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**ROLE OF GOVERNANCE IN THE
DIVERSIFICATION OF RURAL ECONOMY
ANALYSIS OF TWO UKRAINIAN CASES**

by Anastasiya Shtaltovna

Promoter: Prof. Guido Van Huylenbroeck

This thesis submitted in partial fulfilment of the requirements for the joint academic degree of International Master of Science in Rural Development from Ghent University (Belgium), Agrocampus Rennes (France), Humboldt University of Berlin (Germany) and University of Cordoba (Spain) in collaboration with Wageningen University (The Netherlands), Slovak University of Agriculture in Nitra (Slovakia) and the University of Pisa (Italy).

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Place of Defence: Ghent University, Belgium

Promoter:

prof. Guido Van Huylenbroek

The author:

Anastasiya Shtaltovna

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The jury to evaluate this dissertation is composed of:

- Prof. Dr. ir G. Van Huylenbroeck (Ghent University, Belgium)
- Prof. J. Viaene (Ghent University, Belgium)
- Prof. D. Reheul (Ghent University, Belgium)
- Prof. J. Schakel (Wageningen University, The Netherlands)

PREFACE

This thesis is the final outcome of the two year Masters of Sciences ‘Rural Development’, obtained within 5 European Universities. Thanks go to Prof. **Guido Van Huylenbroeck**, who invited me to stay in Ghent and write this thesis in Ghent and his patience and scientific guidelines for my work. I also thank **Mieke Calus**, an ever-helpful person, who helped to transform my chaotic ideas into not a big, but a scientific paper. Furthermore I thank **Petra Derkzen and Jela Tvrdonova** who helped me on various stages of my writing. Finally, **Kuts V., Gnatyuk N. and Konyak M.**, are unconditionally devoted workers for regional development in Ukraine, their work has inspired me to work on issues of rural development and gave me the focus of the thesis; the application of the concepts of diversification and governance in regional development processes taking place in Ukraine.

ABSTRACT

This thesis focuses on the interaction between diversification and governance in the process of regional development. First, the paper presents a methodology, current theoretical discourses on diversification and governance and how these fit into the regional development context. A conceptual framework is constructed in which the relations between governance, actors and diversification are established. The Actor Network Theory (ANT) enables us to discuss the relations of the conceptual framework and to analyze how governance can influence the diversification process. The framework and ANT are applied on two Ukrainian case studies which highlight the possibilities of governance in the diversification of Ukrainian rural development.

Therefore, the paper is dedicated to the analysis of the processes taking place in rural areas of Ukraine; particularly, it aims to show (1) how governance can play a role in the diversification of rural economy, (2) how local initiatives in the form of partnerships and networks come together and establish new activities in the rural areas, and (3) how all of this finally brings more efficient outcomes towards rural development rather than State support.

The main argument of the paper is that actors from a diverse background, voluntarily united into partnerships, networks and cooperation, can contribute towards strong governance formations in the local and regional context and thus contribute towards diversified rural economy in the rural areas of Ukraine.

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SECTION I

INTRODUCTION

1.1. GENERAL ISSUES

Ukraine is one of the countries experiencing a transition period after the collapse of the Soviet Union. Particularly, it is reflected in institutional changes and in a stagnation of the national economy.

Agriculture is an important sector of the Ukrainian economy. More than 50% of the terrain consists of deep black chernozem soils (World Bank, 2004). Since the early stages of the transition period up to now, agriculture is of crucial importance. 25% of the population of Ukraine is occupied in agriculture (World Bank, 2004). It remains to be an important economic driver for the Ukrainian economy. Moreover, it has a social function for the rural population, absorbing the surplus of labour (in subsistence farming). On the whole, however, Ukraine's agricultural potential is significantly under-utilized (World Bank, 2004). Rural areas are the vast majority of Ukrainian territories and places for the living of 32% of the population (World Bank, 2004).

Because of the unstable political situation, lack of sufficient State attention and inconsistent policy of the State towards regional development, it has become very difficult to live and work within rural areas, causing socio-economic stagnation.

Other problems caused by the transition period, which strongly influence the rural economy, are, for example, that almost all means of employment and entertainment within rural areas were stopped with the collapse of the system, e.g. collective farms, cooperatives, plants, factories, etc. Furthermore, the provision of the public sector has become worse, e.g. health care, the education system, infrastructure, social services, etc. In some places it has even disappeared because of low wage levels and thus low motivation to work.

Since independence, the above mentioned problems have not been sufficiently addressed, no changes towards improvement of the situation in rural economy has taken place. Thus, at the moment, more and more problems occur, mainly connected to the lack or absence of employment opportunities and an underdeveloped social and economic infrastructure (Gnatyuk, 2005).

Literature reveals that in other countries' rural areas where people run more diverse activities than just pure agriculture, and who are involved in other farm based activities (food and agricultural processing, handy crafts) and off-farm businesses, live much better (Vasilyev, 2002). For reasons of integration and strengthening of the rural economy, the diversification of the economic, social & cultural spheres of the village is important for ensuring satisfactory income for the rural households and to give further perspectives on a sustainable rural development.

Diversification of the rural economy is by some authors considered to be the most appropriate response to negative structural developments in agriculture and opportunities offered by changing societal demands of rural areas (Terluin & Post, 2000; Bryden & Bollman, 2002; Bryden & Hart, 2001).

Diversification can be an important tool to resolve the current situation of decline within rural areas. Diversification can be defined as redeployment of farm resources into new agricultural and non-agricultural activities that could create opportunities to make more efficient use of available resources, increase farm and household incomes to improve family farm livelihoods and thus to contribute towards rural development (FAO, 2004).

The benefits of diversification are the following:

- more variety of job opportunities is provided;
- Social infrastructure is created;
- The awareness by rural citizens of available underutilized resources is increased;

- Natural, historical, cultural potentials are wider used within diversified rural activities;
- Inclusion of a wider spectrum of local inhabitants into diversified rural activities;
- Revival of historical and cultural potentials (for cultural and economical values).

Diversification is necessary for growth, employment and sustainable development in rural areas, and thereby contributes to a better territorial balance in both economic and social terms. Diversified activities, particularly tourism, crafts and the provision of rural amenities, are growth sectors in many regions and offer opportunities both for on-farm diversification outside agriculture and the development of micro-businesses in the broader rural economy.

The final effect of diversification is that rural household income is raised, bringing new aspects into the rural economy.

Diversification of the rural economy can be mobilized through governance. Hereby governance is defined as the inclusion of wider parts of the society into the process of decision making, participation, partnership and networks between public and private sectors, multi-level government involvement and cooperation (Berger, 2003).

Governance plays a significant role within the process of rural economy diversification. Moreover, both are interconnected and strengthened by each other, particularly in the process of rural development. It has been argued that local people know better than anybody else what their needs are and what has to be changed (Berger, 2003).

Local governance can help foster innovative approaches to link agriculture, forestry and the local economy, thereby helping to diversify and strengthen the socioeconomic fabric of rural areas. Governance contributes to mobilization of human, social, natural and historical capital within the process of a diversification of the rural economy.

Acknowledgement to it can be found in recent scientific papers but also in EU legislation for rural development and the White Paper on Governance (<http://ec.europa.eu/agriculture/rur/>; <http://ec.europa.eu/governance/>). Good governance can drive rural development (Berger, 2003).

Given the fact that Ukrainian rural areas are reasonably rich in natural, historical and cultural resources, these are significantly under-utilized. The majority of rural citizens under-appreciate the available resources. These resources, however, could serve their development.

The central hypothesis is that diversification can become a solution for the improvement of the current situation in rural areas of Ukraine.

Recently, rural development issues and diversification have recently appeared in Ukrainian legislation, mainly starting from the period of the Orange Revolution (2004). The measures and policies, however, are still inefficient because there is still a Soviet type of thinking. State governors are equating rural issues purely with agriculture and are underestimating the importance of rural development issues. Moreover, there is an inappropriate State system and corruption is rife. Such actions and inactions of the State hinder the development of the rural economy. Thus the second hypothesis is that development of the rural economy does not occur from State regulations but through bottom-up governance and participation.

In spite of the absence of public actions, there are indeed cases around Ukraine of local active initiatives which affirm that something can still happen in rural areas.

The two cases studied for this thesis have elements that are important for the governance model described further in the thesis.

These cases are good examples of how diversified activities occur in rural areas mainly with the help of local human potential. Its main characteristic is that initiatives start from the bottom-up, by local activists and self-organized action groups, which grow into networks, partnerships, cooperation amongst various local and regional actors. The reasons for this are, firstly, as a necessity for survival, and secondly as a strategy for regional socio-economic growth. Thus specific modes of governance are formed and contribute towards diversified activities.

The aim of this thesis is therefore to analyze through the use of examples how local people initiate inter-sectoral cooperation and networks to diversify local and regional economic activities. The thesis investigates the wide range of stakeholders involved, how the community is mobilized to participate in decision making process regarding development of their region, how this leads to diversified rural economy and higher level of awareness and activity of the local population. Moreover, the processes described make traditional government and governors more active and may influence their position. The processes of bottom-up working, will surely contribute towards overcoming of the protracted transition adversely affecting the rural economy much faster. The aim is to learn from the case studies which factors and elements are important in successful local development and which elements may hamper local initiatives. From these lessons may be drawn how central rural development policies may be adjusted to give incentives to such local initiatives.

A further purpose of this work is to highlight how local initiatives like ‘Podillya Pershiy’, Association ‘Renaissance Grytsiv’, NGO ‘The Sustainable Development Foundation ‘Stara Volyn’ and NGO ‘Bukvitsa’ have contributed towards rural development through the creation of new jobs and the improvement of income and support for diversification and thus play an essential role in encouraging innovation and entrepreneurship in rural areas. Consequently, the thesis learns how strong governance can become a driving force for rural development.

1.2. PROBLEMS OF RURAL AREAS IN UKRAINE

As indicated above, the rural areas of Ukraine face a number of problems which prevent its development. These problems are (Podillya Pershiy, 2003):

- Majority of the population and production capacities are involved in low-efficient agriculture that cannot develop further without appropriate State support.
- During the period under Soviet control, it was common that three and four large enterprises provided the majority of the population in small cities and villages with jobs. Since the fall of the Soviet Union, unemployment, and thus poverty, has increased dramatically in these localities. The majority of plants and factories of the once large, state-owned enterprises of Soviet times have been split into smaller, stand-alone companies. Challenged with the task of becoming competitive in the condition of the free-market economy, most of the large enterprises have found minimal success: many failed for bankruptcy, and the remainders continue to operate at unprofitable levels with large wage arrears. It has been particularly difficult for these enterprises to compete with rival enterprises that function in larger cities, let alone with multi-nationals that possess the latest manufacturing technologies and management techniques (Podillya Pershiy, 2003).
- Ukraine has inherited the Soviet top-down directive management of the regions. Thus, the Center does not see the regions and does not establish relationships with it. And the regions do not foresee the economic and political perspectives.
- Ukraine’s State Government continues to focus primarily on developing the country’s defunct industries, which are located primarily in larger cities: consequently, the country’s rural areas remain to be the most common benefactors of soaring unemployment and poverty (Podillya Pershiy, 2003).
- Remoteness from big centers. That causes bifurcation and difficulties in strategic economical planning of the regions. Remoteness from the district centers, where the regional capital and potential are concentrated, misbalances and causes decline in rural development;
- Strong social problems: constant brain drain towards more economically interesting regions and abroad; breaking-up of families in which one of the family members is constantly, and

for lengthy periods, abroad for work; trafficking in people; those who stay in villages readily turn to alcoholism.

- The obstacles faced by most enterprises in Ukraine such as limited financial resources, obsolete technologies, and inadequate training of personnel, are even more challenging for enterprises that operate in smaller cities.
- A very small share of the rural population is involved in business activities, particularly connected to services. These used to be provided by the State during the period of the Soviet Union. These services are blatantly missing in rural areas nowadays. This area has not recovered since Perestroika (Gnatyuk, 2005).
- Lack of employment opportunities and underdeveloped social and economic infrastructure.

The author believes that diversification can be a viable solution towards resolution of the above-mentioned problems. Moreover, the governance concepts, chosen for this thesis, turn to obtain crucial importance in such a process of the diversification of the rural economy.

1.3. OBJECTIVE & RESEARCH QUESTIONS

The objective of this thesis is to show that governance can be a driving force towards diversification of the rural economy and thus for rural development also in transition countries. Diversification of the rural economy is necessary for growth, employment and sustainable development in rural areas, and thereby contributes to a better territorial balance in both economic and social terms. Diversified activities, particularly tourism, crafts and the provision of rural amenities are growth sectors in many regions and offer opportunities both for on-farm diversification outside agriculture and the development of micro-businesses in the broader rural economy.

Governance as inclusion of wider parts of society, participation, partnership, networks, multi-level government involvement and cooperation play a significant role within the process of rural economy diversification. This is because local initiatives come together and establish partnerships, networks and involve wider parts of the society around rural development topics. Thus new activities are established with the help of governance.

Research questions:

- 1) What is the role of government and State policy in the rural and regional economy?
- 2) Is there a need for diversification of the rural economy?
- 3) What is the role of human capital and civil initiatives in rural development, particularly in the diversification of the rural economy?
- 4) What are the factors which make people start cooperating?
- 5) What is the role of innovation within diversification process?
- 6) Are there signs of governance in the studied regions?
- 7) Does governance support diversification of the rural economy?

1.4. STRUCTURE OF THE THESIS

The thesis is built up as follows: in the Introduction (Section 1) the main ideas and problems of the study, objective and research questions are presented. The Theory and Literature review part (Section 2) comes next. In this section the concepts of diversification and governance, as defined by various scientists, are analyzed. The interconnection between these two concepts is also shown. The Actor Network Theory is used in the thesis in order to highlight better the processes of mobilization of rural society, involvement of wider societal actors, establishment of networks, cooperatives and partnerships between diverse actors. The conceptual framework based on this theory is developed and presented in Section 3. In sections 4 and 5 the detailed description of the two selected cases is presented. This detailed description contains the general overview of the two regions, the presence and availability of natural resources and economic activities. Human capital, social initiatives and governance as important elements of the thesis are separately discussed. Rural development issues in Ukrainian legislation and the main problems of the studied regions conclude the descriptive part of the cases. The analysis of the cases according to the Actor Network Theory come next. This part is concentrated on how the initiatives were established, what caused their influence, on which stages of the translation cycle the diversity of actors has been involved. Sections 4 and 5 are finalized by the schemes, which present the results of the established organizations, and the mapping of the resulting network, which presents the actors involved in different stages of the development or translation cycles as well as their origin, their purposes and goals within the established initiatives.

Section 6 is devoted to the results and discussions and the lessons learnt of different issues of the chosen concepts and studied cases. It mainly emphasizes the relevance of governance approach to diversified rural economy. A comparison between Ukrainian and EU rural development policies is developed as well in this section. From this we can see what makes EU legislation for rural development successful and what can be learnt from it for Ukraine. The last but not least part of the section 6 is dedicated to the construction of an analytical framework, its application and analysis. It helps us to discover how rural capital and resources are mobilized under ANT and chosen theoretical concept – governance as a process.

The conclusions of the thesis are presented in the last section of the dissertation – Section 7.

SECTION II

THEORY AND LITERATURE REVIEW

2.1. DIVERSIFICATION

Considering the problems faced by the rural areas of Ukraine, as mentioned in the introduction and in the following sections, and considering the fact that more than 30% of the population of Ukraine live in rural areas, diversification can be an appropriate solution for improving the current situation.

The various concepts of diversification will be presented further, mainly on the low organizational level – farm and household diversification. These will open up a range of alternative possibilities of usage of available rural resources and thus activities for both farmers and other rural inhabitants, such as tourism activities, handy-crafts, social activities, etc. Consequently, they may create more possibilities for the rural inhabitants in Ukraine.

Concepts and forms of diversification

The concept of Diversification can be found in both scientific papers and European legislation.

The biggest attention in literature has been drawn to on and off-farm activities, pluriactivity, part-time farming and new potential sources of income for farmers.

The diversification of the income portfolio seems to be one possible solution for many farmers confronted with low farm productivity, profitability and income. In order to study non-agricultural farm diversification, the definition of diversification as all other gainful activities outside of the primary production of food, fibre and fuel, is adopted (Slee, 1987).

Diversification involves the use of farm resources for non-agricultural activities (Shucksmith & Winter, 1990).

Regarding Evans and Ilbery (1993), diversification may be considered as unconventionality with respect to traditional farm family agricultural activities. In addition, it incorporates the use of farm resources for non-agricultural activities (Shucksmith and Winter, 1990). Such activities could include on-farm processing, the provision of non-agricultural products and on-farm services.

A survey of Western Europe indicated that off-farm employment is the most common form of non-agricultural involvement of farm households. Farm-based diversification was of little significance (MacKinnon et al., 1991).

Along with diversification to describe non-agricultural activity by farm households, pluriactivity and part-time farming have also emerged. These terms are often used interchangeably.

Focusing on farm households, part-time farms are defined as those where either the farmer or spouse combines non-agricultural work with work on the holding. The farmer or spouse is then a part-time farmer (Gasson, 1986).

Lund suggested a set of criteria to distinguish these from full-time farmers:

- Spending less than a stipulated length of time working on the farm.
- Having some other gainful occupation(s).
- Having some other gainful occupation(s), the principal one not being farming in terms of criteria such as time spent working or income gained (Lund, 1991).

Other research material emphasizes the significance of socio-cultural motives, and analyses part-time farming as a life-style (Barlett, 1986; Laurent et al., 1998).

Pluriactivity is utilized to describe the combination of farming and other gainful activity, which could be on- or off-farm (MacKinnon et al., 1991).

Fuller (1990) states that pluriactivity is a term which “describes a multidimensional landholding unit in which farming and other activities are undertaken, both on- and off-the farm, for which

different kinds of remuneration are received (earnings, incomes in kind, and transfers).” Thus, pluriactivity incorporates the terms “diversification” and “part-time farming” through the usage of labour, land and capital resources (Evans and Ilbery, 1993).

In the contest of the rural development debate, pluriactivity remains largely an open question as to whether it persists because it is a viable livelihood strategy in itself, or because there is continuously a category of farms ‘on its way out farming’ (Renting et al., 2005). For a long time pluriactivity was analyzed as an economic adaptation strategy, adopted by rural households to help them combat increasingly harsh market conditions (Etxezarrete, 1985).

Recent studies on the role of pluriactivity in wider rural development (Kinsella et al., 2000) suggest that pluriactivity can also strengthen the interrelations between rural areas and urban centers. Pluriactivity can, for example, stimulate new producer-consumer networks, improve mutual understanding and appreciation of values and lifestyles between rural and urban people, and in this way also strengthen the capacity of farm households to actively respond to changing societal demands (Renting et al., 2005).

So pluriactivity and diversification are interchangeably used in the meaning of on-farm non-agricultural enterprise, off-farm non-agricultural enterprises, or off-farm employment.

The term non-agricultural includes activities beyond the primary production of food, fibre and fuel, such as on-farm processing, packaging and marketing of produce. In addition, household income could include so-called unearned income. This is income which does not require human resources of the receiver in order to be obtained. Examples are interest from savings, dividends, remittances, pensions and other state benefits (Shucksmith et al., 1989).

Potential sources of income of diversification

Diversification includes five potential sources of income (besides core agricultural activities): non-agricultural on-farm enterprises (diversified enterprise), non-farm enterprises, non-agricultural employment, non-home farm agricultural employment, and unearned income. The possible sources of additional income for farmers are thus diverse and a farmer could move away from farming without setting up new enterprises (e.g. by gaining additional employment). These possible sources of income are distinguished in Figure 1.

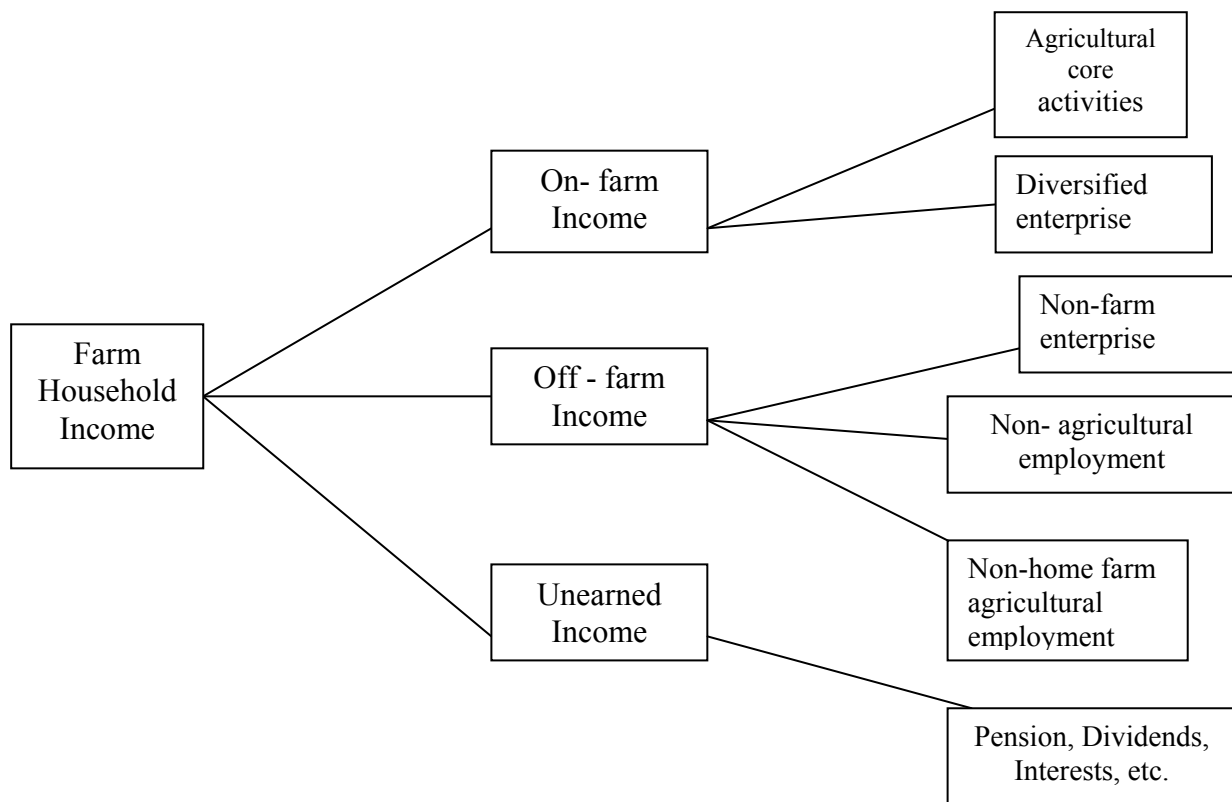


Figure 1. The Potential Sources of Farm household Income (Davidova, S., Gorton, M., Chaplin, H. 2000)

It is possible, therefore, to distinguish between income diversification and enterprise diversification. The former will include any shift of emphasis by the farm household from core agricultural activities towards on-farm diversified enterprises, non-farm enterprises, non-agricultural employment, non-home farm agricultural employment and unearned income so that they form a greater proportion of total farm income. Enterprise diversification on the other hand will only include a movement towards the establishment of new businesses either on or off-farm (Davidova, Gorton, Chaplin 2000).

Factors which affect diversification

Diversification can be distress–push or demand–pull. Diversification occurs because household members are ‘pushed’ by the level of farm income and ‘pulled’ by off-farm opportunities (Efstratoglou-Todoulou, 1990). This suggests that households may be pushed into pluriactivity by financial necessity or may be pulled by non–agricultural opportunities. Those who are pushed normally accept returns on assets or a wage below their returns to farming or their agricultural wage, as they are simply trying to increase their total household income. The main reason for diversifying in transition countries is to gain additional income, and therefore diversification tends to be distress–push (Kopeva *et al.*, 2003; Moellers & Heidhues, 2003; Chaplin *et al.*, 2004). Pull factors appear to carry a stronger influence than push factors. Usually, small farms are associated with distress–push diversification (Efstratoglou-Todoulou, 1990).

According to Davidova (2000), there are factors affecting diversification.

The ability to diversify is influenced by a mix of the external economic environment and factors related to human and physical capital, which are internal to the farm household.

External factors

1. *The local labour market and local economy.* Clearly, if there is high regional unemployment in the vicinity of the household, the potential to become pluriactive through off–farm

employment is limited. Underdevelopment of the local economy affects not only the unemployment rate, as described above, but also the viability of non-agricultural enterprises which rely on local demand for products and services. Therefore, often policy measures that can stimulate the growth of the local economy, e.g. support for starting-up of small and medium enterprises (SME's) or for attracting urban businesses to rural areas, are more important to achieve pluriactive livelihoods of farm households than policies targeted at diversification *per se*.

2. *Transport and telecommunication infrastructure.* The quality and density of the local infrastructure affect both non-agricultural enterprises and off-farm employment. For example, poor road infrastructure has a negative effect on the ability of household members to travel to off-farm employment. Or poorer local economies or areas with a low population density will provide a smaller market for diversified enterprises or lower opportunities for off-farm employment, thereby affecting the propensity to diversify (Davidova & Chaplin 2000).

Internal factors

1. *Education levels.* Higher levels of education or skills provide more opportunities in the labour market (Tokle & Huffman, 1991). Appropriate skills or education are no less important for starting a diversified enterprise. Just the opposite: if there is human capital, non-farm businesses can thrive. General education or non-agricultural skills are of prime importance in facilitating diversification.
For instance, women are more likely to have jobs for which education is important, such as teaching, nursing etc., whereas men tend to find employment, such as driving, for which experience but not education is important. Attendance at courses and seminars for farmers reduces the participation rate in off-farm labour (IDARA, 2000).
2. *Age.* Older household members are unlikely to start a diversified enterprise or take up off-farm employment. They are also more likely to be in receipt of pensions and other such government transfers which will reduce the need to seek income from other sources. From this point of view, schemes such as early retirement and support to set up young farmers could be important to build potential for pluriactivity.
3. *Capital availability.* Even if a household has spare resources in the form of buildings, land and labour, it may not be able to utilize them in a non-agricultural enterprise if it lacks start-up capital.
4. *Social network.* This is described as an important prerequisite for diversification (Vernimmen et al., 2003). Social contacts outside the farm can be instrumental in enabling a farm household to run a successful non-agricultural enterprise. This could be, for example, joint marketing of agri-tourism enterprises, sharing of experiences or informal credit.
5. *Farmer's perceptions and preferences.* Diversification may be hampered by a farm household's perception of diversification. If it is negative ("moving to non-agricultural activities means a failed farmer"), this will decrease the likelihood of the household to become pluriactive. Similarly, if the household has a strong preference for agriculture over working in the non-agricultural sector, this will make a household unwilling to deploy resources in the non-agricultural sector.

The factors which affect diversification reflect the likely variables to be used to reach an understanding of the motivation to diversify.

Multifunctional nature of the farm enterprise

When talking about diversification of the rural economy, in particular about diversification of household income, it is interesting to look at the suggested concept by Van Der Ploeg (1999) on the

multifunctional nature of the farm enterprise. It gives us a broader understanding of the possibilities of the farm within changing the socio-economic rural environment.

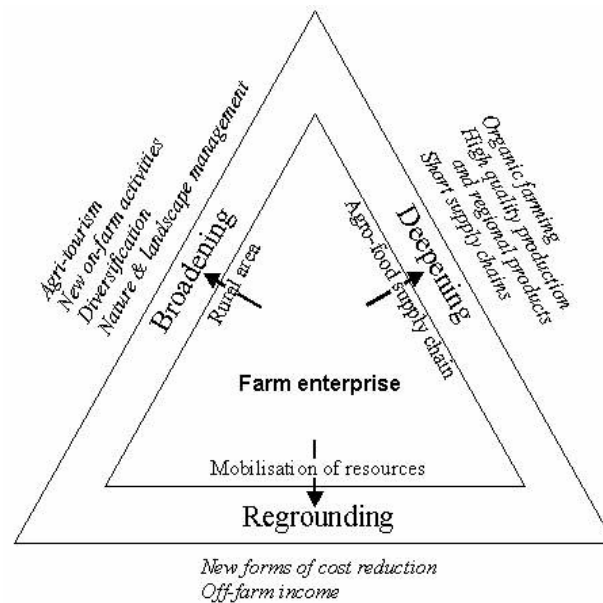


Figure 2. Diversified activities from the perspective of farm enterprise (Van Der Ploeg, 1999).

