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## **Tools and Mechanisms for Rural Area Development in the State Economic Security Policy System**

**Abstract.** The article studies the regional-sectoral dimension of the correlation between the development of rural areas and the economic security of the state. The structural approaches are determined by the positioning of the economic mechanism of rural area development in the system of state economic security. The paper identifies key risks and describes their destabilizing impact on rural area development in the context of the economic, social and environmental spheres. A set of tools and mechanisms are worked out to stimulate the development of rural areas within the framework of the state policy of economic security; these the key mechanisms are administrative and management, organizational and economic, socio-humanitarian, logistics and infrastructural, and environmental protection.

**Key words:** rural areas, economic security, social and economic development, state economic security policy, economic mechanism, diversification .

### **Introduction**

Transformation processes and incomplete structural changes cause the stagnation and decline of socio-economic development of rural areas. It hinders significantly the efficient use of natural resource potential, the increase in the volume of agricultural production, the organization of harmonious exploitation, improvement of the investment attractiveness of rural areas, the overcoming of imbalances of spatial and regional development, the employment of rural people and their well-being, the establishment of inter-regional and sectoral vertical and horizontal integration links, the formation of food security, and the modernization of socio-economic infrastructure in rural areas. Protecting the interests of the rural population enhances social and cultural development of the regions. These destabilizing trends have a negative impact on the formation of state economic security, violating the principles of consistency and balance in the process of ensuring the security. Considering this, the problem of creating effective mechanisms and tools to promote the socio-economic development of rural areas becomes critical in the framework of the implementation of applied foundations for the improvement of the state economic security policy.

At present, the study of theoretical and applied aspects of rural area development is concentrated mainly on the solution of socio-economic problems. Scholars and practitioners pay considerable attention to issues related to overcoming the periphery character of rural development, rural poverty, weak infrastructure support in rural areas,

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reduction of unemployment, improvement of social and living conditions of rural residents, increasing the level of the efficient use of agricultural land, harmonious exploitation, greening of the agricultural sector of the economy, and the development of business entities in rural areas (Pavlov, 2009). The studies, focused on the development of strategy and mechanisms for sustainable development of rural areas (economic, social and environmental spheres) in the context of sustainable development of society and the state as a whole, become a frequent practice, as modern United Nations program documents are oriented to achieve it. The strategic objective is to preserve the regional cultural customs and traditions, primary natural landscapes, ecosystems, etc, for future generations. (Popov, 2009). Much attention is paid to innovation in the formation of economic mechanism of rural area development. Scientists have processed theoretical and methodological foundations of institutional support for rural area development, drawn up adaptation mechanisms for the institutional environment with the demands and needs of business entities in rural areas and identified institutional barriers to the development of rural areas (Strategic priorities and mechanisms of..., 2014). Well-developed is the issue of harmonization of state and regional policy of socio-economic development of rural areas, fostering the development of local business and civic initiatives, information and analytical support for business entities in rural areas (Honcharenko, 2009). At the same time, elaborated ideas and hypotheses of the formation of economic mechanisms of rural area development do not provide clear mechanisms for financing and implementing the proposed measures that reduce the practical value of such developments. Moreover, the issues concerning correlation between rural area development and the economic security level remain unexplored. The place and role of the economic mechanism of rural area development in the system of economic security is not defined.

The main purpose of the study is to develop effective instruments and mechanisms to stimulate socio-economic development of rural areas in the framework of the implementation of applied foundations of state economic security policy in order to ensure economic security. This will allow the use of powerful uncommitted reserves to adjust space-regional disparities, diversify economic activity risks and create preventive countermeasures to threats in rural areas.

## **Research methods**

The authors use the following methods of scientific knowledge: abstract-logical method (to establish the nature and the character of the correlation between the development of rural areas and the state economic security in regional and sectoral dimension); hierarchy method (to determine the conceptual approaches to the positioning of the economic mechanism of rural area development in the system of state economic security); analysis (to identify trends in the development of rural areas); structural and diagnostic method (to identify threats to rural area development in the context of the economic, social and environmental spheres); project-organizational method (to develop priority tools and mechanisms within the framework of the state policy to ensure economic security, including administrative and management, organizational and economic, socio-humanitarian, logistics and infrastructural, and environmental protection mechanisms). The methodology of the study has provided its systematic and comprehensive nature, which allowed us to obtain objective results and conclusions.

