

- Lack of quality raw materials for industrial processing and the low share of domestic value-added products in the domestic food market;
- Availability of essential food products, which are not met domestic needs;
- Absence of national standards for measurement methods of food on the modern equipment, low level of harmonization of standards with international requirements;
- Low levels of investment in the agricultural sector;
- Lack of implementation of scientific developments into production;
- Lack of qualified personnel;
- Lack of development of rural co-operatives;
- Insufficient financial resources to fully meet the needs of rural producers in credit facilities.

Taking the above into account to support the development of livestock in Kazakhstan, among others it is necessary to define a list of priority species of animals with high genetic potential for productivity, make changes to the mechanisms and regulations grant to increase the proportion of breeding animals through the use of artificial insemination and the widespread production of biotechnology methods for embryo transfer. It is also necessary to strengthen the inspection of work in the field of veterinary medicine and livestock breeding and improve the food supply.

Speaking of food supply, it is necessary to note a major problem in the agricultural ranch - there is no special program for the production of coarse and succulent fodder. The main feed for cattle for many years and remains lucerne and cane, waste obtained after processing of rice.

According to experts, with such a diet, animals are not terrible, but good yields and weight gain are impossible. In addition to hay and Lucerne, the diet of cattle must be included corn, animal feed, oil cake, additives, and various vegetables. Only with such a diet can yields increase and the time for additional weight gain shorten.

In order to develop the livestock industry in Kazakhstan, it is necessary to improve the breeding, and transfer the meat from the farm homestead to the industry. It is needed to make meat production more stable. Now the slaughtering is unstable, there are large deviations between the production periods. Also the development of consolidated enterprises (cooperatives) and the solution of marketing problems through the cluster approach could be a solution. In addition creation of a market infrastructure for processing, harvesting, storage and export products is needed as well as advisory and advocacy and practical work on the rational use of distant pastures among farmers.

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## ATTRACTING INVESTMENT FOR MULTIFUNCTIONAL RURAL DEVELOPMENT

*Olena Voronyans'ka, Volodymyr Ternovsky*

### 5.1. Market Economy in Ukraine

In the period of restructuring of the social market economy in Ukraine there have been significant shifts in the direction of decentralization of governance and empowerment of local government as spokesmen for the interests of territorial communities. Most of the issues of regional and local economic development within the competence of local authorities that must be solved in this community meet the principles of the European Charter of Local Self-Government. At the same time a significant number of problems remain. Most of them are financial, and without solving the financial problems long-term social and effective development of local communities is impossible.

Successful economic development of communities is directly dependent on the activity of investment processes. Achievements of the priorities of socio-economic development and the required rate of economic growth must be supported by resources for capacity investment, increasing of the investment in fixed assets, sources of investment and prioritization of investments. To solve these problems the governments develop an investment policy that defines the methods of stimulating activities of economic entities, to support and promote domestic and foreign investors to investment more and implement the major targets of development programs. Implementation of the investment policy is possible only if an efficient investment mechanism exists. Thereby the issues related to the formation the investment mechanisms both at the national and regional levels become very important.

The purpose of this article is to analyze the current situation of government funding of local communities and finding ways to attract investment for the development of the territorial community in Ukraine.

### 5.2. Investments in Ukraine

The incomes of local budgets are crucial for the material and financial base of local governments. This is explained by the fact that the communal facilities, as well as joint ownership, predominantly related to non-manufacturing sector and do not provide significant cash flows to local governments. The communal organizations act as nonprofit organizations and their budgets are financed from local ones.



According to Ukrainian law only city councils of cities with a population over then five hundred thousand people may use foreign loans<sup>65</sup>. Therefore, local loans are not widespread in Ukraine. The main reasons for the unpopularity of local loans are:

- 1) lack of a real conversion of land ownership, which creates. Uncertainty of legal relations of ownership of land and other natural resources;
- 2) lack of infrastructure stock market;
- 3) unresolved legal and institutional placement procedures for local loans turnover;
- 4) uncertainty of payment from the government to the population when local authorities who published securities cannot meet their financial obligations;
- 5) lack of available funds in businesses and people;
- 6) distrust for government securities.

Thus, it is clear that at this stage of development of local self-government, the real basis of their financial independence and efficiency must come from the incomes of local budgets.

