital and international grants.
- Development and implementation of local development projects – from infrastructure construction to support for small businesses and agricultural cooperatives.
- Consulting support for the community – provision of expert services on financing, business planning, and territory management.
- Human capital development – organization of training programs for representatives of local self-government, entrepreneurs, farmers.

One of the key aspects of decentralization is the possibility of attracting international funding. Territorial communities have gained access to European grants, cross-border cooperation programs, and rural development support projects. In particular, municipalities can participate in LEADER, U-LEAD, DO-BRE programs, the United Nations Development Program (UNDP), USAID, and other initiatives aimed at improving the effectiveness of local governance and job creation (Castro-Arce & Vanclay, 2020).

Municipalities also have the opportunity to implement public-private partnerships (PPP), which allow them to finance infrastructure and social projects together with businesses. For example, the development of local industrial parks, the construction of distribution centers, and the creation of enterprises

for the processing of agricultural products can become principal factors in the growth of the regional economy.

However, the financial autonomy of communities does not mean the absence of challenges. Communities with less economic activity, a low tax base, or unfavorable demographic conditions face risks of financial instability. In this case, horizontal equalization tools, such as state subsidies, subventions for infrastructure development, and special financial mechanisms to support low-income areas, become important.

Thus, decentralization and strengthening the financial capacity of communities create the basis for sustainable rural development. The use of these opportunities depends on the effectiveness of local governance and the ability of communities to attract investments, adapt to economic challenges, and implement modern mechanisms for financing local initiatives.

#### **4.5. Integration into European rural development programs**

The process of European integration of Ukraine determines modern approaches to the development of rural areas because the adaptation of the national agricultural policy to EU standards opens up new opportunities for financing, modernization of production, and implementation of environmental practices. A special role in this process is played by the Common Agricultural Policy of the European Union (CAP), which provides an integrated approach to supporting agriculture and territorial development based on sustainability, innovation, and competitiveness.

CAP is based on two principal areas:

- Direct support to farmers through subsidies and financial incentives to increase productivity, greening agricultural production, and ensuring food security.
- Rural development through support for cooperation, infrastructure projects, improving the quality of life of the population and integrating rural communities into global markets.

Ukraine is gradually introducing CAP tools into its rural development policy. This includes the development of small farms, the creation of cooperatives, the introduction of environmental standards in agriculture, and increased access to financing instruments from European funds. Of particular importance is the support of organic farming, ecological production, and the development of local food chains, which is in line with the principles of the European Green Deal.

One of the key EU programs that is being successfully implemented in Ukraine is LEADER (Liaison Entre Actions de Développement de l'Économie Rurale – Linkage between actions for the development of the rural economy). This initiative aims to increase the capacity of municipalities to self-manage development through local initiatives funded by the EU.

Basic principles of the LEADER program:

- Bottom-up approach – decisions are made directly by communities, not just by the central government.
- Local Action Groups (LAGs) are associations of representatives of government, business, and the public who jointly implement development projects.
- Innovation and cooperation are financial support for projects that contribute to the creation of new types of business, tourism development, and improving the quality of life.
- International cooperation is an opportunity to partner with other countries to exchange experience and implement joint initiatives.

Ukrainian communities that joined LEADER gained access to European experience in rural development, created cooperatives, improved infrastructure, and implemented effective management models.

The European Neighborhood Program for Agriculture and Rural Development (ENPARD) is aimed at supporting countries on the path of European integration in reforming their agricultural sectors and rural areas. For Ukraine, this means strengthening sustainable development policies, attracting additional funding, and supporting small and medium-sized farming.

The main objectives of ENPARD are:

- Expanding access to finance for small farmers and agribusinesses.
- Increasing food security through the development of local production systems.
- Creation of effective mechanisms for agricultural management by European standards.
- Support for agricultural cooperatives, development of local markets and rural tourism.

The implementation of ENPARD in Ukraine helps not only financially, but also through educational programs, consulting support, and adaptation of the legal environment to EU standards.

The Horizon Europe program is the largest funding instrument for research and innovation in the EU. It covers various areas, including the development of agricultural technologies, environmental modernization, and the digitalization of rural areas.

Horizon Europe's key areas in rural development:

- Innovative technologies in the agricultural sector (AgTech) – the development of precision farming, automation, the use of big data and artificial intelligence in agriculture.
- Bioeconomy and circular production models – stimulation of the use of renewable resources and processing of agricultural waste.
- Climate-resilient farming – adaptation to climate change, reduction of the use of pesticides and mineral fertilizers, and development of organic production.
- Support for Smart Villages – digitalization of rural areas, creation of "smart" management systems, improving access to digital technologies.

