Deregulation potential in the agricultural sector of Ukraine: A bottom-up analysis from the perspective of farms

Oleksandr Donchenko,
Ukrainian Agribusiness Club (UCAB)

Mariia Bogonas,
German-Ukrainian Agricultural Policy Dialogue (APD)

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About the Project “German-Ukrainian Agricultural Policy Dialogue” (APD)

The project German-Ukrainian Agricultural Policy Dialogue (APD) started 2006 and is supported up to 2018 by the Federal Ministry of Food and Agriculture of Germany (BMEL). On behalf of BMEL, it is carried out by the mandatory, GFA Consulting Group GmbH, and a working group consisting of IAK AGRAR CONSULTING GmbH (IAK), Leibniz-Institut für Agrarentwicklung in Transformationsökonomen (IAMO) and AFC Consultants International GmbH. Project executing organization is the Institute of Economic Research and Policy Consulting in Kyiv. The APD cooperates with the BVVG Bodenverwertungs- und -verwaltungs GmbH on the implementation of key components related to the development of an effective and transparent land administration system in Ukraine. Beneficiary of the project is the Ministry of Agrarian Policy and Food of Ukraine.

In accordance with the principles of market economy and public regulation, taking into account the potentials, arising from the EU-Ukraine Association Agreement, the project aims at supporting Ukraine in the development of sustainable agriculture, efficient processing industries and enhancing its competitiveness on the world market. With regard to the above purpose, mainly German, but also East German and international, especially EU experience are provided by APD when designing the agricultural policy framework and establishing of relevant institutions in the agriculture sector of Ukraine.

www.apd-ukraine.de

Authors:
Oleksandr Donchenko donchenko@ucab.ua
Mariia Bogonos bogonos@apd-ukraine.de

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List of abbreviations

APD  German-Ukrainian Agricultural Policy Dialogue
AVA  Agriculture Value Added
DCFTA  Deep and Comprehensive Free Trade Agreement between the EU and Ukraine
MAPF  Ministry of Agrarian Policy and Food of Ukraine
Strategy  Strategy for agriculture and rural development 2015-2020 of the Ministry of Agrarian Policy and Food of Ukraine
SSLC  State Service of Land Cadastre
SSSU  State Statistics Service of Ukraine
UCAB  Ukrainian Agribusiness Club
EU  European Union
No.  Number
UAH  Ukrainian Hrywnja (Currency)
EUR  Euro (Currency)
ha  Hectare
%  Percent
etc.  et cetera
e.g.  for example (*exemplī grātiā*)
i.e.  this is (*isto es*)

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1. Introduction

According to the Deep and Comprehensive Free Trade Agreement between the EU and Ukraine (DCFTA) and the Strategy for agriculture and rural development 2015-2020 (Strategy) of the Ministry of agrarian policy and food of Ukraine (MAPF), the agricultural sector of Ukraine is currently undergoing a comprehensive reformation. The main objectives of this process are to enhance the development of economic and social infrastructure of the agricultural sector, increase its competitiveness on the world market, improve quality of agricultural products and support sustainable use of natural resources.

One of the aspects to be dealt with within this reformation process, as stated in the Strategy, is excessive regulation of production related activities at the farm level\(^1\). A number of laws and regulations which are, to a large extent, relics of the Soviet Union’s legislation, create unnecessary disruptions in daily work of agricultural producers, increase transaction costs of their products and corrupt the primary purpose of such legislation: ensuring competent and proper agricultural practice. This statement has also been supported by the results of a pilot project on this topic (i.e., oral survey of agricultural producers) conducted earlier by the German-Ukrainian Agricultural Policy Dialogue (APD) and by a study of the World Bank on obstacles and transaction costs in agricultural business\(^2\).

Because regulatory framework at the farm level affects to a large extent efficiency and, consequently, competitiveness of agricultural producers, the current research aims at:

1) Identifying the most problematic regulatory measures, and
2) Development of proposals for improvement of the regulatory framework of the agricultural sector.

This report is organized as follows. Sections 2 and 3 describe the research methodology and regulatory measures selected for the survey. Section 4 presents the results of the survey and section 5 provides with proposals on improvement of the regulatory framework.

2. Research methodology

In order to achieve the aims of the study, survey among the agricultural producers was conducted and the responses were analyzed. Because the vast majority of the regulatory measures do not apply to rural households engaged into agricultural production and small private farms and/or the latter do not demonstrate awareness of the issues related to the existence of the regulatory measures, these two types of producers are excluded from the survey.

The agricultural producers were asked questions regarding their opinions on regulatory measures at the production level. In particular, a questionnaire with closed questions on ten selected regulatory measures and one open question on the most, according to the respondents’ opinion, troublesome regulatory measures which have not been named in the questionnaire, was developed. During the interviews the respondents had a possibility to explain their opinions, provide advice on improvement of the regulatory measures, as well as inform on the costs related to the inefficiency of the measures.

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\(^2\) The study has taken into consideration regulatory measures related to seed material, plant protection and fertilization measures, machinery etc. (World Bank (2016): Enabling the Business of Agriculture 2016: Comparing regulatory good practices, http://eba.worldbank.org/)
The interviewing was conducted in two rounds. The first round included telephone interviews. These interviews last for around 15 minutes. In the second round, several random anonymous face-to-face and telephone interviews that last from 15 to 45 minutes were conducted for receiving of in-depth information on the opinions about regulatory measures.

### 2.1. Characteristics of the sample for the 1st survey round

The number of respondents of the 1st interview round is 216. In order to design a sample that represents population of the agricultural producers, the respondents are selected according to three criteria: region, size and specialization. The quantity of respondents within region and specialization criteria corresponds to the input of these types of producers into the total agriculture value added (AVA) of Ukraine. The regions include:

1. South (Odesa, Mykolaiv, Zaporizhzhya and Kherson regions),
2. Center (Khmelnitskyi, Vinnytsya, Cherkasy, Kirovohrad, Dnipro and Poltava regions),
3. West (Chernivtsi, Ivano-Frankivsk, Zakarpattya, Lviv, Lutsk (Volyn), Rivne and Ternopil regions) and

Crimea and Donbas regions are not included in the survey. Input into the AVA of Ukraine of the producers from the South region is around 18%, from the Center – around 39%, from the West – around 17%, and from the North-East – around 26%.

The specialization criterion includes plant and animal/mixed production. Input of animal/mixed producing enterprises into the AVA is around 25%, and of plant producing enterprises – around 75%.