In accordance with the Budget Code of Ukraine, local budget revenues include revenues that are taken into account when determining intergovernmental transfers (earned revenue) and are not counted in determining intergovernmental transfers (regulatory revenue). The dynamics and structure of revenues of Melitopol district is showed in Table 1.

It is shown that the revenues are taken into account when determining intergovernmental transfers take a total income of the local budget share in the range 17-19%, which exceeds the amount of income which are not counted in determining intergovernmental transfers in 1.3-3 times. This trend shows the current dependence of the formation of local budget revenues from the decisions of the central government. The lack of autonomy of the local budget also indicates a large proportion of transfers in the fiscal revenue of Melitopol district.

**Table 1. General fund revenues of the consolidated budget of Melitopol district**

Revenues, ths.	2006	2007	2008	2009	2010	Deviations	
						+/-	%
Revenues, which are considered when determining intergovernmental transfers	9 387.7	12 465.6	16 523.3	18 421.9	22 859.3	13 471.6	243.5
% of total	19.2	17.9	17.9	18.1	17.9	-1.3	-
Revenues that are not considered when determining intergovernmental transfers	4 853.0	5 055.3	6 128.7	5 461.6	5 729.8	876.8	118.1
% of total	9.9	7.2	6.7	5.4	4.5	-5.4	-
Transfers	34 660.4	52 311.4	69 536.6	77 988.3	99 039.7	64 379.4	285.7
% of total	70.9	74.9	75.4	76.6	77.6	6.7	-
Total	48 901.0	69 832.3	92 188.6	101 871.8	127 628.8	78 727.8	261.0

Source: calculated according to the financial department of Melitopol district administration.

Incomes of local budgets of Ukraine in accordance with the budget classification are divided into: tax revenues, nontax revenue, income from capital transactions, government specialized funds, official transfers. In Table 2 we could look on it composition and structure.

The communal tax takes the first place in the local government tax and fees. It is reducing because of the reduction of the wage base of enterprises that pay this tax. Market fee has a tendency to decrease based on reducing the number of taxpayers in Melitopol district.

Attracting investment is the most optimal solution for the problem of insufficient funding. We have to define the factors that make Ukraine an investment-attractive country. It would be large natural resource sector, cultural affinity with the European and North American countries, high level of education and training and a large consumer market comparing to developed countries.

**Table 2. Composition and structure of local taxes and fees Melitopol district**

Revenues, ths.	2006	2007	2008	2009	2010	Deviations	
						+ -	%
Communal tax	69.8	67.7	60.2	60.6	55.4	-4.4	79.3
% of total	66.5	64.0	58.4	59.1	52.6	-4.0	-
Market dues	0.5	-	0.8	-	1.7	1.2	369.6
% of total	0.4	0.0	0.8	0.0	1.6	1.2	-
The fee for the issuance of permits for placement of retail objects and service	33.1	34.0	39.6	40.3	46.0	12.8	138.7
% of total	31.6	32.1	38.5	39.3	43.6	12.1	-
Tax on advertising	1.5	4.1	2.4	1.7	2.3	0.8	150.7
% of total	1.5	3.9	2.3	1.7	2.2	0.7	-
<b>Total</b>	<b>104.9</b>	<b>105.8</b>	<b>103.0</b>	<b>102.6</b>	<b>105.3</b>	<b>0.4</b>	<b>100.4</b>

Source: calculated according to the financial department of Melitopol district administration.

Ukraine offers high investment potential opportunity in machine building, chemical, energy and the financial sector. The least attractive segment is agriculture, which over the past 10-15 years, did not receive sufficient investment. The largest deterrent to investors is the worn out agri-equipment and slow return on investment. Presently, agriculture is fully funded by the government. The most attractive regions of Ukraine are Kyiv, Kharkiv, Donetsk, Dnipropetrovsk, Lviv, Odessa region. In 2009 foreign direct investment in Ukraine's economy was 5.643 billion, a decrease of 51.6% compared with 2008. EU invested 4.016 billion (71.3% of total), CIS countries – 1.065 billion (18.9%) from other countries – 553.1mln (9.8%). In general, increase of the total amount of foreign capital in the economy taking in to the account revaluation losses and exchange differences amounted to 4.410 billion.

