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**Pathway to economic resilience through agribusiness in near-frontline rural
communities of Southern Ukraine**

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ABSTRACT

Abstract. This study examines how local self-government bodies (LSGBs) can support agribusiness to enhance the economic resilience of rural communities amid active armed conflict. Drawing on budget data analysis (OpenBudget, 2020-2025) and 16 semi-structured interviews across seven frontline communities in Mykolaiv Oblast, the study finds that the link between agricultural production and community fiscal sustainability is indirect, mediated by LSGBs' institutional capacity. The most effective actions available under current conditions are informational and organizational: proactive mediation between farmers and donors, and targeted support in navigating grant programs. These low-resource interventions improve farm-level revenues and indirectly strengthen the community's fiscal position.

Keywords: economic resilience, local governments, agribusiness, post-war recovery, Mykolaiv Oblast, fiscal decentralization, rural communities.

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INTRODUCTION

Rural communities in southern Ukraine have found themselves under simultaneous pressure from multiple crises. Russia's full-scale invasion, which began in February 2022, caused direct material damage: destroyed infrastructure, devastated agricultural capacity, and forced population displacement. In Mykolaiv Oblast alone, direct damage was estimated at \$5.6 billion as of the end of 2023, with overall reconstruction needs reaching \$14.2 billion (Government of Ukraine et al., 2024). Alongside direct losses, the invasion has exacerbated pre-existing structural vulnerabilities: population outflow, dependence on central government transfers, and insufficient economic diversification.

For most rural communities in the Mykolaiv region, agricultural production is the primary - and often the only - real sector of the local economy. This defines the central question of the study: how can local governments support agribusiness development to enhance community economic resilience?

The study approaches this question through three sub-questions. First: is agribusiness a significant source of own-source revenue for the communities studied, and what is its actual fiscal contribution? Second: what operational challenges do agricultural producers face under active conflict? Third: how do local governments interact with agribusiness on their territory, and what real levers of influence do they have? It is in answering the third question that the study's principal findings emerge - the most effective and realistic actions available to local governments are informational and organizational rather than fiscal or capital-intensive.

The study uses an exploratory design and combines secondary analysis of OpenBudget budget data (2020-2025) with 16 semi-structured interviews across seven frontline communities in Mykolaiv Oblast. Comparative material from Kherson Oblast is included to highlight common patterns and regional specifics. The Mykolaiv region was selected due to its frontline location and high concentration of agricultural communities without an alternative economic base.

The study is structured as follows. The literature review outlines the academic debate on community economic resilience, the role of agribusiness, and local government tools for supporting local development. The research context describes the agricultural sector and fiscal dynamics of the study communities. The methodology section describes the study design and data collection. The results section presents four complementary components: a secondary analysis of budget data, a profile of the agricultural sector structure, a qualitative analysis of operational challenges and institutional interactions drawn from interviews, and an assessment of institutional barriers to LSGB-agribusiness cooperation. The conclusions outline realistic courses of action for local governments and identify directions for further research.

LITERATURE REVIEW

Economic resilience at the community level

Economic resilience-the ability of a system to maintain key functions amid external shocks and reorganize economic activity under new conditions-is an established concept in regional economics and economic geography. Early concepts focused on a system's ability to return to a state of equilibrium after a shock. However, this approach has been criticized: it assumes the existence of a desirable state of equilibrium, whereas for communities undergoing structural transformations-such as armed conflict, depopulation, or climate change-a return to pre-invasion conditions may be both impossible and undesirable (Martin & Sunley, 2015). A more productive approach is to understand resilience as the ability to adapt to new conditions, where the key operational dimension is fiscal self-sufficiency-the ability to generate one's own revenue independently of central government transfers.

Empirical studies of Ukrainian communities confirm the relevance of this approach to the wartime context. An analysis of the institutional resilience of over a thousand communities under conditions of a full-scale invasion showed that the share of own-source revenues in total community revenues is one of the most robust predictors of local self-government's ability to maintain functionality (Rabinovych et al., 2024). At the same time, that study also notes an important distinction: urban communities demonstrate greater resilience across most indicators due to a more diversified economic base and higher administrative capacity. For rural communities, where the economic base is narrower, the question of which sectors constitute it and how resilient they are to shocks becomes critically important.

An analysis of communities' budget resilience during the war reveals significant variation even among communities with similar pre-invasion fiscal bases (Pidubnyi et al., 2024). This variation correlates not only with the volume of productive activity in the area but also with the quality of local administration-specifically, with the effectiveness of administering the existing tax base. Thus, fiscal resilience is the result of the interaction of two factors: the structure of the local economy and the community's institutional capacity.

Agribusiness in the Rural Economy: Contributions and Limitations

Agribusiness has traditionally played a key role in the economies of Ukraine's rural communities. According to pre-invasion data, the agri-food sector accounted for about 10% of the country's GDP, provided employment for over 20% of the workforce, and the share of agri-food exports in total exports rose from 11% in 2001 to about 40% in 2019 (Nivievskyi et al., 2021). At the level of rural communities, this contribution is even more concentrated: land resources and agricultural production remain the backbone of the local economy in areas where alternative sectors are virtually nonexistent. At the same time, agricultural policy in Ukraine has traditionally focused on supporting large- and medium-scale production at the macro level, leaving the issue of the agricultural sector's fiscal contribution at the level of specific communities outside the scope of systematic attention.

The full-scale invasion has significantly altered the operating conditions for agribusiness. The mining of farmland, the destruction of grain elevators and irrigation infrastructure, the disruption of logistics chains, and the reduction in the labor force have led to a significant drop in production. The total losses and damages to the agricultural sector from the war exceeded \$80 billion (Nivievskyi & Neyter, 2024). National statistics, however, mask significant regional variations. The Bashtanka and Mykolaiv districts have been hardest hit by the conflict within Mykolaiv Oblast-with mass population displacement, the closure of enterprises in the manufacturing and agricultural sectors, and the direct consequences of the destruction of the Kakhovka Hydroelectric Power Plant on irrigation infrastructure (IFC/World Bank, 2023). For communities, this means not only a decline in economic activity but also a narrowing of the tax base-precisely at a time when the need for local resources is growing.

Local Governments and Support for Agribusiness

The question of the role of local authorities in supporting economic development is well-established in the literature on local self-government. Geographical proximity between government and business creates conditions for support that is better adapted to local needs: local authorities have a better understanding of the specificities of producers in their territory and have an incentive to seek solutions, as the results are visible to voters (Rodríguez-Pose & Crescenzi, 2008). At the same time, the effectiveness of this influence depends significantly on the quality of the institutional environment: in communities with low administrative capacity, available instruments are often not used or are applied in a non-transparent manner (Charron et al., 2013).

The 2014–2020 decentralization reform formally expanded the powers of Ukrainian communities in the sphere of local economic development. Research shows that the decentralized governance system played a significant role in ensuring communities' resilience to war-related shocks—thanks to mechanisms for leveraging local knowledge, mobilizing resources, and supporting local innovations (Keudel & Huss, 2024). At the same time, the expansion of formal powers is not always accompanied by a corresponding increase in institutional capacity, especially in rural communities with limited human resources. In the context of active hostilities, this problem intensifies: local authorities shift their focus to humanitarian and security functions, while issues of strategic support for agricultural production take a back seat.

An analysis of measures to support the agricultural sector in Ukraine shows that the bulk of the discussion takes place at the macro level: it concerns state agricultural policy, crop insurance programs, customs regulation, and access to credit (OECD, 2025). The Ministry of Agrarian Policy, international organizations, and major industry associations are the main actors shaping the agenda. The community level is virtually absent from this discussion: the question of what exactly local governments can and do to support agribusiness in their territories remains largely unaddressed in the literature.

Social Significance

The issue explored in this study has not only an academic but also a practical dimension. Ukraine's post-war recovery strategy, supported by international partners, consistently identifies fiscal decentralization and the strengthening of local self-government capacity as key conditions for sustainable recovery (OECD, 2025). For communities that have felt the direct impact of hostilities and have a predominantly agrarian economic structure, agribusiness remains the only realistic local resource in the short term. Understanding whether and how local authorities can contribute to its development is a practical prerequisite for developing informed decisions in the field of local development amid active conflict.

