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# ADAPTING CAP POLICY AND EUROPEAN MANAGEMENT PRACTICES TO THE NEEDS OF UKRAINIAN TERRITORIAL COMMUNITIES

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Annotation. This article explores the potential for adapting the Common Agricultural Policy (CAP) of the European Union and related governance practices to the needs of Ukrainian territorial communities amid decentralisation and EU integration. Emphasis is placed on rural development tools, particularly the LEADER approach, and the challenges of institutional alignment, limited administrative capacity, and the absence of co-financing mechanisms at the local level. The study outlines practical steps for integrating CAP instruments into Ukraine's governance system based on EU policy documents, international donor reports, and Ukrainian strategic sources. The Odesa region is examined as a representative case of both high development potential and structural challenges. The article concludes that a systematic adaptation of CAP tools requires coordinated efforts at national and local levels to strengthen community resilience, ensure inclusive rural growth, and prepare Ukraine for effective participation in EU programs.

*Keywords:* comprehensive agricultural policy of the EU, development of rural territories, territorial communities, decentralization, rural development, European integration.

# АДАПТАЦІЯ ПОЛІТИКИ САР І ЄВРОПЕЙСЬКИХ ПРАКТИК УПРАВЛІННЯ ДО ПОТРЕБ УКРАЇНСЬКИХ ТЕРИТОРІАЛЬНИХ ГРОМАД

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Анотація. У статті проаналізовано можливості адаптації інструментів Спільної аграрної політики Європейського Союзу (САР) та європейських управлінських практик до потреб українських територіальних громад у контексті децентралізації, євроінтеграції та післявоєнного відновлення. Особливу увагу приділено другому стовпу САР, який стосується розвитку сільських територій, а також підходу LEADER як інструменту підтримки ініціатив знизу догори. Лослідження показує, що ключовими бар 'єрами на шляху до ефективного впровадження є інституційна незрілість, нормативна фрагментованість, низька управлінська спроможність громад, а також відсутність сталих механізмів співфінансування та координації між секторами. На основі аналізу нормативних документів ЄС, рекомендацій міжнародних організацій, а також українських стратегічних джерел, у роботі сформульовано практичні рекомендації щодо гармонізації державної політики сільського розвитку з європейськими підходами. Запропоновано створення національної програми LEADER, розвиток інституційної інфраструктури (Агентства виплат, система IACS, мережа LAG), масштабування дорадчої підтримки громад, а також механізми залучення міжнародної технічної допомоги в умовах підготовки до участі у програмі IPARD. Важливе місие в дослідженні займає аналіз ситуації в сільських громадах Одеської області як репрезентативного регіону з високим потенціалом розвитку, але значними структурними викликами. У результаті зроблено висновок, що успішна інтеграція елементів САР в український контекст можлива лише за умови одночасних змін на національному та місцевому рівнях. Поєднання європейських принципів політики сільського розвитку з українськими реаліями дає змогу не лише покращити якість життя у сільських громадах, але й забезпечити стійке регіональне зростання, підвищити інституційну спроможність місцевого самоврядування та наблизити країну до ефективного засвоєння структурних інструментів ЄС у майбутньому.

**Ключові слова:** спільна аграрна політика ЄС, розвиток сільських територій, територіальні громади, децентралізація, сільський розвиток, євроінтеграція.

### JEL Classification: Q180; R580; H750

**Statement of the problem.** Despite the completion of a large-scale decentralisation reform and the formation of 1,469 territorial communities, the Ukrainian rural development system is still characterised by institutional inconsistency, limited financial capacity, and fragmentation of state support. At the same time, rural communities face various structural challenges: demographic decline, economic stagnation, lack of infrastructure and human capital, especially in the south of Ukraine. Despite its high natural resources and logistics potential, Odesa Oblast demonstrates significant intraregional disparities and underutilisation of development instruments. At the same time, the European model based on the Common Agricultural Policy (CAP) [1, 2], the LEADER approach [3], and the institutional partnership "government-business-community" has proven its effectiveness in the countries of Central Eastern Europe, which are similar in their starting conditions to Ukraine. However, the systemic adaptation of these practices in Ukraine has not yet occurred. This necessitates a scientific justification for the feasibility and possible mechanisms for integrating key elements of the CAP into the local development policy of Ukraine, with a particular emphasis on rural communities and the specific features of regions such as the Odesa region.

