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REVIEW AND UPDATE OF THE AGROINVEST PROJECT'S AGRICULTURE POLICY PRIORITIES

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EXECUTIVE SUMMARY

This report reviews and updates the AgroInvest Ukraine Project's *Strategic Policy Priority Needs* paper (Brown 2011). AgroInvest Ukraine has done very significant work to advance policy reform in the agricultural sector of Ukraine and, with some minor changes, can do even more and better.

This review and update performs three tasks. First, it articulates Project goals that shape a positive agenda of policy reform work and presents an initial version of that agenda. Second, it revises the policy “filters” developed in the 2011 paper to make them more useful for sorting through the many requests for policy support that AgroInvest Ukraine, as a successful policy effort, receives from its client, partners and other stakeholders. Third, it considers some issues of how to make AgroInvest Ukraine’s assistance to policy reform and provision of policy advice more successful.

Box 1: Summary of Policy Reform Priorities for AgroInvest Ukraine

(See Section C for detailed explanation of the stated priorities)

I. Improve market-based incentives for small and medium farmers to survive and prosper by increasing profitable production and sales

1. Ensure fair competition
2. Eliminate price controls
3. Make certain that grades and standards are in harmony with international ones
4. Promote the growth and development of household farms
5. Improve agricultural finance for small and medium farms
6. Develop market infrastructure

II. Guarantee farmers’ property rights and security of contract

1. Continue work on land tenure and farm size
2. Examine issues of land use and conservation regulations
3. Improve security of farmers’ contracts

III. Promote the shift from governance suited to a command economy to that appropriate for a market one.

1. Consider the appropriateness of special tax, legal and other regimes for agriculture
2. Facilitate improvements in the structure and functioning of public administration
3. Assist the development of an appropriate agricultural knowledge system

The development hypothesis of AgroInvest Ukraine is based on the general international experience that, all other things being equal, farms that are no larger than what a family can operate and manage with limited hired labor are much more efficient than farms that rely on hired managers and workers. Management is the scarce factor in agriculture everywhere, and family management in agriculture has indisputable advantages over hired management. This

assumption is congruent with the perception that the prospects for stable democracy are best when property ownership is widespread and most families are middle class.

So AgroInvest Ukraine aims to facilitate the development of a vibrant, prosperous and growing social group of small and medium farmers and to help them organize in civil society to defend their own interests. This is the key to further agricultural development in Ukraine, to increasing the prosperity of Ukrainian society as a whole, and to allowing Ukraine to make the contribution it should to improving the world's food security.

The Project has done and is doing very useful policy work. The quantity of requests for assistance on policy issues it receives demonstrates its success. However, to avoid purely reacting to events and *ad hoc* requests for policy analysis, AgroInvest Ukraine should continue to apply the filters outlined in Section E of this document.

AgroInvest Ukraine should concentrate on facilitating policy reforms that advance the three priorities. Section C of the review presents a detailed agenda of activities flowing from those priorities. Box 1 above summarizes that agenda.

Point I in the box, improving incentives for small and medium farmers, is most important. Success there will drive demands from Ukrainian society for reform on the other issues. Within the USAID Ukraine portfolio, point I is purely AgroInvest. Points II (security of tenure and contract) and III (improving governance that affects agriculture) are cross-cutting issues that affect all economic sectors. But they are especially important for the agricultural sector, and AgroInvest Ukraine and its partners should work on them in collaboration with other USAID projects and other stakeholders beyond the sector.

Policy reform is sparked by successful policy advice, which changes what policy is and how policy is implemented. It affects not only policy makers' statements and national laws, it also changes administrative practice and citizens' activities.

Policy advice includes two activities: policy-oriented research, understanding the facts and trends of the situation, and offering advice based on that knowledge to a principal with direct influence on policy such as government officials, parliamentarians, or leaders of civil society organizations.

Three qualities are critical to successful policy advising:

- Access to policy-makers
- Policy-makers' trust
- Vision and knowledge

These qualities take time and effort to develop, as discussed later in this report.

Additionally, the Ministry of Agrarian Policy and Food of Ukraine has asked AgroInvest Ukraine for assistance in doing a new strategy for the sector, which would replace the 2007 "State Target Program for the Development of Rural Areas." The officials concerned have asked

specifically for help from AgroInvest and its partners. The request in itself demonstrates that the Project's policy advice is respected, listened to and effective. AgroInvest should work closely with the Ministry to develop the country's next multi-year sectoral strategy. This is an opportunity to have a major policy reform impact.

ABBREVIATIONS

ALSP	USAID Agricultural Land Share Project (1995-2000)
AMDI	Agricultural Markets Development Institute
APHD	UNDP Agricultural Policy for Human Development Project
APLRR	USAID Agricultural Policy, Legal and Regulatory Reform Project (2005-2009)
ASCUU	Agricultural Service Cooperatives Union of Ukraine
CNFA	Citizens' Network for Foreign Affairs
COR	USAID Contracting Officer's Representative
COTR	USAID Contracting Officer's Technical Representative (obsolete, now COR)
CPER/UAPP	USAID Center for Privatization and Economic Reform in Agriculture/Ukraine Agricultural Policy Project (1997-2000)
CPR	<i>Cédula de producto rural</i> ; agricultural product certificate
CRSP	USAID Collaborative Research Support Program
DCA	Development Credit Authority
FAO	United Nations Food and Agriculture Organization
FAPRI	Food and Agriculture Policy Research Institute (jointly operated by Iowa State University and the University of Missouri)
GDP	Gross Domestic Product
GMO	Genetically-modified organism
GoU	Government of Ukraine
IAE	National Scientific Center "Institute of Agrarian Economics" of the Academy of Agrarian Sciences of Ukraine
IARD	Institute for Agribusiness and Rural Development in Ukraine
IQC	USAID Indefinite-Quantity Contract
IBI	International Business Initiatives
ISU	Iowa State University
LINC	USAID Local Investment and National Competitiveness Project (2009-2012)
LSU	Louisiana State University
LTTA	Long-term technical assistance [assignment]
MAPFU	Ministry of Agrarian Policy and Food of Ukraine
NASU	National Academy of Sciences of Ukraine
NGO	Non-governmental organization
OECD	Organisation for Economic Co-Operation and Development
PMP	Performance Management Plan
PMU	Chemonics home office Project Management Unit
PWC	Price Waterhouse Coopers
SLRA	State Land Resources Agency
SMPs	Small and medium (primary agricultural) producers
SNAP	US Supplemental Nutrition Assistance Program (formerly "food stamps")
SoW	Scope of Work
STTA	Short-term technical assistance [assignment]

UACE	USAID Program for Strengthening an Independent Ukrainian Agricultural Commodity Exchange (1997-1999)
UAH	Ukrainian Hryvnia
UMLP	Ukraine Microlending Programme (USAID grant to IPC GmbH)
UNDP	United Nations Development Program
ULTI	USAID Ukraine Land Titling Initiative
USAID	United States Agency for International Development
USG	United States Government
VAT	Value-added tax
WTO	World Trade Organization

As of 12 June 2013, 1 Ukrainian hryvnia (UAH) = US\$ 0.12.

A. INTRODUCTION

AgroInvest is a five-year, \$18.7 million project designed to provide technical assistance to accelerate and broaden economic recovery in Ukraine and increase the country's contribution to global food security efforts. The Project consists of three components, implemented in parallel.

- Component 1: Support a Stable, Market-Oriented Policy Environment
- Component 2: Stimulate Access to Finance
- Component 3: Facilitate Market Infrastructure for Small and Medium Producers

“Small and medium producers” are physical and legal persons engaged in primary agricultural production with an annual gross output of less than 500,000 Euro or an area of agricultural land of less than 1,500 hectares, SMPs include both commercial farms producing primarily for market and “non-commercial” household farms. The latter still account for more than half of Ukraine's total agricultural output by value.

AgroInvest Ukraine works to achieve its goals both directly, by the activities of its staff, and indirectly, through supporting and strengthening the network of agricultural sector organizations that has developed in Ukraine in the last quarter century. This allows it to support broader social coalitions for change, and to pursue shifting alliances to better address single issues.

This report reviews and updates the AgroInvest Ukraine Project's *Strategic Policy Priority Needs* paper (Brown 2011). The assignment was done in close consultation with the Project staff, Ministry of Agrarian Policy and Food of Ukraine (MAPFU) and other stakeholders, all of whom are thanked for their generous assistance and valuable comments.

The Scope of Work for the review and update is included as Annex A. During a two-week period in May and June 2013, the consultant interviewed almost all AgroInvest Ukraine professional staff, senior representatives of the Project's partners, a wide circle of other Ukrainians knowledgeable about the agricultural sector and agricultural policy developments in Ukraine and the head of the MAPFU Economics Administration. The consultant conducted all interviews in Russian with an admixture of Ukrainian either alone or accompanied by AgroInvest Ukraine deputy chief of party Oleksandr Kaliberda. The schedule is Annex B. Annex C gives contact information for all persons interviewed. AgroInvest Ukraine's current partner industry associations are listed in E. Major documents reviewed or cited are listed in Annex F.

AgroInvest Ukraine continues the work of, and inherits almost all the issues formerly addressed by, a two-decade, multi-project US effort to assist the development of modern Ukraine's agricultural sector (Annex D). The opportunities for progress offered by all the work done earlier are immense, but the burden of coping with all the seemingly limitless and complex legacy issues is extremely time consuming for AgroInvest staff.

This review and update confirms that AgroInvest Ukraine has done significant work to advance policy reform in the agricultural sector of Ukraine. However, its original Scope of Work requires it to address essentially all the difficult policy issues that have arisen in the sector in the course of

Ukraine's transition from command to market economy and from dictatorship to semi-democracy without defining any clear mechanism to prioritize Project efforts. The Project, even with its high-quality staff and impressive array of partner organizations, does not have the resources to tackle all those things simultaneously. It is unrealistic to expect AgroInvest, directly or indirectly, to resolve all the sector's fundamental problems in five years.

This review and update of AgroInvest's policy work priorities is intended to help AgroInvest define its strategy and priorities and plan its specific activities in order to most effectively advance policy reform in Ukraine during the remainder of the Project.