International partners have defined Ukraine's recovery as a structural, rather than merely humanitarian, process, in which local self-government is a full-fledged actor, not merely an executor. The Ukraine Recovery Conferences (London 2023, Berlin 2024, Rome 2025) consistently affirm decentralization as a prerequisite for sustainable recovery and emphasize the need to strengthen the financial capacity of communities (Ukraine Recovery

Conference, 2024). The recommendations of the European Alliance of Cities and Regions for the reconstruction of Ukraine explicitly point to the need for decentralization of resources and the delineation of competences between levels of government as a condition for effective recovery (European Committee of the Regions, 2024).

Research Gap

The existing academic and analytical discussion provides a good description of the state of Ukraine's agricultural sector under wartime conditions, the fiscal dynamics of communities, and the general framework of local economic development. It also convincingly demonstrates that fiscal self-sufficiency and the quality of local governance are significant predictors of resilience. However, these lines of research leave unanswered the question of mechanism: how does the presence of agribusiness in a given area translate-or fail to translate-into fiscal and social outcomes for the community. The link between agribusiness and sustainability is not direct: it is mediated by the institutional environment-the capacity of local authorities to administer the existing base, attract external resources, and create conditions for the development of production. It is precisely this mechanism-and specifically the role of local self-government as its key element-that remains under-researched. Analysis has focused primarily on the national and sectoral levels, whereas the level of a specific community, with its actual practices of interaction between local authorities and agricultural producers, is the subject of this study.

ANALYTICAL FRAMEWORK

Conceptualization

The central concept of the study is community economic resilience. In this work, it is defined as a community's ability to sustain key economic functions amid external shocks and adapt to new operating conditions without necessarily returning to a pre-invasion state. This is an adaptive, rather than an equilibrium, understanding of resilience (Martin & Sunley, 2015), which is more suitable for a wartime context where the previous state may be both unattainable and undesirable.

The study measures resilience through one observable indicator: how much of a community's budget it generates on its own, without relying on central government transfers. This share of own-source revenues is available through OpenBudget's open

budget data for each community and year, and is functionally significant - a community with a higher share has greater financial autonomy to respond to local needs. Importantly, fiscal self-sufficiency serves here as a diagnostic lens rather than the study's endpoint. The budget analysis establishes that agribusiness is fiscally relevant in the study communities; the qualitative analysis then examines the mechanism through which local governments can strengthen that relevance - which, as the fieldwork showed, operates primarily through informational and organizational channels rather than fiscal or regulatory ones.

The second key concept is local government support tools for agribusiness. These refer to the set of formal and informal actions by local authorities that directly or indirectly influence the operating conditions of agricultural producers: from setting tax rates and allocating land plots to mediating between farmers and donors and establishing municipal enterprises.

Theoretical Framework

The theoretical expectation of the study is that the relationship between the presence of agribusiness and a community's fiscal sustainability is indirect rather than direct. Agribusiness forms a potential fiscal base through land payments, the single tax, and personal income tax on employees. However, the extent to which this potential is realized depends on the institutional environment: the capacity of local governments to administer the existing base, document losses, attract external resources, and create conditions for the development of production.

In practice, this means local governments act as connectors - linking farmers who need support with donors and programs that can provide it. Under active conflict, this function becomes especially important: producers have limited capacity to navigate external support systems on their own, while donor organizations need local partners with institutional legitimacy to operate effectively.

The study does not formulate testable hypotheses about the strength or direction of the relationship between variables-which is consistent with the exploratory design. Instead, it seeks to determine whether this mechanism exists in the communities under study and in what form it manifests.

The third concept requiring operationalization is agribusiness as an analytical unit. In the qualitative part of the study, the focus is on commercial farms ranging in size from 200 to 1,600 hectares, located and registered within the study communities, which specialize primarily in growing oilseeds and grains under a model of harvesting and direct sale of the crop. It is this category of producers that is represented in the qualitative sample: they are sufficiently integrated into the market to navigate the broader sectoral context, and at the same time sufficiently local to have direct experience interacting with local

government bodies. Alongside this core group, the analysis also accounts for agricultural holdings and unregistered individual farms-primarily through secondary data and respondents' indirect estimates-since their fiscal and social impact on the community is structurally significant even in the absence of direct representation in the sample.

RESEARCH CONTEXT

Mykolaiv Oblast

Mykolaiv Oblast is located in southern Ukraine and has traditionally been one of the country's most agriculture-oriented regions. The oblast covers approximately 24,600 square kilometers of steppe terrain with a significant expanse of land suitable for agriculture. Prior to the full-scale invasion, the population was approximately 1.1 million people, of whom over 30% lived in rural areas (State Statistics Service of Ukraine, 2021). The region specialized in growing grains, sunflowers, and vegetables-crops that form the basis of both the domestic food market and export potential. The economic structure of the regional center differed significantly from that of rural and small-town communities, where agricultural production was and remains the dominant economic activity.

The 2015–2020 decentralization reform changed the budgetary architecture of local self-government in the region. Communities received a larger share of revenues from land tax, the single tax, and personal income tax, making their own revenues directly dependent on the volume of local economic activity. For rural communities with a dominant agricultural sector, this meant that the fiscal base began to reflect the dynamics of land use and leasehold relations on agricultural land. At the same time, administrative capacity remained uneven: a number of communities never built up sufficient managerial capacity to effectively utilize their new powers (Rabinovych et al., 2024).

The full-scale invasion of 2022 inflicted significant damage on the Mykolaiv region. The region was under partial occupation from March to November 2022 and remains in a frontline location. Direct damage from destruction is estimated at \$5.6 billion, total losses at \$11.1 billion, and overall reconstruction needs at \$14.2 billion as of the end of 2023 (Government of Ukraine et al., 2024). The agricultural sector was among the hardest hit: the mining of farmland, the destruction of irrigation infrastructure-particularly as a result

of the bombing of the Kakhovka Hydroelectric Power Plant in June 2023-and the disruption of logistics chains have significantly limited the region's production capacity. Total losses and damages to Ukraine's agricultural sector from the war exceeded \$80 billion (Nivievskyi & Neyter, 2024), and frontline regions, including the Mykolaiv Oblast, bear a disproportionately larger share of this burden. According to the State Statistics Service of Ukraine, the region lost up to 50% of its key crop yields in 2022 compared to pre-invasion levels (State Statistics Service of Ukraine, 2022).

It is in this context that the question arises regarding the role of local authorities in supporting agricultural production. Most rural and settlement communities in the Mykolaiv region lack alternative sectors capable of replacing agribusiness as the foundation of their own revenues. At the same time, some fiscal data-specifically regarding the taxation of land that is de facto cultivated but legally in an undefined status due to landmines-may underestimate actual economic activity. A detailed analysis of fiscal dynamics and the interaction between local self-government bodies and agribusiness for each of the communities studied is presented in the results section.

The study sample consists of seven communities in the Bashtanka and Mykolaiv districts of Mykolaiv Oblast. Below is a brief profile of each, providing insight into the nature of the community regarding the issues most relevant to the analysis: agricultural structure, demographic situation, fiscal capacity, and the impact of hostilities. The data are based on official development strategies and community social profiles

Initial Conditions of the Studied Communities

Agricultural Resource Base and Climate Vulnerability

The communities under study have a distinctly agrarian spatial profile. In most of them, agricultural land constitutes the majority of the territory, and arable land is the dominant form of land use. The share of agricultural land in the total area of the communities ranges from 77 to 92%. This explains why agriculture remains the main economic foundation of the communities.

At the same time, climate vulnerability is consistent across all communities: annual precipitation ranges from 322 to 450 mm, with a dry climate; the conclusion of the strategies is that "stable harvests are possible only on irrigated lands." The destruction of the Kakhovka Hydroelectric Power Plant (June 2023) critically limited access to the

Ingulets Irrigation System for most communities where it operated. Due to droughts, the loss or damage of irrigation infrastructure, climate instability, and high dependence on a few crops, agricultural specialization serves as both a source of income and a source of vulnerability.

