

**ECONOMICS***Sociology*

Kostiukevych, R., Mishchuk, H., Zhidebekkyzy, A., Nakonieczny, J., & Akimov, O. (2020). The impact of European integration processes on the investment potential and institutional maturity of rural communities. *Economics and Sociology*, 13(3), 46-63. doi:10.14254/2071-789X.2020/13-3/3

**THE IMPACT OF EUROPEAN  
INTEGRATION PROCESSES ON  
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AND INSTITUTIONAL MATURITY  
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**ABSTRACT.** The purpose of the study is to assess the impact of European integration processes in Ukraine on the development of investment potential and institutional maturity of rural communities. As a result of the analysis of strategic documents of all rural communities of Ivano-Frankivsk, Lviv and Rivne regions, a low level of institutional capacity to attract investments was established. Based on the analysis of the strategies, programs, and investment passports of 79 united territorial communities, it is found that only 39.2% of them have approved development strategies, and 45% of communities have socio-economic development plans. To assess the challenges and threats arising during the process of implementation of the EU-Ukraine Association Agreement, the author's methodology was developed and the method of expert assessments was applied – the survey involved 75 experts from 20 regions of Ukraine. It is found that there are much more opportunities (59) than threats (17) at the level of rural communities. Such findings, together with low community activity in attracting investment and developing investment attractiveness, indicate that decentralization and new opportunities arising from European integration processes are still underutilized and are a sign of low institutional maturity of rural communities.

Received: November, 2019

1st Revision: May, 2020

Accepted: September, 2020

DOI: 10.14254/2071-789X.2020/13-3/3

**JEL Classification:** O22, R51, R58

**Keywords:** European integration, investments, investment potential, institutional maturity, regional development, rural communities.

## Introduction

Investments in local communities, including rural ones, are important in the strategic planning of regional development. In Ukraine, the importance of effective investment attraction planning and community investment portfolio management is especially growing against the background of new opportunities opened by the EU-Ukraine Association Agreement. The areas of cooperation defined in the agreement (Van der Loo et al., 2014) accelerated political and economic changes in the country. At the same time, the process of implementing the agreement requires new approaches to regional development planning based on strategic and project management. In this regard, an important step in developing the capacity of communities was the introduction of a European methodology for strategic development planning. It was initially introduced as a pilot project in 5 regions of Ukraine with the support of the EU project “Support to Regional Development Policy in Ukraine”, whereas today it is spread throughout the country in the form of relevant national and regional strategies for regional development.

Meanwhile, the first regional development strategies of various levels, which were in force until 2020, did not become an effective tool for developing the potential of communities, finding growth points and intensifying efforts to implement their own strengths. Thus, according to the group of advisers on the implementation of state regional policy in Ukraine of the U-LEAD with Europe project, “new regional development tools that provide strategic and operational planning and competitive mechanisms for selecting regional development projects have in fact been replaced by traditional approaches - construction, objects of the budget sphere, without reference to the regional development strategy”(Rivne Regional State Administration, 2020).

Therefore, for the new period of strategic planning, which is defined in Ukraine until 2027, it is recommended to develop community development strategies of different levels according to the principle of SMART-specialization, which has been practiced in the EU since 2012 (Foray et al., 2012). But its implementation, especially at the level of rural communities, is a significant challenge in Ukraine, given the weak institutional development of rural communities, low awareness of modern techniques for finding and attracting investors who would be interested in community development no less than in the purely private interests of the useful use of resources (mostly natural) of the community.

Methodologically practical aspects of investment development of rural communities are well developed in the scientific literature, including developments in countries that have problems of economic development similar to Ukrainian (Dyba & Gernego, 2018; German et al., 2016; Pavel et al., 2018; Peña et al., 2017). The consequences of such slow transformations of the institutional environment of community development have also been sufficiently studied. They are currently manifested in employment problems, and thus the growth of welfare and money laundering in favour of more developed areas (Bilan, Y. et al., 2020; Mishchuk & Grishnova, 2015; Nolte & Ostermeier, 2017; Osabuohien et al., 2019), the negative impact on natural resources due to the investor’s narrow interest in their development (Bleyer et al., 2016; Kováč et al., 2020), while productive land use is already complicated within communities due

to obstacles that may be driven by land ownership (Katona et al., 2017). However, despite the developed methodological tools of strategic planning of regional development, the availability of opportunities for its use in the form of international programs of logistical assistance and advisory support, investment in the development of local communities is still chaotic. The driver of their involvement is the interest of the investor (usually external), rather than planned and organized actions of communities to manage investments in order to optimize the use of their own potential.

Given this, the purpose of the study is to assess the impact of European integration processes in Ukraine on the development of investment potential and institutional maturity of rural communities. To do this, an analysis of completed regional development strategies (to analyze the effectiveness of strategic planning of investment development of rural communities), as well as the method of expert assessments in identifying opportunities and threats accompanying the implementation of the EU-Ukraine Association Agreement for rural communities to assess opportunities for their investment potential development.