Ukrainian scientific institutions, agricultural enterprises, and communities have the opportunity to join Horizon Europe international consortia, receiving funding for research and innovative projects in agriculture and territorial development.

Integration into European rural development programs is a strategic priority for Ukraine as it opens access to financial resources, expert support, modern technologies, and effective management models. The LEADER, ENPARD, and Horizon Europe programs contribute to strengthening the local economy, supporting small agribusiness, introducing digital and environmental technologies, and forming new cluster models of community development.

Ukraine's participation in these initiatives allows it not only to receive financial support but also to adopt the best practices of the EU in the field of sustainable development, which is a major step towards European integration and building a modern competitive model of agriculture and regional governance.

#### **4.6. The concept of "Smart Villages" is the digital transformation of rural areas**

The concept of Smart Villages is one of the key areas of rural transformation in Europe and is gradually gaining relevance in Ukraine. It is based on the use of digital technologies, innovative solutions, and integrated management to improve the quality of life in communities, expand opportunities for economic activity, and create environmentally sustainable resource use systems. Production, as digitalization opens up new prospects for municipalities for entrepreneurship, educational initiatives, development of social services, and attracting investments. (Komorowski & Stanny, 2020).

The development of the digital economy in rural areas allows you to create additional employment opportunities and increase the level of income of the population. In the context of global digital transformation, local manufacturers can enter new markets using online commerce and digital platforms to sell products. This is especially important for farms, cooperatives, and small businesses, which get the opportunity to interact directly with end consumers, avoid intermediaries, and develop local food chains. Digital technologies also contribute to the development of rural tourism, agro-industry, and handicrafts, allowing communities to create additional sources of income. The introduction of precision farming technologies, such as remote crop monitoring, automated irrigation systems, and drones to monitor soil conditions, increases the efficiency of agricultural production, reducing costs and increasing yields.

A separate role in the digitalization of rural areas is played by e-governance, which simplifies administrative processes, reduces bureaucratic burdens, and increases the transparency of decision-making. The use of digital platforms for registering a business, applying for subsidies, applying for land, or participating in public discussions allows you to reduce the cost of time and resources, simplifying interaction between citizens and local authorities. The development of online services also contributes to increasing the level of civic engagement, as residents can participate in decision-making processes through electronic voting, consultations, and discussion of community development strategies.

The experience of European countries demonstrates the effectiveness of the implementation of the Smart Villages concept in improving the standard of living in rural areas. In the EU countries, it is actively implemented through comprehensive initiatives that combine the development of digital infrastructure, support for local entrepreneurship, and innovative approaches to the use

of resources (Fernández & Peek, 2023). For example, in France, online platforms have been created to support farmers; in Finland, automated agricultural parks and energy-saving technologies are being developed, and in Estonia, digital governance allows citizens to receive all the necessary administrative services online.

In Ukraine, the implementation of Smart Villages has already begun within the framework of the LEADER, Horizon Europe, and the "State in a Smartphone" initiative, which provide for the development of digital services in communities, the expansion of communication infrastructure, and the attraction of innovative solutions in the field of agriculture. Digitalization allows not only to simplify bureaucratic procedures but also to contribute to more efficient management of natural resources, the creation of a safe environment, and the development of modern business models in rural areas. In the future, the implementation of Smart Villages will contribute to the integration of Ukrainian communities into the European digital space, expand access to finance, increase the competitiveness of regional economies, and strengthen social cohesion. Thus, the digital transformation of rural areas is a crucial step toward the modernization of Ukrainian villages and their integration into the modern economy focused on innovation, efficiency, and sustainable development.

#### **4.7. Green Transition and Ecological Development Models**

The green transition and ecological development models play a key role in the modern processes of rural transformation, causing a change in approaches to production, the use of natural resources, and the overall strategy of economic development. The European Green Deal has become a defining benchmark for EU countries that are gradually changing the agricultural sector, integrating environmental standards, reducing greenhouse gas emissions, and introducing more sustainable business practices. Ukraine, moving towards European integration, has adapted these approaches, directing agricultural development towards environmental safety, rational use of resources, and the introduction of innovative technologies that reduce the negative impact on the environment.

