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**INSTITUTE
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UKRAINIAN PATH TO
EUROPEAN UNION.
THE POLISH EXPERIENCE

2025

REPORT



UKRAINE ON THE ROAD TO THE EU

REALITIES AND PROSPECTS THROUGH THE LENS OF THE POLISH EXPERIENCE

**WARSAW ENTERPRISE INSTITUTE
INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING**

UKRAINE ON THE ROAD TO THE EUROPEAN UNION: REALITIES AND PROSPECTS THROUGH THE LENS OF THE POLISH EXPERIENCE

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1. Introduction

In recent decades, the EU enlargement process has become one of the key mechanisms for strengthening political stability and prosperity in Europe. This report was produced in cooperation between the Warsaw Enterprise Institute (Poland) and the Institute for Economic Research and Policy Consulting (Kyiv, Ukraine) and is based on legal analysis, research of the Ukrainian market, and the experience of Polish accession reforms. It examines the challenges and opportunities Ukraine faces on the path to European Union membership. We show how crucial geopolitical and social determinants and internal reforms are in this process. We emphasize that Ukraine's transformation is not only an institutional-legal or economic transformation but also a profound change in the structure of the state and society – from the fight against corruption to deregulation and modernization of the economy to consolidation of the rule of law.

The report provides an overview of key aspects of the accession process – from the global political background, through an analysis of internal challenges and conditions, to the formal criteria that Ukraine must meet to become a full member of the EU. We also present scenarios and forecasts of the long-term effects of integration for both sides. We view the process as an opportunity to deepen European cooperation, strengthen security, improve competitiveness, and increase the EU's resilience to external threats. Furthermore, understanding the determinants and implications of Ukraine's accession is the key to consciously and responsibly shaping Europe's future.

The collected material allows us to examine Kyiv's path from two perspectives. First, we make a global assessment of the impact of Ukraine's possible accession on the balance of power in Europe and the stability and competitiveness of the EU economy. Second, we look at the Polish experience, which can provide valuable lessons for the Ukrainian side – from the dynamics of the negotiations before 2004 to the rapid adaptation to the principles of the common market to the consequences of membership in the long term. Our goal is to identify objective premises and concrete recommendations that will facilitate Ukraine's optimization of its integration strategy and allow the Union to take full advantage of the potential resulting from expanding its territory to include a country of such strategic and economic importance.

Ukraine's transition to European Union membership is part of a broader geopolitical, economic, and social context that defines the future of the entire Central and Eastern European region. The Russian aggression against Ukraine and the accompanying turn in European thinking about security, politics, and the economy create a unique context for considering Ukraine's future place in the structures of the European Union. During the ongoing war and the growing expectations of Ukrainian society, Ukraine today stands at the threshold of one of the most critical challenges of its recent history. After all, the EU accession process is not only a formal procedure of meeting specific criteria and taking over the *acquis communautaire*¹ but also a thorough institutional, economic,

¹ *Acquis communautaire*, the Community *acquis* is the accumulated legislation, legal acts and court decisions that constitute the body of European Union law that came into being since 1993, https://en.wikipedia.org/wiki/Acquis_communautaire (accessed 01.12.2024).

and social modernization. In this context, the Polish experience of two decades ago acquires special significance, taking into account the different conditions of the two accessions and the changes that have taken place in the European Union. Poland's entry into the EU in 2004 is an example of a dynamic process that has shaped the new member state's politics, economy, and society. By combining geopolitical and economic perspectives and referring to Poland's practical experience, the report provides a complementary picture of the conditions and possible scenarios for Ukraine's future integration into EU structures.

1.1. Purpose of the report

The report's primary objective is to comprehensively analyze the challenges and opportunities associated with Ukraine's potential accession to the European Union. In particular, the report aims to:

1. Outline the key internal (political, economic, institutional) and external (geopolitical and regulatory) factors that shape Ukraine-EU relations and the pace and direction of the integration process.
2. Distinguish the most essential lessons from Poland's path to the EU. Assessing Poland's successes and failures over the 20 years of membership will allow for a better understanding of the accession requirements and the long-term benefits of integration. Comparing Poland's situation in the early 2000s to Ukraine's current situation will make it possible to identify good practices and highlight the differences and specific challenges Ukraine faces.
3. Formulate conclusions and recommendations to help Ukraine optimize its integration strategy and the European Union and its member states to carry out the accession process.

1.2. Methodology and scope of analysis

1. Existing academic literature, think tank reports, publications by international institutions (including the OECD, EC, EBRD), studies by international organizations monitoring reform processes, and media reports were used to provide a multidimensional perspective. This made it possible to outline the broad context of integration processes and challenges facing Ukraine.
2. The conditions and process of Poland's integration into the EU were compared with Ukraine's situation, considering historical, political, economic, and institutional differences. This allowed the development of points of reference and the identification of areas in which Ukraine could benefit from the experience of Polish reforms.
3. The knowledge and comments of WEI and IER experts and specialists in European law, economy, public policy, and international security were used, as well as the information from the discussions on different sectors organized by IER and WEI. This made it possible to supplement the analysis with practical reflections on implementing reforms and managing integration processes.

2. The global context of Ukraine's accession to the EU

2.1. The importance of Ukraine in the geopolitics of Eastern Europe

Ukraine holds a pivotal position in the geopolitics of Eastern Europe, not as a observer, but as a dynamic participant. Its strategic location, historical significance, and rich resources underscore its importance for regional stability, security, and economic integration. Ukraine's EU accession has the potential to reshape the geopolitical landscape, reinforcing the EU's role as a global actor and securing a future of resilience and prosperity for Eastern Europe.

Ukraine stands as a frontier of the European Union, asserting its sovereignty and commitment to democratic values in the face of external aggression. Its integration into the EU strengthens the Union's eastern border, signaling a collective stand against authoritarianism. Simultaneously, Ukraine's geographical position as a gateway to Central Asia and the Caucasus enhances Europe's strategic connectivity, linking the EU to emerging markets and vital trade routes.

Ukraine's energy infrastructure, including its significant capacity for gas transit and storage, plays a crucial role in securing Europe's energy independence. Its agricultural output and reserves of critical minerals further position Ukraine as a leader in resource supply, bolstering the EU's strategic autonomy and resilience. Investments in renewable energy and modernization of transit systems align Ukraine's role with the EU's long-term sustainability goals.

Ukraine's accession to the EU serves as a model for democratic transformation and economic reform in Eastern Europe. Its pro-

gress in aligning with European standards and governance strengthens regional stability, inspiring neighboring states to pursue similar paths. By integrating Ukraine, the EU expands its influence as a champion of democracy and economic prosperity, fostering collaboration and reducing regional disparities.

Ukraine's determination to align with the EU underscores its role as a resilient defender of European values. Its integration into the EU consolidates a united front against Russian aggression, diminishing Moscow's influence in the region and fortifying Europe's collective security. Ukraine's strength as a sovereign, EU-aligned nation highlights the futility of expansionist policies, reinforcing international norms of sovereignty and territorial integrity.

Ukraine's vibrant economy, skilled workforce, and vast resources offer substantial opportunities for economic growth within the EU. Enhanced trade, investment, and infrastructure development foster deeper integration, creating shared prosperity across Eastern Europe. Ukraine's potential as a hub for agriculture, technology, and energy diversification reinforces the EU's global economic leadership.

Ukraine's role in Eastern European geopolitics transcends outdated notions of passive zones. It is a vital and active frontier of the European Union, a defender of democratic values, and a cornerstone for regional and global security. Its integration into the EU is not only a fulfillment of its rightful place in Europe but also a transformative force for the geopolitical and economic future of the region. Strengthening Ukraine's



position within the EU fortifies the Union itself, creating a resilient and prosperous Europe.

2.2. Ukraine's historical and current integration aspirations

Ukraine's journey toward European Union membership is deeply rooted in its history and reflects a longstanding aspiration to be part of the European political, economic, and cultural space. This aspiration has been shaped by historical ties to Europe, a strong national identity, and the country's strategic pivot toward democratic values and economic modernization. Understanding Ukraine's integration aspirations requires exploring both its historical context and its current transformative path.

Ukraine's connection to Europe dates back centuries, with its cultural, political, and economic heritage intertwined with European history. The medieval state of Kyivan Rus, often regarded as a precursor to modern Ukraine, established significant diplomatic and trade links with European powers. Through the centuries, Ukraine's geographic position as a frontier between European and Eurasian civilizations shaped its identity and aspirations.

The dissolution of the Soviet Union in 1991 marked a pivotal moment for Ukraine's sovereignty and its reorientation toward Europe. From the outset of its independence, Ukraine declared its commitment to European values and integration. The signing of the Partnership and Cooperation Agreement with the EU in 1994 and Ukraine's membership in the Council of Europe in 1995 were early milestones in this journey.

The post-Soviet transition period was marked by economic challenges and political instability, slowing Ukraine's progress toward integration. However, the 2004 Orange Revolution, driven by public demand for democratic governance, reinforced Ukraine's European trajectory. This was followed by the Euromaidan Revolution of 2013–2014, which solidified Ukraine's European aspirations as citizens demanded closer ties with the EU and have rejected Russian domination.

The Association Agreement signed with the EU in 2014, including the Deep and Comprehensive Free Trade Area (DCFTA), marked a significant step in formalizing Ukraine's integration. This agreement signaled a commitment to harmonizing Ukraine's legal, economic, and political frameworks with EU standards, laying the foundation for future membership.

Ukraine's current integration aspirations are defined by its status as an EU candidate country, granted in June 2022. This milestone reflects both Ukraine's progress in aligning with EU norms and the Union's recognition of Ukraine's strategic importance. The candidacy underscores Ukraine's commitment to democratic reforms, the rule of law, and economic modernization, even in the face of the ongoing war.

The government has set a goal to achieve full EU membership by 2030, demonstrating a clear and ambitious roadmap. This includes aligning legislation with the *acquis communautaire*, adopting EU standards in critical sectors such as energy, agriculture, and transportation, and strengthening governance and anti-corruption measures.

Public support for EU integration is at an all-time high, reflecting a national consensus on Ukraine's European future. This sentiment has been galvanized by the resilience and unity displayed during the ongoing conflict with Russia. The integration process is not only a political and economic endeavor but also a profound expression of national identity and the will of the Ukrainian people.

Ukraine's historical and current integration aspirations are a testament to its enduring commitment to European values and its rightful place within the EU. From its medieval ties to Europe to its modern struggle for democracy and sovereignty, Ukraine's journey reflects a nation determined to shape its future as part of a united and resilient Europe. By pursuing EU membership, Ukraine reaffirms its role as a vital member of the European community and an example of democratic transformation in the region.

2.3. Global implications of EU enlargement to Ukraine

The potential accession of Ukraine to the European Union carries profound global

implications, extending beyond the immediate region of Central and Eastern Europe. Ukraine's integration into the EU is not only a milestone in the Union's enlargement policy but also a transformative event with significant economic, geopolitical, and strategic consequences.

Ukraine's membership would solidify the EU's position as a global leader in promoting democracy, human rights, and the rule of law. By integrating a country that has demonstrated resilience against external aggression and commitment to European values, the EU reinforces its identity as a normative power on the global stage. This expansion underscores the Union's ability to shape and support democratic transformation in neighboring regions, sending a strong message to authoritarian regimes.

As one of the world's largest producers of grain and sunflower oil, Ukraine plays a pivotal role in global food supply chains. Its integration into the EU would strengthen the whole Community agricultural output and contribute to stabilizing global food markets, particularly in regions dependent on Ukrainian exports, such as North Africa and the Middle East. By incorporating Ukraine's agricultural sector into the EU's framework, the Union can enhance its capacity to address global food security challenges and mitigate the impacts of geopolitical disruptions.

Ukraine's accession would significantly alter the geopolitical landscape, diminishing Russia's influence in Eastern Europe and reinforcing the EU's strategic autonomy. It demonstrates a successful countermeasure to authoritarian expansionism, inspiring other nations to pursue democratic reforms and closer ties with the EU. This shift has the potential to recalibrate alliances and reshape international relations, fostering greater alignment among democratic states in the face of rising global authoritarianism.

Ukraine's vast energy resources, including its potential for renewable energy development, would bolster the EU's energy security. Its integration would support the EU's diversification efforts, reducing dependency on non-EU energy sources and enhancing the resilience of European energy systems.

Ukraine's integration into the EU common market would expand economic opportunities, fostering increased trade, investment, and innovation. This enlargement could stimulate global economic activity by creating new supply chain linkages, enhancing regional connectivity, and offering a model for integrating emerging economies into advanced economic frameworks. The economic ripple effects would extend to countries outside Europe, particularly those engaged in trade with the EU and Ukraine.

The inclusion of Ukraine into the EU would have stabilizing effects, both regionally and

globally. It underscores the importance of multilateral institutions in fostering peace, security, and economic development. By supporting Ukraine's reconstruction and integration, the EU sets a precedent for international solidarity, demonstrating that collaborative approaches can address complex global challenges.

The global implications of Ukraine's EU accession are far-reaching, reinforcing the European Union's role as a global leader and reshaping geopolitical and economic dynamics. From enhancing food and energy security to promoting stability and sustainability, Ukraine's integration into the EU highlights the transformative potential of enlargement policies. It signals a commitment to a rules-based international order, inspiring democratic resilience and economic progress on a global scale. Through Ukraine's accession, the EU not only strengthens itself but also contributes to a more stable, prosperous, and interconnected world.



3. Lessons from Poland's experience in the accession process

3.1. Poland's accession to the EU in 2004: benefits and challenges after 20 years of membership

The beginning of Poland's political transformation was accompanied by the slogan "Return to Europe." It was very quickly concretized in the postulate of integration into European structures (first the EEC, then the EU). As early as February 1994, the

In the 20 years of its membership in the European Union, Poland has become a regional leader. This country has achieved the greatest economic success among the former Eastern Bloc countries. Many forecasts indicate that in the next several years, Poland will join the ranks of the richest countries in Europe. Already, many macroeconomic data put Poland in the lead, and if the pace of change is maintained, Poland will have a chance to stand on par with economies such as France or Germany.

Europe Agreement establishing Poland's association with the European Communities (signed in December 1991) came into force. Ten years later, on May 1, 2004, six years after the start of accession negotiations, Poland became a member of the European Union.

Before joining the EU, Poland underwent a significant economic transformation driven by trade and investment liberalization and structural reforms. Between 1997 and 2005, the GDP growth rate averaged about 3.9% per year, indicating stable economic development. In the first years of EU membership, Poland maintained a solid economic growth rate, averaging 4.2% per year in 2004–2005,

which ranked it as a fast-growing economy in the EU. However, despite the positive growth trajectory, Poland faced several economic obstacles. The country struggled with high unemployment, around 20% at the time of accession, reflecting serious structural problems in the labor market. As a result, many people were living at a lower standard. In addition, Poland's GDP per capita was only about 40.1% of the average of the "old Union" (EU-15) countries in 1997, highlighting economic inequalities that must be addressed. One of the key challenges was the need to adapt Polish law to the *acquis communautaire*, which required a series of legislative, administrative, and judicial reforms. This process involved the aforementioned social costs, including the closure of unprofitable industrial plants, which affected unemployment in the first years of the transition.

Today, EU membership has significantly improved the quality of life of Poles. The increase in GDP per capita from 49% of the EU average in 2004 to 77% in 2023 testifies to progressive economic convergence. The value of Poland's exports between 2004 and 2023 increased sixfold from EUR 60 bn to EUR 350 bn, including to EU countries from 45 billion to 262 billion euros. The opening of borders to the flow of goods, services, and people and rapid economic growth have allowed unemployment in Poland to fall sharply from 19 to 3 percent. Poles working in other EU countries have transferred a total of more than 200 billion zlotys to the country since 2004. An increase followed the drop in unemployment in Poles' salaries, which on average increased by almost 140 percent. In turn, thanks to the opening of borders, 400,000 pupils, students, and employees

participated in exchanges with friendly EU countries in the Erasmus program.

Funds from the European Regional Development Fund or the Cohesion Fund, among others, have allowed the construction and modernization of thousands of kilometers of roads and railroads, supported investment in environmentally friendly public transportation, and the development of broadband Internet networks. As a result, residents of various regions have gained easier access to public services and improved the quality of life in areas remote from large cities. At the same time, thanks to support from the European Social Fund, it was possible to finance educational, training, and vocational activation projects. Moreover, access to EU funds made it possible to modernize the Polish countryside, improving farmers' living conditions and increasing the agricultural sector's competitiveness. During the 20 years of its membership, Poland received 245.5 billion euros from the European Union while paying 83.7 billion in contributions. This means that the balance amounted to 161.6 billion euros!

Poland's economy after 20 years in the EU

Poland's accession to the EU has opened up broad access to the common European market, resulting in dynamic export growth. Between 2004 and 2024, the value of exports quadrupled, and more than 80% of Polish exports are now directed to EU countries. Thanks to structural and cohesion funds, Poland has received over 250 billion euros for infrastructure, education, and regional development investment.

Thanks to EU integration, Poland has significantly expanded its trade. The value of exports to EU countries rose from 45 billion euros in 2004 to 262 billion euros in 2023.

The government has become a leader in the export of cosmetics, furniture, batteries,

and car parts. Agriculture also saw a leap in growth – from a net importer of food in 2002, Poland became a major exporter of food, reaching an export value of agri-food products of 47.6 billion euros in 2022, most of which went to EU markets.

Until 2024, Poland has received PLN 55.2 billion to support entrepreneurs, local governments, and innovation, mainly through programs such as Intelligent Development and Eastern Poland. These initiatives have increased the competitiveness of companies on the international stage. In 2024, the Polish Agency for Enterprise Development (PARP) is implementing programs worth PLN 4.8 billion under the 2021–2027 Cohesion Policy, including European Funds for Modern Economy (EUR 2.82 billion) and Eastern Poland (EUR 1.39 billion).

The funds from the Community allowed Poland to carry out substantial infrastructural investments, which were crucial to the development of Polish companies and the economy as a whole. The country's total highways and expressways in 2004 was only 725 km. In 2023, it increased to 5116 km. The A1 and A2 highways or the expansion of ports in Gdansk and Gdynia have become symbols of the effective use of these funds.

Thanks to EU funds, it has been possible to expand the railway infrastructure—for example, the Warsaw metro. For the second and third phases of constructing the second line, including its infrastructure and rolling stock, Warsaw secured a total of 3.78 billion zlotys. In addition, a 1.23-billion-zloty subsidy from the Cohesion Fund enabled the modernization of the Świnoujście–Szczecin waterway. This fund also allocated over 1.1 billion zlotys to the PKP project for constructing a modern ERTMS/GSM-R communication system across 14,000 km of railway lines. Furthermore, PKP received more than 500 million zlotys for modernizing carriages and locomotives. These are just some



of the numerous investments that have been successfully implemented with the support of EU funds. Twenty years of Poland's membership in the European Union have significantly reduced unemployment. According to the Central Statistical Office, unemployment in Poland in May 2004 was as high as 19.5%. It has now declined to 5%. According to Eurostat, the situation is even more favorable at the end of 2023, as unemployment in Poland was 2.8%, and the latest figures from March 2024 show 2.9%. This is the second-lowest level of unemployment in the entire European Union.

EU membership has contributed to job creation. Currently, 5 million Poles are employed thanks to exports to the EU. EU funds have created 325,000 jobs directly, 165,000 indirectly, and another 100,000 thanks to increased demand, bringing the total to 590,000 new jobs².

Poland has been in the EU for over twenty years and has also seen a significant wage increase. In 2004, the average monthly gross salary in the economy was only PLN 2290. In 2023, it was already PLN 7155. This is, therefore, more than tripling in twenty years.

Challenges

The EU integration process required adjustment to EU regulations, which came at a

significant cost, including social costs, for many sectors of the economy. The introduction of the Common Agricultural Policy, while beneficial to most farmers, also required the liquidation of many small farms that could not meet the new requirements. Poland also faced an outflow the significant number of skilled labor to Western countries, which affected the labor market and created demographic pressures.

Despite the undeniable benefits of Poland's presence in the European Union, voices are pointing to the adverse effects of this integration. One of the most frequently raised objections is the excessive overregulation of the economy, which limits competitiveness and hampers the development of domestic companies. In the transport area, mention is made of the so-called mobility package, which, according to Polish carriers, favors carriers from Western Europe and hinders the operations of companies from Central and Eastern Europe. At the same time, restrictive environmental standards introduced at the European level are sometimes seen as inadequate to the specifics of the Polish economy, driving up production costs. Discrimination in EU public procurement, where companies from the so-called "old Union" enjoy a privileged position, can also hinder. Another barrier is sending workers abroad under EU regulations, which are supposed to protect employment conditions

² Deloitte, *Ponad 5 mln miejsc pracy w Polsce jest związanych z jednolitym rynkiem UE*, <https://ceo.com.pl/deloitte-ponad-5-mln-miejsc-pracy-w-polsce-jest-zwiazanych-z-jednolitym-rynkem-ue-45979> (accessed 13.02.2025).

and increase operating costs and bureaucracy for Polish employers. An additional problem remains the relatively small number of Polish officials serving in decision-making roles in EU institutions – a recent report indicated that Poland is still underrepresented at the highest levels in Brussels. There are also concerns about the impact of the Green Deal on socio-economic development. Some analysts warn that a too rapid transition to zero-carbon may strain the competitiveness of less wealthy countries, including Poland, and lead to further widening disparities within the Union.