The size criterion includes:

1. Enterprises with less than 1.000 ha of arable land,
2. Enterprises with 1.000 – 5.000 ha of arable land and
3. Enterprises with more than 5.000 ha of arable land.

In the sample, distribution of producers according to size criterion is unbalanced with regard to the distribution of these types of producers in the entire population. Number of agricultural producers cultivating less than 1.000 ha, for example, corresponds to around 22% of the total population, whereas in the sample it corresponds to around 50% of the total number of respondents. Number of producers with more than 1.000 ha but less than 5.000 ha of land corresponds to around 46% of the total number of agricultural producers in Ukraine, whereas it corresponds to around 15% in the sample. Number of producers with more than 5.000 ha of land corresponds to around 32% of agricultural producers in Ukraine, whereas it corresponds to 35% in the sample. Such correspondence results from the limitation of the database available. Nevertheless, it is not expected to considerably influence the outcome of the study due to relevant number of respondents in each of the criterion.

Table 2.1 presents number of agricultural producers in the sample according to each of the clusterization criteria.

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Table 2.1: Number of agricultural enterprises within the clusterization criteria

<table>
<thead>
<tr>
<th>Region</th>
<th>Acreage of land cultivated</th>
<th>Specialization</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>up to 1.000 ha</td>
<td>animal/mixed production</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>1.000 – 5.000 ha</td>
<td>animal/mixed production</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>over 5.000 ha</td>
<td>animal/mixed production</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>6</td>
</tr>
<tr>
<td>Center</td>
<td>up to 1.000 ha</td>
<td>animal/mixed production</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>1.000 – 5.000 ha</td>
<td>animal/mixed production</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>over 5.000 ha</td>
<td>animal/mixed production</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>24</td>
</tr>
<tr>
<td>West</td>
<td>up to 1.000 ha</td>
<td>animal/mixed production</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>1.000 – 5.000 ha</td>
<td>animal/mixed production</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>over 5.000 ha</td>
<td>animal/mixed production</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>11</td>
</tr>
<tr>
<td>North East</td>
<td>up to 1.000 ha</td>
<td>animal/mixed production</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>1.000 – 5.000 ha</td>
<td>animal/mixed production</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>over 5.000 ha</td>
<td>animal/mixed production</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>crop production</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>216</td>
</tr>
</tbody>
</table>

Source: APD

As presented in Table 2.1, there are 52 animal/mixed production units. This corresponds to 24% of the sample and, respectively, to the input of this enterprise type into the AVA. Respectively, there are 164 plant production farms that correspond to 76% of the sample (and of the input in AVA). There are 39 producers from the South region (18% of the sample), 86 producers from the Center region (39% of the sample), 37 producers from the West region (17% of the sample) and 56 producers from the North-East region (26% of the sample).

2.2. 2nd survey round: sampling and technical implementation

The second round of interviews was based on the same list of questions as the first round (see section 2.3 Description of the questionnaire). Most of these interviews took place during the events “Open Field Day” held by Agro-demonstration training center in Doslidnytske village on 15th September 2016 and Large Farm Management Conference organized by Ukrainian Club of Agribusiness (UCAB) on 20th September 2016. Five of the interviews were arranged as phone interviews.
This survey round provides with information on subjective estimation of the costs and oper-ational budgets related to compliance with the regulations and suggestions of the respondents for improvement of the regulatory measures.

General information on the sample characteristics of this interview round is presented in Table 2.2.

Table 2.2: Sample characteristics of the 2nd survey round

<table>
<thead>
<tr>
<th>Region</th>
<th>Acreage of land cultivated</th>
<th>Specialization</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>1.000 – 5.000 ha</td>
<td>crop production</td>
<td>1</td>
</tr>
<tr>
<td>Center</td>
<td>up to 1.000 ha</td>
<td>crop production</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>1.000 – 5.000 ha</td>
<td>crop production</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>over 5.000 ha</td>
<td>crop production</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>animal/mixed production</td>
<td>3</td>
</tr>
<tr>
<td>West</td>
<td>over 5.000 ha</td>
<td>crop production</td>
<td>1</td>
</tr>
<tr>
<td>North-East</td>
<td>up to 1.000 ha</td>
<td>crop production</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>animal/mixed production</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>21</td>
</tr>
</tbody>
</table>

Source: APD

Total number of respondents in the 2nd survey round is 21. The vast majority of them are involved in plant production only, whereas 4 respondents produce animal products as well. Producers with land acreage smaller than 1.000 ha constitute around 57% of the sample. Respondents with over 5.000 ha of land constitute around one fourth of the sample. More than half of the respondents have their production units in the Center region. South and West regions are represented by one respondent each, and North-East region is represented by 6 respondents.

2.3. Description of the questionnaire

According to the research of Prof. G. Hofstede4, business communication culture in Ukraine builds upon an informal communication a lot more than on formal one. Therefore, obtaining full and adequate responses during the interview requires commitment and communication skills of the researchers, as well as appropriately constructed questionnaire. Questionnaire used for both interview rounds is presented in Table 2.3.

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Table 2.3: Questionnaire used for the interview rounds

<table>
<thead>
<tr>
<th>№</th>
<th>QUESTIONS</th>
<th>ANSWERS</th>
<th>Could you please estimate the benefit (cost) from abolishment/change (retaining) of the regulatory measures?</th>
</tr>
</thead>
</table>
| I | Are there any regulatory norms, changes or abolishment of which would benefit your business?  
Could you please estimate the benefit derived from the deregulation?  
*(If there is no such norms – the interview stops)* | | |
| II | Is it necessary to change or abolish regulatory norms “1-10”, if so - please provide your opinion.  
Could you please estimate the benefit derived from deregulation actions? | | |
<p>|   | 1. Mandatory registration of land rent agreements by the public notary service | | |
|   | 2. Control of land ecology | | |
|   | 3. Mandatory coordination and allowances for movement of large transport | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Daily medical testing of employees</td>
</tr>
<tr>
<td>5.</td>
<td>Limitation of weekly working hours</td>
</tr>
<tr>
<td>6.</td>
<td>Quarantine control of fields sown</td>
</tr>
<tr>
<td>7.</td>
<td>Fire safety regulation</td>
</tr>
<tr>
<td>8.</td>
<td>Herd number control</td>
</tr>
<tr>
<td>9.</td>
<td>Food prices regulation</td>
</tr>
<tr>
<td>10.</td>
<td>Mandatory reporting of statistics to State statistics service of Ukraine (SSSU)</td>
</tr>
<tr>
<td>11.</td>
<td>MAPF</td>
</tr>
<tr>
<td>12.</td>
<td>State service of land cadaster (SSLC)</td>
</tr>
</tbody>
</table>