In modern conditions, the greening of the agricultural sector is becoming not only a requirement of international partners but also an economic necessity because soil depletion, climate change, rising energy costs, and exacerbation of the problem of waste disposal force farmers to look for effective solutions.

An important direction is the development of organic production, which involves the rejection of synthetic fertilizers and pesticides, the use of natural methods of plant protection, the restoration of soil fertility, and the formation of environmentally friendly and safe agricultural landscapes. The demand for organic products in the world is steadily increasing, which opens up new prospects for small and medium-sized farms that can benefit from product certification and access to international markets (Dudiak, N et al., 2024).

A key step in the implementation of ecological development models is the introduction of precision farming technologies that minimize the use of chemicals and rationalize agrotechnical processes. The use of sensors, satellite monitoring, and automated resource management systems makes it possible to optimize the application of fertilizers and plant protection products, reduce water consumption, and increase the efficiency of land use. These technologies not only increase yields but also significantly reduce the environmental burden, making agricultural production less energy-intensive and more adaptable to climate change.

The development of the circular economy is becoming another critical area that allows rural communities to effectively use agro-industrial waste, turning it into a resource. Biogas plants, composting of organic waste, and recycling of crop waste contribute to the formation of closed cycles, in which waste becomes a source of energy or secondary raw materials for production. In combination with renewable energy sources, such as solar and wind farms, bioenergy complexes, and local energy cooperatives, this creates conditions for reducing the dependence of rural areas on fossil fuels and improving the energy security of communities.

Ukraine is already implementing some initiatives aimed at greening agriculture and developing a green economy. The introduction of financial support instruments for agricultural producers using environmentally friendly technologies, support for farmers engaged in organic farming, and stimulation of the development of bioenergy projects – all this is gradually changing the structure of the rural economy. At the same time, it is necessary to significantly intensify the processes of implementation of European standards of environmental management, improve monitoring of the ecological state of lands, and develop environmental programs that will contribute to the restoration of degraded areas.

The green transition is strategically important not only for agriculture but also for the overall economic development of the country. Investments in sus-

tainable technologies, the development of renewable energy, and the introduction of environmental standards contribute to increasing the competitiveness of the agricultural sector and Ukraine's integration into the European economic space. Greening the economy not only minimizes the negative impact on the environment but also creates new jobs, attracts investment, and promotes regional development, making rural areas more attractive for living and doing business.

#### **4.8. Development of cooperatives and small farms**

The development of cooperatives and small farms is one of the key areas of modernization of the agricultural sector and ensuring sustainable development of rural areas. In today's environment, when large agricultural holdings continue to dominate the market, it is becoming increasingly difficult for small farmers and local producers to compete for resources, sales channels, and financing. That is why supporting smallholder farming and cooperation is of strategic importance, as these models contribute to the economic diversification of regions, create jobs, stimulate local development, and increase the well-being of rural communities.

Government support programs for small farmers and agrarian cooperatives play a vital role in expanding opportunities for smallholder producers. They provide access to financial resources, grant programs, soft loans, and subsidies for the purchase of equipment, seeds, fertilizers, and mechanization. An important direction is to stimulate the creation of cooperatives that allow farmers to combine their efforts for the joint purchase of resources, increase production efficiency, reduce distribution costs, and expand access to markets. Cooperation allows small farms to avoid dependence on large traders and intermediaries, providing them with stable prices for products and the opportunity to develop their processing capacities.

In addition to government initiatives, international support programs that provide grants and consulting assistance to farmers to improve business processes, introduce environmentally friendly technologies, increase competitiveness, and enter European markets make a significant contribution to the development of small farms. Participation in such programs opens opportunities for small manufacturers to modernize production, improve product quality, and be certified by international standards.

One of the key areas of development is the support of family farms, which play a significant role in the formation of a sustainable food system, providing the local population with high-quality and safe products. Grant programs for family farms allow farmers to invest in expanding activities, building greenhouses, purchasing modern equipment, creating processing plants, and developing new areas of production, such as organic farming or agritourism. This contributes to increasing the level of employment in rural areas, reducing the migration of young people to cities, and the formation of economically self-sufficient communities.

The development of cooperatives and small farms is also essential for the environmental sustainability of agriculture. Due to the small scale of production and orientation to local markets, small farmers and cooperatives are more flexible in implementing environmentally friendly technologies, reducing the use of chemicals, and preserving agrobiodiversity. They are an essential element of the food security strategy as they ensure the diversity of agricultural products, support traditional farming methods, and contribute to the development of sustainable farming.

