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PAPER

EUROPEAN INTEGRATION OF THE AGRICULTURAL SECTOR: WHAT CAN BE DONE TO STRENGTHEN NEGOTIATING POSITIONS?



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INTRODUCTION

As a result of Russia's full-scale invasion of Ukraine in early 2022, the process of European integration accelerated significantly, receiving positive impulses from the European Union. The launch of solidarity lanes in the spring of 2022, and later the extension of unilateral autonomous trade preferences by the European Commission, became tools for the practical intensification of European integration processes, particularly in the agri-food sector. The official granting of candidate status to Ukraine on 23 June 2022 and the starting of accession negotiations two years later, on 25 June 2024, amid the ongoing exhausting war, are critical symbolic steps that require prompt, practical actions from Ukraine to align its national agricultural legislation with the European regulatory system.

Historically, agricultural policy has been one of the most contentious aspects in almost all EU enlargement negotiations, especially when large agrarian producers such as Ukraine are involved. It is also worth noting that membership negotiations are a complex and comprehensive process in which a candidate country has to adopt EU rules and standards in numerous areas. Successful negotiations should result in an accession agreement ratified by the European Parliament and all EU member states.

The unique aspect of Ukraine's accession to the EU is that the European Union itself is facing the need for changes and reforms in the area of the EU's Common Agricultural Policy (CAP). On the one hand, some EU countries are shifting their priorities in the agri-food sector, which affects the trends in agricultural policy development at the EU level. On the other hand, the size of the Ukrainian agro-industrial complex in terms of agricultural land and the difference in the structure of production and producers also requires considering different scenarios for reforming the EU CAP and its main instruments.

Three main prerequisites are set out in the so-called “Copenhagen criteria¹” for countries applying for accession to the European Union. These prerequisites apply to all spheres of the state's political and economic structure, including the agricultural sector:

- the political criterion should ensure the stability of institutions that guarantee democracy, the rule of law, respect for human rights and protection of minorities;
- the economic criterion should be the basis for a functioning market economy and ensure the ability to influence market forces effectively and, if necessary, cope with the competitive pressures of the EU market;
- the membership criterion outlines the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union. Implementing the European community's norms, standards and policies, collectively known as the Acquis Communautaire.

¹ https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/conditions-membership/chapters-acquis_en

It is worth noting that during negotiations with the EU, all significant areas of activity relevant to future membership are subject to detailed discussion, such as general economic policy, environmental policy, agricultural policy, rule of law, etc. The Acquis negotiation topics are grouped into thematic clusters. Particularly extensive and important are negotiating Chapter 11 (Agriculture and Rural Development) and Chapter 12 (Food Security, veterinary and Phytosanitary Policy).

Thus, Ukraine faces a large workload in integrating its agro-industrial complex into the EU at all levels, from general economic and sectoral strategising to implementing each regulatory framework.

The Association4U² project report assesses the overall level of implementation of the "Agriculture and rural development" negotiating chapter as moderately prepared. However, further integration of Ukraine's agricultural sector into the EU internal market will require adopting fundamentally new market regulation approaches and developing long-term strategies.

1. STRATEGIC FRAMEWORK

In its report³ at the end of 2023, the European Commission noted that: "Ukraine remains at an early stage of preparation in the field of agriculture and rural development." The document highlights that Ukraine has made some progress, particularly in aligning its legislation with the EU Acquis. It has also launched the State Agrarian Register to register farming enterprises. However, implementing other horizontal issues of the Common Agricultural Policy (CAP) and improvements in institutional capacity have had limited success. This also applies to regional policy and the coordination of various structural instruments⁴.

The report also states that in 2024, Ukraine should focus on finalising its National Strategy for Agriculture and Rural Development for 2023-2030, supplementing the action plan for the recovery of the agricultural sector, and starting its implementation. In addition, Ukraine should continue to align its legislation with the EU Acquis in agriculture and rural development, focusing specifically on the requirements arising from the Association Agreement and strengthening institutional capacity to formulate and implement evidence-based policies.

The approach to strategy development in Ukraine differs from that in the EU, which is an obstacle to a more effective European integration process. Despite the many strategies developed in Ukraine in various areas and sectors, a significant problem is the low level of conversion and implementation. As for the domestic agricultural industry, there are currently two primary framework documents: The National Economic Strategy

² https://eu-ua.kmu.gov.ua/wp-content/uploads/Zvit_UA.pdf

³ https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_699%20Ukraine%20report.pdf

⁴ [Readiness of the ukrainian agricultural sector for the EU accession: progress and prospects](#)

for the period up to 2030⁵, approved by CMU Resolution No. 179 dated 03.03.2021, and the State Strategy for Regional Development for 2021-2027, approved by the Cabinet of Ministers of Ukraine Resolution No. 695 as of 05.08.2020⁶.

