

## ECONOMIC ASSESSMENT OF INCLUSIVE DEVELOPMENT OF TERRITORIAL COMMUNITIES WITHIN RURAL AREAS: A CASE STUDY OF UKRAINE

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**Abstract:** The content of the decentralization process as a factor for the inclusive development of united territorial communities, the consequences of which are both positive and negative results, is determined. It is determined that since rural areas are characterized by high unemployment, migration processes, and low provision of social infrastructure, it is necessary to support the inclusive development of united territorial communities which is considered in expanding the employment and income spheres of the rural population, proper provision of medical and educational institutions, creating conditions for the development of alternative business areas, preservation, and improvement of the environment. It is proved that the result of decentralization is: expansion of equitable opportunities for economic participants and equality of sectors of the economy and the rural population; focusing on balancing the labour market by improving the level and quality of productive employment; expanding employment opportunities.

**Keywords:** Employment and unemployment in rural areas, Inclusive development, Rural area, Rural population.

### 1 Introduction

The chosen course for decentralization and separation of the territorial community as a basic subject of local self-government is a key aspect of the Ukrainian state-building system development. In April 2014, the Government of Ukraine approved the Concept of Reforming Local Self-Government and Territorial Organization of Power in Ukraine, which defines the directions, mechanisms, and deadlines for the formation of effective local self-government and territorial organization of authority and provides appropriate material, financial and organizational conditions for local self-government own and delegated powers [2, 7, 34].

Many scholars pay attention to the study of theoretical and practical issues of decentralization of power, development of local self-government in urban and rural areas. However, despite the significant volume of publications in this field and given the multifaceted nature of this problem in modern conditions, it is necessary to study the peculiarities for inclusive development of united territorial communities in rural areas in the context of decentralization.

### 2 Literature Review

Theoretic-methodological and applied provisions on the essence of rural territories and ensuring their inclusive development in the context of decentralization are the subject of research by many scientists, including: Tryhuba A. [39, 40], Vasylieva N. [41] and others.

Rushkovsky analyzed the processes of territorial decentralization and identified its three system-forming components [6]: political, administrative, and financial decentralization.

Lelechenko A. P., Vasylieva O. I., Kuibida V. S., Tkachuk A. F. believe that a necessary condition for stable development of society and effective functioning of the state is to ensure the balance of national interests not only with the interests of territorial communities, but also cooperation and coordination of these interests at different levels of executive power [21].

It should be noted, that in the scientific literature there are different types of rural development. Among them – sustainable, balanced, agrarian, socio-economic, agricultural, integrated, complex, perspective, inclusive. All these types are directly affected by decentralization processes.

Akimova L. et al. [1] revealed the peculiarities of socio-economic development of territories on the example of European Union member states and analysed the practical aspects of these territories' development, which are presented through indicators of employment, economically active population and others. In our opinion, they are indicators of the inclusive development of these regions.

We agree with Ovcharenko et al. [32] that «the united territorial community reaches a qualitatively different level of existence: it strengthens the duties and responsibilities, first of all, for local authorities. From the expanded territory to the local budget it is possible to collect more significant tax receipts, and it is additional workplaces, improvement of apartments, i.e. life of citizens».

herefore, in order for the united territorial community to use the opportunities to achieve the prospects of the inclusive development, it is necessary not only to quantitatively expand its borders by increasing the number of inhabitants. Solving the problems of development by involving all segments of the population, intensification of entrepreneurial activity, fair distribution of the received goods, reduction of differentiation of the population on incomes, improvement of quality of environment acquires urgency.

Hutorov O. [11] characterizes the decentralization processes in rural areas as «expanding and strengthening rights and powers of the rural population while narrowing the rights and powers of the relevant central government to improve the effectiveness of local interests».

In modern conditions of local government reform, according to Marmul L. [22], is often reduced to the elimination of so few existing facilities and institutions of social infrastructure for financial and economic reasons (medical and obstetric canthers, kindergartens, schools, clubs, libraries, especially in depressed villages).

Gupta J. et al. [8] believe that inclusive development will only be achieved through genuine interactive governance, which provides tools and conditions for adaptive learning and the empowerment of marginalized people.

According to V. Reshetylo [35], inclusive development is based, in addition to poverty reduction and inequality, on the need to ensure the participation of all segments of the population in the growth process both in terms of decision-making and in the formation of growth factors.