The effective development of cooperation and small farms requires not only financial support but also the creation of a favorable institutional environment. An important condition for the successful implementation of support programs is the simplification of procedures for access to funding, the provision of legal and advisory assistance, and the creation of a network of training centres and platforms for the exchange of experience. It is also important to develop local initiatives and partnership projects between communities, which will help increase trust in the cooperative movement and expand opportunities for interaction between farmers, businesses, and scientific institutions.

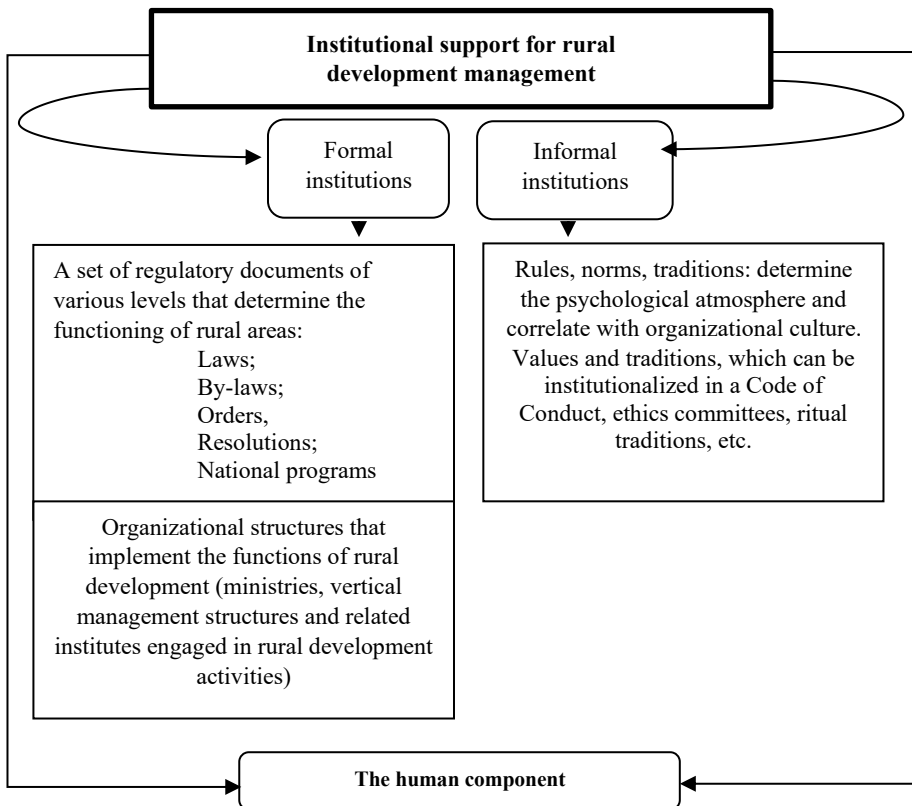
Therefore, support for small farms and agrarian cooperatives is a principal factor in the sustainable development of rural areas, which ensures economic growth, strengthening food security, preserving the environment, and improving the standard of living of the rural population. Systemic state support in combination with international initiatives allows the creation of favourable conditions for the development of the local economy, attracting investments, increasing the efficiency of agricultural production, and improving the well-being of communities.

Thus, modern mechanisms for rural development in Ukraine are based on the institutional restructuring of local self-government, integration into European programs, digitalization, and sustainable economic development. In-

stead of passively waiting for state support, territorial communities become active participants in economic development using modern financial instruments, attracting investments and international cooperation.

#### 4.9. Mechanisms of differentiation of rural areas of the region

Institutional support for the management of Ukrainian rural areas is represented by a set of institutions necessary to manage the economy and social life of the rural population. Local self-government bodies and executive authorities are an integral part of it. A schematic representation of the synergistic interaction of formal and informal institutions and institutions of rural development management is shown in Fig. 4.