The 2030 Economic Strategy defines the tasks related to European integration and alignment with the EU's Green Deal, including decarbonising economic sectors and digitalising public administration. It sets out the unacceptable courses of action (e.g., misuse of budget funds). The expected results of the strategy include the development of innovations, the modernisation of economic sectors and the development of human capital. Additionally, this document defines the development of the agricultural sector as one of the strategic directions of economic policy, setting out the framework directions and tasks in areas covering macroeconomic policy to develop information and communication technologies. As for agricultural policy itself, the state economic strategy sets the following goals:

- implementation of incentive and advisory agricultural policy,
- providing the sector with quality infrastructure (land, irrigation systems, finance, education and science, transport, storage facilities),
- providing producers with affordable material and technical resources,
- balancing the production of high and low-margin products,
- promoting the development of processing and optimising sales on domestic and foreign markets,
- ensuring the production and export of safe and healthy agricultural and food products.

As with other strategic documents, the toolkit for achieving the set-out goals is also a question. It is worth noting that some strategies developed recently have remained at the level of drafts or not officially approved documents. Examples include the New Agrarian Policy, which was developed as part of the operation of the National Council for the Recovery of Ukraine from the Consequences of the War in 2022. However, since the process of this document's development did not comply with the provisions of the European Commission's communiqué "Ukraine relief and reconstruction", and the document itself was sharply negatively received by civil society organisations due to a violation of the principle of transparency and failure to consider the views of all stakeholders, it remained a draft⁷.

⁵ <https://zakon.rada.gov.ua/laws/show/179-2021-%D0%BF#Text>

⁶ <https://zakon.rada.gov.ua/laws/show/695-2020-%D0%BF#Text>

⁷ <https://www.kmu.gov.ua/storage/app/sites/1/recoveryrada/ua/new-agrarian-policy.pdf>

In July 2024, the Cabinet of Ministers of Ukraine approved the Food Security Strategy until 2027⁸. This document was developed as part of the National Security Strategy of Ukraine, approved by the Decree of the President of Ukraine No. 392 of 14 September 2020, and sets the following strategic goals in this field:

- ensuring the supply of the food market by promoting the sustainable development of agricultural production and food products;
- ensuring the affordability of food for all population groups in Ukraine;
- ensuring the safety component of food security.

Considering the strategy's direct relevance to Ukraine's agricultural sector, it is worth noting its relatively short-term implementation timeframe (until 2027) and the lack of references to any coordination with EU documents in the area of food security or agricultural development, as well as existing EU practices and mechanisms related to food security at the national or supranational level.

One of the most important aims of the EU's Common Agricultural Policy since its reform in 2000 has been to promote rural development. This is the second pillar of the CAP, which supports the first pillar - income support and market stabilisation by strengthening rural areas' social, environmental and economic sustainability. Overall, the significance of the rural regions within the EU's agricultural policy can be traced back to its formation over 60 years ago, as the main goals of the CAP have remained unchanged:

- increasing the productivity of the agricultural sector through promotion of technical progress;
- ensuring the rational development of agricultural production and the optimum use of production factors;
- ensuring an acceptable standard of living for people employed in agriculture, in particular by increasing their incomes;
- stabilisation of agricultural markets, protection of producers and consumers from external factors;
- ensuring that the population of the EU member states is provided with quality food at affordable prices through their local agricultural production.

The CAP contributes to sustainable rural development through three long-term objectives: promoting the competitiveness of agriculture and forestry, ensuring sustainable management of natural resources and climate action, and achieving balanced territorial development of farms and communities, including the provision and maintenance of employment.

⁸<https://zakon.rada.gov.ua/laws/show/684-2024-%D1%80?find=1&text=%D1%96%D0%BD%D1%82%D0%B5%D0%B3%D1%80%D0%B0%D1%86%D1%96%D1%8F#Text>

Ukraine started formulating a conceptual framework for rural development almost immediately after the signing of the EU-Ukraine Association Agreement, and the Government of Ukraine approved the Concept of Rural Development in September 2015⁹. Among the main goals outlined in this strategy are the diversification of economic activities in rural areas, increasing the level of real income from both agricultural and non-agricultural activities, ensuring guaranteed social standards for the rural residents, environmental protection and the preservation and restoration of natural resources, retaining the rural population as a collective of Ukrainian identity, culture, and spirituality, and aligning rural development legislation with EU standards.

This national strategy defines, among other things, such tasks as providing incentives for young farmers to stay in rural areas, protecting and preserving natural resources, preventing soil and water pollution, stimulating cooperation in the agricultural sector, improving access to finance and markets for agricultural producers, developing a system of advisory and consulting services for farmers, creating rural development projects, and establishing a rural development fund. Furthermore, it is essential to emphasise that this document strengthens the focus of agricultural policy to support rural development - improving the quality of life and well-being of the rural population.

The focus on rural development is quite understandable, as promoting equal living conditions in urban and rural areas of the EU is one of the main tasks of national ministries in EU countries, which are usually financed by both EU funds and funding from national budgets. At the same time, the European Commission approves and monitors such programmes. Still, the final decision on project selection and allocation of funds is made at the national and regional administrative levels. In Ukraine, these decisions should be made at the level of regions and territorial communities.