Table 1. Land resources and demographic trends (based on the 2024–2025 development strategies)

Community	Agricultural land (ha)	Arable land (ha)	Share of agriculture (%)	Population before the invasion	Population 2024–2025	Reduction
Bashtanka	62,990	n/a	81.4	23,146	20,024	–13.5% (from 2017)
Halytsynivska	24,092	n/a	77.4	9,000	6,300	–30.0%
Shevchenkivska	47,017	n/a	91.1	16,000	11,287	–29.5%
Shyrokivska	n/a	n/a	n/a	3,602	1,832	–49.1%*
Berezhnevatska	113,558	93,465	89.9	18,734	15,901	–15.1%
Novobuzka	36,234	30,605	89.2	18,178	18,500 (estimate)	–4%
Snihirivska	56,918	49,972	89.6	21,054	15,469	–26.5%

*Sources: Community Development Strategies for 2024–2025 n/a - data not available. * Shyrokivska: based on official registration data from the UNHCR/SSS Social Passport, April 2025. Bashtanka –13.5% - decrease from the level at the time of the community's formation in 2017.*

Demographic decline as a constraint on development

All seven communities show a population decline-ranging from ~4% (Novobuzka, stabilized due to IDPs) to 49% (Shyrokivska-according to official registration data). A common feature noted in all strategies: an increase in the proportion of people aged 60+ and a decline in the youth population. In Snihirivska, the share of people aged 60+ increased from 23% to 36% between 2022 and 2025. Bashtanka and Berezhnevatska note that depopulation began before the invasion: Bashtanka lost 13.5% of its population compared to the level at the time of the community's formation in 2017, while Berezhnevatska lost 18.7% between 2001 and 2022. Demographic decline and population aging directly impact the labor market in the agricultural sector-the labor shortage is structural, not cyclical.

Raw-material-based agricultural model and limited economic diversification

The key economic challenge facing the communities studied lies not only in their dependence on agriculture, but also in the fact that this dependence is largely of a raw material nature. In many cases, communities produce agricultural goods but lack sufficient infrastructure for their storage, post-harvest handling, processing, and sale with higher added value. As a result, a significant portion of the economic benefit flows outside the communities. Processing infrastructure is either destroyed or absent in the vast majority of communities.

Outside of agriculture, economic activity in communities is largely limited to the public sector, trade, small-scale services, transportation, public utilities, and select industrial assets. Formally, diversification exists, but in most communities it does not create an alternative economic base capable of replacing or significantly balancing the agricultural sector.

The Berezhnivska, Novobuzka, and Shyrokivska communities are closer to a raw material-based agricultural model.

In addition to agricultural activities, the Bashtanka community serves as an administrative and service center. A structural blow to the community's economy was the shutdown of the Bashtanka cheese factory (~450 jobs) and the Yavkivsky grain elevator following the start of the invasion. The Halytsynivska community benefits from its proximity to Mykolaiv, transport accessibility, and the presence of industrial enterprises, but the war has limited the use of this potential. The Shevchenkivska community has revenue-generating food industry enterprises, notably "Sandora" and enterprises of the Agrofusion group. Three processing enterprises account for about 60% of personal income tax (PIT) revenues.

Fiscal Dynamics: Own Revenues and Transfers (2020–2025)

A key indicator of fiscal self-sufficiency is the share of own revenues in total revenues—it shows the extent to which a community can finance itself without relying on central government transfers. In the pre-invasion period (2020–2021), six of the seven communities studied had this indicator in the range of 49–61%—a relatively uniform starting point. The only outlier was Halytsynivska, with 81%, driven not by the agricultural sector but by a local mining and processing plant.

Table 2. Share of own revenues in total revenues, %

Community	2020	2021	2022	2023	2024	2025
Bashtanka	60.5	53.7	69.9	79.5	71.0	68.7
Halytsynivska	81.2	81.0	81.2	40.8	43.7	45.5
Shevchenkivska	52.6	59.2	56.5	56.2	67.4	72.8
Shyroktivska	56.8	48.6	41.2	33.7	58.7	63.1
Berezhnivatska	52.6	54.2	55.5	49.5	57.5	57.9
Novobuzka	51.0	49.8	57.1	60.2	61.9	64.6
Snihirivska	56.6	54.4	42.3	48.2	55.2	58.9

Own-source revenues = total revenues – official transfers. Source: OpenBudget, author's calculations.

After 2022, the trajectories diverge. Halytsynivska shows the most dramatic decline: the share of own revenues fell to 40.8% in 2023-the only instance in the sample where a community fell below the 50% threshold-and remains at 45–46% in 2024–2025. The reason is not a reduction in own-source revenues in absolute terms, but a sharp increase in transfers: from 35 million UAH in 2021 to 154 million UAH in 2024. Shyroktivska and Snihirivska also temporarily fell below the threshold in 2022–2023 but recovered by 2025. Bashtanka and Shevchenkivska showed steady growth and reached the highest figures in the sample by 2024–2025.

The agricultural sector's fiscal contribution: what is measured and what remains unmeasured

Determining the agricultural sector's share of a municipality's own-source revenues is a methodologically complex task. OpenBudget's budget reporting does not provide for sectoral attribution of revenues-data are recorded by type of payment rather than by the payer's sector. This means that agricultural revenues can be directly identified only for certain items, while personal income tax-which accounted for 52–77% of own revenues in the pre-invasion period-remains sectorally opaque.

Net Agricultural Index

The net agricultural index is the sum of five revenue items directly related to agricultural land use: the single tax of Group 4 (ST4), land tax on legal entities, land rent

from legal entities, land tax on individuals, and land rent from individuals. This represents a conservative lower bound for the direct agricultural contribution.

Table 3. Net Agricultural Index, in millions of UAH

Community	2020	2021	2022	2023	2024	2025
Bashtanka	25.4	26.9	16.0	26.7	38.3	51.1
Halytsynivska	6.5	6.9	3.1	5.3	7.5	9.7
Shevchenkivska	9.1	15.4	6.2	10.0	19.1	20.5
Shyrokivska	5.6	6.1	2.6	4.8	6.6	8.3
Berezhniovatska	11.7	29.5	16.0	19.5	40.6	43.7
Novobuzka	12.3	14.3	10.9	20.1	17.7	22.5
Snihirivska	24.9	21.2	8.1	11.9	22.1	24.6

Net agricultural index = ST4 + land tax for legal entities and individuals + land rent for legal entities and individuals. Source: OpenBudget, author's calculations.

Table 4. Net agricultural index as a share of own revenues, %

Community	2020	2021	2022	2023	2024	2025
Bashtanka	22.8	21.8	8.7	9.9	15.1	18.5
Halytsynivska	5.0	4.6	2.4	7.6	6.3	7.9
Shevchenkivska	22.3	17.0	9.0	8.9	13.0	11.2
Shyrokivska	31.0	28.9	29.2	34.8	17.5	16.8
Berezhniovatska	26.0	30.6	18.0	20.1	28.2	26.8
Novobuzka	18.7	18.3	13.1	17.4	13.5	13.6
Snihirivska	24.9	17.8	14.1	9.0	13.3	11.4

The figures for 2022–2024 are underestimated due to exemptions from agricultural taxes under wartime legislation. The benchmark for comparison is 2020–2021 and 2025. Source: author's calculations based on OpenBudget.

In the pre-invasion period, the net agricultural index ranged from 5% of own revenues (Halytsynivska-where the Ministry of Agriculture and Food dominated fiscally) to 29–31% (Shyrokivska and Berezhniovatska). The sharp drop in 2022–2023 reflects a regulatory decision: under wartime legislation, agricultural producers were granted the right to exemption or a significant reduction in key agricultural tax rates. The recovery in 2024–2025 is a general trend.

What remains unmeasured: PIT and its agri-fiscal component

PIT is the dominant component of own-source revenues in all communities and cannot be broken down by sector at the level of standard budget reporting. The actual share of the agricultural sector is higher than the net agricultural index-but by exactly how much depends on the employment structure of the specific community.