**Figure 4. Institutional support for the management of rural development**

Source: generated by the author

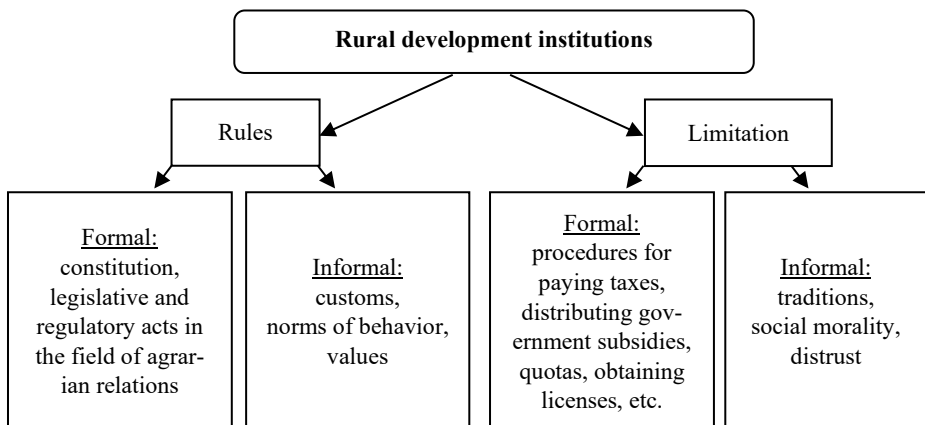
As can be seen from the figure, the system of institutional support of managerial activity in the countryside is based on the normative-legal and value-ethical subsystems. That is, the institutional support for the management of rural development is formed by the current formal and informal norms, rules, and values.

Formal institutions include:

- 1) a set of normative documents of various levels (laws, orders, standards, programs) that determine the functioning of rural areas in Ukraine.
- 2) organizational structures that implement the functions of rural development management.

Informal rules and norms, values, and traditions: characterize socio-psychological behavior and correlate with organizational culture. At the same time, values and traditions are institutionalized in codes of conduct, ethical norms (principles), ritual events, etc. The functioning of rural development in Ukraine is facilitated by such management mechanisms as institutional rules and certain kinds of restrictions, which, in turn, are divided into formal and informal (Fig. 5).

The norms, rules of conduct and interaction of economic entities, institutions of management and regulation at the local level, and individual members of the rural community, as well as organizations that implement this behavior and interaction in the rural economy, reflect the existing institutional infrastructure at the local level.



**Figure 5. Classification of rural development institutions**

Source: generated by the author

The modern institutional system of management of rural development in Ukraine has undergone a significant transformation because of decentralization reforms, financial autonomy of communities, and the introduction of international mechanisms to support regional development. Despite the positive developments, several problems remain that limit the effectiveness of state policy in this area. One of the key challenges is the low institutional capacity of some communities, which complicates the implementation of strategic development programs, the introduction of innovative models of the economy, and ensuring the efficient use of local resources.

Although the system of state support for agriculture and regional development has changed, many mechanisms are still based on approaches that do not consider modern challenges. The impact of the traditional sectoral approach, which considers rural development through the prism of agro-industrial production, is still tangible, while international practice demonstrates the need for a multifunctional approach, which includes the development of non-agricultural business, infrastructure, tourism, and environmental initiatives.

Financing for rural development has taken on new forms thanks to international technical assistance programs, including ENPARD, LEADER, and grant initiatives of the European Union, USAID, and the World Bank. However, the problem of inefficient use of public funds, complex procedures for obtaining funding, and the lack of an effective mechanism for monitoring the implementation of support programs remains. An important problem is that even with the availability of financial resources, communities often do not have sufficient human and institutional capacities for their effective development.

An additional challenge was the opening of the land market, which changed the structure of agricultural production and required innovative approaches to land management. At the same time, the war has significantly changed the priorities of state policy, causing the need to restore destroyed infrastructure, support IDPs, integrate social programs into the rural economy, and strengthen food security.

The lack of a clear system for monitoring rural development remains a significant problem, which complicates the analysis of resource efficiency and policy adjustment according to the real needs of communities. In the face of modern challenges, it is necessary to further reform the rural development management system, introduce digital platforms for monitoring and evaluating the effectiveness of support programs, integrate Ukrainian communities into

European sustainable development initiatives, and strengthen the role of local self-government in determining rural development strategies.

The formation of an effective legislative framework remains a key element of institutional changes in the field of rural development. All transformation processes depend on the regulatory environment because it is the legislative norms that determine the framework of economic activity, mechanisms for supporting regions, the procedure for the functioning of the land market, and the rules for business interaction with local communities. According to international organizations, the success of reforms in countries with economies in transition depends on the quality of the institutional structure, the stability of the legal field, and the effectiveness of the implementation of regulatory norms.