Total foreign direct investments in Ukraine on January 1st, 2010 totaled 40.027 billion an increase of 12.4% in investments from the beginning of 2009, and per capita amounted to \$872.6. The investment in Ukraine is increasing, however, it is sufficient to reach the development level of Western Europe.



To continue to attract significant amounts of foreign investment in Ukraine, it is necessary to improve the management of investment activities in the country as a whole and regionally. The main reasons for low investment attractiveness of regions of Ukraine are<sup>66</sup>:

- Lack of development in securities markets, land, real estate and other market institutions and the corporate sector as a whole;
- Insufficient capacity of the domestic market;
- High tax pressure of business and administrative overregulation;
- Low competitiveness of many Ukrainian goods on world, create unprofitable investments in their production;
- Lack of integration into the global economy;
- Lack of a consistent investment policy and appropriate mechanisms for its realization at the local level;
- Lack of reliable information, which reduces the efficiency of cooperation between market participants;
- Inactive of local authorities.

Investment-grade rating indicates that regions of Ukraine, among other things, have low professional level of local officials who demonstrate lack of responsibility in creating a favorable investment climate. This is one of the reasons for the low efficiency of their efforts to increase investors' interest to invest in regional development and expansion of production constraints.

Regions remain, so to speak, dependents of the state. They do not have reliable economic incentives to develop its economic complex<sup>67</sup>.

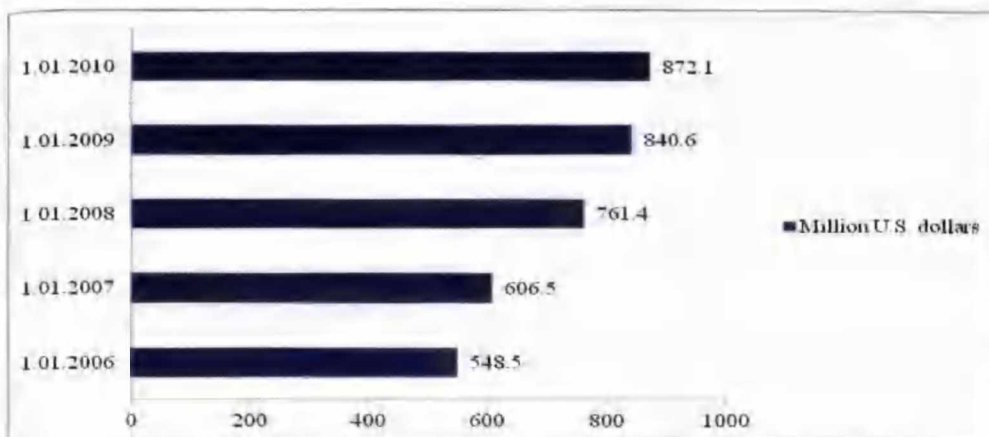
The experience of attracting foreign capital to other countries, especially former socialist block, has shown the following lack of appropriate investment climate, imperfect market mechanism, unstable political situation, low level of entrepreneurs and professional skills, lack of interested partners, lack of attractive investment projects, shortcomings of the tax system, the lack of an effective system of insurance investments, excessive monopoly in the economy, ultra-high inflation, current question of private land ownership, currency inconvertibility<sup>68</sup>.

Considering Ukraine in general, let's analyze the MelitopolZaporozhye region. According to the 2008 census foreign investors invested in Zaporizhia region's economy 245.3 million dollars. The main forms of involvement have been received in the form of cash contributions (65.3% of invested capital), and movable and immovable property (30.5%). The share of other forms of investment was 3.7% (Fig. 1).

<sup>66</sup> M. Lend'el [2001]: Special institution of rural development: European experience. Millennium, Kyiv.

<sup>67</sup> N. Tatarenko [2000]: Investment theory. KNEU, Kyiv.

<sup>68</sup> Ibid.



**Fig.1. The dynamics of foreign direct investments in the Zaporozhye region (cumulative from the beginning of investment)**

*Source: according to the data from the Statistic Department of Zaporozhye region.*

At the same time, foreign capital in the form of direct investments decreased by \$ 20.2 million, mainly due to withdrawal of cash contributions (70.4%).