The paper is organized as follows: Section I reviews the literature on the development of investment potential of rural communities; Section II explains the methodology and the dataset; Section III presents the empirical results; and Section IV draws the author's conclusions.

## 1. Literature review

Investment processes are a particularly difficult stage in the formation of communities, their significant transformations and active changes in the external environment. In Ukraine, all these factors have a complex impact on rural communities, which, having never successfully experienced the benefits of decentralization, are again in the process of transformation. Without their own experience in developing investment potential against the background of underdeveloped government and public institutions that could help increase investment to solve local problems, rural communities do not take full advantage of their competitive advantages.

Understanding the depth of this problem leads to considerable interest in it not only in countries with insufficient experience in strategic management in public administration. Even in countries with a mature political and economic environment, such as the United States, national support is still provided to rural communities in the implementation of their development projects (Prokopchuk & Gorbachova, 2018). In forming a strategic portfolio of their activities, special attention is paid to supporting the development of investment, grant and credit opportunities in the implementation of projects of growth of small businesses, creation of new jobs, environmental protection, development of education and solving problems of rural isolation, promotion of bioeconomy (Cowan, 2016; Prokopchuk & Gorbachova, 2018). Relevant reports and a list of programs are posted publicly on the website of The United States Department of Agriculture (USDA).

In countries with unstable institutional environments, the means to overcome institutional voids in rural communities is the creation of context-specific organizational structures, improved legal frameworks, and innovative financial mechanisms (Živojinović et al., 2019). The same problems of strategic development planning for rural communities of developed and developing countries involve the use of well-known means of solving these problems. Today, they are developed within the framework of strategic planning of territorial development, and the quality of the institutional environment for managing the development of territories of different levels is a recognized factor in the success of reforms aimed at economic growth (Balcerzak, 2020).

At the same time, in countries with an underdeveloped institutional environment of local development, there is still the problem not only of the justification of the choice of investment

priorities, but also of the rapid adaptation to changes in the external environment, including changes in opportunities and threats. Methodologically, the principles of environmental analysis in the planning of territorial development strategies are well developed today, they are revealed in many works in particular (Mazouz et al., 2016; Nazarko et al., 2017). They are based on the use of known methods of analysis of the internal and external environment, followed by prioritization of development strategies (Portillo et al., 2019) and the application of the target approach in the formation of the project portfolio (Kizil et al., 2020).

SWOT-analysis as one of the common and well-known tools for assessing the environment and choosing the priorities of community activities is often used for various purposes, both for internal analysis and external stakeholders. For example, this approach is relevant for assessing the feasibility and alternatives of investment in land (Remeikiene et al., 2018), the impact of the development of certain sectors of the economy on job creation in the region (Ahmed et al., 2018), the development of certain agricultural types in rural communities given the opportunities and threats to landowners and ecosystems (Kalabić et al., 2019), assessing the investment attractiveness of areas for foreign investors (Gavatiuk et al., 2020). The active use of environmental assessment tools and development priorities significantly expands the opportunities of communities to access external financial resources – investment, grant and other funds available under the material and technical support programs. Such opportunities are actively used by communities with well-developed local self-governance and understanding of strategic development priorities, including certain sectors of the economy (Angelova, 2020).

Such approaches have become traditional for choosing the priorities of territorial development. Their peculiarity is that the priorities are selected at the planning stage in accordance with the indicators of achieving development goals. Among these, the UN (2017) approach is common, which is the basis of our study. It has been used in various modifications by other researchers. For example, Meyer & Meyer (2019) propose to use for this purpose 43 indicators within the groupings of economics; social, health and education; business and innovation; and politics and governance. In a similar version, but generalized according to the dimensions of sustainable development (economic, environmental, social), such indicators are also used by Jasinska-Biliczak & Krzysztof (2020) in order to evaluate projects of a regional development policy. At the same time, we would like to note that the UN approach remains the main one and in the works of other researchers there may be insignificant changes in the composition of indicators, due to differences in the objectives of the analysis, but the main evaluation vectors remain unchanged. Given this, we also use the recommended UN indicators in our study.

At the same time, at the level of territorial communities, the realization of their investment potential is a significant problem, especially in rural communities with a low level of institutional maturity to realize the opportunities identified in the analysis process. One of the significant reasons for low institutional maturity is the problem of having the appropriate knowledge and experience for strategic management processes (Poór et al., 2018; Yusoff et al., 2018). This exacerbates other problems of interaction in communities, including with external stakeholders (Putra & Burhanuddin, 2019). Systemic problems of financial mechanisms development and budget execution in Ukraine hinder the development of many mechanisms of socio-economic development (Sytnyk et al., 2019), including mechanisms of national support for rural development (Korbutiak et al., 2019). Therefore, the search for ways to intensify the investment activities of rural communities and their own efforts to attract investment, is a particularly important area of the development of local communities.

The institutional maturity of communities, both in terms of the quality of project management and the willingness of residents to actively interact with the authorities in choosing priorities for their own development and their implementation, directly determines the success

of achieving strategic goals. This is confirmed in empirical studies: “the economic growth in rural areas was greatly affected by the quality of local governance and local community residents’ readiness for active, innovative and inclusive action” (Rivza & Kruzmetra, 2017, p.283).