The following few paragraphs of this review consider the achievements of AgroInvest Ukraine's policy work to date. The next major section briefly examines the agricultural situation in Ukraine. On the basis of that material, policy component goals that shape a positive agenda of policy reform are articulated and some important policy issues to be addressed are identified. A definition of policy reform and some general comments on how successful policy advising to support reform may be done are presented. The review revises the policy "filters" developed earlier within the Project in order to make them more useful for sorting through the many requests for *ad hoc* policy support that AgroInvest Ukraine, as a successful policy effort, receives from its client, partners and other stakeholders. Some specific suggestions to make AgroInvest Ukraine's endeavor of assisting policy reform and providing policy advice more successful are made. The final section offers some overall reflections. All sections of this report will not be of equal interest to all readers. But they are all needed to demonstrate the argument sketched out above.

Achievements

Like any good policy reform assistance effort, AgroInvest has a good number of activities under way simultaneously. Those manifold activities, many of them very important successes for the agricultural sector, are detailed in the Project's quarterly reports and need not be repeated here.

However, it is worth mentioning in particular the Project's leadership in the agricultural policy community in Ukraine on the creation of service, supply and sales cooperatives, including the passage of the new law, and its work to prevent the passage of implementing legislation on the agricultural land market that would in fact cripple that market before it is born.

The Project's model of working with Ukrainian organizations to advance policy reform is a good one. It allows the Project to multiply its efforts through supporting those organizations, and it makes the technical assistance AgroInvest offers real assistance, helping the citizens of Ukraine determine their own future. AgroInvest's partners are universally appreciative of the aid they have received from the Project. In a difficult environment where the state is not appreciative of independent organizations in society, AgroInvest assistance has allowed them to survive and develop.

The Project has devoted most of its own policy staff's time to land issues. Given the Project's limited resources and the importance of the issue, this focus was correct. The land reform was intended to improve equity by giving all Ukrainian peasants access to equal shares of the land

which was forcibly taken from their ancestors, to improve efficiency by allowing new farm owner-operators to emerge in response to market-based incentives, and to eliminate the political structures that enforced Communist dictatorship. The Ukrainian land reform sought to create a situation where, rather than being valued because they could be forced to produce food for the cities in the alleged interest of the state, rural residents could become autonomous economic actors and truly free citizens who act in their own interests. The continuing struggle over allowing free sales of agricultural land, and even more over how it should be done, is a conflict over whether or not to reverse the land reform and return the Ukrainian rural population to second-class citizenship.

As powerful Ukrainian interests continue to clash over if, when and how the prohibition on land sales will be ended, it is extremely important that the sales process be publicized and improved as much as possible, and that Ukrainian rural residents continually be reminded of their rights. This is especially needed since the issue has now been unresolved for so long that for many people the original reform has faded in memory and the present situation is normal.

The best and most elegant legal and economic solutions to the agricultural land question will not have a decisive impact on the eventual outcome of the land reform unless they are supported and advanced by well-organized domestic social interests. The international community can and should insist that the reform be continued in an equitable way, but the weight of the international community will not (and, since Ukraine is independent, perhaps should not) prevail unless there is a domestic economic and social basis for significant numbers of Ukrainians to demand their rights. AgroInvest's broader agricultural sector policy work helps to create the basis for that social movement.

B. THE AGRICULTURE SECTOR IN UKRAINE

This section provides some historical context and surveys some major issues that have shaped the development of the agricultural sector since Ukraine regained its independence in 1991.

Background

Southern and Central Ukraine have been agricultural exporting regions for almost three millennia. Agriculture remains the principal driver of Ukraine's economy, with primary agriculture responsible for just under 10 percent of GDP and 19 percent of exports in 2011.

In 1988, 8.6 million people worked in enterprises and farms included in the country's agricultural sector (*APK UkrSSR 1989*, p. 25). That is, about one-quarter of the working-age population were employed in the sector. By 2012, the number of employees in the agricultural sector had declined to 3.5 million, but that was still 16 percent of total employment (2011 agricultural statistics annual, p. 30). Some 8.5 million working-age people lived in rural areas in 2012, 30 percent of all working-age residents of Ukraine (2011 agricultural statistics annual, p. 29).

Since there is little work in the countryside other than in primary agriculture, five million rural residents are now supporting themselves by subsistence labor on their household farms, have temporarily migrated to cities or abroad in search of work, or are unemployed at home.

Ukraine's rural areas have been a literal battlefield for much of the past century. Following the end of World War I on the Eastern Front in 1917, Ukraine was wracked by civil war for another four years. The forced imposition of collective farms on the Ukrainian peasantry – formally the realization of “Lenin’s Plan to Create Agricultural Cooperatives” – led to the *holodomor* (“terror-famine”) of 1932-33 in which perhaps 5 million Ukrainian peasants starved even as the USSR continued to export grain to finance its industrialization.¹ The Nazi invasion in 1941 and the subsequent military campaigning, planned genocide and multi-sided civil war again ravaged the Ukrainian countryside. 1946 was a famine year, and struggles, including pitched battles, to restore the collective farms in Eastern Ukraine and create them in newly-annexed areas of Western Ukraine continued until the early 1950s.

The collective farms, links in the chain of “command agriculture” that extended from the State Planning Committee in Kyiv through the Ministry of Agriculture to the individual collective farm and each labor brigade on it and then back “up” through the Ministry of Grain Products and state-monopolized retail sales (Karcz 1969), were as much devices for political control of the rural population as they were economic institutions aimed to maximize resource extraction.² As recently as the 1970’s, peasants were not allowed to leave them without written permission from the farm manager and party cell. The collective farm was not only employer, but effective local government and organizer of rural society.

However, by the late 1960s the rural-urban terms of trade had begun to turn. Rather than extracting resources, the state began to subsidize agricultural production in order to increase and improve urban food supplies, even as urban stores continued to sell food at artificially low prices. As a result, non-monetary rationing based on individuals’ access to desirable foods, and accompanying retail-level corruption, flourished. By 1989, perhaps as much as one-third of the Soviet budget was being spent on agricultural subsidies.

Continuing State Control

When the USSR collapsed in 1991, farms throughout the former Soviet Union found themselves confronting radically changed price relationships. Ukrainian farms were as uncompetitive, and as suddenly unprofitable, as any farms elsewhere in the Commonwealth of Independent States. An agricultural depression resulted – in 1998, the worst year of the collapse, only 8.1 percent of

¹ The exact number of deaths is unknown and unknowable. Estimates range from a “low” of 1.5 million to more than 10 million. The subsequent purges of 1936-1939 and again after 1945 were probably focused in urban rather than rural areas, but the catastrophes of war, collectivization and purge together have contributed to a very large excess mortality of Ukrainians throughout the 20th century.

² Soviet command agriculture included two types of large farms, “collective farms” and “state farms.” The differences were important for some purposes, but not for this overview description. All Soviet-era state farms were legally converted into collective farms before the land reform in the 1990s, although the Ukrainian state continues to directly own some farms and the State Land Resources Agency would like to take many more farms back into state ownership.

Ukrainian farms were profitable (Pugachev 2013, slide 5).³ Government attempts to prop up agriculture in the early and mid-1990s through continued Soviet-style subsidies largely drove the great inflation that almost destroyed the Ukrainian economy. Macroeconomic considerations primarily drove the first moves towards a market in agricultural land, since it was expected that agricultural land mortgage credit would replace state subsidies as the source of working and investment capital for agriculture.

Since 1991, the Ukrainian state has sought to maintain control over major commodities, particularly grain, oilseeds and sugar beet. Even produced as relatively inefficiently as they still are on most Ukrainian farms, grain and oilseeds have been very profitable export commodities. (See Liefert, Liefert and Luebehusen 2013) Sugar beet, by contrast, is profitable only if heavily subsidized and protected from competition from imported cane sugar. However, the concentration of sugar beet production in certain regions – what one Ukrainian official has called the “sugar Donbass” – and the lack of alternate rural employment have made protecting sugar production a consistent government priority to ensure social stability.

The old Soviet command administration and large direct subsidies have been replaced by indirect controls, usually either state-owned corporations with preferential positions in the market or regulatory requirements. The state still monopolizes equipment supplies through UkrAgroLizing. The state still plays a very large role in the provision of working capital, often as barter arrangements for crops. Several state companies have been created to handle product storage, shipment and export.

Three reasons are usually given to justify the asserted need for continued state control:

1. The need to ensure food self-sufficiency, low urban food prices and high rural employment;
2. The state’s need for revenue from the sector; and
3. Most policymakers’ belief, slowly eroding but still strong, that only the state is capable of organizing efficient agricultural production and sales and ensuring conservation and proper use of Ukraine’s agricultural land.

None of these arguments are convincing. Arguments 1 and 2 are contradictory, since the first means that the agricultural sector should be subsidized while the second calls for treating the sector primarily as a source of revenues for other purposes.

The restrictions on grain movement at harvest time that result from each oblast’s concern to ensure its own bread supplies make it harder for farmers to fulfill their contracts and restrict the size of their markets, forcing them to lower their sale prices and reducing their incomes. Bread prices remain controlled in major cities. Although the low prices benefit the urban poor, they also benefit everyone else. The price controls reduce farmers’ and processors’ incentives to

³ This “profitability” was calculated using Soviet accounting standards, which ignore borrowing costs and treat depreciation of capital assets as a tax. Most large farms would be considerably less profitable if they used generally accepted accounting principles.

invest, increase production, and, by increasing supplies, lower prices through market mechanisms while increasing overall national income.

Reducing farmers' incomes directly reduces rural employment since families receive less for work on household and private farms and farmers using hired labor can hire fewer workers or must reduce wages. An even more serious consequence is the reduction in other rural jobs. If farmers earned more, they would be able to purchase more goods and services in their villages, generating non-farm rural employment. The opportunity cost of that lost employment is substantial, and almost certainly outweighs the welfare effects of controlled bread prices.

Whatever the arguments for the policy of state control to increase rural employment, the fact of widespread rural employment and outmigration suggests that the policy is not achieving its purpose and should be reconsidered.

Any policy that reduces agricultural sector income and profitability also reduces the amount of revenue that the state can collect from the sector. Different mechanisms of extracting resources from the sector benefit different institutional and social interests, so the conflict within the Ukrainian state about how to extract revenue from agriculture can be, and often has been, quite sharp in recent times. But the overall approach that treats agriculture as a source of revenue for other things while preventing it from developing most equitably and efficiently is wrong.