Cooperation within the EU has also brought political challenges. Poland has often had to balance its sovereignty with the need to adapt to joint decisions made at the EU level, such as climate or migration policy, not always in line with the national interest. Eventually, however, after two decades of membership, Poland consolidated its position in the Union as a leader in the Central and Eastern European region. The country has become an essential partner in creating EU policies, especially climate, energy, and Eastern policies. At the same time, growing skepticism about some aspects of European integration, including regulating the rule of law, points to the need for further evolution and adaptation of national policies to changing challenges.

Increasingly stringent environmental standards – promoted, among other things, as part of the Green Deal – could become a significant ballast for less wealthy countries, leading to increased production costs and significant financial burdens. Other controversies include the expansion of the powers of EU institutions and the move toward federalization, which, according to opponents, does not follow directly from treaty provisions and results in excessive centralization of power in Brussels. In a similar context, attention is drawn to promoting leftist values, attempts to regulate family law, far-reaching migration policies, or initiatives

restricting freedom of speech on the Internet. This adds to the feeling that member countries are losing autonomy in key areas. In addition, the growing reliance on EU funds for infrastructure investment and business support programs and the prospect of a standard fiscal policy, including Eurobonds, which could further limit member states' financial sovereignty, is cause for concern. To make matters worse, Poland is underrepresented in senior positions in the EU institutions, and the relatively low number of Polish officials at key decision-making levels limits the possibility of actively influencing the shape of EU legislation.

3.2. Comparison of Poland in 2004 with the situation of Ukraine before 2022

Ukraine's situation at the beginning of the road to EU membership significantly differs from that of Poland before 2004. At the time of accession, Poland had stable borders, a coherent legal system, and a relatively homogeneous society that mostly supported integration into the Union. Ukraine, on the other hand, is struggling with an ongoing armed conflict, Russia's seizure of more than 20% of its territory, and war-induced economic and political instability.

However, similarities can be seen in the public's aspirations for EU integration. Like Poland in the 1990s, Ukraine is firmly determined to implement structural and legal reforms. The key difference remains in economic development: Poland had a well-developed infrastructure, stable administration, and access to a large internal market, which provided a solid foundation for absorbing EU funds.

Sectoral comparison of the economy

For Ukraine, investments in public institutions and infrastructure development, i.e., primarily modernization of roads, development of

logistics terminals, and implementation of digital systems, will be crucial. The Ukrainian energy sector must bet on strengthening cross-border transmission links and investing in hydrogen and RES technologies. In agriculture, harmonization of phytosanitary standards and support for investment in food processing appear to be key to further development.

Ukraine's integration into the European Union opens up economic opportunities and challenges requiring intensive sectoral reforms. Poland's example of adjustment to EU standards provides an essential point of reference. As part of implementing the project "Ukraine's Road to the EU. The Polish Experience," several industry reports have been published comparing specific sectors of the Polish and Ukrainian economies: construction, energy, transportation, pharmaceuticals, timber, and agriculture. These key areas may become the subject of cooperation and mutual complementarity between the Polish and Ukrainian economies. On the other hand, they may pose significant challenges as potential areas of competition and disputes between Polish and Ukrainian entrepreneurs.

Construction sector: polish experience after EU accession

Poland's construction sector underwent a profound transformation after joining the EU. The implementation of EU regulations, such as directives on energy efficiency and environmental protection, has influenced the modernization of the construction process. Examples include projects supported by EU structural funds, such as constructing the A2 and A4 (Poland's longest highway), investments in sustainable housing, and revitalizing urban areas, including the Old

Brewery in Poznań. EU support made over 4,000 km of roads and expressways in Poland between 2004 and 2024³. Hundreds of large infrastructure projects have been completed, such as the modernization of railroad lines and urban infrastructure development. Poland has also implemented the EU Directive on the Energy Performance of Buildings, contributing to significant reductions in CO₂ emissions in the construction sector. A key challenge for Poland, however, is the introduction of climate neutrality legislation (the so-called Green Deal), which requires technological adaptation and a change in business practices, particularly in heating residential buildings and replacing traditional methods (coal and gas) with renewable energy sources.

Currently, the Polish construction market is one of the pillars of the national economy, having a key impact on infrastructure development, urbanization, and meeting society's housing needs. As of 2024, the value of the Polish construction market was PLN 353 billion, an increase of 44% over the past three years. At the same time, Poland remains one of the leaders in European residential construction, ranking third in the number of projects launched.

Energy sector: polish experience after EU accession

Poland has made significant progress in its energy transition, including the rapid development of renewable energy sources (RES). Since 2016, photovoltaic capacity has increased from 0.2 GW to 16 GW in 2023, and plans call for the development of offshore wind power to 11 GW by 2040. An example of success is implementing the "My Electricity" Program, which has supported the installation of more than 1 million photovol-

³ *Ukraine's road to the EU. The Polish experience: the construction sector*, <https://wei.org.pl/wp-content/uploads/2025/01/Ukrainska-droga-do-Unii-Europejskiej.-Sektor-budowlany.pdf>, (accessed 07.12.2024).

taic micro installations. Poland also actively develops energy storage and SMR (Small Modular Reactors) projects⁴.

Ukraine's energy sector features a diverse energy mix, with nuclear power contributing approximately 50% of electricity production. Meanwhile, renewable energy sources like wind and solar are experiencing rapid growth. However, the ongoing war with Russia has caused significant damage to energy infrastructure, which has limited production capacity and prompted Ukraine to focus on strengthening its energy independence.

The main challenges facing the sector include rebuilding damaged infrastructure, modernizing existing facilities, and aligning the country's regulations with EU standards, such as the Renewable Energy Directive (RED II) and energy efficiency regulations. Additionally, Ukraine needs to reduce its reliance on fossil fuel imports and implement efficient energy storage solutions.

EU regulations, such as the "Fit for 55" package and the EU ETS emissions trading scheme, are forcing member states to reduce CO2 emissions and significantly increase the share of RES. Poland is experiencing these changes through the development of wind

and photovoltaic power generation and investments in the thermal modernization of buildings. Ukraine, which has a strong nuclear power sector, accounting for 55% of electricity production, can benefit from Poland's experience modernizing transmission infrastructure. Synchronization with ENTSO-E has allowed Ukraine to export energy to Europe, which supports its economy. Poland can help implement energy management systems and build wind farms, especially in western Ukraine. The countries could develop hydrogen and biomethane technologies with EU financial support.

Transportation sector: polish experience after EU accession

Poland is a leader in European road transportation, handling more than 25% of international freight in the EU. The fleet numbers more than 305,000 trucks, making Poland a key player in the industry. Examples of success include the expansion of intermodal terminals in Małaszewicze and Gliwice and the modernization of railroads such as the E30 and E65, improving connections to Germany and the Czech Republic⁵. In 2023, the Polish market will have more than 45,000 companies authorized to carry out international transport, with a fleet of about

⁴ Ukraine's road to the EU. The Polish experience: the construction sector, <https://wei.org.pl/wp-content/uploads/2024/07/Ukrainska-droga-do-Unii-Europejskiej.-Polskie-doswiadczenia.pdf>, (accessed 08.12.2024)

⁵ Ibidem.



305,000 vehicles with a gross vehicle weight of more than 3.5 tons. Poland has the second-highest ratio of trucks per capita in Europe, confirming its dominant position in the EU transport market. A key factor in the success of Poland's transport sector has been its adaptation to EU regulations, such as European Parliament and Council Regulations (EC) No. 1071/2009, No. 1072/2009, and No. 1073/2009, which have regulated access to the profession of the road transport operator, the organization of drivers' work and the technical conditions of vehicles. Poland has successfully implemented digital systems, such as tachographs and freight monitoring platforms, which have increased the efficiency and safety of the sector.

Agricultural sector: polish experience after EU accession

Poland's agricultural sector has benefited significantly from EU membership, achieving a tenfold export increase since 2004. In 2023, agri-food exports amounted to EUR 51.8 billion, 73% of which went to EU markets. Products such as cereals, dairy, and meat have become the hallmark of Polish exports. The implementation of the Common Agricultural Policy has allowed the development of sustainable technologies and improved food quality⁶. In 2023, the value of Polish agri-food exports was 51.8 billion euros, a tenfold increase compared to 2004. The most important markets were Germany, the UK, and the US.

Poland is one of the leaders in the EU agricultural market, specializing in meat, dairy products, grains, vegetables, and fruits. A key element of success has been the ability of Polish farmers to adapt to EU require-

ments for food safety, environmental protection, and production quality. One of the biggest challenges remains the structure of farms in Poland, which is characterized by significant fragmentation. The average farm size is 11.4 hectares, well below the EU average of 17.4 hectares. Fragmentation hinders production efficiency and access to technological innovation.

Pharmaceutical sector: polish experience after EU accession

Following Poland's accession to the European Union in 2004, significant efforts were undertaken to align national pharmaceutical regulations and reimbursement policies with EU standards. The primary objective was to harmonize the drug market, ensuring that every medicinal product available in Poland complied with the rigorous requirements set forth by the Union.

Every medication intended to remain on the market had to undergo a comprehensive approval process. This involved adapting the product documentation to meet EU specifications—a procedure that proved both time-consuming and expensive. In many cases, manufacturers were required to supplement their registration dossiers with additional data, such as bioequivalence studies. The deadline for this harmonization was set for December 31, 2008; after this date, any drug lacking compliant documentation was removed from the market.

Reforms in the Reimbursement System

Another major challenge was reforming the national reimbursement system. Prior to the reforms, the lack of transparency and clear

⁶ *Ukraine's road to the EU. The Polish experience: the agricultural sector*, <https://wei.org.pl/wp-content/uploads/2024/11/Ukrainska-droga-do-UE.-Polskie-doswiadczenia.-Sektor-rolny.pdf>, (accessed 13.02.2025). Pharmaceutical sector: Poland's pharmaceutical industry played a key role in the post-1989 economic transformation, becoming one of the pillars of innovation and export development. In 2022, the sector generated more than PLN 15 billion for Polish GDP and contributed PLN 4 billion to the state budget. Key players such as Polpharma, Roche Polska and Lek S.A. dominate the market, co-creating a significant portion of its turnover.

criteria in the Ministry of Health's reimbursement decisions was a critical concern frequently highlighted by the EU. The enactment of the Reimbursement Act on May 12, 2011, marked a turning point. This legislation not only provided a robust administrative framework for the reimbursement process but also introduced Health Technology Assessment (HTA) methodologies. By basing decisions on Evidence Based Medicine, the new system improved transparency and scientific rigor, thereby broadening patient access to innovative therapies.

Poland also focused on eliminating administrative and legal barriers hindering clinical research. EU regulations mandated the adjustment of several aspects of the clinical trial process at the national level. Key areas of reform included establishing an ethical review system for clinical trials, setting language requirements for documentation, ensuring robust protection and compensation mechanisms for trial participants, revising fee structures for clinical trial applications, and clarifying the financial responsibilities between sponsors and public payers. Additionally, measures were introduced to support non-commercial clinical research. These changes have significantly enhanced the prospects for the continued development of clinical trials in Poland, benefiting not only the research and pharmaceutical sectors but also the patients who now have greater access to cutting-edge treatments.

Overall, the benefits of EU membership for Polish pharmaceutical policy and patient care have been substantial. While the process of harmonizing regulations and reforming reimbursement and clinical trial procedures posed significant challenges—most notably, the initial issues with transparency in reimbursement decisions—the long-term outcomes have been positive. The current focus for policymakers in both Poland and

the EU is to further streamline administrative processes, foster the development of innovative therapies, and boost the global competitiveness of European pharmaceutical production.

Poland can support Ukraine in harmonizing phytosanitary regulations and developing agricultural advisory systems. Joint investments in storage infrastructure at the border and the processing of agricultural products will help increase the added value of exports. An example is the development of the dairy processing sector using Polish quality standards. EU transport regulations, such as the Mobility Package, impose rigid frameworks for drivers' working hours, rest periods and vehicle technical conditions. Poland, by adapting its regulations to these requirements, has increased the sector's competitiveness in the EU market, but at the same time, has had to face challenges related to the rising cost of doing business. Forestry and wood sector: polish experience after EU accession

The Polish wood sector, one of the pillars of the processing industry, underwent an intensive transformation after Poland acceded to the European Union in 2004, which can serve as a valuable example for Ukraine. By adapting its regulations to EU standards, implementing certification systems such as FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification), and modernizing its production processes, Poland became Europe's third largest producer of wood products. A key role was played by harmonizing regulations, making obtaining the CE mark for products possible, which opened access to the EU internal market. Exports of wood products and furniture now account for about 37% of Polish wood industry revenues, and furniture generates as much as 19% of EU exports in this category, highlighting the success of Polish companies on the international stage.

FSC and PEFC certification, used in Poland, could be implemented in Ukraine, ensuring compliance with EU requirements and increasing interest in Ukrainian timber products on international markets. Secondly, Ukraine should invest in modernizing its transportation infrastructure and improving logistics efficiency. Poland's success in this area shows that a well-developed infrastructure makes it possible to reduce delivery costs and facilitate exports. In this context, it is worth considering the creation of unique wood clusters that will promote cooperation between companies, knowledge transfer, and technological innovation.

3.3. The evolution of Poland's role in the EU and lessons for Ukraine

Since joining the EU, Poland has moved from being a beneficiary of European integration to an active creator of EU policies. Poland has taken advantage of its position as an EU border country to become a bridge between East and West, promoting the integration of neighboring countries such as Ukraine and Moldova. One of its key achievements was Poland's support for the Eastern Partnership, which enabled closer cooperation between the EU and Eastern European countries.

According to the World Bank, Poland's GDP in 2003, the last full year before EU accession, was about \$218 billion, and according to the Central Statistical Office, it was just over 800 billion zlotys. At the end of 2022, the World Bank estimated Poland's GDP to be nearly \$690 billion, while the Central Statistical Office estimated it to be more than \$3.06 trillion. GDP per capita in 2004 was 51% of the EU average, while in 2022, it rose to 79%. This means that during this period, the Polish economy increased in value several times, and the standard of living became much closer to the standards of the "old" European Union countries.

From 2003 to 2022, the share of exports of goods and services in Poland's GDP also increased significantly, from 33.4% to 62.7%, and imports, from 36.1% to 61.2%. In absolute terms, exports rose from \$72.7 billion to \$431.5 billion, and imports grew from \$78.6 billion to \$421.5 billion. At the same time, Poland's foreign trade balance improved – from –2.7% of GDP (about –\$5.5 billion) in 2003 to +1.4% in 2022 (about \$12.8 billion). It is worth mentioning that in 2019, the last year before the COVID-19 pandemic, the balance was +3.7% of GDP (about \$22 billion).

The structure of foreign trade has changed to a lesser extent. In both 2003 and 2022, Germany was Poland's most important trading partner in exports, followed mainly by the developed countries of Western Europe and the neighboring Czech Republic. The situation was similar in imports, although China's share as a supplier of industrial goods has increased in recent years. Producers of energy raw materials maintained a constant high position in imports. These data show that accession to the EU was a natural step for Poland. Although it did not fundamentally change the structure of trade – which previously followed the so-called gravity model, in which trade turnover depends mainly on geographic proximity and the size of economies – it significantly increased the trade volume.

The economy's structure has also changed significantly since Poland joined the EU. Employment in agriculture has fallen from about 2.1 million people in 2003 to about 1.3 million in 2023. At the same time, employment has increased in industry – from about 2.9 million to 3.2 million people, in construction – from about 0.6 million to more than 1 million, and in services. Unemployment has declined markedly – from about 20% in 2003 to 5% in 2023. One of the key factors in this success has been an increase in the level of foreign investment, which has contributed

significantly to the modernization of the Polish economy.

Thus, the data confirms that integration with the European Union has significantly accelerated Poland's economic development, improved the labor market, and raised the standard of living of its citizens. However, two decades later, it turns out that not all opportunities have been seized. The low representation of Poles in the EU administration is one of the most glaring examples of untapped potential – a problem that Ukraine, as an aspiring member of the Union, should take as an important lesson. Presence in the EU administration is not just a matter of prestige – it is a tool for actual influence on the directions of European policy. Unfortunately, despite its many integration successes, Poland has not taken full advantage of this opportunity. In 2023, Poles accounted for only 5.3% of officials in the AD (administration) category, even though they should have reached a rate of 8.2%. Moreover, our presence in key senior positions was marginal.

The sources of this problem are systemic procedural barriers and national neglect. For years, Poland lacked programs encouraging young people to pursue careers in EU institutions. Insufficient educational support was not created, and EPSO's recruitment procedures—perceived by many countries as adapted to the realities of the “old Union”—proved to be an obstacle difficult to overcome.

For Ukraine, which aspires to join the European Union, Poland's experience can provide valuable warning and inspiration. Here are some key lessons:

1. Strategic approach to human resources — Ukraine should now build a cadre ready to recruit for EU institutions. Creating a support system, including scholarship programs, language training, and mentoring, is important. Po-

land, despite its potential, has ignored this aspect for too long.

2. Promotion of a career in the EU – Brussels often seems distant to young people, and work in EU institutions is inaccessible. Ukraine should promote this career path among its citizens through information campaigns at universities, in the media, and expert circles.

3. Strong presence at an early stage of integration – Already in the pre-accession phase, Ukraine can take care of its representatives in EU projects and delegations. Poland, which joined the Union as part of the “Great Enlargement,” understood too late the importance of an active presence in EU structures, negatively affecting its later position.

4. Regional cooperation – Ukraine, as part of Eastern Europe, can build alliances with countries that have similar experiences. Joint efforts to reform EPSO's recruitment system can benefit all new members.

Lessons for Ukraine stem from Poland's experience building strong state institutions and developing administrative capacity to manage EU funds. Equally important is the public communication strategy, which has contributed to broad public support for Poland's membership in the EU. For Ukraine, the challenge remains not only to implement EU legal and administrative standards but also to carry out economic reforms under conditions of post-war reconstruction.

Poland's experience can also inspire Ukraine to manage cross-border projects, such as developing road and rail infrastructure and strengthening economic ties with the EU. At the same time, a significant challenge will be to ensure the effectiveness of anti-corruption policies and avoid dependence on oligarchs, which could hinder the implementation of necessary reforms.

4. Determinants of Ukraine–European Union Relations

4.1. The history of Ukraine–EU relations and key milestones before 2014

The relationship between Ukraine and the European Union (EU) has deep historical roots and reflects Ukraine's enduring aspiration to align itself with Europe's political, economic, and cultural frameworks. Over the decades, Ukraine's ties with the EU evolved through partnerships, agreements, and reforms that set the stage for closer integration.

The collapse of the Soviet Union in 1991 marked a turning point for Ukraine as it regained independence and began shaping its foreign policy. The EU was one of the first to recognize Ukraine's sovereignty, signaling the start of diplomatic relations in 1991. In 1994, Ukraine signed the Partnership and Cooperation Agreement (PCA) with the EU, which provided a framework for political dialogue, economic cooperation, and assistance in areas such as governance and trade. The PCA became a cornerstone of early Ukraine–EU relations and laid the foundation for future collaboration.

Throughout the late 1990s and early 2000s, Ukraine sought closer economic ties with the EU. The PCA, which came into effect in 1998, formalized these efforts by promoting trade liberalization and regulatory alignment. During this period, the EU became one of Ukraine's largest trading partners, particularly in sectors such as agriculture and metallurgy.

In parallel, the EU launched the Technical Assistance to the Commonwealth of Independent States (TACIS) program, which supported Ukraine's reforms in governance,

public administration, and the legal system. This assistance helped Ukraine modernize its institutions and align with European practices.

The 2004 Orange Revolution was a defining moment in Ukraine's European integration journey. Sparked by widespread protests against electoral fraud, the revolution underscored the Ukrainian people's commitment to democracy and European values. This political shift led to a renewed focus on EU integration, with Ukraine strengthening its reform agenda and initiating negotiations for a deeper partnership.

During this time, the European Neighbourhood Policy (ENP) emerged as a strategic framework for Ukraine–EU relations. The ENP sought to deepen political, economic, and security cooperation between the EU and its eastern neighbors, including Ukraine. Within this framework, Ukraine committed to adopting reforms that aligned with EU standards.