Additionally, it should be emphasised that each Rural Development Programme should be based on at least four of the six priorities specified at the EU¹⁰ level. These priorities include:

- transfer of knowledge and innovations in agriculture, forestry and rural areas;
- the viability and competitiveness of all types of agriculture and the promotion of innovative agricultural and forestry practices;
- proper organisation of food chains and risk management in agriculture;
- restoration, preservation and improvement of ecosystems related to agriculture and forestry;
- efficient use of resources and support for the agricultural, food and forestry sectors in their transition to a low-carbon and climate-adapted economy;
- social inclusion and economic development in rural areas.

⁹ <https://zakon.rada.gov.ua/laws/show/995-2015-%D1%80#Text>

¹⁰ https://ec.europa.eu/enrd/policy-in-action/rural-development-policy-figures/priority-focus-area-summaries_en.html

These six priorities are, in addition, broken down into eighteen more specific areas of focus and form the basis for the development of national rural development programmes. Thus, in developing their national strategies, countries choose from a list of twenty broad policy measures that can be adapted to national and regional conditions to address one or more of the priorities of the European Agricultural Fund for Rural Development (EAFRD), which finances the measures of such programs. At least 30% of funding for each Rural Development Programme must be allocated to environmental and climate change activities, with a significant portion directed through grants and annual payments to farmers who transition to more environmentally friendly farming methods. The Common Monitoring and Evaluation Framework (CMEF) monitors progress in achieving these goals. Notably, the EAFRD budget for 2021-2027 amounts to €95.5 billion¹¹.

When considering specific areas within the European integration process, special attention should be given to sanitary and phytosanitary (SPS) regulations. An effective SPS policy is a prerequisite for producing and exporting healthy and safe agricultural and food products and integrating into the EU internal market. This importance is reflected in the strategic goals and objectives set for this complex and vital sector. In this context, the Comprehensive Sanitary and Phytosanitary Measures Strategy¹² is a key guiding document for all national-level programmatic documents in the industry. This critical document was approved in early 2016 through a government directive, and the relevant measures were also included in the 2017 Action Plan for implementing the Association Agreement. As a result, obligations were being fulfilled even without the necessary changes to Annex V, which were only finalised and agreed upon with the EU towards the end of the process. However, the Comprehensive SPS Strategy was officially adopted in November 2019 at the fourth meeting of the SPS Management Subcommittee. Nevertheless, it is safe to say that Ukraine has fulfilled its obligations since 2014, when the first changes to food legislation were introduced, including introducing HACCP principles.

Special attention should also be paid to strategies and framework documents that are not directly agrarian but directly related to the agro-industrial complex. For example, such a document is Directive 2000/60/EC¹³ of 23 October 2000, better known as the Water Framework Directive (WFD). This systemic document addresses several water management tasks to ensure each water body's 'good' ecological status. Accordingly, the provisions of this Directive, as set out in the national water strategy, should be taken into account in such documents as the "Agricultural Development Strategy until 2030" or the Irrigation and "Drainage Development Strategy"¹⁴, as well as in critical legislative acts such as the Law of Ukraine "About the Organizations of Water Users and Stimulation of Hydrotechnical Land Reclamation"¹⁵.

¹¹ [How can Ukraine integrate agriculture into the EU internal market?](#)

¹² <https://zakon.rada.gov.ua/laws/show/228-2016-%D1%80#Text>

¹³ <https://eur-lex.europa.eu/eli/dir/2000/60/oj>

¹⁴ <https://zakon.rada.gov.ua/laws/show/688-2019-%D1%80#Text>

¹⁵ <https://zakon.rada.gov.ua/laws/show/2079-20?find=1&text=%D1%81%D0%BE%D1%8E%D0%B7#Text>

The "EU Soil Strategy"¹⁶ must be considered when developing relevant strategic and regulatory documents for land use. This strategy encompasses numerous aspects vital for preserving and restoring soil quality in Ukraine.

Another strategic document crucial for effectively establishing Ukraine's European integration process in its agricultural sector is the "EU Strategy on Adaptation to Climate Change"¹⁷. This strategy serves as a framework for shaping the goals of the Green Deal and the EU CAP reform, "From Farm to Fork."

Therefore, to successfully harmonise legislation with the European regulatory framework in all areas of agriculture, it is essential to begin with harmonising policies and approaches to forming sectoral and national strategies in Ukraine. Drawing on the experience of the European Union, this process should include strategic foresight involving research institutions and analytical centres, the establishment of strategic priorities with the participation of all branches of government, an initial description of initiatives in a roadmap with a detailed assessment of the potential economic, social, and environmental impacts of the planned decisions, and mandatory consultations with the public and all relevant stakeholders. The processes of political decision-making in the EU are well-documented on the European Commission's website¹⁸, and this description can serve as a foundational guide regarding the critical approaches and principles to be followed when setting goals and strategising at the national or sectoral level.

2. INSTITUTIONAL FRAMEWORK

Institutional support for forming and implementing agricultural policy, including all its pillars and components, is crucial for an effective negotiation process with the EU and further development of the agrarian sector. The institutional framework includes formal and informal institutions involved in developing the sector's "rules of the game" one way or another. For the Ukrainian agricultural sector, the system of institutions is going through a difficult path of evolution and transformation, shifting from irrelevant and outdated structures created in the Soviet Union to a modern governance system based on the principles of institution building in the European Union.