This problem needs to be researched and solved, because today decentralization in Ukraine significantly expands the opportunities for communities. The reform of the local self-government system is taking into account the models used in the countries of the European Union in accordance with the European Charter of Local Self-Government (Council of Europe, 1985), ratified by Ukraine in 1997. It is clear that formally equal conditions for reforms for each territorial community will not necessarily be accompanied by equal activity in the use of available opportunities. Such experience is also relevant for developed EU countries. An empirical study on the example of Montenegro confirmed significant differences in the development level among municipalities, regardless of a uniform national entrepreneurship development strategy. Regardless of the level of local communities, what is common is the positive impact of business development as one of the results of proper strategic planning, employment and population growth (Milovic et al., 2020). Regarding the significant links between entrepreneurship development and employment / unemployment programs, this impact has been confirmed in other EU regions (Kolaříková et al., 2018).

Therefore, the new opportunities created by the implementation of the Association Agreement with the EU require the construction of a sustainable system of strategic investment management. Of course, one cannot but agree that the Agreement does not only create new opportunities for Ukraine, but also poses certain threats to economic development (Kozlovskiy et al., 2019), especially for territories with weaker competitive positions, in particular, rural communities.

But an objective assessment of threats and opportunities, as well as the formation on this basis of rural development strategies is a necessary condition for their development, the realization of competitive advantages that are constantly changing under the influence of environmental factors. Among them, the key factor that changes the opportunities and competitive conditions for the development of rural communities in Ukraine is the implementation of the Association Agreement with the EU.

Taking into account the existing theoretical basis in the field of project and strategic management, as well as modern opportunities for its adaptation to Ukrainian conditions, under which the socio-economic development of rural communities is largely influenced by globalization processes, we aim to test the following hypothesis: Ukraine’s association with the EU has a significant impact on the investment potential and institutional maturity of rural territorial communities.

## **2. Methodological approach**

To test the hypothesis, three regions of Western Ukraine were selected, in which 79 rural united territorial communities were created by the beginning of 2020. The study was conducted in the framework of the project “How the Association Agreement with the EU affects rural communities”, implemented by the NGO “Regional Center for European Integration Projects” within the CiSEP (Civic School for Sound EU Practice) incubator project with the support of the Institut für Europäische Politik from April 01, 2020 to May 31, 2020.

Two information databases were used for the study:

1. Community passports posted on the portal of the project “Decentralization in Ukraine” (DESPRO, 2020) and strategic documents posted on the official websites of rural communities;

2. Government portal for monitoring the progress in the implementation of the Association Agreement with the EU “Pulse of the Agreement” (CMU, 2020); there were analysed more than 2000 tasks of the implementation plan of the Agreement, belonging to 106 subdivisions, included in 24 sections of Pulse Agreement.

The socio-economic development of rural communities depends on a number of objective factors, among which demographics and territory play a decisive role. In the studied areas, the variation of communities in population density is quite large. Respectively, for the purpose of further research, 4 groups were formed by population and territory size (Fig. 1) and the signs of grouping are:

- number of inhabitants – up to 5,000 and more than 5,000 people;
- territory size - up to 100 and more than 100 km<sup>2</sup>.

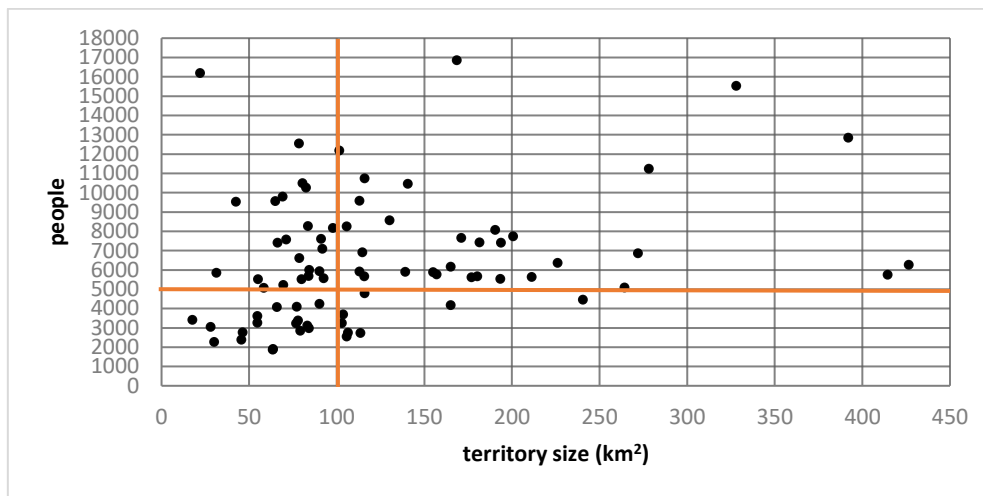


Figure 1. Clustering of rural communities of Ivano-Frankivsk, Lviv and Rivne regions by population and territory size

Source: Developed by the authors

The grouping of the communities aimed to establish differences in the strategic goals and the impact of the Agreement on their implementation. However, further analysis revealed no significant differences in the size of the territory and the number of inhabitants, which is explained by insufficient development of strategic management and low institutional maturity of communities, resulting in the vast majority of typical problems of strategic project planning. Therefore, the results of the analysis are presented for all studied 79 communities generalised.