Khomiuk N. [16] substantiated the theoretical and methodological principles and developed practical

recommendations for the diversification of rural development in the context of decentralization. Tryhuba A., Pavlikha N., Rudynets reveal the peculiarities of dairy development in rural communities [9, 12, 13]. Scholars state that the implementation processes of decentralization reform affect the development of rural areas. However, their work does not address the issue of achieving prospects for inclusive development – providing fair opportunities for economic actors and equality of sectors of the economy and the population, as well as equality of human capital, the environment, social protection, food security.

The purpose of the article is to reveal the peculiarities for the formation of united territorial communities and to determine their role in achieving the prospects of the inclusive development of rural areas in Ukraine.

### 3 Materials and Methods

To achieve this goal, legislative and regulatory acts of the Verkhovna Rada of Ukraine and the Cabinet of Ministers of Ukraine, official materials of the Ministry of Development of Communities and Territories of Ukraine, the Ministry of Economic Development, Trade and Agriculture on decentralization and rural development in Ukraine were analysed.

To assess the results of local government reform in Ukraine, a graphical interpretation of the dynamics of the united territorial communities formation in Ukraine by regions, the dynamics of the inhabitants number of united territorial communities in Ukraine, the dynamics of the area of united territorial communities in Ukraine, the dynamics of own revenues fund of local budgets in Ukraine in 2015–2019. Emphasis is placed on the implementation of local government reform in rural areas in Ukraine. Current trends in the level of unemployment, employment, and the state of social infrastructure as the main indicators of inclusive development of united territorial communities in rural areas in Ukraine are described. In the course of the research the comparative analysis, systematization of the information, its graphic image is executed.

### 4 Results and Discussion

The main idea of the decentralization in Ukraine is the provisions of the European Charter of Local Self-Government and the best world standards for public relations in this area. Reform of local self-government and territorial organization of power in Ukraine began in 2014.

In the conditions of decentralization, the opportunities for development and activity of rural areas are expanding, because decentralization is «the transfer of part of the governance functions of central authorities to local authorities, the expansion of powers of lower governing bodies at the expense of higher ones» [24].

Khomiuk N. considers that decentralization is a process of bringing governance decisions closer to the public, expanding the rights and powers of local governments, which contributes to the development and implementation of strategies, programs, projects for rural development and services in accordance with the needs of united communities [15, 17].

According to the law, the implementation of this Concept must be carried out in two stages. During the preparatory phase (2014) it was envisaged to create a legislative basis for the regulation of the new system for the administrative-territorial organization. The second stage of the Concept implementation (2015–2017) is the institutional reorganization of local self-government bodies on a new territorial basis; holding local elections taking into account the reformed system of these bodies.

However, local self-government reform has dragged on. In fact, the first stage of decentralization covered the period from 2014 to 2018, because on January 23, 2019, the Cabinet of Ministers

of Ukraine initiated the transition to a new stage of decentralization reform [20, 30]. It provides for: the formation of a new territorial basis for the activities of authorities at the level of communities and districts; transfer (decentralization) of powers from executive bodies to local self-government bodies and their delimitation on the principle of subsidiarity; creation of an adequate resource base for the exercise of the powers of local self-government bodies; formation of an effective system of service in local governments; development of forms of direct democracy: elections, referendums.

Prior to the reform of local self-government in Ukraine, there were about 12 thousand territorial communities, in more than 6 thousand communities the population was less than 3 thousand people, of which in 4809 communities – less than 1 thousand people, and in 1129 – less than 500 people. In most of them, the executive bodies of the relevant village councils have not been established and there are no budget institutions, utilities, etc. Subsidy of 5419 local government budgets was over 70%, 483 territorial communities were 90% maintained at the expense of the State budget [18, 25, 29].

During the first stage (2014–2018), 876 united territorial communities were formed in Ukraine, most of which are located in rural areas. The dynamics of united territorial communities (UTC) formation in terms of regions of Ukraine is shown in Figure 1.

