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ECONOMIC ASPECTS OF HARMONIZING RURAL DEVELOPMENT POLICY OF UKRAINE WITH EUROPEAN UNION STANDARDS

Abstract. The article explores the harmonization of Ukraine's legal and economic framework for rural development with the standards of the European Union. It traces the evolution of national legislation since the early 1990s, including the adoption of the Law On the Priority of Social Development of the Countryside and the Agro-Industrial Complex, the Concept of Rural Development, and the Sustainable Development Strategy of Ukraine until 2030. The study identifies major challenges such as fragmented legislation, unstable financing, and the lack of effective mechanisms for monitoring and evaluation. A comparative analysis with the European Union's legal and financial system highlights the advantages of the Common Agricultural Policy (CAP), which ensures multiannual budget planning, conditionality-based subsidies, active community participation in decision-making, and the use of harmonized statistical classifications (NUTS). Particular attention is devoted to the economic effects of harmonization, including higher agricultural productivity, expanded export potential, increased rural employment and household income, and improved investment attractiveness of rural areas. The regional dimension is illustrated by the case of Odesa region, demonstrating the potential for applying CAP instruments at the local level and scaling them nationally. The findings suggest that the adoption of European approaches will help reduce socio-economic disparities between urban and rural territories. The article also emphasizes the importance of private investment, international technical assistance, and innovative technologies for the implementation of comprehensive development programs. It argues that the synergy between legal reforms and economic instruments may become a key factor in strengthening the competitiveness of Ukrainian rural territories amid global challenges. The study concludes that harmonization with EU standards is not only a legal obligation within Ukraine's European integration course but also an economic necessity that paves the way for sustainable rural development, enhanced competitiveness, and social stability.

Keywords: rural development, European integration, legal framework, economic policy, agricultural sector, agrarian marketing**,** investment, competitiveness, sustainability.

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ЕКОНОМІЧНІ АСПЕКТИ ГАРМОНІЗАЦІЇ ПОЛІТИКИ РОЗВИТКУ СІЛЬСЬКИХ ТЕРИТОРІЙ УКРАЇНИ ЗІ СТАНДАРТАМИ ЄВРОПЕЙСЬКОГО СОЮЗУ

Анотація. У статті досліджено процес гармонізації нормативно-правової та економічної бази розвитку сільських територій України зі стандартами Європейського Союзу. Простежено еволюцію національного законодавства з початку 1990-х років, включаючи прийняття Закону «Про пріоритетність соціального розвитку села та АПК», Концепції розвитку сільських територій та Стратегії сталого розвитку України до 2030 р. Визначено ключові проблеми: фрагментарність нормативних актів, нестабільність фінансування, відсутність належних механізмів моніторингу та контролю. Проведений порівняльний аналіз з правовою та фінансовою системою ЄС засвідчив переваги Спільної аграрної політики (CAP), яка забезпечує багаторічне бюджетне планування, прив'язку субсидій до виконання умов сталого розвитку, активне залучення місцевих громад до ухвалення рішень та використання уніфікованих статистичних класифікацій (NUTS). Особливу увагу приділено економічним ефектам гармонізації: зростанню продуктивності аграрного сектору, розширенню експортного потенціалу, підвищенню рівня зайнятості та доходів у сільській місцевості, а також підвищенню інвестиційної привабливості територій. Регіональний вимір дослідження проілюстровано прикладом Одеської області, що демонструє потенціал запровадження інструментів CAP на місцевому рівні та можливість їх масштабування на всю країну. Доведено, що адаптація європейських підходів сприятиме зниженню соціально-економічних диспропорцій між міськими та сільськими територіями. Підкреслено значення залучення приватних інвестицій, міжнародної технічної допомоги та інноваційних технологій для реалізації комплексних програм розвитку. Аргументовано, що синергія правових реформ та економічних інструментів може стати ключовим фактором підвищення конкурентоспроможності українських сільських територій у контексті глобальних викликів. Зроблено висновок, що гармонізація з нормами ЄС є не лише правовою вимогою євроінтеграційного курсу України, але й економічною необхідністю, яка відкриває шлях до сталого розвитку сільських територій, підвищення конкурентоспроможності та соціальної стабільності.