**III Which other regulatory norms harm your business?**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**IV.** Enterprise type?

|   | (1) small (up to 1.000 ha) / (2) middle (1.000-5.000 ha) / (3) large (over 5.000 ha) |

**V.** Specialization?

|   | (1) animal or mixed / (2) plants cultivation |

**VI.** Region?

|   | (1) South / (2) Center / (3) West / (4) North-East |

*Source: APD*
Introduction into the survey, placed on the top of the questionnaire, aims at informing the respondents about the goals of the research and about the organizers of the survey. The questionnaire includes 18 questions grouped in six sections. First question, listed with I, allows the interviewer to better understand the level of acquaintance of the respondents with the existing regulatory framework. Thus, in case the respondent answers that no changes should be implemented into the regulatory framework of the agricultural sector at the operational level, the interviewer stops the interview. Such an approach allows reducing the time and increasing efficiency and adequacy of the interview.

Second section of the questionnaire, listed with II, consists of 12 questions. These questions correspond to ten regulatory measures which are considered by the team of UCAB and APD experts as the least efficient and most troublesome at the operational level. In addition, in the community of agricultural producers and other involved parties many of these measures are considered a source of corruption.

Question listed with III allows respondents defining regulatory measures that have not been mentioned in section II, but that according to their opinion merit abolishment or improvement.

Sections IV, V and VI aim at specifying the characteristics of agricultural production units of the respondents according to the clusterization criteria described in section 2.1 of this report. The respondents are given the opportunity to answer the questions of sections I, II and III with answers “should be abolished”, “should not be abolished” and “requires change”. They can also provide their own advice and visions on possible ways of improvement of the regulatory norms and information on impact of the regulations on operational budgets of their enterprises. Due to the sensitive nature of the latter, respondents may provide the estimate in any convenient for them measure such as, for example, share of operational budget, working hours etc.

3. **Description of regulatory measures selected for the research**

The following measures were selected for the questionnaire:

**Regulatory measure 1:** Mandatory registration of land rent agreements by the public notary service

**Related legislation:**

1) Law of Ukraine «On renting of land» (06.10.1998 № 161-XIV)\(^5\),

2) Government decree «On confirmation of maintenance conduct of public register of real estate rights» (26.10.2011 № 1141)\(^6\) and

3) Law of Ukraine «On public registration of property rights on immovable assets and its complications» (01.07.2004 № 1952-IV)\(^7\).

**Comments:**

Law No161-XIV defines legal and economic relations with regard to property rights and renting of land.

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\(^5\) Online: [http://zakon5.rada.gov.ua/laws/show/161-14](http://zakon5.rada.gov.ua/laws/show/161-14)

\(^6\) Online: [http://zakon5.rada.gov.ua/laws/show/1141-2011-%D0%BF](http://zakon5.rada.gov.ua/laws/show/1141-2011-%D0%BF)

Government decree No1141 defines procedures related to registration and maintenance of the register of real estate property rights. In particular, drafting and registration of applications and requests in the database, search of information in the register, data entry into the register, issuing of certificate and entry of changes to the register.

Law of Ukraine No1952-IV defines the basics of the public management system of the property rights registration: organizational aspects – article 6, ownership, derivatives and its complications, which are to be registered by the government – article 4, general order of public registration of property rights – article 18.

Qualitative and quantitative features of existing structure of public bodies in Ukraine do not allow managing efficiently the registration of the property rights. Enormous duration of the registration (also due to long queues at the government notary offices) negatively affect efficiency of the daily operations at the farms.

**Regulatory measure 2:** Control of land ecology

Related legislation:

1) Decree of President of Ukraine «On the statute of the Public ecology service of Ukraine» (13.04.2011 № 454/2011)⁸ and
2) Law of Ukraine «On the public control of use and protection of land» (19.06.2003 № 963-IV)⁹.

Comments:

Decree of President of Ukraine No454/2011 defines functions of the Public ecology service of Ukraine regarding monitoring of use and protection of land and of compliance with the respective legislation. The law foresees the authority and responsibility of the inspector of this service to control land use (Articles 10 and 11). The inspectors are not bound to monitoring all of the parcels (objects) and often have offices located far away from the agricultural producers whose land is to be examined.

**Regulatory measure 3:** Mandatory coordination and allowances for movement of large transport

Related legislation:

1) Government’s decree «On the use of motorways, roads and railways by large and heavy transportation vehicles” (18.01.2001 № 30)¹⁰,
2) Law of Ukraine «On automobile transportation» (05.04.2001 № 2344-III)¹¹ and
3) Government’s decree «On regulation of road traffic» (10.10.2001 № 1306)¹².

Comments:

Decree № 30 defines framework and regime of large and heavy transport movement, coordination of the route, requirements to drivers, requirements to organizations of large and heavy transportation services, and acquiring of the permission on the use of roads, motorways and railways.

Law of Ukraine № 2344-III provides definitions on large and heavy transportation vehicles (article 1), and is linked to the Government’s decree «On regulation of road traffic» (10.10.2001 № 1306) which defines norms of size and weight of transport (point 22.5).

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⁸ Online: http://zakon0.rada.gov.ua/laws/show/454/2011
⁹ Online: http://zakon5.rada.gov.ua/laws/show/963-15
¹⁰ Online: http://zakon5.rada.gov.ua/laws/show/30-2001-%D0%B8
¹¹ Online: http://zakon5.rada.gov.ua/laws/show/2344-14
¹² Online: http://zakon0.rada.gov.ua/laws/show/1306-2001-%D0%BE/paran711#n711
Government’s decree № 1306 defines norms of size and weight of transport in chapter 22, sub-chapter 22.5, and of off-gauge transports.

Many operations of the agricultural production such as, for example, sowing and harvesting depend on weather. It is thus, often impossible to predict exactly the dates of conducting such activities. Therefore, meeting the requirements on large and heavy transportation movement defined by the law is extremely difficult. In addition, such law provides an unprecedented source of corruption motives in the responsible control bodies.