In the process of analysis, the experts examined the following strategic documents:

- Sustainable Community Development Strategy / Community Development Strategy / Strategic Community Development Plan.
- Community socio-economic development program.
- Communication strategy.
- Investment passport.
- Spatial development plan.
- Energy efficiency strategy / program.
- Tools of democratic governance (public budget, e-petitions, public consultations, etc.).

Community development strategies were assessed for compliance with the following criteria:

- long-term (strategic horizon);
- compliance with the strategic goals of the concept of sustainable development;
- availability of a strategy implementation plan;

- focus on achieving systemic change (availability of Impact indicators) in the community.

The list of Impact-indicators is formed on the basis of the analysis of the development strategies of rural territorial communities taking into account their conformity to the concept of sustainable development and the Results-Based Management approach (UN, 2017).

Therefore, the Impact indicators are:

1. community budget (including revenues from taxes and fees);
2. investments;
3. gross value added created by small and medium-sized businesses operating in rural communities;
4. export;
5. number of jobs;
6. income level of community inhabitants;
7. the number of inhabitants of rural communities;
8. cultural and social development (including indicators of the quality of education and health care);
9. state of the environment;
10. efficiency and democracy of local self-government systems.

The analysis was conducted in the format of a desk study with the involvement of experts in various fields covered by the Agreement. 75 experts from 32 settlements from 20 regions of Ukraine were involved in the examination. Experts made a total of 1537 ratings.

The project experts analyzed each of the objectives of the Agreement Pulse in terms of their likely impact on each of the 10 Impact indicators of strategic development of rural communities. If an association with at least one of the indicators was identified, the experts identified potential threats and opportunities that could hypothetically arise from the implementation of the relevant provision of the Association Agreement.

The calculation of the importance of impact of the  $i$ -th opportunity / threat ( $R_i$ ) was performed according to the formula:

$$R_i = X_i * P_i * k_i \quad , \quad (1)$$

where  $X_i$  is the impact of the  $i$ -th opportunity / threat on the strategic development of the rural community assessed by internal experts;  $P_i$  is the probability of the  $i$ -th opportunity / threat due to the implementation of the relevant provision of the Association Agreement estimated by external experts;  $k_i$  is the coefficient that takes into account the degree of spread of the  $i$ -th opportunity / threat (if the threat / opportunity affects the vast majority of all rural communities, then  $k_i = 1$ ; if about half of the inhabitants,  $k_i = 0.5$ ; if a small number,  $k_i = 0.25$ ).

The impact of the  $i$ -th opportunity / threat on the strategic development of the rural community ( $X_i$ ) is calculated by the formula:

$$X_i = \sum_{j=1}^{10} I_{ij} \quad , \quad (2)$$

where  $I_{ij}$  is an expert assessment of the impact of the  $i$ -th opportunity / threat on the  $j$ -th Impact-indicator of strategic community development. Experts used five-point Likert scale with symmetrical values of estimates:

- 2 - will increase significantly;
- 1 - will increase insignificantly;
- 0 - does not change / difficult to assess;
- 1 - will decrease slightly;
- 2 - will decrease significantly.

The probability of the  $i$ -th opportunity / threat to the strategic development of the rural community ( $P_i$ ) is calculated by the formula:

$$P_i = \frac{\sum_{n=1}^N p_{in}}{N} \quad , \quad (3)$$

where  $p_{in}$  is the individual assessment of the  $n$ -th expert on the probability of the  $i$ -th opportunity / threat. The following discrete rating scale was used to estimate probabilities:

0.95 – Very high probability (no obstacles visible) – more than 90%;

0.7 – High probability – 50-89%;

0.3 – Low probability – 10-49%;

0.1 – Very low probability – less than 10%.

The integrated degree of the Association Agreement influence on the  $j$ -th Impact-indicator of strategic development of the community is calculated by the formula:

$$R_{I(j)} = k_i * \sum_{i=1}^m P_i * I_{ij} \quad . \quad (4)$$

The assessment of the impact of a section / subsection of the Association Agreement on the strategic development of the community is calculated as the total value of the importance of impact of all threats / opportunities related to the relevant section / subsection of the Pulse Agreement.

### 3. Conducting research and results

Using formulas 1-4, the impact of the implementation of the Association Agreement and the strategic development of rural communities was assessed. The experts identified 59 opportunities and 17 threats, which differ in the degree of impact, the probability of occurrence and the number of communities to which they apply.

The study found that positive changes can be expected in 15 sectors, among which the greatest impact will be due to changes in the implementation of the Agreement in humanitarian policy (9.9), entrepreneurship (9.4), environment and civil protection (8, 8) and agriculture (7.0) (Table 1).