**Analysis of recent research and publications.** Recent studies increasingly focus on integrating EU rural development policies – particularly CAP instruments and the LEADER approach – into Ukraine's territorial governance system. Publications highlight the need to strengthen the institutional capacity of local communities, harmonise national planning frameworks with EU standards, and promote bottom-up development models. Applied research and policy reports from European initiatives and international donors, such as U-LEAD with Europe [4], Cities4Cities [5], FAO [6], and DESPRO [3], guide pre-accession instruments like IPARD [4] and practical implementation of community-led development. These sources emphasise the urgency of aligning local strategies with EU practices to ensure the resilience and inclusiveness of rural areas.

Separation of previously unresolved parts of the overall problem. Although Ukraine has formally completed decentralisation and empowered its territorial communities with broader competencies, the conceptual, legal, and financial framework for rural development remains fragmented and underdeveloped. To date, there is no unified national definition of rural development, and the policies of different ministries (e.g., agriculture, regional development, finance) often lack coordination and synergy. This significantly limits the ability of communities to plan and implement long-term strategies in line with EU approaches.

Moreover, LEADER-type instruments have not been institutionally embedded, and local action groups (LAGs), central to the EU's community-led development, exist only in sporadic pilot initiatives without formal state recognition or stable funding mechanisms. Despite the existence

of donor-backed experiments, Ukraine has not developed a national LEADER program, nor has it guaranteed consistent co-financing tools for local development projects.

Finally, while the European CAP framework offers a well-structured toolkit for supporting rural territories, Ukraine lacks the administrative infrastructure (Paying Agencies, IACS, FSDN) necessary to fully absorb these instruments. The lack of technical and project management capacity in many rural hromadas, especially in underdeveloped southern regions like Odesa oblast, further exacerbates this gap and has received insufficient attention in prior academic and policy research.

The article's purpose. This article aims to analyse the potential for adapting the instruments and principles of the European Union's Common Agricultural Policy, focusing on rural development and the LEADER approach, to the needs and capacities of Ukrainian territorial communities. Special attention is given to rural areas' socioeconomic and institutional context, using Odesa oblast as a representative case. The article aims to identify which elements of EU rural governance and financial instruments can be feasibly implemented in Ukraine in the pre-accession period, and to outline specific policy and institutional recommendations for integrating CAP-aligned practices into national and local development frameworks.

**Main material.** CAP is the key mechanism for supporting the agricultural sector and rural areas in Europe. The CAP operates with significant resources: for the period 2021-2027, its budget is about €378 billion, of which €95.5 billion is directed through the European Agricultural Fund for Rural Development (EAFRD) to rural development, and €291 billion through the European Agricultural Guarantee Fund (EAGF) to directly support farmers directly [1-2]. Such a significant amount of funds reflects the priority of rural development for the EU: although only 2-3% of the EU population is employed in agriculture, they ensure food security for the entire union. Therefore, comfortable living and working conditions in the countryside directly affect the competitiveness and sustainability of the agricultural sector.

The priorities and objectives of the CAP have evolved, focusing not only on supporting food production but also on sustainable rural development. The main objectives of the modern CAP include supporting farmers and increasing productivity to ensure a stable supply of food at affordable prices; guaranteeing a decent income for agricultural producers; environmental sustainability – combating climate change and responsible management of natural resources; and balanced development of rural areas and landscapes, including job creation in the rural economy.

Thus, the CAP combines economic and socio-ecological objectives, paying special attention to rural communities [2]. Within the framework of the "second pillar" of the CAP (rural development programs financed by EAFRD), EU countries implement a variety of measures: investment grants for farmers, support for the diversification of non-agricultural activities, development of infrastructure and services in rural areas, agri-environmental and climate programs, training and consulting for rural residents, etc. The financial instruments of the CAP include direct payments to farmers (per hectare of land, compliance with environmental requirements, etc.), market interventions (instruments for stabilising markets), and rural development programs. The latter implies co-financing projects from national budgets and the EU, which systematically stimulates member countries to invest in rural development. As a result, small farms in the EU (on average ~18 hectares) become full-fledged market players thanks to the CAP – they introduce innovations, provide employment, and preserve the traditional way of life in the countryside.