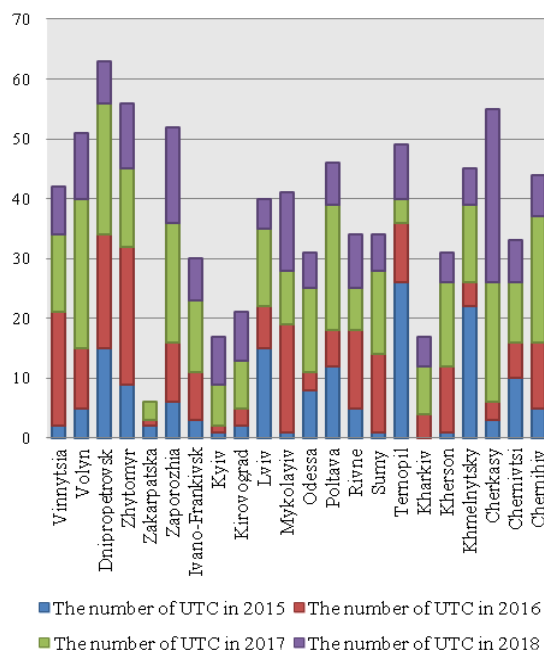


Figure 1 – Dynamics of united territorial communities formation in Ukraine by regions\*

\*Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, Donetsk and Luhansk regions  
Source: based on site data [26, 37].

As of January 10, 2019 – 9 million people lived in UTC, which is 25.5% of the total population of Ukraine. The dynamics of the number of inhabitants of the united territorial communities in Ukraine is given in Figure 2.

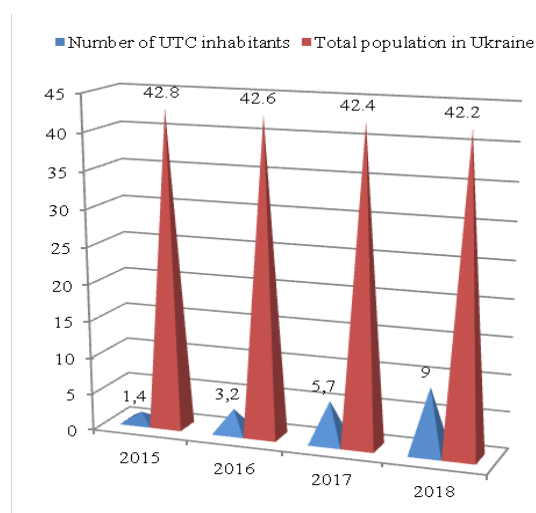


Figure 2 – Dynamics of the number of inhabitants of the united territorial communities in Ukraine, million people\*

\*Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, Donetsk and Luhansk regions of Ukraine.

\*\*UTC – united territorial communities.

Source: formed on the basis of site data [26, 37].

At the end of the first stage, the total area of UTC was about 38% of the total area of Ukraine. The dynamics of the area of united territorial communities in Ukraine are shown in Figure 3.

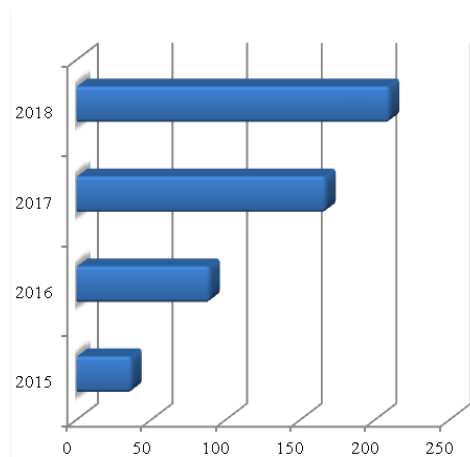


Figure 3 – Dynamics of the area of united territorial communities in Ukraine, thousands km<sup>2</sup>\*

\*Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, Donetsk and Luhansk regions of Ukraine.

Source: formed on the basis of site data [26].

During 2014-2018, 876 united territorial communities were created in Ukraine, of which 782 have already held council elections, elected UTC chairmen and elders; 69 – awaiting the CEC decision on calling the first elections [26]. The area of the united territorial communities as of January 10, 2019, was 209.6 thousand square km, and 9.0 million citizens of Ukraine lived on their territory.

During the first stage of local self-government reform, Khmelnytsky, Zhytomyr, Chernihiv, Zaporizhia, and Volyn regions showed the best results in the overall ranking of regions for UTC formation, while Vinnytsia, Poltava, Kyiv, Kirovohrad, and Zakarpattia showed the lowest results. The main parameters

of the overall rating, which is formed by the Ministry of Development of Communities and Territories of Ukraine, are the number of UTC; UTC coverage of the area; the number of territorial communities united; the number of UTCs with less than 5 thousand people; the percentage of the area covered by the long-term plan; the percentage of UTC population to the total population.