This is a challenging process, and one of the key tasks of this transformation is a systematic, sustainable and consistent approach to policy development and implementation, along with the development of relevant institutions and agencies. Since the signing of the EU-Ukraine Association Agreement, one of the most significant reforms in agricultural policy was establishing the State Service of Ukraine for Food Safety and Consumer Protection (SSUFSCP) in 2016. The new institution has consolidated the functions of food safety, sanitary and veterinary control, and consumer protection, as stipulated in Ukraine's commitments to the approximation of legislation in the field of Sanitary and Phytosanitary Measures, veterinary medicine, and food safety. The State Food and Consumer Service (SFCS) was subordinated to the Ministry of Agrarian Policy

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0699>

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2021:82:FIN>

¹⁸ https://commission.europa.eu/strategy-and-policy_en

before the Ministry's reorganisation in 2019. However, after the Ministry of Agrarian Policy was restored, the Service was transferred to the Ministry of Economy and later under the control of the Cabinet of Ministers of Ukraine (CMU). As a result, the Sanitary and Phytosanitary Measure issues are now the responsibility of three ministries: The Ministry of Economy, the Ministry of Agrarian Policy and the Ministry of Health.

In 2019, the Ukrainian system of institutions ensuring the formation and implementation of state policy in the agricultural sector was lacking sustainability and stability. In September 2019, the new government merged the Ministry of Agrarian Policy and Food with the Ministry of Economy, significantly reducing its staff and redistributing responsibilities. This move caused misunderstandings and criticism among most agricultural market participants and Ukraine's partners abroad. In addition, at the end of 2019, changes in approaches to state support for agrarian producers were announced, which were not explained in terms of long-term strategic goals or interests of the industry and its participants. Fortunately, these changes were not implemented but sparked discussions among agricultural sector stakeholders about the predictability and sustainability of Ukraine's agricultural policy in areas that directly affect agricultural producers and their decision-making.

The period without a separate central executive body responsible for developing and implementing agricultural policy was short. In December 2020, the Ministry of Agrarian Policy was restored. At the same time, it should be emphasised that the restored ministry did not regain all the functions and capabilities it had before the reorganisation. For example, the Ministry for Development of Economy, Trade and Agriculture (since May 2021, the Ministry of Economy) retains several functions related to developing the agro-industrial complex. Furthermore, the State Agency of Forest Resources was re-subordinated to the Ministry of Environmental Protection and Natural Resources.

Currently, the Ministry of Agrarian Policy and Food of Ukraine is directly subordinated to two executive bodies: the State Agency of Ukraine for the Development of Melioration, Fisheries and Food Programs, which was formed as a result of the division of the State Agency of Water Resources of Ukraine, and the State Service of Ukraine for Geodesy, Cartography and Cadastre. It is still unclear whether this distribution of powers and functions among the Central Executive Authorities in the agro-industrial complex and related sectors is sufficient. Moreover, there are ongoing discussions on changes to the structure of ministries and, accordingly, the subordination of various public services, including the optimisation of the structure of the Cabinet of Ministers of Ukraine and the reduction of the number of ministries.

Regarding horizontal issues, the Ministry of Agrarian Policy and Food (MAPF) is responsible for agriculture and rural development. The government has yet to establish or appoint a body responsible for managing and controlling public spending on agriculture, which should be independent of the Ministry. Equally critical is the issue of the vertical structure of management and control in all areas of the agricultural sector: from a single community to the relevant ministry. This system, unfortunately, has also been negatively affected by the reform of regional governments, which has resulted in the liquidation or reorganisation of separate

departments of agriculture or agro-industrial development in many regions and districts. This, in turn, has affected the functioning of agricultural policy instruments, such as data collection, the establishment of knowledge and technology transfer centres, the implementation of state support programs for farmers, and the dissemination of information about them, among other things.

The institutional framework of national agricultural policy should also include the AKIS system, the Agricultural Knowledge and Information System of the European Union, designed to facilitate the exchange of knowledge and services in the agricultural sector that supports this exchange in rural areas. This system is sometimes called the "Agricultural Knowledge and Innovation System." AKIS is a system that brings together people and organisations to facilitate mutual learning, generation, and exchange of agriculture-related technologies, knowledge, and information. The components of the AKIS system include a variety of participants from the private, public, and civil sectors related to agriculture. The system may include participants such as farmers, agricultural workers, educators, researchers, non-academic sector experts, public and independent private advisors, supply chain participants, and other stakeholders in the agricultural sector. Comparing the national AKIS systems of different state members is challenging as, in each case, they are constructed considering unique institutional, legislative, and cultural differences. However, it should be noted that in most EU countries, the public sector acts as the main coordinator for all participants within the AKIS framework and provides information, consultancy, and funding for specific programs under AKIS.

To summarise, the institutional framework in the field of agriculture and agricultural policy in Ukraine requires stability, predictability, and transparency, both in terms of the structure of institutional regulation and the organisation of the process of developing and implementing legislation and regulations.