Table 1. Sectoral impact of European integration processes on the strategic development of rural communities

Section of the Government Plan for the Implementation of the Agreement	Integral influence (importance of impact, R)	Impact on investment activity ( $R_{I(j)}$ )
01. Justice, freedom, security, human rights	5,26	1,45
02. Technical barriers to trade	0,00	0,00
03. Entrepreneurship	9,35	2,28
04. Political dialogue, national security and defense	5,84	1,65
05. Public health	1,04	0,00
06. Taxation	0,66	0,00
07. Energy	1,57	0,77
08. Humanitarian policy	9,92	1,68
09. Agriculture	7,04	2,09
10. Education, training, youth	2,17	0,00
11. Financial sector	0,00	0,00
12. Public procurement	4,15	0,73
13. Science, technology and innovation, space	0,00	0,00
14. Statistics and information exchange	0,00	0,00



15. Transport, transport infrastructure, postal and courier services	3,73	0,75
16. Social policy and labour relations	-0,60	0,39
17. Public Finance Management	1,54	0,00
18. Environment and civil protection	8,79	-0,11
19. Customs issues	-0,51	0,18
20. Energy efficiency and housing	3,04	1,01
21. Sanitary and phytosanitary measures	4,60	2,08
22. Financial cooperation and the fight against fraud	0,00	0,00
23. Consumer protection	-0,98	0,09
24. Intellectual property	0,00	0,00
<b>Total</b>	<b>66,61</b>	<b>15,05</b>

Source: Developed by the authors.

By “impact” we mean short-term or long-term changes caused by the implementation of the Association Agreement between Ukraine and the EU, which create certain opportunities or threats that can be taken into account in the strategic analysis and included in strategic documents of rural communities.

The greatest opportunities in the field of investment arise in connection with the implementation of directives, decisions, recommendations and other EU regulations in the following areas:

- entrepreneurship (2.28 points);
- agriculture (2.09 points);
- sanitary and phytosanitary measures (2.08 points).

The implementation of the provisions of the Association Agreement in three sectors (consumer protection (-1.0), social policy and labour relations (-0.6), customs issues (-0.5)) pose minor threats to rural communities. However, it should be noted that the vast majority of them are short-term in the initial stage of implementation of the Agreement and in the future, conversely, may become strategic opportunities.

Among the ten Impact-indicators of the strategic development of rural territorial communities, investments take the second place (15.1 points) (see Fig. 2).

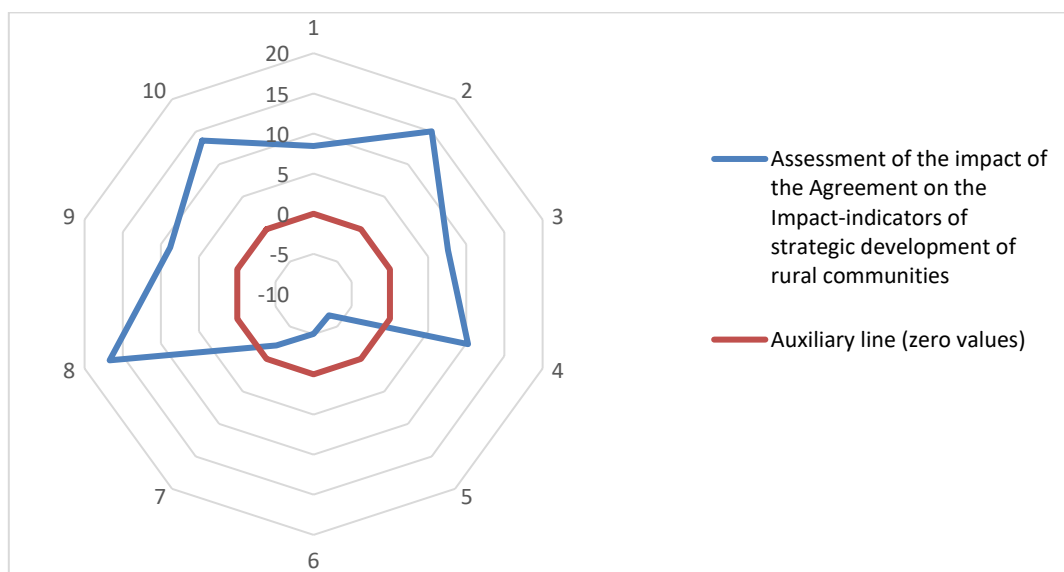


Figure 2. Integral impact of the Association Agreement on Impact indicators of strategic development of rural communities

*Note: Values on the axis from 1 to 10 correspond to the ordinal numbers of Impact indicators: (1) community budget; (2) - investments; (3) - gross value added created by small and medium-sized businesses; (4) exports; (5) the number of jobs; (6) - the level of income of community residents; (7) the number of inhabitants of rural communities; (8) cultural and social development; (9) the state of the environment; (10) efficiency and democracy of local self-government systems.*

*Source: Developed by the authors.*

The results of the assessment of the integrated impact of the Association Agreement on the Impact indicators of strategic development of rural communities were calculated on the basis of 59 identified opportunities and 17 threats, of which 34 opportunities and 2 threats relate to investments. Opportunities that will have the greatest impact on the investment activities of rural communities are given in *Table 2*.