The leaders among the regions in terms of the number of UTCs formed as of the end of 2018 were Dnipropetrovsk (63), Cherkasy (56), Zhytomyr (55), Zaporizhia (52) and Volyn (51) regions. The least UTCs were created in Zakarpattia, Donetsk, and Kyiv regions - 6, 16, and 17 UTCs, respectively.

United territorial communities, which have been created since 2015 within the Concept of Reforming Local Self-Government and Territorial Organization of Power in Ukraine [28], are already experiencing difficulties with the formation of their budgets. According to Art. 2 of the Budget Code of Ukraine, UTC budgets are the budgets of united territorial communities created in accordance with the law and the long-term plan for the formation of community territories, as well as the budgets of united territorial communities recognized by the Cabinet of Ministers as capable in law [27].

To support the united territorial communities, funds from the State Fund for Regional Development (SFRD) and subventions from the State Budget are used to form the appropriate infrastructure in accordance with the UTC socio-economic development plan (Figure 4).

The State Fund for Regional Development is a key financial instrument not only for the implementation of the State Strategy for Regional Development, regional development strategies but also for financing community cooperation projects and UTC [42].

We agree with the opinion of scholars who believe that the united territorial community reaches a qualitatively different level of existence: it strengthens the duties and responsibilities, first of all, of local authorities. From the expanded territory to the local budget it is possible to collect more considerable tax receipts, and it is additional workplaces, improvement of apartments, i.e. the life of citizens [17].

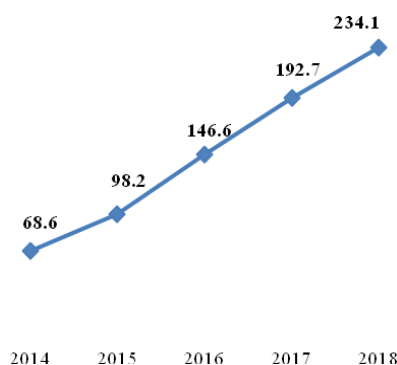


Figure 4 – Dynamics of formation of own incomes of the general fund of local budgets in Ukraine, billion UAH\*

\*Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, Donetsk and Luhansk regions of Ukraine.

Source: formed on the basis of site data [26, 37].

The decentralization process enables local governments to make their own decisions on financial issues, including filling local budgets by setting local tax rates, such as property tax and single tax. Therefore, this reform helps to increase the efficiency of budget funds at all levels of government and is an effective

factor in stabilizing the socio-economic situation in Ukraine [16].

During the implementation of local government reform, we observe the dynamics of increasing its own revenues of the general fund of local budgets, which is shown in Figure 4.

As we can see, the volumes of local budgets' own revenues increased from UAH 68.6 billion in 2014 to UAH 234.1 billion in 2018. In the own revenues of the general fund of local budgets, the largest share is occupied by revenues from the payment of personal income tax – 138.1 billion UAH, or 59% of the total amount of own revenues of local budgets. Compared to 2017, PIT revenues in Ukraine as a whole increased by UAH 27.5 billion, or by 24.9%.

In 2018, 665 UTC's own revenues increased similarly, compared to 2017, by UAH 5.0 billion and amounted to UAH 12.7 billion. The main tax sources of UTC budgets in 2018 were personal income tax (UAH 11.9 billion), land fees (UAH 3.0 billion), single tax (UAH 3.3 billion), excise tax (1, UAH 5 billion) and real estate tax (UAH 0.4 billion).

During 2014-2018, state support for the development of regions and communities increased 39 times. In 2018, UAH 19.37 billion was directed by the government to support sectoral regional policy, development of medicine in rural areas; construction of sports facilities; UTC infrastructure.

Bulavka O. and Stavnycha L. [5] propose to increase the filling of the revenue side of territorial communities local budgets to strengthen the influence of local governments on territorial entities to provide working rural residents with jobs, timely provide workers with wages, eliminate debt and shadow its payment.

In 2018, the State Geocadastre began the process of transferring state-owned agricultural land to UTC communal ownership. As of the end of 2018, 646 UTCs received 1,450.8 thousand hectares of agricultural land in communal ownership [28].

Agricultural activity and land resources are the basis for the development of rural areas, as revenues from their taxation are a significant part of local budget revenues [33].

During the second stage of local self-government reform (2019), another 153 united territorial communities were created. That is, as of January 10, 2020, 1,029 UTCs were formed in Ukraine. The area of the united territorial communities was 246.8 thousand km<sup>2</sup> (44.2% of the total area of Ukraine), and 111.7 million citizens of Ukraine lived on their territory (33.3% of the total population of Ukraine).