3. INFRASTRUCTURE FRAMEWORK

First and foremost, it is essential to note that the European Union's Common Agricultural Policy (CAP) is undergoing a new phase of reform, which officially commenced in 2021. This phase is focused on improving EU agriculture's environmental and climate performance. A new tool introduced to reward farmers for adopting environmentally and climate-friendly practices is the so-called "eco-schemes." Agricultural producers must meet higher environmental and climate standards to qualify for direct payments. Currently, at least 40% of the CAP budget is allocated to climate and environmental objectives. The second key focus of the current agricultural policy reform is a more equitable distribution of financial resources allocated to European agrarian producers. Member states must redistribute a portion of direct payments to small and medium-sized farmers. Additionally, at least 3% of their national direct payments must be directed toward supporting farms established by young farmers.

All of the above payments, under the CAP's first and second components, are made through the existing monitoring and control systems, whose activities are governed by Regulation (EU) 2021/2116¹⁹. This regulation sets the rules for the financing, managing, and monitoring of agricultural policy and explicitly manages the financing rules of expenditures under the CAP.

As CES pointed out in its document on the readiness of the Ukrainian agro-industrial complex for EU accession in terms of progress achieved and prospects, one of the most ambitious tasks for Ukraine in the field of horizontal implementation of agricultural policy is the introduction of monitoring and control systems in line with EU standards. These include, first of all, the following systems:

- **IACS** (Integrated Administration and Control System) – a system used for managing and controlling the distribution of direct payments to farmers under the "first pillar" of the Common Agricultural Policy;
- **LPIS** (Land Parcel Identification System) – a component of IACS, which serves as a digital cartographic system used to identify and delineate agricultural land parcels;
- **FADN** (Farm Accountancy Data Network) (recently renamed Farm Sustainability Data Network) – a network established by the European Commission for collecting and analysing financial and economic data from farms across all EU member states.

IACS is a comprehensive system for managing and controlling the distribution of agricultural subsidies under the EU's Common Agricultural Policy (CAP). It facilitates management and monitoring and serves as a control tool for EU countries to measure the effectiveness of CAP measures (such as direct payments, rural development initiatives, and livestock support). Moreover, IACS plays a crucial role in ensuring the availability of comprehensive and comparable data across the EU.

One of the key requirements for creating a national IACS system is that EU member states must use appropriate technologies that help reduce administrative burdens and ensure efficient and effective control over CAP implementation. It is important to note that while each member state's IACS implementation has unique features, fundamental common requirements ensure a standardised approach to managing, verifying, and monitoring all agricultural activities within the CAP framework. It is worth noting that, despite the unique characteristics of IACS implementation in each EU member state, fundamental common system requirements ensure a unified approach to the management, verification, and monitoring of all actions undertaken in agricultural production within the framework of CAP instruments.

¹⁹<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021R2116-20220826&qid=1719179852086>

IACS is based on electronic databases and geographic information systems (GIS), which can store, analyse, and display information with a location reference. Implementing an IACS system must ensure that data is constantly exchanged between these electronic databases and GIS.

Article 65 of Regulation 2021/2116 sets out the systems that the IACS must include:

- Land Parcel Identification System (LPIS);
- Geo-spatial application system (GSA);
- Area Monitoring System (AMS);
- The system for identifying beneficiaries of interventions and measures;
- The control and penalty system.

Besides, each country may have additional functionality in its national software product, it is not restricted.

Of special note is the LPIS (Land Parcel Identification System), a component of IACS that serves as the primary information source in the system and is a geographic information system based on aerial or spatial photos that have been adjusted in a certain way to ensure a uniform scale and accurate geographic coordinates. This approach and geometrical image correction or orthorectification provide a detailed and accurate visual representation of the landscape that can be used for precise measurements and analysis. For the successful functioning of the agricultural parcel identification system, it is crucial to start with a clear definition of the reference parcel, which, according to Regulation 2021/2116, is a unit of agricultural area and includes arable land, perennial plantations and permanent pastures. The choice of the reference parcel model at the national level in each country is determined by factors such as historical background, natural, social and economic factors, and legal and technological perspective of the IACS systems implementation.

An important role in the IACS system is identifying each beneficiary of CAP interventions and measures. Such identification ensures consistency and accuracy of applications submitted by the same beneficiary. Accordingly, each subsidised business entity is assigned a unique identification number in the system, which is used in all applications and records related to them. This identification ensures that all data associated with a particular business entity, including personal data, farm data, application history, and compliance records, can be tracked and appropriately reconciled. Such an identification organisation helps maintain the integrity and reliability of recipient data, which is crucial for effectively managing subsidies and any other CAP measures. The EU does not specifically regulate the format of such an identification number. It could be something newly created for the IACS or an existing tool, such as a unique tax number.

Countries that joined the EU typically developed national IACS systems from scratch to comply with the requirements and standards outlined in EU legislation. The situation in Ukraine is slightly different, as the State Agrarian Register (SAR) has already been developed and piloted, containing a simplified version of some IACS components.