## **Results of the research**

The multi-faceted nature of state economic security has ensured the formation of various conceptual positions regarding substantial and functional characteristics of this concept, including, in particular: stability and arranging for the state's ability to develop, optimal conditions of the national economy, countering internal and external threats, resource-functional approach, protection of national interests of the state. Based on an interdisciplinary approach, the authors define economic security as the resource and functional ability of the state to deal timely with threats under the condition of constant changes in the economic environment, protect national interests, pursue an independent internal and foreign policy, generate the preconditions for meeting basic human needs, improve the well-being of people and provide support for the processes of expanded reproduction on the basis of harmonious exploitation and effective management.

The complex nature of state economic security requires compliance with a systematic approach to solving the problem of its maintenance. The difference between the endogenous and exogenous factors of states' functioning allows us to differentiate the economic security system in countries with an industrial, transitive and post-industrial type of economic development, that forms a strategy, tactics and mechanisms of the security system, its resource and functional basis, priorities and objectives. Ukraine is at the transitive stage and provision of its economic security by means of activating the processes of socio-economic development of rural areas is strategically important because, according to official statistics, rural areas occupy more than 90% of the country, while the proportion of rural population comes up to 31.0%, at the same time in Zakarpattia, Ivano-Frankivsk, Rivne, Ternopil and Chernivtsi regions rural population consists more than 50.0% of the population (State statistics service of Ukraine).

It is worthwhile to determine the nature of the correlation between the development of rural areas and the level of state economic security, that allows to form the conceptual basis of the fundamental approach to the assessment of the security process parameters. The strength of the interconnection of the economic mechanism of rural area development and the state economic security depends on the degree of coherence and conformity of its functional elements with the strategic security priorities of space-regional and sectoral dimensions. A substantial and functional role of the economic mechanism in the process of providing economic security is to create safe conditions for rural area development on the basis of a balanced combination of harmonious exploitation tools, improvement of economic efficiency, development of preventive mechanisms to counter threats and protection of the interests of the rural population.

Positioning the economic security of rural area development through the prism of condition, that allows to create a basic framework for adjusting imbalances of spatial and regional development, increasing the resource potential of the state, protection of the interests of rural population and providing support for expanded reproduction is the most rational approach to assessing the effectiveness of security processes, given the specific character of hierarchical interconnections between the economic mechanism of rural area development and the state economic security system. The peculiarity of the economic security of rural area development lies in its two-dimensional interdependence (regional and sectoral) with the state economic security through intermediate hierarchical levels of its support system (Figure 1).