It is important to emphasise that rural development in the European sense is based not just on subsidies, but on identifying and unlocking the internal potential of the territories. If in Ukraine, historically, "rural development" was often limited to supporting depressed areas through subsidies, then the European approach is based on a sustainable development strategy: supporting small farms and cooperation, preserving local cultural heritage and natural biodiversity, developing green tourism and craft production. Thus, CAP offers a comprehensive approach, where financial instruments serve the goals of multi-factorial growth of the rural economy and quality of life.

LEADER (Liaison Entre Actions de LEADER is an EU initiative on local development launched in 1991 and has become an integral part of rural development policy within the second pillar of the CAP [3]. The LEADER approach is a community-led local development methodology that supports local initiatives from the bottom up. The EU obliges Member States to direct at least 5% of their rural development program funds to LEADER projects. The approach is implemented through Local Action Groups (LAGS) – special partnerships at the municipal level. LAGS are registered as a separate legal entity (usually a non-profit association) and include representatives of three sectors: local authorities, business and civil society.

Thanks to the LEADER approach, thousands of projects across Europe have been initiated by rural residents themselves, increasing their motivation and responsibility for the results. These

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initiatives contribute to revitalising the rural economy, creating local jobs and strengthening social cohesion. Implementing the LEADER approach seems extremely promising for Ukraine, which is striving for European integration. Already, the CAP rules stipulate that a candidate country that has not created a LAG network by the time of accession will be unable to use part of the funds intended for local development (the same 5%). In addition, LAG is a mechanism for attracting external assistance: several candidate countries (e.g. Georgia, Moldova) have created networks of local action groups in advance. They are already attracting funding from the EU and other donors for local projects. Ukraine is still lagging: the LEADER program has not yet been implemented nationally, although pilot initiatives have been undertaken. Experts emphasise that creating a LAG network in Ukraine is not a formal requirement of Brussels, but a fundamental tool for expanding development opportunities for rural communities.

Donor projects (EU, UNDP, USAID, etc.) have supported local initiatives based on the LEADER principle in individual communities in previous years, demonstrating the interest of communities in this format. However, for a large-scale effect, institutionalisation is necessary: legislative consolidation of the concept of a local initiative group, mechanisms for its financing from the state budget and coordination with the national strategy. Thus, Ukraine needs to develop LEADER now that it is on the threshold of joining the EU. This means creating pilot LAGS in different regions (with the participation of village councils, entrepreneurs, and activists), training them in project management, and co-financing the best local initiatives from state funds for regional development. At the same time, adopting a regulatory framework - possibly a state target program to support local initiatives based on the LEADER model will be necessary. The benefits are apparent: preparation for the effective development of EU funds in the future and simultaneous solution of urgent problems of communities in the present.

Territorial communities of Ukraine are the basic unit of local self-government, which underwent a profound transformation due to the decentralisation reform of 2015–2020. After the consolidation of grassroots units, 1,469 communities were formed in the country, which received expanded powers and resources. However, the condition and needs of these communities are very heterogeneous, and recent years have added new challenges, primarily due to a full-scale war [7]. Many communities face the problem of a limited economic base and low incomes. There are so-called insolvent (financially insolvent) communities, whose budgets do not cover basic expenses, and such cases are prevalent in rural and border areas. There is also an increase in disproportions: some territories (for example, around large cities or industrial facilities) are developing faster, while remote rural areas stagnate. The structure of the local economy still has a high share of the shadow sector – fillegal employment, undeclared small-scale trade, etc.

This reduces tax revenues and distorts competition. Demographic problems are also acute: many villages are dying out due to the outflow of young people to cities or abroad, the birth rate is low, and the population is ageing. According to official statistics, the rural population of Ukraine has been declining by an average of 80-100 thousand annually in the previous decade. The war has worsened the situation - a significant part of rural residents have been displaced (as of 2023, there were over 5 million internally displaced persons nationwide, many of them residents of rural areas in the east and south). In the Odesa region, although relatively remote from the main hostilities, rural communities have suffered economically from the loss of traditional markets, disruptions in logistics, and the flow of refugees from more dangerous regions. Another aspect relevant to the Odessa region is ethnic communities. In the southern regions of the region (Bessarabia), there are compactly living Bulgarian, Gagauz, Albanian, and Roma communities. Specific problems – language barriers, lack of integration of minorities into public life – have in some cases led to interethnic tensions.