Zhytomyr, Dnipropetrovsk, Chernihiv, Khmelnytskyi, and Zaporizhzhia regions showed the best results in the overall ranking of regions in terms of UTC formation in the second stage of the decentralization process, and Kyiv, Lviv, Zakarpattia, Vinnytsia and Kirovohrad regions showed the lowest results. In general, the regions-leaders and regions-outsiders of decentralization did not change in 2019, only the Volyn region left the list of leaders. In 2019, state support for the development of territorial communities and the development of their infrastructure amounted to UAH 20.75 billion.

According to Baranovska T. [3], decentralization processes should end with the definition of a new format of territorial organization of state power on the ground, a clear division of powers between public authorities and local governments, the introduction of a legal framework for effective local democracy, the creation of effective mechanisms for active public participation of local significance, the introduction of institutions for political responsibility at both local and national levels. Based on this, we agree with the author that the development of a rural community is both a process of increasing the ability to act collectively and the result of joint action, expressed in

improving the living conditions of the community (economic, social, political, physical, cultural, environmental, etc.).

For Ukraine, according to Vasylytsiv T. and Boiko V. [42], the development of rural areas is important not only given the need to solve their socio-economic problems, but also to preserve the traditions of the Ukrainian people, its historical and ethnic characteristics. After all, the rural community is the key carrier and centre for the development of cultural traditions. In the early twentieth century in Ukraine, the share of the rural population exceeded 80%. The process of urbanization that accompanied the state policy of industrialization of the USSR led to a gradual decrease in this share.

According to E. Mishenin, the two main sources of urban population growth are natural increase and migration to cities. Today, five factors of the deruralization process in developing countries are identified [23, p. 39-40]:

- Rural unemployment as a result of mechanization in agriculture and rapid population growth;
- Lack of arable land, which is exacerbated by environmental degradation;
- Rural areas lack social services, especially educational ones;
- Migration to cities is often caused by natural disasters, especially parts of droughts;
- Many villagers move to cities due to internal conflicts (a factor of public concern).

In the mid-60s of the twentieth century the number of rural and urban population equalized. With the formation of an independent Ukrainian state, the process of urbanization slowed down somewhat but continued. In 2017, the share of the rural population in Ukraine was already only 30.8% (Figure 5).

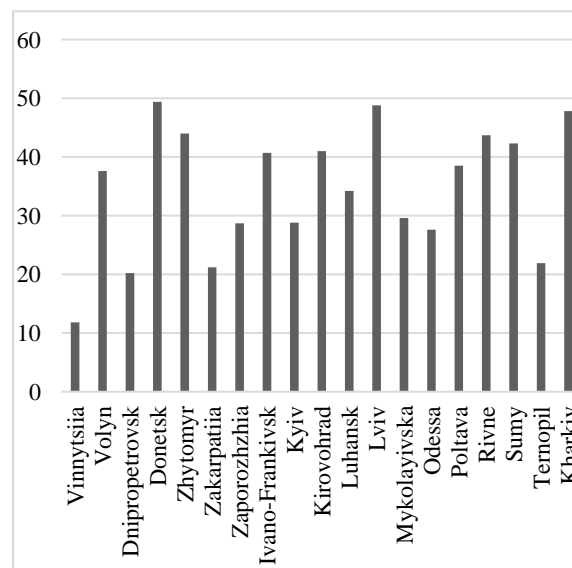


Figure 5 – The pace of regional urbanization of Ukraine in 2017

Source: based on site data [23].

Urbanization can be characterized by the pace of urbanization. They can be defined as the difference between the share of the rural population of Ukraine in 1939 and the share of the rural population in 2014. These years were chosen by us because of the available statistics for these years [3, p. 365]. As can be seen from Figure 5, the pace of urbanization is different in the regions of Ukraine and different territories may differ two to three times. The maximum rate of urbanization (about 50%) was observed for areas adjacent to large cities (Kyiv, Sumy, Chernihiv, Kirovohrad regions). Minimal rates of urbanization (10-20%) are typical for Donetsk, Luhansk, Chernivtsi, Ivano-Frankivsk, and Zakarpattia regions. The first two areas from this list are

urbanized at the beginning of the observed period. The low rate of urbanization of the last three oblasts can be explained by the insufficient development of industry, which is connected with the state policy of that time and the unwillingness to develop the border regions industrially.