The Shevchenkivska hromada's strategy allows for a partial assessment of the agri-fiscal contribution, which is unavailable for other communities in the sample. If we sum the net agri-index and PIT from identified agribusiness enterprises-agricultural production and food processing-we get ~38.7% of own-source revenues. However, this figure is the lower limit even within Shevchenkivska: the top 10 taxpayers account for only 83% of personal income tax, while the remaining 17%-about 320 sole proprietors and legal entities-are not included in the calculation. Given the community's employment structure (45% in the agricultural sector), these likely include individual farmers, agricultural service providers, and machinery operators. It is impossible to determine the exact extent of this without State Tax Service data broken down by type of activity. Taking this unknown component into account, the actual share of the agricultural sector in Shevchenkivska's own revenues almost certainly exceeds 38.7%, and a figure of 50%+ is plausible-though not verified by available sources.

Table 5. Structure of Shevchenkivska TG's own revenues (2025) and assessment of the agricultural fiscal contribution

Item / Component	Million UAH	% of own	Agri-related	Source
Own revenue - TOTAL	182.8	100%	-	OpenBudget
Personal income tax (total)	83.9	45.9%	partially	OpenBudget
· Rodnychok / Agrofusion (agricultural production)	16.2	8.9%	Yes	Strategy
· Organic Systems (organic farming)	10.2	5.6%	Yes	Strategy
· Sandora / PepsiCo (food industry)	23.9	13.1%	Partial	Strategy
· Remaining ~320 taxpayers (retail, services, etc.)	33.6	18.4%	n/a	Calculation
Net agricultural index (ST4 + land + rent)	20.4	11.2%	Yes	OpenBudget
ESTIMATE conservative (agricultural index + personal income tax from agriculture)	46.8	25.6%	Yes	Calculation

Item / Component	Million UAH	% of own	Agri-related	Source
ESTIMATE (expanded) (+ personal income tax from the food industry)	70.7	38.7%	Partial	Calculation

** Top 10 taxpayers = 83% of PIT. The remaining 17% of PIT - ~320 taxpayers, among whom, given the community's employment structure (45% in the agricultural sector), a significant share is likely also linked to agricultural production - but sectoral attribution is impossible without State Tax Service data. PIT data for 10 months of 2024 (Shevchenkivska TG Strategy), extrapolated to 2025. This table is illustrative and cannot be applied to other communities.*

METHODOLOGY

The target population of the study comprises rural and small-town hromadas in frontline districts of Ukraine with a predominantly agricultural economic structure. The sample consists of seven hromadas in the Bashtanka and Mykolaiv districts of Mykolaiv Oblast, selected on three criteria: direct exposure to hostilities, reliance on agricultural production as a component of local revenue, and availability of budget data for the full analytical period (2020-2025). This is a purposive rather than a representative sample; findings describe the studied hromadas and are not intended for automatic generalization to other frontline regions.

The qualitative part of the study is based on 16 semi-structured interviews conducted in April–June 2026. Respondents comprise four groups, each of which provides a distinct perspective on the central research question.

The first group consists of representatives of local government bodies: specialists from the departments of land relations and agriculture, economic development, as well as community heads. Nine interviews were conducted—with representatives of the Bashtanka, Berezhnivska, Halytsynivska, Novobuzka, Shyroktivska, Snihirivka, and Shevchenkivska communities in Mykolaiv Oblast, as well as with a representative of the Kochubei community in Kherson Oblast as a comparative source. The second group consists of three agricultural producers managing farms of different scales (100, 200, and 1,600 hectares). All three have associational ties—through farmer associations or local council membership—giving them broader sectoral knowledge beyond their individual operations. Their perspectives are used to illuminate the production side of the LSGB-

agribusiness relationship, not to represent the full spectrum of producers in the region. The third group consists of field practitioners: an agronomist from an international agribusiness support program and representatives of an analytical and advisory organization and an international organization working with frontline communities. The fourth group represents the regional level: the deputy head of the Kherson Regional Military Administration for agricultural issues.

A complete list of the interviews conducted is provided in Table 6.

Table 6. List of interviews conducted

Organization / Community	Respondent's role	Date	Thematic focus
Shevchenkivska hromada	Community Head	May 2026	Fiscal structure, microbusiness support program, business attraction strategy, municipal enterprise model
Halytsynivska Village Council	Community Head	May 14, 2026	War-related tax exemptions, landmines, compensation mechanism
Berezhnevatska hromada	Department of Economic Development and Agriculture	May 27, 2026	Information gap regarding the Local Self-Government System, interaction with farmers, grant support
Novobuzka hromada	Department of Land Relations and Agriculture	May 27, 2026	Functions of the Agriculture Department, farmer structure, State Agency for Agrarian Policy and Rural Development (DAAPR)
Snihirivska City hromada	Department of Land Relations and Agriculture	May 29, 2026	Systemic limitations of the Local Self-Government, information gap, cadastral map
Shyrokivska hromada	Department of Land Relations and Agriculture	May 29, 2026	The mediating role of local self-government, compensation mechanism, interaction with funds
Bashtanka hromada	Department of Land Relations and Agriculture	May 2026	Fiscal structure, PIT leakage, MTL (minimum tax liability), and humanitarian aid
Kochubeiivska hromada, Kherson Oblast (comparative)	Department of Land Relations and Urban Development	May 27, 2026	Small community, staff shortage, interaction with the regional administration
Berezhnevatska hromada	Head of a farming enterprise (~1,600 ha), local council member	May 29, 2026	A farmer's perspective on local self-government, the role of farmer-council members, state policy, and small business

Organization / Community	Respondent's role	Date	Thematic focus
Kherson Regional State Administration (comparative)	Deputy Head for Agricultural Issues	May 29, 2026	Regional perspective, local self-government initiatives, compensation programs, wholesale market
WFP AgriHub	Agronomist, Field Specialist	April 28, 2026	Structure of agricultural production, farm typology, assessment of institutional capacity of communities
Analytical and advisory organization and WFP	Specialists in support of frontline communities	April 2026	Mechanisms for LSGB-farmer interaction, LSGB levers, legalization of smallholder farms, processing
BRIDGES (agricultural advisory organization)	Director, PhD in Agricultural Extension	April 2026	Systemic constraints on the cooperative movement, sustainability of project initiatives, the Extension advisory service as a model (a USDA-style farm advisory network)
Analytical and advisory organization (part 2)	Specialists in supporting frontline communities	June 2026	Model of the agricultural cooperative with composition and calibration, information gap in the agricultural market, strategies for farmers' survival
Farm (~100 ha), Bereznehuvatska hromada	Farm manager (medium-sized farmer)	June 2026	Interaction with the LSGB from the perspective of a small producer, MTL, VAT, booking, processing, and logistics
Farm (~200 ha), Bashtanka hromada	Farm manager, research scientist	June 2026	Typology of farmer resilience, transaction costs, booking, role of the state registrar and lawyer in the cooperative

Note: All interviews were conducted via online meetings. The Kochubeiivska hromada and the Kherson Regional State Administration serve as comparative sources and are not included in the main sample.

The results were analyzed using thematic analysis (Braun & Clarke, 2006): in the first stage, open coding of transcripts and notes was performed to identify primary units of content; in the second stage, codes were grouped into higher-level themes with verification of their internal coherence; in the third stage, themes were compared across interviews with different groups of respondents to identify recurring patterns and deviations. In cases where respondents' positions contradicted one another, the contradictions were explicitly noted and analyzed as a separate analytical finding. No software for qualitative analysis was used.

In line with the exploratory design, the analytical focus evolved during the research process. The initial research question foregrounded fiscal self-sufficiency as the primary

outcome variable. As the interview data accumulated, however, it became clear that the more tractable and policy-relevant question concerned the specific types of LSGB actions that can improve conditions for agribusiness under active conflict - and that these actions are predominantly informational and organizational rather than fiscal or capital-intensive. This shift is reflected in the structure of the findings and the formulation of the study's conclusions.

Limitations

The study has several fundamental limitations. The sample of communities is purpose-driven and non-representative: the results describe specific communities in two districts of the Mykolaiv region and cannot be automatically generalized to other frontline regions. War-related tax exemptions significantly distort fiscal data for 2022–2024. Among the interviewed agricultural producers, only two producer respondents (managers of farms of ~100 ha and ~200 ha) plus the head of a ~1,600-ha farm who also serves as a council member-together, they cannot reflect the full spectrum of agricultural producers in the region. Finally, the study is conducted amid an ongoing active conflict, and therefore some of the described patterns may change faster than the analytical horizon allows.

