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FEATURES OF THE DEVELOPMENT OF THE AGRICULTURAL SECTOR OF UKRAINE'S ECONOMY IN THE CONTEXT OF EUROPEAN INTEGRATION

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FEATURES OF THE DEVELOPMENT OF THE AGRICULTURAL SECTOR OF UKRAINE'S ECONOMY IN THE CONTEXT OF EUROPEAN INTEGRATION

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ABSTRACT

Ukraine is actively taking measures to achieve an important national priority: becoming a full and active participant in global economic processes. This effort is undeniably evidenced by the implementation of the Association Agreement between Ukraine and the European Union, which assigns significant importance to cooperation in the agricultural sector and rural development. Evaluating the current challenges makes it increasingly clear that for Ukraine, European integration stands out as a key factor in ensuring success in economic, social, environmental, and other areas of cooperation within the global context.

However, on Ukraine's path to effective European integration, there is still a need to implement a range of institutional measures, particularly in terms of policy and legislative alignment. The adaptation of Ukraine to the conditions of cooperation with the EU, as outlined in the Agreement, in the agricultural sector is seen as a complex and long-term process. Nevertheless, this will undoubtedly serve as a crucial factor in the further modernization of Ukraine's agricultural economy, based on widely accepted global market principles, deepening integration processes, and founded on shared interests and values.

An important prerequisite for Ukraine's effective participation in global integration processes is the achievement of mutual understanding of state policies by the participants in international economic relations, as enshrined in national legislative acts. This involves possessing the necessary knowledge and adherence to the rules established by the WTO, other international unions, and relevant interstate agreements. It is essential to consider that various international agreements, to which the Verkhovna Rada of Ukraine has given its consent, hold higher legal authority compared to domestic legislation, according to the Constitution of Ukraine. This necessitates appropriate legal alignment with the norms and requirements enshrined in these agreements.

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8. Harmonization of Ukraine's agricultural policy with the EU in the context of European integration

Agriculture in the EU is one of the sectors of the economy where active state regulation takes place. The EU provides the highest level of protection for its agricultural producers among leading countries. Gradually, the EU is shifting its policy priorities to other areas, such as regional development, ecology, and food safety. The more than fifty years of experience in implementing the Common Agricultural Policy can be utilized by other countries striving to combine market and state mechanisms for coordinating processes in the agricultural sector.

One of the leading roles in this process is played by Ukraine's agricultural policy and the national legislation that regulates agricultural activities and food production. This is due, on the one hand, to the fact that the agricultural sector is a key branch of Ukraine’s national economy, providing a significant share of export revenues and playing a notable role in ensuring food security for other countries around the world. On the other hand, the Common Agricultural Policy (CAP) has always played a key role in shaping the Community's common internal market, being established at the level of the founding treaty of the EU, and remains one of the pillars on which the European market is built today. Therefore, the success of European integration and Ukraine’s accession to the EU depends on how quickly and effectively the agricultural policies of Ukraine and the EU are harmonized, along with the alignment of legislation developed to implement these policies [236, p. 56].

At the same time, the situation in Ukraine regarding effective European integration remains complex and chaotic. There is a deep gap not only in the content of agricultural policy but also, and perhaps more critically, in the culture of strategic planning itself. The state apparatus lacks the necessary mindset and skills to formulate and implement policy. In the agricultural sector, doubts persist about the need to align national agricultural policy with the EU’s Common Agricultural Policy (CAP), given the specific nature of Ukraine’s agricultural sector, where large businesses still hold dominant positions in both influence and information, despite the growing number of small farmers.

Leaders of a rather strong layer of traditional farms, which manage several thousand hectares of land, also take a cautious stance. This is due to the insufficient awareness within Ukraine's agricultural community about how sectoral policies are formed and implemented in the EU, as well as the European approaches to supporting agricultural sector development – particularly at a time when the sector is undergoing radical changes.

The updated CAP provides room for action for member states, and Ukraine must already:

- First, become thoroughly familiar with the content, requirements, and opportunities of the CAP;
- Second, shape its national agricultural policy in line with the CAP framework, coming as close as possible to its standards.

This analytical report represents the first attempt to acquaint Ukraine's agricultural community with the documents governing the CAP, drawing parallels between the legislative and regulatory foundations for developing agricultural sector strategies and policies in Ukraine and the EU, highlighting commonalities and differences. Ukraine needs to develop a well-crafted «roadmap» for convergence with the CAP, outlining yearly tasks and setting indicators to measure progress.

Currently, with the suspension of previous support programs and the budget replenished by external funds, this is much easier to achieve than under normal circumstances. This window of opportunity must be fully leveraged.

The Common Agricultural Policy (CAP) of the European Union is outlined in three key normative documents of the EU acquis:

1. Regulation (EU) 2021/2115 of December 2, 2021, which establishes the rules for supporting national strategic plans developed by EU member states within the framework of the CAP Strategic Plans, and is funded by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural

Development (EAFRD).

2. Regulation (EU) 2021/2116 of December 2, 2021, which pertains to the financing, management, and monitoring of the Common Agricultural Policy.

