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STRATEGIC POLICY PRIORITY NEEDS

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EXECUTIVE SUMMARY

USAID/Ukraine's 2011-2015 AgroInvest Project sets forth as the first of its three components, the ambitious aim of supporting a "stable, market-oriented policy environment" resulting in accelerated policy reforms, stronger industry associations and the protection of land rights for Ukraine's small- and medium-scale agricultural producers, processors, traders and retailers (SMPs). This paper outlines the strategic priorities for the AgroInvest Project's five-year policy reform agenda.

Building upon a detailed policy environment assessment that the AgroInvest Team completed in May 2011, this policy reform agenda defines five major areas for policy analysis and reform:

1. Trade policies,
2. Taxes and subsidies,
3. Financial market and credit policies,
4. Land market development, and
5. Market infrastructure investment.

These five areas further break down into a total of 18 discrete but complementary reform initiatives during the project's five-year life, and these in turn include 37 discrete policy reform activities that the AgroInvest Team may undertake.

Section I below provides a summary review of the challenges and issues facing Ukraine in each of the five major policy areas. It points to some of the inconsistencies between the Government of Ukraine's (GOU's) long-range strategic goals for agriculture, and the current array of policies and regulations that on balance tend to punish agricultural producers and agribusiness in the name of protecting food consumers from high prices and assuring Ukraine's national food security.

The balance of this paper (Section II) describes the screening process, driven by five basic criteria, by which the AgroInvest Team has identified policy reform priorities. It then lays out the resulting Component 1 strategic policy reform agenda. The policy agenda is broken down into three phases, corresponding to the AgroInvest project years, as follows:

- Short-term: years 1 and 2 (February 2011- September 2012),
- Medium-term: years 3 and 4 (October 2012 – September 2014), and
- Long-term: years 4 and 5 (October 2014 – January 2016).

I. BRIEF SUMMARY OF UKRAINE'S AGRICULTURAL POLICY ISSUES

Victor Andrievsky, Executive Director of AgroInvest partner the Agricultural Markets Development Institute, noted that “to identify the conditions that shape Ukraine’s agricultural development strategy and policy options, one must begin with Ukraine’s geography.” Indeed, the strategic importance and economic potential of Ukrainian agriculture are in great part a function of its exceptionally fertile soils; relatively abundant water resources; educated work force; and competitive geographic location.

Ukraine lies adjacent to major world grain importers in the Middle East and North Africa, and astride an important export route for Russian and Kazakh grain seeking affordable year-round shipping ports. These factors combine to make Ukraine a key player in global grain and oilseed markets; and the agriculture/agribusiness sector a powerful locomotive for the Ukrainian economy. Ukraine’s wheat exports in 2010, for example, were primarily to Middle Eastern, African, and some Asian countries. The US Department of Agriculture reported that: “According to the State Customs Committee of Ukraine, during July-December 2010, the most wheat was exported to the following countries listed in descending order: Syria, Uganda, Libya, Singapore, Philippines, Belarus, Taiwan, Serbia, the United Kingdom and Russia. Traditional big buyers like South Korea, Bangladesh, Spain, Israel, or Jordan either purchased very small quantities or did not have a chance to get on the list of destinations for Ukrainian wheat during the current marketing year [due to tight export quotas].”¹

Ukrainian ports also serve as transshipment outlets for grain from other countries, notably Russia and Kazakhstan. Although transshipment has fallen significantly in recent years (apparently due to a decline in Russian rail tariffs to the Russian ports of Novorossiysk and Yeysk), it accounted for shipments of over 650,000 MT in 2008.²

Since the global macroeconomic downturn of 2008-2009 (which depressed global demand for Ukraine’s other leading exports – steel and chemicals), agriculture has accounted for at least eight percent of GDP.³ With global grain and food prices projected to continue to rise significantly for the medium if not the long term, the sector becomes more strategic – both as a promising means of assuring domestic food security, and as “growth industry” for job creation in Ukraine.

Ukraine is the world’s fifth-largest wheat exporter, and it is the world’s largest exporter of sunflower oil as well. Furthermore, Ukraine’s imminent entry into the European

¹USDA, “Ukraine: Grain and Feed Annual,” Required Report, Grain Report # UP1108, April 12, 2011, p. 6.

²See www.blackseagrains.net, “Logistics and Transport,” 9 April 2010.

³World Bank, “World Development Indicators,” 2011 (from http://www.google.com/publicdata/explore?ds=d5bncppjof8f9_&met_y=nv_agr_totl_zs&idim=count ry:UKR&dl=en&hl=en&q.)

Union's economic zone and favorable growing conditions, particularly in the south of the country, draw attention to the market potential of horticulture (fruit and vegetables) and even possibly organic and high-quality meat and dairy products as well.

Ukraine is arguably the nation most capable of massive and rapid increases in food production for a world facing the prospect of food shortages. This is because Ukraine has relatively abundant water resources and surprisingly low grain and oilseed yields per hectare (strong up-side potential with simple technology improvements), when compared with the other nations that the Food and Agriculture Organization (FAO) considered to be the world's principal "bread baskets" (Russia, Kazakhstan and Argentina).⁴ There is widely-acknowledged potential to double Ukrainian grain production to 80 million MT per year, and the most severe and challenging constraint to doing so is human – the challenge of motivating Ukrainian producers and agribusiness with transparent prices, while creating conditions where they can obtain the financing needed to update technology and raise yields to globally competitive levels.

A. The Ukrainian Government's Agriculture Sector Goals and Programs

The Ukrainian Government's agricultural development strategy and policy direction are summed up in, and best defined by, the "state programs" adopted by the Cabinet of Ministers. They provide the clearest and most articulate statement of the government's goals, priorities and approaches for the sector, and the most comprehensive one currently in force is the "State Target Program on the Development of Rural Areas for the Period Through 2015."⁵ (See Annex 3 for an English translation of Cabinet Resolution establishing this program.) This Program was signed into effect by then-Prime Minister (now President) Viktor Yanukovich in late 2007 and, after underlining the sector's strategic importance and potential, sets forth goals for the Program including, among others:

- Increasing rural employment and incomes to match national levels;
- Raising agricultural market capacity and production to levels sufficient to guarantee national food security;
- Improving market infrastructure for agriculture and agribusiness;
- Establishing transparent and effective market channels for products to travel from producer to consumer;

⁴Oane Visser and Max Spoor, "Land Grabbing in Eastern Europe: Global Food Security and Land Governance in Post-Soviet Eurasia," Paper presented at the European Association of Agricultural Economists conference on "Rural development: governance, policy design and delivery," Ljubljana, Slovenia, August 2010, p. 685.

⁵ Cabinet of Ministers of Ukraine, "Resolution of September 19, 2007, #1158, On approval of the State Target Program on the Development of Ukrainian Rural Areas for the Period Through 2015."

- Increasing gross agricultural production 1.6 times from 2006 levels, to achieve total grain production of 50 million MT by 2015;
- Doubling agricultural and food product exports and investment in the sector;
- Improving fiscal revenue from the sector 2.5 times;
- Complying fully with EU agro-ecological standards and regulations; and
- Bringing organic products up to 10 percent of gross agricultural production.⁶

To reach these laudable and essential goals, the Program defines a wide range of areas for investment, reform and restructuring that include business promotion, improved education and health care services, compliance with WTO and EU sanitary and phytosanitary standards, financial services and support to business and cooperatives development in agriculture and related input supply and food processing industries, improvement of credit instruments including warehouse receipts, incentives for research and innovation; simplification of taxation of farms and agro-enterprises, and increased support for agricultural education and training institutions.

A detailed review of the resources the Program sets aside to achieve these goals reveals a relatively modest set of agricultural subsidies and promotion programs that have been funded. The subsidy programs presently under way include, among others, a limited amount of direct payments to support farm enterprises (UAH 67 million); a payment to farmers and agricultural production companies on a per-hectare basis; similar subsidy payments to beef, dairy and sheep farmers as well as to beekeepers; partial reimbursement of the cost of purchasing Ukrainian-made agricultural machinery; a bank guarantee scheme and funds to capitalize an agricultural lending program; an agricultural insurance support payment; partial reimbursement for the electricity cost of operating irrigation systems, and a partial subsidy for agricultural enterprises operating in depressed areas and “regions with difficult climates.” Table 1 below summarizes the actual funding that the GOU provided in 2009 and 2010 and compares it with the Program’s target for 2010 for these agricultural subsidy programs.

⁶Ibid. pp. 5-6.

Table 1: State budget expenses for support of agricultural entities (in UAH thousand)⁷

Budget items	2007	2008	2009	2010	2011
Total	3 911 318	5 930 772	1 401 000	700 000	4 019 374
2801040 Partial compensation to entities of cost of construction and reconstruction of animal farms and complexes and entities producing all-mash	-	-	-	-	500 000
2801150 State support of agricultural service cooperatives	-	-	-	-	5 000
2801170 Financing of measures related to soil protection, recovery and enrichment	-	100 000	-	-	5 000
2801190 Animal and poultry breeding at agricultural enterprises	125 000	125 000	30 000	80 000	75 200
2801210 Budget animal grant and state support of plant production	2 332 507	3 071 772	500 000	-	100 000
including partial compensation of cost of mineral fertilizers of domestic production	150 000	-	-	-	-
2801220 Plant selection	90 000	90 000	30 000	40 000	30 000
2801230 Financial support of farming enterprises	38 000	60 000	20 000	-	-
2801240 Financial support of agricultural enterprises though the mechanism of easing of short- and medium-term loans	667 000	1 650 000	300 000	-	531 417
2801260 Measures related to security and protection of rational forests submitted to use of agricultural enterprises	17 000	87 000	17 000	20 000	17 758

⁷Compiled by AgroInvest staff from Finance Ministry data, June 2011.

Budget items	2007	2008	2009	2010	2011
2801280 Financial support of agricultural enterprises which suffer from particular severe weather conditions	35 000	35 000	-	-	-
2801350 Laying out and watching over young gardens, vineyards and berry-fields	247 500	370 800	453 600	476 000	556 750
2801430 Partial compensation of cost of complex agricultural equipment of domestic production	131 811	100 000	-	-	10 000
2801510 Financial support of hop growing development	27 500	41 200	50 400	84 000	98 250
2801520 Financial support of creation of wholesale markets for agricultural products	-	-	-	-	10 000
2801540 Financial support of animal breeding	-	-	-	-	2 030 000
2801580 Reduction of cost of insurance premiums (contributions) actually paid by the entities of agricultural market	50 000	200 000	-	-	-
2801590 Partial compensation of cost of construction of new hothouse complexes	-	-	-	-	50 000
Total	3 911 318	5 930 772	1 401 000	700 000	4 019 374

Actual farm subsidy expenditure trends shown in Table 1 have consistently fallen far short of budget targets. The fiscal difficulties brought on by the global economic recession (and Ukraine's dramatic GDP decline of 15 percent in 2009), have put extraordinary pressure on the GOU's efforts to meet discretionary fiscal obligations. Such payments may increase in 2012, however, as part of the current Administration's effort to put its candidates in the strongest possible position for the 2012 elections.

Although actual government expenditure figures for 2009 and 2010 are not yet available across the entire array of agricultural subsidy programs, the president of an industry association whom was interviewed by the author reported that he was able to verify that in 2010, the proceeds of the agricultural machinery reimbursement program went to only sixty recipients – all of them large-scale agro holding companies or large farms, and none to small or medium-scale agricultural machinery users.

Overall, the OECD reports that: “The level of support to agricultural producers (the PSE) remains low.” They note further, though, that these policies are not particularly effective in stimulating agricultural development or rural incomes. “The government needs to invest more in public infrastructure and to improve the functioning of public institutions providing services to the private sector,” they note. “This can be done without imposing additional cost on taxpayers through reallocation of budgetary support from input subsidies and output payments to general services.”⁸ Given the urgent need to improve road, rail and grain storage infrastructure throughout Ukraine, this seems like sound counsel.

