

## **Organizational and economic mechanism of diversification of sustainable development of rural areas in the conditions of decentralization**

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### **ABSTRACT**

The article substantiates the organizational and economic mechanism of diversification of sustainable development of rural areas in the context of decentralization. An integrated approach to the use of the whole set of tools and measures of the organizational and economic mechanism of diversification of sustainable development of rural areas, taking into account their interaction with the principles of diversification and decentralization will provide a synergistic effect of their application. The normative-legal, institutional, organizational and economic instruments and measures of the organizational-economic mechanism of diversification of sustainable development of rural territories are singled out. The basic principles of diversification include the principles of systematicity, priority, effectiveness, partnership, software, and inclusiveness. During the implementation of the organizational and economic mechanism of diversification of sustainable development of rural areas, it is proposed to adhere to the basic principles of decentralization, such as the principles of constitutionality and legality, subsidiarity, transparency, and openness, responsibility. The results of the implementation of the mechanism of diversification of sustainable development of rural areas determine the improvement of the quality of life of the rural population, ensuring the competitiveness of rural areas and achieving environmental safety.

**KEYWORDS:** Sustainable development, Rural areas, Diversification, Decentralization, Organizational and economic mechanism.

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**1. Introduction** .Given the international standards, requirements, and European experience, as well as taking into account the internal needs of rural areas, it is necessary to introduce an organizational and economic mechanism for diversification of sustainable rural development in decentralization, which would expand employment and income of the rural population, adequate medical and educational institutions, improvement of road transport infrastructure, creation of conditions for the development of alternative directions of business and their further diversification in these territories, preservation, and improvement of natural resources. The study of rural development processes has attracted the attention of such scientists as V. Boiko, V. Borshchevskiy, V. Diiesperov, I. Zalutskiy, M. Zhurovskiy, T. Zinchuk, A. Kliuchnyk, A. Lisovyi, Yu. Lupenko, M. Malik, Yu. Matvieieva, Yu. Myroshnychenko, N. Pavlikha, O. Pavlov, Kh. Prytula, V. Slavov, A. Sukhorukov, M. Talavyria, Y. Kharazishvili, M. Khvesyik, V. Yurchyshyn and others. They to some extent reveal the methodological and practical aspects of sustainable development of rural areas. Paying tribute to the existing achievements of scientists, we note that in the context of local government reform, opportunities for rural development are expanding. Therefore, the development and implementation of an organizational and economic mechanism for the diversification of sustainable development of rural areas will help improve the social, industrial, and market infrastructure of these areas.

The purpose of the study is a scientific and methodological justification of the organizational and economic mechanism of sustainable development of rural areas in terms of decentralization. Its implementation will help improve the quality of life of the rural population, ensure the competitiveness of rural areas and achieve environmental safety. To achieve this goal, the following tasks are solved: to reveal the paradigm of sustainable development of rural areas on the basis of diversification of development of these areas, to propose a mechanism to ensure sustainable development of rural areas in a decentralized environment; assess the state of social, economic, and environmental development of rural areas in Ukraine, justify the importance of the diversification process to achieve sustainable development of these areas.

**2. Proposed Techniques / Algorithms** .In the process of conducting research, general scientific methods were used, including: monographic – with a theoretical justification of the subjects, the principles of diversification and decentralization, measures and tools of the mechanism of sustainable development of rural areas; graphic – to visualize the proposed organizational and economic mechanism of sustainable development of rural areas in terms of decentralization, scientific generalization – in the development of proposals for the implementation of the organizational and economic mechanism of sustainable development of rural areas in terms of decentralization.

The information base of the study was static data, scientific works of domestic and foreign authors, electronic resources presented on the Internet, the results of the author`s own research, and more.

**3. Results.** Taking into account the consequences of decentralization and local self-government reform requires substantiation of conceptual directions of diversification of sustainable development of rural united territorial communities, implementation of the mechanism of development management of united territorial communities, development, and implementation of strategies, programs, plans for

harmonious growth and optimism, social and ecological spheres of development of the united territorial communities.