3. Regulation (EU) 2021/2117 of December 2, 2021**,** which amends and supplements Regulation (EU) 1308/2013**,** establishing a common organization of the markets for agricultural products; Regulation (EU) 1151/2012, regarding quality schemes for agricultural and food products; Regulation (EU) 251/2014**,** on the definition, description, presentation, labeling, and protection of geographical indications for aromatized wine products; and Regulation (EU) 228/2013, which establishes specific measures for agriculture in the outermost regions of the EU [237, p. 284].

Regulation (EU) 2021/2115 is of fundamental importance as it defines the content and key principles for the implementation of the EU's Common Agricultural Policy (CAP). The financial matters are mainly addressed in Regulation (EU) 2021/2116, although the general framework for funding the CAP implementation is provided in a separate section of the foundational Regulation (EU) 2021/2115. Regulation (EU) 2021/2117 includes provisions regarding changes in the status of certain products (primarily wine) within the internal market and in export operations, derived from the rules set forth in Regulation (EU) 2021/2115.

Special attention in these EU normative documents is given to ensuring compliance with international standards, such as the UN Sustainable Development Goals, the WTO Agreement on Agriculture, and core EU framework documents, such as the Treaty on the Functioning of the European Union (TFEU), and Regulation (EU) 2018/1046 of July 18, 2018, which establishes financial rules for the budgetary sphere, among others. Each regulation includes a comprehensive preamble (Regulation 2021/2115 has 144 recitals, Regulation 2021/2116 has 112 recitals, and Regulation 2021/2117 has 86 recitals), providing guidance for regulating the respective area, explaining the rationale, content, and conditions for implementing the provisions of each document.

The legislative acts governing the CAP were developed and adopted based on the principles outlined in the European Commission's Communication to the European Parliament, the Council, the European Economic and Social Committee, and the Committee of the Regions titled «The Future of Food and Farming» on November 29, 2017 [238, p. 21].

The EU's agricultural sector is one of the world's largest food producers, occupying 48% of EU land, providing jobs for 55% of the population, and remaining the most integrated food market globally. Given the sector's importance, the fundamental principles of the CAP, which aimed for the continuous development of the agricultural sector and value chains, were laid out in the Treaty establishing the EU. However, the sector remains vulnerable to natural disasters, weather extremes, price volatility, pest infestations, and diseases. It also exerts pressure on the natural environment, challenges exacerbated by climate change [4, p. 144].

As of the end of 2017, 7 million farms, which cultivated 90% of agricultural land, received direct financial support. This assistance accounted for an average of 46% of farm incomes, with the figure being even higher in some regions, ensuring stable incomes for producers. From 2014 to 2023, there was a shift in financial support toward the promotion of innovation, risk management, environmental protection, climate change mitigation, and rural community development. However, these efforts are still insufficient, and such approaches need to be further developed. In addition, the procedures for managing financial support need modernization and simplification.

The formation of the new CAP was based on public opinion research, which revealed that 64% of farmers believe the CAP should provide more incentives for environmental protection and climate change action (92% of the general population agreed). Additionally, 79% of farmers (and 53% of the general population) felt that farmers need income support through direct payments. Moreover, 96% of citizens believed that the position of primary producers within value chains should be strengthened, and 81% supported the acceleration of restructuring and innovation in the agricultural sector.

The CAP is increasingly integrated into the context of regional development. Agricultural policy must align with the UN Sustainable Development Goals and the Paris Climate Agreement, ensuring equality among member states, considering the EU 2030 Climate and Energy targets, and addressing the European Commission's proposals on land and forest management (LULUCF – Land Use, Land Use Change, and Forestry).

Given that the size of agricultural land determines the environmental and climate impact of farms, and farmers are the first to affect these areas, direct financial assistance should be linked to the size of agricultural land. Additionally, maintaining the system of direct payments is essential to ensure income stabilization for farmers through the Income Stabilisation Tool (IST), which complies with the Treaty establishing the EU and ensures the smooth operation of the internal food market.

However, the direct payment system (fair income support) needs to be improved by introducing a payment cap to mitigate its negative impact on employment, implementing a regressive payment scale based on land size, and providing targeted support to small and medium-sized farms, especially those focused solely on agriculture. Moreover, the CAP aims to increase farmers' market rewards by promoting restructuring, modernization, adoption of new technologies, digitalization, precision farming, big data usage, and clean energy deployment.

The previous experience has shown that concentrating regulation, control, auditing, and sanctions at the EU level is overly burdensome and inefficient. Therefore, moving forward, the EU should establish only the basic parameters of the Common Agricultural Policy (CAP) – policy goals, general formats for support, and basic requirements – while member states should take on more responsibility for how they achieve the set objectives and fulfill assigned tasks. Member states must conduct their own monitoring of support distribution, evaluate the effectiveness of policy implementation, and report these findings to the EU.

However, member states should not act in isolation. At the EU level, there should be a procedure for forming national strategic CAP plans by member states, considering other EU policies and financing, both from the EU (Pillar I) and at the national level (Pillar II). The European Commission will approve these national CAP strategic plans to enhance the effectiveness of goal achievement, ensure coordinated policy implementation, and create synergies. Setting detailed rules for support provision at the EU level should be avoided.