It should be noted that in 2008 there was a change of ownership by non-residents of capital between countries at \$ 14.3 million dollars. That ultimately did not affect the overall foreign investment in the regional economy, but has changed its structure by country-investors. Thus, the ownership of capital has moved from Hungary to Estonia 44.3%, from Bermuda (12.5%) from the United Kingdom to Cyprus (35.0%). The exchange rate differences of -151, 5 million dollars that influenced the decreased the total foreign direct investment. By then, there was an increase of 63 million dollars direct investment at the beginning of the year (compared to the end of the previous year). Thus, the absolute increase in foreign direct investment in 2008 was equal to 74.2 million dollars, Net capital inflows to non-residents of the region's economy were 2.1 times lower than in 2007.

On January 1st, 2009, foreign direct investment in the regional economy amounted to 835.6 million dollars compared to the beginning of 2008, and per-capita of non-residents increased by 9.8%. A year ago there was an increase of direct foreign investment by 25.5%.

In addition, the total outstanding loans and loans received by the regional enterprises from direct investors was 3.8 million dollars. Given the debt which in accordance with the Manual on Balance of Payments IMF is considered direct investment, direct non-residents of the aggregate capital in the economy of the area on January 1, 2009 amounted to 839.5 million.

It should be noted that the Zaporozhye region is seventh in attracting foreign direct investment with 2.3% of all foreign direct capital invested in Ukraine. In the Zaporozhzhya area 392 enterprises accounted for foreign direct investment. The dominant share of the capital of non-residents (89.5%) invested in the economy is in the city of Zaporizhzhya.

Direct investment in the region came from 52 countries, with the two of them accounted for more than half of the volume. On January 1st, 2009, the first place takes Cyprus, the second - took Sweden with 31.7% and 20.2% of the total, respectively. Among the biggest investors is South Korea - 18.0%, Switzerland - 4.2%, Estonia - 4.1%, Denmark - 3.6%, United Kingdom - 3.2%, Slovakia - 2.5%, British Virgin Islands - 2.0%, U.S. - 1.5%, Germany - 1.4%.

On January 1st, 2009 the European Union invested in Zaporozhzhya area 589, 4 million dollars which is 70.5% of its total direct investment. Investment from CIS countries was \$ 8.0 million.



The money of the residents, mostly concentrated in manufacturing (68.9% of total direct investment), namely, mechanical engineering (25.6%), manufacture of food products (25.5%), metallurgy (15.0%), chemical and petrochemical industry (1.3%). The commercial enterprises accounted for 12.3% of the total investment in the enterprise, the main activity of which were real estate transactions, leases, engineering - 9.3%. In comparison with data from January 1, 2008 the increase foreign direct investment in food production was 1.5 times, in trade by 35.0%, and enterprises engaged in real estate transactions, leasing, engineering - by 1.7%. However, there was a reduction in the amount of foreign direct investment in the metallurgical industry (24.4%), chemical and petrochemical industry (4.1%) and machinery (2.1%).

Investment in food production includes investors from Sweden 168.4 million dollars, Denmark 29.7, Ireland 7.5, the United Kingdom 2.4, Switzerland 1.9 and Hungary 1.1 in mechanical engineering - from Korea 150, Estonia 34.1, Bermuda 9.7, Italy 7.8, Cyprus 4.4, Canada 3.4, in metallurgical production - from Cyprus 109.3, the United Kingdom 9.9, the British Virgin Islands 4.0, U.S. 2.2 in the chemical and petrochemical industry - from Germany 1.0, USA 1.9 and Cyprus 0.7 million.

In trade involved direct investment from Cyprus of 87.7 million dollars, USA 4.5, the United Kingdom 4.4, Moldova 1.6, the Russian Federation 1.4, Germany 13 million dollars. The main activity of which were real estate operations, leasing, engineering, the greatest amount of direct investments owned by non-residents of Switzerland 32.8 million, Cyprus 4.1, the British Virgin Islands 12.6 and Austria 1.9, Belize 1.6 and the United Kingdom 1.3 million dollars. The largest amount of debt and loans obtained by the regional enterprises from direct investors on January 1st, 2009 were from Estonia and the Russian Federation \$ 1.0 million for each country.

