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Advancing the convergence and integration of rural border areas

Abstract. The article touches upon the need for greater convergence and integration in order to provide economic converge and alignment of regional economies, in particular in rural border areas, which is based primarily on effective functioning of the priority areas and implementation of economic activities. The authors have conducted a rating evaluation in terms of GDP (GRP) per capita of the western border regions of Ukraine (Transcarpathian, Ivano-Frankivsk, Lviv and Chernivtsi regions) and border areas of the neighbouring countries (Poland, Romania, Slovakia and Hungary). The study confirms that the border areas of Slovakia, Hungary and Poland differ favourably from the studied regions of other neighbouring Romania, and especially Ukraine, in terms of socio-economic development.

The authors have studied European approaches to forming agricultural policy and sustainable rural development, consideration of which will facilitate the deepening revitalisation processes convergence and integration of rural border areas of Ukraine, as well as the competitiveness of Ukrainian agricultural enterprises and their access to the European market.

EU Common Agricultural Policy towards 2020 and the Strategy of Development of the Agricultural Sector for the Period until 2020 adopted by the Cabinet of Ministers of Ukraine were considered in the research in order to provide effective mechanism of sectoral and territorial integration of the rural border areas.

The conclusions have been formulated as follows. Ensuring convergence and integration of regional economic systems in accordance with the level the socio-economic development and compliance with environmental tenets of sustainable development is conditioned by the further integration into the European structures. In the long term, the actual task for Ukraine is to develop and adopt a new strategy of interregional and international cooperation, including integration and cooperation between the western border regions of Ukraine and the neighbouring countries, such as Hungary, Poland, Slovakia and Romania, in the field of socio-economic activities and environmental protection. Such an approach will lead to finding solutions to the problems of agricultural development as an important component of sustainable rural development.

Convergence and integration of rural border areas will help to build a sustainable living environment with further enhancement of the local population well-being and prosperity.

Keywords: Revitalisation of Development; Convergence and Integration Processes; GRP; Rural Area; Territorial Economic Systems; Neighbouring Countries; Rural Border Areas; Agricultural Policy; Ukraine; Poland; Romania; Slovakia; Hungary

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Активізація процесів конвергенції та інтеграції сільських прикордонних територій

Анотація. У статті обґрунтовано необхідність активізації процесів конвергенції та інтеграції з метою зближення та вирівнювання розвитку територіальних економічних систем, зокрема сільських прикордонних територій, передусім на основі ефективного функціонування пріоритетних сфер і видів економічної діяльності. Проведено рейтингове оцінювання за показником ВВП (ВРП) у розрахунку на одну особу населення західних прикордонних областей України (Закарпатська, Івано-Франківська, Львівська й Чернівецька області) та прикордонних територій сусідніх держав (Польщі, Румунії, Словаччини й Угорщини). Розглянуто європейські підходи до формування аграрної політики та забезпечення збалансованого сільського розвитку, урахування яких сприятиме поглибленню активізаційних процесів конвергенції та інтеграції сільських прикордонних територій України, підвищенню конкурентоспроможності агропромислових підприємств, їх виходу на європейські ринки.

Ключові слова: активізація розвитку; конвергенція; інтеграція; територіальні економічні системи; ВРП; сільські прикордонні території; аграрна політика; Україна; Польща; Румунія; Словаччина; Угорщина.

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Активизация процессов конвергенции и интеграции сельских приграничных территорий

Аннотация. В статье обоснована необходимость активизации процессов конвергенции и интеграции с целью сближения и выравнивания развития территориальных экономических систем, в том числе сельских приграничных территорий, прежде всего на основе эффективного функционирования приоритетных сфер и видов экономической деятельности. Проведено рейтинговое оценивание согласно показателю ВВП (ВРП) в расчете на душу населения западных приграничных областей Украины (Закарпатская, Ивано-Франковская, Львовская и Черновицкая области), а также приграничных территорий соседних государств (Польша, Румыния, Словакия и Венгрия). Рассмотрены европейские подходы к формированию аграрной политики и обеспечению сбалансированного сельского развития, учет которых будет способствовать углублению активизационных процессов конвергенции и интеграции сельских приграничных территорий Украины, повышению конкурентоспособности агропромышленных предприятий, их выходу на европейские рынки.