The updated CAP should promote knowledge dissemination, the introduction of innovations and digital technologies, food safety, generational renewal among farmers, the prosperity of rural areas, environmental protection, climate change mitigation, the adaptability of the agricultural sector, and fair farmer incomes. The continuation and enhancement of existing tools is expected, including the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI), the European Innovation Partnership for Water Resources, the Agricultural Knowledge and Innovation Systems (AKIS), agricultural advisory services, producer organizations, including their associations and cooperatives.

Emphasis is also placed on overcoming the investment gap observed in the agricultural sector through innovative financial instruments. This includes utilizing existing tools such as the European Fund for Strategic Investments (EFSI), the European Structural and Investment Funds (ESIF), and the European Investment Bank (EIB).

Ensuring guaranteed income for agricultural producers within the framework of the CAP has always contributed to mitigating the impact of negative factors on agricultural activities. Moreover, a number of risk management tools have been introduced, ranging from market interventions to compensation for adverse events and insurance support. The new CAP also focuses on establishing a risk management framework to address risks caused by price volatility in agricultural and food markets, crises related to the spread of animal and plant diseases, natural disasters, and the impact of climate change. For this purpose, a permanent EU-level risk management communication platform is planned to be established. The mission of this platform is to raise farmers' awareness of risk prevention and management methods. At the same time, it is necessary to develop an integrated approach to risk management, distributing responsibilities between the EU, member states, and risk management tools offered by specialized market companies, including insurance, mutual support funds, and deposit reserves.

At the new stage, the CAP must focus more on measurable results regarding resource efficiency, environmental care, and actions aimed at preventing climate change. Member states will have the competence to define a range of mandatory and voluntary measures within the framework of financing from both the EU and their own budgets (Pillars I and II) in order to best achieve the tasks set at the EU level. Support for maintaining an adequate level of income for farmers will continue to be linked to their compliance with mandatory environmental protection and climate change prevention requirements. Compliance with voluntary standards and best practices will also be financially encouraged.

An integral part of the updated CAP is also the issue of socio-economic development in rural areas (Rural Development Policy). It is expected that economic growth and increased employment levels in these areas will occur through the development of clean energy production, bio- and circular economies, and ecotourism. Special attention is given to the development of smart villages by enhancing their capacities, supporting innovation, networking, and utilizing innovative financial instruments, including those aimed at developing infrastructure, services, and skills. High hopes are placed on the «bottom-up» approach, which is particularly supported by the LEADER program (Liaison Entre Actions de Développement de l'Économie Rurale). At this new stage, more emphasis needs to be placed on achieving synergy between the EU sectoral policies related to rural areas and the coordination of funding that supports the implementation of these policies.

A central issue of the CAP is also the generational change in the agricultural sector. Its resolution is delegated to the level of member states, as issues related to inheritance, land allocation, spatial planning, and taxation are addressed there. Member states are required to include provisions for supporting young farmers in their national strategic CAP plans as a mandatory measure. Additionally, support for newly established farms is also mandatory, although countries have the freedom to determine the priorities and specifics of such support.

In response to societal demands for the safety and quality of food products, reducing the use of pesticides and antibiotics, environmental protection, and animal welfare, the updated CAP should encourage producers to adhere not only to mandatory norms and rules but also to voluntary ones. The role of the CAP also includes promoting healthy eating, combating both malnutrition and obesity, and helping agricultural producers adapt to changing consumer food preferences. Effective tools in this context are the European Institute of Innovation and Technology's Food Partnership (EIT) and the EU Food 2030 research strategy. One of the objectives of the CAP is to reduce food losses and waste, including through the development of a circular economy.

In a global context, the EU is seeking opportunities for cooperation and synergy with countries that share the CAP approaches and aim to achieve the UN Sustainable Development Goals, including eradicating poverty. Among other things, the CAP provides tools for integrating forced migrants into European society. In the international context, the CAP is also aimed at meeting the demand of international markets regarding the food preferences of the middle class and changing eating habits. The EU strives to maintain its position as a leader in the WTO; however, it holds the view that not all segments of the internal food market can withstand complete trade liberalization, and these issues should be resolved through negotiations. The EU must also be confident in the quality of the products supplied to the internal market, and therefore supports the implementation of non-tariff barriers concerning sanitary and phytosanitary measuresт [240, p. 833].

Currently, there is no clearly defined and properly approved agricultural policy in Ukraine. Until the end of 2022, the document «Concept of the State Target Program for the Development of the Agricultural Sector of the Economy for the Period up to 2022», approved by the Cabinet of Ministers of Ukraine (CMU) order №1437-r on

December 30, 2015, was in effect. There is also a law «On State Support for Agriculture», which contains general provisions that are further used as a basis for forming the regulatory framework for providing state subsidies. State subsidies by direction began to be granted in Ukraine in 2017, replacing a special VAT accounting mechanism that left this tax revenue with agricultural producers in a non-targeted manner.