Direct investment from the region in the economies of other countries on January 1st, 2009 amounted to 14.4 million dollars. A large portion of this investment 86.8%, was from the enterprises, the main economic activity which is processing. Nearly 80.0% of the total investments was directed to Russia.

The main forms of involvement have been received in the form of cash contributions (49.4%), and movable and immovable property (45.6% of invested capital) (fig. 2).

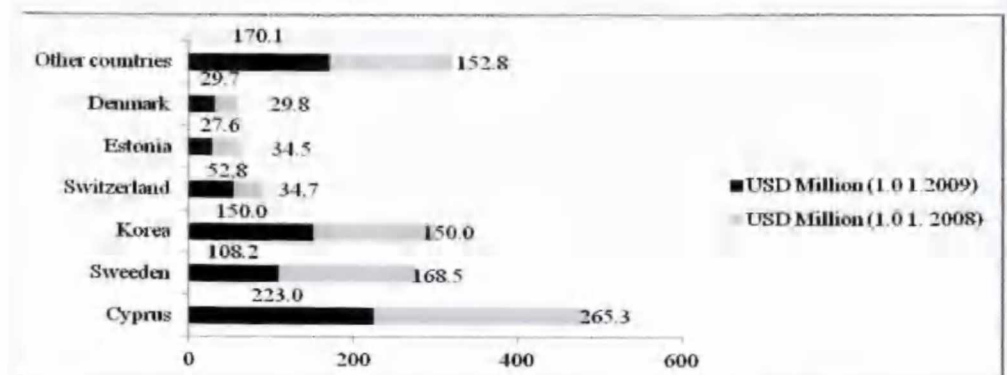


Fig. 2. Geographic structure of direct foreign investment

Source: according to the data of State Statistical Service in Ukraine.

At the same time, foreign capital in the form of direct investment fell by 5.7 million dollars, mainly due to withdrawal of securities (47.3%) and cash contributions (44.9%).

Revaluation of capital has reduced the total volume of direct foreign investment of 0.1 million dollars and exchange rate difference - by 4.4 million dollars.

It should be noted that in 2009 there was a change of ownership of non-residents on capital between countries at \$ 1.3 million dollars that ultimately did not affect the overall foreign investment in the regional economy, but has changed its structure in the context of investor countries. Thus, the ownership of capital is moved from Belize to St. Kitts and Nevis (66.7%) and the British Virgin Islands (33.3%) from the United Kingdom to Panama (100%).

The transition from the category of portfolio investment to direct and vice versa during the reporting period did not occur.

Thus, the absolute increase in foreign direct investment for 2009 equal to 31.6 million dollars. For 2008 the capital inflow of non residents in the economy of the region amounted to 74.2 million dollars.

On January 1st, 2010 foreign direct investment in the economy of the region amounted to 872.1 million dollars. Against the volume from beginning of 2009 per capita residents increased by 3.8%. A year ago there was an increase of direct foreign capital by 10.4%

In addition, the total outstanding loans and loans received by the regional enterprises from direct investors amounted to 47 million dollars. Given the debt which, in accordance with the Manual on Balance of Payments IMF is considered as direct investment, direct aggregate capital of nonresidents in the economy of the region on January 1, 2010 amounted to 919,1 million dollars.

It should be noted that the Zaporozhye region is in eighth place in attracting foreign direct investment. In the economy of running 2.2% invested in Ukraine, direct foreign investment (hereinafter data are exclusive of borrowed capital).

The presence of foreign direct investment enterprises in the region 388 are held accountable. The dominant share of the invested capital in the economy of Zaporizhzhya of non-residents is 89.5%. Per capita of the region is 477.5 dollars of foreign direct investment, Zaporozhye - 997.5 per capita.

Direct investment in the area is drawn from 53 countries. On January 1st, 2010 the first place in terms of foreign direct investment takes Cyprus, the second - took Sweden with 30.3% and 21.4% of the total, respectively. Among the biggest investors were South Korea - 17.2%, Estonia - 3.9%, Switzerland - 3.9%, Denmark - 3.4% United Kingdom - 3.1%, Slovakia - 2.4%, Ireland - 2.1%, the British Virgin Islands - 2.1% Austria - 1.9%.