As shown in Figure 2, a farm enterprise entails three sides. One side corresponds to the classical agricultural activities of the farm. It is related to the production of milk, potatoes, etc.. At the same time, there is a rural side. The farm enterprise contributes to the maintenance and change of the rural landscape and the natural values it contains (Meeus et al., 1988; Potter, 1990). It forms part of a local and regional economy and culture. At the same time, there is a third side and it relates to the mobilization and use of resources. In order to produce and contribute to the rural side, resources such as, for example, knowledge, animals, plant materials, capital, land, water, machines and trading channels, are crucial (Van Der Ploeg et al., 2002).

These three sides are the constituents of the farm enterprise. And the role of the farm is to sufficiently manipulate these resources.

Within the rural development process, the relations as presented in Figure 2 are reproduced and transformed. Through rural development, the agricultural side can be deepened. That is, the agricultural activities are transformed, expanded and/or re-linked to other actors and agencies in order to deliver products that entail more value added per unit precisely because they fit better with the demands of society at large (Marsden et al, 2000; Renting et al).

The rural side of the farm enterprise might be reorganized and strengthened as well. In that case, a process of broadening occurs. Broadening can follow different trajectories. For instance, agritourism, management of nature and landscapes, development of the new on-farm activities (e.g. care activities), diversification. Taken together, such activities enlarge the income flows of the farm enterprise, whilst they imply simultaneously the delivery of goods and services society is willing to pay for.

The third refers to mobilization and use of resources. Here one can identify a process that might be summarized as re-grounding (van der Ploeg, 1999). In this case, the farm enterprise is grounded in a different set of resources and/or involved in new patterns of resources use. For example, pluriactivity and farming economically. Through pluriactivity (Bryden et al, 1999; Fuller and Brun, 1991) the farm enterprise is partly built on off-farm income. Farming economically is a strategy resulting in what is internationally referred to as 'low external input agriculture' (Van der Ploeg et al., 2000). Farming economically clearly goes with a more sustainable agriculture, whilst it raises, with the same level of production, the income at the farm enterprise level.

Deepening, broadening or/and re-grounding reshape the farm into a multifunctional enterprise thereby delivering a broader range of products and services (OECD, 2000; Wiskerke, 2001). Deepening, broadening and re-grounding imply innovative 'boundary shifts'. The farm, as it were, is enlarged into a more complex rural enterprise engaged in the production of new products and services (Whatmore, 1998). It is reconstituted into a 'multi-product firm' (Scherer, 1975; Saccomandi, 1998), which is, consequently, involved in more markets and in particular, in markets of a different type (some being global, other regional or local; markets for agricultural commodities, tourism and services, labour and energy markets, etc.). The final effect is that farm household income will be raised, bringing new aspects into the rural economy.

Multifunctionality of a farm enterprise is primarily perceived as a need for diversification of rural economies, which is considered to be the most appropriate response to negative structural developments in agriculture and opportunities offered by changing societal demands of rural areas (Terluin & Post, 2000; Bryden & Bollman, 2002; Bryden & Hart, 2001).

The two described schemes on diversification of farm income and farm activities are more similar than different in terms of identifying new paths for rural households to diversify. 'On-farm income' activities in Figure 1 correspond to the rural area side of the triangle of conventional agriculture (Figure 2). Those activities are defined as diversification, new on-farm activities, e.g. agri-tourism, nature and landscape management, handy crafts development, etc. In Figure 2, pluriactivity refers to the broadening activities of the farm. Though pluriactivity and diversification, according to different authors, are used interchangeably in the meaning of on-farm non-agricultural activities, off-farm non-agricultural activities and off-farm agricultural employment. Thus it refers to on-farm and off-farm income diversification in Figure 1.

The idea of diversification though remains the same in all the cases. The main issue is about creating more opportunities for rural households for income and employment in order to gain a sufficient level of income and thus reach a sufficient level of living.

Diversification can create opportunities to make more efficient use of available resources, increase farm and household incomes to improve family farm livelihoods and thus to contribute towards rural development (FAO, 2004).

2. 2. GOVERNANCE

Recently more and more attention has been drawn to the concept of ‘governance’. One of the reasons for this is that its components and governance itself have a broad spectrum of meanings. On the one hand, it makes it more difficult to interpret. But on the other hand, regardless of its side quality, it is often used and applied in different fields and studies, e.g.: economic, political, sociological, development sciences, etc.

The White Paper on Governance (CEC, 2001a) defines the meaning of ‘governance’ as rules, processes and behaviour that affect the way in which powers are exercised. ‘Governance’ represents a negotiation mechanism for formulating and implementing policy which seeks actively the involvement of stakeholders and civil society organizations besides government bodies and experts” (EUROPUB, 2002). Generally, governance refers to the discussion on how to steer the society and how to reach collective goals. As, however, governing the state and the society is a contested process, the new perspectives and pressures on traditional forms of government are at the heart of governance (Berger, 2003).

The redline of key concepts of Governance goes through European documents, which support rural development and agriculture in the new programming period 2007-2013 and in the previous programming period 2000-2006. In the Council Decision of 20 February 2006 on Community Strategic guidelines for rural development (2007-2013) it is stated that ‘the resources devoted to axis 4 (Leader) should contribute to the priorities of axes 1 and 2, and in particular of axis 3, but also play an important role in improving governance and mobilizing the endogenous development potential of rural areas’.

Axis 4, based on the Leader experience, introduces possibilities for innovative governance through locally –based, bottom-up approaches to rural development.

To understand better the poly-aspect of governance Pierre & Peter (2000) suggest the division between ‘governance as a structure’ and ‘governance as a process’.

2.2.1 GOVERNANCE AS A STRUCTURE

‘Governance as a structure’ refers to the different institutional arrangements and the inclusion of societal actors under new conditions (Pierre and Peter, 2000). There are most commonly used aspects of governance: governance as inclusion of wider parts of society, participation, partnership, networks, hierarchies, multi-level government involvement, new public management, cooperation.

Governance as ‘networks’: Governance refers to self-organizing, inter-organizational networks with characteristics like interdependence between societal actors, continuing interactions between network members and a significant autonomy from the state. They are characterized by an exchange of resources and negotiations, and by game-like interactions ‘rooted in trust and regulated by rules of the game negotiated and agreed by network participants’ (Rhodes, 1996). ‘Networks’ describe the different societal actor structures and interactions involved in negotiating and delivering policies in any given field. *Governance is about managing these networks.* Networks are conceptualized as pluricentric forms of governance in contrast to multicentric (market) and unicentric or hierachical forms (state, firm hierarchy) (Rhodes, 2000). Concerning networks, combining public and private organizations, Kersberger & Waarden (2004) state that many public services are not exclusively delivered by government, but by networks of actors from government, private and voluntary sectors.

Building on networks for rural development on national and European levels, as a platform for the exchange of best practice and expertise on all aspects of policy design, management and implementation between stakeholders, can help to improve governance and policy delivery.

- **Governance as the ‘inclusion of wider parts of the society’**: This form also refers to the argument that policy outcomes are not the product of actions by the government alone. Bearing in mind the increasing complexities and specialization in society, no single actor - public or private - has all the knowledge, information and resources required to solve dynamic problems (Kooiman, 1993). Moreover, an evermore knowledgeable and interested public demands greater inclusion in the policy-making process. The task of government is to enable wider socio-political interactions. This approach of governance refers to notions of capacity building, inclusion and participation (Berger, 2003). These issues are seen in the White Paper on European Governance (2001), where it says **‘With better involvement comes greater responsibility**. Civil society must itself follow the principles of good governance, which include accountability and openness’.

- **Participation** is viewed as capable of improving the quality and legitimacy of decisions in government, health services, local government and other public bodies, as well as having the potential to address the ‘democratic deficit’ and building community capacity and social capital (Barnes et al. 2003). On the one hand, involving more people into the process of participation empowers them, shows them that they are an important part of their society and they, by means of collective actions and individual efforts, can improve their lives. Thus bringing the citizens closer to institutions and even more important is *strengthening their potentials of self-reliance*. On the other hand, more overall involvement of societal actors in policy making makes traditional governors to be more active, effective, functioning. Otherwise they will lose their position.

- **Governance as ‘multi-level government involvement’**: This form implies the stronger inclusion of all tiers of government - with a special emphasis on the regional and local levels - in the design, formulation and implementation of policies. Multi-level governance according to Kersbergen and Waarden (2004) refers not just to the different governmental levels, but also to the involvement of both public and private actors at these levels. This approach of governance refers as well to the principle of ‘subsidiarity’, which comprises the idea that “from the conception of policy to its implementation, the choice of the level at which action is taken and the selection of the instruments used must be in proportion to the objectives pursued” (CEC, 2001).

- **Governance as ‘new public management’**: This approach to governance is linked to the paradigms of efficiency and effectiveness associated with the market economy. Within public policy this suggests the introduction of private sector management methods to the public sector and incentive structures (such as market competition) into public service provisions (Rhodes, 1996).

- **Governance as ‘hierarchies’**: Most of the current governance literature is dismissive of hierarchy as a model of governance. However, as Pierre & Peter (2000) point out correctly, dismissing hierarchies as a system of governance would be to limit our understanding of policy structures and processes. Hierarchies must be thought of as one of several different modes of governance, as hierarchies still play an important role in political-institutional contexts. Furthermore, the ‘horizontalisation’ of institutions and actors (i.e. less hierarchies) has yet to be confirmed, not only by legal and constitutional changes but also in the practice of policy-making processes. Currently, one still witnesses various hierarchies in the relations between different institutions and actors (‘verticalisation’).

- **Partnerships**: is an often used concept in the meaning of governance. It is closely inter-related with other aspects of governance as a structure. It is claimed that partnerships can offer a blending of resources from the public, private, and voluntary sectors which adds up to more than the sum of the parts. They can provide a forum in which local communities can make their voices heard, and, as agencies for delivery, they can help to foster a shared sense of objectives and direction at a local level (Bryant et al, 1997). The EU initiative Leader continues to play an important role in encouraging innovating approaches to rural development and bringing the private and public sector together. Building local partnership capacity helps to mobilize local potential. Partnership working is part of a transition in the institutional framework through which rural areas are governed, from the spatially contiguous, top-down, and hierarchical system of the local state to ‘an emphasis on promoting and/or steering the self-organisation of inter-organisational relations’ (Jessop, 1995).

- **Cooperation:** a good definition of this concept is found under the European legislation for rural development (<http://ec.europa.eu/agriculture/rur/>). Local initiatives such as Leader and support for diversification can play an essential role in connecting people to new ideas and approaches, encouraging innovation and entrepreneurship, and can promote inclusiveness and the provision of local services. On-line communities can help in the dissemination of knowledge, the exchange of good practices and innovation in rural products and services (CSGRD 2007-2013). The European Commission's guidelines for Leader+, which is part of the Community's rural development policy, the second pillar of the common agricultural policy, focuses on **cooperation between territories** and **networking**. The aim of Leader+ is to encourage rural actors to think about the longer-term potential of their area (<http://ec.europa.eu/agriculture/rur/leaderplus/index>).

2.2.2. GOVERNANCE AS PROCESS

It is important to note that governance should not only refer to structures but also to processes and outcomes. '*Governance as process*' is an important perspective as governance is not only about institutional structures but about the interactions among structures (Berger, 2003). This suggests that one needs to look closer at the policy processes, at the bargaining in the design, formulation and implementation of policies as well as at the differences in power and influence of actors. To argue with Pierre & Peter (2000) "if we want to understand governance we need to understand the ways in which the political process copes with conflict and produces decisions". Berger (2003) argues that the power relations between different institutions and societal actors need to be taken into account in any governance approach. As Michel Foucault (1983) argues: "Power relations are rooted deep in the social nexus [...]. A society without power relations can only be an abstraction". This means that even when opening up the policy-making process to a wider array of institutions and societal actors there will still be a different distribution of power among them. Furthermore, most governance concepts place much emphasis on informal policy procedures which potentially underestimate the hierarchies in the relations between different institutions and actors. Relying more on informal aspects of policy making can also undermine issues of responsibility and accountability in democratic states. Therefore, governance may be used as a normative concept for policy making but then it may run the risk of creating hidden places of power and influence. It is only when clear frameworks of rules, responsibility and accountability are discussed in an open manner, one can find a way to understand policy making in an ever-changing society (Berger, 2003).

The EU's efforts to achieve sustainable development ultimately depend on widespread 'ownership' of the strategy by individuals and businesses, as well as civil society and local and regional authorities" (CEC, 2001). It becomes clear from the above that governance approaches frame strategies of sustainable development policy making at all levels of government. Thus, exercising governance and its components is important in rural development.

2.3 LINK BETWEEN DIVERSIFICATION & GOVERNANCE

From the above chapter, it can be concluded that the highlighted concepts within this dissertation - governance and diversification, are used quite often, both in scientific literature as well as in rural development and agricultural policies of the European Union (Appendix 3). Thus they acknowledge their importance and practical use.

Analyzing them, we have seen how they can be interconnected and to some extent reinforce each other. Alternative income possibilities offered under diversification, especially through redeployment of farm resources into new agricultural and non-agricultural activities, are also shown.

Governance as a process and as a structure - network, inclusion of wider parts of society, participation, partnership, cooperation and others - finds its place in this process of diversification of the rural economy.

Local governance can help to foster innovative approaches to agriculture, forestry and the local economy, thereby helping to diversify the economic base and strengthen the socio-economic fabric of rural areas.

It lets us better understand the diversification of the rural economy and the role of different actors and networks of different stakeholders in this lasting process.

2.4 ACTOR NETWORK THEORY

For the analysis of the chosen cases the actor network theory (ANT) is applied. With its help, the processes described in the thesis can be better highlighted. These are mobilization of rural society, involvement of wider societal actors into the processes of decision making, establishment of networks, cooperation, and partnership between diverse actors and how those drive rural development.

ANT can trace the development of initiative formation and network establishment amongst different stakeholders, the process of change within rural areas and the activist there.

It can help to uncover the process of network formation, in details, including the variety of influencing factors. With the help of the translation cycle which is articulated into four stages - problematisation, interessement, enrolment and mobilization - all stages of networks establishment can be followed. These include how and at which step exactly of the cycle exactly the idea grows and develops; where more people join, where it becomes a slogan not for just one person, but for a diversity of stakeholders, and consequently it is transformed into action.

ANT advances the roles played by resources of all kinds, such as people, machines, data, texts, money, policies etc. that can come together to build a network (Foster and Kirwan, 2004).

The usage of ANT can thus help to analyze the rural change processes, exploring the dynamics of rural networks and their ability to involve various stakeholders into a common set of interests. With ANT it is possible to analyze the ability and potential of the studied cases' initiatives to impact on rural development processes. (Foster and Kirwan, 2004).

ANT emerged out of the work of a group of sociologists around Michel Callon and Bruno Latour at the Centre de Sociologie de l'Innovation in Paris in the 1980s. Sociologists tend to view organisations as purely social networks, whereas ANT argues that networks are composed of "heterogeneous materials" (e.g. machines, nature, money, police, as well as people) that are combined to construct the network. Network analysis in the social sciences normally refers only to relations between social actors.

The main process analyzed by ANT is the growth and extension of spheres of influence and power, through "processes of translation" or "enrolment". Recently this framework has been used for the analysis of rural change processes, exploring the dynamics of rural networks and their ability to involve various stakeholders into a common set of interests. ANT provides a useful approach to uncover what is going on and to incorporate the diversity of elements (actors) involved. ANT

attempts to explain processes of change from within the networks (Murdoch, 1995).

The actor-network consists of **actors** and **intermediaries** (Foster and Kirwan, 2004). Actors are entities that are able to connect texts, people, money and so on to build more or less effectively a world that is filled with other entities having their own history, identity and relations. Intermediaries are the means of definition of actors in the interaction – all kinds of materials which link and transmit the relation (Callon 1991) that combine to form a macro actor. Intermediaries are important for the building of a network and can include people, texts, policies, legislation, newspapers, computers, companies, roads, airports and so on. Networks are typically composed of heterogeneous entities, made durable by the workings of the network. ANT focuses on the strength of intermediaries (the links that bind the actors and entities together) rather than the power of the macro-actor (Murdoch 2000).

ANT does not distinguish very much between human and non-human. It advances the important roles played by resources of all kinds (**heterogeneous materials**), such as people, machines, data, texts, money, policies that can come together to build a network (Foster and Kirwan, 2004).

Networks are then a unifying concept, but the central questions are how are they forged, how are they developed, extended and stabilised, how is resistance overcome and “how effects such as power, fame, size, scope or organisation” are generated?” (Law, 1992; Murdoch, 1994). ANT explains this in terms of **translation**: the act of translating perceived needs into an inscribed solution which is essential for the strength of intermediaries. This is central to ANT, and indeed its application in the current context. It is all about examining how an idea is translated in practice and the engagement of actors within that process.

According to Callon (1986), translation follows four stages: **1) Problematisation**: an actor analyses a situation, identifies and defines the problem and proposes a solution (often there is a ‘critical event’ that acts as a catalyst); **2) Interressement**: other actors become interested in the solution proposed and change their affiliation to a group in favour of the new actor. This may be around an obligatory passage point, whereby the principal actor channels all interests in one direction, such as the need to increase productivity to certain levels; **3) Enrolment**: the solution becomes accepted as a new concept and a new network of interests is generated; and finally, **4) Mobilisation**: the new network becomes established and operates to implement the proposed solution. This leads to the formation of a macro-actor that acts as one entity. Thus a network is formed.

The following scheme presents the translation cycle (Figure 3).

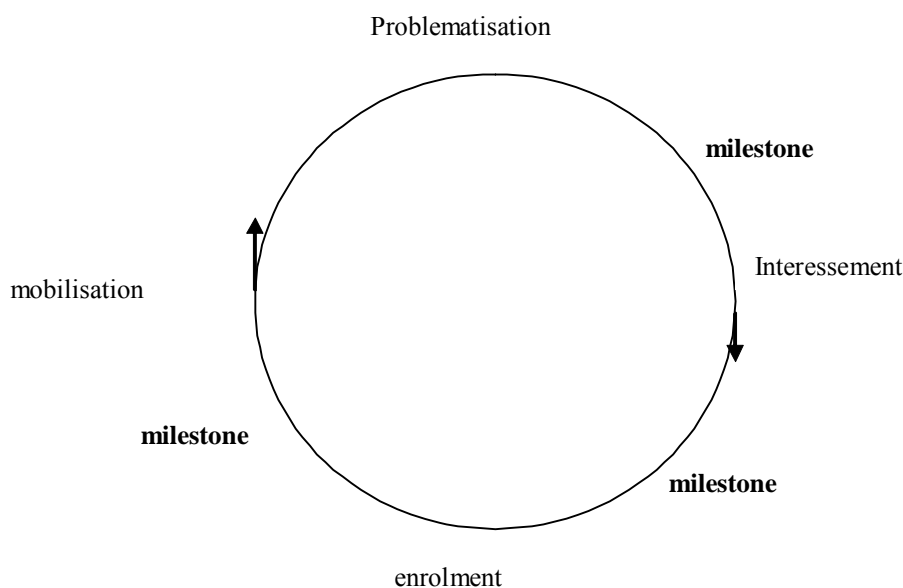


Figure 3. Translation cycle

As a network stabilizes, so the bases on which it has been translated become black boxed, which means that the ideas, policies and direction of the network, are taken as normative by its component actors (Selman and Wragg, 1999). The network will then appear as a single entity, hiding the complexity of the actors within it.

Parker and Wragg (1999) suggest that:

“Networks may be said to destabilise when the beliefs on which they are constructed change, perhaps as a result of new information or policy shifts. Alternatively, certain actors may back out because they were not fully convinced in the first place, or may become enrolled in a different network”.

The more complete the process of translation, the more stable and predictable the network will be. Conversely, where the linkages between the actors are weak or disputed, then the network will be unstable.

ANT can be used to assess the influence of initiatives on rural development in a qualitative way. ANT as a qualitative tool gives insight into processes, purposes and motivations. The dynamic aspect allows regional stakeholders to see the driving forces and barriers more clearly (Foster and Kirwan, 2004).

Depending on the actor(s) and the way of problematisation, horizontal (spatial) and/or vertical (sectoral) networks can result from the translation process. Horizontal networks tend to have a more territorial aspect of integration including actors of various economic sectors and interest groups in a given region. Vertical networks are built up along the cases linking producers, processors, wholesalers, retailers and possibly even consumers. Kneafsey et al (2001) argue that a combination of horizontal and vertical networks are needed for successful regional development to take place and that the success of local networks depends on robust functioning of horizontal as well as vertical networks. In this context, ANT can be used, for example, to explore and better understand interdependence between networks (initiatives) and regional institutional actors involved in rural development processes.

ANT examines whether and how a network functions and considers the forces for change. In this way it is possible to analyze the ability and potential of the studied cases' initiatives to impact on rural development processes. In following the actors and tracking extension of power, ANT can be used to explore the capacity for both.

SECTION III

CONCEPTUAL FRAMEWORK AND METHODOLOGY

2.1. CONCEPTUAL FRAMEWORK

This conceptual framework (Figure 4) is justified by data collection and data analysis according to the topic of the research.

Government support towards rural development has been found in the Ukrainian legislation in recent years (1). However, it is not efficient yet and does not really contribute towards rural development. Moreover, there is no support foreseen towards governance (2), thus bottom-up approaches, partnerships, networks and cooperation are not considered as the means for improvement of rural development. However, local activists and initiators and various stakeholders come together and start new movements to change the existing situation in rural areas in Ukraine (3). This is the emergence of governance, which is formed of various stakeholders with different background, who share similar goal – socio-economic development of their territory. For implementation of their goal they have re-assessed the condition of the present resources, looking at it from the new angle, different from the Soviet top-down way of approaching things. The strength of governance formation is in the union of actors from business sector, non-governmental organizations and all interested individuals. Each of them brings its share in the formation of new activities. And they have decided to support social, human, historical and natural capitals. Particularly, actors of governance formations have appreciated the true value of the human and social capital - people, who are the main actors in the study cases and capable to mobilize all other present resources; present historical and natural resources which open new possibilities for diversified activities development like services, tourism, restaurant business and related activities.

Thus, culture, traditions and the nature of the studied regions, are revitalized and mobilized by means of the established initiatives (the further description is coming sections 4 and 5).

In the process of cooperation and networks establishment (governance formation), a significant role for strengthening of the network belongs to the business actors' participation (4). Moreover, the State organizations become involved within established networks by local actors (5). Consequently, the State is brought towards actions, driven by the NGOs (5, 1). Thus initiatives and actions are emerging from centers which are different from traditional ones and mobilize the mentioned rural resources. And those, being united within networks, cooperation, and association contribute towards rural development with diversified activities. This path (emergence of governance, mobilizing local capitals and resources, diversification of rural economy) (3, 4) so far seems to be more efficient than direct governmental support (1). This process will be described under the chosen cases.

Thus the links State & policy- rural development (1), State & policy – social capital, State & policy – human capital, State & policy – historical capital, State & policy – natural resources and State & policy – business (6) should be strengthened in order to make the process of rural development faster and more efficient.

Also, if there were support towards Governance under legislation (2), it would reinforce the processes of supporting rural development from the bottom-up, supporting governance, the process which is currently taking place.

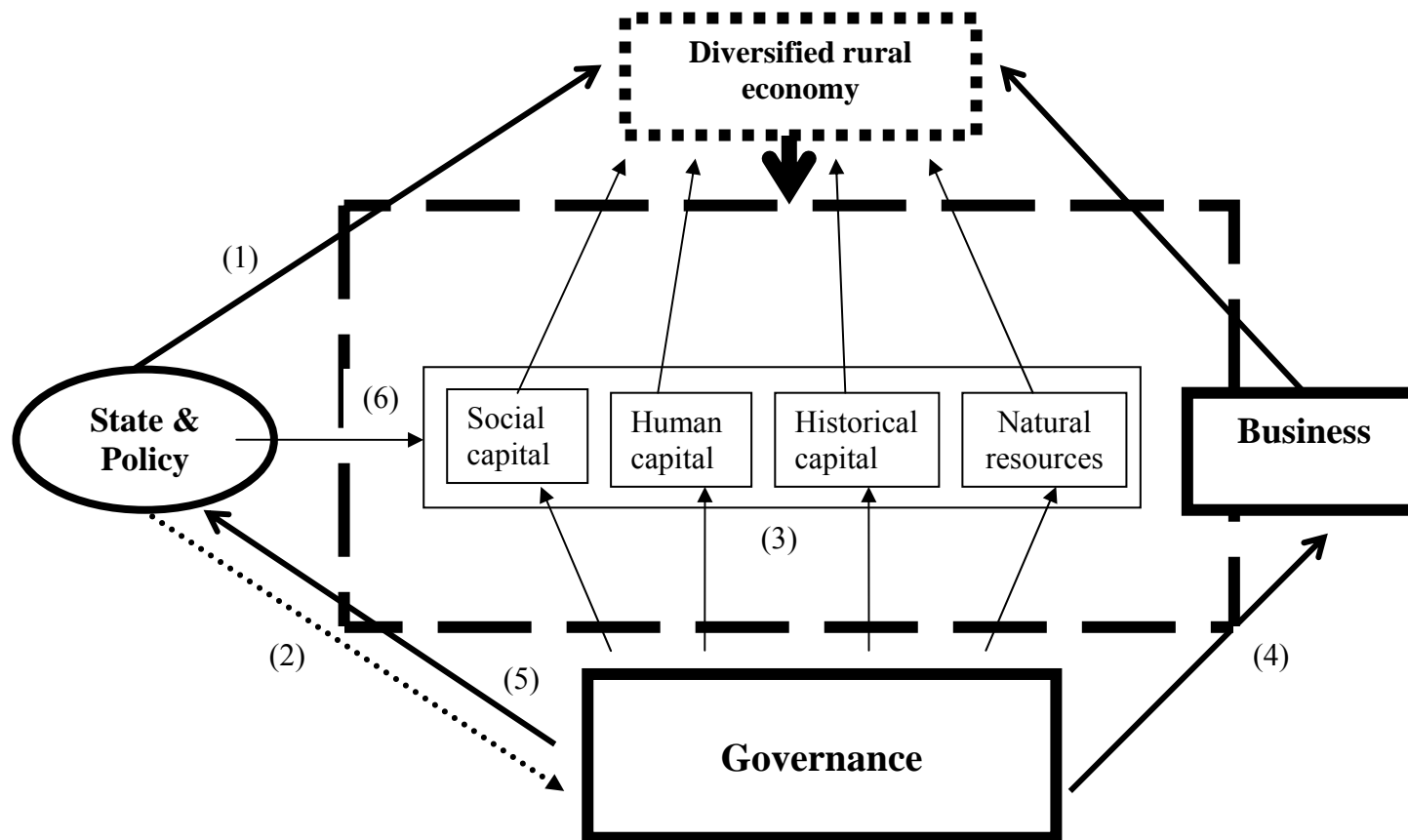


Figure 4. Conceptual framework

3.2. METHODOLOGY

3.2.1. General approach

This research started with a **theory and literature review**. To begin with, this part aimed to contribute to the selection of the theoretical concepts for the thesis and later, for the construction of the conceptual framework. But it has also enclosed the context in which this research took place. This is important because it gave me a general understanding of recent developments in the field of rural development, diversification and governance issues mainly in EU countries and in Ukraine. The sources of the information were diverse, e.g. scientific articles, policy papers, materials and publications of international organizations, such as the World Bank, OECD, Eurasia Foundation, and so on.