Before the start of the war, state support was provided through programs aimed at subsidizing agricultural machinery and equipment produced domestically (CMU Resolution №130 of March 1, 2017), subsidizing loans (CMU Resolution №300 of April 29, 2015), supporting the development of viticulture, horticulture, and hop farming (CMU Resolution №587 of July 15, 2005), supporting livestock development and agricultural product processing (CMU Resolution №107 of February 7, 2018), and supporting farm enterprises (CMU Resolution №106 of February 7, 2018). In 2021, programs began to support the production of specific crops per unit of cultivated land (CMU Resolution №886 of August 11, 2021, with the Ministry of Agrarian Policy regularly determining and changing the list of crops – in 2021, it was buckwheat), compensation for losses from completely lost (destroyed) crops due to emergencies of a man-made or natural nature (CMU Resolution №885 of August 11, 2021), and support for potato producers (CMU Resolution №1008 of September 22, 2021). A regulatory framework for state support for agricultural product insurance is also being developed, but it remains ineffective for now.

In 2022, despite the war, the formation of a regulatory framework for state support to agricultural producers continued in areas such as support for farmers using reclaimed land and water user organizations (CMU Resolution №973 of August 30, 2022). Grant financing was introduced for businesses involved in the development of horticulture, berry growing, viticulture, and greenhouse farming (CMU Resolution №738 of June 21, 2022). There was also special support per unit of cultivated land for farmers (up to 120 hectares) and for the maintenance of cattle (up to 100 heads) (CMU Resolution №918 of August 16, 2022).

Currently, Ukraine lacks a properly formed and approved mechanism for developing national development strategies. However, there is considerable activity in this direction in practice. To gain some guidance, it is worth structuring the existing precedents and initiatives at the macroeconomic level concerning agricultural policy, rural development, and the state of legislation regarding national strategic planning.

In the field of strategic planning, the law «On State Forecasting and Development of Economic and Social Programs of Ukraine» has been in effect since 2000. It establishes principles and provides guidelines for formulating national strategic plans, although it misuses the term «forecast» instead of a more appropriate term like «strategic goal». In essence, it concerns the formation of strategic goals and the determination of ways to achieve them (in the format of economic and social development programs). In furtherance of this law, the law «On State Target Programs» was adopted in 2004. This law establishes the types and directions for formulating target programs, requirements for the programs, and procedures for their development. There are noticeable post-Soviet approaches to public administration in this law, although, with appropriate adjustments, it can be utilized adequately. Since 2011, the draft law №9407 of November 3, 2011, «On State Strategic Planning», has been under consideration in the Verkhovna Rada of Ukraine. This document reflects more modern approaches to national strategic planning, although it lacks provisions regarding sectoral policies, including agricultural policy.

The framework documents for the agricultural sector are the National Economic Strategy for the period until 2030, approved by CMU Resolution №179 of March 3, 2021, and the State Regional Development Strategy for 2021-2027, approved by CMU Resolution №695 of August 5, 2020.

The Economic Strategy 2030 outlines tasks related to Euro-integration, decarburization, and alignment with the EU Green Deal, as well as the digitalization of public administration. It establishes directions of movement that are unacceptable, including the improper use of budget funds and the deterioration of the environment.

Among the expected results are the development of innovations, modernization of sectors of the economy, and the development of human capital [6, p. 18].

The strategic course is implemented through the following directions: conducting macroeconomic policy, strengthening the principle of the rule of law, forming an appropriate regulatory environment, ensuring proper management of state and communal property, strengthening international policy and trade, improving the country's reputation in the international arena, ensuring investment attractiveness, developing information and communication technologies, sectoral industrial development, including the development of the agro-industrial sector and food industry, regional development, entrepreneurship, digital economy, cultural and holistic transformation, and improving the quality of life. All these directions and tasks serve as a framework for the formulation and implementation of agricultural policy [242, p. 343].

As for agricultural policy itself, the overall economic strategy defines the objectives of implementing stimulating and advisory agricultural policies, ensuring the sector has quality infrastructure (land, irrigation systems, finance, education and science, transport, storage facilities), providing accessible material and technical resources, balancing the production of high- and low-margin products, promoting processing development, optimizing sales in domestic and foreign markets, and ensuring the production and export of safe and healthy agricultural and food products.

The State Strategy for Regional Development until 2027 includes the establishment of a rural development fund in the national budget. However, the document contains almost no norms regarding agricultural development. It only anticipates the development of various forms of cooperation and farming, ensuring market access for small and medium-sized agricultural producers, as well as storage infrastructure; introducing new technologies and equipment for processing agricultural raw materials, and improving communication between rural entrepreneurs and local executive authorities and local self-governments [243, p. 59].

In the area of rural development, the situation looks much better than in agricultural policy. Since 2015, the Law on the Principles of State Regional Policy has been in effect. This document envisions the establishment of an effective environmental conservation system, the assessment and reduction of anthropogenic and ecological pressure, the adaptation of the regional economy and human living conditions to climate change, strengthening the resilience of territorial communities to climate, demographic, and economic challenges, and improving the material, financial, informational, staffing, and other resource support for regional development, while promoting digital transformation and digital development in the regions. In contrast, the goals for the development of the agricultural sector, agricultural and farming enterprises, processing, and the production of finished food products are not included in the strategy, and relevant business development directions are not mentioned.