If we compare the pace of urbanization of Ukraine with the corresponding indicators of neighbouring Poland, it is clear that the process of urbanization in our country was faster (the rate of urbanization in Ukraine – 35%, the rate of urbanization in Poland – 22%). As of today, the share of the rural population in Ukraine is 31%, in Poland – 39%.

The share of the rural population in Ukraine’s neighbours is 22% for Belarus, 25% for Bulgaria, 26% for the Czech Republic, 31% for Estonia, 29% for Hungary, 32% for Latvia, 33% for Lithuania, and 57% for Moldova. %, Romania – 46%, Russia - 26%, Slovakia – 46%, Turkey – 25% [10]. The most urbanized are Belarus, Bulgaria, Turkey, Russia, and the Czech Republic. The largest share of the rural population lives in Moldova, Romania and Slovakia.

In the last 30 years, Ukraine's population has been declining due to a number of economic and social reasons. At the same time, we see a decrease in the share of the rural population, which is caused by the lack of jobs in rural and small towns, the insufficient level of social security. According to international experts [43], over the next 30 years, the share of the rural population in Ukraine may decrease from 31 to 22% (Table 1).

This process is modelled using the logistics function, which is the solution of equation and has the following form:

$$y = g - \frac{b}{1 + A \exp[-a(t - t_0)]}$$

Table 1: Actual and predictable number of the rural population of Ukraine, calculated on the basis of the model

Years	Actual number of the rural population $Q_{r,act}$	Predictable number of the population on the basis of a model $Q_{r,model}$	Years	Actual number of the rural population $Q_{r,act}$	Predictable number of the population on the basis of a model $Q_{r,model}$	Years	Expected number of the rural population, calculated on the basis of the model $Q_{r,est}$
1990	32,7	32,93	2005	32,3	32,28	2020	28,36
1991	32,5	32,91	2006	32,1	32,17	2021	27,93
1992	32,2	32,90	2007	31,9	32,04	2022	27,50
1993	32,1	32,88	2008	31,7	31,90	2023	27,07
1994	32,1	32,86	2009	31,5	31,73	2024	26,65
1995	32,1	32,84	2010	31,4	31,54	2025	26,23
1996	32,2	32,82	2011	31,3	31,33	2026	25,84
1997	32,3	32,78	2012	31,2	31,10	2027	25,45
1998	32,4	32,75	2013	31,1	30,84	2028	25,09
1999	32,5	32,71	2014	31,0	30,56	2029	24,76
2000	32,6	32,66	2015	30,9	30,25	2030	24,45
2001	32,6	32,60	2016	30,8	29,91	2031	24,16
2002	32,8	32,54	2017	30,8	29,55	2032	23,90
2003	32,7	32,47	2018	30,7	29,17	2033	23,67
2004	32,5	32,38	2019	30,6	28,77	2034	23,46

Source: built according to the data provided by the State Statistics Committee of Ukraine and own calculations.

We determined the parameters of the function  $y(t)$  by the method of least squares, maximally reconciling the function of change in the share of the rural population with the available statistics. The value of the parameter = 31 was assumed to be

equal to the initial value of the share of the rural population for the beginning of observations (= 1990). The values of other parameters are determined by the method of least squares [26] and are equal to  $a = 0.1565$ ;  $b = 11$ ;  $A = 150$ . Here with the function takes the form:

$$y = g - \frac{11}{1 + 150 \exp[-0.1565(t - t_0)]}$$

Actual data on the change in the rural population, as well as the predictable rural population calculated according to the proposed model, are given in Table 1.

The results of modelling the share of the rural population are presented in Fig. 6. As can be seen from the graph, the value of the share of the rural population in 2020 will be 29%, in 2030 – 25%, in 2040 it will approach 22% (Figure 6).