T. Zinchuk notes that “measures to ensure the diversification of the rural economy play an extremely important role for Ukraine, where there is almost no economic growth in rural areas, where the agricultural sector still predominates as the main source of income, and in regions with high unemployment, who need to develop a strategy to boost rural income growth” [1]

According to V. Borshchevskiy, I. Zalutskiy, and Yu. Prysiazhniuk, the main mechanisms that ensure the implementation of the conceptual foundations of rural development in the life of rural territorial communities of the EU member states are institutional, financial, social, and informational [2].

O. Pavlov believes that when forming the mechanism of financial support of a rural territorial community, it is necessary to take into account the varieties of these communities, including: typically rural (agrarian) territories; transitional, “mixed” areas (rural-urban areas and “agricultural cities”); territories with a special mode of operation (health and recreation, mountain and border) [3].

The creation of rural, township, urban UTC and the consolidation of districts leads to the reformatting of new districts in the border, as a result of which the boundaries of the border strip are expanding. Therefore, there is a need to clearly define the width of the border strip from the state borderline in the adjacent territories of village councils [4].

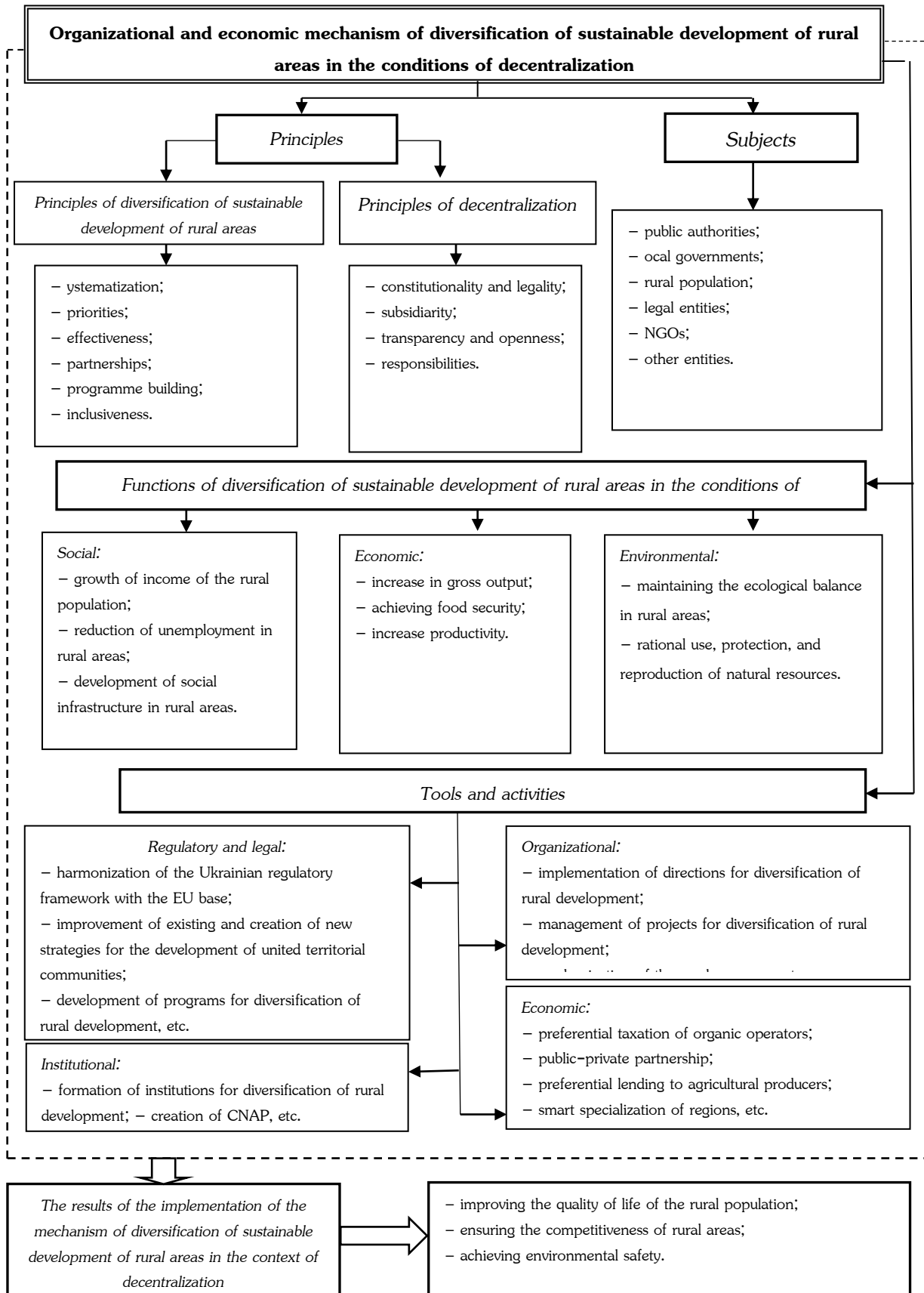
We offer such directions of diversification of sustainable development of rural areas in the conditions of decentralization, as:

- diversification of agricultural production;
- diversification of non-agricultural activities;
- diversification of organizational and legal forms of management;
- diversification of sources of financing for rural development [5, 6].

We believe that in rural areas, diversification is based on the relocation of resources to new areas of agricultural and non-agricultural activities. Therefore, the expansion of the range and markets of agricultural products, organic production, cultivation of niche crops will contribute to the diversification of agricultural production on the basis of sustainable development and ensure the growth of exports, expansion of employment, and, consequently, the income of the rural population [7].

Organizational and economic mechanism of diversification of sustainable development of rural areas in the context of decentralization (Fig. 1) involves the use of special tools and measures to optimize the structure of this process, focusing on improving the quality of life of the rural population; ensuring the competitiveness of rural areas and achieving environmental safety. The development of a mechanism for diversification of sustainable development of rural areas should be carried out taking into account strategic directions and analysis of social, economic and environmental development of rural areas. The validity of the measures can be confirmed by calculations of the effectiveness of the functioning of rural united territorial communities.

Figure 1. Organizational and economic mechanism of diversification of sustainable development of rural areas in the conditions of decentralization



To participate in the process o

- To participate in the process of diversification of sustainable development of rural areas in the context of decentralization, it is advisable to involve representatives [5, 8]

- public authorities. After all, the central government is responsible for implementing regional economic development strategies that are designed to effectively use the potential of urban and rural areas, taking into account national needs. In addition, their function is to regulate relations between rural areas of the regions of Ukraine to ensure national development programs;

- local governments - deputies of local councils and employees of executive bodies. These are some of the most important actors, as they help to approve and implement most regional strategies, programs, and projects by attracting national and local finances. In addition, their functions include providing information to the company about the social, economic, and environmental opportunities for rural development;

- rural population, because they represent their own interests and are interested in the development of their own rural area;

- legal entities of various forms of ownership and individuals. The involvement of privately owned enterprises and organizations will promote the development of rural areas. With reliable information on the state of the selected rural area, favorable business environment, legal entities and individuals can diversify their agricultural and non-agricultural activities;

- public organizations that are interested, first of all, not in making a profit, but in the development of the rural community;

- other subjects. This group includes the media, local educational institutions at various levels, trade unions, ethnic and religious groups.

The organizational and economic mechanism of diversification of sustainable development of rural areas, like any other mechanism, should be based on a set of principles on which it would be appropriate to form it. Among the main principles of diversification of rural development are:

- *the principle of systematization*, which determines the need to implement the process of diversification of rural development as a single system, which includes a number of elements to achieve the goals;

- *the principle of priority*, which indicates the importance of taking into account the specialization of rural areas, which depends on a set of social, economic, natural, historical, and other factors of development of this area;

- *the principle of effectiveness* is that as a result of the implementation of diversification of rural development will improve the quality of life of the rural population, ensure the competitiveness of these areas and achieve environmental safety;

- *the principle of partnership*, which ensures cooperation between public authorities and local governments, business entities, the population in the process of diversification of rural development;

- *the principle of programmability*, which is manifested in the implementation of state regional policy on the basis of interrelated strategies, programs, projects, and rural development plans;

– *the principle of inclusiveness*, which, according to M. Plotnikova, achieves a development that covers all spheres of life of rural communities and allows to obtain tangible for every one positive changes in quality of life and well-being, which involves the development of rural economy, environment, and also a sufficient level of meeting the social needs of communities, solving problems of social security and social policy [9].