RESEARCH FINDINGS

1. STRUCTURE OF THE AGRICULTURAL SECTOR IN THE STUDY AREA

Size structure of the land bank

The characteristics listed below are based on assessments by a field consultant and community officials, rather than on official registry data, to provide an understanding of the key actors in the region.

Small and medium-sized commercial farms (20–500 ha) cultivate approximately 35–38% of agricultural land. They are typically registered as sole proprietorships or LLCs, are subject to the single tax of the fourth group, and are not VAT payers. As a rule, they do not have a full set of equipment and rely on family labor.

Individual farmers (IFs)-producers not registered as business entities who operate on 2–30 hectares-cultivate about 10% of the total area, and in some communities, they account for a larger share. They are a category invisible to official statistics.

Large independent farms (500–2,000 hectares) cover about 20–30% of the total area; on average, there are 5–6 such farms in each community. They have a full set of equipment and office staff and are VAT payers.

Agricultural holdings-legally registered outside the community (Mykolaiv, Kyiv, Kryvyi Rih, Odesa)-occupy the remaining land. At least 2–3 agricultural holdings are actively operating in the study area.

An important calibration for international readers: even farms that are considered “large” in Ukraine (up to 5,000 ha) remain micro- or small enterprises by international standards. A 500-hectare farm with a yield of 3 t/ha and a price of ~\$210/t generates an annual income of about \$315,000-below the threshold for a small enterprise under the EU classification.

Sales model and logistics infrastructure

About 70% of small farmers do not have their own storage facilities and are forced to sell grain directly from the combine at rock-bottom prices-farms with their own storage facilities can store 85–90% of their harvest and wait for better prices. Prior to the full-scale invasion, up to 70% of Ukraine’s grain exports passed through the ports of Mykolaiv; logistics have now been redirected to the ports of Greater Odesa, which has significantly increased transport distances. In communities near the contact line, producers avoid storage due to security risks and sell grain immediately after harvest. Businesses registered in another locality pay a single tax at their place of registration-this constitutes a structural leakage of fiscal revenues, particularly significant in the case of agricultural holdings.

This structure directly shapes the operational challenges producers face and the levers available to local governments - which the following sections examine in turn.

2. OPERATIONAL RISKS AND CHALLENGES FOR AGRICULTURAL PRODUCERS

Pre-invasion context and starting conditions

- 2021 was a record-breaking year for Ukraine’s agricultural sector: first place in the world for sunflower oil exports, ~41% of total national exports, and about 11% of GDP. Producers who entered 2022 with accumulated resources had significantly

better chances of survival amid a full-scale invasion: *“If you performed well in 2021, you can survive the war. If not, you’re in trouble.”* Those who had taken out loans or made large investments on the eve of the conflict found themselves in the most difficult situation. (farm manager, Bashtanka hromada, June 2026)

Labor Shortage

Labor shortages are the most acute operational problem cited in all interviews. The shortage stems from several interrelated factors.

- Mobilization is reducing the available pool of machine operators and seasonal workers. Some potential employees avoid formal employment due to fears related to mobilization registration-and even an offer of a competitive salary with formal employment does not solve the problem.
- Both factors compound the long-standing pre-invasion depopulation of rural communities. The profile of a typical producer in the region is a person over 50 who has often inherited the farm. Younger producers do exist, but they are fewer in number-and mobilization affects this age group the most.
- A concrete example: on one farm with 25–27 workers, 9 are under mobilization pressure and only 8 have been successfully exempted-the enterprise operates under conditions of constant staffing uncertainty.

Access to the mechanism for reserving employees from mobilization

According to CMU Resolution No. 76 of January 27, 2023 (as amended), enterprises may obtain “critically important” status and reserve a portion of their employees from mobilization. For the agricultural sector, the industry-specific criterion is detailed in Order No. 28003 of the Ministry of Economy: a minimum of 500 hectares of officially confirmed cultivated land, as well as compliance with at least two of the general criteria of the resolution. Regional criteria are established separately by regional military administrations.

- The 500-hectare threshold effectively excludes most farms in the region, where the typical size is 60–200 hectares: **“These are unrealistic criteria for exemption. We can’t meet them. We don’t have that many hectares.”** (farm manager, Bereznehuvatska hromada, May 2026)
- The head of a farming enterprise cannot obtain a reservation for himself personally, even if he is the sole person ensuring the enterprise’s operation.

- The regional-level regulation defining local criticality criteria was issued late-which, according to respondents, complicated timely planning of staffing strategies during a critical period for seasonal work.

Financial stability and planning horizon

- The predominant strategy of farms is short-term survival rather than development: “*No one is planning anything right now.*” Long-term investments-such as soil improvement, equipment upgrades, and the introduction of new crops-are not being made. (farm manager, Bashtanka hromada, June 2026)
- Credit remains virtually inaccessible to small and medium-sized farms: commercial banks focus on large agricultural producers. Farms under 150 hectares practically do not use credit resources. An additional factor: banks assess creditworthiness based on three-year income-producers who halted or scaled back operations in 2022–2023 have effectively lost access to bank financing for an extended period.

Climate risks, loss of irrigation, and their impact on production behavior

- The average annual precipitation in the region is 330–340 mm, one of the lowest figures in Ukraine. The distribution is uneven and unpredictable. This leads to a structurally “conservative” approach to farming: producers are cautious about spending on fertilizers and chemical treatments due to the high risk of crop failure. Unlike producers in wetter regions, farmers in the south prioritize minimizing risks rather than maximizing yields.
- The dominant crops are winter wheat and sunflowers. Sunflowers are the crop with the highest climatic risk: their yield varies widely depending on precipitation and, in unfavorable years, consistently fails to pay off. Recent growing seasons have been described as unprofitable precisely because of drought.
- Some communities had access to the Ingulets Irrigation System (Snihirivka, Horokhivka, Shevchenkivka, Pervomaiska, Shyroktivka, as well as parts of Bereznehuvatska and Halytsynivka). The destruction of the Kakhovka Hydroelectric Power Plant in June 2023 and the destruction of the Kakhovka Reservoir destroyed the main source of water supply for this system. Some communities effectively lost access to irrigation, which exacerbated the climate vulnerability of farms that had previously compensated for the arid climate through irrigation.
- Given the combination of climate risks and the loss of irrigation, crop selection is driven by the tactical logic of risk minimization rather than agronomic or economic

feasibility. Some producers have shifted to growing two barley crops per year in areas where irrigation remains-a strategy that yields tangible results given the short growing season in the south.

Physical Safety on Farmland

- Unexploded ordnance and UAV debris are found on arable land. In some cases, dangerous finds are simply bypassed during cultivation. The State Emergency Service is called in only when there is an obvious active threat. Some producers carried out demining on their own.
- Critical issue: independent demining without involving official services does not provide legally valid certification of the plot as safe. Consequently, these plots do not qualify for MTL exemptions or other compensation programs for mined lands, even if they are already being cultivated. MTL (minimum tax liability) is the legally established minimum tax payment per hectare, calculated regardless of actual income.
- Some of the land has effectively been taken out of cultivation without official documentation-that is, outside of fiscal accounting and outside of any compensation mechanisms.

Grant Support and Tax Asymmetry

- International donor aid in any form (cash, equipment, seeds, fuel) is counted as the enterprise's income and can remove the farm from the fourth group of the single tax-a preferential regime for agricultural producers with an agricultural income share of $\geq 75\%$. In contrast, state payments under CMU programs (e.g., per-hectare compensation) are excluded from this calculation by law.
- For sole proprietors: grant funds are taxed at a rate of 23%. For legal entities under the general tax system: a grant spent on machinery or equipment is depreciated gradually, while its full amount is recorded as income in the year of receipt-thus, the difference between the grant and the depreciated portion is taxed as profit. These are hidden costs that producers are often unaware of in advance.
- Practical consequence: producers either avoid grant competitions or do not disclose the fact that they have received assistance-which reduces the coverage of actual beneficiaries by donor programs.