Ukrainian government officials' motivation for opposition to truly market-oriented reform in the agricultural sector has varied from person to person and time to time. However, it has always been generated by some combination of a lack of understanding of and belief in the possibility that market mechanisms could work, attempts to capture revenues for the state, individual rent-seeking (many senior agricultural policy makers have also had substantial personal financial interests in the sector), and informal resistance because lower-level officials have been unable to make their real concerns about reform design and implementation heard except by so distorting reform implementation documents and processes that the reformers themselves reject them.⁴

Many Ukrainian officials also believe that there are substantial economies of scale in agriculture and that the scarce factor in the sector is capital equipment. So they argue that larger farms are more efficient. Studies of technical efficiency suggest that farms of all sizes in Ukraine have generally become more efficient since the collapse of the USSR, but there is little evidence for the economies of scale argument anywhere in world agricultural practice. It also seems likely that the most scarce factor in agriculture in Ukraine, as in most countries, is managerial talent, a scarcity that could be reduced by better agricultural training and extension. These beliefs do not necessarily lead officials to support greater state control, but they do incline them to concentrate attention on the largest farm operations which they believe to be *a priori* the most efficient. Lack of policy support for – or even policy explicitly or implicitly directed against -- small and medium farms, then, prevents those smaller operations from being as productive and efficient as they could and should be. Policymakers' assumptions that larger farms inherently reap

⁴ For an interesting discussion of the various sources of opposition to agrarian reform in Ukraine, see Allina-Pisano 2004.

economies of scale and so must be more efficient have not been effectively challenged in Ukraine.

According to persons interviewed for this review, the agricultural subsidy and taxation regimes primarily benefit large farms. Several interviewees stated that the favoritism had become worse since 2010. That claim is hard to evaluate. The tax and subsidy systems, with their requirements for complex bookkeeping and spending time at the ministry or bank to qualify and actually receive payments, are inherently biased toward larger operators who can afford to hire dedicated managers and “expeditors.” It does appear, however, that the recent innovation of allowing farms to “accumulate” VAT credit is both a subsidy to agriculture and primarily of benefit to very large, extensively-worked export-oriented farms.

The Government continues to support the operation of large, state-owned quasi-monopolies which have sought to control grain and oilseed production and exports. These companies, are, essentially, successors of Soviet-era ministries or their subunits, and they continue to operate in similar ways. The Agrarian Fund supplies inputs to large farms on a barter basis in return for future crops, acting as the lender of last resort for large farms. It supports itself by profits from its export operations. The increase in strength of the state companies is likely to be one reason why the Government has been willing to dispense with the use of export quotas and controls on internal movement of agricultural products.⁵

Regulatory barriers persist. One interviewee told a striking story – which, however, needs to be verified – about a recently introduced regulation ostensibly aimed at preventing the uncontrolled release of seed from genetically modified organisms (GMOs) into the environment. According to this source, all grain must now be tested at the export port for the presence of GMOs. A finding of any GMO material is, allegedly, reason for the entire carload to be destroyed. Given problems with trace contamination on the one hand and the limited sensitivity of tests on the other, this seemingly well-meaning regulation allows inspectors to threaten to destroy any carload of grain that is presented for export by someone whom the inspector happens not to like – or who does not pay for the proper inspection result. Again, this claim was not able to be verified during the author’s short time in Ukraine, but the fact the story is told itself suggests that many farmers do not believe that regulations are for their benefit, impartially administered, or efficacious.

Ukraine’s accession to the WTO has led to some changes in agriculture, but it appears that the real process of change is not yet complete. For instance, according to several interviewees, the government of Ukraine has not yet really begun to reform its system of agriculture-related grades and standards. It is caught between WTO-complaint standards like those of the European Union and those appropriate for the Russian Federation-led Eurasian Customs Union.

According to an individual interviewed who has been closely involved with agricultural-related WTO issues for more than a decade, the Ukrainian WTO delegation is now seeking to renegotiate the country’s bound tariffs to allow it higher levels of agricultural protection. The request suggests that the officials who made it fundamentally misunderstand the WTO’s core

⁵ One element of the Doha Round of WTO negotiations is a reexamination of international trading rules on state trading agencies, which these Ukrainian state companies appear to be.

purpose of facilitating freer international trade. It also misunderstands Ukraine's comparative advantage. The country should be, as it is becoming despite all obstacles, a major exporter of those agricultural commodities that it can produce competitively for the international market. More exports will not only enrich the country, but also improve world food security. Higher tariffs to protect inefficient agricultural producers and subsectors will only lessen the sector's efficiency, ultimately impoverishing Ukraine's agriculture and Ukraine overall. There is still much work to be done analyzing and explaining the effects of WTO membership and freer international trade on Ukrainian agriculture.

The old command system and the accompanying substantial subsidies for agriculture cannot be restored. Ukraine lacks the resources to sustain any new system of heavily subsidized agriculture. In late Soviet times, agricultural subsidies came largely from profitable activities such as energy. Independent Ukraine has no economic activity other than agriculture that could generate the surplus from which significant subsidies for agriculture could be drawn.

Land Tenure

Ukrainian land tenure and agricultural production has been characterized by a dual structure since the 1930s. The large collective farms specialized in extensive commodity crop production while the farm members intensively cultivated very small "personal subsidiary farms" – now called "household farms" – that produced much of the country's meat and most of its higher-value horticultural products. The dichotomy remains. Large farms still specialize in agricultural commodities such as grain, oilseeds and sugar beet, while household farms produce most of the country's meat and horticultural products. In 2011 household farms still produced more than half of the total value of agricultural output.

Starting in the late 1990s, Ukraine, with assistance from USAID and the World Bank, systematically divided up its collective farms. Ownership documents to shares of the former collective farms' agricultural lands have been issued to qualified rural residents. Most of the formal titling process has now been completed, though there are still serious issues, including correcting errors in titling and improving the functions of the registry, to be finally dealt with. As has been recognized since the beginning of the land reform, the owners of land shares are confronted by a collective action problem: an individual share has little value and can only be effectively used for production as part of a larger tract of land. Since many of the original share recipients were elderly, a significant proportion of land share owners no longer live in the countryside. As absentee owners, they have even more difficulty realizing much value from their land shares.

The land code adopted in 2002, a document on which USAID partners had extensively advised, allowed the transfer of agricultural land plots by sale, exchange, gift, inheritance or abandonment, and allowed them to be pledged as security on mortgages. However, it also contained language delaying the effective date of the transfer of agricultural land plots by those means, a prohibition that is commonly called the land sales "moratorium."

Since 2002, the Ukrainian parliament has periodically extended the prohibition on market-based transfer of agricultural lands, although land rental is allowed. For a period in 2009 and 2010 it

seemed that there finally might be sufficient political support to end this “moratorium.” But on 20 November 2012 President Yanukovich signed a bill again extending the prohibition of agricultural land sales until 2016 (Law of Ukraine no 5494-VI). The bill extending the sales prohibition was introduced in the Verkhovna Rada by the President’s designated representative in Parliament (who is also a member of parliament), a clear signal that President Yanukovich and the leadership of his Party of Regions actively supported the extension of the prohibition.

Land reform was supposed to dismantle the despotic political and social controls inherent in the collective farm system, to restore to the peasantry some of the land forcibly confiscated from their ancestors, and to give rural residents access to more agricultural land and the capital value locked up in it. A stratum of smaller market-oriented private farms run by individuals and families that had seceded with their land parcels from the old collective farms did develop during the 1990s. However, current official projections through 2020 do not anticipate much further growth in that sector. In practice decollectivization in Ukraine has generally reinforced the former farm managers’ control over their former members’ land plots through lease arrangements.

The operating sizes of farms are still largely distributed as they were in Soviet times: a very large number of very small household farms and a relatively small number of large farms.

The bimodal distribution of farm size in Ukraine is growing more acute as a result of the development over the last decade of “agroholdings,” giant agglomerations of former collective farms or their subdivisions controlled by individuals or companies with preferential access to working and investment capital that engage in extensive production of grains and oilseeds for export. These holdings may now control as much as 20 percent of all agricultural land in Ukraine. Few of them are individual legal entities. Rather, most agroholdings are associations of separate legal entities that are maintained and enlarged by bilateral contracts between the individual or company that runs the holding and individual farm managers or land share-owners. Because of this personalized structure, the holdings are not counted as a category in government statistics and information about them is mostly anecdotal.

The agroholdings claim to benefit from economies of scale in use of land and capital assets. But it is likely that in most cases their true advantage is largely political, a result of their beneficial owners’ political power and connections, not economic. (See Deininger *et al.*, 2013. I am indebted to Oleksandr Muliari of AgroInvest Ukraine for this reference.) They also use that political power to beat down their lease payments to the actual landowners, the holders of land shares, who are lease price takers.

The farm managers who consolidated their control over their members’ land may find joining an agroholding attractive since doing so provides them working capital, inputs and markets that allow them to keep their farms operating and, ultimately, helps consolidate their control. Those farm managers also have a clear reason to oppose allowing the sale of agricultural land. As long as land can only be leased the farm managers, not the agroholdings, control “their” farms’ land.

Since the agroholdings are so well connected politically, there is little that AgroInvest Ukraine, or USAID as a whole, can do to help or hinder them directly. Other US agencies and interests are

likely to challenge them in time, of course, as their politically-favored position seems questionable under WTO agreements.

The agroholdings can be challenged indirectly, by supporting small and medium farm businesses as their competitors. Given equal access to markets, there is good reason to think that relatively smaller farm businesses will prove more efficient than the massive agroholdings. One important way to improve market access for SMPs is to support input-supply, credit, processing and marketing cooperatives to allow SMPs to join in those activities. One of the most important results to date of AgroInvest is its successful push for the adoption of the new law on cooperatives.

Ukrainian commentators are not agreed on what the effect of a freer market in agricultural land on the distribution of farm land holdings would be. Some fear that the agroholdings, with their advantage in access to capital, will purchase the land they work outright as soon as it becomes possible. However, other analysts argue that the agroholdings benefit so much from their ability to artificially depress the amount they pay for the land they lease that they have little reason to purchase the farm land they operate.

The State Land Resources Agency contends that land market valuations must be based on its agronomic quality, so that a complete land cadaster is needed before the land can be offered for sale. Further, it argues that the sale price should be based directly on that cadastral valuation. These arguments fundamentally misunderstand the way that markets work with prices set by supply and demand. Moreover, the Land Agency has said that it believes that at least one-third of the country's agricultural land should be taken back into direct state ownership and farms on it operated by the State Land Bank. The Land Agency is also increasingly arguing that crop rotations over large areas must be made obligatory for all landowners in the areas concerned in order to prevent soil degradation. This regulation would incidentally give the Land Agency, now subordinate to the Ministry of Agrarian Policy and Food, the Soviet-era Ministry's task of deciding who could produce what on their ostensibly private land. The effective result would be the reinstatement of central planning for agriculture.