In recent years, Ukraine has taken significant steps in the field of regulation of rural development. Decentralization has allowed communities to independently manage resources and form development strategies. The opening of the land market has changed the balance of economic interests in the agricultural sector, expanding opportunities for farmers and small businesses. At the same time, the adaptation of legislation to EU standards has opened access to European funding programs, which allows municipalities to attract resources for development projects, support for small businesses, and the introduction of environmental technologies and digital solutions.

Despite significant changes, serious challenges remain that limit the effectiveness of state policy in the field of rural development. Numerous regulations and support programs often do not achieve their goal due to insufficiently clearly defined priorities, an unclear system of management, and control over their implementation. Insufficient coordination between central and local authorities, complexity of funding procedures, and lack of mechanisms for monitoring and evaluating performance led to the fact that a significant part of initiatives remains declarative or partially implemented.

Although funding for the agricultural sector has increased, there is still an imbalance between supporting large agricultural producers and small farmers, which poses challenges for the development of family farms and cooperatives. In addition, the war has significantly changed the emphasis of state policy, necessitating the allocation of a significant part of resources to the restoration of destroyed rural areas, support for internally displaced persons, and ensuring the country's food security.

The attitude of rural communities to state support programs remains ambiguous. On the one hand, the historical experience of unfulfilled reforms has formed a certain scepticism; on the other hand, more communities are taking

advantage of the opportunities of international programs, attracting grant resources, and introducing new development models. Digitalization, the development of cooperation, the use of renewable energy, and environmental technologies are becoming new vectors of change that give communities more autonomy and economic prospects.

The lack of a unified system for monitoring the effectiveness of state programs remains a significant problem that needs to be addressed. The modern development of the agricultural sector should be accompanied by the introduction of digital solutions to track real indicators of change, improve the analytical base, and create tools for public control over the use of resources. In this context, it is necessary to further reform financing mechanisms, attract investments, and implement European standards of transparency and accountability in the field of rural development.

The modern system of management of rural development in Ukraine still faces the problem of insufficiently clear delineation of functions between various levels of government, which is especially noticeable in the areas of natural resources management, implementation of environmental programs, and ensuring economic self-sufficiency of communities. Decentralization has significantly changed the approach to territorial governance, but coordination between central executive bodies, regional administrations, and local self-government bodies needs further improvement.

A separate challenge remains in ensuring control over the rational use of natural resources at the local level. Despite the expansion of the powers of communities, there is a shortage of effective mechanisms for the supervision of land, water resources, and the ecological state of territories. Rural communities often do not have sufficient leverage over these processes due to the complexity of procedures, lack of qualified personnel, or insufficient support from government agencies.

Informal institutions in rural development play an increasingly significant role as they contribute to the establishment of interaction between residents, farmers' associations, cooperatives, and authorities. Civil society and initiative groups are becoming active participants in the development process, which changes traditional management models. However, the level of trust between the population and the authorities remains unstable, which is a consequence of historical experience and long-term disregard for the interests of rural communities at the state level.

Studies in recent years show that citizen participation in public organizations and volunteer movements has increased significantly, which is a positive

trend in the context of rural development (Kovalchuk, 2021). At the same time, distrust of state support programs and mechanisms for distributing financial resources is still high. The main reasons for this are the complexity of procedures for obtaining funding, insufficient transparency in the use of budget funds, and the lack of an effective mechanism of public control over the implementation of state programs.

Further strengthening of trust between citizens and authorities is possible through the development of public engagement mechanisms, transparent budget planning, digitalization of management, and active implementation of European standards of local self-government. An important task remains to increase the institutional capacity of communities, which includes training local managers, improving strategic planning procedures, and introducing tools for monitoring the effectiveness of state programs. Only under the conditions of well-established interaction between the state, local governments, citizens, and businesses is it possible to achieve high-quality development of rural areas and ensure their competitiveness in modern economic conditions.

The development of rural areas of Ukraine depends on institutional reforms, which include simplification of bureaucratic procedures, increased transparency of management, introduction of digital technologies, and increased public participation in decision-making processes. The cumbersome nature of permitting procedures, the opacity of the regulatory environment, and weak institutional support for smallholder farming have long limited opportunities for economic growth in rural areas. However, in recent years, significant steps have been taken to digitalize public services, simplify registration procedures, introduce electronic document management, and implement anti-corruption initiatives that contribute to improving the business climate in the agricultural sector.