Ключевые слова: активизация развития; конвергенция; интеграция; территориальные экономические системы; сопредельные государства; ВРП; сельские приграничные территории; аграрная политика; Украина; Польша; Румыния; Словакия; Венгрия.

1. Introduction

The need for convergence and alignment of regional systems to promote mutually beneficial multifaceted relations and activities and to achieve economic growth leads to advancing convergence and integration under the conditions of transformation processes and changing economic conditions of management. The abovementioned processes are prerequisites for sustainable territorial development which provide a comfortable living environment, welfare and well-being of the people living in these areas. Thus, they directly affect the country's security. The process of revitalisation of regional economies, including the border area countryside, becomes possible through the effective use of their resources by defining priorities and competitive advantages of territorial development.

2. Brief Literature Review

Scientific studies show that an endogenously oriented model of economic development has been forming in Ukraine in recent years. Hence, in order to ensure economic growth, the challenge is to enhance the positive influence of internal and reduce the negative impact of external factors, i.e. to increase stability of the economic system with regard to a number of exogenous factors, to reduce vulnerability to external risks and their impacts on the efficiency of the economy by appropriate adjustment of the national high-tech products and high-tech products to global market conditions, to participate in regional and global trading communities on a mutually beneficial basis of equality and partnership [1, 53].

Bearing in mind the abovementioned information, it should be noted that convergence and integration processes will ensure such an increase because, according to Andrei Sakharov, such processes will facilitate convergence of different economic systems and level the differences between them, which will lead to solving socio-economic and environmental problems and improvement of the livelihoods of communities living within the relevant economic systems [2, 124-134]. As I. Vakhovych notes, it is important to find a compromise between territorial systems in the process of their rapprochements [3, 13]. Convergence and integration processes in the border areas have been considered by N. Mikula who claims the need to promote them both inside the country and in adjacent areas of neighbouring states, which form the cross-border region [4].

O. Shubravska notes that economic integration is an objective process, because it promotes the development of new regional markets, effective interaction between suppliers and consumers, stabilises the socio-economic development within the certain areas [5, 64]. M. Olishevych considers problems of uneven regional economic growth with regard to different aspects, including employment conditions in the context of the EU integration efforts from the part of Ukraine to compare the processes of regional economic integration in Ukraine with the relevant processes in other countries [6]. L. Fedulova focuses

on the role of the innovative character of sustainable economic growth of the country's territories because nowadays Ukraine is facing the choice of the most suitable model of integration of domestic businesses into the global market [7, 22].

A differentiation in socio-economic development at the regional level with regard to integration processes has been considered by foreign scientists, such as L. Sawers (Sawers, 2006) [8], I. Caseres (Caseres, 2014) [9], G. Petrakos and I. Topaloglou (Petrakos, Topaloglou, 2008) [10] outlined changes in integration trends and prospects for economic growth of border areas. The impact of innovation processes on the socio-economic development of local systems has been studied by Ph. Cooke, M. Heidenreich and H.-J. Braczyk (2004), B. T. Asheim and A. Isaksen (1996), and J. A. Stein (2004) [11-13].

Despite the significant scientific achievements of foreign and domestic researchers, there is a need to further deal with issues concerning the convergence and integration of rural border areas, taking into account the European experience in the field of rural development.

3. The purpose of this article is to study European approaches to the formation of the agricultural policy and rural development with the aim of advancing the convergence and integration of western rural border areas of Ukraine and deepening the European integration processes.