C. GOALS, STRATEGY AND ACTIVITIES FOR AGRICULTURAL POLICY REFORM

The essential assumption of AgroInvest Ukraine comes from the general international experience that, all other things being equal, farms that are no larger than what a family can operate and manage with limited hired labor are much more efficient than farms that rely on hired managers and workers. Management is the scarce factor in agriculture everywhere, and family management in agriculture has indisputable advantages over hired management. This assumption is congruent with the perception that the prospects for stable democracy are best when property ownership is widespread and most families are middle class.

So AgroInvest Ukraine aims to facilitate the development of a vibrant, prosperous and growing social group of small and medium farmers and to help them organize in civil society to defend their own interests. This is the key to further agricultural development in Ukraine, to increasing

the prosperity of Ukrainian society as a whole, and for Ukraine to make the contribution it should to improving the world's food security.

The summary of the present condition of Ukraine's agriculture in the previous section suggests a strategy to achieve this goal. That strategy should drive AgroInvest's policy reform work.

The strategy aims to improve incentives for Ukrainian small and medium farmers to better their own lives through giving them positive economic incentives and removing barriers to small and medium farm development. Small and medium farmers now have access to some land. If they can use it profitably, they themselves will protect their rights to what they have and demand more. If they cannot, they will eventually lose what they have. If they have incentives to preserve their land rights and increase their access to agricultural land, they will seek to organize to do so. They must have the social and political space to organize and they should be helped to build strong civil society organizations.

As its strategic priorities, AgroInvest Ukraine should concentrate on facilitating policy reforms that:

- I. Improve market-based incentives for small and medium primary agricultural producers ("farmers") to survive and prosper by increasing profitable production and sales;
- II. Guarantee farmers' property rights and security of contract; and
- III. Promote the shift from governance suited to a command economy to that appropriate for a market one.

Point I is most important. Success there will drive demands from Ukrainian society for reform on the other issues. Within the USAID Ukraine portfolio, point I is purely AgroInvest. Points II and III are cross-cutting issues that affect all economic sectors. AgroInvest should address them with other USAID activities and other donors as well as coalitions of Ukrainian agriculture extending beyond the agricultural sector.

But points II and III are vital issues for agriculture as well. Without secure property rights, farmers have no incentive to produce, since if their product is confiscated they get no benefit from it. Without secure contracts farmers cannot buy or sell beyond suppliers and customers whom they know personally. Although governance reform is a cross-cutting issue, no one else has as much interest in and need to change the structure and function of the government institutions that dominate the agricultural sector as citizens who live in rural areas and actors in agricultural sector markets.

The balance of this section lays out policy reform issues and activities that follow from this strategy as a basis for discussion by AgroInvest Ukraine's policy component staff. The policy issues are presented in rough order of importance. At a later stage in the Project's work plan development, the filtering mechanism presented in section E may help to set specific priorities among activities addressing the various policy issues.

The recent request from the Ministry of Agrarian Policy and Food for help in developing a new national agricultural strategy offers an excellent opportunity to discuss and advance reforms on many of these issues.

I. Improving Market-based Incentives for Small and Medium Farmers to Prosper by Increasing Profitable Production and Sales

Properly functioning markets provide clear incentives for market actors. Markets in which regulatory actions are appropriately structured also eliminate arbitrary state interventions. So market actors can realistically estimate the risk associated with any action before they take it. Integrated markets spanning a wide territory increase the number of market actors and benefit everyone involved. Ukraine's markets at present are physically fragmented and subject to capricious state intervention. The state favors some actors, especially companies which the state owns in whole or in part over others. Recent proposals would make this situation even worse by allowing the state to return to the direct ownership and operation of farms.

1. Fair competition

Ensuring fair competition is the single most important policy issue in a market economy. Unfair competition skews incentives and wastes resources, reducing overall welfare. It is also the most contentious policy issue in contemporary Ukraine, as the state systematically favors state-owned firms, and businesses whose private owners have extraordinary access to the political leadership, over other market actors.

- Examine the balance of costs and benefits to overall welfare and the GoU of state corporations
- Develop policy proposals to ensure that state corporations do not have unfair competitive advantages
- Develop policy analyses and programs for the elimination of state owned corporations such as the Agrarian Fund
- Examine the extent to which state corporations actually pay taxes or profits into the treasury
- Estimate losses from state controls on internal and external trade as opposed to revenues from state bodies.
- Examine the likely impact of proposals to establish a State Land Bank and have it become a major operator of commercial farms in Ukraine and develop proposals to mitigate harmful effects
- Examine issues of access to state subsidies, guarantees, tax advantages, state-managed financial leasing arrangements, etc., and develop proposals to ensure they are equally accessible to all regardless of farm size or line of business
- Examine the effects of restrictions on movement and the need to maintain oblast-level food stores on small and medium farms and develop proposals to ameliorate them
- Examine the feasibility and appropriateness of a crop insurance system to reduce farmers' risk

- Examine transportation and storage issues and identify policy issues they raise aside from state monopoly ones. Develop policy measures as appropriate.
- Examine the extent to which Ukrainian export procedures and regulations are now common for all potential exporters and to what extent they are in compliance with WTO requirements and European Union norms, since the EU is a major potential export market for Ukraine. (Large farm interests and the European and American Chambers of Commerce take the lead on this issue.)

2. Price controls and consumer welfare

The GoU controls bread prices on the grounds that the controls benefit the poor. They also distort incentives for producers. In combination with the maintenance of oblast' grain stocks, the controls limit the markets' physical extent. As a result, farmers' incomes are artificially lowered, with all the multiplier effects (or lost effects) on rural communities that follow from farmers' depressed incomes.

The MAPFU has already asked AgroInvest to inform it about the use of food stamps (now the SNAP program) in the US. Since food stamps are at least in part a response to the need to dispose of US agricultural surpluses to support farm prices, the parallel may not be exact, but the question is a good one and worth pursuing.

- Examine and describe the mechanisms by which prices are controlled
- Evaluate the costs of untargeted consumer subsidies and producer subsidies (the OECD makes these calculations annually), such as bread price controls as opposed to a targeted system
- Estimate the costs of market controls on state revenue and lost producer income
- Estimate the cost of an alternate, targeted system as compared to the losses brought about by subsidizing all consumers

3. Grades and standards

Established, understood, honestly observed and enforced grades and standards are essential to any system of market exchange in which a buyer cannot physically examine the goods he seeks to purchase. This is one reason that the WTO puts so much emphasis on harmonization of standards. Bringing national standards into accord with international ones has proven to be difficult in every post-Soviet country that has joined the WTO, including Ukraine. The concept is different and the amount of work needed to make the changes is great.

- Determine the extent of the remaining need to update and harmonize agriculture-related grades and standards and modify the system of setting and enforcing them to ensure WTO compliance and transparency. Develop policy measures to complete the work as needed.

Internationally-accepted organic-product certification is advantageous for exporters. The Organic Producers' Federation of Ukraine is a Project partner.

- Support the development of and qualification for organic certification of small and medium farms

4. Household farms

Household farms remain legally and practically separate from “commercial” farms. They are not a concern of the Ministry of Agrarian Policy and Food. Yet they are an important source of agricultural produce, especially horticultural crops and meat. Because of their particular status they have restricted access to additional land. Most household farmers may not wish to expand their operations in size or commercial impact, but surveys over the last decade have shown that some do. They should be supported.

- Examine whether or not the legal and institutional distinctions between household farms and commercial ones are still reasonable.
- Develop proposals to allow household farms to expand and to become commercial farms if their operators wish to do so.

5. Agricultural finance

To some extent, agricultural finance is a second-order policy issue. In market economies with effective, transparent and appropriate regulatory systems, adequate security of contracts, and widespread knowledge of market opportunities, investors seek out opportunities to profit in all sectors of the economy, including agriculture. Regulatory reform, strengthening the rule of law and expanding the scale and transparency of markets are fundamental ways to improve agricultural finance in the medium and long term. However, Ukraine has an immediate farm finance problem, particularly a shortage of working capital for farms that are too big to be adequately served by microfinance or credit unions but not large, or politically connected enough, to appear to be good risks to commercial banks (Homans *et al.*, 2011). This is probably not a priority issue for AgroInvest Ukraine’s policy component, since the Project has a separate finance component. In the provision of working capital, AMDI’s work on CPRs is leading here, although the introduction of CPRs needs to be done very carefully to avoid lenders using their preponderant political power to exploit the farms, as happened when Tajikistan introduced what were misleadingly called “futures contracts” in 1997 (Van Atta, 2009).

This issue is placed low in this section because it is already being dealt with by others, not because the issue is intrinsically less important.

- Support efforts to improve small and medium farmers’ access to working capital (AMDI is leading here)
- Develop measures to simplify farm accounting and taxation and to facilitate training of farmers in business management

6. Market infrastructure

Markets are, above all, mechanisms for the exchange of information between market actors. They may take many material forms, from a bazaar to a network of mobile phones. The

important point is that information exchange is allowed and that market actors have reason to be confident that they are obtaining good information, whether through physical inspection of items offered for sale, warehouse receipts, certificates of compliance with standards, or in some other way. Since the guarantees of quantity and fitness for use often involve government agencies, market infrastructure is closely related to regulatory policy and business environment.

AgroInvest Ukraine has a separate component working on market infrastructure that has achieved notable success, particularly supporting cooperative development.

This issue is placed low in this section because it is already being dealt with by others, not because the issue is intrinsically less important.

- Continue to support the development of cooperatives and private businesses that allow farmers to pool their product for processing and sale
- Support efforts to improve information about sales and marketing opportunities (various partners leading here)

II. Guaranteeing Farmers' Property Rights and Security of Contract

Most of these issues concern land tenure. However, farmers must also have secure property rights in their live and dead stock and their product. If their products can be taken by the state at whim, either because of needs to increase local supplies or by changes in regulations or export controls without previous public discussion and due process, then that is not a secure property right. So long as those property rights are insecure, economic incentives will not be as effective as they could and should be. Similarly, if the state can break a farmer's sales contract at will by imposing movement restrictions or otherwise making it impossible for the farmer to fulfill his obligation, he cannot successfully act in the market beyond his neighborhood.