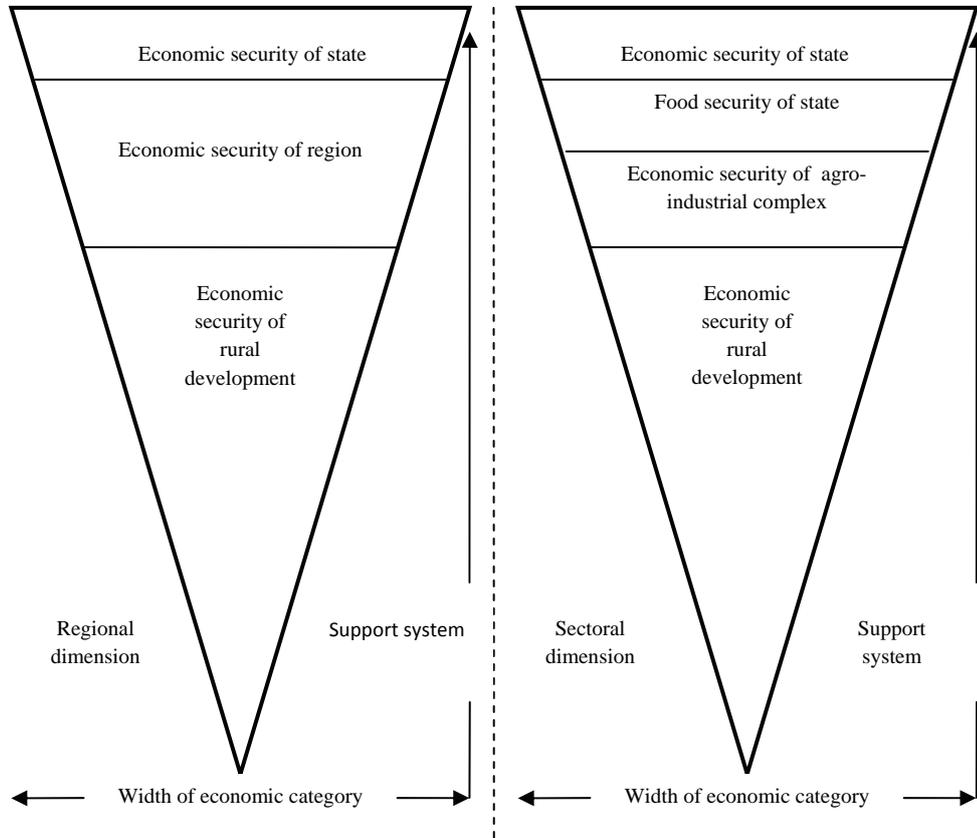


Fig. 1. Regional and sectoral dimension of the interdependence of economic security of rural area development and the levels of state economic security

Source: drawn up on the basis of the approach (Vasylytsiv, 2008, p. 21).

Thus, the economic mechanism of rural area development in the system of state economic security is positioned as: 1) an integral component of the creation of organizational support for the economic security system, aimed to ensure conformity of incentives of the different social groups, a fair distribution of public goods between them and protection of their strategic interests; 2) a source of the resource base for the provision of state food security under conditions of the aggravating of quality food shortage on world agricultural markets; 3) diversification tool of economic security risks in space-regional dimension that activates the network connections between the various hierarchical levels of the national economy. Given this, state policy should take into account regional and sectoral specificity of the provision of economic security of rural area development within the parameters of such two strategic vectors: the first is aimed at provision of regional security, based on levelling disproportions of spatial development and approaching the quality of life of the rural population to the urban level; the second is aimed at improving the sectoral and industrial tools to ensure food security and thereupon strengthening the economic security of the state. The combination of these two vectors will allow to ensure a

consistency and complexity of state policy of ensuring economic security and create objective preconditions for the development of effective organizational and economic mechanisms of security process management at various hierarchical levels.

The depressive nature of rural area development is caused by the lack of adequate infrastructure, making them uninhabitable and leads to a decrease in the number of rural settlements. Thus, in 2014 compared with 1991, the number of villages in Ukraine decreased by 641 units. The following changes have occurred in the western regions: in Volyn region decreased by 9 units, in Zakarapttia region – by 14, in Ivano-Frankivsk region – by 5, in Lviv region – by 21, in Rivne region – by 2, in Ternopil region – by 35 (Demographic passport of the territory). The imbalance of the system of administrative-territorial management of rural territories prevents the establishment of competent rural territorial communities, which hinders the participation of rural populations in the programming of rural development, hinders the solution of household problems, strengthens the passive behaviour of the villagers, generates risks of apparent discrepancy between local government priorities and the interests of local communities. For example, in Lviv region, where there is the biggest number of registered rural communities in Ukraine, 21 rural settlements have no population, but are not deregistered. Relatively competent is only the self-government of the cities of regional importance, since it is based on sufficient financial, infrastructural and personnel resource bases. Therefore, out of 710 local councils, only 72 are self-sufficient, and only 46 of those are rural councils. In 2012, 618 village councils received a government grant in the amount of UAH 179.4 million, in 2013 – 615 councils (UAH 186.3m), in 2014 – 613 councils (UAH 179.6m). Of 633 village councils in Lviv region only 65 councils have a population over 3 thousand people; 437 councils – over 1 000 people; 131 councils – less than 1 000 people. 186 village councils control one locality; 150 councils control 2 localities; 297 councils control 3 and more localities. Over the past 10 years the number of rural councils in Ukraine grew by 1,052 units, but at the same time the rural population decreased by more than 1.6m and the number of villages has decreased by 456 units. In Lviv region, in spite of the decrease in the rural population by 109.3 thousand people in the years of independence of Ukraine, the number of village councils increased by 150 units – up to 633 units (State Statistics Service of Ukraine).

Depopulation of villages and deep stagnation of socio-economic development of rural areas is caused by the destabilizing effects of threats in the economic, social and environmental spheres. Thus, in the economic sphere the development of rural areas is hindered by the low level of entrepreneurial and business infrastructure, which is caused by the imperfect institutional environment, which does not meet modern requirements and objective needs of economic entities. The economic sphere is characterized by negative aspects, among which are: incomplete legal framework that regulates economic activity; an excessive number of licensing and registration procedures; the imperfection of the taxation system; complicated access to financial resources; low level of information support to rural area development; unattractive investment climate; growing share of the transaction representation costs of businesses entities; frequent occurrence of settling production and economic relations with non-economic methods; breaching the conditions of treaty obligations. A typical problem for the creation of an adequate economic environment is the predominance of informal institutions over formal, which increase imbalances and differentiation between the development of rural areas of Ukraine.