Table 2. The greatest opportunities for the development of investment activities of rural territorial communities

Article of the Agreement / EU normative document	Opportunities	Impact assessment, points
III.14	Creating conditions for business development will have a positive impact on the economic capacity and financial sustainability of communities	1,37
II.4,6	Receiving subventions from higher level budgets for infrastructure development that will meet the real needs of sustainable development of rural communities	1,20
V.378 - 379	Development of small export-oriented business in rural communities through access to COSME resources	1,19
V.378 - 379	Improving business and economic conditions due to deregulation and liberalization in agriculture, water management, construction, health care, etc., which will increase investment attractiveness and create conditions for attracting foreign investors.	1,17
EU sectoral policy support programs	Attracting EU investment resources through the mechanism of participation in tenders of the EU sector support program (regional development program "Rural Development")	1,08
V.17.405, A-XXXVIII / Decision of the European Commission: 834/2007; EU Council Decision: 889/2008	Development of export-oriented business with high added value. Ukrainian producers of organic products will have the opportunity to enter European markets.	0,90
V.7.369	Improving the access of the rural population to quality transport infrastructure will contribute to the socio-economic development of rural communities	0,75
IV.8.153, A-XXI-G / Directives 20EU	Attracting investment resources for community development through the conclusion of concession agreements and the application of innovation partnership procedures	0,73
IV.4.64, A-V / Directives 2001/110/EC	Growth of export potential of honey production due to conforming it to EU requirements	0,68

V.25.441	Creating conditions for health-improving physical activity and a healthy lifestyle in rural communities, including through the development of sports infrastructure	0,63
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*Source: Developed by the authors*

These assessments show only the opportunities arising from the provisions of the Association Agreement between Ukraine and the EU and the relevant regulations of Ukraine, through which they are put into effect. Therefore, all of them are probabilistic and whether they will actually be used by rural communities will depend on many objective and subjective factors. However, this study helps to see these opportunities and, using modern tools of strategy and project management, to use them in building a strategic vision.

Each community in the process of strategic analysis can reassess the factors of influence, opportunities and threats in accordance with the specific conditions of socio-economic status, resource potential, external environment, institutional maturity and other factors.

In order to take advantage of these opportunities, it is necessary to create adequate institutional support for investment activities of rural communities, which lies in creating a developed system of strategic and project management.

At the same time, the institutional maturity of rural communities is currently low, which is revealed, in particular, due to insufficient activity in strategic planning and management. Thus, we found that there is no relationship between the time of creation of rural communities and the availability of strategic documents. That is, almost half of the communities formed 4-5 years ago, operate without development strategies, and accordingly without a clear vision and public understanding of ways to achieve it (*Fig. 3*).

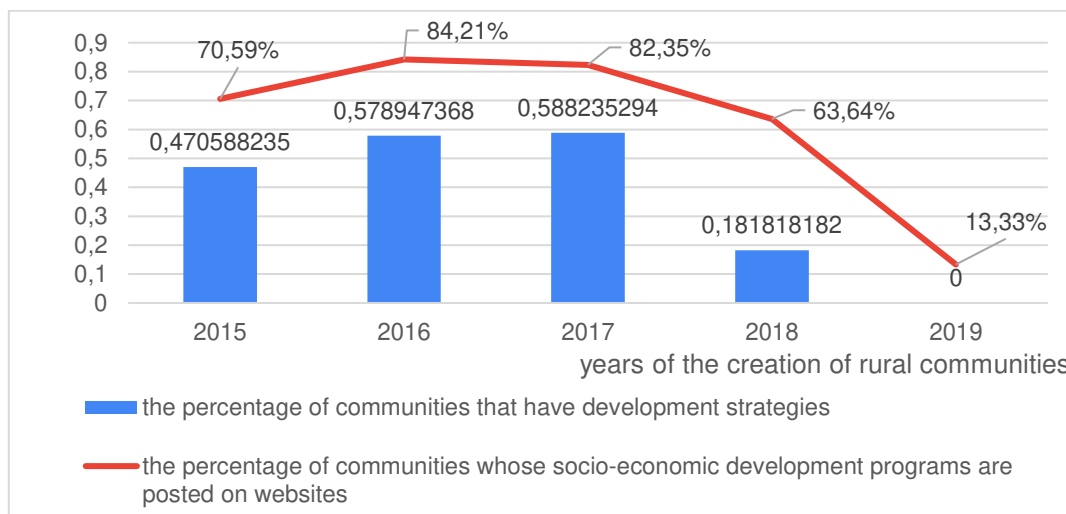


Figure 3. Availability of strategic documents on the official websites of rural communities in terms of the time of community creation

*Source: Developed by the authors.*

Rural communities are reluctant to adopt European best strategic planning practices for several reasons. There are objective factors related to the human resources of the newly formed local governments, the lack of practice and culture of strategy and project management.