Continuing campaigns to insure that land share owners know their rights are not directly a policy issue unless authorities prevent such campaigns. However, they are very important and AgroInvest Ukraine should continue its work on them. As those campaigns develop information on land policy issues, those issues should be addressed, as they, too, concern property rights and secure contracts in agriculture.

1. Land tenure and farm size

To address land tenure issues, trends in land tenure need to be understood. How are farm sizes changing? How are they likely to change? Is it really possible that, as one AgroInvest colleague said, Ukraine could wind up with 50 latifundia owning all the agricultural land? What are trends in length of land leases? Average payment amounts? AgroInvest Ukraine has done some analysis of these issues, but more is needed as a basis for designing detailed policy reform work.

- Examine trends in land tenure, farm size and farm specialization
- Conduct gross margin and technical efficiency studies of farms of different types and specialization to understand the structure of their production, their competitive advantages, and to estimate foregone revenues from inefficiencies

- Develop standard land-lease contracts and ensure that land lease rates are publicized
- Continue work to ensure that, when the land sale moratorium is lifted, small and medium farmers will be able to fairly compete to continue to lease or purchase land
- Determine the extent of the problem of incorrect titling and, if needed, develop measures to remedy it
- Develop measures to increase the transparency and efficiency of land registries and reduce associated costs to landowners

2. Land use and conservation

The state continues to assert the need to enforce the “proper use” of agricultural land, including compulsory crop rotations across different owners’ land.

- Identify international experience relevant to this issue
- Develop market-based mechanisms for soil conservation to replace the SLRA’s arbitrary ones
- Reexamine the idea that land sales prices must be set by cadastral valuation

3. Security of farmers’ contracts

This issue refers back to the welfare and grain stocks issue, as well as problems of regulatory arbitrariness.

- Support and facilitate the inviolability of farmers’ purchase and sales contracts

III. Shifting from Governance Suited to a Command Economy to that Appropriate for a Market Economy

These are issues that primarily concern the business environment, the state’s institutional structure and functions, the techniques of public administration, the role of state regulation in a market economy and education and research. Most are concerns across the whole economy, but they are vital for the agricultural sector.

1. Special institutions and regimes for the agricultural sector

Modern agriculture is a business activity. Its techniques and technology are unique. The organizational forms that are most efficient are somewhat different from those in other sectors. But it is very strongly affected by the general environment for business. In fact, agriculture is especially affected by changes in the environment for business because it involves so many people, its risks are substantial, and its production cycle is long.

At least partly as a holdover from Soviet practice, in which the countryside and the peasantry were physically controlled and treated quite separately from urban areas, Ukraine maintains a whole set of special “agricultural” or “rural” institutions and regimes, ranging from legal forms of organization to control of agricultural land to tax systems. In many cases, these “concessions” to the sector are actually likely to retard its development by requiring its special treatment.

- Examine, inventory and consider the effects on the sector’s development of the special legal, tax and other regimes affecting agriculture. Develop appropriate policy measures to address the issues identified.
- Examine the situation with the transfer, maintenance and operation of rural social infrastructure facilities. Develop appropriate policy measures to address the issues identified.
- Examine the situation of local government and its role in land and agricultural management, including its dependence on the land tax. Develop appropriate policy measures to address the issues identified.

2. Public administration

The Ministry of Agrarian Policy and Food has been significantly reformed as a result of government rationalization in 2009. However, its functioning, like the functioning of the State Land Resources Agency subordinate to the MAPFU, and that of its other agencies and subunits, including regional and local ones, still seems to be aimed primarily at controlling agriculture. Its purpose has not yet become serving the farmers and rural residents who, in market economies, are the constituency and “customers” of Ministries of Agriculture. A functional review of the Ministry was done in 1998, but it may be time to do one again.

- Examine the structure and functioning of the Ministry of Agrarian Policy and, as appropriate, design and conduct deeper examinations and studies of international experience. Develop policy proposals as appropriate.
- Develop policy proposals to improve the structure and functioning of the State Land Resources Agency.

3. The agricultural knowledge system

The agricultural knowledge system has three parts: agricultural research, agricultural education and agricultural extension. Effective applied research for and appropriate education of farmers and others are keys to agricultural competitiveness and development. A well-functioning extension system spreads knowledge and identifies problems for research attention, as well as identifying policy problems for government. The national association of agricultural advisory services (extension providers) is an AgroInvest Ukraine partner.

- Develop agricultural extension
- Support reform of agricultural education to ensure that the next generation is more market-oriented
- Support reform of agricultural research to increase its effectiveness under market conditions

D. FACILITATING POLICY REFORM

To successfully facilitate policy reforms, a clear definition of the activity of policy reform is helpful. This section provides a definition, considers why policy reform is important, some

difficulties, and how experience suggests policy advising to spark policy reform might be best carried out.

What is Policy Reform?

In English, unlike in Russian or Ukrainian, “policy” and “politics” are two different words that denote somewhat different activities.

For the purposes of this review, “Policy” may be defined as follows:

First, a “policy” is a discrete, declared intention to act in a particular way to reach a defined goal. This definition leaves aside the issue of undeclared policies, or “non-decisions,” cases when an organization acts in a goal-oriented way but does not explicitly say it is doing so.

Second, a “policy” is a state and government matter. The “state” is that institution which possesses the legitimate monopoly of coercive force in a given territory. The “government” is the set of decision-makers legally and publicly placed in charge of that state, those who can set and change its policies.

“Policy reform” is the conscious change of a set of policies in order to achieve a (new) goal.

Since Ukraine is moving away from a command political and economic system, “policy reform” as used in this analysis means sets of policy changes that move the country toward increased equity and efficiency, toward a social, political and economic organization that is more accountable to the citizenry, more democratic, and relies more on market mechanisms to make economic resource allocation decisions within a transparent, limited regulatory framework.

“Policy regression” refers to sets of policies that tend to make the state and government less accountable, rely more on command mechanisms for economic management and reduce effective democracy and citizen participation.

A “policy issue” is a proposed policy that is being discussed within the interested public and which decision-makers are considering or are likely to consider in the future.

The declaration of policy should be distinguished from the implementation of policy, the actions to carry it out. Not only are many policies, in all states, purely formal and never acted on, but the process of implementation often turns out to have very different results than the policy makers expected (the classic study is Pressman and Wildavsky, 1973). The antidote to purely formal declarations of policy that are ignored in practice, and the way to learn of policies’ practical effects, is publicly available monitoring of those policies’ effects by regular monitoring of the press, interviews, site visits, surveys, and other means.

The Importance of Policy Reform

Only policy reforms can bring about major, rapid changes in a society. So only policy reform can bring about “big wins” for national politicians or international donors. However, fundamental

policy reforms are always hard to bring about, especially for outsiders, as internationally-funded technical assistance projects always are.⁶ Major policy reforms are generally only possible at moments of radical change in society, such as the collapse of the Soviet Union in 1991 or the Orange Revolution in the winter of 2004-2005. Otherwise, policy reform is usually a matter of incremental changes.

Policy reform in Ukraine's agricultural sector is particularly vital because of the importance of the sector in the country's economy, and the key role the collective farm system played in the Soviet dictatorship.

Yet policy reform in agriculture is also especially dependent on the national political climate precisely because of the sector's importance. By and large, the political climate for policy reform in Ukraine's agricultural sector has been worsening since the end of the Yushchenko presidency. The authors of USAID's most recent agricultural assessment in Ukraine were surely correct when, at the end of that period, they cautioned against designing any new agricultural project around the expectation of easily and quickly achieving major changes in agricultural policy in Ukraine, noting that:

A project focused on big policy wins at the national level does not look promising at this point in time ... due to the entrenched, political nature of key issues like the land moratorium and the VAT tax. (Fries, et al., 2010, p. 19.)

That is not a reason not to spend time and effort on policy reform. When the outlook for "big wins" is least favorable is when effort should be devoted to policy, both to prepare for a more favorable future moment and to prevent big losses. That future moment is likely to come suddenly, be unexpected and be short. So advocates of policy reform need to be prepared, to have done the research and preparation in advance, so that they can offer a solution to policy-makers when the authorities realize it is needed.

From the standpoint of international assistance, policy reforms are especially difficult. Although all the developed market democracies agree on perhaps 85 percent of all policy issues, the disputes on the remainder are fierce and often fundamental. Nowhere is that more true than in agriculture, as the recent history of the Doha Round of negotiations at the WTO suggests. So not only do policy makers in post-Soviet states often really not understand the agricultural sector reforms that are being proposed because they have no experience of or faith in a market economy, they often find it easy to cite the donors against one another or to defend their own reform failures by pointing out that the international advisors' countries often have very bad policies in the sector as well.

⁶ When USAID, the European Union, the World Bank and the UK Know-how Fund joined to support the Secretariat of the Inter-ministerial Commission on Agrarian Reform in Ukraine in 1998, a development which eventually led to two presidential decrees generally credited with reinvigorating agricultural reform in Ukraine in 2000, senior Ukrainians in the Secretariat and the Policy Analysis Unit supported by the donor coalition frequently complained that they had been dubbed "the Americans" by their contacts and colleagues in the Ministry of Agriculture. The State Security Committee of Ukraine also interviewed them.

International stakeholders can forestall this likelihood of being quoted against one another by close and continuous coordination. Technical specialists, both international and national, should also “agree to disagree” on especially contentious issues. Achieving that agreement requires, however, that all involved be well informed about agricultural policy in all major agricultural countries, not just Ukraine and international specialists’ home countries.

For donor organizations, policy reform efforts are hard to measure and monitor. Legal changes are often used as proxies to measure policy reform. They are easy to identify and quantify. But donor projects very rarely have the kind of leverage that makes it possible for them to credibly promise that a particular piece of legislation will be adopted in a certain form by a given date. The more vibrant the democracy in the country concerned, the less credible such a promise is, in fact. Moreover, adoption of a law is no guarantee that it will affect social practice. The law must be implemented and enforced, and post-Soviet states have weak implementation capacity and even weaker rule of law. USAID continues to wrestle with how to fairly and usefully monitor and evaluate policy reform efforts. (See for instance, *USAID Performance Monitoring and Evaluation TIPS*, number 14, 2011.)

Individual projects can somewhat mitigate this problem of imperfect evaluation measures when they have demonstrated by their successful activities that they are effective and get good results, cooperate closely with their funders so that their clients are not surprised by the project’s activities, and understand the situation in the country well enough that they are able to forewarn of likely events rather than simply reacting to them.