Agricultural Risk Insurance

- Until 2025, a state-run agricultural risk insurance mechanism effectively did not exist in Ukraine. Commercial insurance was also not widespread-the only quasi-insurance mechanism was corporate loyalty programs offered by large agrochemical companies.
- From 2026, Ukraine has introduced a mechanism for state subsidies of insurance premiums for agricultural producers. The outlook is cautious: the program requires partial payment from the farmer-small producers will not be able to pay on their own. *“It’s expensive. You still have to prove your case to get those insurance payouts. It doesn’t work the same way as with subsidies.”* (farm manager, Berezhniovatska hromada, June 2026)
- Meanwhile: even in cases of destroyed crops or war-related losses, the tax service continues to assess tax liabilities and initiates collection proceedings without taking into account documented losses-which indicates a lack of coordination between fiscal administration and support mechanisms for affected producers.

Processing and production of value-added products

- Processing is viewed as unrealistic under current conditions: *“I don’t see any added value in anyone. Everyone is working at their absolute limit.”* At the same time, it is identified as a key factor that enhances benefits for all parties: *“This is the threshold that immediately boosts economic impact. Processing means added value, additional jobs, and additional revenue for the budget.”* (field practitioner, analytical organization, June 2026) (farm manager, Bashtanka hromada, June 2026) This potential remains unrealized due to structural barriers.
- Structural barriers: unstable power supply (outages of 4–8 hours a day during peak season), weak logistics infrastructure, declining local demand due to depopulation, and a general focus of farms on the short term.

Informal sector: individual farms (IFs)

Individual farms (IFs) - also referred to informally as smallholder family farms - are a form of agricultural activity conducted by individuals without registration as a business entity. These producers cultivate land, grow, and sell produce, but do not file reports, do not have access to most support programs, and are not included in official statistics.

- All surveyed communities confirmed the presence of a significant segment of such producers. In some communities, they cultivate up to 30% of the land. Unregistered activity precludes access to grant, compensation, and loan programs; product sales

occur only through middlemen and at a discount; and in the event of war-related losses, it is impossible to claim compensation without documentation.

- Several communities reported a trend toward partial legalization: the introduction of the minimum tax liability (MTL) has made informal farming less financially attractive. Novobuzka described the mechanism: some smallholder farms registered their businesses after realizing that the MTL is levied regardless of registration, while official status grants access to support programs.

3. NATURE OF INTERACTION BETWEEN AGRICULTURAL PRODUCERS AND LOCAL GOVERNMENT BODIES

Functions of local self-government bodies that are actually performed

- **Mediation between farmers and external organizations** is the most common and recognized function. Local governments disseminate information about donor programs (Mercy Corps, FAO, WFP AgriHub, etc.), organize on-site meetings, and assist with application documents. “*Before the war, we knew absolutely nothing—neither about loans nor about grants. Now we have someone to turn to.*” The LSGB functions as a channel through which external organizations gain local legitimacy. (department head, Shyrokivska hromada, May 2026)
- **Documenting losses**—a commission’s on-site visit and drafting an official report. The existence of such a report is a mandatory requirement for participating in state recovery programs and for working with donors. The problem: the quality and consistency of documentation vary significantly between communities.
- **Land administration support**—preparing materials for auctions, monitoring the intended use of land, changing the designated use of plots, and overseeing lease agreements. This is the primary, ongoing focus of the relevant local government departments.

Available levers of influence

- **Land tax rates:** the local council sets them within the limits defined by the Tax Code (up to 3% of the normative monetary valuation of the plot).
- **Single tax rates for sole proprietors in the first and second groups:** set by a local council decision within the limits of specified percentages of the minimum wage.

Shevchenkivska applies 15% for sole proprietors in the second group-below the maximum-as part of an overall strategy to support small businesses.

- **Allocation of land plots and change of land use:** a strategic resource for attracting investors and stimulating production activity. For example, the Shevchenkivska community allocated 5 hectares for a developed vegetable market and a separate plot for a greenhouse complex, where it plans to install utilities at the community's expense.
- **A grant program to support microbusinesses funded by the local budget:** approximately 40 businesses applied; grants of up to 20–30 thousand UAH for generators and uninterruptible power supply systems, with payments made within a month of application. This is the only identified example of such a program in the region, implemented entirely with local funds.

The role of small local farmers for the community

- Small and medium-sized local businesses are local entities: their owners and employees live in the community, spend their earnings locally, and can respond quickly to local needs without needing approval. Documented forms of contribution: clearing roads in isolated settlements in winter, producing fuel briquettes from waste to heat homes without gas, and selling feed grain to the population at affordable prices. In wartime conditions-organizing humanitarian hubs, participating in patrols and logistics. Small and medium-sized farmers are a structural element of the community's socio-economic fabric. Their departure means not only fiscal losses but also a decline in employment, infrastructure degradation, and accelerated depopulation.

4. INSTITUTIONAL BARRIERS TO INTERACTION BETWEEN LOCAL SELF-GOVERNMENT BODIES, AGRICULTURAL PRODUCERS, AND STATE AGENCIES

Systemic lack of access to registries

Without exception, all surveyed communities reported the same problem: local governments lack access to up-to-date data on agricultural producers operating within their territories. This is a consequence of the architecture of state information systems, not the technical backwardness of the communities themselves.

- **The State Agrarian Registry (DAR)** is a digital platform through which agricultural producers register and submit applications for state support programs. Local governments are not entities within the DAR and do not have access to any of the platform's data. The community does not know who is registered, who has submitted applications, or which programs have been received-despite being the primary beneficiary of these producers' activities.
- **Government statistical reporting:** agricultural producers report to statistical agencies on planted areas, harvest yields, and financial indicators. The reports contain the code of the administrative-territorial unit, which theoretically allows for the compilation of data broken down by community. However, statistical agencies neither publish this data at the community level nor provide access to the relevant databases. With the onset of martial law, access has been further restricted.
- **The public cadastral map** is restricted for security reasons. Snihirivska uses data as of 2021, which significantly limits the accuracy of land auction planning and oversight.
- **New business registration (USR - Unified State Registry, known in Ukraine as EDR):** if a business is registered remotely via the Diya portal or in another community, the local self-government body is not automatically notified. Snihirivska: "A new farm is opening, and there is no obligation to notify us." (department head, Snihirivska hromada, May 2026) They find out "from what we see on the road" (department head, Snihirivska hromada, May 2026)

The technical solution is relatively simple: providing local government officials with a personal account in the relevant registries, granting them access to data specific to their administrative-territorial unit. This does not require new infrastructure-only an appropriate decision at the state level. Shevchenkivska has implemented a partial solution: it purchased the "Capable Community" software and signed an agreement with the State Tax Service to receive aggregated data by type of economic activity.

Without up-to-date data, local self-government bodies cannot reasonably plan their budgets, determine support priorities, or formulate well-founded requests to donors. This asymmetry confirms the systemic information constraint identified in the secondary analysis of budget data from the communities studied.

Land Tax Administration and Regulatory Barriers

- The most frequently cited regulatory barrier: despite the registration of lease agreements with the State Land Agency and the tenant's payment of the tax, land share owners continue to receive notices of alleged outstanding debt. Each time, this requires the farmer to personally visit the State Tax Service: *"I go there and file a*

stack of applications stating that the tax for this cadastral number has been paid.” (farm manager, Berezhnevatska hromada, June 2026) This happens every year.

- Lack of timely clarification of legislative changes: for example, a change in the VAT rate for a specific crop is revealed post factum, after the harvest has been delivered to the processor.
- The minimum tax is assessed even in cases of documented war-related losses and zero income-and the tax authority initiates collection without taking confirmed losses into account.