Ключові слова: розвиток сільських територій, євроінтеграція, нормативно-правова база, економічна політика, аграрний сектор, аграрний маркетинг, інвестиції, конкурентоспроможність, сталий розвиток

Introduction. Rural development in Ukraine has become a crucial subject in the context of European integration and economic modernization. Rural territories account for almost 90 percent of the country's area and are home to nearly one-third of its population, forming the backbone of agricultural production, food security, and export potential. However, these territories face chronic underfunding, demographic decline, and insufficient institutional support. The European Union's model, particularly the Common Agricultural Policy (CAP), provides a benchmark for aligning Ukraine's fragmented legal framework with robust, results-oriented instruments of rural development.

The aim of this research is to analyse the current Ukrainian regulatory system for rural development, to compare it with the EU's legal and policy framework, and to assess the prospects for harmonization in both legal and economic terms. The methodological base includes a review of Ukrainian legislation and strategic documents, EU legal acts, comparative analysis of statistical classifications such as NUTS, as well as secondary sources from Ukrainian and European scholars [4; 5; 6; 7]. The study relies on theoretical generalization, comparative institutional analysis, and economic evaluation of policy instruments.

Problem Statement and Relevance. Despite the adoption of numerous laws and strategic documents, Ukraine's rural development remains under-institutionalized and economically vulnerable. Many legislative acts, such as the Law on the Fundamentals of State Agrarian Policy and the Law on State Support for Agriculture of Ukraine, introduced important principles but lacked mechanisms for financial sustainability, monitoring, and accountability. This gap between declared priorities and real economic outcomes has resulted in persistent underfunding of rural infrastructure, limited access to credit for small and medium-sized farms, and a decline in the socio-economic vitality of rural communities [6].At the same time, the European Union has built a comprehensive and financially backed framework for rural development, where the Common Agricultural Policy (CAP) accounts for more than one-third of the EU budget [1; 2]. This model combines legal regulation, targeted subsidies, and performance indicators, ensuring that rural development translates into tangible improvements in productivity, competitiveness, and quality of life.

The problem therefore lies in Ukraine's urgent need to harmonize its rural development framework with EU standards, not only to meet the requirements of European integration but also to resolve pressing domestic challenges. Addressing this issue has both scientific and practical importance: scientifically, it contributes to the study of convergence of national legal and economic systems with the EU acquis; practically, it offers policymakers a roadmap for strengthening institutional capacity, attracting investment, and promoting balanced regional development.

Review of Recent Research and Publications. Scholarly and institutional research on rural development in Ukraine increasingly emphasizes the necessity of aligning national policies with European Union standards. A recent contribution by Kovalenko A., Tsybulska J., Sakal O., Krupin V., and Bratinova M. [5] highlights the transformation of strategic planning in Ukraine's agricultural and rural development sectors within the broader framework of European integration. Their work stresses both the opportunities and the institutional constraints of adapting domestic governance to EU requirements.Policy-oriented studies have also played a critical role. The Centre for Economic Strategy (CES) [1] has examined the readiness of Ukraine's agricultural sector for EU accession, providing detailed insights into structural challenges and the expected economic impacts of harmonization with the Common Agricultural Policy (CAP). On the financial side, Romanchuk L. [7] has underlined the importance of sustainable funding mechanisms for rural communities, stressing the mismatch between ambitious strategic goals and the actual allocation of budgetary resources in Ukraine.