Successful Assistance to Policy Reform

Successful policy advice leads to successful policy reform. It changes what policy is and how policy is implemented. It affects not only policy makers’ statements and national laws, it also changes administrative practice and citizens’ activities. International experience highlights the following issues and best practices for successful policy advice. AgroInvest has discovered some of these things through the course of its ongoing actions, but stating them systematically can help the project further improve its work.

Policy advice includes two activities: policy-oriented research, understanding the facts and trends of the situation, and offering advice based on that knowledge to a principal. Principals are people with direct influence on policy such as government officials, parliamentarians, or leaders of civil society organizations. Policy advice may take many forms, from a one-on-one conversation with a principal, to publicly releasing a report containing action points, to assisting with drafting legislation. Although the most successful policy advising is usually done by a group, since no one can know everything or be everywhere at once, it is mostly a one-on-one activity, a conversation between an advisor and a principal.

Successful policy advising requires, above all, that principals be willing to listen to the advice offered. They may not agree with it – someone who is worth advising is unlikely simply to take advice uncritically – but if they will not listen, then the effort is fruitless. By the same token, no policy advice effort lasts forever. Much of an advisor’s job is to explain why things might be done differently and better. As with any other teaching relationship, at some point a good student

will have learned what is possible from the teacher and will leave. So the policy advisor – and the policy advice project – should expect eventually to be put out of a job by their very success.

Experience of policy advice projects shows that three qualities are critical to successful policy advising:

- Access to policy-makers
- Policy-makers' trust
- Vision and knowledge

It takes time to develop these qualities, and they are mutually reinforcing. They can also be mutually destructive; if one is lost, the others will be too. Policy advice projects tend to take six months to a year to show real results. One reason for the delay is that, even if the policy reform team is already together and familiar with the particular situation from the beginning of the effort, building the personal relations needed and finding the entry points for advice on policy reform takes time.

Access and trust are always personal qualities that must be constantly reinforced in inter-personal relations. The test the principal will always apply to a putative policy advisor is “how can this person help me do what I want to do?” If the principal decides the answer is “they can't” or “they won't,” then the advisory relationship ends. The advisor, however, must always be careful not to simply get caught up in day-to-day issues that concern the principal. A good advisor, and a good principal, will find a balance between immediate issues and longer-term considerations. Once the principal is sure that the advisor has worthwhile advice to give, that balance can be found and maintained even when principal and advisor disagree.

A policy advisor with an obvious agenda that is not of interest or use to the principal will quickly find him or herself shut out. So will a policy advisor who wastes the principal's time. So the wise policy advisor also knows when to admit defeat and leave a subject alone. This is one reason why policy reform is usually incremental and the precise contribution of policy projects to policy reform can be hard to evaluate. A principal will understand and accept some suggestions, but not others. The result is usually a compromise that advances policy reform more than it would have had the advisor not been present, but less than the advisor would have liked.

These characteristics of the task also explain why a considerable amount of policy advising is “fire-fighting” for the principals. If the advisors are never willing to do that *ad hoc* work, what the US Department of Agriculture's Economic Research Service calls “staff analysis,” they will quickly lose trust and access. If, on the other hand, that is all they do, then they are wasting the donor's funds because they will not be making progress toward fundamental policy reform.

To give advice, the advisor must know the subject. Preferably, he should know something about the subject that the principal, who is likely to be an expert in the subject himself, does not, or at least know it from another angle. But he must also have a good idea of what the principal does know, and how to explain his advice in a way the principal can grasp.

International policy advisors need to be particularly careful to avoid simply importing their home country's experience uncritically and recommending it to their principal. There are usually many ways to achieve a result, and there are unique reasons for every country's institutional arrangements even within the OECD countries. Just because the advisor's home country does it that way does not always mean either that it is necessarily best or that it is appropriate for Ukraine. On the other hand, the advisor must maintain critical distance on the situation in which he is advising, keeping his own values and purposes clear.

Subject-matter knowledge is not enough to successfully spark policy reform. The advisor must also have a vision of what is possible, how the situation could be different than it is, and how proposed policy reforms could lead to realizing that vision. Moreover, the policy advisor must have the ability to articulate that vision. A team of policy advisors must share the vision to a great enough extent that they can work together to explain it. For AgroInvest, such a vision should include a clear concept of what a market-oriented, efficient and equitable agricultural sector would look like in Ukraine.

The vision is what keeps advisors focused, keeping them from being trapped in day-to-day routine of work. That trap is especially threatening when, as is often the case, the advisors are dealing with, and, ideally, are embedded in, a government bureaucracy of the principal's country.

The resident policy advice team should be senior nationals of the host country (the country to be advised) who are well-trained, know the specific situation, and have good access to policy-makers. Even the most experienced people need continued staff training and development, including the on-going examination of issues raised by the overall vision.

Staff seminars examining one another's work are a very useful way to ensure that knowledge is spread and developed. Regular discussions of substantive issues within the advising team also help ensure that it remains in broad agreement. Formal training courses or study tours can also be helpful when available.

No group of policy advisors can know everything they need to know. Stakeholders and principals will raise questions to the group that call for urgent answers to which the advisory group will not know the response. The ability to give timely, useful answers to those questions will largely determine whether or not policy-makers trust and give access to the policy team. Questions about international experience are especially common in this regard.

So the advisory group will need intellectual support, a way to rapidly find answers to unexpected queries.

One source of such support is existing national research, training and policy advice institutions. In Ukraine, as in other post-Soviet countries, the Academy of Agrarian Sciences has a network of research institutions that are legally responsible to provide policy research and advice to the Ministry of Agrarian Policy and Food. Although these national institutions are likely to themselves need reform as part of adapting to a market economy, making that adaptation improves training, and so policy making, for the next generation, offering the possibility of

making a long-term impact. Such institutions usually have accumulations of data and research that are immediately relevant to the policy advisor's work.

Intellectual support from international advisors is particularly important. A group that is composed only of host-country nationals will have the limitations of their own education and life experience. The diagnoses and solutions people from outside the host country will offer may not be immediately applicable. But the outsiders have a vital bit of knowledge: that things can be done differently and still give an acceptable, even a better, result.

The need for intellectual backup is common in development projects. Four principal methods for providing it can be identified:

1. A long-term resident international advisor;
2. Arrangement with a foreign university or research center to provide quick written responses to specific queries;
3. Construction of a web site with standard answers; and
4. Advance cooperation agreements with USAID CRSPs, and holders of relevant IQCs and cooperative agreements, to provide responses to queries or short training courses.

A long-term resident advisor has the advantage of being on-site and having the opportunity to gain close knowledge of the situation. She can also bring an understanding of how things are done elsewhere to the effort. A resident advisor can use her research skills to find information available outside of Ukraine and to put it together as needed. However, an LTTA advisor is costly, both in salary and housing and because the person will probably require translation support, which then slows down response time. The long-term advisor should be an advisor, not the boss, since otherwise the project loses credibility with its counterparts and does not build local capacity. Of course, any LTTA advisor, no matter how well qualified, will share the difficulty that one person cannot know everything.

For AgroInvest Ukraine, a variation on the resident advisor could be a staff member associated with the Chemonics PMU in the Chemonics home office. She could also perform much of the long-term advice function, perhaps at lower cost and with better access to international resources. However, use of such an expert would have many of the same difficulties as the resident LTTA, and, unlike the other possibilities enumerated here, the author of this report knows of no case where this kind of intellectual support has been attempted.

An arrangement with a foreign university allows access to many people's knowledge and to a research library. However, it tends to run through one or a few faculty members, and so the usefulness of the effort depends on the quality and available time of those faculty members and their ability to tap their colleagues' knowledge. Since the university staff will have many responsibilities other than backstopping the policy work, they may not be available when needed. Even if they are available, the time difference with Ukraine slows their response. These difficulties are not reasons why AgroInvest should not pursue such support, however. The arrangement AgroInvest is negotiating with the University of Missouri and FAPRI should be completed and put into use as quickly as possible.

Web sites with standard answers have been constructed to aid Provincial Reconstruction Teams in Iraq and Afghanistan. They have been aimed more at practical agronomic knowledge than policy advice, but the principle is the same. They can always be reached if the persons involved have a good internet connection, which policy advisors probably do. If the material is well selected, well-organized and easy to navigate so it can be found quickly, then the time issues are minimal. However, web sites in practice tend to be agglomerations of material, and unless the user is familiar with the site she may be unable to find what she needs. In any case, a significant amount of research time will still be needed to create an answer from the materials provided. The selection of questions for which to prepare answers is difficult. Murphy's law will apply, and responses to everything but the one question the advisor needs to answer will have been foreseen and prepared.

Advance agreements with other USAID implementing partners with applicable expertise may also be helpful. For instance, the National Association of Agricultural Advisory Services of Ukraine can surely benefit from interaction with the work of the members of the Modernizing Extension and Advisory Services (MEAS) Cooperative Agreement consortium. However, this requires that the right people be aware of the other activities, and that is not always the case.

None of these methods of intellectual support is ideal. The kind of support needed will vary with the specific question to be considered. All cost money and time and are still ultimately reliant on someone knowing the right question to ask and whom to ask. For policy advisors in the field, such as AgroInvest Ukraine's policy component staff, all may be useful and all should be used.

E. AGROINVEST UKRAINE'S POLICY REFORM ACTIVITIES

The following section describes the formal process currently in place to select policy reforms for attention, proposes revised criteria for determining priorities to respond to requests and considers how they might be operationalized. Finally, some suggestions, based on the previous section, for how AgroInvest Ukraine might improve its work and increase its effectiveness are presented.

Current Policy Priorities

In 2011, AgroInvest commissioned two papers to identify policy issues and prioritize their importance (Brown and Pugachev 2011, Brown 2011). The first provides a useful summary of the agricultural situation and a very ambitious matrix of activities to achieve thorough-going policy reform. The second, the *Strategic Policy Priority Needs* paper (Brown 2011), lays out criteria by which the Project should decide what policy issues to address. The paper begins by restating the policy priorities from the AgroInvest Project's scope of work in five points:

1. Trade policies;
2. Taxes and subsidies;
3. Financial market and credit policies;
4. Land market development; and
5. Market infrastructure investment. (Brown 2011, p. 4.)

It then identifies detailed activities that can be carried out to achieve results in all these areas (Brown 2011, pp. 6, 28-33). Although the author does not say so explicitly, he clearly understands that AgroInvest's limited resources and time frame, even with the help of deeply rooted, broad based social movements in Ukraine, will not be sufficient to accomplish all, or even most, of them.