4. Results

Today, we observe the intensification of processes related to convergence/integration of economic development of border areas in the system of interstate and interregional social and economic integration of Ukraine into the global economy. For Ukraine, these processes have gained relevance with the opening of the European market and the signing of the Association Agreement with the EU, which emphasises that the deepening cooperation and involvement of the Ukrainian entities in joint research, communication and information projects should be considered a benefit, which, in turn, will contribute to solving complex problems and ensure positive changes in the structure of the national economy and accelerate the implementation of the structural reforms. A milestone event for Ukraine was also accession to the World Trade Organisation, including duty-free access of Ukrainian agricultural products under tariff quotas to the EU market, the refusal of the EU to use export subsidies for agricultural products when exporting to Ukraine, the inclusion of the right for the Ukrainian party to use protective measures and additional conditions of trade [14, 4].

The abovementioned processes become relevant primarily for regional economical systems, which are adjacent areas on both sides of the border and have common evolutionary and mental features. These areas include the western border region of Ukraine, in particular Transcarpathian, Ivano-Frankivsk, Lviv and Chernivtsi regions which border on five European countries, including several EU Member States, namely Hungary, Poland,

Slovakia, Romania and Moldova. The region's advantageous geographical position creates a favourable environment for integration and convergence in multifaceted relations and economic activities concerning the implementation of foreign economic relations between economic entities. However, the rating evaluation of the relevant western border regions of Ukraine and neighbouring countries shows a negative differentiation regarding regional development trends by selected indicators of social and economic growth. In particular, GDP (GRP) per capita for Chernivtsi region as of 2014 was USD 1,044¹ (rated 11th among the researched border regions); USD 1,210 for Transcarpathian region (rated 10th); USD 1,719 for Ivano-Frankivsk region (rated 9th) and USD 1,813 for Lviv region (rated 8th).

In Slovakia, Kosice region had GDP per capita² in 2014 USD 11,788 and Presov region USD 9,020, with the country's average of USD 14,991 as of 2014. In Hungary, Borsod-Abaúj-Zemplén region had GDP per capita in 2014 USD 6,579 and Szabolcs-Szatmar-Bereg region had USD 7,226 respectively, with the country's average of USD 11,432 as of 2014. In Poland, Subcarpathia (Podkarpackie) voivodship had GDP per capita in 2014 USD 8,196 and Lubelske voivodship had 8,089 USD respectively, with the country's average of USD 11,540 as of 2014. In Romania, the county of Maramures had GDP per capita in 2014 USD 7,010, with the country's average of USD 7,118 [15, 161-164; 16; 17].

The study confirms that the border areas of Slovakia, Hungary and Poland differ favourably from the studied regions of other neighbouring Romania, and especially Ukraine, in terms of socio-economic development.

It is helpful to note that the study is complicated by the lack of reliable economic and statistical information on socio-economic development of the border regions of the neighbouring countries.

We believe that:

- to guide the Carpathian Euroregion, it is reasonable to generalise information materials, which will enable a comparative analysis to identify the differential lag and the subsequent formation of the prospects of Ukraine border areas in order to strengthen the European integration processes;
- regional statistics agencies should develop cross-border relations in order to create a database of the current state of socio-economic development of the border regions of neighbouring countries and implement principles of balanced growth and integration development;
- it is appropriate to encourage students to international cooperation in a variety of relations relevant to the livelihoods of the border areas.

A significant impact on the deepening convergence and integration of rural border areas of Ukraine, including rural development and effective growth of agricultural production, has the implementation of rural development models and mechanisms tested in the EU which stimulates the development and implementation of investment programs, application of new technologies in agricultural production increasing the competitiveness of the Ukrainian agricultural enterprises when they enter the EU markets.

With this aim, significant financial support for rural development is provided within the framework of the Agreement. According to the support package for Ukraine approved by the European Commission on 5 March 2014, Ukraine plans to allocate EUR 11 billion, of which EUR 5 billion will be received from the European Bank for Reconstruction and Development. One part of the financial support aims to support political and economic reforms in Ukraine, as well as to expand the free trade area with the EU. In addition, during the seven years of economic support will be provided in the form of macro-financial assistance (loans) estimated at EUR 1.6 billion during the seven-year period, and in the form of grants in the amount of EUR 1.4 billion [18].