When developing and implementing this organizational and economic mechanism, the principles of decentralization should also be followed, including:

– *the principle of constitutionality and legality*, which consists in the lawful activity of all subjects of this mechanism and their observance of the Constitution and laws of Ukraine;

– *the principle of subsidiary*, according to which all issues that can be effectively addressed on the ground should be within the competence of local governments;

– *the principle of transparency and openness*, which protects the interests of the rural population by improving the efficiency of public administration. In addition, adherence to this principle is an effective means of combating corruption and contributes to an open public policy on rural development;

– *the principle of responsibility*, which is that public authorities and local governments within their powers are fully responsible for the formation and implementation of diversification of rural development.

L. Bakhchyvanzhy and O. Pavlova note that “agriculture, in addition to economic, also performs social and environmental functions, contributes to the preservation of cultural income in the countryside, affects the formation of landscapes, and therefore even at a high level of market relations in most countries Agriculture is focused not only on obtaining market results (profit, income, market share, etc.) but also on the creation of many social benefits: preservation of natural diversity, environmental protection, restoration of soil fertility, food security, etc.” [10]. Scientists divide the functions of production diversification processes in the agar sector into three groups: social, economic, environmental, and note that “they always exist in a complex and there are causal links between them, i.e. each is both a source and result of others” [10].

In view of this, the functions of diversification of rural development, in our opinion, are *social, economic, and environmental (environmental) functions*.

The main *social functions of diversification of rural development in the context of decentralization* are: increasing the income of the rural population; reduction of unemployment in rural areas; development of social infrastructure in rural areas; creation of a system of cultural and aesthetic education of the community; consulting, training and advanced training of rural residents; providing assistance to young agricultural producers; concluding and guaranteeing compliance with employment contracts of employees with the administration of the employer; improvement of infrastructure and material base in the spheres of education and medicine [11].

Realization of *economic functions of diversification of development of rural territories in the conditions of decentralization* provides an increase in volumes of gross output; achieving food security; increase labour productivity; creating conditions for attracting investments; diversification of agricultural

production and non-agricultural activities; providing state support to small and medium-sized farms; assistance to agricultural producers in increasing the added value of agricultural products through storage, processing, trade, marketing, support for the creation and development of cooperatives; improvement of production, market, road infrastructure for agricultural development [12, 13].

*Ecological functions of diversification of rural development in the conditions of decentralization* contribute to the maintenance of ecological balance in rural areas; achieving environmental safety; rational use, protection, and reproduction of natural resources; creation of a system of ecological and patriotic education of the community; responsibility for the state and trends in the environment on the territory of the united territorial community; the arrangement of rational agro landscapes; conservation of degraded unproductive agricultural lands, creation of cultural pastures and forest plantations on them; performance of works on prevention of erosion and landslide processes; development and implementation of agroecological programs for UTC development [11, 14].

In our opinion, it is expedient to single out *four groups of tools and measures for diversification of rural development in the conditions of decentralization*: normative-legal, organizational, institutional, and economic.

In our opinion, the implementation of diversification of rural development in the context of decentralization is possible in the presence of legal, scientific and methodological, financial, institutional, and other types of resources.