The Eastern Partnership (EaP), initiated by Poland and Sweden, launched in 2009, marked a significant step in Ukraine–EU relations. This initiative aimed to enhance the EU's engagement with six Eastern European countries, including Ukraine, by fostering democratic governance, economic integration, and regional stability. For Ukraine, the EaP became a platform for negotiating an Association Agreement (AA), which included provisions for a Deep and Comprehensive Free Trade Area (DCFTA).

Negotiations for the AA began in 2007 and concluded in 2011. The agreement aimed to institutionalize political association and

economic integration between Ukraine and the EU. However, its signing was postponed in late 2013, as Ukraine's government, under pressure from Russia, opted to suspend its EU integration efforts, triggering widespread protests known as the Euromaidan Revolution.

Before 2014, Ukraine–EU relations were characterized by steady progress toward partnership and integration. Key milestones, including the PCA, the ENP, and the Eastern Partnership, established a framework for cooperation and reforms. These efforts reflected Ukraine's aspirations to align with European standards and its citizens' commitment to democratic values. Despite challenges, these milestones laid the groundwork for the transformative events that followed, ultimately bringing Ukraine closer to its European future.

4.2. The Ukraine–EU Association Agreement and post-2014 reforms

In 2014, Ukraine signed the Association Agreement (AA) with the European Union (EU), marking a clear intention to become the member of the EU in the future. This agreement envisaged the Deep and Comprehensive Free Trade Area (DCFTA) and was aimed to deepen political, economic, and legal ties between Ukraine and the EU. The political section of the agreement were provisionally applied in November 2014, while the trade-related DCFTA provisions came into force on January 1, 2016. The full agreement officially entered into force on September 1, 2017. Beyond its economic and legal implications, the Association Agreement symbolized Ukraine's commitment to democratic governance, the rule of law, and market-oriented reforms. After 2014, Ukraine implemented many reforms from the Action Plan on the AA Implementation in these areas and beyond.

Following the Russian full-scale invasion in February 2022, Ukraine formally applied for EU membership on February 28, 2022. In June 2022, the European Council granted Ukraine candidate status, recognizing its progress in implementing democratic and economic reforms. Before opening formal accession talks, the European Commission set seven conditions for Ukraine, covering judicial reform, anti-corruption measures, media freedom, anti-oligarchic policies, public administration reform, protection of national minorities, and alignment with EU competition and anti-money laundering laws. In December 2023, the European Council approved the start of accession negotiations. By mid-2024, Ukraine mostly met seven conditions, which allowed to conduct the first Intergovernmental Conference on Accession in June 2024, marking the formal beginning of the negotiation process.

Since the second half of 2024, Ukraine is going through the process of preparation and conducting of formal screening on all negotiation chapters to define the actions for the National program for the adoption of the EU *acquis* (NPAA).

Key Reform Sectors under the Association Agreement

Since the signing of the AA Agreement, Ukraine has implemented a broad range of structural reforms aimed at aligning its institutions, laws, and economic policies with EU standards. One of the most significant areas of progress has been in governance and rule of law. The establishment of independent anti-corruption bodies, including the National Anti-Corruption Bureau of Ukraine (NABU), the Specialized Anti-Corruption Prosecutor's Office (SAPO), and the High Anti-Corruption Court (HACC), has been a crucial step in fighting corruption. Despite ongoing challenges, these institutions have become more effective, contributing to a growing number of high-profile corruption

cases reaching the courts. The reforms in these areas are essential for the opening of negotiations on the EU membership in 2025 as they are part of Fundamentals chapter. The DCFTA has facilitated increased access to the EU market, making the EU Ukraine's largest trading partner, accounting for over 40% of total trade. Ukraine has successfully aligned a substantial portion of its customs and regulatory framework with EU standards, improving export conditions for Ukrainian businesses and boosting agricultural and industrial production.

The public finance management reform has been conducted largely in compliance to actions envisaged in the AA Action Plan. Ukraine has substantially increased transparency and accountability in public finance and largely improved its ranking in the Budget Openness Index. The established electronic public procurement system Pro-zorro ensured higher efficiency of public spending. It received World Awards. Excise rates for tobacco and fuel are designed to gradually reach the EU levels. Customs reforms envisaged the creation of single customs window, the introduction of the NCTS and the AEO, which are aligned with the EU acquis. The Ministry of Finance currently is working on the new version of the Custom Code.

In the sphere of public administration and decentralization, Ukraine has made significant strides in reforming state institutions to enhance transparency and efficiency. A new public administration law was adopted to improve merit-based civil service recruitment, reducing the influence of political patronage. At the same time, decentralization reform has transferred greater authority and financial autonomy to local governments, strengthening regional governance and service delivery. The decentralization became one of the largest successes of Ukraine's reform path; however, it still has the way forward.

The energy sector has undergone a profound transformation, with Ukraine making considerable progress in aligning with the EU energy market. The country successfully integrated its electricity grid with the European Network of Transmission System Operators for Electricity (ENTSO-E) in 2022, significantly reducing dependence on Russian energy supplies. Additionally, Ukraine has committed to EU Green Deal principles, adopting policies aimed at enhancing energy efficiency and renewable energy production.

Digital transformation and cybersecurity have become key priorities in Ukraine's reform agenda, especially given the increased cyber threats following Russia's full-scale invasion. Ukraine has adopted EU-aligned regulations on data protection, digital markets, and cybersecurity, strengthening cooperation with European agencies on cyber defense. Investments in digital infrastructure have improved e-governance and public service delivery.

Progress in human rights and social policies has been notable, particularly in gender equality and labor market reforms. New legislation has brought Ukrainian labor laws closer to EU employment standards, ensuring greater protection for workers and improving workplace safety regulations. Efforts to promote gender equality and social inclusion have also been strengthened through alignment with EU social policies.

The challenges remain, particularly in ensuring judicial independence, further strengthening anti-corruption institutions, and implementing sustainable economic policies. With accession negotiations now officially underway, the next phase of Ukraine's European integration will require continued efforts to meet EU membership criteria and fully align legislation with the EU acquis.

4.3. EU support and its significance (economic, political, military)

After 2014 the European Union became the strong supporting partner for Ukraine, which followed the signing of the Association Agreement between Ukraine and the EU in May 2014. The financial assistance was traditionally provided to budget in the form of macro-financial assistance, which are concessional loans. There was also substantial technical assistance support, which was aimed at the support of the EU-related reforms, ensuring democracy and contribution to vibrant civil society.

The support increased substantially after the full-scale invasion by Russia started on February 24, 2022. Since then, the EU provided unprecedented support to Ukraine across multiple sectors, reaffirming its commitment to Ukraine's sovereignty, economic resilience, and integration into the EU. Since 2022, the EU has mobilized nearly EUR 134 bn in financial, military, and humanitarian assistance, making it one of the largest contributors to Ukraine's stability and defense.

Military Assistance

The economic and financial situation in Ukraine depends fully on the military situation in the country. Therefore, the military assistance is of great need for Ukraine. The EU has provided EUR 48.3 bn in military support, including funding for weapons, training, and defense logistics⁷. The European Peace Facility has played a crucial role in ensuring Ukraine's armed forces receive necessary equipment and supplies.

Macro-Financial Assistance (MFA)

The EU has been a key financial partner for Ukraine since 2014 to support economic stabilization and reforms. MFA⁸ programs have evolved from addressing Ukraine's early economic crises to providing emergency support following Russia's full-scale invasion. The support was provided as concessional loans. The most significant MFA programs include:

- MFA I & II (2014) – EUR 1.61 bn and EUR 1 bn, supporting Ukraine during the balance-of-payments crisis.
- MFA III (2015) – EUR 1.8 bn to alleviate external financing needs.
- MFA IV (2018) – EUR 1 bn to accelerate reforms.
- MFA during COVID-19 (2020) – EUR 1.2 bn to mitigate economic fallout.
- Emergency MFA (2022) – EUR 1.2 bn to address immediate liquidity needs post-invasion.
- Exceptional MFA (2022-2023) – EUR 9 bn, providing concessional loans for fiscal stability.
- MFA+ (2023) – EUR 18 bn, ensuring continued economic resilience through structured disbursements.

This sustained financial support has helped Ukraine maintain economic stability, finance critical public services, and implement structural reforms despite wartime pressures.

Ukraine Facility (2024-2027)

In February 2024, the EU approved new instrument of the support to Ukraine "Ukraine Facility"⁹ at EUR 50 bn in total amount of financial support for 2024-2027¹⁰. It follows a similar model to the Recovery and Resilience

⁷ https://commission.europa.eu/topics/eu-solidarity-ukraine/standing-ukraine-every-step-way_en

⁸ https://economy-finance.ec.europa.eu/international-economic-relations/candidate-and-neighbouring-countries/neighbouring-countries-eu/neighbourhood-countries/ukraine_en

⁹ https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_3353

¹⁰ <https://www.eurointegration.com.ua/news/2024/02/27/7180573>



Facility (RRF) used within the EU, ensuring structured financial assistance based on agreed reform commitments.

The Ukraine Facility operates through three pillars, distributing funds to support key economic and institutional reforms.

- **Pillar I** – financial support in the form of grants and loans to the State: consists of EUR 33 bn in loans and EUR 5.27 bn in grants, directly financing government expenditures, with loan repayments starting in 2034. 20% of grants are to be directed towards local government programs. Financing is disbursed in quarterly on the basis of the review by the European Commission and the EU council on the fulfillment of commitments, approved by the Government in the Ukraine Plan. The financing is frontloaded. In 2024 Ukraine received EUR 16.1 bn under Ukraine Facility as all indicators were implemented. If all commitments are met in 2025, the financing will be EUR 12.5 bn. However, taking into account that Ukraine will need enormous financing beyond 2025, there is a need for more longer term financial instruments of the support.

- **Pillar II** – a specific Ukraine Investment Framework – allocates EUR 7 bn for investment promotion, alongside EUR 7.8 bn in EU-backed guarantees, focusing on infrastructure, regional development, and SME support. At least 20% of guarantees will be directed toward green transition projects, while 15% will be reserved for SMEs. The IFIs are responsible for the implementation of this Pillar of Ukraine Facility. Some of them have already started the process of collection and selection of business projects for financing.
- **Pillar III** – technical assistance and other supporting measures – provides EUR 4.76 billion to cover interest payments on Ukraine's EU loans, along with funding for technical cooperation and administrative support.

Overall, the financing from Ukraine Facility is crucial for the financing Ukraine's resilience. However, there is a need for more financing since 2026 and beyond as the financing is not adequate. Moreover, pre-accession financial instrument, which is currently should be considered.

Contribution to Extraordinary Revenue Acceleration (ERA) loan mechanism

In June 2024, G7 initiated new mechanism¹¹ of the support to Ukraine – Extraordinary Revenue Acceleration (ERA) loan mechanism – of USD 50 bn. These loans will be serviced and repaid by future flows of extraordinary revenues stemming from the immobilisation of Russian assets. ERA envisages the following contributions: USD 20 bn from the US, USD 20 bn from the EU, with the remaining funds provided by Japan, the UK, and Canada. The EU approved the decision to provide its contribution fully in 2025.

The EU–Ukraine Solidarity Lanes

The EU–Ukraine Solidarity Lanes¹², launched in May 2022, ensure Ukraine can export grain and agricultural products while securing essential imports such as humanitarian aid, animal feed, and fertilizers. Since then, these routes have facilitated the movement of 162 m tonnes of goods, including 79 m tonnes of grain, oilseeds, and related products, while enabling over 64 m tonnes of imports. The total trade value via the Solidarity Lanes has reached EUR 192 bn, with EUR 58 bn attributed to Ukrainian exports. To enhance capacity, over EUR 2 bn has been mobilized through contributions from the European Commission, EIB, EBRD, and the World Bank.

Humanitarian and Social Support

The EU has allocated EUR 17 bn to help Member States accommodate Ukrainian refugees, ensuring access to housing, health and social care, and education¹³. This demon-

strates the EU's commitment to not only Ukraine's defense but also the well-being of its displaced citizens. Additionally, the European Commission has allocated EUR 950 m for humanitarian aid programs in Ukraine, providing shelter, cash support, healthcare, food assistance, education, and water and sanitation services in line with the Ukrainian government's priorities¹⁴. Through the EU Civil Protection Mechanism, over 153,000 tonnes of in-kind assistance have been delivered, including EUR 157 m worth of emergency supplies from rescEU stockpiles. The EU and its Member States have also committed EUR 320 m for humanitarian demining, with EUR 21.5 m directly from the EU budget. To support Ukraine's energy sector, the EU has provided over 8,800 power generators, with an additional 2,500 generators delivered through a repurposed cooperation program. Furthermore, 35 m LED light bulbs have been supplied to reduce strain on the country's energy grid. The EU has also coordinated the medical evacuation of over 3,900 Ukrainian patients to European hospitals, ensuring access to specialized healthcare.

Technical assistance

Beyond financial and military aid, EU support has significantly advanced Ukraine's political and institutional integration into Europe. The Association Agreement (AA) laid the foundation for Ukraine's legal and regulatory alignment with EU standards, facilitating comprehensive reforms across multiple sectors. EU-funded projects have played a crucial role in supporting structural transformations. In particular, these are the following (the list is far from exclusive):

- U-LEAD has been instrumental in advancing decentralization reform, streng-

¹¹ https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5473.

¹² <https://ec.europa.eu/commission/presscorner/api/files/attachment/880127/Factsheet%20-%20EU%20Solidarity%20with%20Ukraine.pdf>

¹³ https://commission.europa.eu/topics/eu-solidarity-ukraine/standing-ukraine-every-step-way_en

¹⁴ <https://ec.europa.eu/commission/presscorner/api/files/attachment/880127/Factsheet%20-%20EU%20Solidarity%20with%20Ukraine.pdf>

thening local governance and public service delivery.

- EU4PFM supports the public finance management reform, enhancing fiscal transparency, budgetary efficiency, and accountability.
- EU4PAR focuses on public administration reform (PAR), improving institutional capacity and policymaking processes.
- EU4Skills addresses skills mismatches, promoting vocational education and training, skills recognition, and upskilling programs to align the labor market with EU demands.

There are also programs aimed at the support of civil society organization in Ukraine. Beyond governance and economic reforms, Ukrainian organizations have gained access to EU programs such as Horizon Europe and Creative Europe, fostering innovation, research collaboration, and cultural exchanges. While these initiatives represent substantial support, Ukraine still requires greater access to EU funding instruments to accelerate reforms, drive economic recovery, and ensure long-term resilience in the face of ongoing challenges.

Therefore, the EU's assistance has been instrumental in ensuring Ukraine's economic and military resilience while advancing its path toward EU membership. As the war continues, sustained European support remains crucial for Ukraine's defense, reconstruction, and long-term integration into the EU. Moreover, Ukraine really needs pre-accession financial instrument, which is currently absent as the process of euro-integration requires money.

4.4. Key determinants shaping Ukraine's current relations with the EU

Ukraine's relationship with the European Union is shaped by a dynamic interplay of historical, political, economic, and secu-

rity factors. These determinants highlight Ukraine's pivotal role in Europe's future and underscore the mutual benefits of deeper integration. This section explores the key drivers shaping Ukraine's current relations with the EU, focusing on the shared aspirations and challenges that define this critical partnership.

Ukraine's strategic location as a frontier state between the EU and Russia positions it as a linchpin of regional stability and security in Eastern Europe. The ongoing conflict with Russia has further solidified Ukraine's importance in the EU's geopolitical strategy. By supporting Ukraine's sovereignty and territorial integrity, the EU reinforces its commitment to a rules-based international order. This alignment strengthens Ukraine's role as a defender of European values and a vital partner in countering external aggression. Ukraine's status as an EU candidate country, granted in June 2022, reflects its deep commitment to European integration. The country's government has set an ambitious goal of full EU membership by 2030, driving reforms across political, economic, and legal domains. Ukraine's alignment with the EU *acquis*, encompassing democratic governance, market liberalization, and environmental sustainability, remains a cornerstone of its relationship with the EU.

Economic cooperation is a key pillar of Ukraine-EU relations. The Deep and Comprehensive Free Trade Area (DCFTA), established in 2016 as part of the EU-Ukraine Association Agreement, has significantly increased trade flows and integration. The EU is now Ukraine's largest trading partner, accounting for over 40% of its exports in 2023. Ongoing reforms in agriculture, energy, and digitalization aim to enhance Ukraine's competitiveness within the EU market while fostering shared economic growth.

The war with Russia has elevated security and defense cooperation as a critical aspect

of Ukraine–EU relations. Ukraine plays a crucial role in Europe's collective security architecture, serving as a frontline state against aggression. The EU has supported Ukraine with financial aid, military assistance, and sanctions against Russia, demonstrating a united front. This collaboration underscores the strategic importance of Ukraine's stability for the security of the entire region. Ukraine's determination to consolidate democratic governance, strengthen the rule of law, and combat corruption aligns closely with EU values. The EU has supported Ukraine's institutional reforms through financial and technical assistance, fostering transparency and accountability. These efforts are essential for Ukraine's EU accession process and its broader goal of becoming a stable and prosperous democracy.

Environmental sustainability is an emerging determinant of Ukraine–EU relations.

Ukraine's commitment to the European Green Deal and alignment with EU climate policies reflect shared priorities in combating climate change and transitioning to a low-carbon economy. Investments in renewable energy, energy efficiency, and sustainable agriculture further strengthen this partnership, contributing to long-term regional and global sustainability goals.

The current relations between Ukraine and the EU are defined by a shared vision for a stable, prosperous, and integrated Europe. Geopolitical realities, economic integration, security collaboration, and a mutual commitment to democratic values and sustainability drive this evolving partnership. These determinants not only shape Ukraine's path toward EU membership but also underscore its importance as a vital contributor to Europe's collective resilience and success.



5. Legal criteria for EU accession

5.1. Copenhagen Criteria. Political, economic, and legal aspects

The Copenhagen criteria are the conditions for a European country to apply for membership in the European Union. At the European Council summit in Copenhagen on June 21–22, 1993, EU leaders agreed that associated countries that want to do so can become members of the Union after meeting certain political and economic criteria.

“The Copenhagen criteria” require candidate countries to have a ‘functioning market economy,’ the ability to cope with competitive pressures and market forces in the European Union, and the will to achieve the goals of political, economic, and monetary union¹⁵.

The criteria also require that future members have stable institutions that guarantee democracy, the rule of law, respect for human rights, and respect for and protection of national minorities. As time passes, aspiring countries will have to adopt the entire *acquis communautaire*, like all members of

the European Union. This is a requirement for membership, as is participation in the Economic and Monetary Union. Candidate countries' ability to meet the criteria for admission to the European Union and to assess the losses and benefits of eastern enlargement will depend, to a large extent, on good economic performance. These should not be limited to achieving a low inflation rate or a high Gross Domestic Product per capita ratio but should also include strategies and institutions conducive to rapid and sustained economic growth. When the economy grows rapidly, it will be easier to adapt to a more competitive environment and reduce inflation and debt, thus strengthening the Polish economy's ability to stick to the Maastricht Treaty goals consistently. The systematic alignment of laws and institutions with the *acquis*, including regulations on the four freedoms of the Single Market (movement of goods, services, capital, and workers), will help improve economic efficiency by reducing legal, political, and regulatory uncertainty.

¹⁵ The Copenhagen criteria, <https://eur-lex.europa.eu/PL/legal-content/glossary/accession-criteria-copenhagen-criteria.html>.



COPENHAGEN CRITERIA

ENLARGEMENT OF THE EUROPEAN UNION – LEGAL BASIS

The Treaty on European Union sets out the conditions (art. 49) and Article 6(1) binding on any state seeking membership in the European Union (EU).

Specific criteria must be met before accession. The European Council defined these (the Copenhagen criteria) at the 1993 Copenhagen Summit and tightened them at the 1995 Madrid European Council.

These are:

- **The stability of institutions that guarantee democracy, the rule of law, human rights, and respect for and protection of minorities;**
- **A functioning market economy and the ability to withstand the competitive pressures and market forces of the EU;**
- **The ability to assume the membership requirements, including the ability to effectively implement the principles, norms, and policies that make up the EU acquis and achieve political, economic, and monetary union goals.**

Article 49 of the Treaty on European Union (Lisbon Treaty TEU) defines which countries can apply for membership.

Any European state that respects the values referred to in Article 2 and is committed to promoting them may apply for membership in the Union. The European Parliament and national parliaments shall be informed of this application. The applicant state shall address its application to the Council, which shall act unanimously after consulting the Commission and receiving the consent of the European Parliament, given by a majority of its members. The eligibility criteria agreed upon by the European Council shall be considered. The conditions of admission and the consequent adjustments to the Treaties on which the Union is based are the subject of an agreement between the Member States and the applicant country. This agreement is subject to ratification by all contracting states by their respective constitutional requirements.