The 2011 paper develops criteria by which Project staff are to determine which of those broad points to focus on. The criteria do not themselves specify which main issues are most important or lay out priorities among tasks the Project might perform. Instead, they assume that those activities are already identified. So they are most useful in formulating responses to requests for policy work that come to the Project.

The 2011 filters require that for AgroInvest Ukraine to work on (or, presumably, to support work by its partners on), a policy issue, that issue must:

1. Play an important role in Ukraine's agricultural sector (i.e. have the potential to achieve measurable impact that can have a large-scale or strategically important beneficial impact on the development of the sector);
2. Have a reasonable likelihood of implementation (because there would normally be little reason to invest in addressing a question that is politically or otherwise beyond the GOU's political will or means to implement);
3. Contribute to AgroInvest goals (for example, a policy reform that either has a negative effect or is of little benefit to the SMPs or other key AgroInvest clients or partners, is unlikely to merit attention from the Project);
4. Address AgroInvest's comparative advantage (that is, a problem or opportunity that AgroInvest can address successfully with the available level of effort or budget); and
5. [Be] appropriate for AgroInvest to address (for example, a problem or challenge which is not already amply being addressed by another donor or project). (Brown 2011, p. 19).

The numbering of these priorities is for ease of reference, and does not indicate a logical progression. This is a nominal scale, not an ordinal one.

With two critical exceptions, this is a reasonable, straightforward statement of how to set policy priorities on which the Project should concentrate among some already-defined set of possible activities. One missing criterion is the substance of the policy. The other doubtful filter concerns when to act against policy regression.

The explanation on filter 3, says, in effect, that the Project should simply ignore bad policy proposals. Unfortunately the Project cannot always do so.

Bad ideas cannot just be ignored, especially in Ukraine. For instance, the current government statement on its agricultural development and rural development policies and priorities, the 2007 “State Target Program on the development of Ukrainian rural areas for the period till 2015,” was criticized even within the Government of Ukraine for its “command” approach to the sector (AgroInvest Ukraine, “[Commentary on the] State Program on development of Ukrainian village on a period till 2015,” 2011). But that program is the current policy.

From the evidence of their actions, many Ukrainians, including many senior leaders, continue to believe that the task of government is to manage the economy. An endless stream of draft laws on regulating markets that would make markets impossible continually emerges from the depths of government agencies. The Cabinet of Ministers often transmits these drafts to the Verkhovna Rada for consideration and presumably, adoption. As one knowledgeable source interviewed for this assignment put it, the current example of these “bad ideas,” the draft “Law of Ukraine on the Turnover of Agricultural Land” (State Agency for Land Resources 2013) seems to incorporate every possible restriction on the free market in agricultural land in the name of “creating” the market. In fact, it would make a land market impossible and roll back much of the progress towards a land market – and market relations in agriculture in general – that has been made in Ukraine since 1991.

The international community, including technical assistance projects, has little choice but to object to such proposals. If they were adopted, they would be policy “reforms” that would have “a negative effect” and be “of little benefit to the SMPs or other key AgroInvest clients or partners.”

The current AgroInvest Ukraine Performance Management Plan (PMP) corrects this policy filter in its list of policy component outputs to be measured.

- 1.1.1. Number of policies/regulations/administrative procedures analyzed as a result of USG assistance
- 1.1.2. Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance
- 1.1.3. Number of policies rejected/vetoed/removed that are inconsistent with WTO, or inconsistent with agricultural market-friendly/investment-friendly procedures
- 1.1.4. Number of policies, regulations, and administrative procedures passed
- 1.1.5. Number of public-private dialogue mechanisms utilized as a result of USG assistance (AgroInvest PMP, p. 17).

PMP item 1.1.3 measures a very important benefit of AgroInvest given the current policy situation in Ukraine. It properly emphasizes that a key activity of the Project is to object to policy regression.

Revised Policy Priorities

This section restates the policy filters so that they can be used more effectively to discriminate among requests for policy support received by the Project from its client, partners, and other stakeholders.

The following list is given in the order the filters should be applied. The numbers in parentheses at the end of each filter refer to the current set of policy filters. The phrase following the number briefly summarizes the filter to help in its operationalization.

1. Is the policy issue already being dealt with by some other party? (5; “Already addressed?”)
2. If so, is the anticipated resolution in accord with AgroInvest’s vision of a market-oriented, prosperous agricultural sector? (5; “Properly addressed?”)

This filter must have two parts because if a policy issue is already on policy-makers’ agendas but the proposed policies are regressive, then AgroInvest and its partners still will have to deal with it. However, if the answer to both filters 1 and 2 is “yes,” then AgroInvest Ukraine almost certainly does not need to continue actively dealing with the matter, though it may participate in a coalition concerned with the question.

3. Is the matter really a policy issue? Is it intrinsically important and is its resolution likely to have general applicability, either directly or as a precedent? (1; “Important policy?”)

“Special pleading” is sometimes necessary. But if an issue really concerns only a narrow interest, such as a single company or individual farm, AgroInvest Ukraine should leave the issue alone unless the resolution would set a general precedent.

4. Does the policy issue relate to one of the three strategic priorities for AgroInvest Ukraine? (3; “Relates to AIU strategy?”)

If the policy issue does not fall under one of the three strategic foci discussed in section C above, then it almost certainly should not be actively addressed as part of the Project’s policy reform work. However, this “relation” may be positive or negative. The policy issue may advance AgroInvest Ukraine’s strategic priorities, or it may threaten them. In either case, the answer to the filter question would be “yes.”

5. Is there a reasonable likelihood the policy proposal will be adopted? (2; “Adoption likely?”)

A policy proposal that will not be adopted is unlikely to be a priority. However, this cannot be an absolute statement, because policy reform often involves the repeated presentation of proposals before a version of the policy finally succeeds. Presenting

proposals that fail is a familiar way of bringing an issue to the attention of policymakers. So, depending on the Project's judgment of policy trends, there may be good reason to work on a proposal which in its present form and at the present time will not be adopted.

In an ideal world, policy-makers would not adopt policies that cannot be implemented. However, declarations of policy that are absolutely impossible to implement are frequently adopted in all polities. Once adopted, they provide the legal cover for much policy mischief. So the fact that a policy cannot be implemented when adopted is not a reason to ignore it.

6. Do AgroInvest Ukraine and its partners have the capacity to deal with the policy issue?
(4; "Doable?")

This filter is logically the last one, because if a policy issue has successfully passed through the previous ones it probably quite important and an issue about which the Project and its partners should be concerned. If the answer to this sixth question is "no," then it is likely that AgroInvest and its partners have identified a lack of capacity that needs to be remedied.

Applying the Revised Priorities

Policy issues can come to AgroInvest's attention in one of two ways. They may be part of the Project's approved plan of work, or they may be recommended for attention by a Project staff member, the client, a Project partner, or some other stakeholder. When the request comes from an AgroInvest partner or stakeholder, the request should be given very serious consideration as a matter of maintaining access and trust for policy reform.

Once a policy issue has been identified. AgroInvest Ukraine's policy staff should continue to watch the issue in order to prevent having something that once appeared to be of little importance suddenly return in a surprising way. However, this passive monitoring of events should be only a small part of the Project's efforts. The AgroInvest public relations specialist already does this passive monitoring as part of following news related to the agricultural sector.

The decision about whether or not to actively address a policy issue, by whom, and in what ways, is a managerial one that must be taken by AgroInvest management in consultation with its USAID COR, its partners, and other concerned stakeholders. No algorithm can, or should, be mechanically applied to unequivocally choose policy issues for attention.

The revised policy filters are intended be used as an aid to decision. The following chart assigns different answers to each filter a numerical rank from 0-3. When a Project partner or stakeholder has specifically requested that the Project address the policy issue, an additional 3 points are added.

Use of a range of scores from 1-3 requires an informed judgment about the intensity of the response to the question. In order to avoid contortions in the statement of the filters, the scales

for measuring them do not all run the same way. For filters 1 and 2 a positive answer gives a lower score; for the others, a positive answer gives a higher score.

The values assigned to each filter question can be summed to rank various policy issues. In general, the higher the score, the higher the likelihood that AgroInvest and its partners should actively address the policy issue. Except for filter 6 (“Doable?”) a score of 0 on any filter strongly indicates that the issue should not be actively addressed by AgroInvest Ukraine.

Filter		Score if	
Number	Summary	yes	no
	Partner request?	3	0
1	Already	0	3
2	Properly	0 - very well	3
		1 - acceptably	
		2 - marginally	
3	Important policy?	1 - least	0
		2 - average	
		3 - most	
4	Relates to AIU strategy?	1 - business environment	0
		2 - tenure/contract security	
		3 - SMP incentives	
5	Adoption likely?	1 - unlikely	0
		2 - quite possible	
		3 - almost certain	
6	Doable?	1 - very difficult	0
		2 - without trouble	
		3 - easily	

This heuristic device is intended to give approximate results, and to serve as a basis for discussion within the AgroInvest Ukraine team. It should not be mechanically applied.

F. CONCLUDING COMMENTS

This review and update has performed three tasks. First, it has articulated Project goals that shape a positive agenda of policy reform work and presented an initial version of that work agenda. Second, it has revised the policy “filters” developed earlier within the Project in order to make them more useful for sorting through the many requests for policy support that AgroInvest Ukraine, as a successful policy effort, receives from its client, partners and other stakeholders. Third, it has considered some issues of how to make the endeavor of assisting policy reform and providing policy advice more successful.

The time when US advice might have been decisive in reforming Ukrainian agriculture, if it ever really existed, has passed. The issues to be dealt with are, if anything, more complex now than they were in 1995. However, Ukrainians themselves are also vastly more capable. So AgroInvest

should concentrate on creating broad social coalitions and capacity building to address its areas of concern, particularly its core concern of strengthening small and medium farm businesses, rather than taking the lead itself. Within those constraints, however, there is still much that only US assistance can do, particularly in highlighting issues to which Ukrainian policy makers and the Ukrainian public may not be paying enough attention at present.

AgroInvest by itself will not change the world. It cannot resolve all the policy issues that need consideration. But it can help to build coalitions to address those issues, to develop organizations, and to train people who will be more capable of policy reform in the long-term. It is doing that now. It can and should do even more of it.