Registration and legal shortcomings at the local level

- Executing land lease agreements requires in-person visits to the Administrative Services Center in Mykolaiv. For elderly land-share owners, this is physically difficult or impossible, and remote registration is unavailable.
- Following the decentralization reform, local councils lost the authority to issue powers of attorney on-site. No adequate alternative has emerged.
- A specific need has been identified: a lawyer and a state registrar available at the community level: *“I’m willing to pay, just so I don’t have to travel. I need to tend to my field, but because of this inefficiency, my transaction costs for resolving these issues are extremely high.”* (farm manager, Bashtanka hromada, June 2026)

Lack of implementation infrastructure for state support

- The mechanism for applying for subsidies requires independent registration with the State Agency for Agrarian Policy and Rural Development (DAAPR) and submission via an electronic system-which excludes producers without digital skills. Subsidy limits are quickly exhausted. Even a well-designed program cannot be effectively implemented without an implementation infrastructure on the ground. *“The government can announce a program-but who will sit down with the farmer and help fill out the form? There is no such person.”* In the U.S., this role is fulfilled by the USDA-a network of agencies in every county. Any government program that relies solely on the producer’s initiative systematically leaves vulnerable categories of agricultural producers out of reach.

POSSIBLE INTERVENTIONS AND COURSES OF ACTION

Below is a systematic overview of potential actions by local governments to support agricultural producers, based on the collected data. An important caveat: the study has an exploratory design and relies on a limited sample-the proposed approaches are tentative and make sense under certain conditions.

1. Organizational and communication (low resource threshold)

The most accessible and underutilized lever is a proactive mediating role between donors and producers. Research data show a direct correlation between the initiative of local self-government bodies and the volume of resources that actually reach farmers. A similar practice has been observed in Kherson communities.

Regular dialogue with agricultural producers. Quarterly meetings between the head or a designated deputy and producers of various scales. The format can be off-site and informal-given the documented distrust of government offices.

A farmers' advisory council under the local government. A body without formal authority but with a regular meeting schedule. Practical value: reduces information asymmetry for both sides and enhances the legitimacy of the local government's decisions.

Designation of a dedicated agribusiness support officer. One of the most consistent findings across the sample is that farmers do not lack willingness to engage with support programs - they lack time, information, and navigational capacity to do so. A single specialist within the LSGB, with a clearly defined mandate and dedicated working hours, can address this gap directly. The role is best understood as a one-stop shop for agricultural producers in the community: a person who tracks available grant programs and funding calls and proactively informs producers about relevant opportunities; assists with the preparation and submission of grant applications; connects farmers with training, extension, and capacity-building programs offered by donors, NGOs, or state agencies; maintains an up-to-date map of producers operating in the community - registered and, where possible, unregistered; and serves as the primary institutional contact for external organizations seeking local partners for implementation. The role does not require deep agricultural expertise. What it requires is organizational capacity, consistent presence, and trust - qualities that are built through regular, non-bureaucratic interaction with producers rather than formal authority. In communities where this function currently exists informally - typically absorbed by a department head alongside competing responsibilities - its formalization, clear job description, and adequate resourcing would substantially expand reach and effectiveness.

Targeted information sessions for unregistered producers. A motivational, not punitive, approach: a comparative analysis of how much support a producer could have received in recent years if they had been registered. A fiscal incentive for the local government: a registered farming enterprise pays taxes and attracts external funding.

Involving producers in the development of the community development strategy. Without an approved strategy, it is impossible to attract external funding for most projects.

Active documentation of war-related losses. The local government should proactively ensure coverage of all producers who have suffered losses, not just those who have applied on their own. The experience of the Kherson Regional State Administration, which systematically documented losses and secured a compensation program, illustrates the direct value of this function.

2. Regulatory and Fiscal Instruments

Beyond organizational measures, local councils hold a set of regulatory and fiscal instruments that can be used to signal support for agricultural producers and incentivize business formalization.

Negotiations with businesses regarding re-registration within the community are a low-cost but fiscally significant tool. Shevchenkivska documented the result: after re-registering a single grain elevator, revenues increased by 300,000 UAH per year.

Differentiated land tax rates. A reduced rate in exchange for specific commitments from the producer (processing capacity, jobs)-when calculated correctly, this is a mechanism that is not a loss for the budget. New jobs generate personal income tax, and processing retains added value locally.

Favorable single tax rates for sole proprietors in the second group. These encourage business registration and formal employment. Shevchenkivska applies a 15% rate below the maximum-as part of an overall strategy to support small businesses.

Motivation to legalize the informal sector. Not coercion, but a comparative analysis-how much the producer has actually lost due to their informal status in monetary terms, including the difference in selling price and missed grants.

Mediation between agricultural stakeholders. For example, between large-scale farmers and beekeepers regarding the use of plant protection products (PPPs). The development of beekeeping increases crop yields through pollination-mediation is economically beneficial for everyone.

3. Community-owned business as a tool for supporting agricultural producers and fiscal diversification

One of the least utilized but potentially significant opportunities for local governments is the establishment of their own commercial business entity. Ukrainian legislation grants communities the right to create both municipal enterprises and business entities—specifically limited liability companies—with the community holding a 100% stake in the authorized capital. Both forms are legal and can be used in parallel depending on operational considerations: a business entity is more flexible in terms of attracting private or donor co-investors, while a municipal enterprise retains full direct control by the community. The key fiscal advantage of both forms is shared: the income tax of such an entity remains entirely in the local budget, rather than being distributed among the local, regional, and national levels, as is the case with private enterprises.

At the same time, the fiscal benefit to the community alone is not a sufficient justification for creating such an entity. Academic and practical discussions on the role of local governments in economic development emphasize that effective support for agribusiness does not involve replacing private initiative, but rather the removal of structural market barriers that the private sector cannot overcome on its own due to the problem of collective action or insufficient scale (Rodríguez-Pose & Crescenzi, 2008). It is through this lens that the model of a community economic association should be viewed in an agricultural context: not as a competitor to local farmers, but as a provider of infrastructure services that the market does not provide on acceptable terms.

The specific shortfall that makes this model relevant for the communities under study is linked to the lack of storage and primary processing capacity for agricultural products. According to estimates, about 70% of small and medium-sized farmers in the region do not have their own storage facilities and are forced to sell their harvest immediately after harvesting at the lowest seasonal price. This situation is structural: an individual farm of 100–300 hectares cannot recoup the cost of building its own grain silo or cold storage facility, and private market alternatives in the frontline zone have significantly decreased since 2022—some facilities have been destroyed, and others have been taken out of service due to security risks. In contrast, even short-term storage lasting two to three months can significantly improve the selling price; according to industry experts, grading vegetable crops adds at least 15% to the selling price.

A community-based business entity that provides such services on a paid but affordable basis solves several problems at once. For the farmer, it eliminates structural price imbalances and allows for selling produce during a more profitable time window. For the community, it generates operating profits that remain locally and creates jobs for local residents. At the same time, the logic of interaction is complementary, not competitive: the

enterprise does not grow the same crops as the farmer, but provides a service that the farmer lacks. This principle is fundamental and distinguishes the described model from the traditional understanding of public utilities as a predominantly subsidized sphere of social services.

Implementation Stages

The practices documented in this study allow us to outline the logic of a phased launch of such an enterprise. In the first stage, the community passes a resolution to establish the entity and raises initial capital-through a targeted development program, the transfer of existing municipal assets (land plots, unused buildings), or a combination of both approaches. Already at this stage, the charter or founding documents must include mechanisms to prevent corruption risks: full cashless transactions, a requirement to conduct procurements exceeding a specified amount through a public bidding system, and approval of the executive's salary by the community's representative body. Practice shows that supervisory boards are an ineffective control tool given the limited human resources of rural communities; independent audits and transparency of financial flows are more effective.

In the second phase, the enterprise expands its operations and becomes self-financing. Initial operations should be simple and grounded in real demand: providing storage services to farmers at prices lower than those of commercial grain elevators, yet sufficient to cover the enterprise's operating costs. Revenues from the first few seasons serve as capital for further development without placing an additional burden on the local budget.

In the third stage-diversification in line with the economic profile of the specific community. For communities with a predominance of small grain farms, grain cleaning and grading equipment is a priority. For those that have retained access to irrigation, cold storage for vegetable products is a priority. The specific choice of facility and type of service should be determined by an analysis of actual producer demand, rather than general considerations of profitability. Notably, the enterprise's customer base is not limited by the administrative boundaries of a single community: if the facility is logistically accessible to producers from neighboring communities, this only expands the potential market for services and increases the enterprise's sustainability.