The scientific articles were mainly collected during the author's studies in Wageningen, Nitra and Ghent Universities. Practical information, such as reports of the projects, analytical information and statistical data were obtained thanks to the author's previous work in international organizations Winrock International and the World Bank and contacts with people working in State institutions, NGOs and international organizations. Internet has played a significant role for communication and obtaining data during the writing of the thesis.

Because of the topic of this thesis a qualitative research procedure was chosen. There are several research methods which are used during the data collection. These are discussed below one by one.

The case studies was already in my mind of the author for a long time. The author had met representatives of selected NGOs during previous work in Ukraine and was always astonished by their enthusiasm and devotedness to the development of Ukraine and wanted to write about them. The **search for appropriate theoretical concepts and methods** to better uncover these initiatives was more challenging. Once the ANT theoretical model was adopted, the work started with establishing contacts with the NGOs in Ukraine in order to collect primary data and to prepare the **field trip** to Ukraine and work out **the interviews**. This field work was held from January to February 2007 and consisted of informal interviews, formal interviews with a questionnaire and collection of additional information and author's own observations.

Informal interviews were held during all stages of the field work carried out in Ukraine. Conversations with individuals and spontaneous discussions with groups of people provided me with important insides into the local situation and the problems at stake.

Key informants were the leaders of the local initiatives, local politicians, and representatives of other rural initiatives. They were identified from the very beginning and contacted for a more formal interview.

Key informants had a lot of knowledge about the research topic, and got the author in touch with other useful interviewees, who could be used to ask a lot of questions and to get further insights into the situation. They were also instrumental in helping the author to get the research on track or to give it a new impulse.

The **questionnaire** for key informants was prepared in advance (Appendix 2). Research questions were grouped under the following headings to gain a better understanding of the situation in the selected regions: situation overview, diversification and policy issues in Ukraine, human capital, social initiatives and governance, organization description and their view on future needs for rural/regional development.

Knowledge about these topics helped the author again to understand the context of the research and increased my general understanding of the situation in rural Ukraine.

The next stage of this process is **analysis and interpretation of the collected data** according to the previously made literature review and constructed conceptual framework.

The time table of the research was as follows

Month (2006-07)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep
Adjust research proposal	X	X	X									
Literature review	X	X	X		X	X						
Document research				X	X	X	X	X				
Making contacts	X	X	X	X	X	X						
Interviews with key informants					X	X						
Additional data collection						X	X	X				
Data analysis							X	X	X	X		
Thesis writing							X	X	X	X	X	
Thesis presentation											X	X
Thesis defense												X

3.2.2. Description and interpretation of the cases

Based on our conceptual framework and using the ANT theoretical approach, based on translation cycles we opted for following structure for describing both analyzed cases:

- Introduction of the main issues of the rural areas in Ukraine;
- Explanation the role played by agriculture in Ukraine and the influence of it upon the rural processes;
- Description of two study cases according to the geographical location, availability of natural resources and the economic activities of the regions. Availability of human capital, social initiatives and governance in the studied regions;
- Analysis of the cases according to the chosen method – ANT;
- Interpretation of the results regarding the theoretical concepts – diversification and governance and constructed conceptual framework;
- Addressing the learnt issues which can improve the work and efficiency of the governance.

After this description of cases an interpretation stage follows in section 6. Hereby the attention is focused mainly on following elements for deriving important factors of success of the cases.

Section 6 is devoted to the results and discussions and emphasizes the lessons learnt of different issues of the chosen concepts and studied cases important for the rural development process.

- Availability of the human, social, natural and historical resources in the studied cases;
- The presence of the strongly motivated individuals, who grasp the resources heading on rural development purposes;
- Union of actors under networks, cooperation, partnership in the processes of diversification;
- Inclusion of the business structures, State organizations and all motivated people to the common actions; inclusion of wider parts of the society and participation of the rural community;
- Financial allocations (is an important issue and the absence of them brings down the initiatives);
- A functioning state machine is missing. The lion's share of what has to be developed and improved depends on the efficient State work.

Besides that, in Section 6 a comparison of rural development policies between Ukraine and EU is made. From this it will be possible to see what makes EU policies successful and which lessons can be derived from it for Ukraine.

After that an analytical framework will be constructed in order to uncover the processes of mobilization of rural capital and resources under the ANT and chosen theoretical concept of governance as a process.

This systematic analysis enables the author then to derive some general patterns in the development of initiatives and to come up with some recommendations for the propagation of regional development initiatives and for the role of public policies in this process.

SECTION IV

CASE STUDY 1

In this section the description of the first selected region is presented. Particular attention is drawn to the geography, the economic situation of the region, soft and hard infrastructure and available natural, human, social and historical capitals. Rural development issues in the Ukrainian legislation and problems of the rural development sector are also described in this chapter.

4.1 GENERAL OVERVIEW OF THE SELECTED REGION

The first case study took place in the Khmelnytskyi region (*oblast*) of Ukraine (Figure 5). The area of the region is 20,600 km². The population is 1 million 431 thousand people.

With its area comprising 3.4% of the territory of Ukraine, the Khmelnytsky region is one of the smallest. The *oblast* stretches for 220 km from north to south and for 120 km from west to east. It is located in the southwest of the East European plain in the forest-steppe and mixed-forest zones (Polissya) (www.rada.com.ua). The region has a mild continental climate. The most common type of land – chernozem soils - can be found around the territory. The territory's relief, soil and climate are favorable for economy and agriculture (www.rada.com.ua).

The Khmelnytsky *oblast* borders on the Ternopil, Rivne, Zhytomyr, Vinnytsya, and Chernyvtsi *oblasts*. The most important railways and highways cross the *oblast*.

There are many historical, cultural, architectural sights and natural resources in the *oblast*, which contributes to the development of tourism.

According to its administrative-territorial system, the *oblast* is divided into 20 districts, 13 towns, including 5 regional subordination towns (Khmelnytsky, Kamyanets-Podilsky, Shepetivka, Slavuta and Netishyn), 24 urban villages, and 1,417 villages (State statistics' bulletin, 2002).

On January 1, 2000 there was an urban population of 730 thousand or 51%, 701 thousand of rural population or 49% of the total population.



Figure 5. The Khmelnytskyi Region (www.wikipedia.org)

The studied region is called *Stara Volyn region*¹. It is located on the northern part of Khmelnytskyi region of Ukraine. Seven districts of the northern part of Khmelnytska region lie inside the Stara Volyn region, they are: Starokostyantynivskiy, Shepetivskiy, Polonskiy, Izyaslavskiy, Slavutskiy, Bilohirskiy and Teophipolskiy districts. This territory borders with 3 regions - Ternopil region, Rivne region and Zhytomyr region.

The Stara Volyn region is characterized as mesa region between region (*oblast*) level and district. The total area of it is 6,081 km².

4.1. 1. NATURAL RESOURCES AND ECONOMIC ACTIVITIES

The region is **rich in mineral resources**. The majority are of local importance (brick clays, sands, limestone for lime production, limestone and granites for the production of crushed stone and rubble) (www.rada.com.ua).

Limestone and clays for the manufacture of cement, limestone for the sugar industry, kaolin for the porcelain-faience industry and production of refractors, gypsum and flint represent state-important mineral resources. New mineral resource types – graphite, saponite, glauconite, phosphorites, and facing granites, have also been prospected (www.rada.com.ua).

One of the most promising directions of the region's mineral resource base development is the commercial exploration of graphite. The Burtyn graphite deposit is located in Polonsky and Shepetivsky districts. The ash content is low (2.5 to 11%). All kinds and grades of graphite can be produced from ore.

The geological exploration of the region has revealed a number of promising deposits of red and dark-grey granite, diorite, and labradorite with high decorative properties.

The Khmelnytsky *oblast* is the only region in Ukraine and in the former Soviet Union where deposits of saponite clays have been explored. These are the unique natural formations that constitute a province of betonite raw materials with specific properties.

During the period of the former Soviet Union these resources were better utilized, more factories worked on its processing and further selling. Nowadays a lot of mineral resources remain undiscovered and under-utilized.

The region possesses large resources of spas with mineral waters with different treatment qualities. The ones explored and developed are Zbruchanske, Zaychykivske, and Makivske springs, which produce the “Naftusya”, “Myrgorodska” and Polonske mineral waters.

The Stara Volyn region has a number of production capacities. The following industries are located in the studied area:

- Starokostyantynivskiy State forestry production;
- Joint-stock company ‘Progress’, city of Slavuta;
- Joint-stock company ‘Polonne china (porcelain)’, city of Polonne;
- Public corporation ‘Teophipol Sugar factory’, city of Teophipol;
- Corporation of ‘Svarog’, Sugar production;
- Bread production, city of Izyaslav ;
- Animal breeding, Bilohirskiy district;
- Meat production, city of Shepetivka;
- Cluster of rural tourism ‘Oberig’, town of Hrytsiv.

¹ *Stara* (from Ukrainian) - old, ancient; *Volyn* – the historical name of the region, before Soviet division into *oblast* administrative system. In the paper it is used as the name of the project and the name of the *meso* -region.

The Khmelnytska atomic power station plays a huge role in the economy of the region of Stara Volyn. The city, where the station is situated, differs in terms of its economy and its production activeness from other parts of the region.

The food processing industry is developed.

The oil pipeline ‘Druzhba’ goes through the region

The above mentioned economic activities carry out production and improve technologies: some of them operate at European standards.

Table 1 shows the share of the region in the economic performance of Ukraine.

Share of the region in Economy of the country	%
Total sold production	1.2
Agricultural production	4.0
Investments in key assets	1.6
Direct foreign investments	0.5
Retail trade	2.7

Table 1. Share of the region in the economy of the country (State Statistics’ Bulletin, 2005).

In terms of **agricultural performance** the Khmtelnytsky *oblast* contains about 4% of all farmlands in Ukraine. First place among the agricultural sectors is plant growing, which gives 56% of the total agricultural output (www.rada.com.ua).

Cereal crops occupy the largest sown areas, the biggest of which is winter wheat. Barley, peas, oats, buckwheat are also cultivated. The Khmelnytsky *oblast* is one of the most important sugar-beet growers. An important sector of plant growing is potato growing.

Essential oil-bearing plants are cultivated in Letychivsky, Derazhniansky, and Khmelnytsky districts, and chicory in the Slavutsky and Starokostiantynivsky districts.

Natural conditions are favorable for the development of vegetable growing, but sown lands for vegetable growing are still small. Over 40% of sown lands are occupied by forage crops (perennial grasses, corn for silage, peas, vetch, fodder beets, alfalfa, turnips) (www.rada.com.ua).

Podillya has a lot of horticulture. The main fruit crops include apple, pear, apricot, cherry and walnuts. Animal farming in the *oblast* is based on field fodder production, natural pastures, food industry wastes, and manufacture of combined fodder. The most important sectors are beef, dairy farming and pig breeding. Poultry, sheep, and rabbit breeding, apiculture and fish farming are developed as well.

The following tables 2 and 3 show the units working in agriculture and the land structure.

Total amount of agricultural units	695
Including:	
Agricultural cooperatives	117
Private enterprises	96
Agricultural enterprises	366
Farm enterprises	70
Others	46
Gross agricultural Output	
Crop production, %	64.3

Animal production, %	35.7
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Table 2. Agricultural performance (State Statistics Bulletin, 2005).

Total area 2,062,9 thousands ha	
<i>Including agricultural land: 1569,5 th. ha, that is, 76% of the total area</i>	
Cultivated land	1,254,2
Forests	285,3
Land under construction (state infrastructure and space for living)	86,4
Water resources	40,5
Others	81,2

Table 3. Land structure (State Statistics Bulletin, 2005).

Within the studied region, approximately 20% of the active population is involved in agricultural activities, mostly within household plots. Around 30% of this proportion also work for collective farm enterprises. 5-7% work for farm holdings. The latter are former collective farms (Gnatyuk, 2005).

Khmelnitskiy *oblast* is rated 19th for investment attractiveness out of the 25 regions of Ukraine (Investing ranking of region of Ukraine, 2002).

4.1.2. HARD INFRASTRUCTURE

The quality of roads located mostly in and around the bigger cities is good – Shepetivka, Slavuta, Netishyn, Starokostyantyniv, Polonne, Izyaslav. On the contrary, there is a lack or absence of roads in the remote villages and rural areas. The technical condition and service of these roads directly depend on the local authority's responsibility and interest. In general, the roads are in a rather bad condition.

The town of Shepetivka is a big junction railway station. Thus it plays a enormous role in regional development.

The Stara Volyn region is located at the intersection of car roads - Yampil – Bila Tserkva, Rivne – Kamyanskyi Podilskiy (www.rada.com.ua). Moreover, the connections between 4 other regional centers of Ukraine (Khmelnitskiy, Ternopil, Rivne, Zhytomyr) surround it.

Electricity supply networks are under reconstruction. The process of replacing the old ones is currently taking place. The tendency though is similar with the roads infrastructure. Changes mostly take place in bigger cities and towns, and the differences are hardly seen in villages, especially remote areas.

4.1.3. SOFT INFRASTRUCTURE

The network of primary and secondary schools covers the region. In recent years the amount of children in city schools has increased and declined in rural areas (www.rada.com.ua).

The higher educational institution Ostroh Academy, the agricultural college, the medical college, and vocational schools are located on the territory of Stara Volyn. Many students of the region obtain higher education, which is famous for its high quality.

The cultural infrastructure is rather poor. Nowadays it is the most vulnerable social area. The conditions of museums, cultural centers, and libraries (if they still exist) are very weak. The people who look after the social infrastructure are devoted enthusiasts and volunteers. The salaries in these areas are very low (Gnatyuk, 2005).

Quality medical care is not available to everybody. The main reasons for this are decaying quality of state medicine, worn out equipment, low accessibility from remote areas, and the fact that private hospitals are rather expensive for rural inhabitants which are mostly located in the bigger cities. These factors have led to the growth of folk medicine.

During the period of the Soviet Union, medical care functioned better. Moreover, employment within the region used to be higher than now.

The growth of civil initiatives and NGOs of different directions has been noticed in recent years. Political parties are represented on the district and local level, which are especially active during election period. Association 'Renaissance of Hritsiv' is one of the most active ones, development of credit unions is taking place. People are willing to cooperate in order to improve the current situation.

4.1.4. HUMAN CAPITAL, SOCIAL INITIATIVES AND GOVERNANCE

One of the problems is a lack of communication between different individuals. Even if people have interests in common, existence of certain barriers prevent communication. Thus, interpersonal relationships play more important role than economical benefits they would gain, if they cooperated (from interview with Gnatyuk, N.).

The civil society sector is quite well developed here.

The interviewees strongly believe that an active and conscious position of community makes traditional governors more active, efficient, functioning and fulfilling of their responsibilities. The bottom-up approach plays a significant role within the development process. It is important to listen to what community says, what it needs (from interview with Gnatyuk, N.).

If there is an initiative emerging, it can look for support in other civil organizations, mainly at international projects working in the associated field. They can also try to get support from the State.

The particular signs of governance, such as networks, participation, inclusion of wider parts of society, hierarchy and partnerships between different regional actors can be found either.

The examples of public local initiatives can be easily found. The following chapter will describe some of them.

The advisory service does not constantly work within the region. The agricultural advisory service functioned especially for the big agricultural holdings. It was financed by a USAID project. After the project finished, the service could not finance itself. There is an extension service on the regional level, but its work is inappropriate.

4.2. RURAL DEVELOPMENT ISSUES IN UKRAINIAN LEGISLATION

State support and regional policy towards rural development are necessary conditions to improve life within rural areas. The main issues of the rural policy in Ukraine are discussed.

Before embarking on a discussion on rural development and diversification in Ukraine, it should be clarified whether it is foreseen in Ukrainian legislation.

There exist a few related documents on rural development.

Unfortunately, more factors acknowledge the absence of such legislation rather than present: Since Ukraine gained its independence in 1991, a separate policy for rural areas and rural development apart from Agricultural policy has never been established. Rural areas associate up to now with

agricultural development. If agricultural production increases and goes more or less well, it means that everything is good in rural areas.

The other factor concerns recent years following the events of the Orange Revolution in 2005. In this period, Ukraine has changed Prime Minister 3 times. They may have finally realized that more than 30% of the Ukrainian population lives in rural areas and that agricultural development is not the same as rural development anymore. Or alternatively, it has become popular to talk about rural areas and the problems of people who live there.

However, the first Prime Minister – Yulia Tymoshenko - had developed a promising programme for rural development. It was a strategic programme for 10 years, which included the development of diverse sectors of economy within rural areas; moreover, diversification was also mentioned. This is one of the first times in which such a programme had been mentioned.

As the Orange revolution political team failed in its aims, a change of government quickly came about. And in less than 1 year, another leader, Yuriy Yekhanurov, was assigned.

As a tradition of discussing rural issues to the masses had already been established, he continued this tendency. Even though he remained as Prime Minister for an even shorter period, he managed to create a very similar programme, underlining that before him this issue had not been discussed.

Now there is another Prime Minister – Viktor Yanukovich. His story in terms of rural development is the same. There is a **project** on Pan- Ukrainian State Programme for socio-economic development of rural areas until 2015. It seems to be very promising, and foresees the development of the rural economy.

The aim of the Programme is to create state policy on agricultural development, to create the appropriate conditions for the complex socio-economic development of rural areas, to create a highly efficient and competitive agriculture on national and international markets, to provide food security, to increase the incomes of rural inhabitants and to create such conditions for rural communities to be the bearers of Ukrainian identity, culture and spirituality.

The activities, foreseen by the Programme include the following:

- Development of rural areas and its social infrastructure.
- Provision of jobs and elimination of poverty within rural areas.
- Complex development of social rural infrastructure. In particular, improvement of public and living constructions, public services and living conditions, roads, communication, educational institutions, health services, culture and traditions, sport, trade.
- Development of entrepreneurship.
- Creation of conditions for young people to stay in rural areas.
- Development of depressive territories for living.
- Improvement of regional and municipal management of rural areas.
- Measures to protect and increase soil fertility.
- Environmentally friendly agriculture and organic farming and others.

This sounds very nice and seems to represent everything we need. The only thing that remains to be done is to implement all these promises. The unstable Ukrainian government and its regular change prevent the implementation of rural development policy and many other things.

There is another Pan-Ukrainian State Programme for social rural development until 2011. The story here is a little different from the previous one, though very typical for Ukraine.

This one was approved in August 2004. But the funds allocated to it are rather low and do not reach its target. And the nicely described actions of the programme do not reach rural areas. Data, which is put into the State report, comes mainly from NGOs, internationally funded projects and what people have done on their own expenses (e.g. gas supply, living and community buildings). (from interviews with Gnatyuk, N.).

There is a State programme on ‘Social rural development and agriculture as a priority for national economy’. This one exists since 1990 and was approved by the first Ukrainian president Kravchuk

L. after the collapse of the Soviet Union. This is the only programme, which is considered to work and obtain financial allocation from the Ministry of Agriculture.

Other, more general programs, which can directly and indirectly support rural development activities, are:

- Law on 'Private rural household' (2003);
- Law on 'Local self-government';
- State social policy on rural areas, (2000).

This is the basis for entrepreneurship and private business development in rural areas.

For rural tourism development there are the following:

- Directive of Cabinet of Ministers 'On Tourism development for the period 2002 -2010'. (2002);
- Directive of the President 'On main directions for Tourism development until 2010', (1999). This document foresees the inclusion of the private sector, especially in rural areas, in tourism and related activities;
- Directive of the President 'On a simplified taxation system, reporting and control for small business', (1998). It foresees the possibility to shift to the only tax payment system;
- Law 'On entrepreneurship', (1991);
- Others.

However, the legislation is not perfect and leans mostly towards big companies and enterprises. So achieving many of these things is rather difficult for small business. For example, according to Ukrainian legislation, it is possible to start a new business. Private entrepreneurs can do it. But the level of tax is rather high and not everyone is willing to start a private business. This is one of the factors which prevents the diversification of rural activities by rural inhabitants.

The new designed programmes exist as projects. It means that they are not working yet and are waiting to be approved. The single functioning programmes for rural development are old and do not respond to the current needs of the rural areas. For instance, the State law on 'Social rural development and agriculture as a priority for national economy' exists since Ukraine got its independence from the Soviet Union.

4.3. ANALYSIS OF THE CASE

This chapter is devoted to the first case study. It takes place in the Khmelnytskyi *oblast*. The description of the region and the main problems of it were already given in the previous sections. The establishment and work of the local initiatives will be presented here: how a few actors (**Wolfgang Price**, **Association ‘Renaissance Grytsiv’**, **Natalya Gnatyuk**) came together, with a common idea in mind – development of the region – and developed the idea and how more actors became involved. Finally, the range of the initiatives was established.

The following are the descriptions of the emerged initiatives and established networks, the spin off effects around them. Thus the following is the description of the cases of Podillya Pershiy, Association ‘Renaissance Grytsiv’, NGO ‘The Sustainable Development Foundation ‘Stara Volyn’ and others, which consequently lead to the expected result - establishment of a strong network of organizations and individuals that contributes towards inclusion of wider parts of community into the process of decision taking within the rural areas, towards diversified activities for rural inhabitants and finally towards rural development.

The Actor Network theory offers a very promising approach to understanding and analyzing the story of the initiatives (Foster & Kirwan, 2004). With the help of ANT the rural changes process will be uncovered and analyzed, exploring the dynamics of rural networks and their ability to involve various stakeholders into a common set of interests.

4.3.1. THE FIRST TRANSLATION CYCLE

The following is the first translation cycle of the established initiatives according to the chosen concept - ANT.

IDENTIFICATION OF THE STARTERS

‘The main factor which has caused changes, is an emergence of active people in the region; those who have traveled to other countries, are able to accept information and to implement it into actions;

If there is a leader or motivated individuals, who work locally, it is rather easy to get people involved in common processes and to start to work together. Moreover, an interesting idea can make people cooperate’ (from the interview with Natalya Gnatyuk).

Wolfgang Price was a Peace Corp volunteer (1988 - 2001). In Ukraine he worked at the Main Department of Economy in Khmelnytskyi *oblast*. He is an economist; for many years he worked for the United Nations Organization’s programs for economic development.

He came to Ukraine as a Peace Corp volunteer. He saw and evaluated the available potentials and resources. Moreover, from the years of experience in other countries, he already knew that cluster models are the most appropriate and efficient tool for the economic growth of countries in a period of transition and of the formation of new social relations.

He was the first foreign visitor to the village of Grytsiv who saw the conditions for investment in this region. During his stay and work, he presented the idea of cluster model establishment for the economic development of the region.

Natalya Gnatyuk is a citizen of the village of **Grytsiv**. In 1998 Natalya set herself the goal to get Grytsiv out of this god-forsaken hole and to develop it! She was a head of the village council of Grytsiv during the period of 1998–2002. She established the Association ‘Renaissance Grytsiv’ (described further on), was a board member of the ‘Podillya Pershiy’ NGO. After Natalya Gnatyuk finished the period as village head, in order to improve the situation in the region and find an appropriate solution to the problems, she was one of the people who came up with an idea to establish the ‘Stara Volyn’ NGO.

Association ‘Renaissance Grytsiv’ (1998) was established by Natalya Gnatyuk and other local people who cared, with the support of Slovak NGO - ACDI/VOCA. It functions in order to support the socio-economic development of the region, the revival of cultural traditions, and the establishment of the best conditions within the rural area for the creative life activities of the personality. It aims to support every individual initiative within the region and to bring together diverse rural households, entrepreneurs, representatives of state and public sectors and rural self-government. Through the organization of different activities and learning programs, the aim is to create an active, well-organized community which consequently will lead to plurilateral development of the rural area, which will go along with the efficient use of the local resources. Its particular tasks include:

- Discovery of the historical heritage of the region;
- Organisation of cultural and educational events;
- Involvement of youth in social activities;
- Dissemination of information, particularly amongst entrepreneurs and enterprises;
- Bringing people to cooperation and partnerships;
- Provision of support for talented individuals;
- Environmental actions against pollution;
- Social actions towards help of vulnerable members of the society;
- Organisation of sport activities.

Problematisation

The description of the studied region is given above. From the development point of view the region is remote, abandoned, poor and almost depressive.

Moreover, Ukraine’s State Government continues to focus mainly on developing the country’s big industries, which are located primarily in larger cities: the country’s rural areas are the most common benefactors of soaring unemployment and poverty.

The problems are at a critical mass and since the late 90s a range of different initiatives have emerged to overcome the situation in this region.

In 1998 an NGO ‘Podillya Pershiy’ was established by the Peace Corp volunteer Wolfgang Price, Natalya Gnatyuk, the Head of the village council of the village Grytsiv, members of Association ‘Renaissance Grytsiv’, representatives of the Main Department of Economy in Khmelnytskiy *oblast* and others. These became future committee members of the established NGO ‘Podillya Pershiy’. It was the first non-governmental organization in the Khmelnytskiy *oblast* which started an independent programme for the economic development of the region.

Podillya Pershiy was established by civil initiatives to revive national production in the clothing, food, construction and tourism industries. It aimed to involve local and national entrepreneurs in investing in the local economy, the usage of local resources and national innovative technologies. Moreover, it focused on involving local human resources.

The industrial sector cluster development model was taken as a basic method to develop small and medium-sized enterprises and to contribute towards rural development.

Cluster development means that local economic development initiatives are concentrated on encouraging and supporting inter-firm collaboration, institutional development and support in targeted industrial sector. The sectors are targeted at those that offer the most local economic development potential. Where the local economy has existing clusters, this may provide a more targeted approach to improving competitiveness by leveraging resources in the direction of greatest potential return (Podillya Pershiy, 2003).

Cluster is cooperation amongst all interested actors – business, state and non-governmental institutions, towards the development of the common territory. It starts to work when there are enough appropriate preconditions.

The main condition for cluster initiation is to find interested actors and to make them go through the study process. The next step is to form the teams which would be able to undertake and coordinate cluster activities. They also need to be able to involve more actors and communities of the villages, town, and cities in cooperation. Another important factor is the analysis of the available resources of the region. The next step is the identification of strategic development paths for the region. Innovation is required in order to make the product of the cluster competitive.

Important features of clusters are the following:

1. The territory, where IT works, manages and promotes;
2. Products (goods, services) are competitive, of a high quality and innovative;
3. Staying in touch with the related scientific fields and implementation of the innovation;
4. All members of the production and development process to be independent, with mutual responsibility;
5. Presence of competition and partnership relations amongst the firms and cluster members;
6. Participation of the representatives of the state government and local self-government in the work of cluster.

According to world experience of the cluster model, its use is not limited within one related area, but basically it supports the development of the economy and industry within the chosen region (Podillya Pershiy, 2003).

Milestone: The socio-economic and political crises of the country have influenced the economy of the region. It is in a critical condition. The majority of the population and production capacities are involved in low-efficient agriculture. State support is low in education and science (Podillya Pershiy, 2005). The social problems are the constant brain drain towards more economically interesting regions and abroad, the breaking-up of families in which one of the family members is constantly away, working somewhere for a long period; trafficking in people; those who are left readily turn to alcoholism); unemployment and poverty. If it remains like this, it will be very difficult and tremendously expensive to change things.

Interessement

The idea was supported by many regional actors. The first actors who supported the idea were Association ‘Renaissance Grytsiv’ and the Main Economic Department of the Khmelnytskiy *oblast* State Administration. They joined Podillya Pershiy to develop and implement a project that attacks the problems head on.

There was an increasing interest in cluster idea. Thus more actors from banking systems, enterprises and scientific fields became involved. There are donor organizations - Foundation Ukraine – the USA, USAID, UCAN, Fund ‘Bogatyry’, state institutions - Ministry of Education in Khmelnytskiy *oblast*, Podillya University of Technologies. Many of them are in table 4 at the end of this section and in Appendix 1. It became a strong network.