Article 2 of the TEU defines the values underlying the EU.

The EU is based on the values of respect for human dignity, freedom, democracy, equality, the rule of law, and human rights, including the rights of persons belonging to minorities. The Member States share these values in a society based on pluralism, non-discrimination, tolerance, justice, solidarity, and equality between women and men*.

* The Copenhagen criteria, <https://eur-lex.europa.eu/PL/legal-content/glossary/accession-criteria-copenhagen-criteria.html>.

5.2. Alignment of Ukrainian law with the *acquis communautaire*

The first legal act that comprehensively regulated relations between the European Communities and Ukraine after its declaration of independence in 1991 was the Partnership and Cooperation Agreement, signed in Luxembourg on June 14, 1994¹⁶. This document entered into force on March 1, 1998, becoming the basis for further political and economic cooperation. In the following years, EU-Ukraine relations developed dynamically. In 1999, the Joint Strategy was adopted, and later, within the framework of the European Neighborhood Policy and the Eastern Partnership, cooperation was given a new quality. A key moment was Ukraine's accession to the WTO in 2008, which opened the way for negotiations on an association agreement. On December 19, 2011, during the 15th EU-Ukraine summit, it was announced that an agreement had been reached on the agreement's content. It was planned to be signed at the Eastern Partnership Summit in Vilnius (November 28–29, 2013). However, a few days before the event, President of Ukraine Viktor Yanukovich announced his resignation from signing the agreement, which triggered a wave of public protests known as Euromaidan. These events led to a change of government and Yanukovich's flight to Russia. Faced with new political realities, the deal was signed in two stages: the political part on March 21, 2014, while the economic part, including the Deep and Comprehensive Free Trade Area (DCFTA), was signed on June 27 of the same year. Similar agreements were then reached between the EU and Georgia and Moldova.

The Association Agreement¹⁷, the cornerstone of Ukraine's European aspirations, came into force on September 1, 2017, and is the primary instrument bringing Ukraine clo-

ser to the European Union. It aims to build deeper political ties, intensify economic relations, and promote shared values. A key part of the agreement is the DCFTA, intended to provide a basis for modernizing the Ukrainian economy and further developing trade with EU member states.

Adapting Ukrainian law to the *acquis communautaire* (the set of standard regulations of the European Union) requires thorough reforms in many areas, such as the rule of law, anti-corruption policy, environmental protection, human rights, and the energy sector.

The most crucial step is to harmonize Ukrainian legislation with EU regulations. For example, Ukraine has adopted a gas market law that implements the principles of the EU's Third Energy Package (Directive 2009/73/EC and Regulation 715/2009), opening the gas sector to competition and reducing Gazprom's monopoly. This reform made it possible to make the Ukrainian gas market independent of Russian supplies.

Another example is the judiciary reform, including establishing an independent Supreme Judicial Council, which aligns with the principles outlined in Article 19 of the Treaty on European Union (TEU). Ukraine has also implemented legislation on the transparency of judges' assets under the guidelines of the Group of States against Corruption (GRECO).

Regarding environmental protection, Ukraine has adopted a law implementing the Water Framework Directive (2000/60/EC), establishing the basis for managing water resources. Work on implementing the Nitrate Directive (91/676/EEC) also represents a significant step in alignment with EU standards.

¹⁶ Official Journal of the EC L 49 of 1998, 3.

¹⁷ Final Act of 27.06.2014 with regard to the Association Agreement (Official Journal of the EU L 278, p. 4).

However, the legislative process faces serious barriers. The war in Ukraine is forcing the prioritized allocation of resources for the defense and reconstruction of the country, which often comes at the expense of institutional reforms. In addition, a challenge is the resistance of corrupt structures operating in some economic and public administration sectors. EU financial and technical support, including programs like the Instrument for Pre-Accession Assistance (IPA), is crucial.

5.3. Standard Procedures vs. Exceptional Circumstances in Wartime

Undoubtedly, the war in Ukraine challenges the standard procedures used by the European Union in its accession processes. Never before has the EU had to deal with a candidate simultaneously waging a defensive war on its territory. In February 2022, Russia, backed by Belarus, carried out an act of full-scale aggression against Ukraine. This was met with strong condemnation from the international community, including the European Union. At an emergency meeting of the European Council on February 24, the heads of state or government of the member states described Russia's aggression against Ukraine as an act of aggression, called for its immediate cessation, respected the sovereignty and integrity of Ukraine (as well as Georgia and Moldova), and announced that Russia would be held accountable for its actions. EU decision-makers supported Ukraine and announced political, financial, humanitarian, and logistical support.

The European Council used a flexible approach to accommodate extreme circumstances. For example, the procedure for granting candidate status to Ukraine occurred rapidly, a departure from the standard procedure outlined in Article 49 of the Treaty on European Union (TEU). The European Commission adopted simplified guidelines for legal harmonization, allowing Ukraine to focus on

key reforms such as competition protection (Articles 101 and 102 of the Treaty on the Functioning of the European Union – TFEU).

In addition, to support Ukraine, the EU has launched emergency programs such as the European Peace Fund, which finances the supply of military equipment. Special budget mechanisms for the reconstruction of critical infrastructure were also approved in 2023 by Regulation 2021/241, establishing the Instrument for Reconstruction and Increasing Resilience. An essential element of cooperation is Ukraine's participation in EU projects such as Horizon Europe and the LIFE program, which allows for integration of the R&D and environmental sectors even before formal membership.

5.4. EU enlargement process and monitoring of Ukraine's progress

The procedure, which has been underway for almost a year, to grant Ukraine candidate status to the European Union has gained a new dimension in recent months – the legislation screening process, which is a prelude to full-fledged accession negotiations, has officially begun. Despite war and a difficult economic situation, Kyiv declares its willingness to reform at an unprecedented pace. In this context, the importance of Poland and Ukraine's other allies in the Union is growing, who, as current discussions show, have a key role to play in providing political support and formulating the shape of the entire integration procedure.

The European Commission regularly assesses Ukraine's progress in alignment with the *acquis communautaire*. Key areas are judicial reform, the fight against corruption and macroeconomic stability. A special monitoring team of Member State experts was established in 2023 to support Ukraine in implementing its commitments. This mechanism was established on the basis

of Articles 2 and 49 of the TEU.

Candidate status and the importance of fast-track

Accession negotiations occur at an inter-governmental conference (the “accession conference”) between ministers and ambassadors of EU member states and the candidate country. The talks cover a set of common laws and regulations (the “EU acquis”) and are divided into chapters or groups of chapters corresponding to different policy areas. Accession conferences can be held at the ministerial or deputy ministerial level. On June 25, 2024, the EU held its first intergovernmental conference with Ukraine, formally opening membership negotiations.

Granting candidate status to Ukraine in June 2022 was a political milestone. Since then, talks have been underway in Brussels to structure the mode of accession negotiations, considering the war context and the resulting financial and infrastructure challenges. The situation is unprecedented because never before has the Union held such far-reaching talks with a country whose part of the territory remains in a state of military conflict.

However, many EU capitals have taken a stance: there is no time to waste. The head of the European Commission, Ursula von der Leyen, has made it clear that Ukraine's reforms and integration into the EU are integral to the country's future reconstruction. As a result, Ukraine has already embarked on screening, a detailed review of its laws against the *acquis communautaire* – the EU acquis – in the fall of 2023.

Screening, a key step in adjusting the law of an EU candidate country

The purpose of the screening is to identify areas where Ukrainian regulations overlap with those of the EU, as well as to identify major gaps that require deep reforms. The

priority at this stage is:

Fighting corruption and strengthening the rule of law – a transparent judiciary and effective anti-corruption institutions are the foundation of partnership with the EU and a condition for investment inflows.

Public administration reforms – Ukraine must ensure the smooth implementation of EU law at all levels of government.

Unification of economic laws – freedom of movement of goods, capital, and services implies the introduction of uniform regulatory standards, strengthening the competitiveness of Ukrainian companies.

Successful passage of this phase will pave the way for the next phase, which is the opening of individual negotiating chapters (or, in the new formula, thematic clusters).

Cluster negotiations

The standard accession procedure is divided into 35 chapters covering key areas of EU law. However, a cluster approach has been increasingly used in recent years, grouping these chapters into larger blocks to speed up negotiations. In the case of Ukraine, this can be important, as it allows focus on priority areas and rapid implementation of some of the regulations that will serve the country's successful reconstruction. Flexibility is also increased – if slower progress is seen in one cluster, this does not block others where the situation looks more promising. A possible challenge, however, remains the need to meet all membership criteria – there is no “accession in installments.” The Ukrainian authorities must ensure that reforms are not “facade,” especially in areas where weaknesses have existed for years (corruption, influence of oligarchs, weakness of the judiciary).

Poland's role and potential blockades

From Poland's perspective, Ukraine's membership in the EU is a matter of strategic

stabilization of the region and further development of the common market. Warsaw has consistently presented itself as Kyiv's advocate in EU affairs. However, it is worth emphasizing that real support also means a willingness to share experience in adjusting laws and the skillful use of EU funds – something Poland experienced after 2004.

As a key ally of Ukraine, Poland plays a vital role in the accession negotiations. Experience gained during its integration process, including implementing Regulation 1083/2006 on structural funds, allows Poland to support Ukraine in preparing institutional reforms. Bilateral cooperation, including initiatives such as the Eastern Partnership, enables sharing best practices and building institutions capable of functioning within EU structures.

At the same time, some observers point to Hungary, where Viktor Orbán's government often takes positions that differ from those of the EU mainstream. Potential blockades could include the issue of national minorities or future sanctions packages against Russia. However, Budapest has not stopped Ukraine's accession process today – the real test will be when negotiations in detailed and sensitive areas occur.

Therefore, the EU enlargement process is one of the most complex political processes, requiring not only legal alignment but also ensuring the candidate's economic and political stability. In the case of Ukraine, progress monitoring is taking place on an accelerated basis due to extraordinary circumstances.



6. Ukraine's internal challenges in the context of accession

6.1. Political and Legal Challenges

Corruption and the effectiveness of anti-corruption reforms

Corruption remains a persistent challenge in Ukraine's political and legal landscape, undermining trust in governance, deterring foreign investment, and slowing the country's progress toward European Union integration. Despite notable efforts to combat corruption, the effectiveness of anti-corruption reforms has been mixed, requiring continued commitment and targeted measures to achieve tangible results.

Over the past decade, Ukraine has taken significant steps to address corruption, driven in part by public demand and EU conditionality. Key milestones include the establishment of specialized institutions such as the National Anti-Corruption Bureau of Ukraine (NABU), the Specialized Anti-Corruption Prosecutor's Office (SAPO), and the High Anti-Corruption Court (HACC). These bodies have been instrumental in investigating and prosecuting high-profile corruption cases, signaling a break from past impunity.

In addition, Ukraine implemented transparency measures, such as the ProZorro electronic procurement system, which has reduced opportunities for corruption in public procurement. The creation of an e-declaration system for public officials' assets has further enhanced accountability and public scrutiny.

Despite these advances, corruption remains a systemic issue in Ukraine. Challenges include political interference in anti-corruption bodies, insufficient resources for enforce-

ment, and lengthy judicial processes that hinder the resolution of cases. The effectiveness of anti-corruption institutions is often constrained by weak coordination and limited independence from political pressures.

Public perception of corruption also highlights the need for deeper reforms. Surveys indicate that many Ukrainians remain skeptical about the government's ability to tackle corruption effectively, with concerns about elite impunity and the influence of vested interests.

To enhance the effectiveness of anti-corruption reforms, Ukraine should focus on the following priorities:

- ensure independence of anti-corruption institutions. Strengthening the autonomy of NABU, SAPO, and HACC is critical to shielding these bodies from political interference and ensuring they can operate effectively.
- improve enforcement and case resolution. Streamlining judicial processes and allocating sufficient resources to anti-corruption bodies will enable the faster resolution of cases and demonstrate tangible outcomes.
- enhance asset recovery mechanisms. Strengthening frameworks for seizing and repurposing illegally acquired assets will reinforce accountability and deter corrupt practices.
- promote a culture of integrity. Expanding public awareness campaigns and integrating anti-corruption education into the curriculum can foster a culture of accountability and transparency.
- leverage international support. Continued collaboration with the EU and other international partners can provide technical expertise, financial assistance,

and political backing for reforms.

The fight against corruption is central to Ukraine's European integration and broader democratic transformation. While progress has been made, achieving lasting change requires sustained commitment, stronger enforcement, and a culture of accountability. By addressing the root causes of corruption and enhancing the effectiveness of anti-corruption reforms, Ukraine can build trust in its institutions, attract investment, and advance its path toward EU membership.

Judicial reforms and the rule of law

Judicial reforms are central to Ukraine's European integration and its broader aspirations to establish a transparent and democratic state. While progress has been made, the judiciary continues to face systemic issues that undermine the rule of law. Reforms such as the creation of the High Anti-Corruption Court (HACC) and the restructuring of the Supreme Court have aimed to improve transparency and accountability. Efforts to enhance judicial self-governance, including reforms to the High Council of Justice (HCJ) and the High Qualification Commission of Judges (HQCJ), have sought to reduce political interference and bolster independence. Additionally, measures such as asset declarations for judges and merit-based selection processes have aimed to increase public trust.

Despite these advances, challenges persist. Corruption and lack of independence remain significant issues, with allegations of bribery and undue influence undermining confidence in the judiciary. Inefficiencies in court operations result in lengthy case backlogs, and enforcement of judicial decisions is often weak, particularly in cases involving powerful individuals. These shortcomings hinder access to justice and erode the rule of law, a cornerstone of EU accession requirements.

To address these challenges, Ukraine must prioritize reforms that ensure judicial independence, combat corruption, and improve efficiency. Strengthening the selection and disciplinary processes for judges through transparent and merit-based systems is essential to reducing political interference and enhancing accountability. Reforming the HCJ and HQCJ to operate independently and transparently will help restore credibility to judicial governance. Expanding anti-corruption mechanisms within the judiciary and introducing digital solutions to streamline court procedures can reduce backlogs and ensure timely justice. Additionally, enhancing enforcement mechanisms for court rulings is critical to upholding the rule of law and ensuring that judicial decisions carry weight.

Comprehensive and sustained efforts in judicial reform are pivotal for Ukraine to align with EU standards and establish a legal system that fosters public trust and international confidence. By addressing these challenges, Ukraine can create a judiciary that upholds democratic values, ensures fairness, and reinforces the foundations of a just society.

6.2. Economic Challenges

Structure of Ukraine's economy: dependence on agricultural and commodity sectors

Ukraine's economy has traditionally been heavily reliant on agriculture and raw commodities, making these sectors fundamental to GDP, employment, and exports. Before the full-scale Russian invasion, agriculture contributed approximately 10% of GDP, employing over 14% of the workforce and making Ukraine one of the world's top exporters of grain, sunflower oil, and oilseeds. Even during wartime, Ukraine remains among the top five global exporters of wheat and

corn, with the EU and China being its primary trading partners. At the same time, the share of agriculture in GDP declined after 2022. One of the reasons was the increase in the significance of state sector (including defence). Another reason is mining of the territories closer to the frontline. Moreover, more processing evolved due to the logistical problems for exports.

In particular, the war has severely disrupted traditional supply chains, particularly in the Black Sea region, where blockades and attacks on port infrastructure have forced Ukraine to redirect exports through land corridors and alternative shipping routes. In 2024, the work of Ukrainian Sea Corridor improved exports possibilities for agricultural products.

Apart from agriculture, mining, metallurgy, and energy have long played a significant role in Ukraine's industrial output and trade balance. Ukraine has vast reserves of iron ore, manganese, and coal, making it an important supplier of raw materials, including for other countries, e.g. the EU. Before 2022, metal exports accounted for more than 20% of total exports, but disruptions caused by the war, including damage to steel plants in Mariupol and energy shortages, have reduced output significantly. The loss of control over some coal-producing regions has further strained the sector in the end of 2024.

The energy sector is undergoing a transition, with Ukraine aiming to reduce dependency on Russian energy supplies between 2014–2021 and then with stop of their imports since 2022. The Russian electricity imports stopped in the end of February as Ukraine successfully integrated its electricity grid with the European Network of Transmission System Operators for Electricity (ENTSO-E). In 2024, Ukraine ceased gas transit to Eu-

rope from Russia, reflecting a shift towards European energy integration. Additionally, Ukraine has increased electricity imports from the EU to ensure better access to electricity for population and business after Russia destroyed enormous energy generating capacities. Ukraine also accelerated investments in renewable energy as part of its EU Green Deal commitments.

Despite its dependence on commodities, Ukraine has been actively working to diversify its economic structure, focusing on IT services, manufacturing, and digital economy development. The IT sector, in particular, has shown remarkable resilience, growing even amid the war and maintaining its status as a leading exporter of software and outsourcing services.

Attracting foreign investment: barriers and opportunities

Foreign direct investment (FDI) in Ukraine has been severely affected by the war, with many investors hesitant due to security risks, legal uncertainties, and economic volatility. The Investment Climate Index, compiled by the European Business Association in 2024, showed a modest increase to 2.49 out of 5 points, but 59% of business leaders still consider the investment climate unfavorable¹⁸.

Among the biggest barriers to investment are:

1. Security risks – ongoing hostilities, destruction of infrastructure, and the need for war risk insurance discourage large-scale investments;
2. Corruption and judicial weaknesses – Ukraine has made progress in anti-corruption reforms, but legal unpredictability and weak contract enforcement remain concerns;
3. Currency restrictions – the National Bank of Ukraine's (NBU) capital controls limit foreign exchange transactions, compli-

¹⁸ <https://eba.com.ua/70-opytanyh-kompanij-investuvatymut-v-ukrayinu-popry-vijnu>.



cating repatriation of profits; however, due to the full-scale war the NBU cannot lift all restrictions as this would harm economic resilience;

4. High cost of borrowing – due to wartime economic instability, credit remains expensive, limiting business expansion.

Despite these challenges, Ukraine offers significant investment opportunities, particularly in infrastructure, renewable energy, IT, and logistics. The war has created opportunities for the investments into military technologies and defence equipment both for production and for testing. Moreover, there is a huge need for massive reconstruction projects, which requires investments into related production capacities and construction works.

Moreover, Ukraine's EU candidate status has boosted investor confidence, as European regulatory alignment and market access improvements make Ukraine a more attractive destination¹⁹.

Overall, some of the most promising sec-

tors include:

- Renewable energy, given Ukraine lost large share of electricity generating capacities due to Russian drone and missile attacks;
- Technology and IT as Ukraine is a leading outsourcing hub, and despite the war, over 90% of IT companies continue to operate.
- Agribusiness and food processing taking into account that Ukraine has productive land and strong export potential. Overall, investments in food tech and processing would like to remain attractive. This, though, would require additional investments into infrastructure (roads, ports, etc.).
- Defense and security as the ongoing war has created a surge in demand for defense technology and security solutions.

Although investor sentiment remains cautious, more than half of companies already operating in Ukraine plan to continue investing, demonstrating resilience and long-term commitment to the market. To attract more investment, Ukraine and in-

¹⁹ <https://www.deloitte.com/ua/en/services/tax/perspectives/doing-business-in-ukraine.html>

ternational partners needs to expand war insurance programs, improve legal protections, and continue economic reforms aimed at enhancing transparency and reducing bureaucracy.

Structural reforms for meeting EU standards Ukraine's aspiration for European Union (EU) membership has driven extensive structural reforms aimed at aligning its political, economic, and legal frameworks with EU standards. These reforms are essential for meeting the Copenhagen Criteria, which include stable institutions, a functioning market economy, and the adoption of EU laws.

The Ukraine Facility Plan identifies three main blocks of reforms: basic, economic, and key sectors. In total, the Plan provides for 69 major reforms across the main blocks that will help bring Ukraine closer to the EU standards.

The first block consists of basic reforms related to public administration, public finance management, the judiciary, the fight against corruption and money laundering.

- Within the framework of public administration, three key reforms are envisaged, the aim of which is to create a fair system of remuneration for civil servants; ensure a transparent procedure for selecting specialists for positions and continue the digitalization of civil service management.
- Public finance management includes five reforms designed to create a transparent system of management of public revenues and expenditures; eliminate tax gaps; introduce mechanisms for managing public debt; conduct an audit of public expenditures in accordance with international standards.
- The reform of the judicial system consists of four reforms aimed at improving the procedure for selecting judges, reforming the prosecutor's office, and

digitalizing the judicial system. Ensure full independence of the judiciary by depoliticizing appointments and dismissals, increasing transparency, and addressing judicial corruption. It is also important to finalise Constitutional Court reform. The improvement for Constitutional Court judges, ensuring merit-based appointments aligned with the recommendations of the Venice Commission.