One supplemental State Target Program also under way in the agricultural sector, for “Creation of Wholesale Markets for Agricultural Products, (WMAP)” was approved by the Cabinet of Ministers and signed by then-Prime Minister Yuliya Tymoshenko.⁹ This investment program extends through 2013 and envisions construction of up to 25 regional wholesale markets, based on a combination of government and private investment, with the markets transitioning to private management. According to AgroInvest's draft Wholesale and Regional Market Assessment, so far, the GOU has proceeded with construction of four of these markets: Lviv, Kyiv, Zaporizhzhia, and Donetsk – and tenders are in process to award WMAP status to two additional market sites – Kherson and Odessa. It appears that these markets are designed to emulate the highly successful model developed in Lviv by the Limited Company Shuvar.¹⁰

The Wholesale Market Program envisions a GOU investment of UAH 1.2 billion and private participation for a total of UAH 4 billion. Although the Warehouse Program is behind schedule, and below funding targets, the GOU has allocated UAH 200 million to

⁸ OECD, “Agricultural Policies in Non-OECD Countries: Monitoring and Evaluation 2007,” p. 143.

⁹ See Annex 4, Cabinet of Ministers of Ukraine, “Resolution of June 3, 2009 No. 562: On Approval of the Program for Creation of the Wholesale Markets of Agricultural Products.”

¹⁰ Conrad Fritsch et al, “Wholesale and Regional Market Assessment,” AgroInvest Project, Draft, 26 June 2011.

construct wholesale markets of agricultural products in Kiev, Donetsk, Lviv, Kharkiv and Chernihiv and support is likely to accelerate significantly in 2011 and in the run-up to the 2012 elections. AgroInvest, under its third component (Market Infrastructure for SMPs Facilitated) is preparing to assist this Program, probably focusing on creating conditions that will attract private sector investment and participation.

Summing up the GOU's long-term vision and strategy and investment program for the agricultural sector, the highlights include:

- A determination to stimulate a modern, more productive and globally competitive and growing sector capable of increasing national grain production from 40 to 50 million metric tons per year by 2015, the end of the current Presidential term of office;¹¹
- An array of direct subsidies to agriculture which in 2010 amount to only UAH 5-6 billion, and a level of government support to agricultural producers (which weighs the net the effect of tariffs, taxes and quotas imposed on imported, exported and domestically consumed agricultural products, subsidies, taxes and other policies), or producer subsidy estimate (PSE) that the OECD rates as “low,” compared to other major agricultural exporter countries; and
- Direct state investment in agricultural infrastructure which also falls short of the sector's stated importance, and which consists primarily of a national program to establish public-private wholesale markets in various regional centers, while falling short of the levels required to bring road, rail, port and grain storage infrastructure up to globally competitive levels.

B. Agricultural Policy Challenges and Opportunities

This relatively modest array of agricultural sector goals, programs and investment strategy, provides the backdrop against which the GOU acts out the daily drama of balancing Ukrainian consumers' demand for stable and affordable food prices against the agricultural producers' need for accurate market price signals and access to affordable land, trained workers and financial capital to make the sector productive and competitive. The GOU strikes this balance between consumers and producers under the pressure of periodic spikes in world food prices, which in recent decades have occurred dramatically on two occasions – both quite recent – first in 2007-2008 and again in 2010. The second “spike” in world food prices continues to this day, with the OECD and FAO predicting in their joint June 2011 report that global grain prices are expected to rise by at least 20 percent by 2020, and meat prices by 30 percent.¹²

¹¹ Ukraine's potential annual grain output is widely recognized to be at least 80 million MT.

¹² OECD and FAO, “Agricultural Outlook: 2011-2020,” June 2011. (On line, see: http://www.keepeek.com/Digital-Asset-Management/oecd/agriculture-and-food/oecd-fao-agricultural-outlook-2011_agr_outlook-2011-en.)

Consistently, and in particular during these periods of high global food prices and concern that Ukraine retain adequate quantities of its own agricultural production to lower basic food prices, the balance falls decidedly against agricultural producers. Again and again, Ukrainian agricultural sector policies choose to suppress the growth of total agricultural output and employment opportunities, in favor of short-term measures that seek either to lower consumer prices or providing lucrative opportunities for rent-seeking government and private sector elites.

There are eight principal agricultural policy issues that have dominated Ukraine's agricultural sector in the last decade, and continue to shape the sector's uneven playing field today. The AgroInvest Project's May 2011 Agricultural Policy Environment Assessment analyzes and presents each of these problems (and their concomitant opportunities for improved sector policy-making) in detail.¹³

These issues and challenges fall into five broad categories of agricultural policy as follows:

1. Trade Policies (tariffs, quotas and price controls)

- a. **Export Quotas and Tariffs:** Starting in late 2010, the GOU imposed restrictive quotas on the export of Ukraine's major cereals (maize, wheat, barley, buckwheat and rye), depressing domestic wheat prices by over 25 percent – a substantial disincentive to farmers in decreased farm gate prices and a significant increase in profit margin for firms fortunate enough to export at the high world prices. Furthermore, the GOU did not allocate the export licenses in accordance with the various exporters' shares of the previous year's exports, but instead assigned over 44 percent of the total to a partially-state-owned grain production and trading company, KlibInvestBud, which accounted for less than one percent of the previous year's exports. This decision sent a powerful negative signal to traditional grain trading companies, many of which cancelled or postponed port, grain silo and other infrastructure investments in response to the financial losses and increased market uncertainty. In May 2011 the GOU replaced the quotas with a regime of export tariffs which tend to be less subject to corruption and apply to all exporters equally, but still tend to depress farm gate prices for cereals.
- b. **Legislative Restrictions on Grain Trading Companies:** Draft laws introduced into the Verkhovna Rada (one of which is still under deliberation) threaten differential treatment and export prohibitions to grain trading companies which do not actually grow grain or which are not

¹³ Christopher M. Brown, "Agricultural Policy Environment Assessment," USAID/Ukraine AgroInvest Project, 14 May 2011.

state-owned. Furthermore, the Draft Law #8163 (still under consideration) requires that trading companies wishing to export grain purchase that grain from farmers on terms that provide producers with pre-harvest payment of at least 50 percent of the agreed price. This mix of measures combines to add significantly to investor risk; and if passed, they would serve as a powerful incentive to reduce grain competition to a small number of vertically integrated, preferably partially or totally state-owned, conglomerates.

- c. Restricting Profit Margins and Prices for “Strategic Food Products:” An additional provision now being considered under Draft Law #8163 significantly expands the range of food products for which the GOU sets restrictive price and product mark-up limits on food processors, wholesalers and retailers. The aim of this policy is to “squeeze out” unfair profit-taking by “middle-men” and assure fair and affordable food prices for consumers. However, there is little if any empirical evidence to show that these value chains suffer from unfair profit margins and price mark-ups. Assuring that these markets have low barriers to entry and include large numbers of enterprises competing for farmers’ products and consumers’ purchases, would be a considerably more effective means of minimizing consumer food price mark-ups.
- d. Non-Tariff Barriers: Non-tariff barriers – administrative and regulatory impediments to imports or exports – can take myriad forms, but in Ukraine, a concrete example is in the burdensome procedures and information requirements imposed on foreign or Ukrainian seed companies seeking permission to import, sell or multiply new products. Most of the large local and foreign seed companies, operating through the Ukrainian Seed Association (formed last year), spent over two months at the height of seed sales, fighting new and debilitating import requirements that made it impossible for many companies to make their product available when needed. Though the authorities later modified the restrictive requirements, shortly thereafter, a former MAPF official established a rival seed association which now enjoys considerably greater access to regulators and to senior MAPF managers than does the Ukrainian Seed Association.

2. Taxes and Subsidies

- a. Discriminatory Application of the Value Added Tax (VAT): The chronic arrears in reimbursing agricultural exporters for VAT collected at grain purchase, combined with new rules eliminating VAT reimbursement for trading companies but not for exporters who grow their own grain, further distort agricultural markets and value chains, discourage competition and

competitiveness, lower farm gate prices and encourage consolidation of the agro-industry into large vertically integrated firms.

- b. **Removing Farmers' and Agricultural Enterprises' Exemption from Corporate Income Tax:** A logical recommendation for deriving government revenue from agriculture with minimal market distortions or disincentives to farmers would be to tax agricultural enterprise in much the same way as all other Ukrainian enterprises are taxed under corporate income tax law. However, the widely held view among policy analysts in Kiev is that this is politically impossible until the GOU pays more fully its promised annual subsidies and VAT reimbursements, and refrains from punishing export quotas and other producer disincentives. The present tax-subsidy "standoff" between government and agricultural enterprise evokes the old adage about the predicament of the typical Soviet worker: "They pretend to pay us and we pretend to work."
- c. **Ineffective Targeting of Agricultural Subsidy Payments:** The Ukraine Grain and Feed Association, and the Farmers' Union, and other SMP associations assert, the lion's share of the various agricultural subsidies wind up in the hands of the largest and wealthiest enterprises with the least need for support. If the statistics bear out these assertions, then this practice is thwarting the bulk of the subsidy programs' intended impact, and inhibiting the sector's investment in productivity-enhancing technologies, training and infrastructure. Furthermore, these distortions also add to the already-generous incentives in Ukraine for agricultural enterprises to be large, vertically integrated and at least partially state-owned, thus further restricting the industry's competition, cost-effectiveness and international competitiveness.
- d. **Reluctance to Adopt Low-Income Consumer Food Subsidies:** Although interest in consumer food subsidies as a more cost-effective tool to stabilize and lower food prices is high among agricultural associations and policy analysts, to date the GOU has refrained from adopting such a mechanism, resorting instead to export quotas and other restrictive policies that tend to discourage agricultural sector growth and thus can prove counter-productive in the long run. However, there has not yet been a careful, well-informed and participatory review and debate on Ukraine's most effective options for assuring domestic food security and stable, affordable food prices.
- e. **Tax-Exempt Status for Cooperatives and Associations:** The Law on Cooperatives and the legislation governing industry associations in Ukraine continue to deny full tax-free status to cooperatives and associations. Notably with legislative elections approaching in 2012, there

might presently be sufficient political support to pass the amendments to tax and related laws needed to provide them with tax-free status.

3. Financial Market and Credit Policies

- a. Lack of Legal Definition and Protections for Pre-Harvest Financing: Other major agricultural producer countries – notably Brazil – have established specific legal definitions, protection and guarantees to encourage banks and non-bank financial institutions (NBFIs) to lend to farmers to help them cover costs of planting and tending a crop until harvest, when it can finally be sold. There is strong and growing support among farmers, seed, fertilizer and equipment suppliers, legislators and MAPF officials for developing this market in Ukraine.
- b. Need to Refine Legal Underpinnings and Market Incentives for Other Agricultural Financial Instruments: For example, whereas warehouse receipts are now in widespread use in Ukraine, banks still largely refuse to lend to a farmer on the strength of grain for which he or she can show a warehouse receipt because the receipt fails to guarantee lenders against the risk of corrupt or unethical practices by warehouse managers that an indemnity fund might help to address. Also, crop insurance has yet to become a widespread practice across all of Ukraine’s agro-industries, and might benefit from improved legislation. There are examples of highly successful agricultural credit unions in Ukraine but they have yet to become a widespread savings and lending instrument throughout the sector, but they could become considerably more profitable were the credit union law to be relaxed to allow them to lend to corporations and “legal entities,” and not only to their members. Finally, the draft Law on Derivatives will soon provide Ukraine with the opportunity to develop commodity futures markets – an urgently-needed feature of agricultural finance and risk management.

4. Removal of the Moratorium on Agricultural Land Sale

Almost 20 years ago, early in Ukraine’s land privatization process, the GOU placed a moratorium on the sale of agricultural land (allowing land voucher and title holders to lease but not sell). The purpose was to permit time for land registration, cadaster and access to finance and other means of protecting one’s land assets to become available to small or medium scale farmers and firms which might otherwise be compelled to sell their land on less than competitive terms. It now appears highly likely that the moratorium will receive no further extensions, and that rural land will begin to be bought and sold as soon as January 2012. However, there is still massive confusion and potential for conflict over the exact coordinates of many rural land plots; SMPs generally have little access to finance with which to compete to acquire more land, and judicial and law enforcement systems frequently succumb to corruption or inefficiency and therefore

cannot be relied upon to defend the rights of poor or small-to-medium-scale individuals or enterprises that own or wish to buy land. Many of these potential victims of premature lifting of the land sale moratorium are not even aware of the limited legal aid and other help that is available to them in some parts of the country.