International and European institutions provide the comparative and statistical foundations for further analysis. The European Commission's reports on rural development [2] deliver extensive statistical and economic information on the functioning of CAP, while the European Parliament has produced dedicated briefings on Ukrainian agriculture [3], analysing the degree of convergence with EU acquis. Eurostat contributes methodological instruments such as the urban-rural typology [4], which remains central for the classification and monitoring of territorial development across Europe.

Finally, the Ministry of Agrarian Policy and Food of Ukraine [6] represents the primary governmental authority responsible for implementing state policies in agriculture and rural development. Its official publications highlight ongoing reforms but also reveal persistent challenges in achieving financial sustainability, institutional efficiency, and compliance with European standards.

Together, these scholarly, governmental, and institutional sources form a solid foundation for analysing the harmonization of Ukraine's rural development policies with EU standards, while also indicating the areas where further scientific and practical contributions are required.

Research Objectives. The objective of this article is to provide a comprehensive analysis of Ukraine's legal framework for rural development and to examine the extent to which it can be harmonized with the standards of the European Union. Particular attention is devoted to the economic dimension of this process, including the effectiveness of state support instruments, the allocation of budgetary resources, and the capacity of rural areas to attract investment and foster productivity growth. The study further aims to explore the core principles of the EU's Common Agricultural Policy and related rural development instruments, to compare them with the Ukrainian system, and to identify institutional and financial gaps that hinder convergence. On this basis, the article seeks to formulate practical recommendations for enhancing the competitiveness of Ukraine's agricultural sector, improving the financial sustainability of rural communities, and ensuring their integration into the broader European economic and policy framework.

Main Results and Discussion. Ukraine's legal and institutional framework for rural development has undergone gradual transformation since independence, yet it remains fragmented and economically underperforming. The Law on the Priority of Social Development of the Countryside and the Agro-Industrial Complex (1990) was the first attempt to institutionalize the strategic role of rural territories. However, it lacked effective mechanisms for financing and monitoring, making its provisions largely declarative. Later acts, such as the Law on the Fundamentals of the State Agrarian Policy and the Law on State Support for Agriculture of Ukraine, reinforced the priority of rural development but did not secure stable financial resources or create transparent conditions for credit access [6].

A more systematic vision appeared with the Concept of Rural Development (2015), which stressed the need to balance economic, social, and environmental objectives. It emphasized investment in infrastructure, diversification of rural economies, and improved living conditions. The Sustainable Development Strategy of Ukraine until 2030 added measurable targets such as higher labour productivity in agriculture and expansion of organic farming. Yet, despite these efforts, unstable budgetary allocations and weak institutional capacity prevented the implementation of strategic objectives, leaving Ukraine's rural communities vulnerable to demographic decline, low investment activity, and persistent inequality between urban and rural areas.

In contrast, the European Union's framework for rural development demonstrates a high degree of integration between legislation, financial instruments, and monitoring. Rural policy is codified within the Common Agricultural Policy (CAP), which absorbs more than one-third of the EU budget [2; 3]. The CAP rests on two pillars: direct payments and market measures under Pillar I, and Rural Development Programmes under Pillar II. Through multiannual programming, Member States receive predictable funding streams that support modernization, environmental protection, and diversification of rural economies.

An important innovation of the EU framework is the principle of conditionality, which links financial support to compliance with environmental, food safety, and labor standards. This mechanism has turned subsidies into instruments of structural transformation, enhancing productivity and competitiveness while ensuring sustainability. The LEADER initiative further strengthens the system by empowering local communities to design and co-finance projects that address specific rural challenges. From an economic perspective, such instruments not only stabilize incomes but also stimulate innovation, attract private capital, and strengthen social cohesion.

Robust monitoring underpins this system. The NUTS classification provides a standardized typology of regions as predominantly rural, intermediate, or urban, allowing the EU to allocate resources effectively and measure progress [4]. Combined with Eurostat data, this ensures that rural policy is evidence-based and oriented toward measurable outcomes such as farm productivity, employment, and the share of organic farming.