Strategic documents of previous years (e.g. the 2007 Rural Development Concept) were declarative and have largely lost their relevance. Only recently, in connection with its EU candidate status, has Ukraine seriously begun to harmonise its rural development policy with the European one [8]. Secondly, administrative and expert capacity at the local level is often limited. Many amalgamated communities were formed only recently and experience a shortage of qualified personnel – specialists in planning, investment, and project management. According to the National Association of Agricultural Advisory Services estimates, only about 8% of active rural residents (farmers, activists, local officials) are even aware of the CAP policy and related opportunities [4].

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Despite all the problems, Ukrainian communities have significant potential that can be unlocked with the proper support. Natural resource potential: Ukraine is one of the leading agricultural countries, and the Odesa region is no exception. About 70% of the country's territory is agricultural land; in the Odesa region, arable black soil is traditionally used for grain, sunflower, and vineyards. Improving the agricultural sector's efficiency at the local level (for example, moving from raw grain exports to processing, creating added value in communities) can give impetus to the economy.

Financial capacity is key in adapting European rural development policy to Ukrainian realities. CAP provides member states a wide range of support instruments, from direct payments to agricultural producers to infrastructure projects and environmental programs. Not being an EU member, Ukraine does not yet have direct access to CAP funds. However, there are alternative and preliminary mechanisms, as well as domestic resources that can be mobilized. CAP instruments applicable in Ukraine. In preparing for membership, Ukraine is counting on participation in the IPARD (Instrument for Pre-Accession Assistance in Rural Development) program, a component of EU financial support for candidate countries.

In addition to IPARD, Ukraine can participate in EU cross-border cooperation programs and other initiatives. For example, the Odesa region is included in the EU Strategy for the Danube Region and the ENI CBC Romania-Ukraine Program. Within the latter's framework, several projects have been implemented demonstrating the effectiveness of attracting European resources. Thus, a large project to develop the healthcare system in the Lower Danube region combined the efforts of Tulchin County (Romania) and Izmail District (Ukraine) to modernize four hospitals on both sides of the border (including the Izmail City Hospital and the Danube Basin Hospital in the Odesa region) [10]. The project's total budget was  $\in$ 3.8 million from the funds of the joint operational program Romania-Ukraine 2014-2020 plus about  $\notin$ 0.47 million in national co-financing. During the project, medical institutions were renovated and equipped, a telemedicine system was introduced between hospitals of the two countries, and a joint healthcare strategy for the Euro-region was developed.

This example illustrates how the communities of the Odessa region can benefit from integration with European initiatives already today: cooperation with neighboring countries with the support of the EU improves local infrastructure and services for the population.

International donor assistance also remains an important source. UN organizations (UNDP, FAO, UNICEF), the World Bank, the EBRD, and the governments of the USA, Germany, Canada, Sweden, Switzerland, and other countries all have programs focused on local development in Ukraine.

Without active government support, many rural communities cannot fully take advantage of the CAP opportunities, even after becoming an EU member, due to the lack of funds for pre-financing projects or co-financing. European experience shows that national governments play a major role in the successful development of EU funds: they must create co-financing funds, a guarantee system, and train local beneficiaries. Thus, integration with the CAP requires restructuring domestic mechanisms for supporting the village. A positive step is the preparation of the National Strategy for the Development of Agriculture and Rural Areas until 2030, which the government announced. If this strategy is adopted and resourced, it could become a roadmap for attracting external and internal finance for the needs of communities.

Despite the lack of full access to CAP funds, Ukrainian communities are already adopting certain European approaches and management practices. These examples are benchmarks for integrating European experience into Ukrainian realities. Residents of villages and towns began to propose and select projects – from playgrounds to street lighting – financed by the local budget. This increased transparency and citizen engagement. In the Odesa region, for example, participatory budgets were used in the Bolgrad and Podolsk communities, where villagers successfully implemented many mini-initiatives (improvement of parks, sports grounds, etc.). This tool took root and proved its effectiveness as a means of direct democracy at the local level.