5. Investment in Market Infrastructure

Although the GOU could invest considerably more resources than it has to rural roads, grain silos, port improvements, business advisory service provision and other physical infrastructure and market support mechanisms, it has in fact defined and launched an ambitious state program to create up to 25 regional public-private wholesale markets. Unfortunately, this program so far appears to lack adequate incentives to engage private investors whose capital and management are vital to the program's success, and unless this weakness is corrected, this program may fall far short of its laudable targets.

This array of policies poses daunting challenges to full and rapid development of Ukraine's extraordinary agricultural potential. Taken as a whole, they cannot be said to have been particularly efficient, or even successful, at protecting Ukrainian consumers from unstable and rising food costs. They have certainly failed to stimulate agricultural producers toward peak growth in the sector's total output or productivity. A 2010 OECD study of the experience of the world's major emerging economies, including Ukraine, during the 2007-2008 spike in world food prices, concluded, for example, that "Despite successfully controlling export volumes, Ukraine was not able to limit price transmission [to food consumers] to any great degree."¹⁴

The OECD study also generalized from these countries' recent experience that targeted "safety nets" for poor food consumers most harmed by rising food costs, combined with policies that stimulate agricultural productivity and growth, were the most effective in the face of rising global food prices. "They [targeted safety nets] allow flexibility to deal with the effects of the price rises on poor households without disrupting the market, and in particular price signals to farmers," the report observed. Furthermore, "The experience of the Ukraine cereal market and the Vietnam rice market, serve as a warning about the difficulties in using trade measures to control domestic prices. . . . In addition, frequent and sometimes opaque government interference in the markets may also have the effect of undermining the trust of participants in the proper functioning of markets,"¹⁵ the report concluded.

Each of these policies, regulations and programs provides a potential opportunity for the AgroInvest Team to engage with the MAPF and other government bodies, as well as with SMPs and a wide range of sector advocacy and policy analysis groups. AgroInvest's aim, as noted in USAID/Ukraine's Scope of Work (SOW) for the Project contained in the

¹⁴ Jones, D. and A. Kwiecinski, "Policy Responses in Emerging Economies and International Agricultural Price Surges," OECD Food, Agriculture and Fisheries Working Papers, No. 34, 2010, p. 4.

¹⁵ Ibid. p. 7

Request for Proposals (RFP), is to help develop more efficient approaches to achieving the basic sector growth and food security goals that the Government of Ukraine must strive to achieve as cost-effectively as possible. Specifically, the RFP SOW calls for AgroInvest to “accelerate market-oriented reforms” in Ukraine’s agricultural sector to “remain flexible and accelerate reforms when possible.” It calls for the Contractor, early in the project, to “produce a market-oriented, WTO-compliant policy strategy and help the GOU, the Parliament of Ukraine, and other state agencies, as well as private organizations, implement this strategy.”¹⁶

Based on the current policy conditions and opportunities in Ukraine as summarized above, the concluding section below outlines the AgroInvest Project’s market-oriented, WTO-compliant policy strategy.

¹⁶ USAID/Ukraine, Request for Proposals No. RFP 121-10-003, 2010, p. 13.

II. THE AGROINVEST POLICY ANALYSIS AND REFORM STRATEGIC PRIORITIES

The purpose of this strategy is both to outline the “what” and the “how” of AgroInvest’s policy reform activities. What we propose to address may be the dominant question when setting five-year goals and priorities, but this question is inextricably linked with the array of tools and resources that AgroInvest can bring to bear, which is to say, requires defining how we intend to go about it.

A few words first about the “how.” There are two cross-cutting considerations that must characterize all the policy work AgroInvest undertakes under Component 1. The project can only operate effectively if it tends carefully and sincerely to the central relationship of any policy project – the relationship between the advisors (us) and the policy makers (the GOU, particularly but not exclusively, the MAPF. For this reason, the Policy Assessment that AgroInvest prepared in May 2011 (and upon which this strategy draws) recommended that, to the extent that the MAPF’s and other legislative and executive branch leaders desire, all analysis, representation of positions on issues, and other expressions of concern, be vetted first with the GOU in the context of AgroInvest’s close, day-to-day working relationship. Inasmuch as Ukrainian associations representing the SMPs and agribusiness, independent think tanks and universities also represent key players in agricultural policy in any country, AgroInvest will also work closely with them and share even controversial data and findings with them, so long as the GOU partners are also aware of that information and have had the chance to consider and respond to its implications.

As part of cementing a strong relationship with the MAPF, and also in order to strengthen Ukrainian policy analysis capacity, in the public as well as the non-profit sector, AgroInvest intends to engage MAPF personnel in training seminars offered by Ukrainian institutes which will compete for small grants from AgroInvest. Furthermore, wherever feasible, the policy analysis called for in the framework below will include a designated MAPF analyst who will work with, and whenever possible, co-author, the AgroInvest-funded analysis. Finally, an important opportunity for AgroInvest to engage at the most strategic level of agricultural policy will arise the next time the GOU undertakes to revise its comprehensive agricultural program, or propose a foundational law on agriculture. Although such initiatives are not yet being planned or publicly discussed (and therefore they are not included in the framework at this point), we would amend the framework to include an AgroInvest contribution to developing such fundamental legislation or programming, should the opportunity arise during the life of the Project.

The second cross cutting “modus operandi” for AgroInvest concerns making sure that the Project’s activities promote “WTO compliant” agricultural policy in Ukraine. This is an important consequence of Ukraine’s accession to the WTO and in a similar vein,

Ukraine’s intensifying efforts to gain access to preferred trading status with the European Union (EU) calls for similar consideration. The AgroInvest team will consider carefully any standards, engagements or other targets to which Ukraine has dedicated itself in connection with every policy analysis and reform activity the Project undertakes. For some of them, a prime objective could be helping Ukraine to achieve full compliance with one or more such commitments.

The remainder of this section presents, first, the criteria by which the AgroInvest Team reviews policy analysis and reform proposals to select those on which to focus, and finally, presents a matrix of activities that will serve as the framework for AgroInvest’s policy work. All the activities proposed in the matrix meet the standards set out in the criteria.

A. AgroInvest Criteria for Undertaking Policy Dialogue

Figure 1 below presents the criteria by which AgroInvest evaluates policy issues and determines which to address in the policy framework. These criteria helped to determine the actions proposed in this strategy and will guide future decisions as other issues arise and compete for AgroInvest human and budgetary resources.

For a policy question to get onto AgroInvest’s “radar screen,” it must:

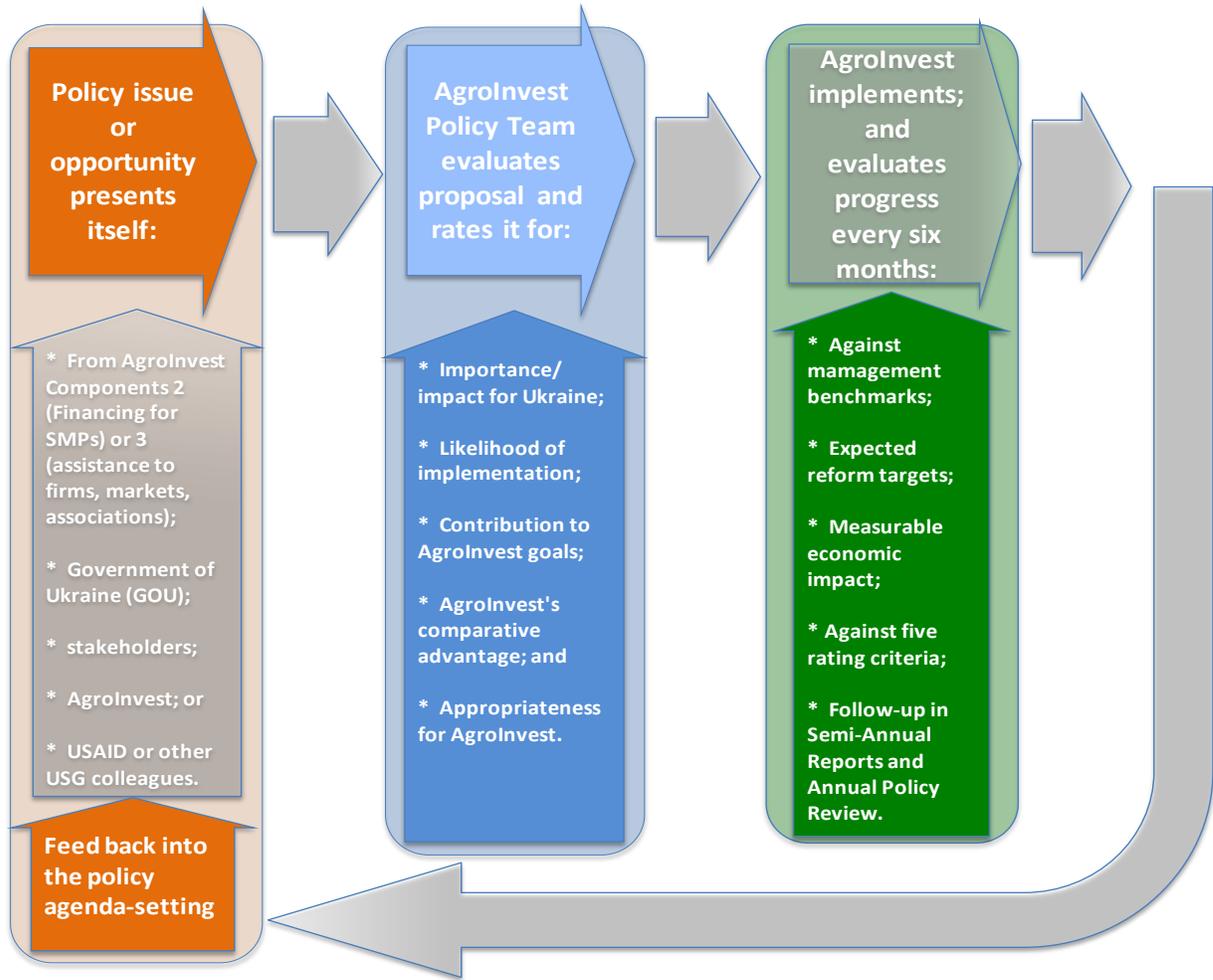
- Play an important role in Ukraine’s agricultural sector (i.e. have the potential to achieve measurable impact that can have a large-scale or strategically important beneficial impact on the development of the sector);
- Have a reasonable likelihood of implementation (because there would normally be little reason to invest in addressing a question that is politically or otherwise beyond the GOU’s political will or means to implement);
- 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);
- Addresses AgroInvest’s comparative advantage (that is, a problem or opportunity that AgroInvest can address successfully with the available level of effort or budget); and
- Is appropriate for AgroInvest to address (for example, a problem or challenge which is not already amply being addressed by another donor or project).

Furthermore, new policy areas under Component 1 must will come up for USAID review in three ways: through informal day-to-day coordination; more formally in the Project’s semi-annual reports; and at the end of each project year, a formal review of the policy framework and the status of each activity. A vital feature of Component 1 is flexibility,

so as the activity proceeds, the AgroInvest Team will review and progress constantly, ready to slow or stop work on reform efforts that encounter insurmountable political resistance, in order to concentrate on those initiatives that are experiencing greater success.

Finally, AgroInvest will constantly seek fresh opportunities to engage based on lessons learned while carrying out the existing program. Lessons learned will help to generate new policy analysis and reform proposals, which, in their turn, will undergo scrutiny under the five criteria outlined above.