These organizations and individuals understood that reviving impoverished rural communities meant catalyzing local initiatives and implementing actions at the local level, since every community possesses unique local conditions and resources that can help or deter its economic development. Furthermore, each community must comprehend and take action on its own strengths, weaknesses, opportunities and threats. Once these communities understand and act, they will be awarded with increasingly positive business activity, new employment possibilities, skilled workers and improved living conditions.

The NGO ‘Podillya Pershiy’ began to work with local leaders from the public and private sectors and NGOs in Podillya region – Khmelnytskyi, Ternopil and Vinnytsya *oblasts*.

Milestone: In order to overcome economic stagnation and revive the national economy, the efforts of diverse regional actors were combined, using the suggested cluster model, to re-establish clothing, tourism, food and processing and the construction industries.

Enrollment

1. During the first stage, the idea to implement the cluster model for regional development was accepted by all actors involved in the process. The next step is the **establishment of building, food processing and tourism clusters**. This project was financed by the international donor organization USAID and partially by private entrepreneurs from the building and food sectors.

2. In 2001, Association Renaissance Grytsiv invited Podillya Pershiy representatives to initiate a **rural tourism cluster** development programme in the village of Grytsiv. This was the **first attempt to apply this model of development in rural areas of Ukraine**.

3. In 2003, NGO ‘Podillya Pershiy’ together with representatives of Association Renaissance Grytsiv and Head Economic Department of Khmelnytskyi Administration developed a **project ‘Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast’**. It aimed to start **the strategic planning of regional development and establishment of the Centers of Local Economic Development**.

In September 2003, the **Eurasia Foundation** funded a one-year project designed by Podillya Pershiy to address this problem in the northern part of Khmelnytskyi region.

4. **Association ‘Renaissance Grytsiv’ continues** its civil activities. Amongst the projects, which were initiated within this period, were:

- ‘Listening’;
- Mini-projects;
- Center of Democracy and Development;
- Support Center for rural tourism;
- Ecological center ‘In Harmony with nature’;
- ‘Kalitka of Grytsiv’, credit Union for rural inhabitants.

The projects were financed from different sources: Foundation Ukraine – the USA, USAID, Fund ‘Bogatyry’ and private donations (Table 4, Appendix 1).

It was necessary to **involve entrepreneurs** from the very beginning of the strategic planning process. When the decision was taken to focus on the socio-economic development of Stara Volyn, contact with each participating community’s steering committee ceased. Consequently, primarily local government representatives have been involved in the strategic planning process of the new macro-region. The lack of involvement of the stakeholders from the private sector has been a major obstacle in cluster organization, since private business are the cluster participants who are actually responsible for driving meaningful economic achievements within this process.

Milestone: These organizations understood that reviving impoverished rural communities meant catalyzing local initiatives and implementing actions at the local level, since every community possesses unique local conditions and resources that can help or deter its economic development.

Participation of the business sector within the network is necessary for its success.

Mobilization

1. Clothing, construction and tourism clusters were established and continue to work.

Clothing cluster: in 1999, 17 clothing enterprises came together and decided upon the markets of specializing products production. Nowadays, the enterprises of the Clothing cluster co-operate with Podillya University of Technologies. They work out the project on the establishment of the Fashion Center in Khmelnytsky city. They also plan to register the sign of quality for production, which will meet international quality level.

Thus, thanks to the Clothing cluster the vertical network was established – from the developer up to consumer, including infrastructure development. Moreover, the demand for the students of clothing specialization has grown.

Construction cluster: more than 30 small and medium-sized enterprises and entrepreneurs specialize in producing construction materials, planning, design and construction works of different types of buildings. Other enterprises of the cluster work more as an advisory service; they provide marketing, legal advice and information services.

Thus all elements of the production process are brought together – from the producer to the final consumer. So the members of the Construction cluster are occupied; this also helps to reduce the primary costs of the products and increase its competitiveness. The demand for the students of construction specialization has increased.

Food and Tourism clusters: In 2001 Food and Tourism clusters were established in the city of Kamyanytsya- Podilskyi. New products were developed: ‘Hunter’s set’, ‘Fishing set’ and ‘Souvenir set’. The above mentioned products were created within the partnership between Food and Tourism clusters. These sets will be given to the tourists visiting the city.

2. NGO ‘Podillya Pershiy’ has supported the establishment of the rural tourism cluster ‘**Oberig**’ in the village of **Grytsiv**.

The idea to create a rural tourism cluster in a little village in the middle of nowhere was amazing.

In 1998 the situation in the country and region was very difficult, especially in terms of employment and further development path.

In such circumstances, the initiators understood the importance of innovation for the socio-economic development of the region. Thus they used an innovative approach - the offered cluster model to start the innovative activity - rural tourism in the region.

The main goals of cluster ‘Oberig’ were to make rural tourism one of the earning possibilities for their village and the service to be of a high quality and competitive, to revive the ancient traditions of Grytsiv.

There are no mountains, no seaside, and no infrastructure for tourism. The only thing they had was bare enthusiasm and strong desire to work and live at home, in Ukraine, and not to go abroad to work. Mainly women decided to do it, because they suffer the most in the rural areas because of lack of earnings and job opportunities.

The quality of services they provide is really of the highest standard. It is exclusive rather than cheap.

The range of activities provided by cluster Oberig is the following: rest and recreation, education, medical treatment services, information, environmental actions, etc..

An advantage of this area is the presence of many creative and patriotic people. They do not just obtain special skills, they also transfer their knowledge to the visitors. Moreover, the presence of natural conditions (beautiful landscapes, forests, picturesque lakes and rivers), historical and

architectural monuments which are 2,000 years old, reinforce the development of tourism within the region.

Later on, in addition to the provision of meals and accommodation, they started 'Grytsiv Vitrischalky', an entertainment program for visitors. Training and an advisory service on rural tourism is quite popular here, as they have gained tremendous experience.

In 2002 the NGO 'Cluster of rural tourism Oberig' was registered officially in order to make it easier for those who wanted to provide rural tourism services and to be fully occupied within rural tourism.

The rural tourism cluster was the first one in Ukraine. Since 2002 it has provided more than 100 women with jobs, including handicapped women.

Within the last 2 years the Cluster has hosted more than 1,000 visitors. For a little town of Grytsiv, this is quite an achievement.

Rural tourism has not yet become the main earning source for the Grytsiv inhabitants. It needs constant promotion and State support. For that reason the Cluster 'Oberig' together with NGO 'Stara Volyn' have developed a regional Programme for rural tourism development for the period of 2005–2010.

Rural tourism is a good way to bring wider parts of the society together, to make citizens feel that they are the members of one community, and thus towards social development within the village. If the outside visitor comes to the village, he or she is hosted not by one single household but by the whole community. It supports the people to keep their houses and thus their village in a good condition.

The spheres of economy, contiguous to and supporting rural tourism are:

- Primarily, NGOs. In the region these are Renaissance Grytsiv and NGO 'Stara Volyn'.
- It would be necessary to involve actors from educational organisations (schools, University), especially those dealing with art.
- In order to develop medical care, entertainment and training services, business association development is needed.

The supporting spheres required are design, building and construction services. They support the development, improvement and arrangement of the tourism infrastructure, especially those situated on natural sites. Another important supporting sphere is tourism infrastructure, which includes information offices, tourism agencies, marketing of the region, and other institutions providing a wider range of tourism services. These have just started to emerge.

3. A project '**Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskiy Oblast**' has started.

At the beginning they needed to find communities willing to participate in the project. They worked towards spreading information via mass media channels and thus attracting more regional actors from the diverse fields to cooperate in the project. Initially, Podillya Pershiy wanted to select 3 pilot communities to implement the project.

Podillya Pershiy worked by encouraging many communities, mostly from the small towns and villages, to submit proposals and thus to participate in the project. 12 potential communities were selected to participate in the project.

It was necessary for 'Podillya Pershiy' to put an enormous amount of energy to encourage participation in the project. It raised an important question: Would it have been more effective to refrain from pushing the communities instead of letting more progressive communities come to Podillya Pershiy? Nevertheless, the fact that 9 communities agreed to participate in the projects and

an even broader involvement of the communities later on, confirms the positive outcome of the first step.

Local stakeholders from the public, private and third sector of each community attended a 1 day seminar.

Later on, the decision was made to significantly change the project. Rather than working with only three pilot communities to develop Local Economic Development strategy plans and to initiate cluster development programmes in each locality, it was decided to create a single plan and programmes for the **macro region – ‘Stara Volyn’**. And all participating districts will be in this region.

So Stara Volyn was created. On June, 28, 2003 an NGO named ‘The Sustainable Development Foundation ‘Stara Volyn’ was initiated.

4. Within the enrollment stage **more projects of ‘Renaissance Grytsiv’**, which is one of the starters’ organization, were implemented.

The first project it realized within its activities was the Programme of the Development of rural communities. It totally reflected its aims and goals.

The other ones are:

- **‘Listening’**. This is aimed at supporting mutual understanding amongst rural inhabitants and helping individuals and diverse groups of people to overcome communicational barriers. It strengthens community participation in the resolution of common problems. This is a tool for the local activists to reinforce positive changes within the rural community. It is conducted in a form of questionnaire of local inhabitants, which inspires people to open communication and brings personal changes to the people.

The local volunteers and external experts go through the village, asking people ‘What do you like about the place where you live?’, ‘What would you like to see in your community?’ They actively listen to the information. This is an acceptance of the information from people, it is not debates. In this way the rural inhabitants develop the feeling of belonging to a certain community and to what happens there. It is special overview of the community, which helps people living in the same community to share and listen to issues around their problems. People start to understand what they would like to be improved within their village. This is a first step to start planning of the local development.

- Implementation of **Mini-projects** (1999-2000) in the region of Stara Volyn. The main idea was to help initiate active local groups to implement mini-projects, which consequently would be the beginning for socio-economic development of the village. It gave leaders of non-formal rural groups the possibility to realize their ideas. The participants learnt and improved how to write project proposals within this project. They also developed their leadership, presentation and lobbying skills, and the involvement of more resources in order to realize local projects. The participants were the leaders of non-formal rural groups, e.g. neighbors, friends, people sharing similar ideas and interests, colleagues, people who would go on to implement together the designed project, deputies of the village council. A group of 4-5 people had to develop and implement the project together. The project had to carry out the concrete actions for the development of local community, to improve the rural livelihood, to make something useful for the community, but not only of one individual. **20 initiative groups were selected to implement their project** (for which each group received financial allocation). The length of the project could not exceed 1 year.

The list of selected and implemented projects:

- 1) Center for children development;
- 2) Reconstruction & Improvement of Partizanska Street;
- 3) Reconstruction of the well, located on the 1 May Street;

- 4) Reconstruction of the celebrity village hall;
- 5) Reconstruction of the Sport site of the local school;
- 6) Establishment of a Socio-psychological center;
- 7) Construction of a fence for the Jewish cemetery;
- 8) Construction of an Ecological path;
- 9) Child Center;
- 10) Spiritual and cultural center – Library;
- 11) Construction of the well in the village of Korpilivka;
- 12) Reconstruction of the public cemetery;
- 13) Reconstruction of the Polish cemetery;
- 14) Refining of the rubbish collectors on Pochinko Street;
- 15) Reconstruction of the roof of the community house of culture;
- 16) Music center;
- 17) Equipment for the kindergarten;
- 18) Reconstruction of the church;
- 19) Reconstruction of the public rest place;
- 20) Decoration of the folk museum.

Following is the list of other projects run by NGO ‘Renaissance Grytsiv’:

- **Center of Democracy and Development.** It aimed at bringing together the local leaders and from the surrounding areas in order to teach them to cooperate and, further on, to develop common projects;
- **Support Center for rural tourism;**
- **Ecological center ‘In Harmony with nature’;**
- **‘Kalitka of Grytsiv’, credit Union** for the rural inhabitants (around 500 members);

The first cycle has been completed. The principle initiatives were founded: NGO ‘Podillya Pershiy’, building, food processing and tourism clusters and the project ‘Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi *Oblast*’. Besides that, Association ‘Renaissance Grytsiv’, which existed before, received additional funding from USAID, PAUCI, Fund of Stefan Batoriy and continued to work, and started 6 smaller projects: ‘Listening’, Mini-projects, Center of Democracy and Development, Support Center for rural tourism, Ecological center ‘In Harmony with nature’, credit Union ‘Kalitka of Grytsiv’ for the rural inhabitants.

Regarding the theoretical concept of governance, besides the inclusion of wider parts of society, the most attention in this case has been directed towards **engagement of stakeholders from the business sector**. After the cluster was established, participants admitted that business sector participation is a necessary condition for the successful functioning of the network. These are the players in cluster development who give material economic goals. Without the active participation of the private sector (business), the achievements of the cluster activities would end up increasingly social rather than economic.

All of them continue to work as individual actors. This cycle can be considered as successful from the perspective of the involved actors, including business structure, some State institutions and international donor organizations (Table 4, Appendix 1).

4.3.2. SECOND TRANSLATION CYCLE

Below is the description of the new translation cycle devoted to ‘The Sustainable Development Foundation ‘Stara Volyn’, the initiative started in the previous translation cycle.

PROBLEMATIZATION

So **Stara Volyn was established** during the mobilization stage of the first translation cycle. Officially it was registered on June 28, 2003 and was called ‘The Sustainable Development Foundation ‘Stara Volyn’.

Natalya Gnatyuk became a head of the established NGO. This person is one of the main driving forces of the vast majority of the established initiatives and changes which have occurred within this region over the last 10 years. This is why more attention is drawn to the factors which have caused her activities.

The main factors involved in the start-up of the initiative towards rural development (from the interview with Gnatyuk, N.) were:

- self-motivation, willingness to change;
- sustainability of aspiration and reaching the goal;
- the fact that Natalya was a mayor of the village helped a lot at the beginning;
- although it was very difficult to work and virtually impossible to bring about changes, occupying the position of head of the village council;
- a good reputation amongst the community;
- the community has to develop and move forward: this is one the most important factors;
- non-formal factors is family support;
- the role of the community members. At a certain point (when Stara Volyn started to work) people understood that they were the ones who have to make changes; that practically nobody will come and offer them money and bread;
- people start to think what they can do to improve life in their region;
- **the barriers on the path of achieving these goals** include an outdated governmental system, an old-fashioned way of thinking and networks, lack of knowledge, skills and experience;
- the missing factors to start such an initiative can be lack of confidence and ambition;
- transition period of our country;
- lack of education, computer skills and language knowledge;
- burn-out factor.

The NGO ‘Stata Volyn’ was established to bring together the efforts of diverse actors for the harmonized development of the region. Also, to develop the region and to get information to people. Another goal was to support emerging initiatives and to implement all activities through projects (from the interview with Gnatyuk, N.).

Milestone: Emergence of active and caring people within the region; a range of different actors around them, including local community, which realized that they are the right people to work and make changes in their community; Nobody will come and solve their problems.

INTERESSEMENT

The **network of centers of local economic development** of Stara Volyn region was established. Stara Volyn consists of 7 districts located in the northern part of the Khmelnytskyi *oblast*. These are

located in the cities of Shepetivka, Izyaslav, Slavuta, Netishyn, Polonne, Starokostyantyniv and the village of Grytsiv (Podillya Pershiy, 2003).

This decision was primarily based on the expressed interest of 9 participating communities to continue working within the project of Podillya Pershiy.

They realized that they are **the right people to build their society** and its future. More actors became interested in the idea and joined the Programme. These actors are representatives of the local government and state institutions, the Eastern-Ukrainian NGO ‘Association of Women in Business’ and a few donor organizations: Transatlantic programme of small grants, Center ‘Counterpart’, ICAP ‘Yednannya’.

The motto of the people who joined this Programme are the words of Kofi Annan from the World Summit on Sustainable Development in 2002, ‘**We did not inherit our land from our parents, we have borrowed it from our children**’.

They became a very strong team. Without this factor, this initiative would not go far.

Milestone: All of them – representatives of the 9 district communities of the selected region, representatives of donor organizations – West-Ukrainian regional education centre, foundation ‘Ukraine - USA’, State institution - Head Economic Department of Khmelnytskyi *oblast* Administration, undersigned the **Memorandum on Common Understanding**. The aim of the NGO ‘The Sustainable Development Foundation ‘Stara Volyn’ is to convert the current region – the Northern part of the Khmelnytskyi *oblast* - into an economically developed one on the basis of new technologies and innovation. The aims are to reach high living standards for people and to become the recreation-tourist, cultural, spiritual and education centre of Volyn macro-region (Podillya Pershiy, 2003).

Vision: In 10 years the Stara Volyn region will be a network of self-sufficient, well-organized and dynamic communities, which will implement the strategy of sustainable development of their region, based on the Constitution of Ukraine and the European Charter of self government (Podillya Pershiy, 2003).

In order to follow the main aim and to reach the vision, the steering committee and interested actors developed specific goals and objectives:

Goals (taken from the Stara Volyn, 2005):

- Manage the strategic plan of the sustainable development of the Stara Volyn region;
- Provide information and analytical inputs for the processes of design and introduction of the strategic plan for the region’s sustainable development;
- Introduce technical, information and educational assistance to small and medium-sized enterprises, community organizations, supporting institutions, State authorities and local leaders. Advise on the creation of their relationships into clusters and networks;
- Assist in the formation of the progressive view of leaders of enterprises and institutions, which are aimed at mutual collaboration in the framework of cluster and network development;
- Spread knowledge in the sphere of sustainable regional development, publish information and training materials on such issues;
- Conduct training, seminars and work meetings to promote the increase of the professional level of the specialists in the area of regional development;
- Present and defend the ecological and social rights of citizens and enterprises which are engaged in cluster development activities.

Objectives:

- Design strategic plans, programs, and projects, which are aimed at supporting and stimulating the sustainable development in the region of Stara Volyn;

- Establish analytical, information and consulting centers;
- Cooperate with various departments of government authorities, business structures, and different community organizations to achieve the goals set;
- Provide information, legal and consulting assistance, as well as technical support to the members of the foundation;
- Conduct theoretical and practical research in the form of at least marketing and social surveys;
- Provide consulting assistance to citizens, enterprises, and their associations in the search for, and introduction of, innovative technologies;
- Organize thematic scientific-practical conferences, seminars, forums, working meetings and different events;
- Establish enterprises, institutions and organizations necessary to fulfill the settled tasks;
- Fulfill other functions in the directions of realizing the given tasks of the foundation.

Four priorities for the work of the new established institution Stara Volyn were determined along with the cluster-based model. These are:

1. Rural tourism;
2. Food processing;
3. Building materials;
4. Information technologies.

The main financial source is international donors' organizations: Transatlantic programme of small grants, Center 'Counterpart', ICAP 'Yednannya', European Dialog, Ukrainian Women's Fund (Table 4, Appendix 1).

ENROLLMENT AND MOBILIZATION

For the realization of the goals of the NGO 'Stara Volyn' the following projects are established and function.

1. School of Sustainable Development 'Stara Volyn' (2005);
2. Studio of Mrs. Oksana (2004);
3. Corpus of Volunteers for the rural communities;
4. Project 'Vyshivanka', supported by the big local agricultural enterprise;
5. Other little projects.

The following projects started functioning.

1. **School of Sustainable Development 'Stara Volyn'** is a project of the NGO 'Stara Volyn'. Minimum task – to inform the community of the region about the importance of building their lifestyle according to the principles of sustainable development; maximum task – to implement the ideas of sustainable development in life through supported activities, realization of the projects, with the help of prepared groups of volunteers. The methodology of teaching is interactive learning for the youth and adults, working out and implementation of the strategies for the development of individual, organization, community and region. If you manage to change yourself as an individual, it will bring changes to your environment, first to your family, than to the institution where you work, and thus to your community. The members of organization work towards personal improvement in order to improve their surrounding. It uses the methods of strategic planning towards individuals' development, so these individuals will bring changes to organizations established by them. Developed organizations will contribute (plan the strategic development) towards community development, where these

organizations function. Consequently, the strategies of the communities will bring changes to the region and country.

The thematic issues are Information, Partnership building, Economic studies, Environment, Health, Culture and at the basis of everything is Spirituality.

2. **Studio of Mrs. Oksana** is a women's NGO. It aims at self-assertion of women, improvement and development of an individual, bringing happiness and love. In most of the cases it works with women in rural areas.

The main problem of women in the region is low self-appreciation and fear to open up. Amongst the activities of the organization, there are meetings, seminars, trainings, art events.

The women who have joined the organization have identified the directions in which to work:

- *Sewing studio*. This produces modern and traditional clothing of natural materials with the protection/guarding symbol. The tasks they follow are revival of ancient styles of sewing clothing; development of fine arts; constant personal and professional growth of women; designing of souvenirs; organizing rest-time for families with children: they use drawing, origami, developing games for children, puppet-shows and learning more about nature, etc..
- *Starovolynski vechornytsi*². To learn and revive old Ukrainian traditions in women's craftsmanship and increase women's self esteem.
- *Starting private business for women*. In order to encourage and help women start up new activities. This is mainly private business which teach women how to prepare business plans, find investment and implement their ideas. Thus they help them to realize themselves.

3. **Corpus of Volunteers for rural communities**. The aim of the project is to establish the Corp of the volunteers to work in rural communities. To create a positive image of rural life according to sustainable development principles. Task – to establish the center to train the groups of volunteers in the village of Grytsiv; to prepare them to work in rural areas and communities, who will establish contacts with rural inhabitants. Thus to involve more rural citizens to work towards sustainable development. The task of the volunteers is to bring more people to start living according to the sustainability principles and finally to make people use local resources and start businesses or social projects.

4. **'Vyshivanka'**³ **Project (2006)**

This project is supported by the local agricultural Corporation 'Svarog'. It owns 40000 ha of land, 8-9 former collective farms. Sugar production is its main activity. Besides its main production activity, it supports the activities of the local schools and pedagogic college. It supports the idea that economic, social, ecological and information development of the region should go hand-in-hand.

In order to contribute towards rural development of that region, Svarog Corporation, together with other interested stakeholders in the region, have developed the 'Vyshivanka' project.

With the efforts of business organizations (Svarog Corporation), NGOs ('Dolya', Stara Volyn, 'Svitanok', 'Radomira') and State organizations (High School of Arts of Grytviv, State Employment Center of the Shepetivka city, district educational departments), the 'Vyshivanka' project was established. At first, actors came together to establish an economically efficient business on production of embroidered products. It is aimed at bringing solutions to economic problems (increase well-being of the local people), to social ones (establishment of working places for disabled persons, youth, more employment for the rural inhabitants, establishment of social partnership), educational ones (bring changes to professional education), and cultural issues (revival of traditions is a chance to develop culture) of the region.

Later on, **more small projects** sprung up within the region. Some of them are: Art festival 'Mystetsky zerna', Development of Cultural-Spiritual Complex in the village of Lenkivtsi, Carrying out 'the Day of Village' in the village of Verbivtsi, Establishment of the Ecological Kindergarten in the village of Plesna, creation of a Tourism center in the village of Velyka Shkarivka, Summer

² In former times, the meetings of women in the evenings, where they could sew, embroider, knit, communicate, etc;

³ Vyshivanka (from Ukrainian) – an embroidered cloth (used for clothing, decoration, very traditional handcraft for Ukraine);

camp for children and youth, Yearly Festival 'I love you, my Grytsiv' in the village of Grytsiv (established mainly by children and youth, which also take an active role in its conduction every year), Vyshneviy festival in the village of Vyshneve, yearly fair of ideas of the Sustainable Development, fitness center in the village of Grytsiv, 'Starovolynskiy ball', Starokostyantyniv – child friendly city!

Youth club 'Katran' (2005), which implements youth projects, creation of the youth center, increase of the cultural awareness of youth, cooperation with other youth organizations;

NGO 'Pravoporyadok' (2003) aims to protect public order in the village of Grytsiv, particularly to prevent thievery and crime in public places, to reinforce the state system of public order in the village.

The clusters of rural tourism, Food processing, Building materials and Information technologies started their work.

The second translation cycle has been completed. A big initiative - NGO 'The Sustainable Development Foundation 'Stara Volyn', was established. This initiative can serve as a good example of governance formation. Many actors from different backgrounds were interested in the idea of creating the network of centers of local economic development of the Stara Volyn region.

Stara Volyn consists of 7 districts located in the northern part of Khmelnytskyi *oblast*.

All of the participants – representatives of the 7 district communities of the selected region, representatives of donor organizations – West-Ukrainian regional education centre, foundation 'Ukraine - USA', State institution - Head Economic Department of Khmelnytskyi *oblast* Administration, undersigned the **Memorandum on Common Understanding**. The aim of the NGO 'The Sustainable Development Foundation 'Stara Volyn' is to convert the current region – the Northern part of the Khmelnytskyi *oblast* - into an economically developed one on the basis of new technologies and innovation; to produce high standards of living for people; to become the recreation- tourist, cultural, spiritual, education centre of Volyn macro-region (Podillya Pershiy, 2003).

The project was successful because all 7 cities and surrounding rural areas became a centre of the attention for this project. People were pleased to participate. The main reasons for this are firstly that there is hardly ever any kind of similar projects from the State (what is commonly believed is that the State is the only source of power and thus changes), willing to develop their territory; secondly, the main idea of the project was to grasp all people willing to work for the development. So everybody could join in the project and thus participate in the working out of the strategic plan for his or her region. Those people who decided to join the Stara Volyn initiatives, joined it during one of the later established projects and programmes, also targeted at socio-economic rural development and inclusion of wider parts of the society. The projects are School of Sustainable Development 'Stara Volyn', Studio of Mrs. Oksana, Corpus of Volunteers for the rural communities; Project 'Vyshivanka', supported by the big local agricultural enterprise and more little projects.

The above mentioned small projects by NGO 'Stara Volyn' have mobilized a great diversity of the rural population (particularly women, youth and disabled persons) and taught the rural population to be flexible in facing a new rapidly developing society, which they could observe from TV or radio.

4.3.3 NETWORK MAPPING

Network mapping is used to show clearly all the actors involved into the established networks and initiatives. The actors are grouped according to the geographical scope (local, regional, national or international), the role in the network, stage of the translation cycle which they were involved in (problematisation, interesement, enrolment or mobilisation) and their goals in general.

Classification of the involved actors regarding their occupation and belonging to the state, business, non-governmental organizations or business structure:

1. Actors, representing State institutions

Regional Council & Regional State Administration of Khmelnytskiy *oblast*;
District Councils & districts State Administration;
Municipalities (city, village, village councils – territorial communities);
State employment centre.

2. NGOs

Local initiatives & representatives;
Mass media.

3. Big scale business

Sugar plant ‘Svarog’ (city of Teofipol).

4. Medium & Small business

5. Scientific & Educational institutions

Students and staff of the Academy in the city of Ostrog, Technological University ‘Podillya’ colleges, Lyceums, schools, gymnasiums.