*Regulatory and legal support for the diversification of rural development in decentralization* is regulated by the Constitution of Ukraine, Laws of Ukraine (“On Voluntary Association of Territorial Communities”, “On Cooperation of Territorial Communities”, “On Principles of State Regional Policy”, “On Local Self-Government in Ukraine” ), Budget, Tax, Land Codes of Ukraine, resolutions, orders of the Cabinet of Ministers, decrees of the President of Ukraine, other regulations governing the powers and responsibilities of public authorities and local governments and regulate the development of rural areas in Ukraine. Despite the significant number of regulations, the imperfection of legislation is one of the main reasons hindering the development of rural areas [15, 16].

*Scientific and methodological support for the diversification of rural development in the context of decentralization* is based on the analysis of scientific literature, as a result of scientific and practical conferences, seminars, round tables, and in the implementation of rural development projects.

The *financial resources* of local and central authorities, private entities, financial institutions, and non-governmental organizations, as well as foreign states and international financial organizations, can be used to meet the needs of rural development. In the scientific literature, financial resources are classified according to various criteria: territorial origin, regularity of use, economic content, method of attraction. According to the method of attraction, budget, investment, credit, grant financial resources of rural areas are allocated (Table 1) [17,18].

**Table 1.** *Types of financial resources of rural areas by the method of attraction*

Nr	Types of financial resources	Content
1	2	3
1	Budgetary	Funds of local and state budgets, which are used to finance the needs of UTC development and do not cause debt obligations. Budget sources can be formed at the expense of both the internal resources of UTC and the resources involved from outside.
2	Investment	Resources attracted to the local economy to create new assets. The peculiarity of investments as a source of funding for local socio-economic development is that they are directed to the implementation of a particular project directly and not through the UTC budget.
3	Credit	Debt obligations on terms of maturity, payment, and return. Thus credit means can involve directly UTC council (the involved means go to the UTC budget and are distributed within its expenses), the municipal enterprises (independently receive financial resources, dispose of them, carry out service and repayment of debt), private business entities (the council can provide loan guarantees).
4	Grant	Resources provided to fund local development needs in the form of international technical assistance, grants from international donor organizations, charitable contributions, and donations. Grants can also be considered funds aimed at the development of the local economy in the framework of corporate social responsibility projects, i.e. local development initiatives supported by private sector institutions that operate in the relevant territory.

*Institutional support for the diversification of rural development in the context of decentralization* is a set of institutions that ensure the availability of legal, organizational, social, economic, and environmental conditions necessary for the development of rural, urban and urban UTC. Rural development requires institutional support, which includes: state bodies (ministries, departments), public organizations, regional development agencies, etc. The key task of these institutions is to mutually coordinate the implementation of state policy in the field of rural development.

By *methods of diversification by the development of rural areas in the conditions of decentralization*, we understand the ways of influence of subjects of diversification on the object of diversification which is used for achievement of the set purposes. There are administrative (approval and compliance with laws, regulations, orders, instructions, recommendations) and economic (taxation,



soft loans, financial sanctions, insurance, subventions) methods. These methods can directly affect the development of rural areas (direct impact method) or indirectly (indirect impact method). The use of these methods will help increase the level of employment in rural areas, create conditions for attracting investment, will reduce the destructive impact on the environment.

Methods and tools for diversification of the development of rural areas in the context of decentralization should be flexible and adapted to the development of specific rural areas of Ukraine. All methods and tools of this mechanism should be correlated with each other because only together they will contribute to the integrated development of rural communities.

We believe that the implementation of the organizational and economic mechanism of diversification of sustainable development of rural areas in the context of decentralization will improve the quality of life of the rural population; ensure the competitiveness of rural areas and achieve environmental safety.

**4. Discussion and Conclusion.** The developed organizational and economic mechanism for diversification of sustainable development of rural areas in the conditions of decentralization is based on the definition of subjects, principles, functions, their respective tools, and measures. The social functions of the implementation of this mechanism are the growth of incomes of the rural population, the reduction of unemployment in rural areas, the development of social infrastructure in rural areas; economic – increase in gross output, achieve food security, increase productivity; ecological – maintenance of ecological balance in rural areas, rational use, protection and reproduction of natural resources. It has been proven that the achievement of the set goals will generally contribute to the integrated development of rural united territorial communities.

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