Figure 1: AgroInvest Project - Policy Agenda-Setting Criteria



B. Proposed AgroInvest Policy Framework

Based on the analysis of the policy issues in the May 2011 AgroInvest Policy Assessment and a series of meetings with small “contact groups” of leaders from various industries and sub-sectors,¹⁷ the AgroInvest Team has identified the following 18 tasks, all of which meet the five criteria outlined above, or are likely to do so at some point in the foreseeable future. They are presented in Table 2 below, where they are categorized as “short” and “medium” and “long” term. These designations correspond to the following AgroInvest project years:

- Short-term: years 1 and 2 (February 2011– September 2012),
- Medium-term: years 3 and 4 (October 2012 – September 2014), and
- Long-term: years 4 and 5 (October 2014 – January 2016).

For example, we believe that there is no point in addressing agricultural export quotas at this time, because the GOU recently removed the last of them and imposed instead a series of export taxes. However, the policy framework does call for analysis of the benefits and costs of these export taxes, and notes that quotas would be an important question for AgroInvest to address in the future, should they reappear.

Another set of policy questions that fails to qualify for inclusion in the framework at this time is a direct, frontal approach to the pervasive corruption. Corruption not only plagues the implementation of most agricultural policies, but in fact, could arguably have served as a prime motivation for instilling one or more of those policies in the first place. The highest levels of the GOU have yet to launch high-visibility campaigns and adopt mechanisms that expose and eliminate opportunities for corruption and rent-seeking behavior. Therefore, the best way for AgroInvest to address this problem is to help Ukrainian industry and civic associations engaged on policy questions to acquire the information to expose these practices. AgroInvest will also, in all of its policy activities, seek to identify policies, regulations and programs that maximize transparency.

The AgroInvest policy reform agenda breaks down into short-, medium- and long-term agendas as follows. (For ease of discussion, the medium and long term are presented as one discussion below.)

1. Short-Term (2011-2012) Agenda:

Detailed policy discussions with the Ministry of Agrarian Policy and Food (MAPF) will help to refine the timing of Component 1 activities during the remainder of year 1 and

¹⁷ See list of contacts at Annex 1 below.

during year 2, but the following are the highlights for each of the five reform areas that the project has identified:

a. Trade Policies:

Although there are no quotas presently in effect in Ukraine, the AgroInvest Team will immediately turn its attention to tariffs, non-tariff barriers and price controls. Key issues to address in year 2 include:

- Documenting the costs of export tariffs that have replaced the quotas on small-medium producers (SMPs) and on the GOU's efforts to comply with WTO and EU trade policy commitments.
- Quantifying the impact of regulations and standards in the seed industry which appear to serve as non-tariff barriers to seed imports.
- Building the statistical and qualitative knowledge and networks with interest groups to allow AgroInvest to engage in well-informed dialogue and analysis of Ukraine's price and mark-up control regime governing the rapidly growing list of "strategic food commodities."

b. Taxes and Subsidies:

Taxes and subsidies comprise the largest and most complex policy reform area for Ukrainian agriculture. Two fundamental questions dominate this area:

- The first is whether Ukraine should tax Ukrainian farmers and agribusinesses but actually deliver substantial incentives and subsidies, rather than the current regime of not delivering most promised subsidies, but also exempting them from taxation.
- The second is whether the GOU would consider instituting income transfers for needy food consumers as a more efficient alternative to penalizing producers to suppress food prices for all consumers.

In the short term the AgroInvest Team will propose joint policy analysis and research with economists from the MAPF and experts from local think tanks and consulting firms to lay out the benefits and costs of these critical reforms. The Team will also propose that the MAPF, in conjunction with the Social Affairs Ministry and other government branches, a national dialogue and conference on food security and consumer protection.

Furthermore, in the short term, the AgroInvest Team will similarly build support among interest groups and underwrite the cost of assembling the data on which to base alternative proposals and launch advocacy campaigns to:

- improve the targeting of agricultural subsidies,
- reduce the discriminatory impact of recent changes in the way the GOU applies its value added tax (VAT) to various agricultural sector farms and firms, and
- strengthen the tax-exempt status of cooperatives and associations.

c. Financial Market and Credit Policies:

This element of the AgroInvest Component 1 policy agenda closely supports the operational and field activities planned under Component 2, which aims to increase and diversify financing available to Ukraine's SMPs. There are five policy issues on AgroInvest's financial market and credit agenda: pre-harvest financing, warehouse receipts, crop insurance, credit union strengthening, and the development of helpful investment products in the futures and derivatives markets. AgroInvest's primary focal point in this policy area is pre-harvest financing, where the goal is to create what would be the legal and institutional conditions for a new financial services product not yet available in Ukraine. Initial steps will include drafting new legislation, analyzing detailed features of models from other countries, notably Brazil, and defining the institutional and regulatory features of those firms and non-profits that will offer this credit product.

Warehouse receipts, an already-established credit tool in Ukraine present a different challenge. They are commonly understood and in widespread use, but they have not yet gained the power of collateral with banks, partly because of the risk that, even faced with a warehouse receipt, the warehouse manager might fail to fulfill its side of the commitment, and legal recourse would be costly and unreliable. AgroInvest will engage specialists through sub-awards, assisted if necessary by an international expert or two, to recommend remedial measures or pilot/demonstration campaigns that could demonstrate the value of warehouse receipts in agricultural finance.

The Project will also draft credit union legislation in conjunction with credit union and industry associations. Futures and derivatives markets development is an area that is more likely to enter AgroInvest's agenda in the medium to long term, and no actions are contemplated in the short term other than to coordinate with and learn from other projects and leaders in this field to determine whether the Project could be of assistance in the future. Nevertheless, AgroInvest is ready to play an increased role to support an agricultural futures market should the initiative and legislation gain traction.

d. Land Market Development:

Short-term timing is an important factor influencing the AgroInvest agenda in this critical area of land market development. With the decades-long moratorium on the sale of agricultural lands set to expire in January 2012, the AgroInvest Team is already actively engaged in coordinating among stakeholder groups and donors and urging the MAPF, Verkhovna Rada and other branches of the GOU to put measures in place to protect the interests and purchasing power of SMPs, before opening agricultural land up for sale.

Specifically, in the coming months, AgroInvest-funded specialists will propose various alternatives for a more predictable, transparent and equitable distribution of land, quantifying the likely gains and losses from lifting the moratorium. The Team will also propose amendments to the pending land legislation to protect SMPs and propose such legislation in close cooperation with stakeholders and donors.

e. Market Infrastructure Investment:

Policy work on market infrastructure development directly supports the operational and field activities being developed under AgroInvest's Component 3, which will target and strengthen producer's groups and processors, shippers and retailers in selected value chains to improve profitability and value-added. Presently the highest priority is to support selected elements of the GOU's State Program on Wholesale Markets. In the short-term AgroInvest-sponsored regulatory and legislative experts and economists will work closely with the MAPF to fine-tune regulations and legislation defining private sector participation in wholesale markets. This issue is a critical factor contributing to the success or failure of this potentially valuable State Program.

2. Medium- and Long Term (2012-2016) Agenda:

It will prove vital to the success of AgroInvest's policy reform initiatives to respond flexibly to targets of opportunity and to the advent of "teachable moments" that will arise across the five-point agenda outlined in Table 2 below. For that reason, relatively few specific targets and goals presently populate the Project's medium-term and long-term agenda. There are, however, critical events and undertakings that are already clearly worth identifying, and those are summarized below:

a. Trade Policies:

Concerning trade policies, the analytical and coalition-building work planned for 2011 and early 2012 will enable stakeholders, MAPF and other interest groups, with support from AgroInvest, to undertake public hearings, media-based

lobbying campaigns, and legislative revisions. The AgroInvest team envisions particularly important reforms tempering the GOU's present practice of setting and manipulating the prices and profit margins on "strategic food commodities," going into effect in the long-term phase.

b. Continued Work on Taxes and Subsidies:

Stimulating what would be a sea-change in Ukrainian government and private sector thinking on taxing corporate earnings in agriculture; or introducing a fiscal transfer mechanism in lieu of suppressing producer prices as the principal national food security instrument; will require intense and substantial AgroInvest Team energy, creativity and funding, throughout the first three to four years of the project. A major medium-term undertaking already under discussion would be the national dialogue culminating in a conference on food security and subsidies for economically disadvantaged consumers. Engineering a national consensus on taxing agricultural enterprises and farmers in exchange for effective and predictable targeted subsidies will require substantial investment in the MAPF's capacity to manage these subsidies and strenuous and sustained support to the key agricultural lobbying and interest groups to analyze, debate and craft the necessary remedies and legislation to make this sea-change possible.

Similarly, changes to VAT and the way that it is implemented, will require round after round of sustained analysis and close coordination with SMPs as well as large-scale producers, processors and exporters. To provide effective support for such an initiative, AgroInvest will identify and support sustained relationships with think tanks and/or consulting firms, or a coalition of institutions, capable of maintaining a quick response (or "spetz-naz") capability to provide timely, accurate, in-depth and rapid analysis as well as review of legislative drafts and reform proposals.

Tax-exempt status for agricultural cooperatives and other producer groups will also require sustained campaigning and analysis over most of the medium and long term to bear fruit. In addition to undertaking analysis jointly with the MAPF as well as the Finance Ministry and other concerned government bodies, the AgroInvest Team will significantly strengthen the cooperatives' and industry associations' capacity to advocate for needed revisions of the tax code and other regulations to provide a "level playing field" on which such enterprises can compete in Ukraine.

c. Financial Market and Credit Policies:

In the medium- and long-term phases of AgroInvest's policy reform efforts, there will probably be adequate data, analysis and motivation in the SMP community to mount targeted lobbying campaigns resulting in new pre-harvest financing and credit union legislation. If AgroInvest, MAPF and concerned associations deem it

worthwhile during the short-term phase, then the AgroInvest team can underwrite experts to draft improved legislation, help create an indemnity fund, and help to form public-private partnerships (PPPs) with banks and NBFIs. The AgroInvest Team also anticipates opportunities in the medium- and long-term to help other donor-funded projects such as FINREP, to revise legislation or regulations to further stimulate the development of vital futures and derivatives markets to enhance SMPs' access to finance and investment capital.

d. Land Market Development:

After land markets are opened in Ukraine, it will become an AgroInvest priority through the medium- and long-term to continue to support legal aid organizations and other judicial and alternative dispute resolutions mechanisms that can help defend SMPs interests in preserving and expanding their land holdings in the face of the presently-overwhelming advantages enjoyed by large-scale agricultural enterprises and wealthy investors in Ukraine.

e. Increased Market Infrastructure Investment:

Finally, in support of market infrastructure, the AgroInvest Team anticipates achieving several PPPs in support of selected strategically important regional markets, wholesale markets and other market infrastructure. These should be in place fairly early in the medium-term phase, beginning by the end of 2012.

This entire AgroInvest policy reform agenda is summarized in Table 2 below.

Table 2: AgroInvest Project Policy Analysis and Reform Framework

Policy	Actions	Timing	Target Groups	Partners	Linked Activity	Notes
1. TRADE POLICIES						
a. Export Quotas	GOU has eliminated the 2010/11 quotas, so no reform action for AgroInvest now.					Engage rapidly if quotas reappear.
b. Export Tariff	<ol style="list-style-type: none"> 1. Document and quantify harm to SMPs through low farmgate prices. 2. Identify incompatibility between import tariffs and Ukraine’s WTO and EU commitments. 	<ol style="list-style-type: none"> 1. Short 2. Short 	SMP associations/ members, agribusiness	In-house analysis with MAPF research partner, industry associations		These grain export duties substituted for quotas and were imposed in May 2011.
c. Non-Tariff Barriers	Examine structure and costs of seed industry.	Short	Seed firms, SMPs	Seed Industry Association		
d. Price Controls (GOU setting ceilings on mark-up between farmers, wholesalers and retailers for “strategic food commodities”)	<ol style="list-style-type: none"> 1. Identify partners and target groups. 2. Catalogue inter-oblast dimensions. 3. Prepare specific analysis. 4. Mount lobbying campaigns. 	<ol style="list-style-type: none"> 1. Short 2. Short 3. Short 4. Medium-long 				Lobbying campaigns will be keyed to related events or emerging draft legislation for maximum impact.