Unlike the agricultural sector, a conceptual framework for rural development was successfully established in 2015. The concept of rural development was approved by a resolution of the Cabinet of Ministers of Ukraine. Specifically, it aims to diversify economic activities, increase real income levels from both agricultural and non-agricultural activities in rural areas, achieve guaranteed social standards, protect the natural environment, preserve and restore natural resources, maintain the rural population as carriers of Ukrainian identity, culture, and spirituality, and align rural development legislation with EU standards. The objectives include ensuring incentives for young farmers to stay in rural areas, protecting and conserving natural resources, preventing soil and water pollution, promoting agricultural cooperation, improving access to finance and markets, developing a consultancy system, creating rural development projects, and establishing a rural development fund. However, the most significant aspect of this document is that it shifts the focus of agricultural policy from supporting the agricultural sector to supporting rural development – improving the quality of life and economic well-being of the rural population.

In the subsequent resolution of the Cabinet of Ministers of Ukraine (CMU) №489-r dated July 19, 2017, an Action Plan for the Implementation of the Concept for

Rural Development was approved, covering the period from 2017 to 2025. The plan outlines measures aimed at improving the quality of life for the rural population, protecting and conserving natural resources, diversifying the rural economy, enhancing the management system for rural areas, and developing education and informational-consultative support. The implementation of these measures is assigned to the Ministry of Regional Development and the Ministry of Agrarian Policy in almost equal proportions.

In Ukraine, there is a practice of forming basic strategic documents. However, compared to European practices, it is more varied and less effective, and the selection of strategic priorities is sometimes made subjectively. As mentioned above, the regulatory framework for strategizing generally exists. However, it has a noticeable post-Soviet emphasis, with the paradigm of Soviet state planning and its methodological support remaining prevalent among specialists. The process of forming a modern system of public administration in Ukraine is still in its early stages, and a systematic approach is currently lacking. Despite this, based on existing legislative and regulatory acts, a unified document (possibly a code) could already be created to regulate national strategic planning, the formation of general and sectoral policies, and the introduction of tools for their implementation, including financial ones, in line with European and global practices. At the stage of acquiring EU membership, Ukraine urgently needs to accelerate the development of this area.

Particular attention needs to be paid to the issue of aligning legislative and regulatory documents with public opinion. It has already been mentioned that a worldview political document in the EU arises in response to issues identified during broad public discussions. A draft of such a document must be agreed upon with the parliaments of member states, the European Court of Auditors, the European Economic and Social Committee, and the Committee of the Regions. Only after this does it begin to move through the standard legislative procedure of the EU, which is based on a system of checks and balances and is quite slow. In Ukraine, there is also a developed legislative procedure, regulated by the Law on the Regulations of the Verkhovna Rada of Ukraine. However, the right of legislative initiative in Ukraine, according to the Constitution, is granted to the President, the Cabinet of Ministers of Ukraine, and individual members of parliament. There is no mandatory preliminary coordination of legislative proposals with the public at the legislative level, nor does it occur in practice.

Moreover, the implementation of sectoral policies in the EU (such as agricultural policy, international cooperation policy, etc.) is accompanied by the identification of financial instruments and the allocation of budgetary funds. In Ukraine, the Regulations of the Verkhovna Rada also stipulate that during the adoption of a law in the third reading, the Cabinet of Ministers presents a plan of organizational, financial, informational, and other measures aimed at implementing the law. However, in practice, the legislative procedure is reduced to the adoption of the law «in the second reading and as a whole», with the third reading often being bypassed. This is unlawful, and the issues related to compliance with and successful implementation of adopted laws are directly linked to this practice [244, p. 305].

The Common Agricultural Policy (CAP) of the EU has traditionally focused on supporting a guaranteed minimum income for agricultural enterprises, linked to 1 hectare of land. Recently, the support rates per hectare have become increasingly differentiated based on political objectives (such as the implementation of eco-schemes, climate change mitigation, animal welfare, and youth engagement, among others). In this new phase of agricultural policy, member states have gained even greater freedom in shaping incentives to achieve the set goals by differentiating the amount of payments per hectare [245, p. 55]. Overall, it is planned that by 2026, the share of payments related to sustainable development goals will reach 85%. In Ukraine, farmers are also provided with support calculated per hectare. Initially, this program applied only to farmers managing no more than 500 hectares, but in 2021, the acreage limitation was lifted, and the range of beneficiaries was expanded to include farmers with a net income of up to 20 million UAH (500,000 euros). This support is not classified as guaranteed income support and is not linked to sustainable development goals. Payment rates per hectare are not differentiated.