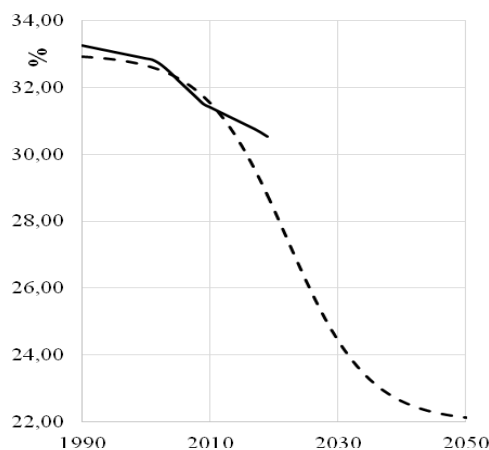


Figure 6 – Modelling the change in the share of the rural population of Ukraine

Source: built by the authors, own calculations

Thus, we can compare the results of forecasting the number of rural population with the materials of the review of the prospects of global urbanization until 2050 of the UN Department of Economic and Social Affairs, according to which the population of Ukraine by 2050 will continue to decline and reach 36 million people. Thus, according to their data, in 2050 the population of Ukraine will be 36.4 million people. Of these, 28.5 million will live in cities, which will account for about 78% of the total population. Currently, the urban and rural population is 69 by 31% [43, p. 132]. As a result of the above model, we observe a decrease in the share of the rural population [23].

According to Kravchenko T. [19], the purpose of rural development with the help of rural communities is its viability, which is directly proportional to two aspects of its development. First, the viability of the village depends on the extent to which rural communities can maintain the local infrastructure at the appropriate level, have access to a wide range of services, and work to revitalize entrepreneurship, intensify economic opportunities and shape regulatory policies that deliver results. Secondly, the viability of rural communities, according to the scientist, depends on the peasants themselves, who must understand and realize their assets, effectively develop networks, work on local cooperation, develop motivation among fellow villagers and cultivate enthusiasm for the development of the native village.

Skydan O. [36] believes that with the active development of the village, the creation of rural territorial communities provides an opportunity for rural residents to self-organize through the use of common living space, to improve the economic, social and environmental situation of the village. So in this case, the peasants create their own so-called group of local interaction and choose from among themselves the leader who heads it. All this has a positive effect on the indicators of inclusive development

of rural territorial communities. Rural areas of Ukraine are characterized by high unemployment, migration processes, low provision of social infrastructure.

The unemployment rate in rural areas in 2018 was 9.2%, which is 0.6% more than in urban areas. The highest unemployment rate was registered in Donetsk and Poltava regions, and the lowest in Chernivtsi region. Levels of employment and unemployment in rural areas in the regions of Ukraine in 2018 are shown in Figure 7. In general, the employment of the rural population in Ukraine is declining, leading to an increase in poverty (Figure 7).

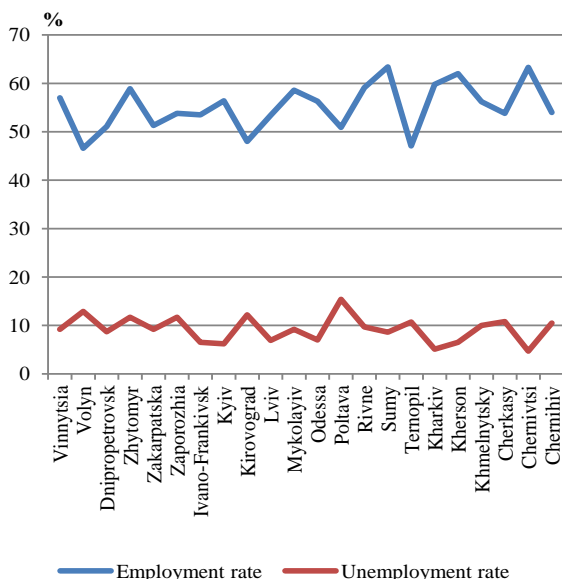


Figure 7 – Levels of employment and unemployment in rural areas in the regions of Ukraine in 2018, %\*

\*Excluding the temporarily occupied territories of the Autonomous Republic of Crimea, Donetsk and Luhansk regions of Ukraine.

Source: calculated on the basis of data [31].

I. Storonińska calls migration one of the most acute challenges in the field of employment at the local level. It creates many problems for the development of UTC, the main of which are [38]: declining activity of residents, lack of qualified personnel in management, lack of own financial resources, which is a consequence of «leaching» of human potential and reduced opportunities for its capitalization. We agree with the opinion of scientists that the problem of migration outside the UTC is important for all types of communities (urban, urban, rural), but the most relevant – for rural UTC, remote from large cities, and important roads.

The prerogative for the inclusive development of united territorial communities in rural areas is, in addition to ensuring equal employment opportunities for the UTC population, to improve the access of the rural population to educational services. There is a dynamics of reducing the number of preschool educational institutions in rural areas from 9.3 thousand in 2014 to 9.1 thousand in 2018 and a decrease in the number of children in these institutions from 326 thousand in 2014 to 309 thousand in 2018.