Policy	Actions	Timing	Target Groups	Partners	Linked Activity	Notes
2. TAXES AND SUBSIDIES						
a. Overall Impact (Cannot tax agriculture if subsidies fall short)	Prepare overall options paper mapping out costs and benefits of path to eliminating some subsidies and moving Ukrainian agricultural producers under corporate income tax.	Short	SMPs, large agricultural producers, state revenue	IMF, World Bank		This paper would lay the groundwork for a long-term, life-of project, action plan.
b. Introduce Fiscal Transfer Mechanism for Low-Income Consumers (in lieu of less-efficient policies that stabilize or lower consumer food prices)	<ol style="list-style-type: none"> 1. Produce position paper with analysis of the US Farm Bill and other relevant country experience for models. 2. Engage Deputy Prime Minister and Minister of Social Policy Tigipko, and MAPF in analysis and planning. 3. If interest is sufficient, propose to help host and generate papers and presenters for a national conference on food security policy. 	<ol style="list-style-type: none"> 1. Short 2. Short-Medium 3. Short-Medium 	SMPs, rural and urban poor, all firms and workers in all the various agribusiness value chains	Deputy Prime Minister, MAPF, Min. Social Policy, broad range of SMP and other ag and social sector civil society groups		This task explores alternative food security strategies and policies to avoid export quotas and margin-fixing which penalize farmers.
c. Improve Targeting of Agricultural Subsidies	<ol style="list-style-type: none"> 1. Prepare analytical position paper defining and quantifying interest groups and what they gain or lose. 2. Build coalitions of associations and other civil society groups behind more accurate targeting of subsidies. 3. Develop and launch campaign keyed to budget cycle. 	<ol style="list-style-type: none"> 1. Short 2. Short-Medium 3. Short-Medium 	SMPs	Agricultural sector associations		

Policy	Actions	Timing	Target Groups	Partners	Linked Activity	Notes
2. TAXES AND SUBSIDIES (Continued)						
d. Value-Added Tax (VAT) (arrears in reimbursements and discriminatory application to firms in agri. sector)	<ol style="list-style-type: none"> 1. Build networks of associations and other groups who will address this matter with us. 2. Prepare a series of periodic quantitative updates on VAT arrearages and its economic and distributional impact. 3. Launch lobbying campaign. 4. Provide “quick-turnaround” (“spetz-naz”) analysis to support lobbying by industry associations and other groups. 	<ol style="list-style-type: none"> 1. Short 2. Short-Medium-Long 3. Short-Medium-Long 4. Short-Med.-Long 	SMPs and all agricultural enterprises and farms, government revenue	SMP and other agricultural sector associations, other policy analysis centers in Ukraine		Discriminatory application of VAT presently encourages the formation of vertically integrated, quasi-state and even state enterprises.
e. Tax-Exempt Status of Cooperatives and Associations	<ol style="list-style-type: none"> 1. Prepare a position paper clarifying legal and economic issues and defining next steps. 2. Work with MAPF and National Association of Cooperatives to draft and adopt tax and cooperative law amendments. 	<ol style="list-style-type: none"> 1. Short 2. Short-Medium 	All SMP and agricultural sector cooperatives and associations	National Association of Cooperatives, MAPF, Cooperatives and Producer Organizations		

Policy	Actions	Timing	Target Groups	Partners	Linked Activity	Notes
3. FINANCIAL MARKET AND CREDIT POLICIES						
a. Pre-Harvest Financing (creating the legal and institutional conditions for a new financial services product not yet available in Ukraine)	<ol style="list-style-type: none"> 1. Draft new legislation. 2. Define institutional characteristics and criteria to be applied to those firms and non-profit entities that offer pre-harvest financing. 3. Analyze and adapt features from the Brazilian pre-harvest financing model. 4. Lobbying campaign to get new legislation passed. 	<ol style="list-style-type: none"> 1. Short 2. Short 3. Short 4. Short-Medium 	Banks and non-bank financing institutions (NBFIs), SMPs, sector industry associations	MAPF, EBRD, FAO, AMDI, Grain and Oilseed Association	Agro-Invest Component 2 (Finance for SMPs) will carry out specific credit schemes in target regions, and could pilot pre-harvest.	
b. Warehouse Receipts (which are in use in Ukraine but do not yet work as collateral for lenders)	<ol style="list-style-type: none"> 1. Prepare position paper defining next steps, issues; and estimating economic benefits that can be expected. 2. If AgroInvest, MAPF and concerned associations deem worthwhile, then draft improved legislation, create an indemnity fund, form PPPs with banks and NBFIs. 	<ol style="list-style-type: none"> 1. Short 2. Short-Medium-Long 	Banks and NBFIs, SMPs, grain warehouses, sector industry associations	MAPF, Bankers' Association, Alliance of Credit Unions, AMDI	Component 2 will carry out specific credit schemes in target regions, and could specifically incorporate warehouse receipts.	USAID/Ukraine's PPs for Development Project (P3DP) and AgroInvest management have already agreed to collaborate on PPPs wherever AgroInvest can encourage them.

Policy	Actions	Timing	Target Groups	Partners	Linked Activity	Notes
3. FINANCIAL MARKET AND CREDIT POLICIES (Continued)						
c. Crop Insurance	Write position paper for AgroInvest, MAPF and USAID estimating benefits of crop insurance, summarizing what IFC and others are already doing to stimulate it, and identifying role, if any, for AgroInvest.	Short	SMPs, insurance industry	IFC, MAPF, insurance industry association/companies		
d. Credit Unions	<ol style="list-style-type: none"> Draft credit union legislation to enable them to lend to legal entities (not just to own members) Strengthen credit union associations. 	<ol style="list-style-type: none"> Short Short-Medium-Long 	SMPs, credit unions and their associations	Oika Credit, Dutch Aid, MAPF, AMDI		
e. Futures and Derivatives Markets Development	<ol style="list-style-type: none"> Educational/informational campaign. Assist FINREP in revising legislation or regulations. 	Short-Medium-Long	SMPs	IMF, FINREP		USAID/Ukraine's FINREP is already working with the GOU and associations on this legislation.
4. LAND MARKET DEVELOPMENT						
a. Revise Draft Land Market Law	Draft amendments to the legislation that protect SMPs (individual land title/voucher holders) and coordinate messaging with other donors.	Short	SMPs, owners of land titles	MAPF,	Component 1 Task C, education/awareness campaign	Moratorium on sale of agricultural land in Ukraine set to expire in January 2012; slim prospect of extension.

Policy	Actions	Timing	Target Groups	Partners	Linked Activity	Notes
4. LAND MARKET DEVELOPMENT (Continued)						
b. Contribute to Draft Law on Land Consolidation and other legislation	Monitor closely for other opportunities to improve legislation to protect SMPs.	TBD	SMPs, owners of land titles	MAPF, Landesa, World Bank	Component 1 Task C, education/awareness campaign	
c. Assist MAPF and Other Government Bodies	Prepare position paper for MAPF quantifying the likely gains and losses from lifting the moratorium on sale of agricultural land.	Short	SMPs, owners of land titles	MAPF, World Bank	Component 1 Task C, education/awareness campaign	
5. MARKET INFRASTRUCTURE INVESTMENT						
Support State Program on Wholesale Markets	<ol style="list-style-type: none"> 1. Fine-tune regulations and legislation defining private sector participation in wholesale markets. 2. Encourage specific public-private partnerships (PPPs) to make markets more sustainable. 	<ol style="list-style-type: none"> 1. Short 2. Short-Medium 	MAPF, warehouse, market mgt., cold storage companies,	PPPs for Development Project (P3DP)		P3DP and AgroInvest management have already agreed to collaborate on PPPs wherever AgroInvest can encourage them.

Annexes:

Annex 1: Key Contacts

Annex 2: Sources

Annex 3: State Target Program on the development of Ukrainian rural areas through 2015

Annex 4: State Program for Creation of Wholesale Markets of Agricultural Products

Annex 1: Key Contacts

A. Agricultural and Private Sector Associations and Firms

Andrievsky, Victor E., Director of Agrarian Markets Development Institute, +38 044 490 70 78, yandrievsky@amdi.org.ua

Beliaev, Ruben, Government Relations Manager, LLC “ADM Ukraine”, +38 050 386 50 78, Ruben.Beliaev@adm.com

Fisher, Karen, Deputy Director General, Coordinator of international relations, Association Ukrainian Agribusiness Club, +380 50 444 13 93, fisher@agribusiness.kiev.ua

Grallien, Etienne, General Manager, Desnagrain, LLC (Groupe Champagne Cereales), +38 044 496-2079, mobile: +38 050 381-9026

Kozachenko, Leonid, President of Ukrainian Agrarian Confederation, +38 044 287 65 66, kozachenko@agroconf.org

Lapa, Volodymyr, Director General of Association Ukrainian Agribusiness Club, +380 67 329 72 80, lapa@agribusiness.kiev.ua

Lissitsa, Alex, President of Association Ukrainian Agribusiness Club +38 067 328-9011, lissitsa@agribusiness.kiev.ua

Marusyk, Yaroslava, Committee Coordinator of American Chamber of Commerce in Ukraine, +38 044 490 58 00, ymarusyk@chamber.ua

Myrkevych, Mykola, Farmers’ Association of Ukraine,

Pryvalov, Viktor, General Director, Agrarian Chamber of Ukraine, +38 044 279-7814, office@agrichamber.org.ua

Samus, Oleg, Director Legal & Public Affairs, BUNGE, +380 44 490 27 30, oleg.samus@bunge.com

Striewe, Ludwig, Deputy Director, Alfred C. Toepfer International (ACTI, Ukraine) +380 44 391 46 95, StrieweL@acti.kiev.ua

Stryzhak, MykolaIvanovych, General Director, Vice-President of Association of Farmers and Private Landed of Ukraine; and Project Manager, Ministry of Agrarian Policy of Ukraine, +38 067 437 77 85, ukrdergfond@ukr.net

Tomich, Ivan Fedorovich, Union of Agricultural Cooperatives of Ukraine,
farmasuk1@ukr.net, +38 044 501-7872

Zukoski, Jorge, President of American Chamber of Commerce in Ukraine, +380 44 490
58 00, jzukoski@chamber.ua

B. Agricultural Policy Analysis Institutes/Think Tanks

Borodina, Olena, Head of Department, State IEF Organization,
+38 050 385 38 80, oborodina@ief.org.ua

Korinets, Roman Yaroslavovich, Agricultural Policy Consultant, AMDI,
+38 044 490-7079, RKorinets@amdi.org.ua

Mulyar, Oleksandr Antonovich, Seed Association of Ukraine, +38 067 137-3113,
muliars@yahoo.com

Nivievskiy, Oleg, Head of the Centre for Agriculture, Food and Renewable Energy
Studies, Institute for Economic Research and Policy Consulting
+380 97 937 62 96, nivievskiy@ier.kiev.ua, agro@ier.kiev.ua

Ostashko, Tamara, Consultant, Agrarian Markets Development Institute, +38 044 390-
7078, TOstashko@amdi.org.ua

Prokopenko, Svitlana, Director of Institute for Rural Development, +38 044 425 73 18,
sp@icp.org.ua

Strubenhoff, Heinz, Team Leader of Institute for Economic Research and Policy
Consulting, +38 095 521 16 25, strubenhoff@ier.kiev.ua

Tarakanov, Sergiy, Deputy Director of Agrarian Markets Development Institute,
+38 044 490 70 78, starakanov@amdi.org.ua

Yaroslavskiy, Oleksandr, Deputy of General Director of Ukrainian Agro Confederation

C. Credit/Finance Providers

Ischuk, Ernest, Director, “Ukrainian Credit Fund,”

Olenchuk, Andrii, Deputy Managing Director, Deposit Guarantee Fund of Ukraine,
+38 044 495-2425, olenchuk@fg.org.ua

Kozynets, Petro, President, National Association of Credit Unions

Vyshnevskiy, Ivan, Chief Executive Officer, Alliance of Credit Unions,
+38 044 498-5956, vyshnevskiy@pzv.net.ua

Zubrytska, Svitlana, General Director, Finance Company “Oikocredit Ukraine,” LLC,
+38 032 242-5446, szubrytska@oikocredit.org

