

PROSPECTS FOR AGRICULTURAL DEVELOPMENT IN RURAL TERRITORIES. PROJECT OF THE WORLD BANK "PROMOTING BUSINESS DEVELOPMENT IN AGRICULTURAL HOLDING" (EBA)

B. Avramchuk, *Candidate of Economic Sciences (Ph.D.)*

National University of Life and Environmental Sciences of Ukraine

E-mail: avramchuk.bogdan@gmail.com

Y. Loshakova, *Postgraduate Student*

National University of Life and Environmental Sciences of Ukraine

E-mail: yulialoshakova5@gmail.com

Abstract. (EBA) is an initiative of the World Bank Group, which defines and controls policy rules which affect agricultural and agribusiness markets. The project presents globally comparable nature of data that can inform the government about decision-making processes and encourage it to conduct policy dialogues with stakeholders to create a facilitate environment for local, regional and international business in agriculture. The project "Promoting business development in agricultural holding 2017" aims to assist creation of more favorable conditions for agricultural business. By providing the key information about regulatory documents which hare compared at the global level, the project builds a data base that can be used to start a dialogue about policy and reforms development. These challenges can stimulate activities of a private sector and lead to create more efficient and effective chains of values in agriculture economy.

Keywords: GDP, agribusiness, strategy, globalization, urbanization

The relevance of the article.

For Ukraine, as for an export-oriented country with almost unlimited agricultural potential, development forecast of the world agricultural market looks promising. It is expected that global volumes of trade in agricultural products will steadily increase against a background of increased incomes, urbanization, changes in food habits and biofuel production development. It is related for both raw materials

and finished products and high added value. However, the reform of the agricultural sector of Ukraine is necessary in order to take advantages of huge predicted opportunities as far as Ukrainian agriculture and food industry of Ukraine have not reach both possible and desirable levels of competitiveness.

The purpose of the work is to study the strategic directions of agribusiness development in rural areas of the country in conditions of globalization.

Analysis of recent research and publications.

Theoretical substantiations of the domestic agrarian business development have been reflected in researches of D. Belarus, N. Volchenko, T. Zinchuk, who point out strategies of the agrarian business development in Ukraine. S. Kvasha, Y. Kozak, R. Kolosova determine a place and significance of domestic agrarian business within international economy. At the same time, globalization processes in Ukraine are in intensive development and accordingly require a deep research. It can be explained due to a specific role of agribusiness, its strategic importance for the domestic economy, as well as a need for adaptation of state regulation instruments, tools of ensuring the production of competitive products and sustainable development.

Research methodology.

To achieve the stated goal, modern methods of research were used. In particular we can highlight that a theoretical synthesis of scientific concepts, strategies and plans for the development of agriculture and rural areas was carried out on the basis of the system-analytical method.

The following methods were used to solve individual problems: statistical analysis – to study the dynamics, structure and efficiency of the existing strategy for agricultural and rural development; problem-oriented – for scientific substantiation of strategic directions of solving problems concerning the ineffectiveness of agribusiness in rural areas; SWOT analysis – to identify weak and strong points of external and internal factors which affect the effectiveness of agribusiness, to research their

strategy; comparative – to compare the effectiveness of agribusiness in different regions and countries.

Main part. Exceptional natural resources and favorable geographic location provide an excellent basis for building a powerful agricultural sector in Ukraine. One third of the world's most fertile black earth resources, together with favorable temperature regime and precipitation, provide an excellent basis for the development of crop, livestock and biomass production for bioenergy. The country is also lucky to have access to the Black Sea, ports of which do not freeze all year round, and navigable rivers. All this simplifies Ukraine's access to key markets in the Middle East, North Africa and the EU.

Over the past ten years, due to its soils and agro-climatic conditions, Ukraine has substantially increased its agricultural production and grain exports becoming one of the world's leading producers and exporters. In 2014, Ukraine became the third largest corn and barley exporter in the world (17.6 million tons) and (4.2 million tons) respectively, as well as the sixth largest exporter of wheat (10.5 million tons). Ukraine also ranked first in the world in terms of exports of sunflower oil. Over the past ten years, total grain and oilseeds production of Ukraine has increased by 56 percent and reached a record high of 79 million tons in 2014. During this period, exports of grain, seeds of oilseeds and products of their processing increased by 250 per cent and reached 35 million tons in 2014. Such an increase in production was due to the expansion of sown areas, as well as increased productivity of production. However, the agricultural sector of Ukraine continues to dominate the cultivation of cereals and industrial crops,

which requires large areas of land for effective production, while little progress has been made in the development of agricultural processing and high value-added food production.