- The finally important reform of the first block is the fight against corruption and money laundering. Strengthening the judiciary and combating corruption are priorities. Ukraine has established the High Anti-Corruption Court and introduced transparent judicial appointment processes. However, persistent political interference and slow implementation hinder progress. Thus, the Plan includes 3 reforms. In general, it is planned to strengthen the capacity and independence of key anti-corruption institutions; adopt and implement the Anti-Corruption Strategy and the State Anti-Corruption Program, as well as create an effective system for combating money laundering.

Ukraine has liberalized its economy by reforming state-owned enterprises, introducing land market reforms, and fostering competition. Yet, structural challenges, such as monopolies and limited foreign investment, remain significant barriers to sustainable growth. Thus, the economic reform package includes changes in the following areas: financial markets, state asset management, human capital, business environment, decentralization, and regional policy. In total, the package includes 23 reforms that, taken together, will help bring Ukraine's economy closer to the EU standards. The main goal of these reforms is to ensure business access to capital, reduce the burden on the state budget, introduce international corporate governance standards, etc.

The third block includes reforms in key economic sectors that are important for the economy of Ukraine. Thus, the key sectors to be reformed include: energy (seven reforms), transport (four reforms), agri-food (six reforms), minerals (three reforms), digital transformation (two reforms), green transition and environmental protection (six reforms)²⁰.

The war with Russia has significantly impacted reform momentum, diverting resources and focus. Despite this, EU candidate status granted in 2022 has renewed reform efforts. International support, political will, and effective implementation mechanisms are essential for Ukraine's EU path.

Ukraine's ability to implement these reforms will be critical for advancing its EU accession process. Regular monitoring by EU institutions and the willingness of Ukrainian leadership to address persistent issues will determine the timeline and success of full EU integration.

Trade within the EU free trade zone: successes and limitations

Ukraine's trade within the EU Free Trade Zone, established under the Deep and Comprehensive Free Trade Area (DCFTA)²¹ as part of the EU-Ukraine Association Agreement in 2016, has been marked by both successes and limitations.

Since the establishment of the zone in 2016 was achieved notable successes. They demonstrate the potential of the agreement to strengthen Ukraine's economic ties with the EU and boost its economic development.

- **Increased Trade Volumes:** one of the

most important successes of the free trade zone is that the EU became Ukraine's largest trading partner, accounting for 56% of its total trade in 2023²². Exports to the EU have significantly grown, with key sectors such as agriculture, machinery, and textiles benefiting from tariff elimination and reduced non-tariff barriers.

- **Diversification of the Markets:** the DCFTA reduced Ukraine's reliance on trade with Russia, particularly after geopolitical tensions in 2014 and later after full-scale invasion in 2022. Thus, Ukrainian businesses accessed new markets in Western and Southern Europe. Moreover, many SMEs entered the EU market due to simplified export procedures and reduced technical barriers to trade. Capacity-building initiatives and export promotion programs have helped Ukrainian businesses adopt to the EU markets.
- **Agricultural Exports:** Ukraine also leveraged its strength as a major agricultural producer. Exports of grain, sunflower oil, and processed foods surged due to preferential access to EU markets.
- **Regulatory Alignment:** Ukraine adopted EU standards in various sectors, enhancing the quality of goods and services, which improved global competitiveness. This alignment also attracted European investments in Ukrainian industries.
- **Growth in Service Exports:** IT and technology services have become increasingly competitive in the EU, with many companies providing outsourcing and innovation-driven solutions. The service sector has grown due to easier market access in Ukraine.

²⁰ https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/plan-dlya-ukraine-facility_prezentacziya.pdf.

²¹ <https://trade.ec.europa.eu/access-to-markets/en/content/eu-ukraine-deep-and-comprehensive-free-trade-area>

²² https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en#:~:text=The%20EU%20is%20Ukraine's%20largest,trade%20in%20goods%20last%20year.

Even though free trade zone facilitates trade and economic integration by reducing tariffs and non-tariff barriers. However, there are certain limitations to Ukrainian trade within the EU free trade zone which include:

- **Tariff-Rate Quotas (TRQs):** the EU has implemented TRQs on some Ukrainian agricultural products such as cereals, honey, poultry etc. under TRQs, only a certain volume of products can be exported duty-free, while exports exceeding this quota are subjects to the tariffs. Once quotas were filled, higher tariffs applied. This restricts Ukraine's ability to fully capitalize on its agricultural export potential.
- **Non-Tariff Barriers:** Ukrainian producers faced challenges meeting EU technical, sanitary, and phytosanitary standards, requiring significant investments to comply. Especially, this is challenging for smaller Ukrainian exporters lacking the resources to comply with EU standards. Differences in technical regulations and product certification procedures can act as trade barriers. Ukrainian companies may face difficulties in adapting to EU norms, particularly in industrial sector.
- **Underdeveloped Infrastructure:** inefficient logistics and outdated infrastructure hindered Ukraine's ability to fully capitalize on export opportunities. Delays at border crossings and limited access to EU transport networks added costs to trade. This is a big challenge for small and medium enterprises.
- **Limited Integration in High-Tech Sectors:** Ukraine struggled to integrate into high-value EU markets like technology

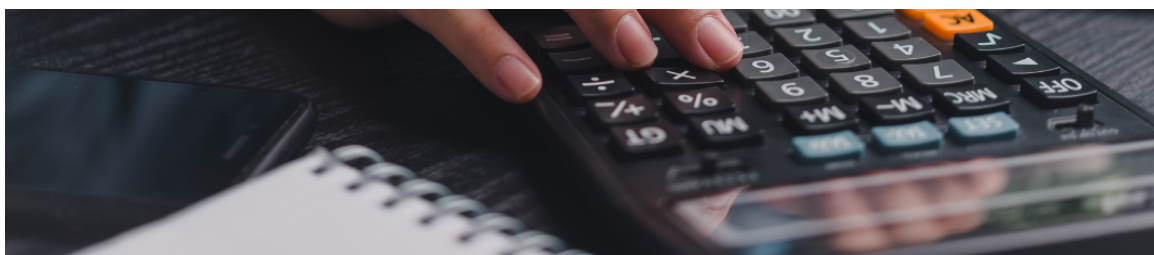
and pharmaceuticals due to gaps in innovation, R&D, and intellectual property protections.

- **Impact of War:** Russia's full-scale invasion in 2022 severely disrupted trade flows. Infrastructure damage, blocked ports, and logistical challenges constrained exports to the EU despite temporary liberalization measures by the EU (e.g., suspension of quotas and tariffs).

While Ukraine's participation in the EU Free Trade Zone has brought significant opportunities and diversification benefits, its full potential remains unrealized due to structural and external challenges. Continued investment in infrastructure, modernization of industries, and further alignment with EU standards will be critical for Ukraine to overcome these limitations and deepen its trade relations within the EU framework.

Ukraine's financial situation: public debt and wartime budget constraints

Ukraine's public debt and budgetary pressures have escalated dramatically due to the war, primarily because of the sharp increase in defense and security expenditures, requiring unprecedented levels of external financing. In 2023 and 2024, domestic revenue sources were only sufficient to cover defense and security spending, which now accounts for nearly 60% of total central fiscal expenditures. Meanwhile, all other expenses – including public sector wages, social welfare programs, emergency recovery, healthcare, and education – had to be financed through grants and concessional



loans from international partners. In 2024, public debt-to-GDP approached 90% (IER estimate). The wartime budget deficit remains alarmingly high close to 20% of GDP, leaving Ukraine heavily dependent on external financial aid. Debt restructuring was a top priority in 2024, with Ukraine negotiating its Eurobond obligations to ease fiscal pressures. While international creditors have demonstrated flexibility, ensuring long-term debt sustainability will require strong economic growth, continued external assistance, and comprehensive structural reforms.

Since the full-scale invasion, international partners have provided more than USD 250 bn in military, financial, and humanitarian assistance (with USD 118 bn of financial aid)²³. However, the funding has often been delayed or insufficient, putting significant strain on Ukraine's fiscal stability. The EU's Ukraine Facility, which provides USD 50 bn over 2024–2027, is crucial but does not fully meet the country's needs. Similarly, the IMF's Extended Fund Facility (EFF) allows for refinancing previous debts but provides limited new funding, making additional donor contributions essential. The G7's ERA Initiative, which is expected to bring USD 50 bn in new financing in 2025, is a critical component of Ukraine's financial sustainability. However, this would be sufficient only to cover gap in 2025 and partially in 2026. Therefore, the more help from international partners is needed, while there is a large uncertainty on the side of financial and military support by the USA.

To ensure fiscal stability and long-term resilience, Ukraine is to continue its tax and expenditure reforms, strengthen budget transparency, and secure a long-term

strategy for reducing debt dependency. However, without sustained international defense and financial assistance, Ukraine's economic and fiscal stability will remain fragile. Continued support from the G7 and the IMF is critical, not only for immediate wartime financing but also for the country's post-war reconstruction and EU integration efforts. According to the World Bank estimate, total cost of reconstruction and recovery in Ukraine is USD 486 bn over the next decade²⁴. This would require both support from international partners, but also from private business.

Modernization of transport and energy infrastructure

The modernization of Ukraine's transport and energy infrastructure is a critical component of its efforts to align with EU standards, enhance economic development, and address challenges posed by the ongoing conflict with Russia.

The Ukrainian government has allocated EUR 100 m in loan funds from the European Investment Bank (EIB) for the reconstruction and modernization of railway infrastructure. These funds will be used for constructing, modernizing, and repairing railway facilities, as well as purchasing freight cars and other transportation means²⁵. The 2025 state budget also designates over UAH 7 bn (approximately USD 190 m) for railway development. This includes UAH 4.42 bn for purchasing passenger railcars, UAH 1.83 bn for acquiring rails (in collaboration with the French government), and UAH 1.22 bn for development projects such as intermodal terminals and the expansion of European standard gauge railways²⁶.

²³ https://mof.gov.ua/storage/files/Financing_en_v28012025.pdf.

²⁴ <https://www.worldbank.org/en/news/press-release/2024/02/15/updated-ukraine-recovery-and-reconstruction-needs-assessment-released>.

²⁵ <https://gmk.center/en/news/ukrainian-railways-will-receive-a-e100-million-loan-from-the-eib-for-infrastructure-development>.

²⁶ https://cfts.org.ua/news/2024/11/20/byudzhet_2025_7_mlrld_grn_zaloznichnu_infrastrukturu_reyki_i_novi_vagoni_81156.

Moreover, Ukraine is expanding rail connections with neighboring countries to enhance cross-border trade and mobility. Plans include opening a new railway checkpoint, "Nyzhankovychi – Malkhovychi," on the border with Poland, as part of a security agreement to improve rail and road links. Additionally, a joint Ukrainian-Moldovan commission has been established to construct a bridge across the Dniester River in the Yampil-Kosauti region, creating a key transportation corridor between Kyiv and Chisinau²⁷.

The port infrastructure is another important network of transportation in Ukraine which also need modernization. Thus, the European Commission has allocated EUR 50 m for repairing and modernizing Ukraine's port infrastructure. This funding aims to enhance port capacity, facilitating the export of agricultural products and other goods to global markets, thereby supporting Ukraine's role as a guarantor of food security²⁸.

Foreign partners also provide assistance in reconstruction of road system of Ukraine. The European Investment Bank (EIB) has provided EUR 43.48 m for reconstructing the M01 Kyiv-Chernihiv–Novi Yarylovychi motorway section, which suffered significant damage during the early stages of the full-scale war. This reconstruction is vital for restoring a key route that connects Kyiv with northern regions and neighboring countries²⁹.

These comprehensive efforts demonstrate Ukraine's commitment to modernizing its transportation infrastructure, aligning with European standards, and enhancing connectivity both domestically and with

neighboring countries, despite the ongoing challenges posed by conflict.

Ukraine also needs to modernize energy infrastructure as most of energy network was created in the Soviet period. Moreover, since full-scale war in Ukraine started in 2022, the energy system is during constant shelling (as for June 2024 direct losses in energy sector was USD 56.5 bn)³⁰. Several initiatives private as well as state ones were already implemented in this field, which helped to upgrade and maintain system.

First of all, Ukraine's largest private energy company, DTEK, has purchased 200 MW of energy storage systems from Fluence Energy. These systems aim to provide backup for six power stations nationwide, addressing the energy crisis caused by extensive bombing of the energy sector. Collectively, they will provide two hours of power to approximately half of the households in Kyiv. This initiative is a critical step in decentralizing Ukraine's energy system, reducing emissions, and enhancing energy security³¹.

Despite numerous missile attacks targeting energy infrastructure, Ukraine has made progress in building clean energy sources, such as wind and solar farms. The decentralized nature of these renewable sources allows for quicker restoration of power compared to conventional coal-fired plants. This resilience is crucial, as clean energy installations can quickly replace damaged components, significantly reducing downtime. International partnerships and investments are fostering resilience and advancing energy independence for Ukraine³².

²⁷ <https://unn.ua/en/news/rail-and-road-connections-with-neighboring-countries-to-be-expanded-in-western-ukraine>.

²⁸ <https://www.railway.supply/en/e50-million-for-the-repair-and-modernization-of-ukraines-port-infrastructure>.

²⁹ <https://interfax.com.ua/news/economic/1032319.html>.

³⁰ <https://kse.ua>.

³¹ https://www.reuters.com/business/energy/ukraines-dtek-buys-200mw-energy-storage-systems-bid-limit-outages-2025-01-13/?utm_source=chatgpt.com.

³² <https://apnews.com/article/ukraine-clean-renewable-energy-russian-bombing-distributed-1f226213742cc057f9f65208167e6f38>.

The United States is collaborating with Ukraine to develop a plan for its post-war energy grid, focusing on integrating safe nuclear power technologies and renewable energy sources. Future plans include deploying micro-reactors, small modular reactors (SMRs), and distributing solar and wind power with battery storage. Ukraine aims to expand its nuclear capacity to offset losses and has plans to construct new reactors at the Khmelnytskyi plant, with agreements in place with Westinghouse for additional projects³³.

The modernization of Ukraine's transport and energy infrastructure is central to its recovery, EU integration, and long-term economic growth. The success of these efforts depends on sustained international support, innovative financing mechanisms, and the resolution of security challenges. Despite the war's impact, Ukraine's progress in key areas like energy grid integration and transport upgrades demonstrates its commitment to modernization and alignment with European standards.

Energy transition and reducing dependence on Russian resources

Ukraine is actively pursuing an energy transition to reduce its dependence on Russian resources, focusing on diversifying energy sources, enhancing infrastructure, and integrating with European energy systems.

In March 2022, Ukraine synchronized its electricity grid with the European Network of Transmission System Operators for Electricity (ENTSO-E), enabling stable energy exchanges with European countries. On

November 28, 2023, ENTSO-E transitioned Ukraine from a temporary mode to permanent synchronization, fully completing the synchronization process. This integration increases the capacity for importing electricity from Europe, enhancing Ukraine's energy security and resilience³⁴.

Ukraine has committed to international agreements such as the Paris Climate Agreement, aiming to reduce greenhouse gas emissions and transition to renewables. Thus, Ukraine is investing in renewable energy projects, including wind, solar, and bioenergy, to diversify its energy mix and decrease dependence on fossil fuels. Legislative measures, such as the Green Transition Law, align with the Energy Community's legal framework for renewable energy, promoting a more sustainable energy sector. Ukraine's energy strategy outlines ambitious goals for increasing the share of renewable energy in its energy mix by 2050.

According to the Concept of Green Energy Transition of Ukraine by 2050, the country aims to phase out coal generation by 2050 and increase the share of renewables to at least 70% of its energy balance by that year. With this aim the Ukraine Facility Plan also envisages reforming Ukraine's energy sector. The main priorities of this reform are energy security and the transition to low-carbon and renewable energy sources with the continuous development of energy sustainability³⁵.

In the interim, the National Renewable Energy Action Plan, approved in August 2024, sets targets for 2030, aiming for renewables to constitute 27.1% of gross final energy

³³ <https://apnews.com/article/ukraine-clean-renewable-energy-russian-bombing-distributed-1f226213742cc057f9f65208167e6f38>.

³⁴ <https://www.entsoe.eu/news/2024/03/15/two-years-since-ukraine-and-moldova-synchronised-electricity-grids-with-eu..>

³⁵ <https://www.ukrainefacility.me.gov.ua/wp-content/uploads/2024/03/plan-ukraine-facility.pdf>.

consumption³⁶ (as for 2023 the share of renewables was 22%)³⁷.

Ukraine's energy infrastructure was heavily tied to Russia, with substantial imports of gas, coal, and oil. Since Russia's annexation of Crimea in 2014 and its full-scale invasion in 2022, Ukraine has focused on energy independence to mitigate risks of supply disruption. In 2015 Ukraine stopped importing natural gas directly from Russia. Instead, it imported gas from European countries via reverse flow mechanisms. Since 2022 it is prohibited to export natural gas. As for now Ukraine produces approximately 20 billion cubic meters of natural gas annually, covering about 60% of its domestic demand. Most of fuel and oil Ukraine is exporting from Azerbaijan and Europe.

Additional strides were also made in reducing dependence on Russian nuclear energy supplies, particularly in the areas of fuel procurement, maintenance, and technology upgrades for its nuclear power plants.

Ukraine expanded its collaboration with the U.S. company Westinghouse Electric, which supplies nuclear fuel for several Ukrainian nuclear reactors. This diversification reduced reliance on Russian supplier TVEL, a subsidiary of Rosatom.

In cooperation with Holtec International was built own spent nuclear fuel storage facility in the Chernobyl Exclusion Zone. This facility eliminates the country's dependency and strengthens control over nuclear waste management³⁸.

In conclusion, Ukraine's journey toward energy independence and reduced reliance on Russian resources is marked by significant achievements, such as the integration with the European energy grid, and ongoing challenges, including infrastructure vulnerabilities due to the conflict. Sustained efforts in infrastructure protection, energy diversification, and international collaboration are vital for the success of Ukraine's energy transition.

³⁶ <https://www.kmu.gov.ua/en/news/uriad-zatverdyyv-natsionalnyi-plan-dii-z-vidnovliuvanoi-enerhetyky-na-period-do-2030-roku-premier-ministr>

³⁷ <https://ukraineinvest.gov.ua/en/industries/energy/renewable-energy/#:~:text=In%202023%2C%20the%20share%20of,%2C%20reached%2022%25%2C%20while%20in>

³⁸ https://www.world-nuclear-news.org/Articles/Ukraine-s-centralised-fuel-storage-facility-fully?utm_source=chatgpt.com



7. European Union perspective on Ukraine's accession

7.1. Ukraine's strategic importance for the EU

Ukraine's European Union access will open up new economic and political prospects. Integration with the EU means access to vast streams of EU funds and attracting foreign investment, which can fuel economic growth and ensure more excellent domestic stability. At the same time, the rigorous requirements of the accession process – such as transparency in spending, implementation of EU law, and reform of institutions – provide an opportunity to reduce corruption, which has been one of Ukraine's main problems for years. A better legal and economic environment will also attract Polish entrepreneurs, who can benefit from geographic proximity and a common market. From an EU perspective, Ukraine stands out from other candidate countries. With its high population, potentially large territory, and high-quality arable land, it plays a key role in the European community's strategic development plans.

Ukraine offers an opportunity for a multi-vector EU with different centers of gravity.

The prospect of closer Polish-Ukrainian cooperation within the EU could also bring benefits at the geopolitical level. The Warsaw-Kyiv axis, supported by EU funds and a common market, could counter Germany's regional dominance. Central and Eastern European states were discouraged from concentrating all power and decision-making in Berlin or Brussels. Still, they could find a new reference point in the Polish-Ukrainian alliance.

The importance of Ukraine's military experience. The military aspect cannot be overlooked. With expertise from its ongoing war

with Russia, Ukraine has one of the largest and most hardened armies in Europe. Combined with Poland's modernizing military, the Central and Eastern European region could gain a whole new deterrent force against potential threats from the east. If Russia continues to be seen as an existential threat, a military and economic strengthening of the EU's eastern flank could become a foundation of stability for the entire region.

Expansion of the EU internal market. The admission of Ukraine to the European Union would increase the number of consumers by an additional 40 million, representing an increase in the EU population of about 10%. Such a change not only boosts demand but will also enable deeper trade and investment integration. The Ukrainian market offers potential for developing new sectors, primarily agriculture and energy, as well as digital technologies and tourism, which will positively affect the entire European economy. Ukraine is already a leader in technology outsourcing and innovative solutions, which incoming EU funds can strengthen to develop human capital and digital infrastructure.