Compared with the January 1, 2009 there was an increase in direct investment in Ireland 2.3 times, Sweden 10.9%, Austria 6.8%, British Virgin Islands 1.3%<sup>69</sup>.

On January 1st, 2010 the region's economy from the European Union attracted 623.8 million dollars of foreign capital (71.5% of total direct investment) from CIS countries - 7.6 million dollars (0.9%). Nearly 80.0% of investment from EU countries accounted for its members such as Cyprus, Sweden and Estonia. Among the CIS countries leading is the Russian Federation (75.4%).

The capital of the region's investors is manufacturing with 70.2% of total direct investment of which is food production 28.0%, machinery (24.5%), metallurgy (14.4%), chemical and petrochemical industry (1.9%). Trade accounted for 11.3% of the total. The main part of the trade is the real estate transactions, leases, and engineering - 8.8%.

Compared with January 1st, 2009 increase of foreign direct investment in food production is 14.7%.

Investment in food production from Sweden is 186.8 million dollars, Denmark 29.7 million dollars and Ireland 17.9 million dollars. In mechanical engineering - from Korea 150



million dollars, Estonia 33.9 million dollars, Bermuda 9.7 million dollars and Italy 7.8 million dollars in metallurgical production - from Cyprus 109.2 million dollars and the United Kingdom 10.2 million dollars in the chemical and petrochemical industry - from Germany 8.2 million dollars and Austria 6.0 million dollars.

Investment in trade involve direct investment from Cyprus 82.4 million dollars, USA (5.1 million dollars), and the United Kingdom (4.4 million dollars).

In enterprises, the main activity of which were real estate operations, leasing, engineering, the greatest amount of direct investments owned by non-residents is from Switzerland 32.1 million, Cyprus 24.3 million dollars and the British Virgin Islands 12.9 million dollars.

The largest amount of debt and loans obtained by the regional enterprises from direct investors, as of 1st January 2010 were from Austria (41.3 million dollars), the Russian Federation (1.9 million dollars) and U.S. (1.0 million dollars). Most of the loan capital provided by the companies involved the chemical and petrochemical industry (88.5%) and real estate operations, leasing, engineering (4.1%).

Direct investment from the region in the economies of other countries on January 1, 2010 amounted to 14 million dollars. A large proportion of them (86.7%) was below the enterprises, the main economic activity which has been processing industry. More than 75% of total investments were directed to Russia.

Significant investor was Cyprus, which has invested in the economy of Zaporizhzhya region in sectors such as manufacturing, primarily in the manufacture of basic metals and fabricated metal products, increasing the annual investment rate to 11.2%<sup>70</sup>.

In the Zaporozhye region has received industry investment 43.4 times more than agriculture. Investment in agrarian sector of the regional economy grew by 84.2%. This growth is not sufficient for sustainable economic development<sup>71</sup>.

Investment attractiveness of the territory is determined by the geographic location, climate, natural resources, infrastructure, environment, industrial-economic complex, and professionally qualified managers; partnership of government, business and public policy, regulatory, corporate culture and public opinion.

Elements of investment potential of the area join the groups of factors that directly determine the amount of investment income and may attract investors.

For this moment in Ukraine one effective way of attracting foreign investment for development of the area is a joint project of the European Union and United Nations Development Program "Local development-oriented community," which was launched in 2007. Funding is provided by the European Commission within the framework of the EU technical assistance and co-financed by the UN Development Program in Ukraine through the introduction of a transparent mechanism for joint decision-making.

The goal of this project is to create an enabling environment for sustainable socio-economic development of local communities by promoting self-organization, development and implementation of small amounts of public initiatives in all regions of Ukraine and the Autonomous Republic of Crimea.

The project sets the task of reviving the public initiative and addresses it to the solution of social problems on the particular territory. There are five key tasks of the Project:

1. Help the executive authority of local government to form in rural communities an "economic subculture" of existence. The main idea of this task is to move people from passive recipients of government administrative services to the level where they are partners in the provision and receipt.

<sup>70</sup> State statistic service of Ukraine. <http://www.ukrstat.gov.ua/>

2. Assistance to local partners in forming an ongoing dialogue on principle "Community initiative - The responsibility of the community - Support from the government".
3. Transfer to rural communities key world experience in self-control of its own territory and accumulation of resources to develop their potential.
4. The provision of specific financial assistance (support of the "first" priority of the community) and facilitating in attraction of potential grants, donor funds for the project partners.
5. Disseminate the experience among other rural communities of the Zaporozhye region of Ukraine as a whole.