In turn, the social sector has to play the role of a compensation factor for the rural population, as a result of a priori impossibility to meet such a range of interests and needs,

which is available in urban areas. A kind of balance control of this social injustice is a social sphere of rural areas, which potential and resource opportunities, especially in the segment of the cultural and spiritual development is qualitatively different than in urban areas. The destabilizing effects of the stagnation of the social sphere of rural areas go far beyond purely humanitarian aspects and are characterized by a range of negative phenomena: 1) increase in the disparity of class inequalities in society, which extension patterns have distinct regional features; 2) formation of a critical mass of public discontent, due to the inability to fully implement personal interests and needs; 3) strengthening of the social and psychological stimuli that activate the centrifugal motion caused by increasing level of distrust of the rural population to the central government bodies; 4) deterioration of the basic preconditions of base-spatial support of the educational and intellectual development of the rural population; 5) complication of management of public interest structuring and conflict resolution due to the destruction of the network of social relations of the rural population; 6) loss of cultural and ethnic characteristics of rural areas, the decline of the spiritual traditions; 7) undermining the authority of the rural school institution in the countryside, as a key centre of formation and development of a self-sufficient person and a patriot; 8) breach of cultural and spiritual relations between urban and rural population.

Destabilizing trends in the development of rural areas cause systemic poverty of the rural population, which, along with the destabilizing impact of the economic nature, also has deep social and psychological aspect, disregarding of which deforms the structure and etymology of threats' manifestation solely within the material and economic well-being. Deepening property stratification between urban and rural populations only exacerbates the class confrontations, which manifest themselves in various forms of social and economic conflicts and prevent the consolidation of society in achieving the strategic priorities of the state's national security. The situation is worsened by the scope of passive income in rural areas represented by different social payments (material aids, subsidies, benefits, etc.), the scale and scope of which negate the applied basis of the stimulation of active employment policy. In this regard, there is destruction of the framework of a motivational mechanism for the formation of active employment in rural areas and the suppression of the independence of self-employed farmers.

A significant problem is the deterioration of the ecological situation and imbalance in rational use of natural resources, which creates a threat to the development of rural areas and the preservation of their natural landscapes. Excessive human intervention in the ecosystems leads to irreversible processes, stabilization and elimination of the consequences of which requires significant cash costs and time. Imbalance in the "man-nature" relations system stimulates the worsening of ecological imbalances in rural areas. Natural ecosystems are on the verge of irreversible processes, which will significantly complicate overcoming the destabilizing consequences of environmental imbalances, both in time and financial terms. Long-term ecologically unbalanced use of land resources, incompleteness of land relations and ecologically unbalanced agriculture have led to a sharp deterioration of soil conditions: the loss of humus and nutrients; development of erosion; changes in the acid-base conditions; physical degradation; salination and alkalization; pollution, mainly related to air emissions of enterprises, violation of the rules of production, transportation and processing of minerals, fertilization and storage of agrochemicals and pesticides, disposal of drain water and sludge, household and industrial wastes, etc. (Yatsenko, 2014, p. 18). Environmental threats are amplified under the conditions of low capitalization of relations in this area, which provokes chaotic irresponsible consumption of

natural resources. Their use in the environment of rural development is characterized by its features, which complicate the process of monitoring and forecasting the parameters of potential environmental threats, such as the lack of effective control by the state and civic organizations; incomplete ecological passports of rural areas; passiveness of rural local communities in solving ecological problems; excessive dependence on natural and climatic factors and the territorial distribution of production capacities; specialization of business entities and their level of technical and technological equipment.