6. International actors (donors, organizations, individuals)

Mapping of the network after the completion of 2 translation cycles					
Actor	Dixon classification	Geographic scope	Role in the network	Stage which they were involved in	Goal
Wolfgan Price, Peace Corp volunteer	International actor	International	Main starter of the initiative; Started NGO 'Podillya Pershiy'; offered a cluster model for regional dev; Share of experience and Financial support of the projects of the Association 'Renaissance Grytsiv'	Problematisation Interessement Enrolment	Facilitate regional development with the help of cluster model
Natalya Gnatyuk	Head of the village council; municipality and NGO representative	Local	Main starter of the initiative; Catalyze local initiatives and implement actions at the local level; A board member of Podillya Pershiy She was a head of the village council during the period of 1998 - 2002; She established the Association 'Renaissance Grytsiv' (described further on);	All stages	To get Grytsiv out of this god-forsaken hole, bring it to development!
Association 'Renaissance Grytsiv'	NGO	Local/ Regional	Main starter of the initiative; Establishment of rural tourism cluster; Developed a project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'; Establishment and implementation of many projects, towards diversification of rural activities and involvement of wider range of rural actors; gave a start to more organizations, which continue to work individually: <ul style="list-style-type: none"> - Mini-projects; - Center of Democracy and Development; - Support Center for rural tourism; - Ecological center 'In Harmony with nature'; - 'Kalitka of Grytsiv', credit Union for the rural inhabitants Has undersigned the Memorandum on Common Understanding	All stages	Support the socio-economic development of the region
Foundation Ukraine – USA, Fund of Stefan Batoriy, ACDI/ VOCA, Ukrainian Women's Fund	More than Donor organizations	National International	Financial support and share of experience with Association 'Renaissance Grytsiv', the NGO 'The Sustainable Development Foundation 'Stara Volyn', studio of Mrs. Oksana to start up and to implement its projects; Further cooperation with the established projects	Interessement, Enrolment Mobilisation	Facilitates regional development and emergence of local NGOs towards rural development via its projects; female initiatives towards business development
EU-USA, PAUCI, USAID, UCAN, Fund 'Bogatyry', fund Eurasia, Transatlantic programme of small grants, Center 'Counterpart', ICAP 'Yednannya', European Dialog	Donor organizations	National International	Financial support to start up and implement its projects, share of experience and cooperation with NGO 'Stara Volyn', Podillya Pershiy, Association 'Renaissance Grytsiv', rural tourism cluster 'Oberig'; Common projects on ecological issues; Informational support	Enrolment Mobilization	Financial support of local, bottom-up initiatives, NGOs which mobilize rural communities, create diversified rural activities. Resource centre; Training, education to work with adults; Ecological issues within rural communities development
Head Economic Department of Khmelnytskyi oblast Administration, Ministry of Education in Khmelnytskyi oblast, etc.	State institutions	Local/ regional	Facilitator of the network; Creation of employment in the region, Developed a project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'; has undersigned the Memorandum on Common Understanding ;	Problematisation Interessement	Support local initiatives

Podillya Pershiy	Established Network	Regional	Introduce strategic planning and cluster model in regional development; Establishment of rural tourism cluster; Developed a project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'; Establishment of the NGO 'The Sustainable Development Foundation 'Stara Volyn'; has undersigned the Memorandum on Common Understanding Has strongly supported the establishment of Association 'Renaissance Grytsiv' and Stara Volyn and other projects within the region	Interessement Mobilisation	Strong belief in Development of the region with the use of local resources
Commercial Bank	Medium size business	Regional	Facilitator of the network, connection with external networks	Interessement	Support emerging initiative, willing to bring changes to the rural life
More than 50 enterprises and entrepreneurs of Construction and clothing clusters	Small and medium sized businesses	Local Regional	Participation in development of strategy for regional development; Support for the network, integration with other local networks; Development of their business with Clothing and Construction clusters ; Specialize on producing construction materials, planning, design and construction works of different types of buildings. work as advisory service; they provide marketing, legal advice and information services; establishment of Fashion Center in Khmelnytsky city; Establishment of Vertical network within clothing cluster production chain (from producer to consumer)	Interessement, Enrolment	Understood that rural areas possess unique local conditions and resources that can help its economic development; improve its business and regional economy
Podillya University of Technologies, High School of Arts of Grytsiv, Institute of Competitiveness, etc.	Educational institution	Regional/ national	Facilitator of the network; Technical innovation and participation within Clothing cluster; Support of the network; Joined project 'Vyshivanka'; Cooperate with Stara Volyn	Interessement Mobilisation	To give technical support and more students become involved (employed); Support alternative initiative
Local leaders from public, private and third sectors in Podillya region – Khmelnytskyi, Ternopil and Vinnytsya oblasts	Local initiatives	Regional	Participants of cluster model introduction seminars; participants of the project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'; Establishment of macro region and – 'Stara Volyn' and NGO 'The Sustainable Development Foundation 'Stara Volyn'	Interessement Enrolment	Contribute towards the development of their region and participate in this process
Rural Tourism cluster ' Oberig '	NGO, local initiatives	Local	Cooperate with Podillya Pershiy, Stara Volyn, Association Renaissance Grytsiv; Polish-American – Ukrainian Cooperation Initiatives; Starters of the innovative activity within rural area – rural tourism; Together with Stara Volyn have developed a regional Programme for rural tourism development for the period of 2005–2010. Inclusion of more actors from educational area, medical, entertainment, design	Enrolment Mobilisation	Use of local resources for development of business, involvement of rural inhabitants, mostly women, in new activities
Women, including handicapped women (150 -200)	Rural initiatives	Local	- (more than 100) Participate in rural tourism cluster 'Oberig' . Provide a range of various services within rural tourism cluster: rest and recreation; education, medical treatment services, informative, environmental actions, advisory service, etc. - Participate in Studio Mrs. Oksana ; cooperate with Association Renaissance Grytsiv, School of Sustainable Development, Rural tourism cluster 'Oberig', 'Women in Business'	Mobilization	Participation in self-organized activities by other community members; start to think what they can do for local development?
Newspaper, radio	Mass media	Local/ regional	Spreading information to involve more actors from the region to take part in the established project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'	Enrolment Mobilisation	Distribution of information in the community; involving people to participate in the projects
NGO 'The Sustainable	NGO	Local/ regional	A strong NGO institution; it has established a range of projects; all of them continue to	Enrolment	To convert the current region –

Development Foundation 'Stara Volyn'		regional	work individually and cooperate with Stara Volyn and its programmes. <ul style="list-style-type: none"> - School of Sustainable Development 'Stara Volyn' (2005); - Studio of Mrs. Oksana (2004); - Corpus of Volunteers for the rural communities; - Project 'Vyshivanka', supported by the big local agricultural enterprise; - More little ones 	Mobilisation	Northern part of the Khmelnytskyi <i>oblast</i> - into economically developed one on the basis of new technologies and innovation; produce high standards of living for people; to become recreation-tourist, cultural, spiritual, education centre of Volyn-Podillya macro-region; Create a network of self-sufficient sustainable communities; Support of self-government
9-12 rural communities	Initiatives	Regional	Participate in the project initiated by Podillya Pershiy 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi <i>oblast</i> '; They have expressed their desire to be regional centres of the Stara Volyn region. And the centres were located in some of these cities - Shepetivka, Izyaslav, Slavuta, Netishyn, Polonne, Starokostyantyniv and the village of Grytsiv; All of them have undersigned the Memorandum on Common Understanding, which aims to convert the current region – Northern part of the Khmelnytskyi <i>oblast</i> - into an economically developed one on the basis of new technologies and innovation; create high standards of living for people; to become recreation-tourist, cultural, spiritual, education centre of Volyn-Podillya macro-region	Enrolment Mobilisation	Support the development of the region; realized that they are the right people to build their society and its future; understood that they are the ones who have to make changes; that nobody will come and offer them money and bread
Local activists, leaders, volunteers and active local groups	Initiatives	Local	Reinforce positive changes within rural community; to implement together the mini- projects, Listening project; <ul style="list-style-type: none"> - Center of Democracy and Development. - Support Center for rural tourism; - Ecological center 'In Harmony with nature'; - 'Kalitka of Grytsiv', credit Union for the rural inhabitants (around 500 members); 	Mobilization	People willing to change their life and the circumstances in which they live
Svarog Corporation	Big scale business	Regional/ local	Initiated the project ' Vyshivanka '; innovative idea of utilization of local resources; creation of employment in the region, especially for youth and disabled persons; involves a range of diverse regional actors; One of the initiators of the project; Financing the project	Mobilisation	To bring solutions to economic, social, educational, cultural issues of the region
'Dolya', Stara Volyn, 'Svitanok', 'Radomira'	NGOs	Local	Partner organizations, joined project 'Vyshivanka'	Mobilisation	Support the development of the region

Table 4. Table of actors after 2 translation cycles.

4.3.4. SCHEMATIC PRESENTATION OF RESULTS OF THE CASE STUDY 1

Section 4, which was devoted to the first case study, is finalized by the scheme, which presents the results of the established organizations during the two translation cycles.

Two principle initiatives NGO 'Podillya Pershiy' and the NGO 'The Sustainable Development Foundation 'Stara Volyn' were established. Figure 6 presents the main initiators of these NGOs and also the projects, events, programs, initiatives, organizations which were established by these two and with the help of rural community and international donor organizations. The last ones can be found in Table 4 and Appendix 1.

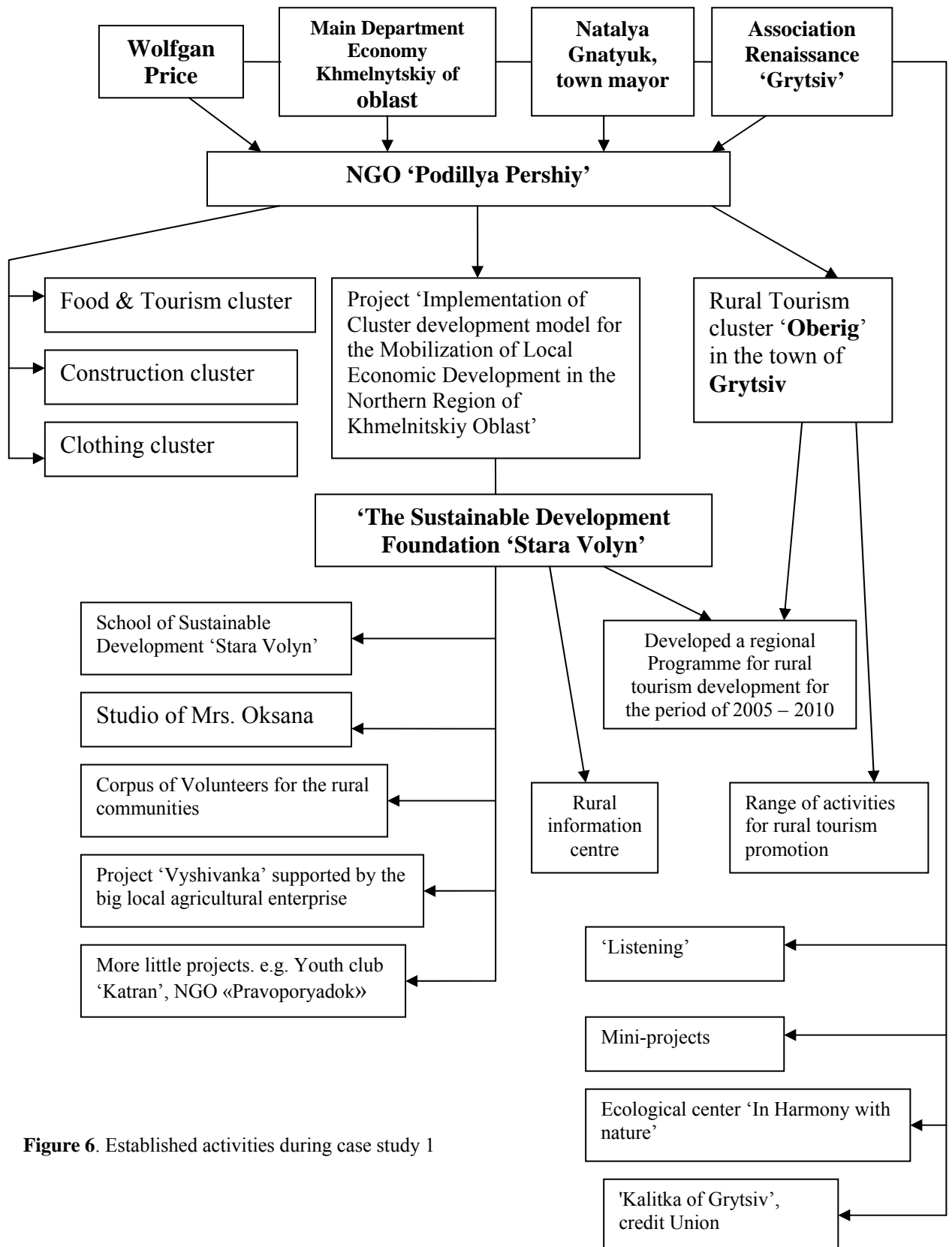


Figure 6. Established activities during case study 1

4.3.5. SUB-CONCLUSION OF THE FIRST CASE STUDY

When somebody comes to Grytsiv for the first time, they underestimate the situation, they ask themselves: ‘What interesting things could possibly happen in such a small village?’ But after finding out how the community works and what they are doing there, people become much more motivated and want to do similar things.

Some of the visitors have seen a development level like that in Grytsiv during their study-visits to the Slovak Republic. Apparently, it can also be found in Ukraine. Again, since 1998, the **goal** was settled – **to get Grytsiv out of this god-forsaken hole, bring it to development!** ‘Maybe, this is why everything is going in this way...’ (from the interview with Gnatyuk, N.).

Regarding the theoretical concept of governance as a structure the attention in this case has been paid to **engagement of stakeholders from the business sector, rural community participation and involvement of the wider parts of society**. In framing of some of these projects, the efforts of all these actors were put together.

After the establishment of the food processing, tourism and building clusters during the first translation cycle, the participants admitted that **business sector participation** is a necessary condition for the successful functioning of the network. These are the players in cluster development who give material economic goals. Without the active participation of the private sector (business), achievements of the cluster activities would end up increasingly social rather than economic.

One of the important outcomes of the Podillya Pershiy and Stara Volyn is **participation of rural community members** by means of the established projects. For example, ‘**Mini-projects**’ targeted at helping the creation of active local groups to implement mini-projects. It gave leaders of rural non-formal groups the possibility of realizing their ideas. The participants have learnt and improved how to write project proposals in this project. They have also developed their leadership, presentation and lobbying skills, and have acquired more resource skills in order to realize local projects. This project was very successful as many rural inhabitants have organized themselves in the small groups, developed the idea and submitted the projects.

Within the ‘**Vyshivanka**’ **project** the efforts of business organizations (Svarog Corporation), NGOs (‘Dolya’, Stara Volyn, ‘Svitanok’, ‘Radomira’) and State organizations (High School of Arts of Grytviv, State Employment Center of the Shepetivka city, district educational departments) were brought together. They established an economically efficient business for the production of embroidered products. The establishment of this project brought solutions to economic problems (increase well-being of the local people), mobilization of social capital (establishment of working places for disabled persons, youth, more employment for rural inhabitants, establishment of social partnership), educational (changes to the professional education), cultural issues (revival of traditions is a chance to develop culture) of the region.

Another example of bottom-up initiative and mobilization of the rural community is the foundation of **Studio of Mrs. Oksana**, which is an NGO working for the self-assertion of women, the improvement and development of individual skills and the bringing of happiness and love to their families. In most of the cases it works with women in the rural areas. This is an example of how local people who get to know ‘Stara Volyn’ initiatives become motivated and thus establish initiatives themselves.

The inclusion of business sector (Svarog Corporation, clothing enterprises, and building firms) and State organizations representatives (Head Economic Department of Khmelnytsky region, Ministry of Education in Khmelnytsky region) together with various interested individuals in the established initiatives - recalls the concept of ‘**governance as a process**’. As Berger (2003) argues that the power relations between different institutions and societal actors need to be taken into account in

any governance approach. As Michel Foucault (1983) argues: “Power relations are rooted deep in the social nexus [...]. A society without power relations can only be an abstraction”.

From the studied cases it can be concluded that the projects were successful thanks to the mobilized human capital. Culture, traditions and the nature of the region, have been revitalized and mobilized by means of the established initiatives (Rural tourism cluster, project ‘Vyshivanka’, Studio Mrs. Oksana, etc). Business, state organizations and NGOs have worked together towards the set common goals. Almost all modes of governance (network, participation, partnership, inclusion of wider parts of the society) were mobilized during the first case study. The emerged initiatives and established projects contribute towards new social and economic rural activities. Thus, the discovered processes can contribute towards the diversification of the rural economy.

SECTION V

CASE STUDY 2

5.1. GENERAL OVERVIEW OF THE SELECTED REGION

The Chernivtsi region covers 8,100 km² which is 1,3% of the territory of Ukraine. It is situated in the south-west of Ukraine in the Carpathian mountain zone. The *oblast* borders on the Ivano-Frankivsk, the Ternopil, Khmelnytsky and Vinnytsya regions of Ukraine. It borders with Romania and the Republic of Moldova (Figure 7).



Figure 7. The Chernivtsi Region on the map of Ukraine (www.wikipedia.org).

The population numbers 922,800 inhabitants, the majority live in rural areas (60%). Urban inhabitants account for 372,500, the rural inhabitants total 538,000. The population density is 112.3 people per km² (www.rada.com.ua).

The region is multi-national, and includes 70 nationalities: 70.8% of the population are Ukrainians, 10.7% Romanians, 9% Moldavians, 6.7% Russians, 1.7% Jewish, 0.5% Polish and others.

The region is divided into 11 administrative districts. It includes 11 cities, 8 towns and 398 villages. The regional center is the city of Chernivtsi with a population of 240,600 (www.rada.com.ua).

The Chernivtsi region is in a favorable transport and geographical location. It has developed railway, motor road, pipe and electrical line structures. The regional center has convenient railroad connections with a number of big cities, e.g. Bucharest, Sofia, Belgrade, and Moscow.

Approximately 25% of the inhabitants of the Chernivtsi region work abroad. 35% of the people left are unemployed (from the interview with Konyak, M.).

5.1.1. NATURAL RESOURCES AND ECONOMIC ACTIVITIES

The region is rich in natural resources.

The total area of forests of the region is 25,800 ha. Spruce, beech, oak, hornbeam, ash, birch are the basic forest-forming species. The Chernivtsi region includes 243 forest recreational territories and sites and 7 natural reserves, 8 natural historical sites, the botanic and dendrological park of Chernivtsi National University, the Vyzhnytsia Natural Park and Storozhynets dendro-park of national importance, 136 natural historical sites, 39 natural reserves of regional value. The above mentioned parks are included in the transnational ecological network of the Carpathians (TACIS project). The landscape reserves in Luzhky, Stebnik, Tsetsino, the ornithological reserve in Darnytsa and the forest reserves in Lunkivtsi and Petrivtsi are included in the list of reserves of National importance. The natural reserve Bilka, the Bukovynka caves, the Popelyushka, Balamutivska and Shylyvskiy forests and the Tysoviy ravine also belong to the natural historical sites of national importance. Thus forests shape the way of living and socio-economic activities of people in the Chernivtsi region (www.rada.com.ua).

There are more than 70 rivers in the region's territory. The longest rivers are the Dniester, Prut, Siret and Cheremosh. Sources of mineral water such as "Izhevsk", "Matses", "Borzhomi", "Naftusia" are found in the region.

The Chernivtsi region is a favorable region for multi-profile summer and winter mountain sport tourism, recreational and health activities and a balneological recovery center.

There are a lot of resources for building materials in the region's bowels. The considerable deposits of gypsum and anhydrite are found in the river basins of the Dniester and the Prut. The northern and eastern districts of the region are rich in marls and limestone, marble, quartz and potassium (www.rada.com.ua).

The region belongs to the industrial and agricultural category.

The structure of regional production (% share of total regional production) is:

Food and agricultural processing – 33.9%;

Services – 18.7%;

Production and provision of electro-energy, gas and water – 10.1%;

Metal manufacturing – 6.1%;

Mineral resources processing – 4.5%.

(www.rada.com.ua)

More than 200 industrial enterprises represent the industrial potential of the region. Its volume of production is 0.4% of the National production volume.

In the building and construction industry, production of bricks, tiles, ceramics and metal-concrete constructions are common.

The food industry is particularly developed. It is represented by enterprises which produce: meat products – 34.5% of the total volume of production in the food industry, sugar – 12.4%, bread and bakery products – 9.9%, confectionery – 9.6%, drinks – 9.2%, milk products – 6.2%, fats – 4.1%, vegetables and fruits – 9.4% (www.rada.com.ua).

A considerable part of the region's industrial complex is services and light industry. Sewing and shoe production are developed. The machine building industry, the repair and assembling of machines and equipment, also occur here. The art and carpet industries, the production of wooden articles and decorative sewing are developed in the Chernivtsi region.

Forests are of great importance for the economic and social development of the region. They are the source of wood and products of non-woody plants. The forestry and wood-working industry includes production of saw-timber and furniture.

The total agricultural land is 810,000 ha, including arable land 338,200 ha, grasslands 40,000 ha, pastures 68,900 ha, permanent grass 25,900 ha (State Statistics Bulletin, 2002).

The total agricultural output in 2006 is estimated at 266,600,000 UAH. The amount of agricultural products produced by private households and big agricultural enterprises has declined by 1.6% and 1.5% respectfully.

For its geographical location, rich recreational resources and economic potential, the Chernivtsi oblast is an attractive region for development of interregional and international cooperation (www.rada.com.ua).

The investment activity is one of the directions of the foreign economic activity. The total amount of foreign investment in the region's economics at January 1, 2007 was estimated at 26,400,000 USD. Attractive areas for foreign investors are: real estate activities, wood-working industry, health protection, physical training and social maintenance, material support and market, transport and connection (www.rada.com.ua).

5.1.2. HARD INFRASTRUCTURE

This sector is in a bad state. The situation is similar to the first described region. People starting rural tourism activities often admit that it is easier to pay the fines rather than installing expensive equipment to improve hard infrastructure.

5.1.3. SOFT INFRASTRUCTURE

A considerable scientific potential is concentrated in the region. There are 34 higher educational institutes in the region. A lot of them are of national importance. For instance, Yuri Fedkovych National University is the oldest university in Ukraine. There are 453 schools, including 21 gymnasiums, 10 lyceums and others.

There are 455 hospitals and medical centers.

In the area of cultural and entertainment facilities, the following are functioning: 414 libraries, 46 theaters, 2 philharmonics, also parks, cinemas, etc.

There are 213 natural, architectural, historical monuments in the Chernivtsi region, including 212 of national importance.

Almost all the above mentioned institutions belong to the State and thus not many reconstructions since the time of Soviet Union have taken place. Only those which incorporate some business activities and give additional services can improve the situation. Nevertheless, it faces considerable problems due to the fact that taxes rise faster than salaries. It is also connected to the fact that Chernivtsi is close to other European countries and many people from the region work abroad. The State considers that the majority of people have higher incomes and thus costs for all types of services are high. This situation crates a big gap especially for people who stay within the region, the elderly and the youth.

5.1.4. HUMAN CAPITAL, SOCIAL INITIATIVES AND GOVERNANCE

There are 350 NGOs and charity organizations working in the Chernivtsi region (www.rada.com.ua).

However, NGOs and many other social initiatives are facing a range of problems. Most of them are linked to the improper functioning of the State institutions and lack of funding. Following is a brief insight into the existing situation.

At the beginning of the 1990s, there was lack of trust from the government towards all bottom-up initiatives and NGOs. Later on, after long and hard work, the NGOs gained trust from the State. The

State started to believe that local initiatives, working apart for the State, indeed could do something. And finally cooperation between the State and NGOs was gradually established. Local initiatives demonstrated the advantages the State and each separate department would gain from cooperative activities. After that, the State learnt that cooperation with NGOs and civil initiatives was useful for them, as those organizations fulfill their job.

One of the funding possibilities for local initiatives has always been international funds. However, often international funds give money only for innovative projects. This has meant that in order to receive funding, organizations had to change their course of work. One result of this was the scattering of the activities of the NGOs.

Another problem is that many people are looking for easy money; everybody is willing to benefit from participating in the implementation of the projects. So if an interesting project appears, there are many people willing to cooperate. But when the project is over, the people who stay are truly devoted workers, willing to make changes and help. Some people join in solely to make useful contacts or to gain positive publicity (politicians are the main group for this last point).

Another obstacle in the way for the development and support of initiatives is taxation for charities and donations. In these circumstances, this brings donor motivation down. However, there have been attempts to help NGOs.

There is a big potential for people to work in NGOs and to start their own activities. However, the socio-economic conditions in the region are such that a lot of people are unemployed and many of them work abroad.

The NGOs, who have been working for a long time in the Chernivtsi region, already know how to lead people towards common actions. The key factors in this success include cooperating with business and the State and a process of constantly informing the society by informing its people. And then, if people see the perspective, they will be interested and motivated to work together.

Some other emerging initiatives are coming together and establish NGOs. Later on they create partnership with business and government structures as well, as this is the best way to function successfully. Thus there are bottom-up initiatives. However, there are also a large number of people who do not believe in their own capabilities, and that that they can make changes.

One of the existing problems is the specificity of the local mentality. People do not always want to cooperate. Sometimes they prefer to do everything alone, not together. It deters the motivated NGO workers. They agree that the most difficult aspect here is to bring people together.

The National network of NGOs, centrally created and supported, can manage in these conditions. Also, NGOs, supported by the political parties, survive. It goes along with financing. It is much harder for local organizations to get funding and to exist.

NGOs play an important role in bringing together diverse stakeholders and different levels of the State institutions around socio-economic activities. For example, the folklore ethnographic festival 'Garchik' was established by individual initiatives, the principle one is NGO 'Bukvitsa'. The yearly organization of the festival initiatives gained support from a range of diverse State institutions. Every year more actors are involved. The local government started to foresee the financial allocations in the local budget (in 2000 – 180 Euro; in 2006 – 1800 Euro) for the festival thanks to the efforts of the 'Bukvitsa' NGO (from the interview with Konyak, M.). However, this is a long lasting process and very hard work.

Without having connections with State institutions it is virtually impossible to get any support from it. It takes time to reach such a level of trust from the State to become its partner and to obtain financial support from it.

In order to survive, the NGOs have to organise both civil activities and offer services, commercial activities and cooperate with a diverse range of stakeholders.

Networking and cooperation are considered to be of high importance for the successful operations of the NGOs. However, it is difficult to distinguish the partners between those which are looking for fast benefits and those which really want to work for regional development.

5.2. ANALYSIS OF THE SECOND CASE

The second case study takes place in the Chernivtsi region. This *oblast* differs from Khmelnytskyi in its geographical location (it borders with other countries – Romania and Moldova) that brings about more trade and employment possibilities. The region possesses great natural resources: the Carpathian mountains is very good for tourism development (from the interview with Konyak, M.). The mentality of people of this region is different from the mentality of the first studied case. All these and other factors shape the activities of the ‘Bukvitsa’ NGO, which is in the centre of the second case study.

The following is the analysis of how the ‘Bukvitsa’ NGO tackles the issues of rural development, how it introduces new activities in the rural mountain parts of Chernivtsi region, how the diverse actors become involved under the activities of the NGO and how similar initiatives to those in Stara Volyn develop in the same country, but in a different region and in different circumstances.

5.2.1. TRANSLATION CYCLE IDENTIFICATION OF THE STARTER

NGO ‘Bukvitsa’ was initiated by an active and self-motivated leader, Marina Konyak.

Marina is a biologist, who teaches and works at the University. A strong personal and existential focus, in addition to her upbringing led her to establish an NGO and numerous activities for regional development.

She has participated in many international training courses and traineeships’ programs. She has had access to a minefield of information. After these stages, she felt a desire to transfer the gained experience to others and to improve the lot of her community.

Konyak set herself a goal to develop her region, educate the youth and influence the State. While teaching, she organizes environmental actions with the involvement of students. They went to the mountains for hiking and to collect garbage.

PROBLEMATIZATION

The common problems for both regions have already been discussed under the first case study. However, there are some problems specific to the Chernivtsi region.

- Inappropriate legislation and State policies (e.g. things included in laws do not correspond to the real situation, no infrastructure for business development) prevent the development process, cause distrust towards the State and disenchantment by the population; people have no motivation to learn new things and start a business;
- Farmers’ organizations and other State institutions, which are supposed to support rural development processes, exist just on paper;
- Every family has one family member who is working abroad (Italy, Greece, Spain and Portugal);
- Lack of services and appropriate infrastructure in the region.

After the collapse of the Soviet Union, an emergence of initiatives has been noticed across the country. The majority of them are targeted towards the resolution of the above-mentioned problems. One of these initiatives was the ‘**Bukvitsa**’ NGO. This organization was established in 1993 to confront the above-mentioned problems and find solutions to them.