The urgency of the rural economy is significantly different in different countries. On the basis of the World Report on Development of 2008 and the consolidation of data on the Particular Economy in GDP and the share of active population employed in agriculture, EBA classifies countries in three categories: agrarian, with transition economy and urbanization.

Urbanized countries are on average on the brink of best practices in regulatory regulation across all EBA topics. They are followed by countries with economies in transition. Agrarian countries retain the potential to improve the quality of the regulatory framework and reduce operating costs. However, on average, agricultural countries showed better or similar figures for financial

services, water resources, transport and markets compared to countries with economies in transition [1].

Kenya, Malawi and Mozambique have developed legislation that regulates water use permits. Burkina Faso, Côte d'Ivoire and Ethiopia are among the top 10 countries in terms of the effectiveness of obtaining a license for transboundary traffic.

The quality of regulation in countries is associated with economic growth and development. Countries with high incomes have higher indicators in the field of agrarian regulation. Such conclusion is observed on all subjects.

However, there are exceptions: a number of countries have higher EBA rates than their predictable rate if calculations are based on these countries income level. For example, this is a case of Vietnam for fertilizers, agricultural machinery and transport; Kenya from seed, finance, water and ICT; Kyrgyz Republic on finance, markets and agri-

Country ranking for each EBA topic*

| Countries | Seed production | Fertilizers | Agri-cultural machinery | Financial Services | Markets | Transport | Water Resources | ICT |
|--------------|-----------------|-------------|-------------------------|--------------------|---------|-----------|-----------------|-----|
| Armenia | 28 | 53 | 30 | 52 | 23 | 56 | 5 | 31 |
| Bangladesh | 54 | 35 | 49 | 23 | 21 | 45 | 56 | 37 |
| Burkina Faso | 57 | 56 | 32 | 41 | 37 | 12 | 47 | 59 |
| Denmark | 3 | 3 | 8 | 37 | 6 | 3 | 24 | 6 |
| Spain | 2 | 5 | 6 | 3 | 2 | 1 | 1 | 1 |
| Cameroon | 58 | 48 | 37 | 51 | 41 | 31 | 44 | 52 |
| Netherlands | 1 | 7 | 7 | 17 | 1 | 9 | 20 | 1 |
| Poland | 5 | 2 | 1 | 21 | 7 | 24 | 13 | 1 |
| Romania | 6 | 28 | 3 | 11 | 12 | 2 | 7 | 1 |
| Ukraine | 33 | 32 | 15 | 26 | 26 | 42 | 29 | 43 |
| Ethiopia | 39 | 59 | 25 | 27 | 51 | 21 | 34 | 62 |

*Source: fragment of project rating EBA [5].

cultural machinery. On the other hand, in spite of the rather strong regulatory requirements for the issuance of operating licenses in the field of ICT and plant protection, there is no legislation for fertilizer registration and certification of tractor conformity in Chile. Regarding the regions, the OECD countries with high incomes have on average the most favorable legislative environment for doing business in agriculture [1].

All of these countries have laws that encourage quality control, trade promotion as well as implementation of the agricultural market.

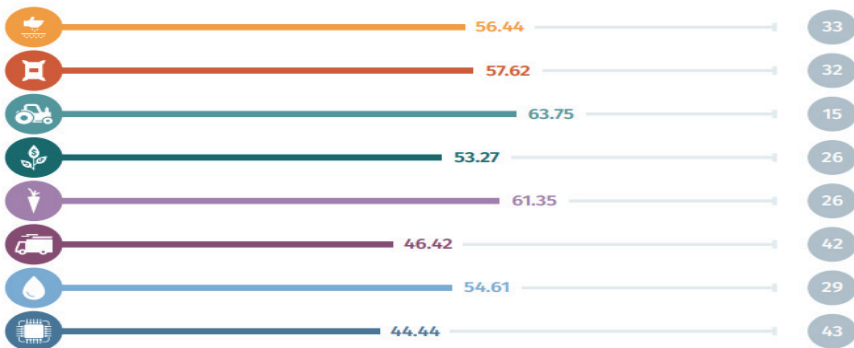
The “Promoting business development in agricultural holding 2017” project presents 8 topics in 62 countries around the world, and also provides initial data collected on topics such as livestock farming, agricultural land, gender and environmental sustainability. In 2017, the project team will disseminate data and results, improve and aggregate indicators, expand the scope and coverage of countries, and hold discussions with various stakeholders on the most effective follow-up. The main trends identified concern improvements in