The destabilizing impact of threats is a consequence of the crisis in state management that is caused both by failures in state personnel policy and the predominance of the role of personal relations, while taking into account the determinants of professional experience and skills, in the process of appointment, staff turnover and career development of personnel in the system of key government posts. In cases where state regulation cannot prevent the threats, their negative impact not only increases, but also has a synergistic destabilizing effect on the functioning of economic mechanism (Yurkiv, 2015, p. 79). To overcome destabilizing tendencies in socio-economic development of rural areas the implementation of structural changes is necessary, as well as local government reform, and promotion of initiatives among rural residents, which asks for the development of rational decisions to improve the implementation of state economic security policy in order to increase the utilization efficiency of natural-resource potential of rural areas, improving level of prosperity of rural population and creation of preventive mechanisms to protect the state economic interests. Given that effective reform and development of rural areas is the basis for the development of the real sector of the economy, development and modernization of infrastructure, preservation of the environment and sustainable development of rural areas, the use of energy-saving and resource-saving technologies, the creation of human and intellectual potential of the state is extremely important.

## **Conclusions and suggestions**

The destabilizing impact of threats on the socio-economic development of rural areas requires the development of preventive measures to counter them, which is primarily focused on structuring the security process by improving the level of protection for the rural population, quality of life and food security which altogether will strengthen state economic security. Having this in mind, within the framework of the state economic security policy a set of tools and mechanisms is developed to stimulate the rural areas development. Among them the key mechanisms are:

1) administration and management – involve conducting reform of local government, which provides for a system decentralization of power on the basis of delegation of authorities to rural territorial communities, the coordination of a strategy, tactics and operational tasks of the state, regional and local policies, reducing the uncertainty level of management decision-making based on stimulating initiatives of their adoption under the "bottom-up" principle, avoiding potential conflicts of interest between subjects of different hierarchical management levels, pluralism and deregulation of economic relations;

2) budget and finance – provide for a change of principles and approaches to the budgeting of rural territorial communities by diversifying their sources of income and decentralizing the distribution of the accumulated funds, increasing the share of productive expenditures aimed at overcoming disparities of regional development and the disparity

between the incomes of rural and urban populations, engaging design and grant support funds, observance of the balance in budgeting of rural territorial communities by taking into account the target indicators of socio-economic development of rural areas, the creation of mechanisms of protection of the basic interests of the most vulnerable groups of the rural population and a fair distribution of public goods;

3) organizational and economic – aimed at diversifying risks by moving to multifunctional rural area development and encouraging attractive types of economic activity for different territories, creation of innovative horizontal-vertical integrated regional and sub-regional clusters, provision of fair competition and equal market entry conditions for all agricultural producers, countering the emergence of monopolies on the agricultural market through the provision of state support for the development of farm enterprises, improving the marketability level of households and preventing the concentration of excessive amounts of agricultural land in the hands of one owner, ensuring food security through the provision of physical and economic access to food for all social groups, carrying out the adaptation of national rules and safety standards of food products with the requirements of the European Union, taking into account the provisions of the ratified Association Agreement between Ukraine and the European Union;

4) socio-humanitarian – involves creating safe conditions for human living in rural areas in the educational, medical and cultural spheres, which is necessary for ensuring the reproduction of the population, the improvement of human capital and the full-fledged development of personality, creating the preconditions for the solution of social contradictions arising from the specificity and differentiation of territorial location between rural and urban population, overcoming the negative migration trends in rural areas, provision of demographic security by improving the quality of life of the rural population, increase of life expectancy and lowering mortality rates, which will lead to a qualitative improvement of the age structure of the population to prevent the formation of desolate territories;

5) logistics and infrastructure – involves system upgrades, protection and development of critical infrastructure in rural areas, improving access of agricultural producers to commodity products markets through the development of an extensive network of facilities of agricultural market infrastructure support, the creation of purchase and procurement centres of agricultural products in rural areas, procedure simplification for small businesses to enter the stock trading floor, equipping trade places for small producers in local markets, creation of mechanisms for prosecuting large agricultural holdings for the destruction of transport and logistics infrastructure in rural areas;

6) environmental protection – aimed to ensure environmental management and protection of the natural environment in rural areas, preserving intact the rural landscapes, the optimal combination of crop and livestock sectors, the development of organic farming, the preservation of natural fertility based on cropping patterns management and compliance with scientifically based crop rotations for specific natural and climatic zone, use of advanced technology in the cultivation of crops, maximum permissible emission control.

Comprehensive implementation of the proposed tools and mechanisms for the development of rural areas within the state economic security policy will allow to create resource preconditions to counter targeted threats, level disparities in regional development, reduce poverty, bring the quality of life of rural population to urban levels, ensure food security, and diversify risks of running business which will ultimately strengthen state economic security.

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