Geopolitical strengthening and regional stability. On the geopolitical map of Europe, Ukraine is an essential piece of the puzzle, whose admission to the EU would strengthen the community's influence in the East, reducing Russia's dominance in the region. In addition, Ukraine is crucial as a transit country for European energy supplies, and its cooperation with the EU in this regard could improve the continent's energy independence.

Energy. In the energy sector, Ukraine has a well-developed nuclear infrastructure

and large natural gas reserves that can be tapped into the common energy market. Gas storage facilities in Ukraine have the potential for seasonal gas storage for the EU, contributing to energy independence and supply stability.

Agriculture. Ukraine's agricultural sector, one of the largest in the world, can contribute to European food security. Ukraine supplies significant grains, vegetable oils, and other raw agricultural materials to EU markets. Further integration will open up new export opportunities for the country and ensure supply stability for the entire community.

Ukraine's infrastructure and reconstruction are opportunities for investors from member states. Rebuilding Ukraine after the war presents vast opportunities for EU investors. Modernizing roads, railroads, and energy networks can improve integration with European transport corridors. EU funds can play a key role in accelerating this process, benefiting Ukraine and the entire EU through new trade routes.

Poland's perspective on Ukraine's accession to the EU

It is also worth remembering that Ukraine's accession is not only an economic benefit, as its impact on the balance of power inside the European Union may be equally significant. A country with a large territory and a significant population will strengthen the "eastern wing" of the Community, shifting the focus of EU policy closer to Central and Eastern Europe. In this arrangement, Poland will gain a natural ally on several key issues, from maintaining strong transatlantic relations with the US to opposing further centralization of the EU and seeking to maintain the sovereignty of member states.

For Poland, Ukraine's accession would mean breaking a certain impasse of its EU

membership. It is too big a country to follow unreflectively the mainstream decisions made by the biggest players but too weak to impose its agenda. A strong alliance with Ukraine offers a chance for a new dynamic that could determine Poland's role as a regional leader. It is an opportunity for Poland to stop being a mere "fringe" member of the Union and become a central player in its political and economic reality.

Benefits for Polish entrepreneurs

With more than 40 million people, Ukraine represents a huge market for Polish goods.

Following the conclusion of the Deep and Comprehensive Free Trade Area Agreement (DCFTA), Ukraine has already become one of the European Union's more essential trading partners, and the value of mutual trade is gradually increasing. Polish companies, especially in the machinery, chemical, and agri-food sectors, can count on a significant increase in exports to the Ukrainian market.

Ukraine's integration into the EU will bring Poland many economic and strategic benefits.

First, access to one of the largest eastern markets will open up, which will be an opportunity for Polish exporters. Ukraine will become an essential partner for industrial and trade cooperation as a country with significant manufacturing potential and natural resources. Polish construction and engineering companies can play a key role in rebuilding Ukraine's infrastructure, whose needs are estimated at more than 450 billion euros. Special opportunities are opening up in the energy sector, where Poland and Ukraine can cooperate in modernizing energy systems, developing renewable energy sources, and exporting green hydrogen to the European Union.

The integration of Ukraine into European supply chains will help increase the competitiveness of Polish companies.

Increased cooperation between Polish and



Ukrainian companies in the technology, agriculture, and industrial sectors will reduce production costs and increase exports. In addition, Poland may become a major logistics center for goods exported to Ukraine and from Ukraine to the EU, which will bring additional revenue and jobs.

Ukraine's accelerated integration into the European Union could be a key step in Europe's changing geopolitical configuration.

In the context of Russian aggression, Ukraine has gained exceptional political and economic support, which increases the chances of accelerating standard accession procedures. Such a move, however, would require the EU to make a significant commitment to adjust its policies and create flexible financial mechanisms. A monitoring mechanism would have to be implemented to ensure transparency in Ukraine's spending of accession funds. Strengthening public administration by sharing experience with EU countries could accelerate reforms and lay the groundwork for effective functioning within EU structures.

While rapid integration could raise internal tensions within the EU, it would send a strong political signal about Europe's commitment to stabilizing the region.

How much could EU enlargement cost Poland?

Ukraine's entry into the EU would significantly increase the European Union's budget. According to an analysis by Bankier.pl³⁹, Ukraine's integration could require an increase in the EU budget by as much as 20%, which would mean the need to allocate additional tens of billions of euros a year for structural funds and cohesion policy. This means increasing its membership fee for Poland, which could translate into billions of zlotys a year.

As a country with one of the lowest GDPs per capita in Europe, Ukraine would become the largest beneficiary of EU funds, particularly the cohesion and Common Agricultural policies. This means that the funds directed to Poland and other countries of Central

³⁹ Bankier.pl, *Ukraine's entry into the Union would require a budget increase of up to 20 percent*, https://www.bankier.pl/wiadomosc/Wejscie-Ukrainy-do-Unii-wymagaloby-zwiekszenia-budzetu-nawet-o-20-proc-8734957.html?utm_source=chatgpt.com (accessed 28.01.2025).

Europe could be significantly reduced, reducing support for infrastructure or agricultural modernization, currently estimated at around €10 billion a year. As indicated by PISM (The Polish Institute for Foreign Affairs)⁴⁰, Poland would be forced to compete for funding with a new, very large beneficiary.

One of the most sensitive areas is the agricultural sector. Ukraine is one of the largest grain exporters in the world, and its entry into the EU common market could deepen competition for Polish farmers. As the Jagiellonian Club points out⁴¹, Polish producers may be marginalized in the European market without adequate support of protective mechanisms, such as customs duties or quotas. Another problem may be bringing Ukrainian agriculture to EU environmental and sanitary standards, which will require huge investments. As one of the leaders of Ukraine's technical support, Poland is likely to be involved in financing these processes.

Ukraine's membership in the EU would mean opening the European labor market to Ukrainians, which currently affects some 1.5 million workers in Poland, who contribute significantly to the construction, transportation, and healthcare sectors. Poland, currently the primary destination for labor migration from Ukraine, could experience an outflow of workers to other EU countries offering higher wages, such as Germany or the Netherlands. This could create tensions in the Polish labor market, especially in sectors dependent on migrant labor, such as construction and agriculture. On the other hand, opening the labor market could create new opportunities for Polish companies in Ukraine, especially in sectors requiring skilled labor.

7.2. Member States' concerns and potential challenges of enlargement

In the context of Ukraine's accession to the European Union, there are concerns about the exceptional regulations introduced during the war. As a result of the Russian aggression of 2022, Ukraine gained broad access to the common EU market, which included the removal of tariffs on Ukrainian goods and export facilities. In 2022, Ukraine's agricultural exports to the EU increased by 56.8%, as a result of the restriction of export opportunities through the traditional Black Sea routes. Member states, especially those bordering Ukraine, such as Poland and Romania, are concerned that the regulations could be extended, negatively affecting local economic sectors, such as agriculture.

Another problem is the competitive pressure resulting from differences in production costs between Ukraine and the EU. Ukrainian goods are often cheaper, which can crowd out EU products from the market. The problem of grain and meat prices, which are not burdened by the costs associated with EU environmental and phytosanitary standards, is particularly acute for the agricultural sector.

Failure to fully align Ukrainian regulations with EU standards, especially in sectors such as agriculture, transport, and construction, could lead to permanent asymmetry in the common market. Member states are concerned that Ukraine could benefit from the EU's cohesion policy and direct subsidies while failing to meet environmental or product quality requirements. An example is the concerns of Polish farmers, who point to the need to protect the local market from too many cheap products from Ukraine.

⁴⁰ PISM, *The economic consequences of Ukraine's potential membership for the EU*, <https://pism.pl/publikacje/gospodarcze-konsekwencje-potencjalnego-czlonkostwa-ukrainy-dla-ue>, (accessed 28.01.2025).

⁴¹ Jagiellonian Club, *Ukraine's accession to the EU is not only a gain for Poland – it also costs and opens the topic of EU reform*, <https://klubjagiellonski.pl/2023/08/23/akcesja-ukrainy-do-ue-to-nie-tylko-zyski-dla-polski-rowniez-koszta-i-otwarcie-tematu-reformy-ue/> (accessed 28.01.2025).

The war in Ukraine and the associated humanitarian, economic and political challenges are prompting the European Union to seek additional funding to support and rebuild the invaded country. As Ukraine's needs grow, however, voices are being raised that this funding may come at the expense of existing beneficiaries of the cohesion policy. These concerns are particularly strong among Central and Eastern European countries, including Bulgaria, Romania, and Poland, which – despite significant growth in recent years – are still among the poorer members of the Community.

The discussion about the future financing for Ukraine's reconstruction revolves around a key question: will the European Union be able to raise additional funds, or will it reach for existing funds at the expense of existing beneficiaries?

A fervent discussion is underway in Brussels about how to finance Ukraine's reconstruction. Various mechanisms are being considered, including the issuance of additional bonds, the use of frozen Russian assets or the opening of discussions about a "new EU tax." However, there are concerns that, in practice, some funds could be "reallocated" from current programs, including cohesion funds and regional policy. In extreme scenarios, poorer countries could receive less support, as the priority would become the extensive reconstruction of war-ravaged Ukraine⁴².

To understand the magnitude of the financial challenge and potential "competition" for funds, it is worth looking at macroeconomic data. According to the World Bank

(data for 2021)⁴³, Ukraine's nominal GDP was about **\$200 billion**, with a per capita GDP of about \$4-4,500. By comparison, Bulgaria's GDP during the period was about **\$80-85 billion**, with GDP per capita close to \$12-13 thousand. On the other hand, Romania boasted an economy size of nearly **\$300 billion**, while GDP per capita hovered around \$14-15 thousand. Other relatively poorer EU countries include Croatia (**GDP around \$60-70 billion**) and Greece (still struggling with the effects of the debt crisis), but the standard of living and macroeconomic indicators in these countries are superior to those of Ukraine. Thus, after Kyiv's possible integration into EU structures, the scale of necessary development support would be enormous – and, after all, the system of allocating structural funds favors less developed regions.

In the report titled. "Explaining Ukraine's recovery and reconstruction: what, how and when?" CEPS experts point out, however, that the European Union must face the financial consequences of the war in a sustainable way that does not aggravate developing regions⁴⁴. According to Bruegel analysts, cohesion policy has been ineffective. It remains the cornerstone of economic equalization in Europe, and any cuts under the policy could undermine the competitiveness of weaker economies in the long term⁴⁵.

According to CEPS, the optimal solution would be to develop additional funding sources for Ukraine, not conflicting with already planned allocations under the 2021-2027 Multiannual Financial Framework. Such a model could include:

⁴² Euractiv. Ukraine needs more money than we expected, admits Czech minister, <https://www.euractiv.com/section/politics/news/ukraine-needs-more-money-than-we-expected-admits-czech-minister/> (accessed 01.01.2025).

⁴³ World Bank Group, Data bank: <https://databank.worldbank.org/source/world-development-indicators> (accessed 01.01.2025).

⁴⁴ CEPS. EXPLAINING UKRAINE'S RECOVERY AND RECONSTRUCTION: WHAT, HOW AND WHEN?, https://cdn.ceps.eu/wp-content/uploads/2024/06/Explainer-2024-05_Ukraine-reconstruction-1.pdf (accessed 01.01.2025).

⁴⁵ Bruegel. The impact on the European Union of Ukraine's potential future accession, <https://www.bruegel.org/system/files/2024-04/Report%2002.pdf> (access 01.01.2025).

1. One-time or regular issues of EU bonds, modeled on the Next Generation EU fund.
2. Use of frozen Russian assets – although significant legal and political barriers exist here.
3. New EU taxes (e.g., on the carbon footprint, the digital sector, or the introduction of a border fee), which, however, would require the consent of all member states.
4. Cohesion policy funds could be increased in future financial perspectives by raising member countries' contributions or introducing new joint debt mechanisms.

According to the European Parliamentary Research Service (EPRS), either method would require broad political consensus and would likely be negotiated in future budget negotiations⁴⁶. Countries currently beneficiaries of cohesion policy (including Poland, Hungary, the Czech Republic, Bulgaria, and Romania) argue that while support for Ukraine is a strategic priority, it should not undermine the basic idea of leveling the playing field within the Union. The governments of these countries point out that Ukraine's significant delays in the development of infrastructure or public services are due to the legacy of real socialism and the 1990s. On the other hand, according to analysts at the Center for Eastern Studies (OSW)⁴⁷, such concerns should be balanced by realizing that Ukraine's rapid stabilization and reconstruction is in the long-term interest of the entire EU for security reasons and new economic opportunities, among others. Strengthening Ukraine's potential as a trading partner and perhaps as a member of the EU can also benefit countries in the region, such as through new supply chains and the labor market.

Macroeconomic data indicate that Ukraine – which even before the war was much poorer than most EU countries – will need massive financial support in the coming years or even decades. At the same time, cohesion policy is the foundation for balancing development levels in the Union and reducing inequalities between its regions. Some experts and governments argue that redirecting existing resources to Ukraine will jeopardize the progress made in Bulgaria, Romania, and Poland over the past several years. Others argue that adequate support for Ukraine and its development will also result in stability and prosperity for the Community. Decisions on the shape and size of the new EU budget – likely to be shaped in negotiations over the next Multiannual Financial Framework – will show whether Europe is ready to finance the post-war reconstruction of its largest neighbor to the east in complete solidarity, without burdening the least developed regions within the EU itself.

7.3. Balancing the EU's internal reforms with the enlargement agenda

The EU's enlargement to include Ukraine requires the Union to adjust its internal management mechanisms, including allocating structural and cohesion policy funds. As a country with a much lower level of economic development than the EU average, Ukraine will require substantial financial outlays. The EU budget, which is currently facing constraints due to growing needs under the Green Deal and the Common Agricultural Policy, may be further burdened. Member states that have hitherto been significant cohesion beneficiaries policy, such as Poland and Hungary, fear a reduction in

⁴⁶ The future of cohesion policy: Current state of the debate, [https://www.europarl.europa.eu/thinktank/pl/document/EPRS_BRI\(2025\)767217](https://www.europarl.europa.eu/thinktank/pl/document/EPRS_BRI(2025)767217).

⁴⁷ Center for Eastern Studies, <https://www.osw.waw.pl/pl/wojnanaukrainie> (accessed 02.01.2025).

available funds. Ukraine, which faces challenges in rebuilding its infrastructure and modernizing its economy, could become a key beneficiary of cohesion policy funds, implying the need to rethink EU priorities.

The European Union, including Poland, has a different agricultural model than Ukraine. There, the key players in the market are large agribusinesses and agroholdings, while in the member states the basis is family farms.

Ukrainian accession could bring major consequences for EU agriculture. The huge area of agricultural land with very high fertility, combined with Common Agricultural Policy subsidies granted according to the farm area and full trade liberalization, could provoke resistance from farmers in the EU-27. Ukrainian agriculture is concentrated with huge agricultural combines of up to more than 500,000 hectares that integrate the entire crop-animal production chain (from crop production to animal husbandry, production, distribution, and retailing of finished food), with the 20 largest combines controlling 14% of Ukraine's 30 million hectares of arable land. Their ownership is divided between local oligarchs and Western corporations. Ukraine's accession to the EU will require reconciling the interests of European agriculture, Ukrainian oligarchs, global corporations controlling large agricultural combines, and individual small Ukrainian farms needing modernization.

The Common Agricultural Policy (CAP) is likely to undergo deep reform. A gradual increase in direct subsidies along the lines of the Polish accession is possible. At the same time, there is increasing talk of the need to change the algorithm for granting subsidies – instead of rewarding acreage alone, criteria such as sustainability of production or environmental protection should be taken into account. The key issue, however, remains competition from large-

scale farms, such as Ukrainian agricultural combines. Their powerful advantage due to economies of scale, excellent land quality or lower production costs puts EU farmers in a difficult position. In an extreme case, it could lead to the complete exclusion of such farms from the EU subsidy system. But even such a measure does not solve the problem – their ability to offer lower prices on the EU market would still be a significant challenge. In theory, a ban on the export of these farms' products to the EU market could be considered, but in practice such an embargo seems difficult to reconcile with the principles of the customs union and the free movement of goods.

Any of the reforms under discussion would require finding additional financial resources. There are two possibilities: increasing member states' contributions or introducing new pan-European taxes to finance the EU budget. Both solutions are politically controversial and open the debate on further federalization of the European Union. Debt should not be forgotten either. Starting as early as 2028, the EU must start repaying loans taken out to finance the post-pandemic reconstruction fund. At the same time, the EU's policy priorities are shifting in the face of a changing international environment – the need to invest in industrial policy, armaments, or stabilizing North Africa in the context of rising migrant waves are just a few.

7.4. Impact of Ukraine's accession on the EU's cohesion policy and budget

Ukraine's accession will significantly change the structure of EU budget spending. Ukraine, whose GDP per capita is significantly less than that of current member states, will become one of the largest recipients of EU funds. The war has caused Ukraine's GDP to fall by 30% in 2022, and the country is struggling with massive infrastructure losses, particularly in the energy and trans-



portation sectors. It is estimated that rebuilding Ukraine could cost hundreds of billions of euros, forcing a redistribution of funds within the EU budget. Member states are concerned that they will have to bear part of the cost in the form of reduced funding for their own needs.

The current cohesion policy system, based on support for less developed regions, will have to be adapted to the specifics of Ukraine. According to the European Commission's (EC) assessments in the Enlargement Package in October 2024⁴⁸ Ukraine is moderately prepared to participate in the free movement of goods, partially – services and capital, and to a small extent – people. The EU ties its financial assistance to Ukraine for current needs and reconstruction in 2024–2027 to the accession process, e.g., the EC makes the disbursement of part of the funds conditional on the implementation of reforms, including economic reforms. A long-term challenge will be to integrate Ukraine's economy with

the EU. Problems include development differences, as in 2020, Ukraine's GDP per capita was 29.8% of the EU average, and there is a need to consider in EU policies the peculiarities of the Ukrainian economy, which is based on agriculture, among other things. The country is characterized by large regional inequalities – Ukraine's western regions, such as Lviv and Vinnytsia, are relatively safer, while the eastern regions are devastated by war. As a result, more jobs are created in safer regions. It will be necessary to create new mechanisms to allow effective investment in the regions most affected by the conflict. It is worth mentioning that despite the war, Ukraine remains a competitive agricultural producer, including on the European market, due to its favorable soil and climatic conditions and export-oriented large-scale farms with low production costs. At the same time, due to logistical problems Ukrainian companies introduced food processing capacities during recent years.

⁴⁸ Ukraine 2024 Report Accompanying the document COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF REGIONS, https://neighbourhood-enlargement.ec.europa.eu/document/download/1924a044-b30f-48a2-99c1-50edeac14da1_en?filename=Ukraine%20Report%202024.pdf, (access 01.01.2025).

8. Economic potential of Ukraine as a member of the EU on the example of selected sectors Ukraine's accession

8.1. Costs of integration and the reconstruction of Ukraine's economy

The integration of Ukraine into the European Union (EU) presents significant financial implications, with estimates suggesting costs ranging from EUR 110 bn to EUR 186 bn over an initial seven-year period. These figures encompass various aspects of integration, including direct financial support from the EU budget and the broader economic impacts of Ukraine's accession.

A report by the Bruegel Institute estimates that Ukraine's accession could cost EU member states between EUR 110 bn and EUR 136 bn. This projection represents approximately 0.10% to 0.13% of the EU's gross domestic product (GDP) during the 2021-2027 budget period.

Furthermore, an internal EU document suggests that integrating Ukraine could lead to about EUR 186 bn in EU funds flowing to the country over seven years, particularly in light of ongoing reconstruction needs due to the war with Russia.

Beyond integration costs, the reconstruction of Ukraine itself is projected to require around EUR 400 bn, which will be funded through a combination of public and private investments. The EU's role in this reconstruction will likely involve significant contributions but is expected to be supplemented by private sector investments.

The integration of Ukraine into the EU carries significant economic and social implications. One of the key considerations is the

adjustment of cohesion funds within the EU budget, as Ukraine's membership would initially result in a redistribution of these funds due to its lower economic status compared to existing member states. This reshuffling could impact financial allocations across the EU. Additionally, the potential for increased migration is noteworthy; estimates suggest that between three and six million Ukrainians may seek better economic opportunities in other EU countries, driven by wage disparities.

Despite these challenges, analysts argue that Ukraine's integration could yield long-term economic benefits for the EU, including enhanced trade relations, increased migration contributing to labor markets, and a rise in foreign direct investment. These factors could ultimately lead to greater employment opportunities and higher tax revenues across member states, reinforcing the argument for Ukraine's accession despite the immediate costs involved.

Ukraine faces several challenges on its path to EU membership, including the need for significant political and economic reforms. Achieving compliance with EU standards regarding the rule of law, governance, anti-corruption measures, and institutional transparency is crucial for advancing accession negotiations. Additionally, Ukraine must address economic stability by ensuring reliable financing sources to support ongoing military operations and post-war reconstruction efforts. This includes improving infrastructure, fostering private sector growth, and aligning its economy with EU requirements.

