

Ukraine

The Need to Target Agricultural Reform

During the Soviet era, Ukraine was known as the breadbasket of the Soviet Union, producing 25 percent of Soviet agricultural output despite making up only 2 percent of the USSR's total territory. After the breakup of the Soviet Union in 1991, Ukrainian agriculture suffered one of the most severe declines in Eastern Europe.

From 1992 to 2010 ACDI/VOCA worked to help Ukraine reclaim its "breadbasket" status by supporting agricultural policy reforms, stimulating agricultural finance and providing assistance to newly established private farms and agribusinesses, farmer cooperatives and associations.

VOCA volunteers played a crucial role in the early phases of international work in post-Communist Ukraine. In 1992 VOCA launched its first program in Ukraine, the USAID Farmer-to-Farmer (F2F) Program. For over seven years, these volunteer experts assisted Ukraine's private farms, agribusinesses, cooperatives and associations, and financial institutions. They provided technical assistance on business strategies, marketing, product diversification, technology transfer, quality control and rural credit.



Developing Cooperatives and Associations

Several of ACDI/VOCA's biggest programs in Ukraine have targeted cooperatives and farmer associations, specifically to boost business linkages and enhance access to credit. In 1996 ACDI/VOCA began the USAID Alliance Program. For six and a half years, the program assisted agricultural processors and processing associations primarily engaged in meat, milk, grain, fruit and vegetable processing with marketing, business planning, financial management and business standards.

During the course of the program, ACDI/VOCA worked with 300 Ukrainian agricultural enterprises, approximately one-third of which were owned or run by women.

With key contributions by expert volunteers, at least nine new meat, juice and dairy products were introduced for sale on the local market. Over the lifetime of the project, ACIDI/VOCA volunteers trained 400 agribusiness employees on sanitation, equipment care and product handling.

Under the one-year USAID Association Development Program (1999-2000), ACIDI/VOCA facilitated the development of regional and national food processing associations. The program increased memberships, developed member services and established business linkages between local NGOs, governments and business.

In a related initiative, the USAID Cooperative Development Program, ACIDI/VOCA supported access to high-quality feed by Ukrainian farmers through three financially viable feed supply cooperatives. This long-term program, lasting from 1997-2006, focused on improved feed quality, marketing, financial planning and improved access to credit.

Targeting Rural Enterprises and Female Entrepreneurs

In addition to cooperative work, ACIDI/VOCA has implemented several programs to strengthen Ukrainian rural enterprises and lending services. Under the USAID Western Ukraine Initiative (1996-1999), ACIDI/VOCA established the Ukraine Agriculture Finance Development Foundation to provide financing to banks and credit unions for on-lending to rural enterprises. Together with the European

Bank for Reconstruction and Development (EBRD), ACIDI/VOCA trained staff of the first agricultural lending unit of the West-Ukrainian Commercial Bank and organized exchange programs between Ukrainian and Polish bankers.

All of ACIDI/VOCA's programs in Ukraine have included components geared towards empowering women, but the USAID Women's Economic Empowerment project specifically targeted this demographic. From 1999-2002, ACIDI/VOCA trained female entrepreneurs to better manage their small and medium-sized businesses. The program also provided \$100,000 in seed capital for a microcredit facility that provided loans to female entrepreneurs through credit unions located in five regions of Ukraine.

In addition to business topics, ACIDI/VOCA's training curriculum included women's leadership, women's rights, mitigation of violence against women, gender equity and the role of civil society in addressing these problems. Using a training of trainers (TOT) approach, the project trained 50 trainers who themselves trained over 800 women during a three-year period. ACIDI/VOCA also sent 35 trainers to Poland for study tours.

Strengthening Warehouse Receipts Systems and Providing Regulatory Reform

More recent programs have focused on regulatory reform that provides better financial resources and support to farmers. Under the Ukraine - Grain Warehouse Receipts Program (2002-2003, 2004-2005 and 2007-2008),

funded by USAID and EBRD, ACDI/VOCA introduced a warehouse receipt system to allow farmers to access credit. Before, Ukrainian farmers were forced to sell their wheat immediately after harvest in order to get financing for inputs for the next planting. The sale of the wheat at harvest saturated the market, leading to low prices. Farmers had to accept the low price because they could not get financing from commercial banks due to the lack of acceptable collateral.

In contrast, a grain warehouse receipt system enables farmers to store some of their grain after harvest and use it as collateral for loans based on its market value, providing needed funds to cover immediate expenses and prepare for the next harvest. The system stabilizes the price of the grain because all farmers no longer sell it at the same time. Assured of financing, the farmers can wait for market prices to rise before selling their grain.

ACDI/VOCA created a blueprint for developing the administrative, legal and institutional infrastructure to establish the system. This included drafting secondary legislation, policies and regulations to support the Grain Law, which was passed in July 2002. In building support for the Grain Law, ACDI/VOCA issued 36 publications and conducted more than 42 conferences and seminars in grain regions of Ukraine for grain warehouse specialists, inspectors, officials, producers, traders and commercial banks.

As a result of the program, 589 elevators with the total capacity of 28.6 million metric tons were certified under the system. In addition, a sophisticated central registry of receipts was

implemented, and the Ukrainian government prepared a final draft of the Indemnity Fund Law. By the end of the project the registry involved 25 Ukrainian commercial banks that provided grain warehouse receipts, supported by the EBRD and other financial institutions that participated in the system. Credit lines totaling over \$500 million helped the system grow into a national endeavor. Each dollar spent on the project generated \$532 of credit resources to warehouse receipts system users.

During another program targeting regulatory reform, in 2005 ACDI/VOCA teamed with Abt Associates to provide technical assistance to the Ukrainian government. The goal of the five-year USAID Raise Plus Ukraine Agricultural Policy, Legal, and Regulatory Reform Project was to assist with agricultural policy, privatization and market transactions, tax and subsidy reform and public advocacy. ACDI/VOCA implementers helped privatize government agricultural enterprises and agricultural land. They also restructured Ukraine's Academy for Agricultural Sciences and supported the country's accession to the World Trade Organization.

Looking Ahead

ACDI/VOCA stands ready to continue to assist Ukraine in consolidating gains in governance and in broad-based, resilient economic development.

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