Borodina O. and Prokopa I. [4] argue that inclusive rural development «should provide an opportunity for all rural residents to use land and other rural resources, the results of economic growth in agriculture and other sectors of the rural economy, participate in socio-political processes and unite social

communities on the path to human rights, lead to poverty reduction and overcome economic and social exclusion».

In our opinion, the inclusive development of united territorial communities in rural areas is manifested in the expansion of employment and income of the rural population, proper provision of medical and educational institutions, creating conditions for the development of alternative businesses and their further diversification in these areas, preservation, and improvement of natural resources.

Khomiuk N. [12, 14] believes that diversification processes will increase the level of employment in rural areas; overcoming poverty; development of social infrastructure; improving the quality of services; ensuring the livelihood of rural residents. Therefore, we propose to single out the diversification of agricultural production and diversification of non-agricultural activities among the ways to implement the inclusive development of united territorial communities in rural areas in Ukraine, which is presented in Figure 8.

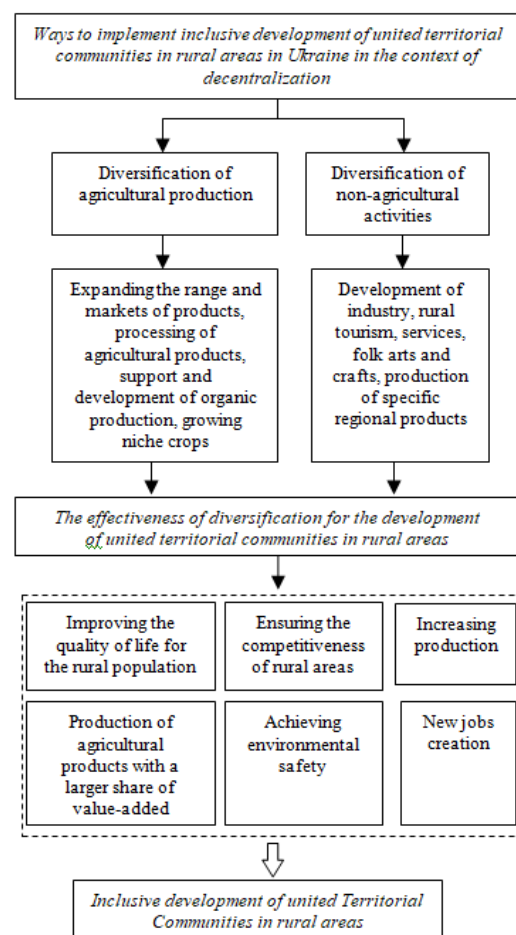


Figure 8 – Ways to implement inclusive development of united territorial communities in rural areas in Ukraine  
Source: own developed

Inclusive development of united territorial communities in rural areas in the context of decentralization depends on the availability of natural resources, location of villages, effective functioning of united territorial communities, the correctness of decisions made by the heads and mayors of these communities. In the context of modern reforms, the key role in the management of social, economic, environmental spheres of united territorial communities in rural areas belongs to local authorities. They coordinate the activities of all economic structures, participate in the development and implementation of strategies, programs, projects, and address issues of their financing. In our opinion, the consequences of decentralization

are more positive when the population of united territorial communities is involved in the development and implementation of development strategies.

## 5 Conclusion

Decentralization is defined as a factor of the inclusive development of united territorial communities. Its consequences are positive (increasing the efficiency of budget funds at all levels of government; increasing interest of rural residents in the development of a united territorial community and taking into account their needs; receiving quality administrative, social and other services, the ability to dispose of agricultural land; raising funds for grant funding) and negative results (increasing uneven development of rural areas; increasing corruption at the local level; the risk of making wrong decisions due to the shortage of qualified professionals; loss of state control).

In the context of decentralization, the opportunities for inclusive development and activities of united territorial communities in rural areas are expanding. This is achieved through the creation of new jobs and improving the quality of life of the rural population, involvement in solving problems of development of all segments of the population, intensification of entrepreneurial activity, fair distribution of benefits, reducing income differentiation, and improving the quality of the environment. To achieve positive results, it is necessary to adequately assess the existing contradictions, identify destructive trends and causal links, prerequisites, and factors for the inclusive development of united territorial communities in rural areas.

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