The issue of quality and reliable statistics at all levels are critical factors for the effective organisation of any system, whether in a particular sector or the economy as a whole. Speaking of FADN - The Farm Accountancy Data Network - a system that combines official state statistics with departmental statistics, it should be noted that this accounting system is a good tool for assessing farm incomes and the impact of specific CAP measures and interventions on their level. Conceptually, the FADN system is one of the oldest in the EU; it was launched in 1965. The original EU regulation governing the functioning of the FADN was Council Regulation 79/65/EEC²⁰, which was replaced by a new regulation - Regulation 1217/2009 of November 30, 2009²¹. The last stage of reforming the FADN system began last year with the adoption of Regulation 2023/2674²², which transformed it into the Farm Sustainability Data Network (FSDN).

The requirement to harmonise Ukrainian statistics in general and agriculture statistics in particular is stipulated by the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand (Title V, Chapter 5 Statistics, Article 355). Meanwhile, we currently have a situation where the process of adaptation of the national system of economic information, including sectoral information in the agricultural sector, to the EU requirements has many challenges, which are not solely caused by the full-scale invasion of Ukraine by the Russian Federation.

The national statistical system should be guided by the EU acquis in the field of statistics - the “Statistical Requirements Compendium”²³, in particular the Code of European Statistics, to harmonise the national statistical system with European norms and standards. Compendium of Requirements is a tool for those working with official statistics. It contains a list of European standards and regulations in all areas of statistics, including statistics in the agricultural sector (section 3.1. Statistics of agriculture, forestry and fisheries).

Various collection centres have been formed in the area of economic statistical information collection. For example, The Ministry of Finance of Ukraine, the State Statistics Service of Ukraine, the State GeoCadastre, the State Fiscal Service of Ukraine, the National Securities and Stock Market Commission, etc. Unfortunately, there is no unified methodology for business entities to prepare reporting data, which allows the receipt of unified information for use in various management, control, and reporting areas. As mentioned in the section “Institutional Framework”, over the past five years, not only the functional capacity of institutions in agricultural policy and related areas (both at the national and regional levels) has suffered, but also the agricultural statistics system. Instead of expanding the basic economic statistics required for high-quality and informed decision-making, the main statistical reporting form No. 50-sg “Report on the main economic indicators of agricultural enterprises” was shortened, and information on farm efficiency, resource use (including land and labour), the impact of budget support, etc. was removed.

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A31965R0079>

²¹ <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A32009R1217>

²² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R2674>

²³ <https://ec.europa.eu/eurostat/documents/3859598/18899414/KS-GQ-24-006-EN-N.pdf/e46c24f2-96f6-bf70-0f9d-ee08e346487b?version=1.0&t=1712755389377>

No. 2-farm statistical observation form “Main indicators of economic activity of a farm, small enterprise in agriculture” was also reduced. The reasons for this reduction are the vast amount of statistical information collected at the primary level and the intention to simplify the reporting system for business entities and reduce the bureaucratic burden. However, this has resulted in key stakeholders formulating and implementing evidence-based agricultural policy not receiving sufficient statistical information necessary for quality analysis. This exemplifies that any reform within a specific area of agriculture must be coordinated among all related sectors and policies. In this case, Ukraine needs to adjust its existing approaches to working with statistical data and implement an agricultural statistics system based solely on the principles and methodologies defined by relevant EU regulatory acts. For instance, we have not conducted integrated statistical surveys of agricultural producers or an agricultural census (which should be linked to the general population census), — a critical component of the overall EU agricultural statistics system²⁴.

4. VISIONARY FRAMEWORK: AGRICULTURE BEYOND AGRICULTURE

Establishing a comprehensive, balanced and forward-looking approach to ensure the EU’s Open Strategic Autonomy and global leadership by 2030 has become a key focus in public discussion within the EU.²⁵ Furthermore, agriculture and food security play a significant role in the future development of the EU.²⁶ This encompasses issues of social protection for the population (access to food, dietaries, reasonable pricing, ensuring sufficient supply, balancing demand in the market) as well as environmental sustainability (the role of agriculture as a balancing consumer of carbon emissions, as a source of alternative energy through biomass utilisation, and resolving land use conflicts for food versus energy needs). Additionally, it is a stimulus for developing related sectors (industry, energy, logistics, etc.). It highlights the need for clear trade policy reform (focusing on diversifying suppliers, expanding opportunities for alternative trade routes, etc.).

Another important document shaping the vision for the development of the agricultural sector in the European Union is the Strategic Dialogue on the Future of EU Agriculture²⁷, which was recently published and laid the basis for the keynote speech on the agri-food sector by the President of the European Commission Ursula von der Leyen on September 4, 2024. It is worth emphasising the main recommendations that resulted from the process of this strategic dialogue, which will form the basis for the development of future EU regulations:

- Strengthening farmers' positions in agri-food chains will entail proactive measures at both the European and national levels to enhance farmers' competitiveness, increase transparency in the agri-food chain, support collaboration, and build capacity, as well as better address issues related to unfair trading practices;

²⁴ <https://eur-lex.europa.eu/eli/reg/2018/1091/oj>

²⁵ <https://futuros.gob.es/sites/default/files/2023-09/RESILIENTEU2030.pdf>

²⁶ <https://www.consilium.europa.eu/media/70880/euco-conclusions-2122032024.pdf>

²⁷ https://agriculture.ec.europa.eu/document/download/171329ff-0f50-4fa5-946f-aea11032172e_en?filename=strategic-dialogue-report-2024_en.pdf