The geographical location of the region – close to the Carpathian mountains and availability of the huge natural and historical potentials - has shaped the activities of the organization.

The aim of the organization:

- socio-economic development of the region, particularly rural tourism development;
- youth education (formation of environmentally friendly awareness, taking active life position);
- promotion of a healthy way of living;
- revival of folk customs and traditional handicrafts;
- bringing together the diverse regional and State actors around rural development issues, foreseeing strength in cooperation.



Figure 8. Emblem of the NGO 'Bukvitsa '

Milestone: The leader of the 'Bukvitsa' NGO has set itself a goal: the development of the Chernivtsi region, educating the youth and influencing the State; after a period spent abroad during which she participated in a number of trainings and seminars, she felt a desire to transfer the gained experience to others, thus to motivate people to build up their life and use local resources.

INTERESSEMENT

The directives, which NGO 'Bukvitsa' has put into its agenda, were supported by many regional actors: the 'Bukovina Producers' Association, the 'Versii' newspaper, the 'Suchasnyk' NGO, students and volunteers from Universities and colleges and others. These organizations had known each other for quite a long time and thus they helped each other in different ways (sharing of experiences and information, distribution of information about the events of the partner organization, help in organizing activities, etc.).

Information about the 'Bukvitsa' NGO was distributed through different channels. Word of mouth with colleagues and friends spread it in their networks. For example, the 'Versii' newspaper became interested in the ideas of the 'Bukvitsa' NGO during the first 'Garchik' festival and now it constantly runs articles on rural tourism, ecological issues in the Carpathian mountains and every yearly it publishes articles preceding the established folklore 'Garchik' ethnographic festival.

Marina Konyak made many contacts in order to promote the activities of 'Bukvitsa' and one of them was the State TV channel. Every year it broadcasts 3-4 TV programs together with Marina Konyak. An important factor is that these programs are for free, as finances are an urgent issue for the NGO.

Moreover, Konyak constantly works on establishing contacts with State organizations, business and international organizations in order to involve more people and get finances for its activities.

They took part in the development of the directions of work of the NGO.

The leader of the organization has participated in many conferences, training courses and seminars. During these she met colleagues from other regions and countries working in related spheres. Such events are very favorable to exchanging information and experiences and to establish contacts.

- introduction of innovative methods, international experience in the field of ecological & environmental education;
- carrying out conferences, seminars, training courses, round tables talks, edition of the methodological materials and information materials in related fields;
- participation in working out and implementation of the State environmental policy;
- ecological actions in the region, e.g. planting of trees, accomplishment of suburban recreation territories, recovery of forests of the Carpathian mountains and natural parks;
- rural tourism development.

The above mentioned organizations have also joined together to support different activities of the NGO. However, each of them works individually and they support each other.

Milestone: More actors have joined ‘Bukvitsa’ around its ideas to bring together the diverse regional and State actors around rural development issues, foreseeing strength in inter-sectoral cooperation.

ENROLMENT and MOBILIZATION

During this stage a number of projects was established along with the directions of work of the ‘Bukvitsa’ NGO:

1. The ‘Garchik’ folklore ethnographic festival;
2. Projects, aimed at the development of the selected district – **Storozhenetskiy district:**
 - Development of the infrastructure for agricultural markets; establishment of the ‘Skarbnitsya’ credit union, advisory service, a network of shops for agricultural materials were established;
 - Project ‘From community integration towards sustainable rural development’;
 - Project ‘Improvement of the socio-economic development of the Chernivtsi region with the help of cluster model for rural tourism development’;
 - Creation of International Visit centre (for recreation, entertainment, non-formal education). The aim is to create a model for rural development in the region, which will become a good example for other villages all over Ukraine on how to develop.
3. Project ‘Helping children, with leukemia and cancer’ in cooperation with the ‘Bukovina Producers’ Association;
4. Hosting international volunteers;
5. Others.

Funding was raised from the international donor organizations: USAID, Eurasia foundation, Heifer International; partially from the State: Regional Department on Ecology and Natural resources, Regional Department on Culture, Youth and Tourism; and from individual donations and small business: ‘Trinity’, ‘Michaylichenko’ firms (Table 5).

The following is the description of the initiated activities.

1. The ‘Garchik’ folklore ethnographic festival

The aim are: promotion and support of rural tourism, identification of the ways of exploiting rural potential, with its unique nature and historic monuments; preservation and revival of culture, ethnic traditions and handicrafts, support of talented youth.

The festival includes the following activities: art studios, folk concerts, handicrafts exhibition, competition amongst schoolchildren from different villages in arts and crafts, picture exhibition of the history of the village and nature, traditional food tasting, traditional games for guests and children.

Milestone: establishment of the **festival** to revive the culture and traditions, teach local people to earn money and make use of the available surrounding potentials and to develop rural tourism (innovative approach towards rural development).

2. The following are the activities around the development of the infrastructure for the agricultural markets in the selected Storozhenetskiy district.

The ‘Bukvitsa’ NGO, with years of experience of work in the Chernivtsi region, understood an important issue in rural development, namely that all actions should be reduced to the selected region according to the presence of a number of factors which are important for rural development.

Thus this district was identified. The main criterion was motivating local inhabitants to participate in common actions for their development.

All of the activities aim at increasing employment in the region, entrepreneurship development, increasing agricultural production, widening access for rural inhabitants to the necessary information and knowledge and thus improving the quality of life in rural areas.

The **‘Skarbnitsya’ Credit union** was established in 2001. It brought together 1,250 people. 66% out of them are rural inhabitants. Credit is given to purchase materials, building equipment, gas provision, medical care, carrying out social activities, business establishment etc.. From its inception, the union has given 1,876 loans for 4 million UAH. 62% are given to rural inhabitants. The branch offices of the credit union are planning to open in other villages of the region (Gliboka, Krasnoyilsk).

The **agricultural advisory service** was established in 2004. Its aim is to prevent unprofitability of agriculture of different types of ownership, to increase its efficiency, broaden the range of activities for rural inhabitants, improve quality of rural life and attractiveness of living there and to create opportunities for youth to work and live in rural Ukraine.

The tasks of the agricultural advisory service are:

- Informational support for rural inhabitants;
- Education and advisory support for agricultural entrepreneurs; support in writing business plans, participation in State programs, getting credit, etc.;
- Clarification of land issues and efficient use of land resources;
- Transfer of knowledge, introduction of new methods and techniques;
- Development of production chains; cooperatives, wholesales markets; partnership relationships between producers and consumers.

A district programme for an advisory service was developed; later on it was approved and the State allocated funding to it. The advisory service established demonstrative plots of grain growing and models for Landrace breed pig raising. They issue a monthly newsletter.

Other activities of the advisory service are the promotion of rural tourism as an alternative rural business and establishment of an arbitration court.

Project ‘From community integration towards sustainable rural development’.

The aim of the project are to support the community in establishing local initiatives, integration of diverse community members towards rural tourism development and overcoming socio-economic problems of rural areas. It sees the importance of the inclusion of wider sections of society in the process of regional strategy development from bottom to top. The partnership between civil society, State organizations, business, volunteers and international experience is significant within the rural development process. The following steps to be implemented to reach the goals of the project are: Information (seminars and trainings), stirring up (identification of the leaders), participation (establishment of district working groups), direct participation (establishment of the Regional stirring committee), partnership (establishment of the National network).

Project ‘Improvement of the socio-economic development of the Chernivtsi region with the help of cluster model for rural tourism development’

Rural tourism brings solutions to socio-economic problems within rural areas, provides employment, prevents migration from rural areas abroad and thus diversifies rural economic activities. Rural tourism forms ecological awareness of rural citizens, mobilizes people to start business and stimulates rural infrastructure development. Thus it contributes towards an increase in the rural social wellbeing and quality of life. Moreover, it facilitates the revitalization of traditions and culture, including folk architecture and handicrafts which are very specific and unique in this

part of Ukraine. These together with the stunning nature and the Carpathian mountains make this area very attractive to tourists.

The cluster model (described in the previous initiative – Podillya Persihy) contributes towards integration processes in rural areas, coordination, education, bringing information to people and advisory support. It brings together local leaders, non-governmental initiatives, local self-government, business representatives and thus leads to the creation of a competitive and innovative product – rural tourism.

Throughout the years of rural tourism development, networks of actors were established around it. The ‘Suchasnyk’ NGO, the Chernivtsi Business centre, Regional Department on natural resources and tourism, the Regional employment service and the mass media have focused on rural tourism development within the last 5 years. The results of the aforementioned cooperation are the establishment of local branches for rural tourism support in 3 mountain districts of the region; realization of the Regional Programme on tourism development for the period 2004-2010 and the implementation of a range of common projects, etc.

5.2.2. NETWORK MAPPING

The following is **Table 5**, which presents the network of mapping established in the second case.

It represents the actors involved from the state organizations, international donor organizations and charities and Universities.

The table helps to clarify where the actors come from, at which stage of the translation cycle the actors were involved (problematization, interestment, enrolment or mobilisation), the role in the network and their goals in general.

Network Mapping of the translation cycle					
Actor	Dixon classification	Geographic scope	Role in the network	Stage which they were involved in	Goal
Marina Konyak	Principal initiator	Regional	A principle initiator; established 'Bukvitsa' NGO and all its projects	All stages	Regional Development; youth education; creation of the Model region for the rural development in Ukraine
NGO 'Bukvitsa'	Established NGO	Regional	Establishment of a range of the projects 1. The 'Garchik' folklore ethnographic festival; 2. Projects aimed at the selected district – Storozhenetskiy district; Introduced a cluster model for rural tourism development	All stages	Regional development with the use of available natural and historical potentials.
Students, volunteers, scientific workers from different Universities and colleges	Scientific & Educational institutions, initiatives	Regional	Participation in implementation of the ecological actions at the grass-roots level.	Problematisation Interessement Enrolment	Contribution towards the development of their cities and region.
International NGOs (Poland, Romania, Belarus, Moldova)	NGOs	International	Partner organizations; Sharing of experience; Support for project implementation.	Interessement Mobilization	Support of the socio-economic development of the neighboring country
'Bukovina Producers' Association, 'Suchasnik' NGO, Business-centre; etc.	(Business) NGO	Regional	Implementation of the mutual projects; Provision of information, non-formal education, legal, juridical, financial and economic support in the matters of running business, migration, etc.; socio-psychological aid.	Interessement Mobilisation	Development of the Chernivtsi <i>oblast</i> through democratic transformation; support of the civil society development, stirring the people to greater public participation; bringing together diverse business actors towards overall business development.
'Versii' newspaper, Press-club of Reforms; State TV-radio company;	Mass media	Regional	Information support and distribution; Publications; Facilities for carrying our seminars, press-conferences.	Interessement Enrolment Mobilisation	Bringing independent information to society; information support about where to find specific information to start business, etc.
Regional Dep. on ecology and natural resources, Tourism, Youth, Culture Deps, Administrations	State institutions	Regional Local	Support of activities of the 'Bukvitsa' NGO and establishment of projects, particularly rural tourism, organization of the 'Garchik' festival; Financial support	Interessement, Mobilization	Facilitates regional development.
Michaylichenko, 'Trinity'	Small business	Regional	Financial support of the activities	Interessement, Mobilization	Willingness to contribute to NGOs' activities and towards overall regional development.
'Skarbnitsya'	Establish initiative, Credit union	Local	Cooperation with the established advisory service.	Mobilization	Local socio-economic development.
Agricultural advisory service	Establish initiative	Regional	Cooperation with Credit Union.	Mobilization	Local socio-economic development.
ICAR, Mama -86, Eurasia Foundation, USAID Heifer International; Maecenas; foreign tourists, charities.	Donor organizations	National International	Financial support and share of experience with the 'Bukvitsa' NGO; Further cooperation with the established projects.	Interessement Enrolment Mobilisation	Improvement of the rural life conditions, surmounting poverty, protection of the environment; Support emergence of local NGOs' initiatives towards rural development via its projects.

Table 5. Network of mapping of the second case.

5.2.3. SCHEMATIC PRESENTATION OF RESULTS OF CASE STUDY 2

Section 5, which was devoted to the second case study, is finalized by the scheme, which provides the results of the ‘Bukvitsa’ NGO during the one translation cycle. Figure 9 presents the main initiators of the principle initiative ‘Bukvitsa’ NGO and also the projects, events, programs, initiatives, organizations which became the result of the NGOs’ activities.

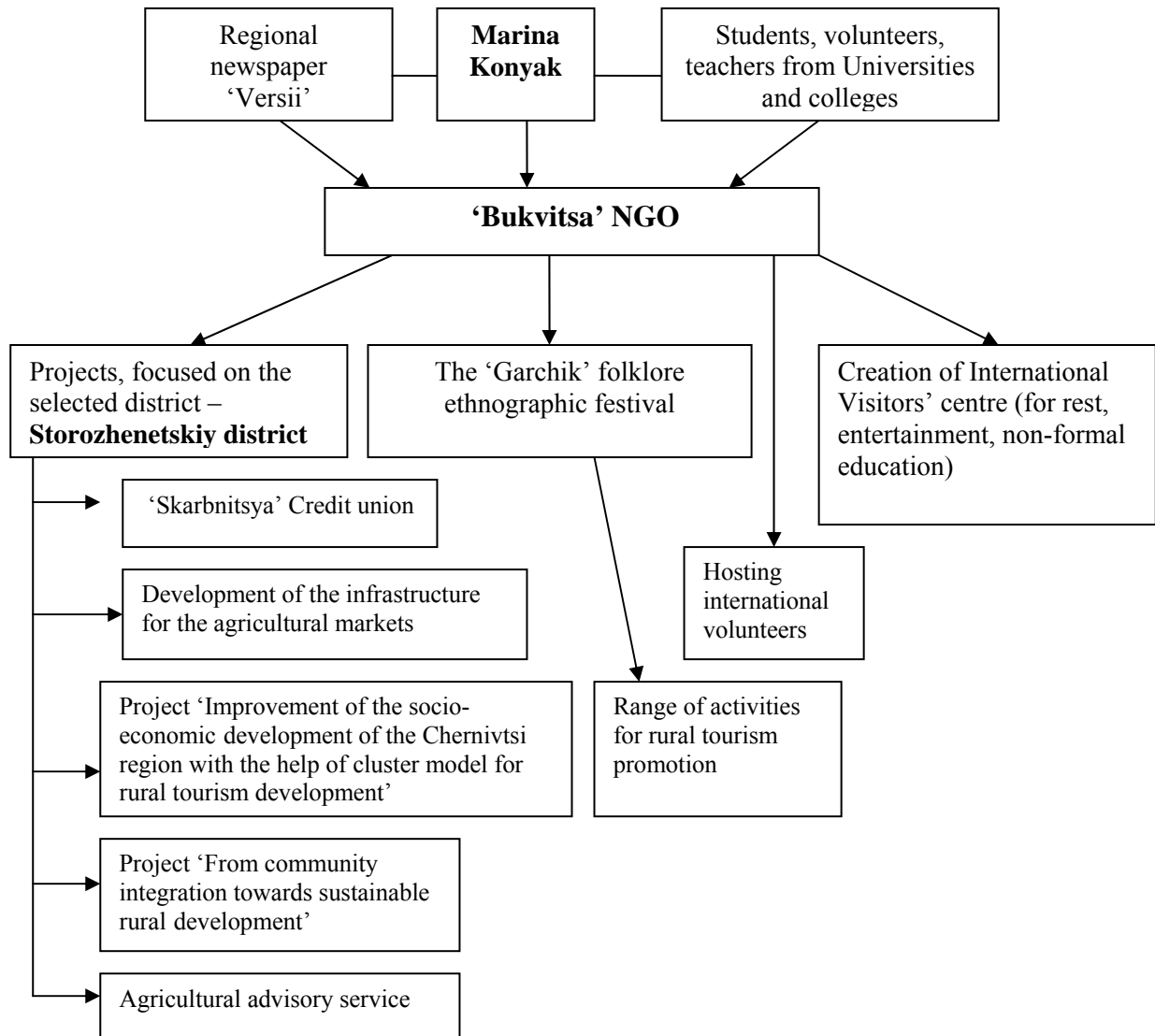


Figure 9. Established activities during case study 2 in Chernivtsi region.

5.2.4. SUB-CONCLUSION OF THE SECOND CASE STUDY 2

The second case study completed one translation cycle according to the chosen ANT method. The case can be considered a successful one thanks to **human** and **social factors**. The individual - Marina Konyak - undertook the initiative to start rural tourism and related activities in the Chernivtsi region, because it is rich in **nature and culture**. It is located near the Carpathian mountains and possesses **culture** and **traditions** which are famous all around Ukraine.

At first, the principle initiator Marina K., who worked at the University, was supported by many **students** and **lecturers**. Together they organized trips and camps and ecological actions in the Carpathian mountains. This example serves to confirm the engagement of more actors and the presence of human resources.

More actors were involved and mobilized through the **media**. The 'Versii' newspaper also joined forces with Marina K. at the beginning and has constantly provided information support by publishing articles about rural tourism, ecological issues and the 'Garchik' festival.

Cooperation with the National TV channel led to the creation of a series of programs devoted to rural tourism in the region and the festival.

One of the successes of the organization is the **identification of the leaders in the regions**, which further on cooperated with the 'Bukvitsa' NGO and worked individually and involved other rural actors in new rural activities. For example, with **Frazina Tomyuk**, the director of the school in the village of Pidzakharchy, the place where the 'Garchik' folklore ethnographic festival has taken place for 7 years. She met Marina Konyak during the seminar for rural tourism development (conducted by 'Bukvitsa'). After that they cooperated towards the establishment of the 'Garchik' Festival and to develop rural tourism in this region.

Engagement of business sector and donor organizations targeted on getting funding for the projects. For example, the representatives of small business firms 'Trinity' and 'Michaylichenko' support the yearly 'Garchik' ethnographic festival. However, the involvement of the business sector is less developed here than it is in the first case study in the Khmelnytsky region.

The 'Bukvitsa' NGO in the Chernivtsi region, in addition to engaging business organizations, has placed the majority of its effort into the **involvement of State organizations**. Moreover, they have brought different State organizations together to work side-by-side. The reason for this is that there are many State structures responsible for the same task, but each of them work individually. *'We have collaborated their efforts and work around our activities, thus bringing them together and focused their attention on the new activities like rural tourism which is a big solution towards rural development, particularly for this region. Cooperating with us they have learnt to cooperate with other government institutions'* (from the interview with Marina Konyak, principle initiator).

For the development of rural tourism, the participation of rural community is crucial. This is particularly pertinent to the specificity of the Chernivtsi region, especially considering the mentality of the people there. People prefer to do everything individually, even though some things are really hard; there are more job opportunities, as the region borders on Romania (from the interview with Konyak, M.). So in such circumstances the human factor becomes an obstacle in the way of the NGOs like 'Bukvitsa' to developing new activities in rural areas.

However, 'Bukvitsa', after years of work with the local people, admits that people finally came together when they faced a problem which they could not resolve individually. After that they continue to work together.

From the two studied cases it can be concluded that the projects were successful thanks to mobilized human capital. Culture, traditions, and the nature of the region have been revitalized and mobilized by means of the established initiatives (Rural tourism cluster, project 'Vyshivanka', Studio Mrs. Oksana, 'Garchik' folklore ethnographic festival, 'Kalitka' credit union in the Khmelnytsky region and 'Skarbnytsya' in the Chernivtsi region and others). Business, State organizations and NGOs worked together towards the set common goals. Almost all modes of governance (network, participation, partnership, inclusion of wider parts of the society) were

mobilized during the first case study. The emerged initiatives and established projects contribute towards new social and economic rural activities. Thus, the discovered processes can contribute towards the diversification of the rural economy.

Regarding the very limited state actions towards rural development (as previously discussed), nine times out of ten, initiatives towards rural development are voluntarily undertaken by individuals, not because of financial benefits but because of patriotism and enthusiasm and a willingness to bring changes to the country. Therefore, all their activities should be more appreciated and supported.

SECTION VI

RELEVANCE OF GOVERNANCE TO THE DIVERSIFIED RURAL ECONOMY

The description of the economic and social potential of the regions was given in the previous chapters. In this section it will be found out whether the governance model is the right one and whether it can contribute towards rural development.

Within the process of the emergence of diverse **modes of governance** in the two regions of Ukraine investigated, differences and similarities were discovered. The differences occurred mainly because of the availability of a different set of factors – nature and geographical location, human resources (mentality of people) and the availability of a range of other resources. But they also occur because of different approaches used by the initiators.

Therefore it is a good idea to go back to the theory and the conceptual framework to find out which elements of governance worked and which did not. The attention should be drawn to the described cases from the governance point of view and the available nature, human, historical and social capital perspective. It is their combination that brings them to the diversification of the rural economy.

As it was stated in the theoretical part, '**governance as a structure**' refers to the different institutional arrangements and the inclusion of societal actors under new conditions (Pierre and Peter, 2000). The following are the most commonly used aspects of governance: governance as the inclusion of wider parts of society, participation, partnership, networks, hierarchies, multi-level government involvement, and new public management and cooperation.

'**Governance as process**' is about the interactions among structures (Berger, 2003). Berger (2003) argues that the power relations between different institutions and societal actors need to be taken into account in any governance approach. As Michel Foucault (1983) argues: "Power relations are rooted deep in the social nexus [...]. A society without power relations can only be an abstraction".

Before going through each particular mode of governance, how and where it is reflected in the studied cases, it is worth mentioning that the theory, the ANT method and finally the conceptual framework of the thesis were all selected with the main idea of highlighting the initiatives, how they started, how different actors came together and finally how they led to changes without sufficient governmental support. Thus we will not give precise details to distinguish each mode of governance, like for example, network and partnership, as they all serve one idea and have many characteristics in common.

First of all, thanks to the **human capital present** in both cases, the described initiatives were established.

In both cases single individuals like Marina Konyak and Natalya Gnatyuk undertook the initiatives. Culture, traditions and the nature of the region were revitalized and mobilized by means of the established initiatives (Rural tourism activities in cases, 'Vyshivanka' project, Studio Mrs. Oksana, 'Garchik' ethnographic folklore festival, 'Kalitka' credit unions in the Khmelnytskiy region and 'Skarbnytsya' in the Chernivtsi region, and others).

The Chernivtsi region, for instance, is located near the Carpathian mountains and possesses **culture** and **traditions** which are famous all around Ukraine.

The success of their work is due to the presence of the available local **human capital**.

Marina Konyak, the principle initiator in the Chernivtsi region, worked at the University. Many **students** and **lectures** supported her at the beginning. Together they organized trips and camps and ecological actions in Carpathian mountains. This example serves to confirm the engagement of more actors and the presence of human resource.

Regarding the present rural human capital, local leaders were identified, who later went on to cooperate with the 'Bukvitsa' NGO and work individually and involve other rural actors in new rural activities. One example of this is **Frazina Tomyuk**, the director of the school in the village of Pidzakharchy, the place where the 'Garchik' folklore ethnographic festival has taken place for 7 years. She met Marina Konyak during the seminar for rural tourism development (conducted by 'Bukvitsa'). After that they started to cooperate towards the establishment of the 'Garchik' Festival and the development rural tourism in this region.

Oksana Arzamaszeva, after becoming interested in the ideas raised by Natalya Gnatyuk as illustrated in case study one, decided to start an NGO 'Studio of Mrs. Oksana', in order to bring rural women together for their self-assertion, improvement and development of individual skills and the production of traditional handicrafts .

There is an **available business sector** in the rural areas and its participation in the rural development processes is driven by governance towards diversification of the rural economy (according to the constructed conceptual framework). Its participation in the established networks is crucial. 'After the cluster has been established, the participants admitted that the business sector participation is a necessary condition for the successful operation of the network. These are the players in cluster development who give material economic goals. Without the active participation of the private sector (business), the achievements of the cluster activities would end up increasingly being social rather than economic' as illustrated in case study one during the first translation cycle.

The concept of governance as **participation** is very much related to the notion of **bottom-up initiatives**. As confirmation of this notion, the factors which made people come together to participate in the process of changes can be derived from the cases. These are:

- an emergence of active people in the region; those who have traveled to other countries were able to accept information and make things work as illustrated in region 1 and 2;
- the presence of very motivated individuals (Natalya Gnatyuk in the first case study and Marina Konyak in the second one);
- awareness that local people are the right people to build their society and its future and that they are the ones who have to make changes; that nobody will come and offer them money and bread. This is illustrated in the first case study. At a later stage, the rural citizens learnt the lessons derived by numerous activities in the 'Stara Volyn' NGO;
- a point of saturation led people to focus on common actions (establishment of rural tourism cluster, as illustrated in the first case study);
- people come together when they have similar interests or common problems (this notion refers to **all** established initiatives in both cases started);
- other active and caring people started to veer towards active people (for instance, Oksana Arzamaszeva, the initiator of the 'Studio of Mrs. Oksana' NGO and Lidiya Matsuk, the leader of rural tourism cluster in the first case study. Frazina Tomyuk, the director of the rural school in the village of Pidzakharchy, and the main local partner for the 'Garchik' ethnographic folklore festival).

The **inclusion of wider parts of society** was another important factor in its achievement. For example, the conduction of **discussions on the local level** (e.g. meetings in the town, forums, round-tables, etc.) as is mentioned in the first case study. Such discussions support both planning and implementation of local initiatives. It should be considered as a best practice to engage the

broad base of local citizens from the very beginning of any regional development movement. If the support of the local community is gained during the planning stage, it will be much easier to involve this community in actions during the implementation stage.

One of the important outcomes created by Podillya Pershiy and Stara Volyn is the **participation of rural community members** and **inclusion of wider parts of the society** by means of the established projects. For example, ‘**Mini-projects**’ targeted at helping the initiative and active local groups to implement mini-projects. It gave leaders of rural non-formal groups the possibility to realize their ideas. The participants learnt and improved how to write project proposals in this project. They also developed their leadership, presentation, lobbying and multi-skill resource usage in order to realize local projects. This project was very successful as many rural inhabitants organized themselves in small groups, developed the idea and submitted the projects.

Within the **project ‘Vyshivanka’** the efforts of the business organization (Svarog Corporation), NGOs (‘Dolya’, Stara Volyn, ‘Svitanok’, ‘Radomira’) and State organizations (High School of Arts of Grytvis, State Employment Center of the Shepetivka city, district educational departments) were brought together. They established an economically efficient business in the production of embroidered products. The establishment of this project brought solutions to economic problems (increase wellbeing of the local people), mobilization of social capital (establishment of working places for disabled persons, youth, more employment for the rural inhabitants, establishment of social partnership), educational (changes to the professional education), cultural issues (revival of traditions is a chance to develop culture) of the region.

Another example of a bottom-up initiative and mobilization of the rural community is the foundation of the Studio of Mrs. Oksana. It is an NGO that works for the self-assertion of women, the improvement and development of individual skills and bringing happiness and love to their families. In most cases it works with women in the rural areas. This is an example of how local people, once they are aware of the ‘Stara Volyn’ initiatives, become motivated and thus establishes initiatives themselves.

In relation to the role of **networks** in the diversification of the rural economy, we must highlight the experience gained by Podillya Pershiy and other established networks.

The establishment of the ‘The Sustainable Development Foundation ‘Stara Volyn’ NGO can serve as a good example of **network formation**. Many actors from different backgrounds were interested in the idea of creating a **network of centers** of local economic development of the Stara Volyn region. The participants – representatives of the 7 district communities of the selected region, representatives of donor organizations – West-Ukrainian regional education centre, foundation ‘Ukraine - USA’, State institution - Head Economic Department of Khelnitskiy *oblast* Administration, undersigned the **Memorandum on Common Understanding**. The aim of the ‘The Sustainable Development Foundation ‘Stara Volyn’ NGO is to convert the current region – the Northern part of the Khmelnytskiy *oblast* - into an economically developed one on the basis of new technologies and innovation, region; with the high social standards of living for people; to become the recreation, tourist, cultural, spiritual and educational centre of the Volyn macro-region (Podillya Pershiy, 2003).