**Regulatory measure 4:** Daily medical testing of employees

Related legislation:

1) Law of Ukraine «On road traffic» (30.06.1993 № 3353-XII)\(^{13}\) and
2) Law of Ukraine «On automobile transportation» (05.04.2001 № 2344-III)\(^{14}\).

Comments:

Law of Ukraine №3353-XII defines the responsibility of top management of enterprises in prohibiting the admission of drivers to transport and other machinery if certain medical tests are failed (articles 12 and 46).

Law of Ukraine №2344-III defines obligations of automobile transportation companies which provide transportation of passengers to organize shift based testing of drivers.

Vacuum of social infrastructure in rural areas does not allow meeting existing regulations within the required time terms. Thus, medical testing often becomes just formal paper procedure.

**Regulatory measure 5:** Limitation of weekly working hours

Related legislation:


Comments:

Code №322-VIII defines maximum quantity of working hours per 6- and 5-days of week: 40 hours (article 52). This regulation negatively influences agricultural business, because of seasonal nature of the latter. Most of the producers require additional work force during the harvesting season that can either be acquired through additional hire or increased paid working hours of the current employees. Because the latter are often interested in additional working hours that are related to additional payment and the respective law on seasonal employment contracts does not exist, the current regulation causes great inconvenience to the agricultural producers.

**Regulatory measure 6:** Quarantine control of fields sown

Related legislation:

1) Law of Ukraine «On quarantine of plants» (30.06.1993 № 3348-XII)\(^{16}\),
2) Government’s decree «On implementation of Law of Ukraine «On quarantine of plants» (12.05.2007 № 705)\(^{17}\) and
3) Order of MAPF «On affirmation of instruction on detection, localization and liquidation of quarantine weeds» (27.01.2005 № 40)\(^{18}\).

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\(^{13}\) Online: http://zakon2.rada.gov.ua/laws/show/3353-12

\(^{14}\) Online: http://zakon5.rada.gov.ua/laws/show/2344-14

\(^{15}\) Online: http://zakon4.rada.gov.ua/laws/show/322-08

\(^{16}\) Online: http://zakon3.rada.gov.ua/laws/show/3348-12

\(^{17}\) Online: http://zakon3.rada.gov.ua/laws/show/705-2007-%D0%BF

\(^{18}\) Online: http://zakon0.rada.gov.ua/laws/show/20201-05
Comments:
Law of Ukraine No3348-XII defines activities, tasks, authorities and responsibilities of public bodies with regard to plants quarantine control, and rights and obligations of public employees conducting this control. The regulation also defines organizational and technological procedures of liquidation and prevention of diffusion of plants’ diseases and weeds.

Government’s decree № 705 defines the procedures of controlling, inspection, analysis, fumigation and inspection of the fields. Instruction № 40 defines procedures of detection, localization and liquidation of weeds. Absence of independent laboratories does not allow conducting efficient control of quarantine plants and materials.

**Regulatory measure 7:** Fire safety regulation

Related legislation:

1) The order of the Ministry of internal affairs of Ukraine “On additional aspects on examination of compliance of the enterprises with the regulations on civil protection and technogeneous and fire safety” (02.11.2015 No1337)

Comments:
The order defines the procedures of examination of compliance with the regulations on civil protection and technogeneous and fire safety. Most of the safety requirements are outdated, being a legacy from the former Soviet Union, and are not in line with modern requirements and practices adopted by the enterprises in Ukraine.

**Regulatory measure 8:** Herd number control

Related legislation:


Comments:
Law of Ukraine № 771/97-BP defines instructions on animal slaughter, reporting of animal number and storage of animal products. Ukraine is a state with transforming economics and markets, thus producers should be able to make decisions on animal number independently and in timely manner.

**Regulatory measure 9:** Food prices regulation.

Related legislation:

1) Law of Ukraine «On state support of agriculture in Ukraine» (24.06.2004 № 1877-IV)

Comments:
Law of Ukraine No1877-IV defines methods and mechanisms of price regulation of selected food products. Agricultural producers should be free to market their produce at the market prices.

**Regulatory measure 10:** Mandatory reporting of statistics

Related legislation:


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19 Online: http://zakon4.rada.gov.ua/laws/show/z1467-15/print1433768771443025
20 Online: http://zakon5.rada.gov.ua/laws/show/771/97-%D0%B0%B2%D1%80
21 Online: http://zakon4.rada.gov.ua/laws/show/1877-15
22 Online: http://zakon5.rada.gov.ua/laws/show/2614-12
The law defines mandatory order of statistical reporting to state bodies of statistics. Agricultural producers, in accordance with the existing regulatory framework, are a subject of mandatory statistical reporting to the public institutions: MAPF, SSSU and SSLC. On one hand, although agricultural enterprises are obliged to submit reports on various characteristics of their units, there is no enforcement for doing this, i.e., no fee or other punishing measure. On the other hand, neither they are motivated doing this (for example, in order to be able to observe the development trends of the entire sector when consolidated statistics is issued by the statistics agencies), because existing statistical reporting system has low level of efficiency due to its unconsolidated and unsystematic nature.

4. Results

The following section presents the results of two survey rounds. The output of the telephone interviewing, 1st survey round is presented in section 4.1. Section 4.2 describes the results of face-to-face interviews.

4.1. Results of the 1st survey round

The responses collected during the 1st interview round were analyzed by calculating the shares of positive and negative answers in the number of responses. Positive answer is defined as the one with positive attitude of a respondent towards abolishment or change of a regulatory measure. Respectively, negative answer of the respondent is defined as the answer that demonstrates respondent’s agreement with the regulatory measure. There are also a certain number of respondents who demonstrate neutral attitude towards some of the regulatory measures. Among the reasons for this are inapplicability of certain regulatory norms to the production processes and absence of considerable troubles regarding the measure in the region of operation. Calculating shares of positive and negative answers allows identification of the regulatory measures that hinder successful agricultural business making the most. In addition, it is as well possible to rank the measures according to the shares of positive answers. The greater the share, the highest is the “inefficiency level” of the measure.

During the interview, the majority of the respondents demonstrated their positive attitude towards abolishment or change of the regulatory measures listed in the questionnaire. More answers, however, pointed at changing of the measures towards greater efficiency and in accordance with modern operational characteristics of the enterprises rather than their complete elimination. General overview of the responses of the respondents is presented in Table 4.1.