- The introduction of new approaches to achieve sustainable development in the sector (including benchmarking, standardisation of tools, etc.).
- Reforming the existing Common Agricultural Policy (CAP) of the EU to align it with current and future challenges, including the expansion of the community and the accession of new member states.
- Mobilizing public and private capital to finance the rapid and effective transformation of the sector and policies and to transition to sustainable practices, exemplified by the European Investment Bank Group's decision to make agriculture and bioeconomy one of its key priorities in the Strategic Roadmap for 2024-2027.
- Greater coherence between the EU's trade policy and sustainable development policy, including a review of approaches to conducting trade negotiations in agriculture and food.
- Developing and implementing policies at the level of the European Commission and member states aimed at shaping demand for balanced, less resource-intensive, and healthy diets, including tools to support further transitions to preferential consumption of plant proteins over animal proteins. This block also includes a comprehensive review of legislation regulating food labelling and the marketing of products for children.
- Improving sustainable agricultural practices, including the development of urgent, ambitious, yet realistic steps at all levels to ensure that the agricultural sector not only provides food security but also contributes to the protection and restoration of climate, ecosystems, and natural resources, including water, soil, air, biodiversity, and landscapes.
- Reduction of greenhouse gas emissions in the agricultural sector should comprise a coherent combination of strategies that include incentives and regulatory measures, including the establishment of a comprehensive methodology for establishing a greenhouse gas emissions metering system and specific targets for different types of agriculture, and define a general framework to stimulate the implementation of appropriate measures and facilitate access to investment in agriculture and rural areas in order to achieve the established emission reduction targets. It is worth noting that the report's authors consider it too early to draw any final conclusions about the potential future Emissions Trading System for agriculture and call on the European Commission to continue to work with stakeholders and experts to assess the feasibility and relevance of implementing such a system;
- Creating the preconditions for the development of sustainable livestock production in the EU requires developing a strategy regarding the role of livestock in the agricultural sector based on high-quality scientific research and consultations with all stakeholders, as well as revising legislation in the field of animal health and welfare. In addition, the report also points out the need for a regional approach to livestock development, financial instruments to support investment, and the introduction of new technologies in this sector.
- Further steps to better farmland preservation and management, promotion of water-resilient agriculture and development of innovative breeding approaches include the launch of a new European

farmland observatory, specific tools to promote agricultural adaptation to climate change and support for investments and practices to facilitate a faster transition to water-resilient and less resource-intensive agriculture. Special attention is paid to the issue of land competition between agricultural and non-agricultural uses.

- More effective and reliable risk and crisis management involves improving farmers' insurance systems and producers' access to insurance instruments, greater integration and coordination between investments, risk prevention, and insurance tools, and reforming the European Agricultural Reserve.
- Creating an attractive and diverse sector aims to accelerate the renewal of generations in the agricultural industry by creating appealing social conditions in rural areas, access to education, and equalising gender imbalances. These tasks are suggested to be laid down in the so-called “New European Rural Pact”;
- Better access to and more efficient use of knowledge and innovation in agriculture implies the crucial role of independent advisory services in this process, strengthening public-private partnerships and increasing investment in research and innovation, as well as simplifying regulatory procedures and encouraging digital opportunities to ensure that innovation benefits all actors in the food system.
- Change in governance approaches and a new culture of cooperation and collaboration: all of the above measures and objectives are part of a broader change in culture and governance that needs to be supported by a new culture of collaboration and cooperation, trust and multi-stakeholder participation among actors and institutions. In addition, the authors of the report recommend the establishment of a European Board on Agri-food (EBAF), which will serve as a platform for all stakeholders in the agri-food system to identify strategies, seek conceptual consensus on the Strategic Dialogue to make the EU's agri-food systems more sustainable and resilient.

Considering also other strategic and visionary documents of the European Commission related to ensuring the sustainability of the EU agri-food system, strategic autonomy and leadership of the community in global agri-food markets, Ukraine can strengthen its position in the EU accession negotiations by offering joint solutions aimed at achieving strategic goals using the potential of the Ukrainian agro-industrial complex. These include the following areas of potential cooperation:

- green energy and renewable sources of power in the agricultural sector;
- production of raw materials for the pharmaceutical industry and, in a broader sense, for the health industry (food additives, superfood products, etc.);
- agriculture as a key sector of the bioeconomy and circular economy;
- bio-based construction materials (e.g., insulation) from agricultural raw materials;
- production and supply of vegetable proteins, expansion of the vegetable protein base both to increase the supply of alternatives to animal proteins and to generally strengthen the trend of sustainable nutrition;
- agricultural technologies, integrated solutions for the sector;

- carbon agriculture and the use of soils as a carbon pool.