They also learnt that a key success factor in the cluster/network development is to **engage representatives from diverse sectors**. Particularly, representatives from the private sector should be involved in the early stages of the network creation. These are the players in cluster development who give material economic goals. Without the active participation of the private sector, achievements of the cluster activities will end up being increasingly social rather than economic. This is one of the main issues for a lot of NGOs working in Ukraine. As the number of these is constantly increasing, new bottom-up initiatives grow. But the lack of economic participation brings them down (mainly because of the lack of financing and lack of skills to run such activities, which would bring, apart from social benefits, financial results). So this type of organization would

be more sustainable; for this reason it is important to cooperate or involve the business sector in the work of social initiatives in order to be more sustainable. As mentioned in the first case study, it is important to **work with ‘champions’** or representatives of private, public and supporting organizations who can assemble and lead teams to achieve the required results. So the leadership potential of people is another example of a human capital factor available in rural areas which leads to the diversification of the rural economy.

Thanks to the **co-operation** of human, intellectual, information and financial resources, the work of all of the undertaken activities has been successfully realized and has contributed towards rural development with diversified activities. Natalya Gnatyuk, Marina Konyak and other local leaders of the initiatives have realized the availability of the local underutilized resources – human, natural, cultural and historical - and have undertaken actions to use them for local development.

From the second case, the example of co-operation can be also derived. **Cooperation with the National TV channel** and the **‘Versii’ newspaper** led to the creation of a series of programs devoted to rural tourism in the region and the festival. Since the beginning and up to now ‘Versii’ constantly provides information support by publishing articles about rural tourism, ecological issues and the ‘Garchik’ festival.

Partnership and the capacity to build local partnership help to mobilize local potential, as well as between public and private sectors.

The ‘Bukvitsa’ NGO consolidated its efforts towards bringing diverse actors together around rural development issues. After years of experience it is convinced that the future of civil initiatives will be those run in **partnership** between social initiatives and business. This means cooperating with all possible actors, particularly with diverse State organizations and business sector.

In the process of governance formation, the initiators in the two regions focused on bringing **diverse sectors together**. However, in the Khmelnytsiy region, the focus was directed more towards engagement of stakeholders from the business sector. After the cluster was established, the participants admitted that business sector participation is a necessary condition for the successful operation of the network. These are the players in cluster development who give material economic goals. Without the active participation of the private sector (business), achievements of the cluster activities would end up being increasingly social rather than economic. This approach corresponds to the notion of governance as **‘new public management’**.

This is one of the main issues for a lot of NGOs working in Ukraine. Very often their work around social-economic improvement declines because of the lack of funding. The existence of NGOs assumes the role of searching for funding to cover the basic costs for running their activities instead of doing their job.

The ‘Bukvitsa’ NGO in the Chernivtsi region, in addition to engaging business organizations, focused most of their energy on the involvement of State organizations and bringing together different State organizations. This is because there are many State structures responsible for the same task, but each of them work individually. *‘We have collaborated their efforts and work around our activities, thus bringing them together and focusing their attention on new activities like rural tourism, which is a big solution towards rural development particularly for this region. Cooperating with us they have learnt to cooperate with other governmental institutions’* (from the interview with Marina Konyak, principle initiator). This approach corresponds to the notion of governance as **‘multi-level government involvement’**.

A big achievement of this mode of governance is that State organizations, as they are not active in the allocation of support of the rural development sector, have finally been involved in rural development issues.

Hierarchy as a mode of governance has not been clearly noticed in any of the cases. The non-appearance of this factor re-confirms that lack of government interactions with local initiatives.

Now the attention should be drawn to the established initiatives from the perspective of **governance ‘as a process’**. The inclusion of diverse sectors in both cases – the business sector (Svarog Corporation, clothing enterprises and building firms, Trinity and Michaylichenko firms) and State organizations representatives (Head Economic Department of Khmelnytsky region, Ministry of Education in the Khmelnytsky region, Regional Department of Ecology and Natural Resources, Tourism, Youth, Culture Departments), together with various interested individuals and international organizations (USAID, Eurasia Foundation, Stefan Batory Foundation, PAUCI, ICAP and others), acknowledge the processes described in the literature part. The power relations between different institutions and societal actors need to be taken into account in any governance approach (Berger, 2003). As Michel Foucault (1983) argues: “Power relations are rooted deep in the social nexus [...]. A society without power relations can only be an abstraction”.

So it can be concluded that consolidation of the efforts of diverse stakeholders has contributed towards the formation of governance.

From the theoretical point of view, it can be observed that all concepts of governance (apart from hierarchy) were more or less present and used in the studied cases. Some modes of governance were more visible in one of the cases; the other, in the second one. This is quite crucial: how local people in rural areas, having hardly any access to the Internet and the worldwide literature, could alone come up and run such activities, which finally contribute to rural development. Again, it acknowledges the presence of human capital, who managed to do these kind of things.

But it is still unclear, then, why it does not work everywhere in the same way.

As it has been noticed, everything started from the initiatives of individuals, and volunteers’ desires to bring about changes and to improve their life. The author believes it is one of the most important factors in the success and the beginning of changes after such a long transition period, which caused so many problems for the rural areas. Unfortunately, the burning out factor plays a role, as people cannot always work voluntarily. There are many things which could be done in this way, but one certain point needs a higher level of support. A large amount of support is needed, especially at the emerging stage. From another look at the conceptual framework for this thesis, it can be seen that governance supports and mobilizes all available rural resources, which are social, human, historical and natural and business. Moreover, it mobilizes government actors to participate in activities directed at the diversification of the rural economy. It has been seen how it all works in reality on two studied cases. Indeed, governance is important to start changes in rural areas, to start diversification. But to have more of such successful cases all round the country, more solid State support towards governance is necessary. As it can be seen, with only the help of governance, the rural development processes take place; but with sufficient state support, these processes will be re-enforced.

6.1. A COMPARISON BETWEEN UKRAINIAN AND EU RURAL DEVELOPMENT POLICIES. RECOMMENDATIONS FOR UKRAINE

From the preceding chapter and the conceptual framework it can be seen that the missing factor in the rural development process is direct state support and its policies towards rural development. As it could be observed from the empirical research, governance is the only real process that works for using and combining rural resources – human, social, historical and natural. Support of better governance is therefore the way to follow.

A good example of a rural development policy model can be the EU strategic Guidelines for rural development for the programming period 2007 to 2013 (Official Journal of the European Union, 2006). In particular, from this programme it be learnt how the attention towards the available rural resources can be approached. The EU rural development model works according to 4 axes and targets as the main areas for rural development. It is built up according to the framework which also was used as the conceptual framework for this dissertation. This means it targets different forms of social capital but also provides support for governance instruments and actions.

The EU rural development policy focuses on three key areas: the agri-food economy, the environment and the rural population. The strategies and programmes are built around four axes as follows (Official Journal of the European Union, 2006):

1. The "competitiveness for **agriculture, food and forestry**" axis, targeting human and physical capital;
2. The "land management and **environment**" axis, providing for measures to protect and enhance natural resources and high-nature value farming and forestry systems and the traditional landscapes of Europe's rural areas and thus targeting mainly natural capital;
3. The "quality of life and **diversification of the rural economy**" axis, which helps to develop rural areas by promoting services for the public, micro-enterprises, rural tourism, and the development of the cultural heritage to improve the conditions for growth and job creation in all sectors, targeting human and social capital;
4. The "**Leader**" axis, which introduces possibilities for innovative **governance through local action strategies with a bottom-up approach to rural development, and so provides and supports governance instruments.**

From above, it can be seen that the EU policy has depicted four main areas of attention and targets its efforts on each of them, which are: agriculture and food; environment; diversification of rural economy and governance with a bottom-up approach to rural development. Each of the four axes leaves space for the use and mobilization of the available rural resources under each of them (Appendix 3).

If the rural resources available in the two studied cases in Ukraine to be taken, the usage and application of them under one (or more) axes can be found. For instance, natural resources. This factor can be used for different activities, for agriculture, using environmental measures. In addition to these two, the presence of nature is favorable for tourism development. Thus, natural resources are depicted under axes 1, 2 and 3. The same happens with human capital. The human capital is necessary for the mobilization of all activities within rural areas.

The same is applicable to axis 4, which is devoted to 'bottom-up approach to rural development'.

The development and use of the present historical and cultural factors are foreseen under axis 3- 'development of the cultural heritage to improve the conditions for growth and job creation'. In order to meet these priorities, Member States are encouraged to focus support on key actions.

Therefore, the European model for rural development, distinguishing main areas into 4 axes, is a good example for Ukrainian governors for how to efficiently stimulate work and life of rural territories.

The broader description of EU guidelines for rural development are given in the Appendix 3.

Besides diversification issues, a significant attention towards **governance** can be found in the same documents - Strategic Guidelines for rural development for programming period 2007 to 2013 (Official Journal of the European Union, 2006 and forthcoming). **The resources devoted to axis 4** should contribute to the priorities of axes 1 and 2 and in particular of axis 3, but also play an important role in the priority of **improving governance** and mobilizing the endogenous development potential of rural areas.

To strengthen axis 4 and meet these priorities, the following key-actions include: building local partnership capacity, promoting private-public partnership, promoting cooperation and innovation and improving local governance.

It can be seen that the above-mentioned actions towards strengthening governance in the EU include the same elements, which were chosen for this thesis.

Thus it can be seen that governance is indeed an important tool for rural development processes. This lesson can also be learnt from the EU in order to improve Ukrainian legislation for rural development.

Rural development issues in the Ukrainian legislation were analyzed in Section 4.2. The new designed projects seem to be pretty consistent and include a detailed programme for the complex rural development. For instance, some activities, foreseen by the Programme include:

- Development of rural areas and its social infrastructure.
- Provision of jobs and elimination of poverty within rural areas.
- Complex development of social rural infrastructure. In particular, improvement of public and living constructions, public services and living conditions, roads, communication, educational institutions, health services, culture and traditions, sport and trade.
- Development of entrepreneurship.
- Creation of conditions for young people to stay in rural areas.
- Development of depressed territories for living.
- Improvement of regional and municipal management of rural areas.
- Measures to protect and increase soil fertility.
- Environmentally friendly agriculture and organic farming and others.

The main obstacle is that this programme exists just on paper and the projects still have to be approved to become law. The single functioning programmes for rural development are old and do not respond to the current needs of the rural areas. For instance, the State law on 'Social rural development and agriculture as a priority for national economy' has existed since Ukraine gained its independence from the Soviet Union. The key reason for this is the lack and misuse of financial allocation for such programmes. 11,192.738 UAH or approximately 16,705,579 Euros were approved for the law on 'Social rural development and agriculture as a priority for national economy' (State Budget of Ukraine, 2007).

However, there are some lessons that can be learnt from the European model.

Firstly, as mentioned above, the EU rural development policy focuses on three key areas: the agri-food economy, the environment and the rural population. The strategies and programmes are **built around four axes** (Official Journal of the European Union, 2006).

Such a model to work according to the axes, could be a good example for how to improve Ukrainian legislation on rural development and enhance the role of the State in it.

Significant attention towards **governance** can be found in EU legislation towards rural development. This fact acknowledges the importance of governance in the rural development processes in EU.

If the Ukrainian rural development policy wants to go in the same direction, we recommend the following:

1. Development of a good **coherent model** for rural development using the **model to work according to the axes**. Also, the priority directions can be worked out to face the needs of Ukrainian rural areas and later on the strategies and programmes will be built around the axes.
In addition, a **strong organizational centre** for rural development issues needs to be established. It would deal with the regional development issues and where all initiatives, whether they are coming from business or State or local, could come and find support towards their ideas concerning their participation in rural development. This is because there is a lack of rural development policies and non-perfect regional administrative divisions in Ukraine.
2. According to axis 1, which is devoted to human and physical capital, more significant attention to **agriculture** should be paid. Agriculture still plays an important role for the Ukrainian economic performance and for the occupation of the vast majority of the rural population. The sector should be strengthened and the strategic directions of its work should be established in order to be competitive and provide the country with quality food. Secondly, more attention should be drawn to small scale farmers and diversification. The benefits deriving from this were discussed more than sufficiently in the previous sections.
The functioning network of the **advisory service** and **research** should be established and cover the rural areas of Ukraine in order to understand and optimize the existing conditions.
3. Regarding axis 2, which is targeted at natural capital. Attention should be directed at environment and ecological issues. As we have observed in the case studies, the activities undertaken by the 'Bukvitsa' NGO were focused on the region of the Carpathian mountains towards the improvement of the ecological situation. These actions need more state support.
4. According to the priorities under axis 3 in the EU legislation, the following measures should be supported in Ukraine: **diversification, business creation, investment in cultural and historical heritage, infrastructure for local services and renovation**. Attention should be drawn to the issues of **soft infrastructure** (medical care, education and culture) and **hard infrastructure** (roads, electricity, fuel and communication). In particular, a better quality of education, attainment of new business and other skills, provision of **information and information centers**, are necessary to function in contemporary society. These have not been developed well since Soviet Union times. These are important conditions for rural and regional development. It acknowledges the importance of this issue for rural development. And thus the topic of this thesis and its contribution to rural development processes.
5. **Support towards governance** is needed in order to support processes which are run by local initiatives from the bottom-up and which so far is the only working way to contribute to rural development (the thesis was devoted to this). The processes analyzed in the thesis – bottom-up initiatives, cooperation, partnership between different stakeholders – emerged as a driving force for rural development in Ukraine. This fact acknowledges the importance of governance in the rural development processes.
6. The lack of funding was the most urgent issue in the two studied cases. Therefore, state **financial allocation** to increase the strength of the above mentioned State programs towards rural development is vital.
7. The **programmes have to be efficient**, in the sense that what is prescribed by law should be implemented in reality.

6.2 ANALYTICAL FRAMEWORK

Up to now a significant attention has been drawn to the analysis of the governance as a structure. It could be observed how different actors were coming together and establishing governance structures - network, cooperation, partnership and others. Now the attention will be given to how the present local capital and resources are mobilized on different stages of the translation cycles. And this will recall the concept of governance as a process within this analysis (see also the theoretical part in chapter 2).

Within the theory part it has been mentioned that governance is not just a static thing. In this section the attention will be given to governance as a process. As it refers to processes and outcomes (Berger, 2003). Now this concept will be acknowledged with the help of analytical framework.

6.2.1. Explanation of the analytical framework

First of all the explanation of the analytical framework and how it works will be given. The next step is the application of the analytical framework. The following table 6 is constructed in such a way. It has seven columns (from left to right): governance as a process - organizations, actors and established projects which were involved and started the initiatives; four types of resources and capital present in rural areas in the studied cases - human capital, social capital, nature, historic and cultural capital; then the outcomes. The last one corresponds to what exactly was created by the involved actors and organizations with the use of one or more of the four present resources. Finally, the last column is the stages of the translation cycle. Particularly, it will be clear which resources are involved and on which stage of the translation cycle. The line after the heading represents the situation in the described case before the initiatives were undertaken.

Governance as a process	Human capital	Social capital	Natural capital	Historical and cultural capital	Outcomes	Stages of the translation cycle
Diagnosis of the situation at the beginning stage						
						Problematization
						Interessement
						Enrollment
						Mobilization

Table 6. Explanation of the analytical framework

6.2.2. Applied analytical framework

After the explanation of how the analytical framework works has been given, it will be applied to the case studies described in chapters 4 and 5. The following tables 7 and 8 are the applied analytical framework of two studied cases.

Governance as a process	Human capital	Soci - al capital	Natural capital	Historic al and cultural capital	Outcomes	Stages of the transla - tion cycle
Diagnosis of the situation/status - region is remote, abandoned, poor and almost depressive.						
Natalya Gnatyuk Wolfgan Price, Peace Corp volunteer Association 'Renaissance	X X				Establishment of NGO "Podillya Pershiy"; idea to apply cluster model for the economic development of the regional economy.	P R O B L

Grytsiv' Head Economic Department of Khelnitskiy oblast Administration	X X X					E M A T I Z A T I O N
Natalya Gnatyuk NGO " Podillya Pershiy" Wolfgan Price Association 'Renaissance Grytsiv' Head Economic Department of Khelnitskiy oblast Administration Foundation Ukraine – USA, Fund of Stefan Batoriy, ACIDI/ VOCA, Ukrainian Women's Fund	X X X X X X X X X				Idea was supported by more actors (the description was given in the previous sections), more smaller projects were thought and established during the coming stages	I N T E R E S S E M E N T
Implementation of Cluster development model for the mobilization of local economic development in the Northern region of Khmelnytsiy region	X	X	X	X	Involvement of 9 rural communities to participate; establishment of the macro- region Stara Volyn and NGO 'The sustainable development foundation 'Stara Volyn'; establishment of 4 clusters.	E N R O L L M E N
Clothing cluster	X	X	X	X	Development of the new activities (related to the established clusters). The enterprises of the Clothing cluster co-operate with Podillya University of Technologies. They work out the project on the establishment of the Fashion Center in Khmelnitsky city. Thanks to the Clothing cluster the vertical network was established – from the developer up to consumer, including infrastructure development. Moreover, the demand for the students of clothing	

					specialization has grown.	T + M O B I L I Z A T I O N
Construction cluster	X	X	X		More than 30 small and medium-sized enterprises and entrepreneurs specialize in producing construction materials, planning, design and construction works of different types of buildings.	
Rural tourism cluster "Oberig"	X	X	X	X	In addition to the provision of meals and accommodation, they started 'Grytsiv Vitrischalky', an entertainment program for visitors. Training and an advisory service on rural tourism is quite popular here, as they have gained tremendous experience. Since 2002 it has provided more than 100 women with jobs, including handicapped women. Within the last 2 years the Cluster has hosted more than 1,000 visitors. For a little town of Grytsiv, this is quite an achievement.	
Mini- projects	X	X	X	X	The participants learnt and improved how to write project proposals within this project. They also developed their leadership, presentation and lobbying skills, and the involvement of more resources in order to realize local projects. 20 initiative groups were selected to implement their project (for which each group received financial allocation).	
Center of Democracy and Development	X	X			It brings together the local leaders and from the surrounding areas in order to teach them to cooperate and, further on, to develop common projects.	
'Kalitka of Grytsiv', credit Union	X	X			It brought together around 500 members	
Studio of Mrs. Oksana	X	X	X	X	A lot of women have joined the organization. The following directions of work were identified: <i>Sewing studio.</i> This produces modern and traditional clothing of natural materials with the protection/guarding symbol. The tasks they follow are revival of ancient styles of sewing clothing; development of fine arts; constant personal and professional growth of women; designing of souvenirs; organizing rest-time for families	

					with children: they use drawing, origami, developing games for children, puppet-shows and learning more about nature, etc. <i>Starovolynski vechornytsi</i> . To learn and revive old Ukrainian traditions in women's craftsmanship and increase women's self esteem. <i>Starting private business for women</i> . In order to encourage and help women start up new activities. This is mainly private business which teach women how to prepare business plans, find investment and implement their ideas. Thus they help them to realize themselves.	
Project 'Vyshivanka' supported by the big local agricultural enterprise	X	X	X	X	With the efforts of business organizations (Svarog Corporation), NGOs ('Dolya', Stara Volyn, 'Svitanok', 'Radomira') and State organizations (High School of Arts of Grytvis, State Employment Center of the Shepetivka city, district educational departments), the 'Vyshivanka' project was established. It is aimed at bringing solutions to economic problems (increase well-being of the local people), to social ones (establishment of working places for disabled persons, youth, more employment for the rural inhabitants, establishment of social partnership), educational ones (bring changes to professional education), and cultural issues (revival of traditions is a chance to develop culture) of the region.	

Table 7. Applied analytical framework of the first case study

Governance as a process	Human capital	Soci - al capital	Natural capital	Historic al and cultural capital	Outcomes	Stages of the transla - tion cycle
Diagnosis of the situation at the beginning stage – the region has favorable natural resources which are underutilized. The level of migration towards abroad and bigger centers is very high.						
Marina Konyak, NGO "Bukvitsa"	X				The NGO was established with the further goals: 1. Socio-economic development of the region, particularly rural tourism development; 2. Youth education (formation of environmentally friendly awareness, taking active life position); 3. Promotion of a healthy way	P R O B L E M A

					of living; 4. Revival of folk customs and traditional handicrafts; 5. Bringing together the diverse regional and State actors around rural development issues, foreseeing strength in cooperation.	T I Z A T I O N
NGO “Bukvitsa”; Regional Newspaper Versii; Students, volunteers, teachers; Association ‘Bukovina Producers’; ‘Suchasnik’ NGO;	X X X X X X X	X X			NGOs and students took part in the development of the directions of work of the NGO. 1. Introduction of innovative methods, international experience in the field of ecological & environmental education; 2. Carrying out conferences, seminars, training courses, round tables talks, edition of the methodological materials and information materials in related fields; 3. Participation in working out and implementation of the State environmental policy; 4. Ecological actions in the region, e.g. planting of trees, accomplishment of suburban recreation territories, recovery of forests of the Carpathian mountains and natural parks; 4. Rural tourism development.	I N T E R E S S E M N E T
Regional Dep. on ecology and natural resources, Tourism, Youth, Culture Department	X				State organizations provided different kind of support	
ICAR, Mama - 86, Eurasia Foundation, USAID Heifer International Mae cenas; foreign tourists, charities	X X X X X				Donor organizations mostly participated in financing the projects.	
During the Enrollment and Mobilizations stages a number of initiatives and projects has been established						
The folklore ethnographic festival “Garchik”	X	X	X	X	People from all over Ukraine and other countries come to the festival. Development of rural tourism, ethnical traditions and handicrafts, support the talented youth, revival of culture; local people learn how to use local resources.	E N R O
Development of the infrastructure for the	X	X	X	X	More local inhabitants participate in the in common actions for their development	L

agricultural markets						L
Credit union 'Skarbnitsya'	X	X		X	~ 1250 persons received credits in 4 years period. Credits were given to purchase materials, building equipment, gas provision, medical care, carrying out social activities, business establishment.	M E N T
Agricultural advisory service	X	X	X	X	Rural inhabitants got information and education: support in writing business plans, participation in State programs, getting credit, etc.; Clarification of land issues and efficient use of land resources; introduction of new methods and techniques; Development of production chains; cooperatives, wholesales markets; partnership relationships between producers and consumers.	+ M O B I L I
Project 'From community integration towards sustainable rural development	X	X	X	X	Rural tourism development has started. Development of regional strategies, involving bottom-up approaches.	Z A T
Project 'Improvement of the socio-economic development of the Chernivtsi region with the help of cluster model for rural tourism development	X	X	X	X	More people became involved in rural tourism activities; more diversified activities of rural tourism: the production and sales of the hand made products, organizations of cultural events, thus recovering the traditions, bringing it to children and tourists; hiking and skiing activities. Establishment of 3 district branches for rural tourism; implementation of the Regional Programme on tourism development for the period 2004 – 2010	I O N

Table 8. Applied analytical framework of the second case study

6.2.3. Analysis of the applied analytical framework

From the analytical framework the following observations can be drawn out.

First of all, it could be observed more clearly how local resources, which play a significant role in the rural development process, are mobilized. Especially with the help of ANT we can follow which particular resource or capital and on which stage of the translation cycle becomes involved.

During the first two stages of the translation cycle the most important capital form mobilized seems to be the human capital. Diverse actors came together, developed ideas and at the end of this chain have started the initiatives and projects. An important issue is that all of the actors during problematization and interesement stages had always in mind the present resources and capitals. If the resources important for rural development processes such as nature, people, historical and social capitals were not there, the established organizations and projects would simply not come in true.

As it has been observed, the vast majority of the capital and resources present are mobilized after the project is undertaken, approved and the funds are there. Therefore the present local resources are mostly mobilized during the enrollment and mobilization stages.

Thus it can be said that all local resources are involved in the work and serve the development of the new activities.

So it can be concluded that all local resources will be mobilized during later stages of the translation cycle, but not from the very beginning.

Thus ANT plays a tremendous role in uncovering rural processes. Therefore, ANT can be used in other studies related to rural development and working out the policy for rural development in Ukraine. Besides the studied resources in my thesis – human, social, historical and natural capitals, other available capitals can be depicted in a similar way with the use of ANT.

It has already been mentioned that many initiatives are started with the help of human capital - NGOs and motivated individuals. Within this thesis we could see that they can mobilize a wide range of rural resources and capitals. Therefore, the established projects do not end up just with social outcomes. Rural resources are mobilized (governance as a process) and it contributes to the establishment of networks, partnerships and cooperation's (governance as a structure).

SECTION VII

CONCLUSIONS

On scientific part and from the application of the methodology

From the studied cases in Ukraine, it can be learnt how diversification driven by governance and with sufficient State support, can contribute towards rural development.

The notion of **governance as a structure** as the inclusion of wider parts of society, participation, partnership, networks, hierarchies, multi-level government involvement, and new public management, cooperation, indeed helps start rural diversification processes.

Governance as a process. With the help of ANT an applied analytical framework was developed. It has been identified more specifically on which stages of the translation cycle of ANT the local resources and capitals are mobilized. Now it can be used in other studies in order to figure out how the local resources – human, social, natural and social can be involved. Besides the studied resources in this thesis other available capitals can be depicted in the similar way with the use of ANT.

A significant role in this paper belongs to the Actor Network Theory. It helped to highlight the processes which are important for the diversification of rural economy: mobilization of rural society, involvement of wider societal actors into the processes of decision making, establishment of networks, cooperation, and partnership between diverse actors. Consequently, the above-mentioned processes become a driving force for the diversified economy in the rural areas of Ukraine.

On the studied cases

Established initiatives like ‘Podillya Pershiy’, ‘Renaissance Grytsiv’ Association, ‘The Sustainable Development Foundation ‘Stara Volyn’ NGO, ‘Bukvitsa’ NGO and many other small ones have brought changes to the rural development process with the use of available rural resources: social, human, historical and natural. Human resources helped to mobilize the rest of the resources. These initiatives are good examples of how things can be done without the help of the State and significantly contribute to rural development processes.

However, the emergence of this kind of initiatives is not simultaneous all around the country and the initiators cannot work voluntarily forever and on pure enthusiasm. To make these processes more successful and work in more regions of Ukraine, there is a fundamental thing: a functioning state mechanism. From the analysis of the European legislation for rural development, we have come to the conclusion that the EU approach for rural development - model to work according to the axes - could be a good example for improving of the Ukrainian legislation on rural development and enhance the role of the State in it.

The chosen methodology fully helped to highlight the emergence of the local initiatives and mobilization of the rural resources and capitals. However the lack of official statistical data about similar initiatives in other parts of Ukraine prevents running a wider analysis of such cases. Thus the analysis was more qualitative rather than quantitative.

What has been learnt and recommendations

There are following recommendations, based on the results of the thesis, applied theory and methodology.

In order to improve the rural situation according to the European 4 axes model approach, the following conditions must be present:

- Improved legislation on rural development and related issues; a good coherent model for rural development;
- A strong organizational centre which would deal with the regional development issues and where all initiatives could come to gain advice and share the experience;
- Agriculture: to strengthen and adopt the strategic directions of its work in order to be competitive and provide the country with quality food. More attention should be drawn to small scale farmers;
- An advisory service and research should be established and cover the rural areas of Ukraine in order to understand and optimize the existing conditions;
- Diversification and establishment of the businesses related to tourism and services development;
- Soft infrastructure (medical care, education and culture, information) and hard infrastructure (roads, electricity, fuel and communication);
- To strengthen governance, as it drives all processes, actors and available capital in rural area;
- Financial allocation to increase the strength of the above-mentioned State programs towards rural development.

All these issues have been analyzed and discussed within this thesis. In particular, the role of **diversification** and **governance**. In addition to this, all of them could be found under European legislation for rural development, where they work efficiently. Diversification and the establishment of the businesses related to tourism and services and governance as partnership, networks and inclusion of wider parts of the society are in separate sections (axes 3 and 4) of the EU legislation. It acknowledges the importance of chosen concepts of this thesis and its contribution to rural development processes.