But there are other factors that no less affect the readiness of local governments to develop strategies and direct resources to achieve strategic goals. These include the institutional framework for strategic planning. In particular, territorial development strategies and a practical

tool for their implementation in the form of relevant programs are currently being developed, but no responsibility for their implementation is currently provided. As a result, these documents often turn into purely declarative ones. One of the proofs of this is that almost half of all programs are developed only for one year, which does not correspond to the very idea of strategic planning of territory development (*Fig. 4*).

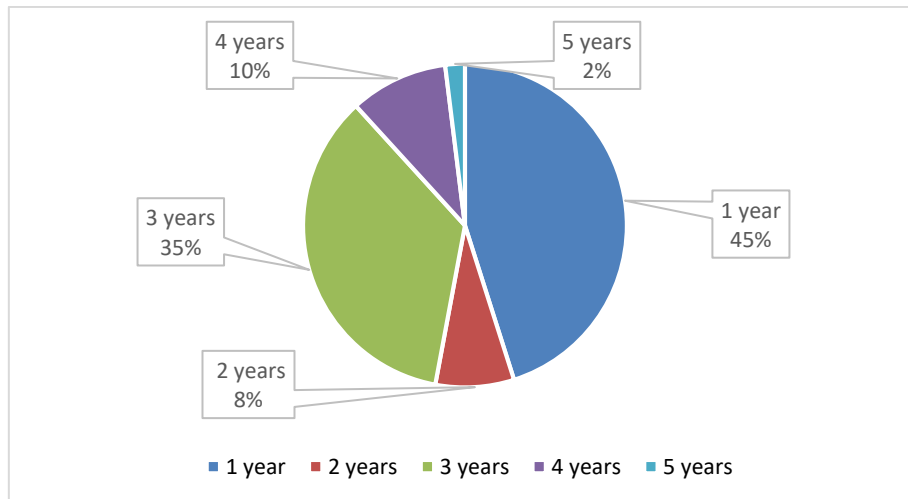


Figure 4. Distribution of socio-economic development programs of rural communities by planning horizons

*Source: Developed by the authors.*

As a result, development strategies are not considered mandatory documents of strategic development, although it should be the guideline on which all plans and actions of local governments, businesses and the public will be based. In addition, it is the strategy that should be a safeguard against local authorities making decisions that will contradict strategic goals.

In the context of decentralization, which creates new opportunities for community development and effective management processes, local governments must have the competencies of strategic and project management (primarily at the organizational level). This requires adequate human resources, which many rural communities do not have at their disposal. This is primarily due to the processes of internal and external labour migration because of the low level of socio-economic development of rural communities. This problem, although typical of Ukraine as a whole, but it is particularly visible in rural areas due to worse employment opportunities, lower incomes and living standards (Bilan, S. et al., 2020; Mishchuk et al., 2019). In addition, some local governments formed as a result of elections in newly formed communities do not have sufficient strategic and project management practices.

Thus, despite the sufficient theoretical development of methodological tools for building effective and efficient systems of strategic and project management, most rural communities still do not have quality development strategies that are continued in agreed, prioritized programs, which can be assessed on the basis of clear and measurable implementation indicators. The problem is the actual public demand for quality strategy. The analysis of strategic documents of 79 rural communities of Ivano-Frankivsk, Lviv and Rivne regions confirms this (*Fig. 5*).