See below the proposed funding scheme for "first" initiative of the community (Fig. 3).



**Fig. 3. Financial conditions for the implementation of the "first" initiative of the community**

*Source: own studies.*

Development and implementation of public initiatives correspond to a certain sequence of actions needed to determine the priority issues, identifying the donors and the scheme of interaction with the local authorities and organizations that implement the project of social initiatives. On fig.3 is the typical scheme for the implementations of the initiatives by the partners' community of the project that fully reflects the essence and course of action of the community from the appearance of the idea to the final stage of its implementation.

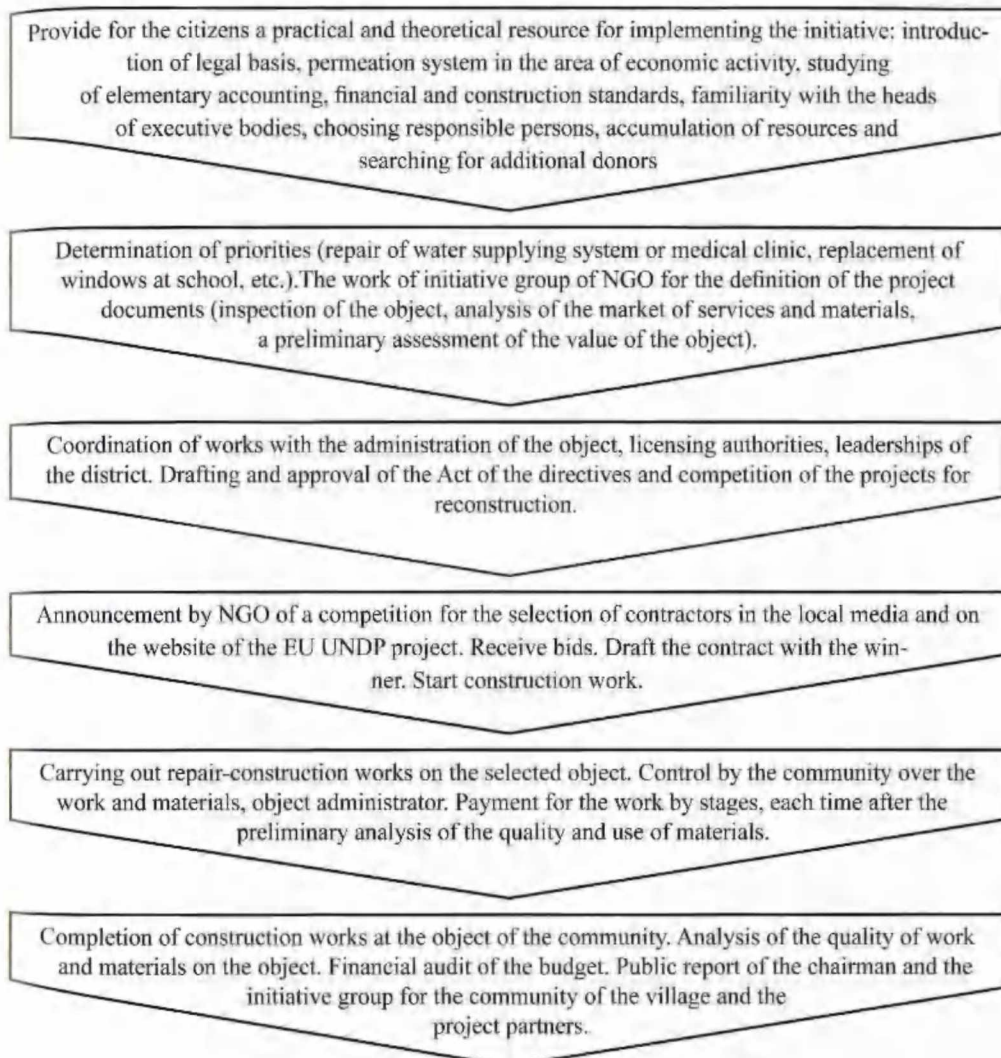
It should be noted that the community by itself chooses the priority for procurement of materials or construction, does all the administrative procedures, and reports to the donors.