Table 4.1: Shares of positive and negative answers of all of the respondents

<table>
<thead>
<tr>
<th>Question</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory registration of land rent agreements by the public notary service</td>
<td>The regulatory measure should be:</td>
</tr>
<tr>
<td></td>
<td>…changed/abolished</td>
</tr>
<tr>
<td></td>
<td>in % from the total number of respondents</td>
</tr>
<tr>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>2</td>
<td>38</td>
</tr>
</tbody>
</table>
Table 4.1 shows that the share of positive responses exceeded the share of negative responses regarding the following regulatory measures:

- Regulation of food prices (49% of positive and 29% negative responses),
- Obligatory reporting of data to SSSU (49% of positive and 36% negative responses),
- Obligatory reporting of data to MAPF (48% of positive and 41% negative responses),
- Obligatory reporting of data to SSLC (42% of positive and 37% negative responses) and
- Mandatory coordination and allowances for movement of large transport (36% of positive and 27% negative responses).

The number of positive responses to the questions on Mandatory registration of land rent agreements by the public notary service, Control of land ecology, Limitation of weekly working hours, Quarantine control of fields sown, Fire safety regulation and Herd number control does not exceed the number of negative answers when the entire sample is considered.

Because the results of the interview do not indicate any relevant differences between the types of enterprises if the latter are disaggregated according to all three clusterization criteria simultaneously, they are presented with regard to separate disaggregation criteria. Table 4.2 below presents the survey disaggregated according to Region criterion.

### Table 4.2: Shares of positive and negative answers of the respondents disaggregated according to the Region criterion

<table>
<thead>
<tr>
<th>Questions</th>
<th>South</th>
<th>West</th>
<th>Center</th>
<th>North-East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure should be…</td>
<td>A/C</td>
<td>L</td>
<td>A/C</td>
<td>L</td>
</tr>
<tr>
<td>in % from the number of respondents in group</td>
<td>L</td>
<td></td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>1  Mandatory registration of land rent agreements by the public notary service</td>
<td>67</td>
<td>33</td>
<td>35</td>
<td>29</td>
</tr>
<tr>
<td>2  Control of land ecology</td>
<td>54</td>
<td>33</td>
<td>19</td>
<td>81</td>
</tr>
<tr>
<td>3  Mandatory coordination and allowances for movement of large transport</td>
<td>23</td>
<td>18</td>
<td>46</td>
<td>22</td>
</tr>
<tr>
<td>4  Daily medical testing of employees</td>
<td>31</td>
<td>54</td>
<td>46</td>
<td>51</td>
</tr>
</tbody>
</table>

1 The sum of positive and negative answers should not sum up to 100, because there are also a certain number of respondents who were indifferent to the measure.

Source: APD
Regulatory measures with greater shares of positive responses when compared to the negative ones from the agricultural producers located in South region are:

- Mandatory registration of land rent agreements by the public notary service (67% of positive and 33% negative responses),
- Regulation of food prices (62% of positive and 31% negative responses),
- Control of land ecology (54% of positive and 33% negative responses),
- Mandatory reporting of data to MAPF (41% of positive and 26% negative responses), SSSU (41% of positive and 26% negative responses) and SSLC (31% of positive and 28% negative responses) and
- Mandatory coordination and allowances for movement of large transport (23% of positive and 18% negative responses).

Regulatory measures with greater shares of positive responses from producers in West region are:

- Mandatory reporting of data to MAPF (65% of positive and 35% negative responses),
- Mandatory reporting of data to SSSU (59% of positive and 30% negative responses),
- Mandatory reporting of data to SSLC (54% of positive and 35% negative responses),
- Mandatory coordination and allowances for movement of large transport (46% of positive and 22% negative responses) and
- Quarantine controls of fields sown (41% of positive and 27% negative responses).

Regulatory measures with greater shares of positive responses from producers in Center region are:

- Regulation of food prices (53% of positive and 25% negative responses),
- Daily medical testing of employees (49% of positive and 44% negative responses),
- Obligatory reporting of data to SSSU (48% of positive and 35% negative responses),
- Obligatory reporting of data to SSLC (40% of positive and 36% negative responses),
- Mandatory coordination and allowances for movement of large transport (39% of positive and 27% negative responses) and
- Quarantine control of fields sown (39% of positive and 31% negative responses).

Regulatory measures with the largest share of positive responses from producers in North-East region are:

- Daily medical testing of employees (55% of positive and 40% negative responses)
• Regulation of food prices (50% of positive and 31% negative responses) and
• Obligatory reporting of data to MAPF (52% of positive and 45% negative responses).

In the case of disaggregation according to the Region criterion, regulatory measures regarding the limitation of weekly working hours, fire safety regulation and herd number control are indicated to be irrelevant or acceptable for the producers.

Table 4.3 below presents the results of the survey disaggregated with regard to the acreage of arable land.

Table 4.3: Shares of positive and negative answers of the respondents disaggregated according to the Size criterion

<table>
<thead>
<tr>
<th>Questions</th>
<th>Responses</th>
<th>&lt;1.000 ha</th>
<th>1.000-5.000 ha</th>
<th>&gt;5.000 ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure should be...</td>
<td></td>
<td>A/C²</td>
<td>L²</td>
<td>A/C</td>
</tr>
<tr>
<td>in % from the number of respondents in group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1  Mandatory registration of land rent agreements by the public notary</td>
<td>50</td>
<td>47⁴</td>
<td>15</td>
<td>85</td>
</tr>
<tr>
<td>service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2  Control of land ecology</td>
<td>37</td>
<td>55</td>
<td>40</td>
<td>57</td>
</tr>
<tr>
<td>3  Mandatory coordination and allowances for movement of large transport</td>
<td>35</td>
<td>19</td>
<td>47</td>
<td>30</td>
</tr>
<tr>
<td>4  Daily medical testing of employees</td>
<td>43</td>
<td>49</td>
<td>51</td>
<td>45</td>
</tr>
<tr>
<td>5  Limitation of weekly working hours</td>
<td>23</td>
<td>52</td>
<td>47</td>
<td>51</td>
</tr>
<tr>
<td>6  Quarantine control of fields sown</td>
<td>31</td>
<td>30</td>
<td>40</td>
<td>38</td>
</tr>
<tr>
<td>7  Fire safety regulation</td>
<td>23</td>
<td>70</td>
<td>6</td>
<td>92</td>
</tr>
<tr>
<td>8  Herd number control</td>
<td>6</td>
<td>11</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>9  Food prices regulation</td>
<td>44</td>
<td>27</td>
<td>55</td>
<td>32</td>
</tr>
<tr>
<td>10 Mandatory reporting of data to SSSU</td>
<td>39</td>
<td>38</td>
<td>43</td>
<td>47</td>
</tr>
<tr>
<td>11 MAPF</td>
<td>46</td>
<td>38</td>
<td>38</td>
<td>53</td>
</tr>
<tr>
<td>12 SSLC</td>
<td>37</td>
<td>31</td>
<td>36</td>
<td>55</td>
</tr>
</tbody>
</table>