In addition to everything else, guaranteed income payments per hectare protect EU farmers from the consequences of adverse circumstances, ensuring financial stability for agricultural businesses. Notably, the EU has a much broader interpretation of force majeure circumstances compared to Ukraine. In addition to traditional natural disasters, destruction, and epidemics affecting animals and plants, it also includes the loss of means of production (which we refer to as raiding), the death of the owner, and the owner's professional inability to properly manage production [246, p. 53].

In Ukraine, against the backdrop of climate change, the issue of compensating for losses has become particularly urgent. In response to the sector's demands, a program for compensating losses from lost crops was introduced in 2021. This program provides for payments calculated per hectare and can be considered a certain analogue of the corresponding European instrument. However, this instrument is quite limited as it does not take into account other causes of financial losses, such as unstable market conditions [247, p. 881].

For a more radical fight against agricultural challenges in Ukraine, mechanisms for agricultural insurance with state support have been actively discussed for decades. However, a balance of interests between farmers and representatives of financial markets has still not been found, and the process of developing this area of state support for the agricultural sector is practically blocked. Recently, the EU has also raised questions about financial support for the introduction of risk management tools, discussing the implementation of an integrated approach and the distribution of functions between the EU and member states. However, this topic is addressed in the context of rural development and pertains to supporting the activities of advisory services.

Member states specify the size and conditions of support per hectare. However, they all must adhere to the rule of decreasing payments for large farms and increasing them for small ones. Countries are required to introduce regressive tax rates and establish upper limits on the number of hectares owned by a single individual for which support related to achieving the objectives is provided. In Ukraine, in the initial stages of providing state support, its funds were usually accumulated by large farms. Only recently, within the framework of the interest rate compensation program, limits on the size of subsidies have been introduced: in the livestock sector, it is 15 million UAH (375,000 euros), and for other borrowers, it is 5 million UAH (125,000 euros).

In Ukraine, the lion's share of the total amount of subsidies has recently been allocated under the bank interest rate compensation program. This is because interest rates have remained high since the times when it was necessary to halt inefficient Soviet production. The discount rate and lending rates over the years have not allowed the agricultural sector to not only develop but even maintain working capital at an adequate level. A solution to this problem was found in the form of reducing the interest rates on loans to an acceptable level for farmers by having the state pay the corresponding difference to banks. This instrument supports not so much the agricultural sector as it does the imbalances in the national financial and credit sphere [248]. However, there is no indication that the situation may change here, and one can only be reassured by the fact that in the EU, support for innovations aimed at enhancing sustainability may, among other things, be provided in the form of bank interest rate compensation. Of course, in the EU, this does not concern the subsidization of loans for replenishing working capital.

Similarly, in the EU, there has never been talk of compensating for the cost of purchased agricultural machinery. This issue has always been resolved through the availability of adequate products in the monetary and credit markets of EU countries. Although the policy of technical modernization (if it was a policy) in Ukraine was implemented quite successfully. Before the full-scale war, domestic machinery manufacturing was supported under a program for compensating the cost of equipment, and virtually all global agricultural machinery manufacturers were represented in the Ukrainian market, making it quite active.

In contrast, support for specific sectors in Ukraine is quite similar to the situation in the EU. Just as in the EU, fruit production (subsidies for plantations, storage, and processing facilities) and beekeeping are supported in Ukraine. However, national programs do not cover the production of wine, vegetables, and hops. Nevertheless, countries in the EU are gaining more opportunities to define the sectors and the extent of their support in the new cycle of agricultural policy, so the situation in the sectoral support area in Ukraine can be considered quite similar.

In EU countries, forms of subsidies can take the shape of compensation for incurred expenses, payments per unit of area or head of livestock, one-time payments, or the establishment of a single funding rate. Like our Ukrainian State Fund, member countries can establish fully or partially repayable payments. This corresponds to the situation that exists in Ukraine. That is, the CAP and Ukraine's agricultural policy are quite similar in terms of the formats for providing support.

In the EU, direct subsidies to the agricultural sector focus on supporting the solvency and income levels of farms. They have never been directed at the development of the assets of enterprises as such. Recently, there has been talk of compensating for the costs of implementing modernization programs related to asset development. However, this primarily concerns the intangible aspects – implementing eco-schemes, innovations, and technologies, which of course are also linked to updating equipment. Such programs are mainly associated with the differentiation of payment rates per hectare, rather than the cost of modernized assets. It is stated that the CAP aims to increase farmers' incomes from selling their products in markets by introducing all the aforementioned measures.

The transfer of competence to the member states in the EU is accompanied by framework requirements, which include demands for agricultural enterprises to adhere to the standards of good agricultural practices (GAEC). In Ukraine, the provision of state support is also subject to certain requirements for its recipients. However, these requirements are concentrated around proper legal status and tax discipline. The practice of linking subsidies to compliance with current legislation on food safety, environmental protection, and other issues, which are addressed within the standards and best practices, is generally absent. Moreover, at the national level, there is no even vague notion of what the national quality infrastructure should look like – while in EU countries, this topic is becoming a focal point of the common agricultural policy. Compliance with standards remains voluntary. However, it is mandatory when receiving subsidies.