Financing Model

The main practical constraint for the vast majority of the communities studied is the lack of sufficient start-up capital. Two realistic scenarios partially overcome this constraint. The first is a public-private partnership: the community contributes a land plot or an

existing building, the private partner contributes equipment or financial resources, and the profit-sharing arrangement is determined by the agreement. The community's share does not necessarily have to be a controlling one, provided the agreement ensures that its key interests are protected and management is transparent. The second scenario is co-financing with an international donor: the community provides its own contribution in kind or in cash, which sends an important signal to donor organizations. Support programs operating in frontline regions systematically prioritize projects that include community co-financing, as this increases the likelihood of operational sustainability after the grant cycle ends.

Prerequisites and Critical Constraints

The model described is context-dependent and cannot be considered a one-size-fits-all solution. Its successful implementation depends on at least four prerequisites. First, quality of management: the enterprise requires a competent manager with market-rate compensation-underpayment is a documented source of corruption risks in the practice of municipal services. Second, verification of demand prior to launch: production capacity and service offerings must align with the actual structure of producers in a specific community. Third, legal compliance in interactions with local authorities: even the sale of products to schools or hospitals requires the enterprise to participate in the relevant institutions' tender procedures, rather than a direct transfer-otherwise, even well-intentioned activities may appear to violate budget legislation. Fourth, the sustainability criterion: any enterprise configuration must be capable of functioning after external funding ends; structures that exist solely on project funds do not solve structural problems but merely postpone them.

A separate limiting factor for communities in the frontline zone is the security context. Even with a well-developed concept and confirmed interest from a potential partner, being located just a few dozen kilometers from the contact line significantly increases the perceived investment risk and makes it impossible to assume long-term financial commitments. This underscores that even the most institutionally prepared communities face constraints that go beyond their own authority and require resolution at the level of state policy.

4. Systemic constraints at the state level

A number of constraints identified in the study cannot be overcome by the efforts of a single community. Local self-government bodies can lobby through lawmakers and industry associations, but cannot resolve these issues through their own authority. Any

program that relies solely on producer initiative systematically leaves the most vulnerable part of the sector out of reach.

The information gap between local self-government bodies and agribusiness is systemic and legally determined-without a decision at the national level (access for local self-government bodies to the State Agrarian Register and the Unified State Register), any support will remain unstructured.

The compensation mechanism based on districts rather than communities systematically deprives small communities of access to support (the case of Shyroktivka during the 2024 drought).

The personal income tax mechanism based on the legal entity's place of registration rather than the actual place of work is a structural source of fiscal leakage, particularly from agricultural holdings.

The reservation threshold of 500 hectares is practically unattainable for most farmers in the region, who typically own 60–200 hectares.

Taxing international donor aid as corporate income (as opposed to government payments from the Cabinet of Ministers) undermines the effectiveness of donor programs.

Planning as a Strategic Option

Even under current adverse conditions-a restrictive investment climate, a lack of own resources, and security risks-it is advisable for communities to begin conceptualization and preparatory work in advance. This involves analyzing the demand structure among local producers, taking inventory of municipal assets and land that could potentially be utilized, and working out the legal and financial terms of a possible partnership with donors or the private sector. Such preparatory work allows the community to have a realistic concept ready for implementation the moment external conditions become more favorable. The Shevchenkivska community is an example of this very approach: a detailed concept for a grain storage facility and cold storage units exists regardless of whether it can be implemented in the near future.

A caveat should be noted regarding the use of communal lands that are not currently leased. A community-owned business entity's own production activities on such lands-for example, growing niche crops or vegetables-may be a sound decision for plots that, under current conditions, are not in demand among tenants. This allows for avoiding the idling of communal assets and begins the accumulation of capital for a future transition to a service-based model. However, this approach requires two caveats. The first concerns

market competition: if the community enters the same market with its own products as local farmers, this could undermine trust between the community and local producers-trust that is a necessary condition for any further cooperation. The second concerns the legal propriety of product distribution: even if the enterprise operates at a loss or breaks even, the free or discounted transfer of its products to public institutions-such as schools and hospitals-may automatically be classified as the misuse of budget funds. The legally correct approach is for the enterprise to participate in open tender procedures conducted by the relevant institutions on a general competitive basis.

CONCLUSIONS

The study addressed the question of how local governments can support the development of agribusiness to enhance the economic resilience of rural communities amid active armed conflict.

Fiscal contribution of the agricultural sector

The direct measurable contribution of the agricultural sector to own revenues (net agricultural index) ranges from 5% (Halytsynivska, where the Ministry of Agriculture and Food dominated fiscally) to 31% (Shyrokiivska and Berezhnivatska in the pre-invasion period). These figures represent a conservative lower bound: the actual contribution of the agricultural sector through the personal income tax (PIT) of employed workers is higher, but cannot be identified from standard budget reporting. A partial assessment for Shevchenkivska - the only community where data on top personal income tax payers by sector is available - shows that the expanded agri-fiscal contribution (agri-index + personal income tax from agriculture and food processing) accounts for at least 38.7% of own-source revenues. The available data suggest the true figure likely exceeds this; a share approaching 50% is consistent with the community's employment structure, though it cannot be confirmed without disaggregated tax data. This confirms that agribusiness is a significant-though not the sole-component of the fiscal base of the communities studied.

The mechanism linking agribusiness and sustainability

The link between the presence of agribusiness and fiscal sustainability is indeed indirect, not direct. The key mediator is the institutional capacity of local self-government bodies: communities with a more active intermediary role (Shevchenkivska, and to some extent Bashtanka) demonstrate a greater ability to maintain and develop the fiscal base compared to communities that limit themselves to passive administrative functions. However, this capacity is significantly limited by systemic information asymmetry: local self-government bodies lack access to registries of agricultural producers, which makes

structured support and sound budget planning impossible. Without up-to-date data, local self-government bodies cannot plan the budget soundly, determine support priorities, or formulate well-founded requests to donors.

Mechanism, academic contribution, and theoretical expectations

The link between agribusiness and fiscal sustainability is indirect, mediated by LSGBs' institutional capacity—confirming the study's central theoretical expectation. However, the mechanism proved narrower than anticipated: what differentiates communities in the sample is not regulatory capacity (tax rates, permits) but informational mediation—knowing which producers need support and connecting them with external resources. This finding extends Rabinovych et al. (2024) by specifying the mechanism through which institutional capacity operates, and complicates the macro-level policy discussion (OECD, 2025): even well-designed government programs cannot reach producers without on-the-ground implementation infrastructure.

Limitations of the study

The sample is purposeful and non-representative: the results describe specific communities in two districts of the Mykolaiv region and cannot be automatically generalized to other frontline regions. The farmer sample is illustrative—three producer respondents cannot reflect the full spectrum of agricultural producers in the region. War-related tax exemptions significantly distort fiscal data for 2022–2024, complicating temporal comparability. The study is conducted amid an ongoing active conflict, and some of the patterns described may change faster than the analytical horizon allows.

Areas for Further Research

The study identifies two priority areas for further analysis.

The first concerns an in-depth fiscal analysis at the level of a single community. The current study covers seven communities and is therefore limited in its level of detail for each of them. A promising approach would be a case study of a single community with a full breakdown of its fiscal structure: what share of municipal land is leased, what share is unused, and what is the potential for increasing revenue from the municipal land fund under various management scenarios. Separately, it is worth modeling how variations in locally set rates-land tax, single tax for sole proprietors in the first and second groups-affect own-source revenues under different assumptions regarding producers' registration behavior. Such an analysis will allow us to move from a qualitative typology of instruments to a quantitative assessment of their fiscal impact.

The second area of focus is a longitudinal study of the Shevchenkivska community following the launch of a business entity. Shevchenkivska is the only community in the

sample where, at the time of the study, there is a detailed concept for a profitable enterprise with an agricultural profile and confirmed interest from a potential partner. After the launch of the business entity, this community becomes a natural quasi-experiment for testing the study's central hypothesis: does the institutional activity of the local self-government-in this case, in the form of its own business entity-actually translate into measurable fiscal outcomes? Such an analysis would include the dynamics of own-source revenues before and after launch, changes in the share of agricultural tax revenue, as well as the employment effect-the number of jobs created and the corresponding personal income tax. A time horizon of three to five years after launch is the minimum required to identify sustained effects that extend beyond the initial operational period.

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