While the financial burden of integrating Ukraine into the EU is substantial, it comes with potential long-term economic benefits for both Ukraine and existing member states. Increased trade, migration, and foreign direct investment could enhance employment opportunities and boost tax revenues across the EU. However, realizing these benefits will depend on Ukraine's ability to successfully implement reforms and overcome the challenges associated with integration.

8.2. Sectoral Perspectives

Enhancing Europe's energy security. Ukraine's strategic location and resource-rich energy sector make it a pivotal contributor to Europe's energy security. Despite the severe impact of war, Ukraine has demonstrated remarkable resilience in sustaining its energy system and aligning with European Union standards. We highlight the key ways Ukraine bolsters Europe's energy security as an EU candidate country with significant potential for future membership.

Diverse Energy Resources for Stability. Ukraine boasts a broad energy mix, including nuclear power, significant natural gas reserves, thermal and hydroelectric power, and renewable energy sources such as wind, solar, and biomass. Nuclear energy has remained a cornerstone, providing nearly 50% of electricity production even amidst wartime challenges. These resources enable Ukraine to serve as a reliable energy producer and partner for the EU, especially in diversifying supply away from geopolitically vulnerable sources.

Strategic Gas Transit and Storage. Historically, Ukraine has been a critical transit country for Russian natural gas to Europe. Despite the decline in transit volumes due to geopolitical tensions, Ukraine remains integral to European energy logistics. With expansive underground storage facilities,

Ukraine offers the potential to store and supply gas for EU needs, contributing to energy security, especially during peak demand periods. The upcoming expiration of the transit agreement with Russia provides an opportunity to reconfigure these assets for broader European collaboration.

Renewable Energy Integration. Ukraine's growing investment in renewable energy aligns with the EU's goals of reducing carbon emissions and transitioning to sustainable energy systems. Despite wartime setbacks, initiatives such as wind power expansion and biomethane production showcase Ukraine's potential as a leader in green energy. Collaborative projects with EU countries can accelerate renewable energy integration, providing sustainable solutions for Europe's energy transition.

Post-War Reconstruction as an Opportunity. The devastation of Ukraine's energy infrastructure presents not only a challenge but also a unique opportunity for modernization. Rebuilding efforts are integrating EU standards, enhancing grid stability, and expanding cross-border interconnectivity. These efforts position Ukraine as a forward-looking energy partner capable of contributing to a resilient European energy network.

Legal and Institutional Alignment with the EU. Ukraine has made significant strides in harmonizing its energy legislation with EU directives, from market liberalization to renewable energy frameworks. Participation in the European Network of Transmission System Operators for Electricity (ENTSO-E) and adoption of market integrity laws underscore Ukraine's commitment to regulatory alignment, fostering trust and collaboration in the energy sector.

Strategic Partnerships and Regional Cooperation. Cooperation with neighboring EU countries, particularly Poland, highlights the benefits of leveraging Ukraine's strengths

in energy production, storage, and expertise. Joint ventures in renewable energy, nuclear energy modernization, and energy infrastructure development underscore the mutual benefits of integrating Ukraine into Europe's energy landscape.

Ukraine's integration into the EU energy system not only enhances its own resilience but also strengthens Europe's energy security. By maximizing its diverse energy resources, advancing renewable energy projects, and deepening regional collaboration, Ukraine can serve as a cornerstone of the EU's energy strategy. Enhanced investment and strategic planning will ensure that Ukraine contributes significantly to a stable, sustainable, and independent European energy future.

Agricultural sector: challenges, opportunities, and common market integration

Ukraine's agricultural sector is a cornerstone of its economy and a vital contributor to global food security. As one of the world's largest producers and exporters of grain and sunflower oil, Ukraine's integration into the European Union's common market presents both opportunities and significant challenges. This section explores the sector's key dynamics, the implications of EU alignment, and its potential role in the EU's agricultural landscape.

Ukraine faces several challenges as it aligns its agricultural policies with EU standards. The Common Agricultural Policy (CAP), which dictates EU agricultural practices, requires substantial legal and institutional reforms in Ukraine. Adapting to CAP's requirements, including integrated administration systems and sustainability measures, will necessitate considerable investment in infrastructure and administrative capacity.

The sector must also meet stringent sanitary and phytosanitary (SPS) standards

for food safety, pesticide use, and animal welfare. While Ukraine has implemented the Hazard Analysis and Critical Control Point (HACCP) system to improve food safety, further compliance is necessary to align fully with EU expectations. These measures often present financial and operational burdens for producers, especially small and medium-sized enterprises.

Another critical challenge is adapting to the EU's environmental and climate-related regulations under the European Green Deal. These regulations emphasize reducing harmful chemical inputs, promoting biodiversity, and adopting sustainable agricultural practices. Transitioning to these standards will require both cultural shifts and financial investment.

Despite these challenges, EU integration offers significant opportunities for Ukraine's agricultural sector. Duty-free access to the EU market under the Deep and Comprehensive Free Trade Area (DCFTA) has already boosted Ukrainian agricultural exports, with Europe becoming the primary destination for Ukrainian products. This access has encouraged producers to improve product quality and sustainability, enhancing their competitiveness in global markets.

The alignment process also promotes the modernization of Ukraine's agricultural institutions and practices. Initiatives like the State Agrarian Registry streamline farmer registration and improve access to subsidies, ensuring better governance and efficiency.

The growing importance of sustainable farming presents another opportunity. Ukraine's large-scale farms and vast arable land position it to become a leader in organic farming and renewable energy use in agriculture. These efforts align with EU goals, making Ukraine a potential key player in the bloc's green transition.



Market integration will introduce Ukraine to both collaboration and competition within the EU. While the EU's CAP provides subsidies to its farmers, Ukrainian producers currently lack equivalent financial support, creating a competitive imbalance. Moreover, Ukraine's exports of grains and poultry to the EU have sparked protests in neighboring countries like Poland and Romania, highlighting tensions that require careful management.

Ukraine's unique structure of agricultural production—dominated by medium and large enterprises—differs from the EU's smaller, family-run farms. This distinction may necessitate tailored policies to ensure that Ukraine's agricultural integration does not disproportionately affect smaller EU producers.

Cooperation with Poland and other EU neighbors is crucial for Ukraine's successful integration. Collaborative projects in logistics, trade infrastructure, and sustainable farming can enhance the sector's efficiency and access to European markets. Investments in cross-border trade facilities and shared knowledge initiatives, particularly in sustainable agriculture, will be mutually beneficial.

Ukraine's agricultural sector holds immense potential as it integrates with the EU's common market. While regulatory alignment and sustainability standards pose challenges, they also create opportunities for modernization, market access, and global competitiveness. Strategic investments, international cooperation, and targeted reforms will be essential to ensuring that Ukraine's agricultural sector thrives within the EU framework, contributing to the bloc's food security and green objectives.

Pharmaceutical sector: regulatory harmonization and growth opportunities

The pharmaceutical sector in Ukraine represents a key industry with strong domestic roots, export potential, and significant opportunities for growth and integration within the European Union. This section explores the current status of Ukraine's pharmaceutical industry, the steps being taken toward regulatory harmonization, and the opportunities presented by potential EU membership.

Ukraine's pharmaceutical industry supplies the majority of its domestic demand by volume, with a dense network of over 17,800

pharmacies comparable to EU standards. Despite the challenges posed by the ongoing war, including disruptions to supply chains and infrastructure damage, the sector has shown resilience. Key characteristics include:

- robust production. Domestic manufacturers meet 63% of local demand by volume and 37% by monetary value.
- export potential. Exports, primarily to post-Soviet countries, account for nearly 15% of sales.
- adaptation to war. Policies such as simplified medicine registration and allowances for senior pharmacy students to work have mitigated wartime and the lack of employees..

The sector, however, faces hurdles such as infrastructure damage, high production costs due to the war, and fragmented adherence to EU standards.

Ukraine is making strides in aligning its pharmaceutical regulations with EU standards. Notably:

- The EU Good Manufacturing Practices (GMP) framework was adopted as a national standard, though mutual recognition with EU authorities remains limited. As of August 2024, only 10 Ukrainian producers held EU GMP certificates.
- The newly revised Medicines Law, modeled on Directive 2001/83/EU, is expected to bring Ukraine closer to EU regulatory norms. Once implemented, it will establish a new regulatory authority for marketing authorizations and streamline processes using international standards like the eCTD.

These developments lay the groundwork for potential inclusion in an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) with the EU, enabling mutual recognition of pharmaceutical regulations.

Ukraine's pharmaceutical sector presents significant growth opportunities, particularly

in the context of EU integration. Harmonized regulations will enable Ukrainian producers to access the expansive EU market, unlocking new export opportunities and enhancing competitiveness. The country's proximity to EU markets and its well-developed production base position it as an attractive alternative supplier of active pharmaceutical ingredients (APIs), reducing the EU's reliance on global suppliers such as China. Regional cooperation, especially with Poland, adds to this potential. Polish authorities have already facilitated Ukrainian producers' compliance with EU GMP standards, and joint ventures or supply chain partnerships between the two countries could further enhance market integration. Such collaborations would allow Ukrainian producers to benefit from Polish expertise and market connections while providing Poland with a reliable and competitive supply source.

Despite the promising outlook, Ukraine's pharmaceutical sector faces several challenges on the path to EU integration. Implementing EU standards requires not only comprehensive legislative adjustments but also substantial capacity building within regulatory bodies and the industry. The ongoing war exacerbates these difficulties, with infrastructure damage and increased production costs straining the sector. Additionally, market concentration among wholesalers and pharmacy networks has reduced competition and raised concerns about fair supply distribution. Many producers, particularly small and medium enterprises (SMEs), will require external funding to adapt to EU regulations. Addressing these challenges will be crucial for Ukraine to fully capitalize on the opportunities presented by regulatory harmonization and EU market access.

The pharmaceutical sector exemplifies Ukraine's capacity to integrate into the European economic framework. By advancing

regulatory harmonization, fostering regional partnerships, and addressing systemic challenges, Ukraine can transform its pharmaceutical industry into a competitive force within the EU. The mutual benefits of collaboration, particularly with Poland, further underscore the strategic importance of aligning Ukraine's pharmaceutical sector with European standards.

Construction sector: infrastructure investments and EU funding access

The construction sector in Ukraine is vital for the nation's economic recovery and long-term growth, particularly in the context of war-induced destruction and the country's aspirations for European Union integration. This section examines the state of Ukraine's construction industry, its challenges, and the opportunities for leveraging EU funding to rebuild and modernize infrastructure.

Ukraine's construction industry has suffered substantial damage due to the ongoing war. Over 213,000 buildings, including residential, educational, and healthcare facilities, have been destroyed or damaged, with estimated losses of USD 55.86 billion in residential structures alone. Infrastructure damage includes 25,000 kilometers of roads and 344 bridges, severely disrupting connectivity and economic activity. Production of construction materials has also been impacted, with approximately 15% of manufacturing facilities destroyed, including major producers of cement and gypsum mixtures.

Additionally, the sector faces challenges in aligning with EU standards, particularly in energy efficiency and sustainability. Many buildings in Ukraine are energy-inefficient, necessitating significant investments in modernization. Implementing European Green Deal objectives, such as reducing greenhouse gas emissions and promoting sustainable materials, presents both financial and technical hurdles.

Ukraine's reconstruction presents a unique opportunity to modernize its construction sector in line with EU standards. Access to EU funding and alignment with European legislation can unlock significant investments for infrastructure development. The adoption of Regulation (EU) 305/2011 has already introduced harmonized market conditions for construction products, with a transition period until December 2025 to facilitate compliance.

Energy efficiency is a major focus area, with the Strategy for Thermal Modernization of Ukrainian Buildings until 2050 providing a roadmap for reducing energy consumption in residential and public buildings. EU funding mechanisms, such as the Green Deal and cohesion policy instruments, can support these initiatives, enabling Ukraine to rebuild sustainably while creating a modern, competitive construction industry.

The construction sector's integration with the EU market can benefit from enhanced cooperation with member states, particularly Poland. Joint ventures between Ukrainian and Polish companies can address workforce shortages and share expertise in implementing EU standards. Polish firms, experienced in large-scale infrastructure projects under EU frameworks, can play a critical role in rebuilding Ukraine's damaged infrastructure.

Additionally, establishing joint training programs can help align Ukraine's workforce skills with EU construction standards, ensuring the availability of qualified professionals to support reconstruction efforts.

The reconstruction of Ukraine's construction sector provides an opportunity to modernize infrastructure, align with EU standards, and access significant funding for sustainable development. By focusing on energy efficiency, legislative harmonization, and international collaboration, Ukraine can rebuild

a resilient and competitive construction sector, paving the way for its integration into the European Union. This transformation will not only support economic recovery but also position Ukraine as a key player in the European construction market.

Transportation: competitiveness, market opening, and digitalization

Ukraine's transportation sector plays a critical role in its economy, particularly as the country seeks deeper integration with the European Union. With a vast multimodal infrastructure encompassing roads, railways, seaports, and airports, Ukraine's transport system has significant potential to enhance its competitiveness and align with EU standards. This section outlines the key aspects of Ukraine's transportation sector, including its challenges, opportunities for market opening, and the growing role of digitalization.

Ukraine's transportation infrastructure, while extensive, lags behind European standards in terms of quality and efficiency. Over 200,000 kilometers of roads facilitate domestic and international trade, yet many remain in poor condition. The war has further compounded these challenges, with damages to transport infrastructure totaling \$33.6 billion by December 2023, including 25,000 kilometers of roads and 344 bridges destroyed. Rehabilitation programs, emergency repairs, and international support have helped restore connectivity, but sustained investment is required to modernize the sector.

Despite these setbacks, the sector has demonstrated resilience, with swift repairs ensuring key logistical routes remain functional. Ukrainian carriers also remain pivotal in maintaining trade flows, performing 362,000 trips to Poland in 2023. However, outdated border infrastructure and long wait times at checkpoints continue to impede efficient trade.

Ukraine is actively aligning its transportation sector with EU standards to enhance market access and competitiveness. Initiatives include adopting EU regulations on vehicle dimensions, weight limits, and safety, which aim to prevent road wear, improve operational efficiency, and reduce environmental impacts. The liberalized road transport agreement with the EU, extended until 2024, has eased cross-border transport by waiving permits and recognizing Ukrainian driving licenses and professional competency certificates.

Integration efforts are also guided by the National Transport Strategy, which emphasizes shifting freight from road to rail and water, increasing road network quality, and implementing stricter weight controls. These reforms aim to enhance the sustainability and competitiveness of Ukraine's transportation sector within the EU framework.

Digitalization is transforming Ukraine's transport sector, improving efficiency and transparency. Key advances include electronic systems for licensing and registration, providing carriers with streamlined processes and enhancing regulatory oversight. Comprehensive data management systems have been developed, offering real-time information on licensed operators and vehicles. These digital tools help align Ukraine's practices with EU standards, fostering trust and reducing bureaucracy.

Collaboration with EU partners has further bolstered digitalization efforts. Enhanced data-sharing platforms and digitized customs processes are critical for addressing long wait times at borders and ensuring seamless trade flows. Modernizing digital infrastructure across transport and customs agencies will be essential for achieving full integration with EU transport networks.

The extension of EU transport corridors to Ukraine underscores its potential as a stra-

tegic transit hub linking Europe and Eastern markets. Investments in logistics hubs, border crossings, and multimodal transport corridors offer opportunities to enhance regional connectivity. Partnerships with Poland, Ukraine's key transport ally, exemplify this potential, with joint efforts to streamline border procedures and improve infrastructure facilitating smoother trade and economic integration.

Ukraine's transportation sector stands at a crossroads, with significant opportunities to enhance competitiveness, open markets, and leverage digitalization. By addressing infrastructure gaps, aligning with EU standards, and embracing digital solutions, Ukraine can position itself as a vital link in Europe's transport network. These reforms not only promise economic growth but also deepen Ukraine's integration with the EU, paving the way for a more resilient and efficient transportation system.

Forestry and wood sector: aligning industry regulations with EU law

Ukraine's integration into the European Union necessitates comprehensive reforms in the forestry and wood sector to align with EU legal frameworks. Key areas for regulatory alignment include sustainable forest management (SFM), certification, traceability, environmental compliance, and energy efficiency.

Implementing EU Forest Strategy principles will be crucial, with a focus on biodiversity conservation, sustainable harvesting, and climate resilience. In Ukraine, there is a challenge of balancing environmental, social, and economic interests, particularly given the sector's disruption due to the full-scale invasion. Certification and traceability, such as through mandatory FSC (Forest Stewardship Council) certification, are essential for ensuring legal and sustainable sourcing, which is critical for accessing the EU market.

Certification is important for competitiveness, and traceability systems need to be enhanced to combat illegal logging effectively. Environmental compliance, especially with EU directives like the EU Timber Regulation (EUTR) and the Deforestation Regulation (EUDR), poses significant challenges. To implement these regulations in Ukraine is challenging, particularly in rural and conflict-affected areas. Furthermore, adopting EU Renewable Energy Directive (RED) standards will help Ukraine balance biomass utilization for energy with sustainability goals, with Poland's experience in optimizing biomass offering valuable lessons.

Poland serves as a strategic partner in Ukraine's forestry sector development, providing insights from its successful adaptation to EU requirements. Areas of cooperation include regulatory exchange, joint ventures, capacity building, and supply chain integration. Poland has a 30-year experience in adapting to EU regulations, offering practical guidance to Ukrainian companies. Joint ventures and cross-border investments are encouraged, especially in wood processing industries, promoting technological transfers and the development of vertically integrated industrial parks. There is a strong interest from Polish companies in investing in Ukraine, particularly in the context of post-war reconstruction. Capacity building through training programs, workshops, and exchange visits is vital for Ukrainian forestry professionals to meet EU standards effectively. Additionally, developing joint supply chains can enhance competitiveness in the EU market, leveraging Poland's established networks and reducing logistical costs through improved integration.

Poland's transition provides critical lessons for Ukraine, highlighting both opportunities and challenges. Institutional strengthening is paramount, with Poland's success underscoring the importance of robust institutional frameworks and transparent

forest management policies. Ukraine needs to fortify institutions to support regulatory reforms effectively. The Polish experience demonstrates that early adaptation to EU regulations, such as the EUTR and sustainability certifications, opens new market opportunities and enhances industry resilience. Polish companies have experience in overcoming initial resistance to regulatory changes and the long-term benefits of compliance. While competition is inherent in the market, fostering a cooperative environment between Ukrainian and Polish enterprises can drive regional economic growth. The complementary nature of Ukrainian and Polish markets creates significant potential for mutual development. Environmental stewardship, as emphasized by Poland's focus on sustainability despite economic pressures, illustrates the long-term benefits of integrating ecological considerations into forestry practices. It is important to strengthen the environmental protection alongside economic development efforts.

Aligning Ukraine's forestry and wood sector with EU laws is a multifaceted process requiring regulatory reforms, strategic partnerships, and institutional capacity building. Cooperation with Poland provides a strong framework for navigating these changes, offering practical lessons and collaborative opportunities that can drive sustainable growth and successful EU integration. Insights from the Polish-Ukrainian sectoral dialogues underscore the importance of continuous dialogue, shared experiences, and joint initiatives to achieve these objectives.

8.3. General recommendations to leverage economic potential

Ukraine's journey toward European Union membership presents immense opportunities across key sectors, including energy, pharmaceuticals, transportation, agriculture, and construction. However, realizing this potential requires addressing a range of

structural challenges, aligning with EU standards, and leveraging available resources effectively. The following recommendations outline a strategic approach to maximize Ukraine's economic potential within the EU framework:

Accelerate Regulatory Harmonization.

Ukraine must prioritize aligning its regulatory frameworks with EU standards across all sectors. This includes adopting and implementing the *acquis communautaire* in areas such as energy, transportation, agriculture, and construction. Fast-tracking legislation, building institutional capacity, and fostering compliance with EU norms will strengthen Ukraine's market position and facilitate smoother integration into the EU's common market.

Invest in Infrastructure and Modernization.

The scale of destruction caused by the war necessitates significant investments in rebuilding and modernizing infrastructure. This includes road networks, railways, energy facilities, and digital infrastructure. Leveraging EU funding mechanisms and international donor support will be critical. Projects should focus on sustainability, energy efficiency, and innovative technologies, aligning with the European Green Deal and the EU's long-term climate goals.

Strengthen Cross-Border Cooperation.

Collaboration with EU neighbors, particularly Poland, is crucial to Ukraine's integration and competitiveness. Joint ventures, shared infrastructure projects, and partnerships in energy, agriculture, and construction can drive mutual benefits. Cross-border trade facilitation and harmonized customs processes will improve connectivity and expand market access.