¹ 1 USD to UAH = 15.8438 USD UAH on 01/01/2015

² Estimations are given using data of Eurostat converted to USD at current exchange rate (04.02.2017), namely:

1) Poland and Romania - Gross domestic product (GDP) at current market prices by NUTS 2 regions, Euro per inhabitant as for 26.02.2016: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>
 2) Slovakia, regional GDP per capita: <https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/eastern-slovakia>
 3) Hungary, regional GDP per capita: <https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/north-hungary-2>

At the same time, European approaches to the formation of agricultural policy in rural areas are viewed to be essential, particularly the document adopted by the European Commission and known as «Common Agricultural Policy towards 2020», which outlined three components of this policy for the period of 2014-2020: viable food production, sustainable use of natural resources and mitigation of the consequences of climate change, and balanced territorial development [19].

Within the defined objectives of the EU Common Agricultural Policy (CAP), 10 key principles of target distribution of cash subsidies were defined. They are profitability of agricultural production based on stimulating economic growth and employment in rural areas; effective and flexible crisis management instruments to meet new economic challenges; greening to achieve long-term productivity and preserving ecosystems; additional investments in research and innovation; creating a competitive and balanced market supply chains for food from the producer to the consumer; incentive measures to protect the environment in agriculture; facilitating opening agricultural entities for beginner farmers; promotion of employment and entrepreneurship in rural areas; taking into account the interests of structurally weak regions; simple and effective Common Agricultural Policy (simplification of certain mechanisms without losing their effectiveness).

The outlined priorities are acceptable for Ukraine with regard to the implementation of approaches to the adoption of modern agrarian policy to ensure sustainable agricultural development and growth in agricultural production.

The main provisions of the Strategy of Development of the Agricultural Sector for the Period until 2020 (adopted by the Cabinet of Ministers of Ukraine on 17th October, 2013, No. 806-p) are consistent with the new programming for 2014-2020 period of the EU CAP with the aim to:

- prioritise rural development through policy guidance on socio-economic development of communities; effective use of local resources to preserve ecosystems and prevent negative risks of climate change; innovation in the rural economy; increase competitiveness of farmers and their involvement in the value cost;
- encourage the development of partnerships with processors and to guarantee and protect the rights of agricultural producers through the development of professional and non-governmental organisations;
- promote diversification of employment in rural areas (agricultural and non-agricultural) which will ensure the growth of the rural economy [20].

These steps are declared despite a decline in the share of CAP in the EU budget from 39% in 2013 to 33% in 2020. Total expenditures on direct payments and market decline in 2014-2020, if compared to the period of 2007-2013, comprise approximately 10%. In addition, the amount of direct payments will change depending on the recipient country. For the countries of the old EU member states, these payments will be reduced by 5% (from EUR 282 per hectare to EUR 269 per hectare), and for the new member states, they will increase by 60% (EUR 119 per hectare to EUR 191 per hectare).

An important novelty of CAP is the approach to «active farmers» (legal entities or people who fulfil the obligations of the cultivation of their lands and have income from agricultural activity): only those farmers who farm can get support. According to this, a direct private payments scheme has been developed. It has three basic components: basic payments, environmentally friendly payments, payments to young farmers. Besides, it is allowed implementing additional schemes. However, they may not be implemented within the 2014-2020 period (Table 1).

In the context of the priorities of the Common Agricultural Policy (CAP) of the EU, a special mode of support for small business entities has been applied in Ukraine since 2014, which provides 10% of the annual budget of direct payments in the country. Within the outlined scheme of payments to young farmers, businesspersons will receive a one-time payment. It also provides simplified control and submission of application for direct private payments, weakening commitment to ecology and the principles of cross compliance.

In order to avoid artificial fragmentation of large farms, these grants will be available to small farms established in 2014 or later, or their heirs.

Such approaches, unlike the current ones under which it was supposed to concentrate about 80% of payments in 20% of rural households, will improve the competitiveness of small forms of management and extended their development.