5. CONCLUSIONS, CHALLENGES, AND RECOMMENDATIONS

5.1 CONCLUSIONS AND CHALLENGES

Despite objective negative factors, such as the full-scale war, Ukraine has demonstrated further progress in adapting its national legislation to the regulatory framework of the European Union. Along with this, the expansion of bilateral trade opportunities in the agro-industrial sector, particularly thanks to the additional autonomous preferences granted by the European Commission in 2022 to support Ukrainian agricultural and food producers amid Russian aggression, has enabled domestic agricultural producers and exporters to promote their products more actively and effectively in the EU internal market, thus strengthening the practical component of European integration²⁸. However, of course, this process is not without its challenges.

According to the results of the self-screening²⁹ conducted to analyse the progress of the implementation of the EU acquis in 2023, a list of systemic challenges that impede the rapid and more effective adaptation of Ukrainian legislation to European norms was identified. Having reviewed other reports and working papers in this area, it can be stated that the main problems and challenges include:

- insufficient institutional capacity of the government authorities, which need more experts to develop the necessary legislation;
- lack of sustainability and coherence of agricultural policy and other interrelated regulatory areas;
- shortage of internal financial resources (including due to limited budgetary resources caused by the martial law) and unpredictability of planning the financing of measures related to the implementation of the CAP in Ukraine;
- the need to create new specialised institutions or bodies in some of the areas, for example, to allocate, control, monitor and report on the funding of support programmes and measures.
- the need for high-quality professional translation of EU legal acts into Ukrainian and terminological harmonisation of existing documents;
- the need for an in-depth study of EU regulations and their analysis;
- the need for systematic and sustainable professional development or general training in European integration at all levels and sectors.

²⁸ [How can Ukraine integrate agriculture into the EU internal market?](#)

²⁹ <https://eu-ua.kmu.gov.ua/wp-content/uploads/Zvit-UA.pdf>

5.2 RECOMMENDATIONS

1. Given the multilevel and multifactorial scope of work in the area of approximation of the national agricultural policy to the EU standards and practices, some of which have been discussed in this study, it is considered appropriate to create a multilevel matrix of harmonisation of Ukraine's agricultural policy with the EU CAP, taking into account the reforms in the EU itself and all levels of this process: strategic, institutional, infrastructural and sectoral (by separate sectors of the agro-industrial complex).
2. As noted above, one of the main challenges of the European integration process in the agricultural sector is the lack of domestic financial resources. On the one hand, this requires a clear and practical prioritisation of the tasks on the agenda and, on the other hand, more active allocation of additional funds through enhanced cooperation with European partners within joint projects and cooperation programmes.
3. As this material repeatedly emphasises, all levels of development and implementation of agricultural policy decisions in the European Union require the involvement and consultation of all stakeholders in the sector to take their positions into account as much as possible and ensure an inclusive approach to policymaking. This principle of inclusiveness should become a condition for all European integration processes in Ukraine.
4. The experience of EU enlargement in previous years shows that the agricultural sector is usually the most challenging and sensitive topic in negotiating and coordinating positions of existing EU member states and candidate countries. To mitigate the difficult negotiation process and find common ground in the agricultural sector, it is necessary to offer our partners in the EU countries to consider the Ukrainian agrarian sector as a strengthener of the EU's position on world markets, as a valuable component for achieving the stated strategic goals of food security, strategic leadership and autonomy in key sectors of the economy, as well as an element of the bioeconomy and green economy of the community within the framework of the existing dialogue.
5. Sustaining well-coordinated and systematic dialogue with EU colleagues and partners at all levels implies working together not only on communication and joint events on this topic but, above all, on collaborative and meaningful work of scientists, researchers, and representatives of local governments to develop solutions in various areas of agricultural policy and rural development.

5.3 NEXT STEPS

Integrating the Ukrainian agro-industrial complex into the European Union requires a long-term vision to shape clear strategic goals and objectives while also involving continuous and meticulous work. This includes specific practical steps both in developing relevant legislation and in its practical implementation, ensuring that it reaches every producer in every local community. Considering the recommendations from the self-screening process and those from the European Commission, the following steps are seen as crucial to accelerate and enhance the progress of Ukraine's agri-food sector:

- development of principles and changes in approaches to strategic planning at the national and sectoral levels, taking into account relevant EU practices with mandatory cross-sectoral coordination of strategies (for example, the goals and measures set out in the energy or transport strategy should be coordinated with the agricultural development strategy);
- transparent and inclusive use of funds and programmes that allow additional financing of European integration measures in both the public and private sectors (from the Ukraine Facility to grant programmes for producers) with a higher level of coordination;
- given the recommendations of the European Commission, a stronger focus on climate-adapted agriculture and the implementation of practices under the EU Green Deal, which, in turn, will require close cooperation at the level of the Ministries of Environmental Protection and the Ministry of Agrarian Policy and Food;
- EC recommendations to increase the level of coordination of agricultural policy measures and instruments with relevant regional policy mechanisms (i.e., closer cooperation between the Ministry of Agrarian Policy and the Ministry of Regional Development), along with better coordination of structural instruments (funds) with funding and budgetary capacities should also be taken into account.

Furthermore, all these steps and recommendations for successful European integration of the Ukrainian agro-industrial complex should be integrated into the plans for rebuilding Ukraine on the principle of “build back better”.