The comparative analysis highlights profound differences between Ukraine and the EU. Ukraine's legal framework is characterized by fragmentation, inconsistent enforcement, and unstable financing. Budgetary transfers are unpredictable, and most programmes remain declarative, with limited measurable outcomes. By contrast, the EU framework is embedded in long-term strategies with strong financial backing, transparent monitoring, and active community participation [1; 7]. While Ukraine focuses on short-term support and programmatic declarations, the EU invests in structural transformation and long-term competitiveness.

In summary, the harmonization of Ukraine's rural development framework with EU standards requires not only legislative approximation but also a fundamental rethinking of financial and institutional mechanisms. The experience of the EU shows that rural development policies must be supported by predictable funding, community engagement, and measurable economic indicators. For Ukraine, adopting these principles would enhance competitiveness, improve investment attractiveness, and ensure balanced development of rural territories in the context of European integration.

The harmonization of Ukraine's rural development policy with EU standards is not only a legal obligation on the path to membership but also an economic necessity. The alignment process offers both opportunities and challenges that will define the competitiveness of the Ukrainian agricultural sector and the sustainability of rural communities in the coming decades.

From an economic perspective, the adoption of EU-style funding mechanisms is crucial. At present, Ukraine's rural development programmes suffer from unstable and insufficient budgetary allocations. By contrast, the CAP guarantees multiannual financing that provides predictability for farmers and investors alike [1; 3]. For Ukraine, the introduction of long-term budget cycles and the establishment of a dedicated rural development fund could significantly improve financial sustainability, reduce uncertainty, and enhance the investment attractiveness of rural territories.

Another key prospect lies in institutional reform. Decentralization of public governance has created new opportunities for local communities to participate in decision-making, but many rural municipalities lack the financial and administrative capacity to implement development strategies effectively. Learning from the LEADER initiative, Ukraine could institutionalize community-led local development, empowering rural stakeholders to design and co-finance projects tailored to their specific needs. This would not only foster innovation but also multiply the economic impact of state and donor funding [7].

The integration of conditionality principles also holds great promise. Linking subsidies and state support to compliance with sustainability and quality standards would create incentives for Ukrainian farmers to adopt modern technologies, preserve natural resources, and meet EU market requirements. This alignment would accelerate the penetration of Ukrainian agricultural products into the EU single market and raise their competitiveness globally [1; 5].

In addition, Ukraine's statistical and monitoring systems require modernization. The adoption of the NUTS classification would allow for consistent territorial comparisons, evidence-based planning, and more transparent allocation of resources. This would strengthen the link between rural development policies and measurable economic outcomes, such as productivity growth, employment, and rural household incomes [6].

Finally, integration into EU rural development frameworks will create opportunities for accessing European structural and cohesion funds. These instruments, once available to Ukraine, could serve as powerful catalysts for investment in infrastructure, digitalization, and green technologies in rural areas. In the long term, such convergence would not only stabilize Ukraine's agricultural sector but also transform rural territories into engines of economic growth and social stability.

The economic consequences of harmonizing Ukraine's rural development policies with EU standards are expected to be profound. According to the Centre for

Economic Strategy [1], the adoption of CAP-style financial mechanisms would stabilize farm incomes and create predictable long-term investment flows. In practical terms, this could lead to a significant increase in agricultural productivity, particularly through access to modern technologies and infrastructure improvements. The introduction of conditionality principles would incentivize farmers to adopt sustainable practices, boosting yields while preserving soil quality and natural resources.At the macroeconomic level, greater alignment with EU instruments could strengthen the contribution of agriculture and rural territories to national GDP. By expanding opportunities for organic farming and high-value-added products, Ukraine would be able to enhance its export potential and reduce vulnerability to global price fluctuations [3]. Moreover, the opening of EU structural and cohesion funds would channel foreign investment into rural areas, supporting the modernization of processing industries, transport, and digital infrastructure. In terms of social impact, harmonization is projected to generate rural employment, increase household incomes, and reduce the long-standing urban-rural development gap [7].