Ukrainian communities participate in twinning and exchanging projects with European cities and villages. The Association of Ukrainian Cities, with the support of the Council of Europe and CEMR, has organized dozens of partnerships: more than 30 municipalities of Ukraine have signed cooperation agreements with European colleagues and submitted joint project applications. A striking example of such international cooperation is a project supported by CEI, aimed at

strengthening the institutional capacity of the agri-food sector and developing rural areas of Ukraine through the use of EU policy instruments and best practices (Fig. 1).



Fig. 1. Participants of the project "CEI Support to Strengthen Institutional Capacity and Performance of Ukrainian Agri-Food Sector and Rural Development Through Application of EU Policy Tools and Good Practices". (Ref.no.304.4.2023-060) – co-financed by Central Europe Initiative – Executive Secretariat CEI-ES)

In the Odesa region, the example of Izmail district, which cooperates with Tulcea county (Romania) within the framework of the Danube cross-border network, is indicative. Joint efforts have implemented projects not only in health care (mentioned above), but also in tourism and ecology – a cross-border bicycle route along the Danube was created, training was conducted for agro-estates according to the EU "green tourism" standards. This is an adaptation of the best European practice - tourism development through cluster cooperation of neighboring territories – to the conditions of Ukrainian Bessarabia. Although there is no national LEADER program yet [11], in some regions, with the support of donors, prototypes of LAG have appeared. For example, even before the war in Zakarpattia and Lviv region, local enthusiasts, with grant support from the EU, created initiative groups that united several neighboring village councils, businesses and NGOs to develop strategies for developing the micro-region.

Ukrainian rural areas are beginning to be involved in pan-European movements, such as the European Network for Rural Development (ENRD) or the Smart Villages network. Some communities have already applied to participate in Smart Villages pilots, a concept promoted by the EU that involves digitalisation and innovation in rural areas (distance education, telemedicine, e-commerce for farmers).

In general, successful adaptation cases show that Ukrainian communities are ready to learn and apply European methods if there is support and resources. They show how the efficiency of local governance increases and people's quality of life improves when best practices are implemented – be it transparent budgeting, joint planning, or international cooperation. Of course, these examples are still isolated. The task is to spread them systemically, making them the norm throughout the country.

Based on the analysis conducted, specific recommendations can be formulated for adapting the CAP policy and EU practices to the needs of Ukrainian territorial communities:

1. Develop and adopt a national rural development strategy harmonised with the CAP. It is necessary to officially approve the Strategy for the Development of Agriculture and Rural Areas until 2030, taking into account the CAP goals. It should include measures to support small farmers, develop non-agricultural businesses in rural areas, improve rural infrastructure and the quality of services. The strategy will ensure a long-term vision and consistency of actions by different government bodies.

2. Create institutional conditions for participation in CAP instruments. It is necessary to accelerate the adoption of draft law No. 13202 [12] and related acts to establish CAP institutions in Ukraine, accredit the Payments Agency, and implement IACS and monitoring systems. This guarantees readiness to receive support from CAP/IPARD and transparent resource management.

3. Strengthen the Ministry of Agrarian Policy and the Ministry of Community Development in terms of coordinating rural development issues (so that there is no gap between agrarian and regional policy).

4. Launch the national LEADER program. Pilot the LEADER approach already in the status of a candidate country. The ministries (of agrarian policy and community development), together with donor projects, should initiate the creation of local action groups in each region. To do this, it is necessary to legally consolidate the status of LAGS, the criteria for their formation (requirements for the "community-business-NGO" partnership), and provide for financing, for example, through a separate subsidy or a competition of rural development projects. This step will allow Ukraine to have an operating LAG network by accession, capable of immediately mastering 5% of EAFRD funds. In the short term, this will provide an influx of donor grants to communities and teach them the approach.

5. Expand training and advisory programs at the local level. The limited awareness of EU opportunities among rural leaders is a serious barrier. It is necessary to scale up rural advisory services (based on existing rural business development centres or new offices in communities), similar to the European Farm Advisory Services. In cooperation with universities and associations, such services should train farmers and community specialists in preparing grant projects, EU requirements for product quality, environmental standards, etc.