1 A/C indicates “Measure should be Abolished/Changed”
2 L indicates “Measure should be Left as it is”
3 The sum of positive and negative answers should not sum up to 100, because there are also a certain number of respondents who were indifferent to the measure

Source: APD

Regulatory measures with greater shares of positive responses from the agricultural producers with land bank of less than 1.000 ha are:

• Mandatory coordination and allowances for movement of large transport (35% of positive and 19% negative responses),
• Mandatory registration of land rent agreements by the public notary service (50% of positive and 47% negative responses),
• Regulation of food prices (44% of positive and 27% negative responses),
• Obligatory reporting of data to MAPF (46% of positive and 38% negative responses) and
• Obligatory reporting of data to SSLC (37% of positive and 31% negative responses).
Regulatory measures with greater shares of positive responses from the agricultural producers with land bank of more than 1,000 but less than 5,000 ha are:

- Mandatory coordination and allowances for movement of large transport (47% of positive and 30% negative responses),
- Daily medical testing of employees (51% of positive and 45% negative responses) and
- Regulation of food prices (55% of positive and 32% negative responses).

Regulatory measures with greater shares of positive responses from the agricultural producers with land bank of more than 5,000 ha are:

- Daily medical testing of employees (52% of positive and 40% negative responses),
- Regulation of food prices (52% of positive and 31% negative responses)
- Obligatory reporting of data to SSSU (71% of positive and 24% negative responses),
- Obligatory reporting of data to MAPF (60% of positive and 37% negative responses) and
- Obligatory reporting of data to SSLC (56% of positive and 32% negative responses).

In the case of disaggregation according to the Size criterion, regulatory measures regarding the limitation of weekly working hours, quarantine control of fields sown, fire safety regulation, herd number control, control of land ecology are indicated to be irrelevant or acceptable for the producers.

Table 4.4 below presents the results of the survey disaggregated with regard to the specialization of the producers, i.e., plant or animal/mixed production.

### Table 4.4: Shares of positive and negative answers of the respondents disaggregated according to the Specialization criterion

<table>
<thead>
<tr>
<th>Questions</th>
<th>Responses</th>
<th>Plant production</th>
<th>Animal/mixed production</th>
<th>Measure should be…</th>
<th>A/C</th>
<th>L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory registration of land rent agreements by the public notary service</td>
<td>35</td>
<td>64³</td>
<td>32</td>
<td>66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control of land ecology</td>
<td>36</td>
<td>59</td>
<td>43</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory coordination and allowances for movement of large transport</td>
<td>35</td>
<td>27</td>
<td>43</td>
<td>28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daily medical testing of employees</td>
<td>50</td>
<td>43</td>
<td>36</td>
<td>57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limitation of weekly working hours</td>
<td>28</td>
<td>52</td>
<td>36</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quarantine control of fields sown</td>
<td>34</td>
<td>36</td>
<td>34</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire safety regulation</td>
<td>13</td>
<td>81</td>
<td>19</td>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herd number control</td>
<td>1</td>
<td>3</td>
<td>13</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food prices regulation</td>
<td>47</td>
<td>28</td>
<td>55</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandatory reporting of data to...</td>
<td>49</td>
<td>35</td>
<td>49</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SSSU</td>
<td>48</td>
<td>40</td>
<td>49</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAPF</td>
<td>43</td>
<td>35</td>
<td>38</td>
<td>45</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ A/C indicates “Measure should be Abolished/Changed”
² L indicates “Measure should be Left as it is”
Regulatory measures with greater shares of positive responses from the agricultural producers specialized in plant and animal/mixed production are:

- Mandatory coordination and allowances for movement of large transport (35% of positive and 27% negative responses from plant producers; 43% of positive and 28% negative responses from animal/mixed producers),
- Regulation of food prices (47% of positive and 28% negative responses from plant producers; 55% of positive and 32% negative responses from animal/mixed producers),
- Obligatory reporting of data to SSSU (49% of positive and 35% negative responses from plant producers; 49% of positive and 40% negative responses from animal/mixed producers) and
- Obligatory reporting of data to MAPF (48% of positive and 40% negative responses from plant producers; 49% of positive and 45% negative responses from animal/mixed producers).

In addition, plant producers are concerned with
- Daily medical testing of employees (50% of positive and 43% negative responses) and
- Obligatory reporting of data to SSLC (43% of positive and 35% negative responses).

In the case of disaggregation according to the Specialization criterion, share of positive answers to the questions on regulatory measures regarding the limitation of weekly working hours, quarantine control of fields sown, fire safety regulation, herd number control, control of land ecology and mandatory registration of land rent agreements by the public notary service does not exceed the share of negative answers.

4.2. Results of the 2nd survey round

In the 2nd interview round participated 21 respondents, production units of which were situated in different regions, specialized in plant as well as animal/mixed production and sizes of land banks of which ranged from less than 1.000 ha to more than 5.000. The main purpose of this survey round was acquiring of in-depth information on costs which occur from compliance with inefficient regulatory measures and on producers’ opinions about possible ways of improvement of such measures. Therefore, and because the number of respondents is quite small, results presented below refer to all of the respondents and are not disaggregated according to the Region, Size and Specialization criteria.

4.2.1. Responses of the respondents to “Mandatory registration of land rent agreements by the public notary service”

Two thirds of the respondents point at the troubles related to Mandatory registration of land rent agreements by the public notary service and Absence of land market. Most of them mention that the registration of land rent agreements and related activities may cost around 26.500 UAH (approx. 91523 EUR) and require from 2 working hours per week to 6-7 people

23 Average currency exchange rate in 2016
employed full time depending on the size of land bank of the enterprise. In addition, high level of regulation into this process creates a great incentive for corruption.

Some other respondents inform about relatively fast and costless procedure of registration of land rent agreements. This situation can be explained by human and district related factors. That is, positive and responsible attitude of the public employees and lower rate of land renting in the district may positively affect the velocity and cost of the registration.