In Melitopol area should be noted next projects that take part in the competition for funding (table 3).



**Table 3. The list of the projects and the development programs of Melitopol region that take part in the Ukrainian competition of the projects and development programs of local government in 2009-2011**

Name of project	Year			Sources of funding		
	Devel- oped	Implemen- tation	Total, thou- sand UAH	The found of the com- petition (govern- ment budget)	Local bud- get	Part- ners
The delimitation of lands of state and communal ownership, as an additional source of income to the budget of the development of material and financial base of the town and village councils in Melitopol region	2009	Won, but was never implemented. Funds came in late November	1472	500	100	872
Introduction of innovative technologies for the improve of the supply of high quality water for the population and household waste disposal	2009	-	632	385	80	167
Improvement of the lives of socially disadvantaged groups and saving of natural resources in v. Tikhonovka	2009	-	104	40	17	47
Testing of medical care in the transition to family doctor service and medical insurance (Novogorodkovsky village council)	2009	2010	268	100	30	138
Melitopol district sports complex "REGION – SPORT" Zaporizhia Oblast	2010	-	1770	500	270	1000
The innovative system for combining of local initiatives to create a social entrepreneurship center in the region	2010	-	656	100	30	526
Strengthening the system of preschool education on the territory of the v. Terpenie. Restoration work of the kindergarten and improvement of education	2010	2011	1090	100	200	790



**Fig. 4. The main priorities of investment in Ukraine**

*Source: own studies.*

### 5.3. Conclusion

The possibilities seem to us very important and those which outweigh risks and open wide the way to improve the living conditions within the territorial areas. These include: attracting grant support from other donors and the budgets of all levels, mediating principles of the Project to other areas and the development agenda of local councils, the world's receipt of a positive experience of fundraising, improving the socio-economic status at the level of rural areas, improve morale (level of consciousness) of citizens in rural areas.



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## ECONOMIC PROGRESS AND THE DECLINE OF THE COUNTRYSIDE

*James W. Dunn*

### 6.1. Economic Progress in the U.S. Countryside

Economic progress raises incomes and the standard of lives of the people and allows a nation to provide many services to its citizens. However, it doesn't help all regions equally and some areas face dramatic change. Progress in agriculture and transportation has dramatically changed the countryside and the villages therein. Mechanization of agriculture has reduced the number of people required to produce a crop and improved productivity dramatically. The United States has less than 1% of its population directly involved in commercial agriculture, yet produces surpluses of numerous agricultural products. It is a major exporter of corn, wheat, soybeans, cotton, chicken, pork, apples, and many other products. The number of farms has decreased steadily, as capital has been substituted for labor. Most of the factories are in cities and the labor to produce these capital goods is located there. At the same time that agriculture has advanced, so has transportation. Roads are better, cars are more affordable, and rural residents can travel more easily and affordably. Other advances in the economy such as a wider variety of goods and bigger stores with more variety have changed consumption habits. Internet commerce has done the same. All of these advances and many more have transformed the villages and their character. Worstell<sup>72</sup> and Collantes<sup>73</sup> each study these issues, as do others. This paper will discuss this phenomenon and its effects.

### 6.2. Agriculture

Over time, agricultural productivity has grown dramatically. Mechanization is a major cause. A modern tractor can easily plant in an hour more area than a horse and man could plant in a day. Harvesting is even faster. Yields of seeds are vastly greater. Fertilizer is more affordable and farmers are using it more widely. Lime has been added to land to control acidity. Irrigation controls water availability. Herbicides and pesticides control weeds and insects. Animal agriculture has advanced as well, with better genetics, a better understanding of nutrition, cow comfort, and mechanization of milking the cows. In total, the advancements

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<sup>72</sup> J. Worstell [2011]: Villages, vertical integration, abandonment: sustainability in evolving Ukrainian landscapes. Paper presented at Diverse Landscapes of Ukraine: A Celebration of Twenty Years of Independence. Pennsylvania State University, September 30.

<sup>73</sup> F. Collantes [2007]: The Decline of Agrarian Societies in the European Countryside: A Case Study