ANNEX A: SCOPE OF WORK

Senior Agrarian Policy Specialist

PROJECT CONTEXT

AgroInvest is a five-year program designed to provide technical assistance to accelerate and broaden economic recovery in Ukraine and increase the country's contribution to global food security efforts. Ukraine requires assistance to tap its vast potential in agriculture, thereby diversifying its sources of prosperity, leading to a broader economic recovery and contributing to a more food secure world. The Project consists of three components, implemented in parallel:

- Component 1: Support a Stable, Market-Oriented Policy Environment
- Component 2: Stimulate Access to Finance for Small and Medium Producers
- Component 3: Facilitate Market Infrastructure for Small and Medium Producers

PURPOSE OF THE ASSIGNMENT

To review and update the AgroInvest Project's Strategic Policy Priority Needs paper in consultation with the Project staff, Ministry of Agrarian Policy and Food and other stakeholders. The review and update of these priority needs will help AgroInvest define and implement a plan to achieve those priorities during the remainder of the Project.

SCOPE OF THE ASSIGNMENT

Review and update the AgroInvest Strategic Policy Needs Paper: Prepare, under the supervision of the AgroInvest Deputy Chief of Party/Component 1 Leader and/or Chief of Party, all background and briefing documents, agenda and plans, needed to facilitate and complete a rapid cycle of consultations with the Ministry of Agrarian Policy and Food, other GOU policy leaders, NGOs and local think-tanks involved with agriculture and agrarian policy, and private sector stakeholders. Rapid consultations and stakeholder meetings will be utilized by the consultant to formulate, draft, and refine an updated Strategic Policy Priority Needs Paper which was initially completed in September 2011.

The consultant will prepare briefing documents, draft workshop agendas and briefing/talking points for senior level meetings that will be required to plan, facilitate and execute detailed policy agenda discussions with GOU counterparts, and at least one half-day stakeholder consultation on agricultural policy priorities for the updated Strategic Policy Priority Needs Paper.

In addition to stakeholder consultations, the consultant will utilize AgroInvest assessments on 1) Regulatory and Institutional Barriers to Increase Access to Finance for SMPs, 2) Rapid Assessment of Legal and Institutional Framework for industry associations, and 3) Regional and Wholesale Markets Assessment, to feed into the Strategic Policy Priority Assessment and stakeholder discussions leading to the document that will guide AgroInvest Policy Strategy (i.e. the Strategic Policy Priority Needs Paper). The consultant will also take into consideration various agriculture-related policies developed by the GOU, including but not limited to the GOU's Rural Development Program, Wholesale Market Development Program, Agricultural Service Cooperatives Program as well as relevant parts of President's Program for 2013-2013 "Wealthy Society, Competitive Economy and Efficient Government" and its implementation schedule.

The updated policy strategy may include (but not be limited to) actions leading to the lifting of the land moratorium on agricultural land sales, taxation as it affects the agricultural sector and value chain stakeholders; regulatory barriers to agricultural finance; cooperatives legislation; tariff and non-tariff barriers; wholesale/regional markets legislation, and policy actions that lead to increased investment, productivity, competitiveness or profitability. The consultant will review approaches, policies and regulations taken to reform these areas in the past and assess achievements of the current government in these areas. The consultant will also evaluate the capacity of the GOU and the private sector (associations and enterprises) to implement the actions and identify possible partners for AgroInvest to assist with implementation of the proposed policy agenda.

The Strategic Policy Priority Needs Paper will utilize standard criteria to prioritize policy initiatives where AgroInvest can most effectively affect policy reforms that will have meaningful on-the-ground impacts and results that will most directly support AgroInvest Project goals and objectives for the remainder of the Project.

DELIVERABLES

- Updated Strategic Policy Priority Needs Paper
- Entrance and Exit interview with USAID representatives

LEVEL OF EFFORT

The LOE for this assignment includes up to 10 work days and two travel days for a total of 12 LOE days between May 25 and June 8, 2013.

CANDIDATE/CONSULTANT REQUIREMENTS

- At least 10 years of working experience in agriculturally focused international technical assistance projects
 - PhD in economics, policy, or related field
 - Strong knowledge of, and experience in, analyzing and advising Ukrainian and CIS countries' governments on agricultural policy matters
 - Experience developing WTO compliant agricultural policy
 - Excellent communication skills
 - Excellent analytical skills
- English fluency-required; Russian and/or Ukrainian language skills-preferred

ANNEX B: SCHEDULE OF MEETINGS

STTA Schedule

AgroInvest Ukraine Senior Agricultural Policy Specialist Don Van Atta

Last modified 8 June 2013

Friday, May 24
13:45 Eastern Time depart Raleigh-Durham Airport (departure from DC delayed when flight from RDU delayed, laid over in DC on night of 5/24)

Saturday, May 25
13:15 Departed Washington-Dulles

Sunday, May 26
Arrive Kyiv
Lodgings: Hyatt Kyiv
Met with AgroInvest CoP Eric Bleich

Monday, May 27
Memorial Day holiday. US Embassy/USAID closed.
Inbriefs with AgroInvest staff, components 1 and 2

Tuesday, May 28
10:00 AgroInvest partners meeting
12:00 Evhen Milovanov, Ukrainian Organic Farmers' Association
16:00 Anna Bogdanova, USAID COR, Charlie Davis, USAID Kyiv
DLI, AgroInvest office

Wednesday, May 29
10:00 round-table on draft law on land turnover, AgroInvest office
11:00 Roman Korinets, head of "Dorada" association
14:00 VP of association of small farmers and landowners (less than 2 ha)

Thursday, May 30
14:30 Volodymyr Lapa, General Director, Ukrainian Agri-business Club

Friday, May 31
10:00 Ivan Tomych, Vitalii L'vov, Agricultural Service Cooperatives Union of Ukraine
12:15 Roman Korinets, National Association of Agricultural Advisory Services of Ukraine "Dorada"
16:30 Teleconference with Willi Meyers, U of Missouri FAPRI, Chemonics home office AgroInvest Project Management Unit

Saturday, June 1
11:00 Olena Mikhailivna Borodina, Institute of Economics

Sunday, June 2
Thinking and writing

Monday, June 3
14:30 Nikolai Pugachov, IAE
16:00 Serhii Feofilov, UkrAgroKonsult

Tuesday, June 4

10:00 Oleg Nivievskiy, Institute for Economic Research and Political Consulting

12:00 Sergei Stoyanov, Oleksandr Iaroslavs'kyi, Ukrainian Agrarian Confederation

14:30 Iryna Kobuta, UNDP Aid for Trade Project

16:00 Iurii Privalov, Oleksandr Goncharuk, Institute of Sociology

Wednesday, June 5

10:00 Lawyers report on their findings about landowners' unions

12:00 DVA out-brief for AgroInvest Ukraine component 1 staff

Thursday, June 6

9:30 Denys Sobolev, Coordinator, AmCham Ag Committee

11:00 AMDI
Victor Andrievsky, Sergei Tarakanov, Vladimir Artiushin
Originally scheduled outbrief for USAID (moved Thursday AM)

Evening: AgroInvest CoP Eric Bleich departs on leave

Friday, June 7

9:30-11:00 outbrief for USAID, AgroInvest Ukraine office
Anna Bogdanova, Rich Beilock, Charlie Davis

17:50 Vitalii Sabluk, Economics Administration Head, Ministry of Agrarian Policy and Food

Saturday, June 8

14:05 Depart Kyiv Borispil (UA 9097, code-share with Lufthansa)

23:00 Arrive RDU (UA 3691)

ANNEX C: INTERVIEWEES

RESERVED

RESERVED

RESERVED

RESERVED

ANNEX D: USAID AGRICULTURE-RELATED PROJECTS IN UKRAINE, 1993-2013

	Finance	Inputs	Coops	Extension	Agribusiness / Markets	Processing	International Trade	Business environment	Land reform	Policy								
1993	CNFA Food Systems Restructuring Program	CNFA Food Systems Restructuring Program	<i>Land O'Lakes Western Ukraine Initiative</i>	LSU Vinnitsa	Chemonics UACE	PWC Ukraine Mass Privatization Project	CNFA Food Systems Restructuring Program	Ronco ALSP	ISU CPER / UAPP									
1994																		
1995																		
1996																		
1997																		
1998																		
1999																		
2000																		
2001																		
2002											DCA through Nadra Bank	IPC GmbH UMLP		LSU Cherkasy & Khmel-nitskyi	Land O'Lakes Agricultural Marketing Project	LSU Partnerships in Food Industry Development	IBM Global Services WTO Accession	DAI BizPro
2003	IARD/IBI action plan																	
2004	Abt APLRR																	
2005																		
2006																		
2007																		
2008																		
2009																		
2010	Chemonics AgroInvest	AMDI CPRs	Chemonics AgroInvest	Chemonics AgroInvest (partner)	AMDI warehouse receipts			Chemonics LINC	Chemonics AgroInvest	Chemonics AgroInvest								
2011																		
2012																		
2013																		

Source: compiled by author. Exact dates of projects listed in *italics* are uncertain.

ANNEX E: AGROINVEST UKRAINE PROJECT PARTNERS

Industry Associations that have concluded grant agreements with USAID AgroInvest Project

1. All-Ukrainian NGO Ukrainian Agrarian Confederation
2. All Ukrainian NGO Ukrainian Grain Association
3. All-Ukrainian NGO Agricultural Service Cooperatives Union of Ukraine
4. All-Ukrainian NGO Union of Rural Women of Ukraine
5. Society for Promotion of Rural Green Tourism in Ukraine
6. NGO Organic Federation of Ukraine
7. National Association of Agricultural Advisory Services “Dorada”

Industry Associations that have been selected to conclude grant agreements with USAID AgroInvest Project for which agreements are in process

1. Association of Village Mayors of Ukraine
2. Agrarian Union of Ukraine
3. Association of Pig Breeders of Ukraine
4. Association of Wholesale Markets of Ukraine

Source: AgroInvest Ukraine

ANNEX F: MAJOR DOCUMENTS CONSULTED

AgroInvest Performance Monitoring Plan (Kyiv: AgroInvest Ukraine, 31 October 2011). Referred to as “AgroInvest PMP.”

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Fritsch, Conrad, Mykola Hrytsenko and Roman Korinets, *Wholesale and Regional Markets Assessment* (Kyiv: AgroInvest Ukraine, 30 June 2011).

Homans, Robert, Sergiy Khoruzhei and Oleg Stoyanov, *Regulatory and Institutional Barriers for Increasing Access to Finance for Small and Medium-scale Producers* (Kyiv: AgroInvest Ukraine, 30 June 2011).

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