Zhyla, Nadiya Mykhailivna, Director of Department, State Commission for Financial
Services

D. Foreign Donor Organizations and Countries

Artiushyn, Oleksandr, Agriculture Program Specialist Office of Economic Growth,
USAID/Ukraine, +380 67 657 16 93, oartiushyn@usaid.gov

Dubinyuk, Yuliya, Agricultural Specialist, Embassy of the USA, Foreign Agricultural
Service U.S. Department of Agriculture,
+38 044 490 41 21, yuliya.dubinyuk@fas.usda.gov

Foster, Christian, Deputy Administrator for Trade Programs, Foreign Agricultural Service
(FAS), United States Department of Agriculture (USDA), (202) 720-9516,
christian.foster@fas.usda.gov

Keju Carrie, Senior Project Director FIELD-Support LWA, AED Ideas Changing Lives,
202 884 8271, ckeju@aed.org

Kobzev, Aleksandr, Agricultural Policy Advisor IFC Ukraine Investment Climate Project,
+380 44 490 66 71, akobzev@ifc.org

Kulinich, Pavlo, Land Market Reform Task Leader, Local Investment & National
Competitiveness Project, +38 050 351 57 34, pkulinich@linc.com.ua

Ledger, Deena, Attorney & Land Tenure Specialist, Landesa,
(206) 257-6121, deenal@landesa.org

Murphy, Ann E., Agricultural Attaché, United States Embassy, Kiev, Foreign
Agricultural Service U.S. Department of Agriculture,
+38 044 490 40 05, ann.murphy@fas.usda.gov

Martin, Michael, Director, Office of Economic Growth USAID/Ukraine,
+38 044 537 46 00, mimartin@usaid.gov

Osavolyuk, Serhiy, Project Manager IFC Ukraine Investment Climate Advisory Services
Project, +380 95 283 35 07, sosavolyuk@ifc.org

Pieper, Alan, Chief-of-Party, USAID/Ukraine Public-Private Partnership Development
Program, +38 095 905-8482

Tarashevych, Oleksandr, Agricultural Specialist, Embassy of the USA, Foreign
Agricultural Service U.S. Department of Agriculture, +38 044 490 41 21,
alexander.tarashevych@fas.usda.gov

E. Ministry of Agrarian Policy and Food and Cabinet of Ministers

Kvasha, Sergei, Director, Planning and Policy, Ministry of Agrarian Policy and Food

Mitchenok, OleksandrOleksandrovich, Advisor to the Deputy Prime Minister, Cabinet of
Ministers of Ukraine, mytch@ukr.net, _38 097 937-7705

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Annex 3:

State Target Program on the development of Ukrainian rural areas through 2015



CABINET OF MINISTERS OF UKRAINE

RESOLUTION

Of September 19, 2007 # 1158

Kyiv

**On approval of the State Target Programme on the development of
Ukrainian rural areas through 2015**

The Cabinet of Ministers of Ukraine has resolved:

1. To approve the State Target Programme on the development of Ukrainian rural areas for the period till 2015 (hereinafter – Programme) attached herein.
2. Ministry of agricultural policy together with the Ministry of finances shall envisage the financial facilities for the implementation of the Programme within the expenditures which are determined at the time of the State Budget development for the respective year.
3. Central Executive bodies, the Cabinet of Ministers of the Autonomous Republic of Crimea, oblast city administration and Sevastopol city state administration shall:

ensure implementation of the actions envisaged by the Programme,

annually before April, 1 send to the Ministry of Agrarian policy the information on the Programme implementation status for the purpose of its generalization and in order to send it consequently to the Cabinet of 3Ministers of Ukraine before April, 15.

Prime Minister of Ukraine

Viktor Yanukovych

ADOPTED by
the resolution of the Cabinet of Ministers of Ukraine
dated September 19, 2007 No.1158

STATE TARGET PROGRAMME on the development of Ukrainian rural areas through 2015

I. General Provisions

1. Current status of the agricultural sector

The agricultural sector (farming sector, food and processing industry) assures food supply security and independence of the country, generates 17 percent of the gross domestic product and about 60 percent of the consumption fund of the population. Besides, the agricultural sector is one of the main budgeting sectors of the national economy; its portion in the consolidated budget of Ukraine has reached 8-9 percent in recent years and ranks second among economy sectors in the export pattern.

Farming sector facilitates development of other sectors which supply capital goods and consume agricultural products as primary ones as well as provides transportation, marketing and other services.

Exceptional role of the agricultural sector in social and economic life of the country is a result of unique combination of favourable natural climatic conditions and geostrategic situation, Ukraine's ability to find its own level at the international food market.

Agricultural activity is being conducted almost all over the territory of the country. One third of the total population lives in rural areas. 4 million people of rural population are employed in this sector.

However the current status of the sector does not give an opportunity to overcome negative developments.

There was 2,1 times decline in manufacturing of agricultural products in 1991—1999, including 3,4 times decline at the agricultural enterprises. Such level of reduction became critical for insuring food supply security of the country.

There was 29 percent decline of the energy value of average daily consumption per capita (compared to 1990 indices) under the conditions of decrease of the population solvency which was equal to 2565 kcal and reached an international criterion of poverty threshold (2500 kcal). Furthermore there was 2-2,4 and 2,1 times reduction in consumption of basic protein-consisting (meat and fish) and vitamine-consisting (fruitery, berries and grapes) products.

Certain stabilization and production capacity expand in 2000-2006 allowed to increase the level of per capita consumption of main food stuffs, however it still remains low compared not only to optimal but also to minimal standards.

Lack of labour motivation, poverty, labour migration, unemployment, breakdown of social infrastructure, expansion of demographic crisis and die-off of villages are the most critical problems of rural areas.

Annual average salary within the agricultural sector is the lowest among other economy sectors.

Demographic-reproduction and labour potential of rural areas has reached a threatening rate of drawdown. Rural population birth rate per 1000 persons dropped down from 13,7 to 9,4 persons, death rate rose from 14,4 to 20,5 persons and exceeded the same death rate among urban population in 1,4 times.

Active development of migration processes especially among rural youth has become the main reason for degradation of Ukrainian villages.

There is a decrease in employment level of rural population. Only during 2001—2006 the number of employees in the agricultural sector reduced by 7 percent and in the non-farming sector – 2,7 times.

There is a critical level of deindustrialization of the farming industry. The basic capital of the industry decreased 1,7 times during the years of 1996—2005 and at the agricultural enterprises – 3 times. Herewith, the portion of the agricultural sector in the basic capital of the economy dropped down from 24 to 6 percent.

Maintenance level of the agricultural sector with tractors, combined harvesters and other machinery equals to 45-50 percent of the need. More than 90 percent of the technical equipment requires immediate replacement because of its wearout.

Therefore, the relevancy of the development and adoption of this Programme is caused by the need for immediate taking of the steps aimed at the development of the farming industry and rural territories according to amounts and sources of financing mentioned in the Programme Passport (Annex 1).

2. Origins of problems

Complicated economic and social situation in rural areas is caused by:

noncompliance of programmes targeted at reforming of the agricultural economics and their results with defined social priorities;

non-recognition of objective inequality of conditions for agricultural reproduction compared to other economy sectors and industries while developing budgetary policy caused by seasonal production variability, reliance on natural climatic conditions, extensive duration of production cycles and as a result deferred turn-over of capital;

insufficient legislative support and protection of the title to land and property;

inadequate level of financial support of the farming industry and social infrastructure of rural areas;

low stimulation of introduction of innovative technologies and investments into agricultural industry;

lack of balanced economic relationships between the agricultural sector and other economy industries;

insufficient level of the state support aimed at the development of rural infrastructure;

transfer of social facilities of former farming enterprises to the state and community property without proper financing of their maintenance;

lack of conditions for increase of efficient employment, creation of additional jobs in rural areas and income level mark-up;

inadequate level of the agricultural market infrastructure development, shadowing and monopolization of the agricultural production outlets;

inefficient state policy related to establishment of favourable conditions for the development of cooperative associations and other non-commercial unions of agricultural producers in the sphere of purchasing, processing, marketing of products and financial and transportation maintenance of the flow of commodities;

lack of informational support of rural population on the issues of market business conditions.

3. Main goal of the Programme

The main goal of the Programme is to provide viability of the agricultural sector, its compatibility at the domestic and external market, guarantee of food supply security of the country, preservation of peasant population as a bearer of Ukrainian identity, culture and spirituality.

4. Ways and methods of problems settlement

Development of the rural social infrastructure and agricultural sector shall be assured by means of:

clear delimitation of authority and functions of central and local bodies of executive power in the sphere of the development of rural territories;

improvement at the legislative level of inter-budget relationships between central and local bodies of executive power, especially those related to financing of projects aimed at the complex development of rural territories;

implementation of social standards and guidelines within non-urban areas;

definition of the potential for the development of rural settled network for the period till 2005 based upon town-planning documentation worked out and approved in accordance with the established procedure;

determination of the priorities for the development of the agricultural sector taking into account zonal and regional peculiarities;

improvement of the mechanism of the state support provision to the agricultural sector and assuring of non-urban territories development taking into account the requirements of the WTO;

creation of organizational and legal conditions for the development of balanced relationships between the agricultural sector and other economy industries;

legal and technical formalization of the title to land and land use;

settlement of land relationships and rationalization of land use, establishment of the agricultural land market;

taking steps targeted at the provision of the agricultural market infrastructure development, diversification of the production outlets, assuring of the products quality and security, regulation of demand and supply, protection of the market from low quality imported goods;

taking efforts aimed at the increase of the agricultural market capacity taking into account the needs of population, its buying ability and maximum export potential;

innovative and investing strengthening of the physical infrastructure of the agricultural sector, implementation of environmentally sound and resource- and energy-saving technologies;

improvement of insurance and tax policy in the sphere of agriculture;

promotion of the role of agricultural science and education, development of advising;

management system improvement in the agricultural sector;

preservation of demographic potential and labour resources of the agricultural sector, establishment of an efficient system for the provision of the sector with experts as a result of special educational programmes under target-oriented assignments and attraction of young specialists to the work in rural areas.

5. Tasks and efforts

The main tasks of the Programme are the following:

creation of organizational, legal, social and economic conditions for complex development of rural territories, adjustment of living conditions of urban and non-urban population;

increase of the level of efficient employment and motivation of non-urban population towards the development of business activity in rural area as a basic term for the increase of living conditions of the population;

support of compatibility of the agricultural sector under the terms of Ukraine's integration into the world economic environment;

overcoming spontaneity and shadowing of the agricultural market;

creation of environmentally sound living conditions for the population, environmental protection and rational use of natural resources, especially of agricultural lands.

The list of tasks and efforts is described in Annex 2 to this Programme.

6. Prospective results, efficiency of the Programme

As a result of the Programme performance it is anticipated:

to preserve non-urban settlements and provide them with social infrastructure in accordance with the defined social standards and guidelines;

to increase the level of efficient employment of rural population, the income level of non-urban population and average monthly salary of agricultural employees up to an average index among other economy industries;

to provide creation of the agricultural market capacity by means of production of national agricultural products in the amount sufficient to guarantee food supply security of the country (Annex 3 to the Programme);

to create domestic agricultural market infrastructure, to increase the volumes of exchange trade, to set up a national network of agricultural wholesale markets, informational and communicative networks and to promote the development of transportation supply;

to set up transparent and effective channels for arrival of products from producer to consumer;

to renew 15 percent of technical facilities of the farming industry per year (Annex 4 to the Programme);

to increase the amount of:

- agricultural gross production 1,6 times in 2015 compared to 2006;

- export of agricultural production and food products (mainly with high margin) two times;

- investments into the agricultural sector two times (Annex 5 to the Programme);

- tax and duty revenue to the consolidated budget of Ukraine 2,5 times (Annex 6 to the Programme);

to bring the portion of organic products in the total amount of agricultural gross production up to 10 percent;

to increase the load level of processing enterprises, to ensure further development of the agricultural machine building industry, to preserve jobs in the industries which are partners of agriculture;

to implement basic agro-ecological requirements and standards according to EU regulations;

to bring the level of main food products consumption by population up to rational standards (Annex 7 of the Programme).