An essential component of successful rural and agricultural transformation within the European integration process is the development of agrarian marketing. Effective marketing strategies determine the competitiveness of agricultural producers, facilitate integration into EU markets, and support diversification of rural economies. Technological evolution and innovative management models in the agrarian sector have become decisive factors for value creation and market adaptation. Their research highlights that modern marketing in agriculture increasingly relies on digitalization, data analytics, and consumer-driven models, which enable producers to respond flexibly to changes in demand and sustainability requirements [8].

In the context of Ukraine’s harmonization with EU standards, the implementation of such marketing approaches is particularly relevant. The adoption of European certification systems, eco-labelling, and traceability technologies can enhance product credibility, improve access to EU markets, and increase export revenues. Furthermore, marketing cooperatives and clusters can help small and medium agricultural enterprises pool resources, achieve economies of scale, and develop strong regional brands. Strengthening agrarian marketing capacity would therefore complement legislative and institutional reforms, turning rural producers into active participants of a competitive European market environment [8].

The potential benefits of harmonization can be illustrated through the case of Odesa region, which represents one of the most agriculturally significant territories in Ukraine. The region is characterized by fertile land resources, a strong export orientation, and favorable geographical positioning near Black Sea ports. At the same time, Odesa faces structural problems typical of many Ukrainian rural regions, including insufficient infrastructure, outmigration of the working-age population, and underinvestment in social services.

Empirical evidence from regional programs demonstrates that when targeted investments are provided, rural development yields measurable improvements. For example, infrastructure modernization projects supported by state and donor funds have improved local roads and storage facilities, enhancing the competitiveness of agricultural producers. However, the lack of stable, multiannual financing has prevented the region from fully realizing its potential. Aligning Odesa's rural development strategy with EU principles, particularly through CAP-style rural development programmes and community-led initiatives, could serve as a pilot model for other regions.

The application of NUTS-based classification [4] would enable more precise monitoring of Odesa's socio-economic indicators, allowing policymakers to track demographic dynamics, infrastructure development, and investment flows. This evidence-based approach would not only guide resource allocation more effectively but also demonstrate the tangible benefits of harmonization for local communities. By testing EU-aligned instruments at the regional level, Ukraine could create a replicable framework for nationwide rural transformation.

Conclusions. The research confirms that Ukraine's current framework for rural development remains fragmented, underfunded, and insufficiently institutionalized, despite the adoption of several strategic documents. Laws and concepts introduced since the 1990s have declared the priority of rural development but have lacked effective financial and monitoring mechanisms, leaving rural territories economically vulnerable.

In contrast, the European Union's approach, embedded in the Common Agricultural Policy (CAP), demonstrates a highly integrated system where legal norms are directly linked with predictable funding, community participation, and measurable outcomes. The EU's reliance on multiannual programming, conditionality principles, and evidence-based monitoring tools such as the NUTS classification ensures that rural development translates into tangible improvements in productivity, competitiveness, and social cohesion.

The comparative analysis reveals that harmonization is both a challenge and an opportunity for Ukraine. From an economic perspective, adopting CAP-style instruments would stabilize farm incomes, attract foreign investment, and increase agricultural productivity, while also raising rural household incomes and employment levels. Access to EU structural and cohesion funds would further support modernization of infrastructure, environmental sustainability, and diversification of rural economies.

The case of Odesa region illustrates the practical dimension of this process. With its agricultural potential and strategic export orientation, the region demonstrates how the application of EU-aligned mechanisms, particularly multiannual financing, conditionality, and community-led local development, could serve as a pilot model for nationwide rural transformation.

Overall, harmonization with EU standards should be regarded not only as a legal approximation but as an economic imperative. Strengthening financial sustainability, institutional capacity, and evidence-based policymaking will enable Ukraine's rural territories to become drivers of growth, social stability, and integration into the European economic space.

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