Another aspect related to the registration of land rent agreements refers to the registration of legacy. Some of the land parcels do not have cadaster registration numbers. Because provision of such numbers by public offices costs around 1,000 - 2,000 UAH (approx. 35-70 EUR) and they are required only if the parcel is leased, land owners are not interested in acquiring of these numbers and agricultural producers interested in renting of this land have to take care of this issue and, consequently, bear the respective costs.

Although the respondents complain about the inefficiency of the current procedure of registration of land rent agreements, most of them would like to improve this procedure, rather than eliminate it. The main reason for this is that involvement of public offices provides additional assurance of proper protection of renting rights.

The respondents are as well concerned with the uncertainty about the future of land market, absence of land market and existence of black land market. According to their opinion, these factors create obstacles for long-term investments in agricultural production. Annual prolongation of the moratorium on selling of agricultural land (instead of a long-term decision on prolongation or abolishment of the moratorium) and existence of black land market restrains potential investors from deciding upon their business activities in Ukraine.

4.2.2. Responses of the respondents to “Mandatory coordination and allowances for movement of large transport”

Mandatory coordination and allowances for movement of large transport causes a great amount of trouble to the producers. This is related to two main issues. First, is that due to the weather uncertainty, producers can rarely schedule their field work with precision to one day. Because the allowances are issued for certain days, this often results in undeliberate non-compliance of the producers. In addition, police stations are often situated very far from the agricultural enterprises, which cause additional inconvenience for small producers who usually do not dispose extra man power. Such a situation creates a great stimulus for corruption. Expenses related to this regulatory measure are estimated by the producers at around 10,000 UAH (approx. 350 EUR) per year.

4.2.3. Responses of the respondents to the other regulatory measures

Control of land ecology and Quarantine control of fields sown are not considered as regulations that cause additional expenses to the producers. The respondents rather express the opinion that these controls should be conducted in a more thorough and professional way for informing them on state of, and possible threats to, their fields and for provision of proper protection of soil and the environment.

Regulatory measures related to Daily medical testing of employees, Limitation of weekly working hours and Herd number control are not considered as those that result in high costs as well. The producers however point at uselessness of these regulations on
Daily medical testing of employees and Herd number control, and, therefore, unanimously support the idea of their complete abolishment. As regards to the **Limitation of weekly working hours**, the respondents suggest a provision of legal possibility for forming of contracts on extra-working hours due to a great work load during the harvest.

Regulations related to **Fire safety control** are considered by the agricultural producers as necessary measures for assuring of fire safety at the premises. Fire safety of the enterprise is in the interests of the producers themselves. Therefore, they express an opinion that provision of advisory services, positive attitude and helpfulness of the respective public agencies for complying with the fire safety regulations are of paramount importance.

**Regulation of food prices** is considered as harmful not only for the producers themselves but for the respective markets in general. Maximum pricing results in 1) deterioration of product quality (obviously, the higher the quality of a good, the higher are the costs of its production), and 2) incentives for firms to enter the business. Respectively, maximum price regulation leads to existence of few producers that produce lower quality goods.

**Mandatory reporting of data to statistics agencies** is considered by the producers as very time consuming. Moreover, as they often have to provide similar data in different formats to several agencies, such an approach is not efficient.

### 4.3. Summary of the results

Regulatory measures that are most often referred to as inefficient or troublesome throughout the 1st interview round are (see Table A.1 in Annex):

- Mandatory coordination and allowances for movement of large transport,
- Regulation of food prices and
- Obligatory reporting of data to SSSU, MAPF and SSLC.

With regard to the results of the 2nd survey round, the two regulatory measures causing considerable amount of expenses of the agricultural producers are:

- Mandatory coordination and allowances for movement of large transport and
- Mandatory registration of land rent agreements by the public notary service.

Concluding the above, one may point that regulatory measure on coordination of large transportation movement by the public authorities is considered by the producers not only as inefficient but also as the measure that results in great compliance expenses. Direct expenses related to regulation of food prices are rather difficult to estimate by the producers. Therefore, this measure does not explicitly appear in the results of the 2nd interview round. Nevertheless, the vast majority of respondents point at its harmful effects to their enterprises and to the agricultural market in general.

Obligatory reporting of data to SSSU, MAPF and SSLC appears to be, according to the producers answers, inefficient as well. Although this is well reflected in the 1st interview round, it has not been quite possible to acquire the exact expenses on this measure during the 2nd interview round. The main reason behind this is that the reporting is mostly conducted by the accountants, whereas the respondents were to the greatest extent managers of the enterprises.

Mandatory registration of land rent agreements by the public notary service seems to involve rather high compliance costs. Nevertheless, the respondents express the opinion that the measure should not be abolished. It should instead be changed, because such registration serves as an additional assurance of renting rights.
Regulatory measures that have not received the majority of positive answers at any disaggregation level during the 1st interview round, neither were considered as very troublesome during the 2nd interview round are:

- Limitation of weekly working hours,
- Fire safety regulation and
- Herd number control.

Weekly working time limitation can be avoided. Certain characteristics of the legislation lead to neither allowing nor forbidding of certain forms of employment acceptable for seasonal workload. Nevertheless, farmers would prefer signing of transparent seasonal contracts instead of using the loopholes in the law.

Fire safety regulation considered to be unquestionable and necessary regulatory measure for industrial objects. Thus, farmers mark this regulation as one to be left but improved.

Herd number control is not considered by the respondents as a measure that leads to considerable costs, because public control measures regarding this norm are absent. Moreover, rate of awareness of producers about this measure is quite low.

Regulatory measures that received more than 50% of positive answers at some of the disaggregation levels during the 1st interview round, and less than 50% at others are:

- Mandatory registration of land rent agreements by the public notary service,
- Control of land ecology,
- Daily medical testing of employees and
- Quarantine control of fields sown.

These measures are characterized by critical disadvantages only in certain regions or by certain producer types. As, for example, in the case of registration of land rent agreements, time and effort spent on registration of land renting contract may be significantly greater in one region than in another.

4.4. Concluding remarks

Usually expenses on compliance with the regulatory measures include direct costs (e.g., official payments for public service), transaction costs (e.g., time expenses on preparation of the necessary documents) and corruption related costs. According to the rough estimations of the respondents around

- 1-3% of the annual operational budget are spent on compliance with the regulations and
- 2%-6% of the manager's working time is spent on work and coordination with the public authorities.