In the EU, rural development policy is part of the agricultural policy, although the resources for its implementation are allocated across two budget funds: the EAGF and the EAFRD. Rural development policy focuses on issues such as clean energy production, bio- and circular economies, ecotourism, the development of smart villages, supporting innovation, networking, utilizing innovative financial instruments, providing advisory services and skills formation, supporting young farmers, and newly established enterprises. In terms of subsidies, priority is given to programmatic and compensatory forms of support. The separate LEADER program, which is funded through the EAFRD, stimulates bottom-up initiatives. Direct budget transfers from the country for rural development within the CAP are not provided [249].

Since 2015, regional development policy, which includes issues related to the development of rural areas, has progressed more successfully in Ukraine than agricultural policy. The processes of Euro-integration have been more noticeable here, while in the field of agricultural policy, there has been no mention of them at all. This is largely due to the absence of the influence of systemic, aggressively minded groups, such as large agricultural businesses in the realm of agricultural policy. Greater opportunities for Euro-integration and harmonization of national agricultural policy with the CAP currently exist in the field of regional development and the structure of state authorities that oversee it.

Trade policy is part of the CAP. The EU intends to continue its policy of protecting the internal market while ensuring a uniform level of consumer protection across all member states. Non-tariff barriers play a key role in these processes. Such barriers will cover not only the traditional sphere of sanitary and phytosanitary measures but will also extend to compliance with labor, environmental, and climate protection requirements. However, the EU emphasizes and closely monitors that such measures comply with the WTO Agreement on Agriculture. Ukraine also has a fairly clear trade policy, traditionally overseen by the Ministry of Economy. However, it pertains exclusively to the part related to quotas and tariffs. The issue of establishing or overcoming non-tariff barriers is not raised at all.

In the EU, the financing of the implementation of the CAP is carried out through two systemic funds (the European Agricultural Guarantee Fund, EAGF, and the European Agricultural Fund for Rural Development, EAFRD). In Ukraine, the overall goal is to establish a rural development fund within the budget. However, at this stage, agricultural policy is funded from both general and special budget funds, which differ in the degree of guarantee for payments. General fund measures are prioritized for financing, while special funds are financed on a residual basis. In the EU, both funds receive guaranteed funding [250, p. 18].

In the EU, there is also a practice of regulating the maximum amounts of funding for various areas. In Ukraine, there are no pre-established limits on the amount of funding for different directions. Instead, there is a practice of preliminary allocation of the total amount of subsidies across various areas and operational adjustment based on the results of budget fund expenditure.

Like in the EU, Ukraine allows for co-financing support for the agricultural sector from regional and local budgets. However, unlike the EU, such support from central authorities is not coordinated and does not aim to achieve the objectives of agricultural policy, partly due to the overall uncertainty or lack of such goals. The formation and implementation of state support programs in the regions are managed by the agricultural development departments of regional state administrations. However, there is no practice of aligning central and regional budget support programs or procedures for regional reporting to the ministry.

In the EU, the funding of the CAP is outlined in a separate regulatory document – Regulation №2021/2116. In Ukraine, there is no separate document regarding the financing of agricultural policy. The sector operates under the norms of the Budget Code, the regulatory framework governing the activities of the State Treasury (which acts as the paying agency), and the provisions regarding the payment procedures contained in the normative documents that establish the rules for state support by area. It cannot be said that the funding of agricultural policy in Ukraine is inadequately regulated. However, like the national budget system in general, it lacks several tools that would ensure targeted and effective use of funds and prevent corruption.

In particular, Ukraine lacks concepts such as accreditation and certification of bodies that carry out budget payments. The operations of the State Treasury are governed by regulations approved by the Cabinet of Ministers of Ukraine. It is stipulated that the treasury organizes its internal control independently. There are no procedures for the external evaluation of compliance of this state payment agency's activities, and such evaluations are not conducted in practice. Since 2010, Ukrainian legislation has allowed the use of international standards in accounting practices. However, assessments of the compliance of state aid providers with these standards are not carried out. The State Financial Monitoring Service of Ukraine does conduct state oversight aimed at preventing money laundering, but modern market mechanisms for ensuring compliance in the financial sector do not function effectively, just as they do not in other areas. Control remains state-run, corrupt, and ineffective.

Among the tools for monitoring fund expenditures, it is particularly important to highlight the issue of accounting for agricultural land. In the EU, significant attention is paid to the development of automated information accounting systems (for land, animals, beneficiaries of subsidies, etc.). Their integration into financial management procedures is carried out exclusively in a timely manner [251, p. 311].

In Ukraine, there is also an automated State Land Cadastre, and recently the State Agricultural Register has started operating, which records information, with data exchange facilitated through the Diya system. However, the State Tax Service of Ukraine has still been unable to establish proper land parcel accounting. Thus, financial management in Ukraine remains outside the state information systems.