Prospective results of the Programme performance are described in Annex 8.

II. Development of rural social infrastructure and non-urban territories

1. Implementation of social standards and guidelines in rural areas

In 2008—2009 it is planned to ensure implementation of social standards and guidelines in rural areas, to develop the form of the passport on social development of non-urban territories and methodology for its filling-in, to conduct the rating of rural settlements and to work out regional development programmes for non-urban territories based on its results for the period till 2015.

The performance of the Programme is ensured by the Ministry of Agrarian Policy of Ukraine, central and local executive bodies which are responsible for realization of social policy in the country as well as by the Ukrainian Academy of Agrarian Sciences.

Ministry of Labour and Ministry of Regional Development and Construction of Ukraine are authorized to coordinate the efforts related to fulfillment of this task.

Consolidated data on the results of rural territories rating shall be adopted by the Cabinet of Ministers of Ukraine and shall be taken into account while drafting the State budget of Ukraine.

2. Development of business activity, settlement of employment problems in rural areas

Creation of favourable conditions for expansion of employment area in rural territories and increase of income level of rural population shall be reached by means of:

encouragement of business activity both within agricultural and non-agricultural sectors;

facilitation of higher-priority development of small-size enterprises oriented towards rendering personal services as a result of attraction of socially unprotected classes of rural population;

taking steps aimed at stimulation of allocation of new facilities of consumer, food and other industries and service providers;

promotion of the development of service cooperatives and other associations;

implementation of educational programmes on basics of business activity for unemployed rural population together with regional employment centers;

staged exemption from certain types of taxation of villagers who registered for the first time as private entrepreneurs for conduction of business in rural areas for the period up to three years;

strengthening of legal and social protection of lessors (owners) of land and property, assurance of income under executed contracts;

attraction of private entrepreneurs and individuals employed by private farms to participation in the state obligatory social insurance system as well as voluntary pension fund scheme;

fulfillment of measures on provision of the agricultural sector with qualified labour power, raising professional and qualification level of employees, namely as a result of the implementation of professional skills training system for personnel employed by enterprises, institutions and other organizations.

3. Development of transportation and communication

Efforts in the field of the development of transportation and communication shall be taken by means of:

construction and reconstruction of automobile roads of common use in rural areas, completion of construction of hard-surface roads facilitating access to rural settlements, increase of the number of works on maintenance of village streets;

assurance of proper transport connection between settlements with common use automobile roads at the expense of the state and local budgets;

assurance of proper transport connection between settlements with the main highways of the country at the expense of local budgets;

enhancement of the bus fixed-route network aiming to provide regular connection of settlements with regional and district centers;

promotion of the development of business structures operating in the field of fixed-route passenger and freight transportation in rural areas;

supply of rural population with publicly available telecommunication services, computerization of village councils and free access to the Internet.

4. Engineering infrastructure enhancement

Complex development of the engineering infrastructure of rural territories shall be fulfilled via:

construction and reconstruction of electric power supply networks and units;

working-out and realization of programmes on construction of withdrawal gas pipe-lines, development of low- and medium-pressure gas-distributing networks and regional programmes on staged installation of gas service in rural settlements;

provision of permanent control over environment status within rural populated localities and places of waste accumulation, advancing of regulatory and legal framework in the field of waste utilization.

5. Development of residential construction and public utilities

In the sphere of residential construction and public utilities it is envisaged to:

to provide maintenance and adjustment of the state, municipal and private residential stock, reconstruction and construction of new and more comfortable housing;

to increase the volume of residential construction in rural areas and granting of long-term subsidized loans for individual non-urban builders;

to ensure adjustment of farm yards taking into account modern standards of non-urban territories development, to improve their supply with communication means, electrical power, gas, heat and centralized water as well as with water draining system;

to set up a proper basis for maintenance of buildings transferred into the municipal property and to guarantee its proper supply with human, financial and technical resources;

to construct the required infrastructure for provision of housing and public utilities to rural population, improvement of the quality of such services.

6. Development of education

In the field of education development the state support shall be aimed to ensure:

rendering educational services according to the state standards of primary, basic and senior secondary education;

equal access to high-quality preschool and general secondary education;

creation of proper living conditions for humanitarian specialists in rural areas;

functioning of the network of preschool, general secondary and non-school education institutions in rural locality;

restructuring and establishment of the —“preschool – general secondary education” complexes in separate villages, creation of conditions for functioning of general secondary education institutions with a low number of pupils, establishment of educational communities;

regular transportation of children and pedagogic personnel to schools and back in rural areas;

performance of —“School Bus” Programme;

promotion of career-guidance work among pupils of senior classes aiming to prepare them for a conscious choice of future profession connected with the agricultural sector.

7. Development of medical care

In order to assure development of public health service and improvement of demographic situation the primary attention shall be paid to:

fulfillment of the state policy in the field of demographic situation improvement in rural areas, provision of preventive and rehabilitative as well as medical assistance, creation of proper labour and living conditions, observance of safety arrangements and production sanitary;

set-up and proper functioning of medical assistance system in rural areas based on the priority development of primary health care within the framework of family medicine;

adjustment of the network of primary health care institutions with incorporation of rural health posts into the structure of rural ambulant clinics as their structural units;

provision of equal access of rural population to primary health care through the set-up of rural health posts in villages with the number of population exceeding 500 people, restructuring of rural health posts which render services to more than 1000 people into family medicine ambulant clinics and their proper equipping;

improvement of specialized, first-aid and emergency medical care in rural areas by means of equipping of health care institutions with modern diagnostic and treatment ambulance cars;

improvement of the level of rehabilitation services which are rendered to the handicapped and disabled children who live in rural areas as well as services related to their transportation to rehabilitation institutions.

8. Development of cultural and leisure-time activities in rural areas, preservation and development of traditional regional culture

In the field of culture it is planned to:

ensure further development of cultural institutions, introduce new ways of their activity, promote wide access of rural population to such institutions with granting of privileges to poverty-stricken individuals;

facilitate preservation and active promotion of historical and cultural heritage;

improve staff assistance rendering to cultural institutions;

ensure performance of state, regional and local programmes in the sphere of culture related to rendering services to rural population.

9. Improvement of personal services rendering to rural population

In the sphere of personal services rendering the Programme anticipates the following:

set-up of balanced network of enterprises rendering personal services, establishment of service cooperatives, provision of support to small-size business units, preservation of current and creation of new jobs;

establishment of personal services rendering enterprises in rural settlements, increase of quality level and volume of rendering of such services;

arrangement of service cooperatives, training of staff for personal services rendering companies according to the needs of this sector expansion in rural areas, enhancement of professional and qualification level of the abovementioned sector employees.

10. Development of physical training and sports in rural areas

In the sphere of physical training and sports the efforts of the Programme shall be focused on:

holding of district, regional and republican Olympics for rural residents;

creation of conditions for physical training at the place of residence and public entertainment through construction of new physical training and sport institutions, improvement of their technical equipping, supply of such institutions with financial, material and human resources;

introduction of health-improving groups and sport schools with age gradation on the basis of sport facilities owned by agricultural enterprises, increase of the number of individuals engaged in sports activities up to 10-15 percent out of the total number of rural population.

11. Development of trading services rendered to rural population

Intensification and increase of operating efficiency of consumer cooperative business aimed at satisfaction of rural population products and services needs shall be fulfilled by means of:

development of retail business infrastructure in accordance with the defined social standards, strengthening of control over the goods quality, advancing of the mechanism for protection of rural inhabitants from the low-quality services rendering;

strengthening of control over adherence to unified trading regulations for sales of goods to rural population by retail units;

improvement of the quality of trading services, namely holding of off-site trading, provision of delivery services to hard-to-get rural settlements, product diversification and increase of sales volumes;

introduction of an ordering system for purchase of agricultural products within individual farms and agricultural enterprises under the long-term contracts;

arrangement of supply of individual farms with seeds, materials, chemical pesticides, fertilizers, young stock of cattle and poultry.

12. Creation of favourable conditions for the youth to work and live in rural areas

Establishment of favourable conditions for young population to work and live in non-urban localities shall be reached through:

introduction of accommodation financial support for graduates from higher and profession-oriented secondary educational institutions who have an intention to work in rural areas, including long-term subsidized loans granting;

provision of youth with land plots for farming and individual residential building;

increase of allocation of budget funds for target long-term credit financing of rural builders starting with the youth under the regional programme called "Own house";

adjustment of the network of technical career-oriented educational institutions for training of specialist of mass professions in agricultural and other spheres, backup of inter-school professional training centers;

enlargement of a quota on nomination of rural youth to the higher educational establishments under the state order (at the same time there should be contractual commitment of return of specialists for working in rural areas);

conduction of individual work with the families which require social support starting with those ones which have disabled children.

13. State support to depressed rural territories

For ensuring of the state support provision aimed at the development of depressed rural territories it is planned to:

update legislation in terms of taking into consideration of specific features of the depressed rural territories development;

work out and perform the efforts on provision of the state support to rural settlements and administrative districts which belong to depressed rural territories;

introduce the system of guarantees and privileges for individuals (families) who reside in depressed rural territories as well as for those who will be moving to such territories in accordance with the established procedure in order to restore agricultural production and other types of activity.

14. Adjustment of the management system aimed at rural territories development

Increase of the effectiveness of rural territories development management anticipates the following:

delineation of authorities between central and local bodies of executive power in the field of fulfillment of social policy in rural areas and complex development of non-urban territories;

establishment of the Inter-Agency Coordination Council for rural territories development under the Cabinet of Ministers of Ukraine;

strengthening of the role of village communities regarding control over effective use of land, water, forest and other natural resources, and environmental protection;

enhancement of inter-budget relationships in terms of allocation of financial funds to local budget in order for local self-government bodies to be able to fulfill their functions on maintenance of social and cultural institutions, provision of public services to population and settlement of other issues related to rural areas development;

introduction of the mechanism of reimbursement at the expense of the state budget of costs incurred by agricultural enterprises while constructing the elements of social infrastructure in rural settlements;

performance during 2008 — 2015 of scientifically substantiated projects aimed at rural social infrastructure development;

establishment of a scientific and research institution within the structure of Ukrainian Academy of Agrarian Sciences.

15. Financial support for efforts on the development of rural social infrastructure and non-urban territories

Amounts of financial efforts aimed at the development of rural social infrastructure and non-urban territories shall be defined upon completion of rural settlements rating according to Ukrainian legislation.

There is an annual allocation of financial funds in the state budget for fulfillment of efforts aiming to develop rural social infrastructure and non-urban territories in the amounts defined by legislation. Then the Ministry of

Finance shall distribute these funds between central bodies of executive power which are responsible for the performance of measures adopted by the Programme.

This Programme shall be included into the annual State programme on economic and social development of Ukraine as a separate paragraph.

III. Agricultural market development

1. Food supply security and independence of the country

The basis of the agricultural market is production of agricultural products by domestic manufacturers which ensures food supply security of the state.

Food supply security of the state is the safety of vital interests of an individual which is expressed in the state guarantee of free access of an individual to food products with the aim to support his/her viability.

Food supply security of the state can be defined according to the following criteria:

sufficiency of food consumption is a relation of actual level of consumption of basic food products per one person to scientifically substantiated (medically recommended) standards of healthy eating. In 2005 this index for the most important food products (milk and meat) was equal only to 49—59 percent.

availability of food products consumption is a relation of the cost of annual set of food products per one person which meets scientifically substantiated standards of healthy eating to annual income per one person;

food supply independence — is a share of import in the total volume of food products consumption.

as a result of the Programme performance it is anticipated to reach the following production rates in 2015:

meat — 2,1 times increase, milk — 1,4, fruits, berries and grapes — three, vegetables and melon — 1,3 times increase compared to 2005;

grain — 50 million tons, sugar beet — 25, oil-bearing crops — 15, vegetables — 8, potatoes — 18, fruits and berries — 3,2, grapes — 0,8, milk — 20, meat — 5,1 million tons, eggs — 17 billion items, that will allow to reach scientifically substantiated standards of food products consumption and support effective export potential.