6. Provide communities with access to financial resources for development. At the national level, it is worth creating a co-financing fund for EU projects for local authorities. One of the problems with community participation in EU grants is the co-financing requirements (usually 10-25% of the amount) and the need for prepayment, which is difficult for poor communities. Establish an institution through which the state would cover part of the co-financing or provide interest-free loans. In parallel, renew and increase targeted subventions for rural development (for example, a separate line for supporting agricultural enterprises in communities, developing rural infrastructure, etc.). In the context of post-war recovery, priority financing of rural projects can also be carried out through the Regional Development Fund, but with a quota for rural communities.

7. Stimulate economic development and diversification at the local level. We recommend that communities actively use models that have been successful in the EU: create agricultural cooperatives for joint marketing of products and purchasing of resources (in the EU, cooperation is the basis of the agricultural economy), develop non-agricultural businesses (green tourism, folk crafts, care services for the elderly, etc.), improve the territory to attract tourists and investors. The central government should support these initiatives legally and financially: simplify the taxation of cooperatives, provide grants for the creation of family farms, continue land reform (open the land market with guarantees for small farmers). A diverse rural economy increases the resilience of communities to crises and is in line with the CAP goal of creating jobs and maintaining the viability of rural areas.

8. Implement sustainable development approaches and "green" practices. European trends include climate-neutral agriculture, organic production, and the preservation of ecosystems. It makes sense for Ukrainian communities to focus on these priorities now.

9. It is necessary to create an information system for monitoring the development of regions and communities in Ukraine – this task has already been recorded in government plans. Such a geoinformation portal with open data on the socio-economic indicators of each community will help track the effectiveness of the implementation of specific initiatives. It is also worth establishing an annual competition for the best local development practices (similar to what the Council of Europe holds), with nominations for implementing European approaches. The winners – communities that have demonstrated success in LEADER-like initiatives, attracting investment, innovations – should receive public recognition and additional support. This will create healthy competition and accelerate the dissemination of successful experience.

In conclusion, adapting the CAP policy and European management methods to the needs of Ukrainian territorial communities is a multifaceted task that requires simultaneous efforts at the national and local levels. The EU is already integrating Ukraine into its rural agenda through candidate status, funding for preparation for the CAP, and inclusion in cooperation programs. It is necessary to eliminate gaps in rural development policy, activate communities and equip them with knowledge, create financial conditions for growth. The experience of Eastern European countries that have gone this way shows that the correct adaptation of the CAP brings tangible benefits to rural communities – employment and income grow, people stop leaving their native places. For Ukraine, where 42% of territorial communities are rural, the country's food security and sustainability depend on the village's state; the successful integration of European practices is not an academic goal, but an urgent need. Combining European principles and Ukrainian realities, it is possible to ensure the balanced development of all regions, strengthen the ability of communities to respond to modern challenges, and bring Ukraine closer to European living standards on each of its farms and each village.

It is also worth emphasising that the proposed measures for institutional strengthening, integration of CAP instruments and local capacity development are already receiving support from international partners. In particular, in 2024–2025, the project "CEI Support to Strengthen Institutional Capacity and Performance of Ukrainian Agri-Food Sector and Rural Development Through Application of EU Policy Tools and Good Practices", co-financed by the Central European Initiative (CEI-ES), is being implemented. The project aims to adapt European rural development policies and practices to Ukrainian conditions, develop competencies at the national and local levels, and support the integration of the LEADER approach and other CAP elements.

Such initiatives serve as an important resource for preparing Ukrainian communities for future participation in EU structures and mechanisms and confirm the relevance of the steps proposed in this article.

**Conclusions.** This article demonstrates that adopting the EU's Common Agricultural Policy, particularly its rural development instruments and the LEADER approach, to Ukrainian territorial communities is timely and necessary. The CAP offers a strategic model that goes beyond subsidies – it supports community-led initiatives, sustainability, and balanced territorial growth. Ukraine's rural communities face significant economic, institutional, and demographic challenges and possess real development potential. The current policy and administrative framework is insufficient to engage with EU instruments like IPARD or LEADER fully. Therefore, institutional reforms, co-financing mechanisms, and stronger local capacities are critical. Pilot projects and international support – including the CEI-funded initiative – show that such adaptation is underway. Scaling these efforts will allow Ukraine to integrate more effectively into EU structures and improve rural resilience and governance in practice.

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