the process of obtaining an appropriate feedback on the development of indicators, the choice of the countries under study and the criteria used to expand coverage in the future, as well as the identification of countries where subnational analysis is appropriate, as well as the development of a relevant methodology. Future reports will allow the team to track the progress of countries in each topic by monitoring legislative reforms that affect the indicators surveyed. It is also expected to expand the coverage of countries and, ultimately, bring them to a total of 80–100 countries [1].

It should be mentioned that within the framework of the EVA project, Ukraine was not mentioned in the description and evaluation of the following topics:

- Transport;
- Water resources;
- ICT;
- Gender
- Environmental sustainability.

In spite of this, Ukraine was assessed for all 8 rating criteria on an average level ranging from 44 to 64 points per 100-point scale. The most developed



Ukraine’s assessment on 8 topics within the framework of the project “Promoting business development in agricultural holding”*

*Source: fragment of project rating EBA [5].

aspects, according to the World Bank, were Agricultural Machinery – 63.75 and Markets – 61.35. At the same time, the topics most in need of further development are Information and Communication Technologies (ICTs) – 44.44 and Transport – 46.42.

The institutional environment in Ukraine provides significant tax breaks to agriculture but neglects the need for infrastructure development and other related services, and also imposes significant operating costs on producers due to excessive regulation. Nowadays the agrarian policy of Ukraine lacks a well-defined strategy for the development of agriculture and rural areas: policy formulation continues to be unsystematic and opportunistic, focusing more on sub-sectoral strategies than creating equal conditions for producers and creating a coherent and long-term strategic vision that would have led state intervention in line with market-based economic principles.

The following information summarizes the most important strengths and weaknesses of the agro-food sector of Ukraine and rural areas based on the sector's assessment:

Strengths.

Production potential: favorable agroclimatic conditions and one third of the world's stock of fertile chernozems.

Geographical location: location between major east and west markets, access to North Africa and Asia.

Modern agricultural sector: the use of advanced technology by large agricultural holdings (zero ground treatment, global positioning system, remote sensing).

Export orientation: one of the global exporters of agricultural products (mainly grains and sunflower oil); established export infrastructure and partners.

Infrastructure: developed system of railways and roads, network of navigable rivers; access to non-freezing ports with high capacity for large-tonnage vessels throughout a year.

Some favorable conditions for livestock and food industry development: for the development of both industries advantageous availability of grain of domestic production and cheap labor [2].

Weaknesses (which can be eliminated through the reform of agrarian policy):

Inability of some farmers to adapt: very small farms and perhaps larger enterprises may lack information and will not be able to adapt to the requirements of the Association Agreement between Ukraine and the EU, in particular regarding hygiene, sanitation and phytosanitary.

Deterioration of agricultural and infrastructure: lack of investment in agrarian infrastructure (equipment, storage, etc.), maintenance and development.

Loss of export opportunities: new export markets are busy with more flexible and productive competitors.

Deterioration of the environment: the negative impact of the intensification of agricultural production on the environment (reduction of nutrient content in soils, erosion, wear of melioration systems) and climate.

Harsh situation of rural areas: the aging of the rural population; depopulation of the countryside; lack of skilled labor for agriculture; lack of development of nonagricultural business activity.

Resistance to change: counteracting changes from stakeholders that are beneficial to maintaining the current situation and who are keenly interested in delaying and sabotaging many reforms (outside of the direct impact of agricultural policy).

Price dynamics: global prices for agricultural raw materials are expected to decline compared to recent high levels.

Political instability: the continuation of aggression in the East and the annexation of the Autonomous Republic of Crimea.

Economic conditions: the deterioration of the economic situation and unfavorable exchange rate dynamics leads to budget constraints and a lack of liquidity.

Energy prices: high energy prices lead to higher prices for production and transportation.

Deterioration of logistics and infrastructure: in particular, the deterioration of roads and the wear and tear of railroads; insufficient level of investment in modernization [2].

Conclusion.