According to the current legislation, the quota system for milk is due to expire and the quota system for sugar will be abolished in 2017. The positive impacts on agricultural development will result in the increased financing to promote consumption, including the program of free or preferential distribution of milk, fruits and vegetables in schools, provided for by the new programming period (2014-2020). Some targeted actions in this area will be financed from the budget of the second financial unit of CAP and other EU funds.

Under the scheme of payments, environmentally friendly or so called «green» payments enhance the role of ecologisation of agriculture under CAP. 30% of the national annual budget of direct private payments will be directed at the diversification of crops (growing of at least three cereals), maintenance of permanent pastures, formation of zones of ecological conservation with 5%, then 7% of the land, provision of biodiversity and landscape elements. Subsidies for these purposes are granted in proportion to the area of farmland without fixing the upper limit payments to the farmer.

Special attention is given to solving problems related to the quality of soil and water, biodiversity and climate change, under which EUR 100 billion will be allocated to the relevant projects in the period of 2014-2020. According to the document, all the EU member states, rural areas and farmers will take an active part in promoting measures to combat climate change. In addition, about 30% of the program budget for rural development will be allocated to existing farms in order to take agro-ecological measures, support organic agriculture and implement projects related to innovations or environmental investments in this area. Since 2014, farmers-beginners have been encouraged to create their own businesses with an additional 25% through the first 5 years [22; 23].

In the meantime, rural border areas of Western Ukraine need both interregional and inter-territorial convergence and integration, because they have a unique opportunity to quickly adapt to the conditions and requirements of the European Community to improve the stability of rural economies and ensure their sustainable development. Under the conditions of intensification of the relevant processes and implementation of joint projects, it is appropriate to draw attention to the Horizon 2020 program [23, 50-52], which aims to become a new European cooperation project in the field of science and innovation to ensure the development of local systems, in particular rural border areas. For Ukraine, this program offers new productive opportunities as it provides a unique opportunity that will allow it to strengthen relationships with researchers and innovators in the EU and associated countries to achieve common competitive advantage and

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Tab. 1: Main schemes of direct private payments envisaged by the EU for the development of the agricultural sector for the period of 2014-2020

	Mandatory schemes		Additional schemes
Basic payments	National (or regional) fixed payments per hectare of land in accordance with the established requirements. Budget: depends on the availability of voluntary schemes	Payments for adverse areas	Payments that contribute to the preservation of agriculture in areas with specific natural constraints. Budget: 5% of the national annual budget PE
Environmentally friendly payments / «green» payments (since 2015)	Payments for the conditions conducive to the optimal use of natural resources (crop diversification, maintenance of permanent pastures and ecological zones) Budget: 30% of the national annual budget PE	Payments related to production	Payments provided for specific types of farms (agricultural systems) that are experiencing difficulties, but preserving the necessary support or output is available for the country's important economic or social factors. Budget: 5% or 10% of the national annual budget PE
For young farmers	Payments to farmers for beginners (40), which can qualify for the first 5 years of established agricultural. The size of payments to 25% higher than the average hectare rate, but limited to 25 hectares. Budget: up to 2% of the national annual budget PE		

Source: Compiled by the authors based on [20, 91; 21, 26-30]

implementation of new technologies in production and economic activity of business entities in various levels of territorial systems.

5. Conclusions

The need to ensure convergence and integration of regional economic systems in accordance with the level the socio-economic development and compliance with environmental tenets of sustainable development is conditioned by the further integration into the European structures. In the long term, the actual task for Ukraine is to develop and adopt a new strategy of inter-regional and international cooperation, including integration and cooperation between the western border regions of Ukraine and the neighbouring countries, such as Hungary, Poland, Slovakia and Romania, in the field of socio-economic activities and environmental protection. Such an approach will lead to finding solutions to the problems of agricultural development as an important component of sustainable rural development.

Convergence and integration of rural border areas will help to build a sustainable living environment with further enhancement of the local population well-being and prosperity.