Promote Digitalization and Innovation.

Digital tools can enhance transparency, efficiency, and competitiveness across sectors. Ukraine should continue expanding digital

systems for licensing, registration, and customs processes. In areas like transportation and construction, embracing smart technologies and data-driven decision-making will improve regulatory compliance and operational performance.

Focus on Sustainability and Green Practices. Sustainability should be a central theme in Ukraine's economic transformation. The adoption of energy-efficient technologies, renewable energy integration, and eco-friendly practices in agriculture and construction will not only align Ukraine with EU policies but also attract green investment. Establishing systems for monitoring and verifying emissions will be key to meeting EU climate commitments.

Enhance Workforce Skills and Competencies. Ukraine must invest in education and training programs to prepare its workforce for EU-aligned practices. Reforming vocational and higher education systems, particularly in construction, transportation, and agriculture, will ensure the availability of skilled professionals. Collaboration with EU partners to establish joint training initiatives can expedite this transition.

Strengthen Support for SMEs and Innovation. Small and medium-sized enterprises (SMEs) are vital to Ukraine's economic recovery and integration into the EU market. Targeted financial support, access to EU funding programs, and simplified regulatory processes can empower SMEs to adopt EU standards, innovate, and compete effectively within the EU.

Address Sector-Specific Challenges. Each sector in Ukraine presents unique challenges that require targeted approaches to unlock their potential within the EU framework. In the energy sector, priority should be given to building resilient infrastructure and expanding renewable energy projects

to enhance energy security and align with EU sustainability goals. The pharmaceutical sector must accelerate compliance with EU GMP standards to facilitate market integration and diversify exports. In transportation, modernizing border infrastructure and addressing congestion at key trade routes will improve logistics and support trade flows. For agriculture, investments in logistics and infrastructure, alongside alignment with the Common Agricultural Policy, will enable sustainable growth and competitiveness. In construction, streamlining regulations and promoting energy-efficient building practices will be critical for modernization and compliance with EU environmental standards. Tailored solutions in these areas will ensure that sector-specific challenges are addressed effectively, fostering growth and integration across Ukraine's economy.

Leverage EU Funding Mechanisms. Ukraine should proactively engage with EU funding programs, including those under the Green Deal, cohesion policy, and regional development funds. Transparent project proposals and robust governance will be essential to secure financing and attract international investment.

Foster Inclusive and Transparent Governance. Transparent governance and robust anti-corruption measures are fundamental to ensuring that reforms and investments deliver their intended benefits. Strengthening institutional integrity and fostering public trust will enhance Ukraine's credibility as a reliable partner within the EU.

By adopting these general recommendations, Ukraine can transform its economic sectors, drive sustainable growth, and position itself as a competitive and integral member of the European Union. These efforts will not only benefit Ukraine but also contribute to a more prosperous, resilient, and unified Europe.

9. Scenarios and forecasts for Ukraine's integration into the EU

9.1 Accelerated integration scenarios and their implications

A realistic perspective: Ukraine's signing of the Accession Treaty is still a matter of the next few years if not a decade. Adapting Ukrainian structures to EU requirements is labor-intensive and costly, and the ongoing war makes it even more difficult.

Acceleration: Intense screening and the EU's decisions to focus on thematic clusters may shorten the formal stages of negotiations, although, in parallel, they will require external funding for Ukraine's reconstruction and institutional and political stabilization.

Importance of Poland: Poland, as Kyiv's most prominent advocate, should maintain an active role in contact with the European Commission and member state governments. This also requires a rational domestic policy that strengthens Poland's image as a predictable partner in the EU.

The long road of reform: Successful accession depends to a large extent on Ukraine's ability to carry out difficult reforms in the judiciary and the economic sector. Through the prism of the experience of Poland and other countries in the region, a clear and coherent modernization policy based on strengthening the rule of law and the free market is crucial.

All in all, negotiations with Ukraine are likely to differ from all previous accession processes – given the war aspect, the size of the country, and the structural challenges. The EU has already tentatively shown a willingness to be flexible and accelerate key stages, while final success will depend as much on Ukraine's determination to reform its system as on the internal cohesion of the Community itself. For Poland, this means a historic opportunity to strengthen its leadership position in the region and, simultaneously, a test of its ability to co-shape the future of the European project.

The accession process will still take years, and we do not know whether the Union will be prepared for the accession of such a large country as Ukraine or whether the internal situation in the EU will allow it in a few years. Today, no one can predict whether the shape of EU policy will be so changed that this accession will be a possible process. It should be assumed that even before Ukraine acceded to the Union, the European Commission would reform the two main spending items in the European budget: the standard agricultural policy and the cohesion funds. These items in the Community budget consume the largest share of funds, and the current Commission intends to move away from the current system. That is to say, we will most likely have to deal with this because this is a specific process and complex negotiation, with the elimination of area payments as we know them today. This is part of the Union's preparation for the accession of Ukraine. – estimates Dr. Marek Budzisz*.

* Bankier.pl, Ukraine's path to the EU will take many years. Accession would have a major impact on Poland, <https://www.bankier.pl/wiadomosc/Droga-Ukrainy-do-UE-potrwa-dlugie-lata-Akcesja-mialaby-duzy-wplyw-na-Polske-8814750.html>, (accessed 28.01.2025).



The progress of Ukraine's accession negotiations remains dependent on the practical implementation of reforms in the rule of law, that is, only after the opening of the first negotiating cluster on fundamental issues, such as judicial reform. The European Commission plans to launch this process during the Polish presidency of the EU Council in the first half of 2025. However, it should be remembered that no negotiating chapter will be closed until Ukraine fulfills all EU rule of law requirements.

The process of Ukraine's accession to the EU can also be considered under three main geopolitical scenarios: an end to the war and complete political stability, a frozen conflict, and a prolonged war.

The first scenario assumes an end to the conflict with Russia and the political and economic stabilization of Ukraine. In this case, Ukraine could accelerate access by implementing the required political, economic, and institutional reforms. The European Union, which has already earmarked more than €84 billion for Ukraine's resilience, could

continue its support through the Ukraine Facility program, which includes €50 billion from the 2024–2027 Multiannual Financial Framework⁴⁹. As Ukraine's neighbor and key partner, Poland would have the opportunity to become a leader in knowledge and experience transfer, building on its post-2004 economic transformation.

Ukraine's accession to the European Union's single market would increase its potential and accelerate trade with neighboring countries such as Poland. The wealth of Ukraine's population, growing due to integration, would create new opportunities for exporters from member states. In analogy to previous EU enlargements, these effects would result in GDP growth and economic improvements in neighboring countries, increasing production and employment. Institutional and economic reforms would open Ukraine to foreign investment, and liberalization of the movement of people could result in new labor migrations. However, demographic challenges, such as population outflows from 2014 and refugee movements after 2022, may limit their scale.

⁴⁹ Ukraine Facility, European Commission, https://enlargement.ec.europa.eu/funding-and-technical-assistance/ukraine-facility_en (accessed 10.02.2025).

However, the integration process comes with challenges, especially in sectors where Ukrainian goods and services compete with products from the EU. In agriculture, where Ukrainian production is highly competitive, tensions are inevitable. This is especially true for Polish producers of grains, oilseeds, sugar, or poultry. Despite these difficulties, including Ukrainian agriculture in the common market could strengthen the European Union's global position in agri-food.

According to the World Bank, rebuilding Ukraine will consume \$486 billion over the next decade⁵⁰. Despite the war, the Ukrainian economy grew by 5% in 2023, showing its resilience and potential. Ukraine is a recipient of EU aid and a key economic partner. It has resources and technologies – from IT to military technology to rare earth metals – that can significantly support the EU economy. Investment in the early stages of integration can bring long-term benefits, especially since entering the Ukrainian market after the war will become much more expensive.

However, the integration process requires the development of compromises both among member states and with Ukraine. It will be necessary to determine the pace at which the EU market will be opened to Ukrainian products and the rules for using funds, especially the Common Agricultural Policy. Countries bordering Ukraine will insist on implementing EU standards to avoid disruptions to the internal market. Following the example of previous EU enlargements, transition periods and individually tailored rules for financial support may be applied. Building on its own experience, Poland can promote the benefits of economic integration and support Ukraine in modernizing key sectors, such as digitization, even before the formal conclusion of negotiations.

The second scenario, assuming a frozen conflict, resembles the situation in Cyprus.

Ukraine could continue the EU integration process but with high geopolitical risks associated with the uncertain situation in the country's eastern and southern territories. The reconstruction and institutional reform process would be more limited, slowing down the achievement of accession goals. Nevertheless, Poland would still benefit from intensified border trade and infrastructure integration. Expanding rail and road networks between Poland and Ukraine would become a priority, strengthening the transport and logistics sector.

The third scenario, a prolonged war, is the most pessimistic.

In a prolonged conflict, Ukraine would face severe constraints on reform and reconstruction, and the accession process would be pushed back. The European Union and its member countries may not actively pursue the continuation and completion of Ukraine's accession process. This situation could result in Ukraine remaining a candidate country for many years, similar to Turkey's experience. Such a delay could weaken Ukraine's European aspirations over time. Under such conditions, Poland would have to become even more involved in providing humanitarian and stabilization support, and Polish companies could operate mainly in sectors related to humanitarian assistance and the reconstruction of critical infrastructure.

9.2. Progressive integration paths and transitional solutions

An alternative to accelerated integration is a gradual path, allowing Ukraine to adapt its legal, administrative, and economic system to EU standards at a controlled pace.

⁵⁰ Updated Ukraine Recovery and Reconstruction Needs Assessment Released, World Bank Group, <https://www.worldbank.org/en/news/press-release/2024/02/15/updated-ukraine-recovery-and-reconstruction-needs-assessment-released>, (accessed 10.02.2025).

Of particular importance in this model would be the implementation of phased solutions, such as partial access to the EU internal market or participation in selected sectoral policies. An important element would be creating a joint anti-corruption platform where experts from the EU and Ukraine could work together on the transparency of public administration.

Special programs to support Ukraine's agricultural sector's adaptation to the standards of the EU Common Agricultural Policy could play a key role in transforming the rural economy. In addition, implementing a "conditional membership" mechanism would allow Ukraine to gradually enter EU structures while monitoring its progress. Expanding educational programs, such as Erasmus+, could support these solutions and contribute to social integration on a people-to-people level.

Phased solutions would be key in this strategy, such as:

1. Partial access to the EU's internal market – would allow Ukraine to benefit from selected elements of the single market while monitoring progress in aligning regulations with EU requirements.
2. Participation in selected sectoral policies – e.g., the Common Agricultural Policy– could provide an impetus to modernize Ukraine's agricultural sector while supporting small farms and ensuring environmental protection.
3. Joint anti-corruption platform. Such an initiative, involving experts from Ukraine and the EU, would allow for a more effective fight against corruption – one of Ukraine's most significant challenges – and increased transparency in public administration.

In addition, implementing a "conditional membership" mechanism would be a key element of the model. It would involve the gradual integration of Ukraine into EU struc-

tures as further reform goals are achieved. The EU could set specific milestones (so-called "benchmarks"), which, once achieved, would allow for further integration steps. No less significant would be investment in social capital. Expanding educational programs like Erasmus+ could be key in building people-to-people ties between Ukraine and EU member states. Such initiatives would foster social integration, develop the competencies of young people, and shape a European identity among Ukrainian citizens.

9.3. Influence on EU enlargement policy towards other candidate countries

Ukraine's potential accession to the EU would significantly impact the future shape of the Union's enlargement policy, giving it a new direction and dynamism. For other candidate countries, such as Moldova and Georgia, Ukraine could become an inspiring example of how ambitious reforms and consistent cooperation with the EU bring tangible benefits. However, focusing EU attention on Ukraine could cause frustration in the Western Balkans region, where countries such as Albania and Serbia have been waiting for years for progress in the accession process. To avoid such tensions, the EU could adopt a more personalized enlargement policy tailored to each candidate country's needs and capabilities.

Regional cooperation platforms could play a key role in alleviating these tensions. Cooperation between Ukraine and other candidates would allow for exchanging experiences and good practices and building regional solidarity. Critical to the success of the enlargement policy would be the implementation of an EU "**road map**" that would clearly define goals and progress indicators for each country. Such a tool would allow for greater transparency in the accession process while at the same

time strengthening confidence both in the candidate countries and in the EU itself. As a result, Ukraine's accession could catalyze change in the EU's enlargement policy, showing that the Union remains open to new countries while making precise demands for reform and adjustment. This challenge and opportunity could define the European Union's future as a dynamic, inclusive, and supportive community.

9.4. Economic and social consequences for Ukraine in the short and long term

In the short term, Ukraine's accession to the EU could yield quick results regarding access to funds to reconstruct infrastructure damaged by the conflict. Creating a dedicated reconstruction fund jointly managed by the EU and Ukraine would enable key investments to be made transparently and efficiently. Preferential trade terms could significantly increase exports of Ukrainian products to the EU market, helping to improve the trade balance. However, this process also comes with social challenges. Increased labor migration to EU

countries could exacerbate Ukraine's demographic problems. To counteract this, it is worth implementing policies that will ensure job creation in Ukraine with high wages and housing supporting programs. This requires improvements in the investment climate, which would allow for foreign investors to enter Ukraine's market. Moreover, investments to the existing capacities would increase productivity (which has been traditionally low), which would ease labour market pressure. In the long term, EU membership could contribute to the structural transformation of the Ukrainian economy, reducing EU's dependence on Russian raw materials and integration into the European energy market through the construction of new infrastructure links.

At the social level, EU membership could accelerate the democratization and consolidation of the Ukrainian civil society. However, to effectively reduce development disparities between Ukraine and EU countries, it would be necessary to implement special support programs for rural regions and invest in local civic initiatives, which could become the foundation for long-term social development.



10. Summary

The process of Ukraine's integration into the European Union is not only a historical challenge but, above all, a unique opportunity to transform Ukraine into a stable, modern state fully integrated into European political, economic, and social structures. Poland's experience two decades ago shows that this path, while complex and demanding, is also an excellent opportunity to accelerate development, increase security, and improve the quality of life of citizens.

Thanks to its successful adaptation to EU standards, Poland can today serve as a model and support for Ukraine, offering both experiences in implementing reforms and practical solutions in infrastructure modernization, energy transition, fighting corruption, or harmonizing laws. Poland's membership in the EU has opened the door to a vast internal market, accelerated economic and technological development, and strengthened its position on the international stage. Similar results are achievable for Ukraine, provided that comprehensive reforms can be implemented and available resources and support instruments can be used effectively.

For the European Union, Ukraine's admission is a step beyond formal integration and becomes a decision of strategic impor-

tance. As a country with substantial agricultural, energy, and population potential, Ukraine can become a key pillar of stability on the EU's eastern borders, contributing to energy security and economic growth and strengthening Europe's role on the global political stage.

Thanks to its location and involvement in the region, Poland has a unique opportunity to become a leader in promoting Ukraine's integration into the EU. Polish-Ukrainian cooperation in this process can strengthen neighborly ties and create a new quality within the framework of European politics – based on solidarity, pragmatism, and common interest. The enlargement of the Union, including Ukraine, is an opportunity to create a dynamic center of Central and Eastern Europe, which will play a key role in the entire community's future.

This report by the Warsaw Enterprise Institute (Poland) and the Institute for Economic Research and Policy Consulting (Ukraine) underscores that the success of this process depends both on Ukraine's determination and the responsible approach of EU member states, which should see this integration not only as a challenge, but above all as a long-term investment in Europe's future.





The Warsaw Enterprise Institute (WEI) is a leading Polish think tank originating from the Union of Entrepreneurs and Employers. Established to enhance Poland's prosperity, WEI focuses on four critical areas: State and Law, Security, Economy, and Demographics. WEI provides solutions for state institutions and independent social or commercial entities through rigorous research, analysis, educational projects, and publication of commentaries, stances, memoranda, and reports.

WEI believes that Poland's security and the prosperity of its citizens depend on their rights and freedoms, including the right to choose their way of life, equality before the law, and the right to accumulate wealth. WEI advocates for a strong and efficient state to protect against injustice and external threats but emphasizes that the state's role should be minimal to foster entrepreneurial energy and spirit.

WEI's key areas of focus are:

State and Law. WEI is dedicated to improving the quality of laws, the legislative process, and their application and enforcement in court proceedings. WEI supports a legal framework based on simplicity and the natural order, advocating for minimal regulation and emphasizing voluntary agreements and contracts. The organization promotes a strong but limited state focused on ensuring security and justice for its citizens.

Security. Learning from historical experiences, WEI supports Poland's participation in defense pacts and international organizations while emphasizing self-reliance, with the Polish Army as the key guarantor of national independence. WEI advocates for a professional army capable of effectively countering potential threats and stresses the importance of energy security by diversifying energy sources and supply routes. The institute supports Poland's presence in the EU as an economic community but opposes the concept of a single European state dominated by bureaucracy. Poland's foreign policy, according to WEI, should prioritize national political and economic interests.

Economy. WEI asserts that a robust economy is essential for funding national defense, improving living standards, and halting depopulation. The institute calls for straightforward business regulations, low and simple taxes, and an efficient judiciary. WEI opposes harmful taxes and bureaucratic barriers, advocating for equal conditions for business competition and focusing on small and medium-sized enterprises (SMEs), the backbone of the Polish economy. Educational reform to align with job market needs and limited state participation in the economy, except in military and energy sectors, are also crucial economic policies WEI promotes.

Demography. Addressing unfavorable demographic trends is crucial for achieving WEI's goals. The institute supports policies to increase birth rates, curb emigration, and implement sensible immigration policies. Strengthening families' legal and social position to encourage higher fertility rates is a priority. WEI believes in allowing citizens to retain more earnings to support child-rearing and advocates for localized social support policies targeting only those in need.

WEI maintains a nonpartisan stance, supporting beneficial national solutions regardless of political origin. WEI collaborates with Polish authorities through professional analysis and active public engagement in strategic planning, policy development, and implementation, contributing to Poland's development and prosperity.



The Institute for Economic Research and Policy Consulting (IER) is the leading Ukrainian independent think tank focusing on economic research and policy advice. It has more than 20 years of experience in economic policy analysis and the development of policy recommendations. Since 2016, the IER actively supports regional civil society organizations in Ukraine through re-granting, mentoring, training, and awareness-raising campaigns.

IER's mission is to provide alternative solutions to key problems of social and economic development in Ukraine based on the rule of law, democracy, and market economy principles. The IER's special focus is on promoting the EU-Ukraine Association Agreement.

The IER aims to:

1. provide top-quality expertise in the field of economy and economic policy-making and developing strategic and instrumental components of the economic policy;
2. formulate a public opinion through the organization of public debate, facilitation of public dialogue and spreading knowledge;
3. contribute to the development of economic and social sciences and promote the development of the Ukrainian research community.

Since its establishment in 1999, the IER has focused on economic research and policy advice in macroeconomic policies, business climate, small and medium entrepreneurship (SME) development, international trade, financial markets, and regional and sectoral development. Since the early 2010s, the IER has been extensively focused on promoting the European integration of Ukraine.

The IER's particular strength is monitoring business attitudes and expectations towards various aspects of the business environment and regulation, including policy impacts, by conducting regular and ad-hoc business tendency surveys. Since July 2002, the IER has held a regular quarterly survey of 450 industrial enterprises in Ukraine to monitor, forecast, and analyze business activity based on the information received "from the ground up" judgments and economic agents' anticipations. Since May 2022, the survey has been conducted monthly and covered 500+ from all controlled by GOU oblasts. The IER has developed an Annual Business Climate Assessment – a policy tool for monitoring and assessing business climate and SME development based on firms' perceptions and attitudes. Annually the IER has conducted 1000+ enterprises regarding trade facilitation issues and customs work assessment.

After 24 February 2022 year, the IER focused on supporting Ukrainian resistance to full-scale military aggression. Our activities are repurposed according to stakeholder needs. Since May 2022, the IER has run the Program "Analytics and Information of the Countries' Economy during the War Time." The IER produces and promotes monthly the analysis and forecast of the Ukrainian economy, including monthly surveys of 500+ enterprises. The IER is a member of the public initiatives RISE (a coalition of Ukrainian and international organizations working for Ukraine's Reconstruction Integrity, Sustainability, and Efficiency). Also the IER is the founder of the RRR4Ukraine think tank initiative, which aims to promote honest and visionary recovery based on the principles of openness and accountability.

The IER successfully combines professional analysis with active involvement in public dialogue and advocacy and actively cooperates with Ukrainian national and regional authorities in strategic planning and policy development, and policy implementation. The IER has the capacity for grant management and provides re-granting for capacity development to regional civil society organizations and media.



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