The purpose of the State Strategy and Action Plan for the Development of Agriculture and Rural Areas is to develop an integrated, comprehensive, impartial and realistic strategy and general principles for reforming the agrarian sector. Taking into account the global importance of agricultural production in the world, as well as the dynamics of agricultural development in Ukraine and the possibilities for reforming the agro-food sector, Ukraine is one of the most attractive countries for running agrarian business. Both for foreign investors and for domestic small, medium and large commodity producers.

References

1. World Bank Group. Promotion of business development in agriculture, 2017. URL: http://eba.worldbank.org/about-us/~media/WBG/AgriBusiness/Documents/Reports/2017/EBA2017-Summary-Report_Russian.pdf.

2. Ministry of Agrarian Policy and Food Countries. The only comprehensive strategy for the development of rural economy and rural territories for 2015–2020, 2015. URL: <http://minagro.gov.ua/node/16025>.
3. Order of the Cabinet of Ministers of Ukraine from October 17, 2013 № 806-р "On Approval of Strategies for the Development of the Agricultural Sector for the Period until 2020". URL: <http://zakon2.rada.gov.ua/laws/show/806-2013-%D1%80>.
4. European Commission. CAP at glance, 2017. URL: https://ec.europa.eu/agriculture/cap-overview_en.
5. World Bank Group. Enabling the Business of Agriculture, 2017. URL: <http://eba.worldbank.org/>.

Аврамчук Б. О., Лошакова Ю. А.
ПЕРСПЕКТИВИ РОЗВИТКУ АГРОБІЗ-
НЕСУ НА СІЛЬСЬКИХ ТЕРИТОРІЯХ. ПРО-
ЕКТ СВІТОВОГО БАНКУ «СПРИЯННЯ
РОЗВИТКУ БІЗНЕСУ В СІЛЬСЬКОМУ ГОС-
ПОДАРСТВІ» (ЕВА)

<https://doi.org/10.31548/zemleustriy2018.04.11>

Анотація. (ЕВА) є ініціативою Групи Світового Банку і визначає та контролює правила політики, що впливають на ринки сільського господарства та агробізнесу. Проект представляє глобально-порівняльний характер даних, які можуть інформувати уряд щодо прийняття рішень та охочувати політичний діалог із залученням зацікавлених сторін задля створення середовища, що сприяє місцевому, регіональному та міжнародному бізнесу в сільському господарстві.

Проект «Сприяння розвитку бізнесу в сільському господарстві 2017» ставить собі за мету сприяти створенню сприятливих умов для агробізнесу. Надаючи ключові дані про нормативно-правові документи, зіставлені на глобальному рівні, проект на-

рощує інформаційну базу, яка може бути використана для проведення діалогу з питань розробки політики та реформ. Такі зусилля можуть стимулювати діяльність приватного сектора і привести до створення більш ефективних і дієвих ланцюжків цінностей у сільському господарстві.

Ключові слова: ВВП, агробізнес, стратегія, глобалізація, урбанізація

Аврамчук Б. О., Лошакова Ю. А.
**ПЕРСПЕКТИВЫ РАЗВИТИЯ АГРОБИЗ-
НЕСА НА СЕЛЬСКИХ ТЕРРИТОРИЯХ. ПРО-
ЕКТ МИРОВОГО БАНКА «СОДЕЙСТВИЯ
РАЗВИТИЮ БИЗНЕСА В СЕЛЬСКОМ ХО-
ЗЯЙСТВЕ» (ЕВА)**

[https://doi.org/10.31548/
zemleustriy2018.04.11](https://doi.org/10.31548/zemleustriy2018.04.11)

Аннотація. (ЕВА) является инициативой Группы Всемирного Банка и определяет и контролирует правила политики, влияющие на рынки сельского хозяйства и агробизнеса. Проект представляет глобально

составимый характер данных, которые могут информировать правительство о принятии решений и поощрять политический диалог с привлечением заинтересованных сторон с целью создания среды, способствующей местному, региональному и международному бизнесу в сельском хозяйстве.

Проект «Содействие развитию бизнеса в сельском хозяйстве 2017» ставит своей целью содействие созданию благоприятных условий для агробизнеса. Предоставляя ключевые данные о нормативно-правовых документах, сопоставленные на глобальном уровне, проект наращивает информационную базу, которая может быть использована для проведения диалога по разработке вопросов политики и реформ. Такие усилия могут стимулировать деятельность частного сектора и привести к созданию более эффективных и действенных цепочек ценностей в сельском хозяйстве.

Ключевые слова: ВВП, агробизнес, стратегия, глобализация, урбанізація