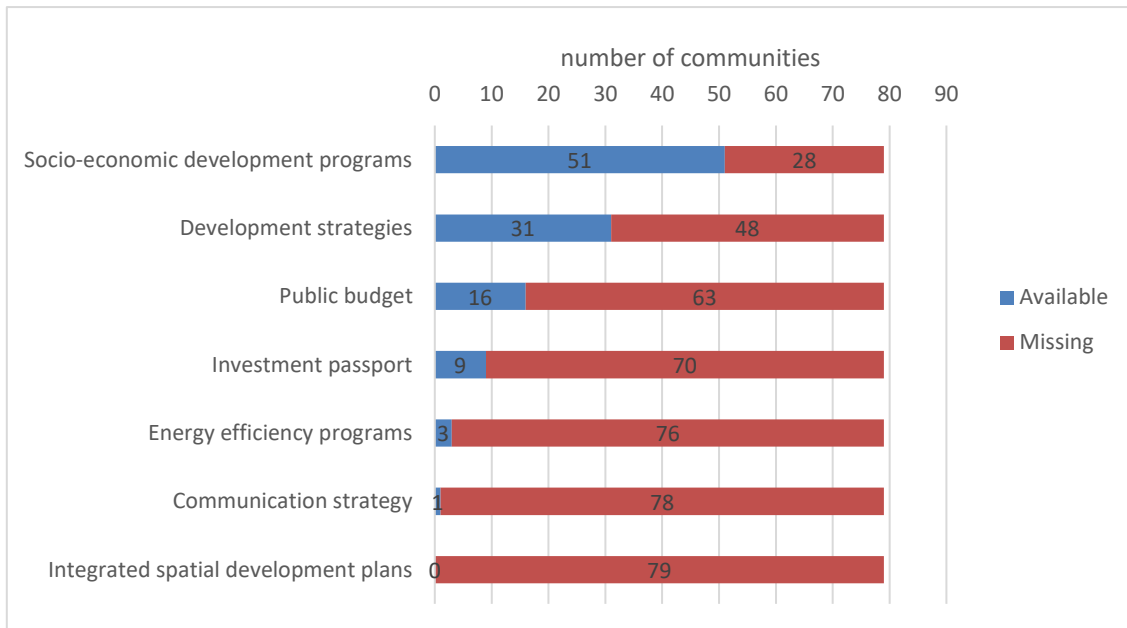


Figure 5. Availability of strategic documents on the official websites of rural communities of Ivano-Frankivsk, Lviv and Rivne regions

Source: Developed by the authors.

It is obvious from Fig. 5 that socio-economic development programs are the most popular among all the tools of strategic management. However, if we combine these data with the previous distribution of programs (Fig. 4), we see that only some of them relate to medium-term planning horizons (2-4 years), and 45% of all programs posted on the official websites of rural communities (51 programs in total) are valid for only 1 year.

In fact, many local self-government bodies do not perceive development strategies as necessary elements in the strategy system, which threatens the possibility of strategic development of communities. This is especially true for those communities that need to make complex strategic decisions. An example of this is the dozens of completed regional and local strategies and programs of socio-economic development that have not led to systemic changes in communities.

That is, from the above results, we can draw conclusions about the low institutional maturity of most rural communities, for which an expert assessment of the effectiveness of strategic management was provided. At the same time, taking into account the current level of institutional maturity is a necessary condition for effective management of the investment potential of rural communities.

## Conclusion

The results of the study, presented in this publication, made it possible to identify key factors influencing the implementation of the Association Agreement on the investment potential of rural communities. The conducted evaluation, based on the author's methodology, allowed to prove the positive impact of the Association Agreement on the investment potential of rural communities, which is characterized by a number of opportunities that arise in 15 sectors.

At the same time, there are more opportunities than threats for the development of rural communities. However, the low institutional maturity of communities in terms of realization of

their own investment potential is manifested in the fact that tools for strategic development planning, which are common in world practice, are used at the level of rural communities in fragments, sometimes declaratively. Thus, development programs are mainly drawn up with duration of no more than 1 year, which does not comply with the principles of strategic planning; and responsibility for their implementation is not provided. This situation is a consequence of the fact that community inhabitants have not yet formed a request for effective strategic management of their own resources, and at the level of local governments have not formed the appropriate competencies and strategic vision of development.

It will be possible to use the identified opportunities only in case of sufficient institutional maturity of investment management processes of the rural territorial community. To do this, the prospects for future research in this area include the need to develop a mechanism for the development of institutional maturity, which will be integrated into the system of strategic management and portfolio management of projects of the local community. In our opinion, given the identified problems in the strategic planning of rural development in this and previous studies (Kostiukevych & Kostiukevych, 2017), such a mechanism should be based on a value-oriented approach. It best allows you to assess the priorities in the investment portfolio of the community, to achieve compliance with the goals of sustainable development strategy of the local community through the decomposition of goals and Impact-indicators, as evidenced in the works of recognized scientists in strategic development (Delafontaine et al., 2015). At the same time, the most effective use of the investment potential of the community can be achieved through the implementation of project management of territorial development of value-oriented management models defined by project management standards (PMAJ, 2001; PMI, 2017).

Of course, such opportunities can be realized under the condition of a significant request of the community residents for effective strategic management of the development of their locality, their active involvement in the prioritization of development projects and the use of external opportunities. So far, such activity, as we have found, is low in Ukraine, as a result of which most external opportunities do not find adequate support using internal strengths and do not turn into competitive advantages.

Such problems are a reflection of the general low institutional maturity of territorial communities in Ukraine to use the opportunities that exist today, including those related to the implementation of the Association Agreement between Ukraine and the EU. The true extent of low readiness to implement successful global models of strategic planning can only be estimated by extrapolating the results of this study to other communities, and therefore it is worth noting significant information limitations in the implementation of this and similar studies. The authors used the most accessible public information on the implementation of rural development strategies that exists today in Ukraine, supplementing it with the results of their own expert survey. Unfortunately, despite Ukraine's transition to European standards for the development of territorial development strategies, there are no complete statistics on the declared and achieved development goals, as well as monitoring the implementation of community management commitments to develop and realize their potential and even existing investment opportunities in the form of community passports.

## **Acknowledgement**

The authors are grateful for the data provided for the study to the management of the project "How the Association Agreement with the EU affects rural communities", which was implemented by the NGO "Regional Center for European Integration Projects" (16.03.2020-31.05.2020) within the CiSEP (Civic School for Sound EU Practice) project incubator with the support of the Institut für Europäische Politik.

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