In addition to the two main funds for financing the CAP in the EU, there is also an extensive network of specialized funds (EFSI, ESIF, EIB, European Social Fund Plus, Cohesion Fund, Just Transition Fund, European Maritime, Fisheries and Aquaculture Fund, Asylum, Migration and Integration Fund, EU Guarantee Fund, and InvestEU Advisory Hub), programs (HORIZON, COSME), and instruments (EIP-AGRI, AKIS, EIT, policy instruments for Financial Support for Border Management and Visa Policy). Additionally, the formation of agricultural policy is supported by specialized research institutions (Thünen, Constanța). Ukraine received partial access to some of these financial instruments (EIB, HORIZON, COSME) back in 2015. There are also special mechanisms such as IPA and IPARD for supporting countries that are in the process of EU membership. Nominally, fragments of these mechanisms exist in Ukraine: financing for research programs from the Ministry of Education and sustainable funding for the activities of the National Academy of Agrarian Sciences of Ukraine. However, this activity is usually poorly coordinated, and there is no direct link to the formulation and implementation of agricultural policy.

The practice of linking funding to the achievement of set goals through the establishment of indicators is completely absent in Ukraine. There is no legislative or regulatory document regarding the management, monitoring, reporting, and evaluation of agricultural policy implementation. There isn’t even a separate form for financial and statistical reporting on receiving state subsidies [252, p. 82]. This is at a time when a special structural section in the main EU document (Regulation №2021/2115) is dedicated to these issues. Like all other pragmatic matters, the implementation of management, monitoring, reporting, and evaluation procedures has been delegated to the level of member states.

EU legislation requires member states to take all possible measures at the legislative, regulatory, and executive levels to ensure effective protection of the EU's financial interests. This means ensuring that Community funds are working towards achieving set goals. In Ukraine, funding is not at all linked to the achievement of policy objectives (with exceptions, perhaps, concerning the political goals of certain officials and groups).

In the EU, the common agricultural policy was established at the most fundamental level – in the treaty establishing the European Union. In Ukraine, it is also worth elevating, if not agricultural policy, then strategic planning as such, to the highest constitutional level. Moreover, the status of a law, which is an instrument for implementing strategies, is precisely enshrined there. The Constitution should specify that the socio-economic development of the country is carried out based on sectoral and thematic national strategic plans, which are developed by experts based on public opinion surveys and approved in accordance with the procedure established by law.

Harmonizing legislation without harmonizing policies is not possible. After all, the law is an instrument for implementing policy; it regulates the functioning of policy objects and the relationships between its subjects. Legislative norms will never function properly without an understanding of the context of their introduction. Only after harmonizing policies should one begin to harmonize legislation. The same applies to the format of regulatory acts and the legislative approval process.

The fact that the updated CAP transfers the competence to specify agricultural policy to the level of member states gives Ukraine a chance for effective Eurointegration. The national agricultural policy should continue to evolve solely towards implementing the objectives of the EU's CAP, aligning the directions and formats of support provided to agricultural producers. Already today, it is possible and necessary to draw parallels between the tools of the CAP and the support for Ukraine's agricultural sector and align them as closely as possible.

The sphere of financing agricultural policy today does not align with EU practices not only at the level of norms and regulations but also at the level of culture. Entire blocks, such as monitoring, reporting, accreditation, certification, and evaluation, are missing. The financing sector requires a more detailed GAP analysis than what has been done in this report. Based on such an analysis, a separate roadmap for aligning Ukraine's and the EU's budget financing systems should be developed.

The task of harmonizing budget financing systems concerns all expenditure areas and goes beyond just financing state support measures for Ukraine's agricultural sector. However, it would be appropriate to implement a corresponding pilot project specifically in the agricultural sector. Already today, it would be possible to work on a block of norms regarding the financing of state support measures and to legalize them by amending the law «On State Support for Agricultural Production».

The processes of European integration in the field of rural development are progressing more intensively than in the field of agricultural policy. This is largely due to the fact that in the agricultural sector, political power is dominated by agribusinesses and other large producers. The relevant ministry prioritizes the interests of these entities, while insufficient attention is given to working with farmers.

The situation with relevant government authorities currently remains uncertain. The Ministry of Regional Policy has already been integrated with the Ministry of Infrastructure, and the Ministry of Agricultural Policy is awaiting liquidation. Against this backdrop, it makes sense to diversify the agricultural sector by concentrating the issues of large businesses, traders, and exports under the authority of entities responsible for forming and implementing agricultural policy, while focusing on policy formation for small and medium-sized agricultural businesses, as well as its innovative renewal in accordance with European standards and values, within the realm of rural development policy formation and implementation. This will help clarify the actual state of affairs and accelerate the processes of European integration in Ukraine.

Given the significance of the agricultural sector in Ukraine and the attention traditionally paid to agricultural policy in the EU, the activities aimed at defining national agricultural policy and its practical implementation should be contextualized within the framework of Ukraine's post-war reconstruction, which will occur according to the European Commission's communiqué «Ukraine Relief and Reconstruction».

To this end, it is essential to engage in negotiations with the Office of the Vice Prime Minister for European Integration and the EU Delegation in Ukraine regarding the provision of political support and technical assistance in the development of the aforementioned roadmaps for harmonizing national agricultural policy with the EU Common Agricultural Policy (CAP) and aligning the methods and instruments for financing the implementation of national agricultural policy.

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