The absence of transparency and accuracy in the regulatory framework of routine operations in the agricultural production sector results in investment of a great amount of time by the middle and top managers into negotiation and communication with the state authorities in the sector. The opportunity cost of this is time spent on development of business model and strategy, as well as on the productivity optimization. Moreover, because some of the norms are not up-to-date, many enterprises just cannot comply with them.
5. Proposals for deregulation

This section presents the proposals for deregulation on the regulatory measures studied in this research.

**Regulatory measure 1:** Mandatory registration of land rent agreements by the public notary service

1. Increase number of state notary servants and adopt balanced system of operational performance indicators. In order to fortify operational efficiency in processes of land rent agreements registration, additional employees with high level of professional competencies should be hired. Balanced system of operational performance indicators could be adopted in order to improve an overall quality level of notary services. In particular, the services shall be customer-oriented and focus on property rights protection and on compliance with the legislation.

2. Adopt an adequate consolidated digital document management system aimed to provide best communication practices within public and private entities. Unified system of document management in digital framework would allow connecting all required objects of digital infrastructure providing an option of cyber communication channels and exchange of information.

**Regulatory measures 2 and 6:** Control of land ecology and quarantine control of fields sown

1. Development and adaptation of transparent and relevant soil ecology monitoring system.

2. Soil ecology monitoring and quarantine control of fields sown functions may be shifted to private sector which would conduct such services based on commercial incentives.

3. Another possible option which may be considered is shifting these functions to the local authorities or communities. In this case the executors would be responsible for mandatory control and monitoring.

**Regulatory measure 3:** Mandatory coordination and allowances for movement of large transport

1. Abolish the requirement on coordination and allowances for movement of large transport on daily basis.

2. Adopt digital system of compliance with the regulation.

**Regulatory measure 4:** Daily medical testing of employees

Adopt a system of voluntary medical control using electronic alcohol and blood pressure testers. These tests shall not require any mandatory medical certification. In this case agricultural producers would have a legal mechanism of accidents prevention and corruption incentives in this area would be eliminated.

**Regulatory measure 5:** Limitation of weekly working hours

Based on the existing labor law in Ukraine, seasonal labor contracts are not foreseen for a wide range of agricultural production activities, including grains cultivation. It is advised to develop and adopt a legal scheme of seasonal employment for agricultural production and processing companies. The government could also expand a list of seasonal jobs.

**Regulatory measure 7:** Fire safety regulation
Fire safety regulations have to be updated with regard to modern operational characteristics of the enterprises. In addition, a motivation system for fire and civil safety services should be developed in order to improve the quality and transparency of their services.

**Regulatory measure 8:** Herd number control

Mechanism of herd number control should be abolished, because it restrains the ability of producers to immediately react on market changes.

**Regulatory measure 9:** Food prices regulation

Because agricultural sector in Ukraine is currently in a good development state, and has a potential for even greater success, it is not advisable to maintain any kind of maximum pricing for agricultural produce. As long as free access to, and fair competition at the market assured, consumers and producers gain. Consumers benefit from a large number of producers who compete for the market share by offering to consumers better and cheaper goods. Producers benefit from the “true” market prices. The economy in general will gain from value added generated by the producers who will be constantly improving their technology and knowledge following the aim of gaining a greater market share.

**Regulatory measure 10:** Mandatory reporting of statistics

Statistics reporting of agricultural producers should be based on relevancy of data collected and pragmatic approaches of data management. Thus, digital reporting system should be introduced that would serve the purposes of data collection by the SSSU, SSLC and MAPF. Thus, producers would be able to report only once and via web instruments. In addition, in order to collect specific and detailed information, certain representative sample of producers could be selected. These producers could provide detailed data on their operations. From this information, the production characteristics could be generalized to all of the producers.
### Annex

#### Table A.1: Results of the 1st interview round

<table>
<thead>
<tr>
<th>Question</th>
<th>Total sample</th>
<th>Region criterion</th>
<th>Size criterion</th>
<th>Specialization criterion</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>South</td>
<td>West</td>
<td>Center</td>
</tr>
<tr>
<td></td>
<td>Measure should be...</td>
<td>Measure should be...</td>
<td>Measure should be...</td>
<td>Measure should be...</td>
</tr>
<tr>
<td>Mandatory registration of land rent agreements by the public notary service</td>
<td>34^1</td>
<td>65</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>Control of land ecology</td>
<td>38</td>
<td>57</td>
<td>54</td>
<td>33</td>
</tr>
<tr>
<td>Mandatory coordination and allowances for movement of large transport</td>
<td>36</td>
<td>27</td>
<td>23</td>
<td>18</td>
</tr>
<tr>
<td>Daily medical testing of employees</td>
<td>47</td>
<td>46</td>
<td>31</td>
<td>54</td>
</tr>
<tr>
<td>Limitation of weekly working hours</td>
<td>30</td>
<td>53</td>
<td>13</td>
<td>49</td>
</tr>
<tr>
<td>Quarantine control of fields sown</td>
<td>34</td>
<td>36</td>
<td>26</td>
<td>44</td>
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<td>Fire safety regulation</td>
<td>14</td>
<td>80</td>
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<td>Herd number control</td>
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<td>Food prices regulation</td>
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<td>29</td>
<td>62</td>
<td>31</td>
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<tr>
<td>Mandatory reporting of data to...</td>
<td>49</td>
<td>36</td>
<td>41</td>
<td>26</td>
</tr>
</tbody>
</table>

^1 in % from the number of respondents
|   | MAPF\(^4\) | 48 | 41 | 41 | 26 | 65 | 35 | 41 | 48 | 52 | 45 | 46 | 38 | 38 | 53 | 60 | 37 | 48 | 40 | 49 | 45 |
| 12 | SSLC\(^4\) | 42 | 37 | 31 | 28 | 54 | 35 | 40 | 36 | 45 | 44 | 44 | 37 | 31 | 36 | 55 | 56 | 32 | 43 | 35 | 38 | 45 |

1 A/C indicates “Measure should be Abolished/Changed”
2 L indicates “Measure should be Left as it is”
3 The sum of positive and negative answers should not sum up to 100, because there are also a certain number of respondents who were indifferent to the measure
4 SSSU – State statistics service of Ukraine, MAPF – Ministry of agrarian policy and food of Ukraine and SSLC – State service of land cadaster of Ukraine

Source: APD