One of the key factors of successful development is the effective information provision of rural communities, which allows increasing the level of trust in the authorities, promoting the involvement of residents in local self-government, and improving coordination between business, government agencies, and public organizations. Despite the growing access to digital technologies, local authorities, in particular village councils, often remain insufficiently adapted to the use of modern information resources, which complicates the effective management of territorial development. International technical assistance programs, in particular EU initiatives, are aimed at overcoming the digital isolation of rural areas, but the problem of staffing and digital literacy of local managers remains relevant.

In the field of institutional support of rural development, there is still a considerable influence of informal interaction mechanisms that compensate for gaps in the formal management system. In some cases, this leads to shadow schemes in land relations, evasion of legal norms, and the spread of unofficial market practices. At the same time, due to the active development of civil society, a significant part of informal initiatives is gaining positive importance, contributing to the establishment of cooperation between communities, entrepreneurs, and local authorities.

An important condition for sustainable rural development is the strengthening of citizens' influence on decision-making processes. Decentralization has opened new opportunities for municipalities to manage resources and implement local initiatives, but the level of public involvement in these processes is still insufficient. For formal institutions to become effective development tools, it is necessary to expand the mechanisms of public participation, create open platforms for interaction between citizens and the authorities, strengthen public control over the use of budget funds, and introduce models of participatory governance.

Thus, the institutional features of the management of rural development in Ukraine are characterized by the need to further improve regulatory and legal support, expand digital services, develop public initiatives, and strengthen trust between the authorities and citizens. The formation of an effective management system is possible only with an integrated approach, which includes simplification of regulatory procedures, activation of civic participation, integration of modern technologies, and transparent use of resources. Only such a strategy will ensure the sustainable development of rural areas and their competitiveness in the modern economic system.

#### **4.10 Conclusions**

According to the results of the study, it was found that the development of rural areas in Ukraine is determined by institutional, economic, and social factors. It is revealed that the traditional model of rural management, which is based on a centralized approach and sectoral regulation, has shown its ineffectiveness in the context of modern challenges. Despite the implementation of reforms, in particular decentralization, the rural development management system remains fragmented and insufficiently adapted to the real needs of communities.

It has been determined that the key problem remains the low institutional capacity of local self-government bodies, which complicates the effective use of financial resources, management of natural and land resources, and the implementation of development programs. The lack of a systematic approach to financing local development and the dispersion of budget flows lead to the ineffectiveness of state support programs. Insufficient integration of local strategies with national development programs limits opportunities for attracting investments and using modern tools for economic growth.

A revision of approaches to the formation of rural development policy is proposed, considering a multidimensional approach, which includes economic, social, environmental, and managerial aspects. The need to strengthen the financial autonomy of communities and improve state support mechanisms to adapt them to the real needs of the regions was emphasized. The digital transformation of rural areas is identified as an important direction, particularly the introduction of the Smart Villages concept, which allows an increase in the level of managerial efficiency, improves access to markets, and promotes the development of small and medium-sized businesses.

The need to expand the participation of citizens in decision-making processes on the development of rural areas is substantiated. Insufficient involvement of the population, low level of trust in state institutions, and weak development of public control mechanisms hinder the processes of modernization and reform. It is proposed to strengthen institutional mechanisms of public participation, create platforms for communication between citizens and authorities, and introduce open tools for monitoring and evaluating the effectiveness of state programs.

It has been proven that a significant factor in the economic development of rural areas is the support of small and medium-sized agricultural businesses, the development of the cooperative movement, and the stimulation of entrepreneurship. The use of European financing mechanisms, in particular the LEADER, ENPARD programs, and other international initiatives, can contribute to the diversification of the rural economy, job creation, and sustainable development.

The need for transition to ecologically oriented models of rural development has been confirmed. Ukraine's integration into the European Green Deal opens new opportunities for the introduction of sustainable agricultural technologies, the development of organic production, and the reduction of the negative impact of the agricultural sector on the environment. It is proposed to improve the mechanisms for stimulating ecological farming, to introduce a system

of "green" grants for small agricultural producers, and to increase the level of environmental responsibility of large agricultural enterprises.

Thus, the proposed solutions are aimed at overcoming institutional, financial, and social barriers in rural development. The use of an integrated approach to management, community activation, support for entrepreneurial initiative, and the introduction of innovative development models will allow the formation of an effective management system that will meet modern challenges and contribute to the sustainable development of rural areas in Ukraine.

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