The studied cases, conceptual and analytical frameworks, methodology and ANT method of this thesis, comparison with 4 axes of EU model for rural development can be used to develop strategies for rural development of Ukraine.

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APPENDIX 1.

An open mapping of the network after the completion of 2 translation cycles					
Actor	Dixon classification	Geographic scope	Role in the network	Stage which they were involved in	Goal
Wolfgan Price & Peace Corp volunteer	International actor	International	Main starter of the initiative; Started Podillya Pershiy; Offered a cluster model for regional development; Shared experience and Financial support of the projects of the 'Renaissance Grytsiv' Association;	Problematisation Interessement Enrolment	Facilitate regional development with the help of cluster model
Natalya Gnatyuk	Head of the village council; municipality and NGO representative	Local	Main starter of the initiative; Catalyzed local initiatives and implemented actions at the local level; A board member of Podillya Pershiy She was a head of the village council from 1998-2002; She established the 'Renaissance Grytsiv' Association (described further on);	All stages	To get Grytsiv out of this god-forsaken hole, bring it to development!
Association 'Renaissance Grytsiv'	NGO	Local/ Regional	Main starter of the initiative; Establishment of rural tourism cluster; Developed a project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'; Establishment and implementation of more projects towards diversification of rural activities and involvement of wider range of rural actors; gave a start to more organizations, which continue to work individually: <ul style="list-style-type: none"> ➤ Mini-projects; ➤ Center of Democracy and Development; ➤ Support Center for rural tourism; ➤ Ecological center 'In Harmony with nature'; ➤ 'Kalitka of Grytsiv', Credit Union for the rural inhabitants Undersigned the Memorandum on Common Understanding	All stages	Support the socio-economic development of the region
Foundation Ukraine – USA	Donor organization	International	Financial support to start-up 'Renaissance Grytsiv' Association and to implement its projects;	Interessement, Mobilisation	To facilitate regional development and emergence of local NGO initiatives towards rural development via its projects
Stefan Batoriy Fund (www.batory.org.pl)	Donor organization	International	Financial support to start-up 'Renaissance Grytsiv' Association and to implement its projects; It cooperates with the further established projects by Association 'Renaissance Grytsiv'	Interessement, Enrolment Mobilisation	Support bottom-up rural initiatives and rural development
Transatlantic programme of small grants	Donor organization	International	Financial support to start-up 'Renaissance Grytsiv' Association and to implement its projects;	Mobilization	
EU-USA	Donor organization	International	Financial support to start-up 'Renaissance Grytsiv' Association and to implement its projects;	Mobilization	
Head Economic	State institution	Local/	Facilitator of the network;	Problematisation	To support local initiatives

Department of Khelnitskiy <i>oblast</i> Administration		regional	Developed a project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmel'nitskiy <i>Oblast</i> '; Undersigned the Memorandum on Common Understanding	on Interessement	
Podillya Pershiy	Established Network	Regional	Introduced strategic planning and cluster model in the regional development; Established rural tourism cluster; Developed a project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmel'nitskiy <i>Oblast</i> '; Established the 'The Sustainable Development Foundation 'Stara Volyn' NGO; Undersigned the Memorandum on Common Understanding Strongly supported the establishment of ' Renaissance Grytsiv ' Association and Stara Volyn and other projects within the region	Interessement Mobilisation	Strong belief in Development of the region with the use of local resources
Commercial Bank	Medium size business	Regional	Facilitator of the network, connection with external networks	Interessement	Support emerging initiative, willing to bring changes to rural life
Small business	Small business	Local	Participation in development of strategy for regional development	Interessement, Enrolment	Understood that rural areas possess unique local conditions and resources that can help its economic development
College & University		Regional/national	Facilitator of the network	Interessement Mobilisation	Support alternative initiatives
Local leaders from public, private and third sectors in Podillya region – Khmel'nitskiy, Ternopil and Vinnytsya <i>oblasts</i>	Local initiatives	Regional	Participants of cluster model introduction seminars; participants of the project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmel'nitskiy <i>Oblast</i> '; Establishment of macro region and – 'Stara Volyn' and NGO 'The Sustainable Development Foundation 'Stara Volyn'	Interessement Enrolment	Contribute towards the development of their region and participate in this process
Eurasia Fund	Donor organization	International	Financial support to implement the project of Podillya Pershiy; Mini-Projects and smaller projects, initiated by those organizations further on.	Enrolment Mobilisation	Supports local, bottom-up initiatives towards rural development
ACDI/VOCA	Donor organization	International	Financial support and share of experience to establish 'Renaissance Grytsiv' Association	Problematisation, Interessement, Enrolment	Supports local, bottom-up initiatives towards rural development
17 clothing enterprises	Small business	Regional	Development of their business with Clothing cluster ; Integration with other local and regional networks; Establishment of Fashion Center in Khmel'nitskiy city plan to register the sign of quality; Establishment of Vertical network within clothing cluster production chain (from producer to consumer)	Problematisation	Private business development and thus economic development of the region
Podillya University of Technologies	Educational institution	Regional	Technical innovation and participation within Clothing cluster; Support of the network; Cooperation with Clothing cluster on establishment of Fashion Center in Khmel'nitskiy city; Registration of the sign of quality	Mobilization	To give technical support and to get more students involved (employed)

More than 30 enterprises and entrepreneurs of Construction cluster	Small and medium sized businesses	Local/ Regional	Support to the network, integration with other local networks; Specialize on producing of construction materials, projecting, design and construction works of different types of buildings. work as advisory service; they provide marketing, legal advice and informational services	Mobilisation	To improve its business and regional economy
Food and tourism businesses	Small and medium sized businesses	Local/ Regional	Support to the network, integration with other local networks;	Mobilisation	To improve its business
Rural Tourism cluster 'Oberig'	NGO, local initiatives	Local	Cooperate with Podillya Pershiy, Stara Volyn, Renaissance Grytsiv Association; Polish-American – Ukrainian Cooperation Initiatives; Starters of the innovative activity within rural area – rural tourism; Together with Stara Volyn developed a regional programme for rural tourism development for the period 2005 – 2010. Inclusion of more actors from educational area, medical, entertainment, design	Enrolment Mobilisation	Use of local resources for development of business, involvement of rural inhabitants, mostly women, in new activities.
PAUCI	Donor organization	International	Sharing of experience and financial support to Rural tourism cluster and Renaissance Grytsiv Association on the stage of their establishment;	Mobilization	Financial support of local NGOs which mobilize rural communities, create diversified rural activities.
Women, including disabled women (150 -200)	Rural initiatives	Local	(More than 100) Participate in rural tourism cluster 'Oberig' . Provide a range of various services within rural tourism cluster: rest and recreation; education, medical treatment services, information, environmental actions, advisory service, etc.: Participate in Studio Mrs. Oksana ; cooperate with Association Renaissance Grytsiv, School of Sustainable Development, Rural tourism cluster 'Oberig', 'Women in Business'.	Mobilization	Participation in self-organized activities by other community members; start to think what they can do for local development?
Newspaper, radio	Mass media	Local/ regional	Spreading information to involve more actors from the region to take part in the established project 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'	Enrolment Mobilisation	Distribution of information within the community; involving people to participate in the projects
NGO 'The Sustainable Development Foundation 'Stara Volyn'	NGO	Local/ regional	A strong NGO institution; it established a range of projects, all of them continue to work individually and cooperate with Stara Volyn and its programmes. <ul style="list-style-type: none"> - School of Sustainable Development 'Stara Volyn' (2005); - Studio of Mrs. Oksana (2004); - Corpus of Volunteers for the rural communities; - Project 'Vyshivanka', supported by the big local agricultural enterprise; - More little ones 	Enrolment Mobilisation	To convert the current region – Northern part of the Khmelnytskyi oblast - into an economically developed one on the basis of new technologies and innovation, region; with the high social standards of living for people; to become recreation- touristic, cultural, spiritual, education centre of Volyn-Podillya macro-region; Create a network of self-sufficient sustainable communities; Support of self-government
9-12 rural communities	Initiatives	Regional	Participate in the project initiated by Podillya Pershiy 'Implementation of Cluster development model for the Mobilization of Local Economic Development in the Northern Region of Khmelnytskyi Oblast'; They expressed their desire to be regional centres of the Stara Volyn region. And the centres of it were located in some of these cities - Shepetivka, Izyaslav, Slavuta, Netishyn, Polonne, Starokostyantyniv and the village of Grytsiv; All of them have undersigned the Memorandum on Common Understanding, which aims to convert the current region – Northern part of the Khmelnytskyi oblast - into an	Enrolment Mobilisation	Support the development of the region; realized that they are the right people to build their society and its future; Understood that they are the ones who have to make changes; that nobody will come and offer them money and bread

			economically developed one on the basis of new technologies and innovation, region; with the high social standards of living for people; to become recreation- touristic, cultural, spiritual, education centre of Volyn-Podillya macro-region		
Eastern-Ukrainian NGO 'Association of Women in Business'	NGO	Regional, National	Help to establish the NGO 'The Sustainable Development Foundation 'Stara Volyn' Support to establish Stara Volyn; sharing experiences	Problematization	Support emergence of any kind of female initiatives, especially coming from bottom-up, those willing to contribute towards regional development
Local activists, leaders, volunteers and active local groups (participants were the leaders of non-formal rural groups, e.g. neighbors, friends, people, sharing similar ideas and interests, colleagues)	Initiatives	Local	Reinforce positive changes within rural community; To implement together the mini- projects, Listening project; - Center of Democracy and Development. - Support Center for rural tourism; - Ecological center 'In Harmony with nature'; - 'Kalitka of Grytsiv', credit Union for the rural inhabitants (around 500 members);	Mobilization	People willing to change their life and the circumstances in which they live
State Administration in Khmelnytskyi oblast	State institution	Regional	Undersigned the Memorandum on Common Understanding	Enrolment Mobilisation	Support local movements
Ministry of Education in Khmelnytskyi oblast	State institution	Regional	Joined project 'Vyshivanka'; innovative idea of utilization of local resources; creation of employment in the region, especially for youth and disabled people;	Mobilisation	Support local movements
Ukrainian Women's Fund	Donor organization	National/ International	Financial support to establish studio of Mrs. Oksana	Enrolment Mobilisation	Supports emergence of female initiatives towards business development
Svarog Corporation	Big business	Regional/ local	Joined project 'Vyshivanka'; innovative idea of utilization of local resources; creation of employment in the region, especially for youth and disabled people; One of the initiators of the project; Financing the project	Mobilisation	To bring solutions to economic problems (increase wellbeing of the local people), social (establishment of working places for disabled people, youth, more employment for the rural inhabitants, establishment of social partnership), educational (bring changes to professional education), cultural issues (revival of traditions is a chance to develop culture) of the region.
High School of Arts of Grytvis	Educational institution	Local	Joined project 'Vyshivanka'	Mobilisation	
District educational departments	Educational institution	Local & Regional	Joined project 'Vyshivanka'	Mobilisation	
State Employment Center of the Shepetivka city	State institution	Local & Regional	Joined project 'Vyshivanka'	Mobilisation	
'Dolya', Stara Volyn, 'Svitanok', 'Radomira'	NGOs	Local	Joined project 'Vyshivanka'	Mobilisation	
Fund 'Bogatyry'	Donor organization	International / national	Financial support to start 'Renaissance Grytsiv' Association and to implement its projects;	Enrolment	
USAID	Donor organization	International	Financial support to start 'Renaissance Grytsiv' Association and Stara Volyn and to implement its projects;	Enrolment Mobilisation	Support civil initiatives towards rural development via its regional programmes

UCAN	Donor organization	International	Financial support to start 'Renaissance Grytsiv' Association and Stara Volyn and to implement its projects;	Enrolment	Support civil initiatives towards rural development via its regional programmes
Center 'Counterpart'	NGO	National	Financial support to start 'Renaissance Grytsiv' Association and Stara Volyn and to implement its projects;		Resource centre; Training, education to work with adults
ICAP 'Yednannya'	Donor organization & NGO	International National	Financing the projects on ecological issues and help with organization to start up the projects for 'Renaissance Grytsiv' Association and Stara Volyn; Information support;	Enrolment Mobilisation	Ecological issues within rural communities development; Professional centre on development issues
European Dialog	NGO		Financial support and cooperation with Stara Volyn; Podillya Pershiy	Mobilisation	
Institute of Competitiveness	NGO, scientific institution		Cooperation with Stara Volyn	Mobilisation	

APPENDIX 2. QUESTIONNAIRE

Research questions are grouped under the following headings to get a better understanding of the situation in the selected regions:

1. Situation overview
2. Diversification and policy issues
3. Human capital, social initiatives and governance
4. Organization description
5. What is needed for rural/ regional development?

SITUATION OVERVIEW

1. What are the major economic activities in your region?
2. Was it better during the Soviet Union times? What was better? What used to work/function then, that is not working now?
3. Employment. Involved in
 - agriculture (in general, on private plots of land, farms, collective agricultural enterprises?);
 - abroad (what is the field of work?);
 - what is the rate of unemployment (official and unofficial)?
4. What kind of potential is available in the region? – natural, human, economical, partnerships etc.;
5. In which condition are the public, health and education sectors and infrastructure?
6. What is the subsistence level in monetary form?
7. What is the poverty line in UAH?

DIVERSIFICATION and POLICY ISSUES

1. What is understood by diversification?
2. Is there such legislation which would support new (economic) activities and create new employment possibilities within the region? For the diversification of the rural economy?
3. Are there examples of diversification within your region (on the individual level and regional economy scale)?
4. Where would diversification be possible?

HUMAN CAPITAL, SOCIAL INITIATIVES & GOVERNANCE

1. What can you say about human capital within the region?
2. What is the condition of civil society organizations (non-governmental organizations) in the region?
3. Do you believe that an active and conscious position of community makes traditional governors to be more active and effective, thereby functioning and fulfilling their responsibilities?
4. Do you and people in general believe in a ‘bottom-up’ approach for development? Do you believe that the community may know better what is needed for your local development than others?
5. If there are initiatives, where can they find support? (Local and regional government, NGOs, extension service, international funding and donor organizations)?
6. Are there signs of *governance* in the region? Namely, networks, participation, inclusion of wider parts of society, hierarchy, partnerships.
7. Are there examples of public/local initiatives?

8. Are people motivated and willing to cooperate and to work together towards mutual goals?
9. Are people interested in taking part in building their own society?
10. Is there an extension service in the region? What role does it play?

ORGANIZATION DESCRIPTION

1. What are the main factors which cause changes and lead to the establishment of new activities?
2. What is the field of your activities?
 - a. How did you start?
 - b. What are the major factors, which brought you to this kind of work?
 - c. Who/What was the initiator?
 - d. Who helped you to start?
 - e. What kind of obstacles did you face on your way?
3. What are the informal factors influencing your work, and what are those which led to growth?
4. Why can you do it, and not others?
5. Does education play a significant role in your particular work?
6. Does the work of your organization encourage the work of local and regional government?
7. Does it encourage the establishment of similar initiatives in other regions, cooperation?
8. How do you see the future of your work? Which direction will local development take?
9. From your experience, what brings people together? And what encourages them to work together?
10. How is it that you established your organization and activities here, but doesn't work that successfully in other regions?
 - Where is the difference?
 - What are the constraints?
 - What is missing?
11. Is it possible to transfer the experience of your work to other regions of Ukraine?
12. What have you learnt from your work?
13. What are the factors to help you and your activities improve?
14. What are the power relationships within cooperation?

WHAT IS NEEDED FOR REGIONAL/RURAL DEVELOPMENT

5. What are the major factors for successful rural development here?
6. What are the major reasons for the lack of development/backwardness of rural areas? What are the obstacles for diversification? (social, economic, political reasons,...)
1. What kind of support is needed from the State for the development of your region?
2. What do you think: would local people be able to take part in the process of local development? Are there such examples in your region?
3. How do you see the development of this region?
4. How would you build it up?
5. What are the best ways to influence the state/regional authorities? What are the best ways to involve people in cooperation and participation?
6. Which means (money, network, policy space, knowledge, communication, support, and so forth) do similar organizations need in order to play their role in governance?

7. What are the factors of successes or failure to start local active groups or similar organizations as yours? – Leadership skills, state support, self-awareness of local people, awareness of present, not used potential, other possibilities?
8. What particular measures can be taken by national, regional, local authorities, interested organizations (farmers' organizations, extension service,...) in order to support existing organizations and to create new conditions to enable new initiatives to develop?

APPENDIX 3. Diversification & governance in European legislation

The concept of diversification has been used in European legislation for rural development within last 2 programming periods. It is clearly explained and wider introduced in the following EU legislation: Council decision on 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 - 2013) (CSGRD), Council Regulation (EC) No1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development, Lisbon Strategy (LS).

Agriculture continues to be the largest user of rural land, as well as key determinant of the quality of countryside and the environment. It plays a significant role, especially its economic and social functions, though it doesn't provide sufficient level of income to people. Rural areas therefore face particular challenges as regards growth, jobs and sustainability.

There is particular scope for innovative approaches that add value to the rural economy by remunerating farmers for environmental services and linking these to diversification, particularly into tourism, crafts and training. Similar linkages can be made in the non-food sector (LS).

The agriculture and food sectors must seize the opportunities offered by new approaches, technologies and innovation to meet evolving market demand both in Europe and globally. Above all, investment in the key resources of human capital will allow rural areas and the agri-food sector to look to the future with confidence (CSGRD).

Diversification of rural economy and rural activities is clearly foreseen within rural development policy, since the moment of division of its measures and actions into 4 axes. Main areas of work within rural development: the agrifood economy, the environment and the broader rural economy and population.

The new generation of rural development strategies and programmes is built around 4 axes, namely:

Axis 1: Improving the competitiveness of the agricultural and forestry sector;

Axis 2: Improving the environment and the countryside;

Axis 3: The quality of life and diversification of the rural economy;

Axis 4: Leader Approach.

From the Council decision on 20 February 2006 on community strategic guidelines for rural development (programming period 2007 - 2013) it can be seen, how the measures and actions under each of the axes are initially posed **in the diversified way**.

Axis 1. Improving the competitiveness of the agricultural and forestry sector

Community strategic guideline: Europe's agricultural, forestry and food-processing sectors have great potential to further develop high-quality and value-added products that meet the diverse and growing demand of Europe's consumers and world markets.

The resources devoted to axis 1 should contribute to a strong and dynamic European agrifood sector by focusing on the priorities of knowledge transfer, modernisation, innovation and quality in the food chain, and on priority sectors for investment in physical and human capital.

In order to meet these priorities, Member States are encouraged to focus support on key actions. Such key actions could include:

(i) **restructuring and modernisation of the agriculture sector**, which continue to play an important role in the development of many rural areas, particularly in the new Member States. Successful agricultural adjustment can be the key to improving the competitiveness and environmental sustainability of the agricultural sector and boosting jobs and growth in related areas of the economy. This includes promoting the anticipation of change within the agricultural

sector in the context of restructuring and modernisation and developing a proactive approach to training and retraining farmers, particularly as regards transferable skills;

(ii) improving integration in the agrifood chain. Europe's food industry is one of the world's most competitive and innovative, but it is facing increasing global competition. There is considerable scope in the rural economy to create and market new products, to retain more value in rural areas through quality schemes and to raise the profile of European products overseas. The use of advisory services and support to meet Community standards will contribute to this integration process. A market-oriented agricultural sector will help further consolidate the position of Europe's agrifood sector as a major employer and source of economic growth;

(iii) facilitating innovation and access to research and development (R & D). Innovation is increasingly important for Europe's farming, agrifood and forestry sectors. While Europe's large agrifood companies are often at the cutting edge of new trends, the introduction of new products and processes could significantly contribute to the performance of smaller processors and farm businesses. In particular, new forms of cooperation could facilitate access to R & D, innovation and actions undertaken under the Seventh Framework Programme (1);

(iv) encouraging the take-up and diffusion of information and communications technologies (ICT). The agrifood sector as a whole has been identified as lagging behind in the take-up of ICT technologies. This is particularly the case for smaller businesses. Adoption of e-business applications is still at a low level outside of large multinationals and their larger suppliers. Rural development funds should complement future Commission initiatives such as i2010 in the fields of e-business (particularly in relation to small and medium-sized enterprises), *e-skills and e-learning*;

(v) fostering dynamic entrepreneurship. The recent reforms have created a market-oriented environment for European farming. This brings new opportunities for farm businesses. But the realisation of this economic potential will depend on the development of strategic and organisational skills. Encouraging the entry of young farmers into the profession can play an important role in this respect;

(vi) developing new outlets for agricultural and forestry products. New outlets can offer higher value added, in particular for quality products. Support for investment and training in the field of non-food production under rural development can complement measures taken under the first pillar by creating innovative new outlets for production or helping the development of renewable energy materials, biofuels and processing capacity;

(vii) improving the environmental performance of farms and forestry. Long-term sustainability will depend on the ability to produce products that consumers wish to buy, while achieving high environmental standards. Investing in increased environmental performance can also lead to efficiency gains in production, creating a win-win situation.

To enhance generational renewal in agriculture, combinations of measures available under axis 1, tailored to the needs of young farmers, may be considered.

Axis 2. Improving the environment and the countryside

To protect and enhance the EU's natural resources and landscapes in rural areas, the resources devoted to axis 2 should contribute to three EU-level priority areas: biodiversity and the preservation and development of high nature value farming and forestry systems and traditional agricultural landscapes; water; and climate change.

In order to meet these priorities, Member States are encouraged to focus support on key could include:

(i) Promoting environmental services and animal-friendly farming practices. European citizens expect farmers to respect mandatory standards. But many also agree that farmers should be remunerated for signing up to commitments which go further, delivering services that the market will not provide alone, particularly when focused on specific resources of particular importance in the context of agriculture and forestry, such as water and soil;

(ii) preserving the farmed landscape and forests. In Europe, much of the valued rural environment is the product of agriculture. Sustainable land management practices can help reduce risks linked to abandonment, desertification and forest fires, particularly in less-favoured areas. Appropriate farming systems help to preserve landscapes and habitats ranging from wetlands to dry meadows and mountain pastures. In many areas, this is an important part of the cultural and natural heritage and of the overall attractiveness of rural areas as places in which to live and work;

(iii) combating climate change. Agriculture and forestry are at the forefront of the development of renewable energy and material sources for bioenergy installations. Appropriate agricultural and forestry practices can contribute to the reduction in greenhouse gas emissions and preservation of the carbon sink effect and organic matter in soil composition, and can also help in adapting to the impacts of climate change;

(iv) consolidating the contribution of organic farming. Organic farming represents a holistic approach to sustainable agriculture. In this respect, its contribution to environmental and animal welfare objectives could be further reinforced;

(v) encouraging environmental/economic win-win initiatives. The provision of environmental goods, particularly through agri-environmental measures, can contribute to the identity of rural areas and their food products. **They can form a basis for growth and jobs provided through tourism and the provision of rural amenities, particularly when linked to diversification into tourism, crafts, training or the non-food sector;**

(vi) promoting territorial balance. Rural development programmes can make a vital contribution to the attractiveness of rural areas. They can also help ensure that in a competitive, knowledge-based economy, a sustainable balance between urban and rural areas is maintained. In combination with other programme axes, land management measures can make a positive contribution to **the spatial distribution of economic activity and territorial cohesion.**

Axis 3. Improving the quality of life in rural areas and encouraging diversification of the rural economy

The resources devoted to the fields of diversification of the rural economy and quality of life in rural areas under axis 3 should contribute to the overarching priority of the creation of employment opportunities and conditions for growth. The range of measures available under axis 3 should in particular be used to promote capacity building, skills acquisition and organisation for local strategy development and also help ensure that rural areas remain attractive for future generations. In promoting training, information and entrepreneurship, the particular needs of women, young people and older workers should be considered.

In order to meet these priorities, Member States are encouraged to focus support on key actions. Such key actions could include:

(i) raising economic activity and employment rates in the wider rural economy. Diversification is necessary for growth, employment and sustainable development in rural areas, and thereby

contributes to a better territorial balance in both economic and social terms. Tourism, crafts and the provision of rural amenities are growth sectors in many regions and offer opportunities both for on-farm diversification outside agriculture and the development of micro-businesses in the broader rural economy;

(ii) encouraging the entry of women into the labour market. In many rural areas inadequate childcare provision creates specific barriers. Local initiatives to develop childcare facilities can facilitate access to the labour market. This can include the development of childcare infrastructure, potentially in combination with initiatives to encourage the creation of small businesses related to rural activities and local services;

(iii) putting the heart back into villages. Integrated initiatives combining **diversification, business creation, investment in cultural heritage, infrastructure for local services and renovation** can contribute to improving both economic prospects and quality of life;

(iv) developing micro-business and crafts, which can build on traditional skills or introduce new competencies, particularly when combined with purchase of equipment, training and coaching, thus helping to promote entrepreneurship and develop the economic fabric;

(v) training young people in skills needed for the diversification of the local economy, which can tap into demand for tourism, recreation, environmental services, traditional rural practices and quality products;

(vi) encouraging the take-up and diffusion of ICT. The take-up and diffusion of ICT is essential in rural areas for diversification, as well as for local development, the provision of local services and the promotion of e-inclusion. Economies of scale can be achieved through village ICT initiatives combining IT equipment, networking and e-skills training through community structures. Such initiatives can greatly facilitate IT take-up by local farms and rural businesses and the adoption of e-business and e-commerce. Full advantage needs to be taken of the possibilities afforded by the internet and broadband communications, supported for example by regional programmes under the Structural Funds, to overcome the disadvantages of location;

(vii) developing the provision and innovative use of renewable energy sources, which can contribute to creating new outlets for agricultural and forestry products, the **provision of local services and the diversification of the rural economy;**

(viii) encouraging the development of tourism. Tourism is a major growth sector in many rural areas and can build on cultural and natural heritage. Increased use of ICT in tourism for bookings, promotion, marketing, service design and recreational activities can help improve visitor numbers and lengths of stays, particularly where this provides links to smaller facilities and encourages agri-tourism;

(ix) upgrading local infrastructure, particularly in the new Member States. Significant investment will be undertaken in major telecommunications, transport, energy and water infrastructure over the coming years. Considerable support will be available from the Structural Funds, ranging from trans-European **networks to the development of connections to business or science parks.** For the multiplier effect to be fully realized in terms of jobs and growth, small-scale local infrastructure, supported within rural development programmes, can play a vital role in connecting these major investments to local strategies for the diversification and development of agricultural and food-sector potential.

Axis 4. Leader Approach

The resources devoted to axis 4 should contribute to the priorities of axis 1 and 2 and in particular of axis 3, but also play an important role in the **priority of improving governance and mobilising the endogenous development potential** of rural areas.

Support under axis 4 offers the possibility, in the context of a **community-led local development strategy** building on local needs and strengths, to combine all three objectives — competitiveness, environment and quality of life/ **diversification**. Integrated approaches involving farmers, foresters and other rural actors can safeguard and enhance the local natural and cultural heritage, raise environmental awareness, and invest in and promote specialty products, tourism and renewable resources and energy.

To meet these priorities the following key- actions could include:

(i) building local partnership capacity, animation and promoting skills acquisition, which can help mobilize local potential;

(ii) promoting private-public partnership. In particular, Leader will continue to play an important role in encouraging innovative approaches to rural development and bringing the private and public sectors together;

(iii) promoting cooperation and innovation. Local initiatives such as Leader and support for diversification can play an essential role in connecting people to new ideas and approaches, encouraging innovation and entrepreneurship, and can promote inclusiveness and the provision of local services. On-line communities can help in the dissemination of knowledge, the exchange of good practices and innovation in rural products and services;

(iv) improving local governance. Leader can help foster innovative approaches to linking agriculture, forestry and the local economy, thereby helping to diversify the economic base and strengthen the socio economic fabric of rural areas.

Thus a big attention is drawn to diversification and governance of rural economy within European legislation.