2. Development of plant production

Development of plant production can be achieved by means of enhancement of land relations and introduction of modern technologies that will facilitate stability and effectiveness of agricultural land use and welfare increase among rural population.

Development of plant production shall be undertaken via:

Implementation of market methods of plant production regulation considering the balance of demand and supply;

efficient allocation and deepening of specialization and concentration of plant production in natural and economic zones of the country together with enhancement of the mechanism for the state support provision;

introduction of the mechanism of the state support provision to agricultural manufacturers focused on promoting application of high-reproduction breed and cross-breed seeds, adherence to the demands of modern technologies;

support of the wholesale plant production via encouraging creation of partner associations of land plots (shares) owners;

stimulation of organic farming development;

introduction since 2008 of budget financing of scientific institutions and seed enterprises involved in producing of seeds of advanced breeds and cross-breeds with high sowing conditions.

3. Land management and the state land cadastre

The tasks aimed at provision of land relationships development shall be fulfilled by means of the state land cadastre enhancement, development of recreational and health-improving land use, adjustment of rural territories, safeguarding and improvement of soils fertility, advancing of land monitoring system, land melioration development, establishment of agricultural land market.

For ensuring complex adjustment of rural territories and agricultural land ownership and land use as well as the state cadastre updating it is anticipated to:

to conduct inventory accounting of agricultural owned and used lands;

to generate methodologies and conduct research of agro-ecological status of agricultural lands;

to work out recommendations regarding efficient allocation of agricultural facilities depending upon the quality of soil;

to ensure adjustment of owned and used lands of agricultural enterprises and farms taking into account their optimal sizes and requirements of ecological and landscape territory planning;

to conduct environmental protection measures, including agrarian forest meliorative and erosional-preventive ones;

to evaluate land resources, recreational and health-improving potential;

to conduct conservation of low-productive, degraded and technologically polluted lands;

to provide enlargement of land plots through alliance of land plots (shares), establishment of cooperatives and other partner associations;

to take steps aimed at renovation of meliorated lands;

to ensure adherence to legislative requirements on the procedure of allotment of land plots to the owners of land shares;

to secure realization in full scope of the rights of land plots and shares owners and economic agents regarding aggravation of responsibility for fulfilment of lease contracts commitments and their state registration;

to set-up legal and regulatory framework and a computer-managed system of the state land cadastre maintenance;

to update with due account for market conditions of the agricultural production the methods of soil quality evaluation, economic and standard monetary evaluation of lands;

to improve the procedure of lands accounting taking into consideration quantitative and qualitative indices and provide their intended use.

4. Protection and improvement of soil fertility, ecologization of agricultural production

The state policy is aimed to settle issues related to ensuring land protection, improvement of soil fertility and ecological safety of rural territories via fulfilment a complex of steps under the projects of land planning which anticipate the following:

optimization of the structure of cultivated areas and sowing change in order to increase the productivity of agricultural lands, prevention of erosion processes and improvement of soil fertility;

improvement of humus and other nutritive balance by means of increase of mineral fertilizers (2007— 2008 — 2,9 million tons, 2009— 2010 — 3,5 million tons, 2011—2015 — 4,1 million tons of

mineral fertilizers in active material) and organic fertilizers, including composted peat and organic plant residues;

expansion of the application area of soil-safeguarding technologies;

taking efforts aimed at prevention of soil pollution with heavy metals, industrial wastes, pesticides and other agrochemicals;

conduction of chemical melioration of soils for improvement of their capacity;

intensification of the state control over conduction of soil safeguarding and fertility improvement efforts;

increase of responsibility among land owners and users for rational use and safeguarding of soils;

stimulation of extraction from intensive use of degraded, low-productive and technologically polluted agricultural lands;

formation of ecological network as an effective mechanism for preservation of landscape bio-diversity.

5. Enhancement of the land monitoring system

The land monitoring system involves timely detection of the changes of lands status, their evaluation, recreation and rectification of negative processes consequences.

According to legislation the land monitoring system shall be improved through:

compulsory agrochemical inspection of soils, control over the change of their quality status, agrochemical rating of land plots;

assessment of latent risks and damage to land in consequence of technogenic and natural extraordinary situations;

update of standards and regulations in the field of land use and protection, including safeguarding of soils and their fertility improvement.

6. Land reclamation

In order to increase the level of utilization of meliorated lands it is planned:

to provide effective functioning of reclamation system;

to create conditions for supply of farms which are involved in irrigated cropping with high-producing irrigating equipment;

to establish a system focused on regulation of water-air regime of soils under draining conditions.

Till 2015 it is anticipated to renew and reconstruct irrigating and draining systems at the area of 2 and 2,3 million hectares accordingly.

7. Establishment of agricultural land market

The agricultural land market shall be established for further optimization of land-owning and use, increase of land resources use efficiency, ensuring realization of the constitutional rights of citizens, legal entities and the state to own land, attraction of investments into the agricultural sector.

Establishment of agricultural land market shall be achieved by:

adoption of laws of Ukraine on creation and functioning of land market, maintenance of the state land cadastre, establishment of the state-owned land fund and its management;

creation of the unified real estate registration system, including land plots;

facilitation of land market infrastructure development (land exchange, auctions, tenders, etc.);

advancing of approaches to evaluation of agricultural lands with due consideration of market conditions;

strengthening of the protection of land owners rights and control over pricing policy at the land market.

8. Development of livestock agriculture

The following steps should be taken in order to fulfil the tasks in the of livestock agriculture:

to stop cattle livestock reduction through improvement of budget subvention mechanism;

to ensure gradual increase of the number of high-productive milk dairy cows at agricultural enterprises and farms and to reach the level equal to 1,7 — 1,9 million heads in 2015 through own production and purchase of replacement heifer abroad;

to provide gain in meat production by means of the development of meat livestock, poultry industry and pig breeding in the agricultural enterprises and large farms;

to induce development of meat livestock in the regions favourable for this;

to develop compatibility of products through supporting the set-up of fully mechanized livestock farms and complexes, equipped by proper feeding reserve;

to create modern state system of selective breeding within livestock and poultry industry;

to create conditions for better supply of the agricultural manufactures starting with private farms with young breeder;

to promote concentration of livestock products in private farms by means of the cooperatives establishment with the goal to receive high-quality raw material and safe livestock products, expansion of purchasing infrastructure, 1,5 times increase of marketability of livestock products;

to promote development of compound animal feed industry on the basis of cooperative approach and creation of cultivated grasslands;

to expand the network for training of livestock operators with different specialization, to improve qualification and mechanism of appraisal of the specialists who work in the sector.

In order to ensure stability and development of livestock industry as a competitive sector it is planned to:

execute additional payments to livestock manufacturers for sold quality stock of cattle, pigs and poultry, milk and wool, for current and gained breeding stock of farm animals;

promote purchasing of heifers and calves by the agricultural enterprises from breeding companies and their import from abroad.

9. Material and technical resources and services market

The following efforts shall be taken in order to improve situation with renovation of the material and technical stock:

to define real parameters (including cost estimation) of industry fixed assets, their status and use indices within the framework of Ukrainian national agricultural inventory;

to conduct in the course of the abovementioned inventory an estimation of the fixed capital applying cost plus approach for identification of the replacement cost and discounted cash flow and relative – for determination of the market value and potential benefit of the property;

to work out scientifically substantiated standards of the need for agricultural fixed assets with due consideration of the optimal specialization of the regions of Ukraine and international tendencies of the agricultural sector development with the aim to determine the volumes of capital investments required to their build-up;

to reform the depreciation system in order to orient it on investing through delimitation of economic and fiscal functions of depreciation,

deregulation of amortization deductions within scientifically substantiated limits, stimulation of target application of accumulated depreciation;

to facilitate development of unusual renewable energy sources and alternative types of liquid and gas fuel, primarily bio-diesel and bioethanol;

to improve the system of farming machinery and equipment leasing, to increase the amounts of state support granted to leasing companies, to promote leasing activity of other financial institutions and machine-building enterprises, to create favourable conditions for wide attraction of domestic and foreign investments;

to develop branded technical service during warranty and post-warranty period of farming machinery exploitation with participation of original manufacturers and suppliers, to ensure development of market technical service infrastructure primarily on cooperative basis;

to implement systemized monitoring and modern means of informatization for material and technical resources of the agricultural sector;

to intensify training of machine operators with wide range of knowledge and their qualification improvement, to enhance the mechanism for appraisal of technical and engineering specialist.

10. Establishment and development of the agricultural market infrastructure

There will be the following steps undertaken in order to develop the agricultural market:

to extend the volumes of agricultural products exchange trading;

to introduce at the commodity exchanges modern exchange mechanisms of e-trading with involvement of goods flow instruments, including goods derivatives and warehouse certificates, such as:

establishment of forward trading as means of self-financing of a manufacturer applying efficient system of guaranteed fulfilment of contract commitments;

establishment of the system of the derivative use of warehouse certificates as a special type of exchange goods with the aim to simplify the procedure of their use at the commodity market;

implementation of the system of derivative trading (futures contract, option) as a mean of property rights turn-over under commodity exchange contracts for introduction of the insurance mechanism (hedging) for pricing risks in the future via clearing and netting institutions;

legislative support for the activity of wholesale agricultural markets both for the enterprises, namely cooperatives, which continue the technological chain of agricultural production and marketing with identification of the respective code in the Unified Register of Enterprises and Organizations of Ukraine (EDRPOU) and business entities which render services for the agricultural producers and do not have the aim to make profit;

to fix the right of wholesales agricultural markets with participation of direct producers to render transportation, warehousing, packing and financial services to the market operators;

financial involvement of the state at the republican and local level in the establishment of the network and infrastructure of wholesales agricultural markets;

improvement of transport infrastructure, promotion of work focused on restoration of river transportation of the agricultural goods and manufacturing of heavy carrier trucks for agricultural cargoes;

performance of projects on creation of a network of cooperative grain elevators by agricultural producers, including those located in ports, with active associated participation of grain traders and the state;

set-up of a system of the state institutions having controlling functions over security of export product and adaptation to international regulations, support of IT-development, creation of conditions for free access of all market participants to information, analysis results and forecasting data;

state support to establishment of cooperative retail channels of agricultural products starting with small-size agricultural producers as a basis for creation of a favourable competitive environment in the sphere of relationships connected with distribution, alternative for intermediary commercial channels;

promotion of cooperating processes, especially with participation of small-size agricultural producers, from the state bodies of agrarian management by means of allocation of special divisions within their structure focused on coordination of the development of production and service cooperating and inspection of the identity of agricultural cooperatives and their associations with due consideration of cooperative principles and legislative acts;

improvement of material and technical basis of service cooperatives;

participation of non-agricultural enterprises of the agricultural sector and consumer associations in formation of agricultural retail cooperatives on associated basis;

granting of subsidized loans to service cooperatives under the terms which are applied to agricultural producers;

creation of conditions for establishment of transparent channels of products promotion from the producer to the consumer;

familiarization of agricultural producers with the advantages of cooperative and other types of sales of agricultural products and products of their processing.

11. State regulation of the agricultural market

The state regulation of the agricultural market shall be executed through:

improvement of the system of forecasting and accounting of the balance of actual demand of population and supply at the food market;

advancing of the activity of the Agrarian fund and Agrarian exchange together with the development of their infrastructure and formation of the state food and financial reserves in the amount required for securing stable functioning of the agricultural market;

timely application of commodity and financial interventions on the determined types of products if they are sold at the agricultural market, annual substantiation of minimal and maximum prices for efficient application of interventions with due consideration of inflation rates and indices of prices;

establishment of the state monitoring office within the structure of the Ministry of Agrarian Policy of Ukraine focused on the agricultural market for operational decision making on the issues related to taking steps by the state for its regulation and creation of conditions for free access of all agricultural market participants to information;

improvement of legislative and methodological basis in the field of control over products quality, trade regulations, pricing policy at the agricultural market;

strengthening of control over ensuring consumer protection;

advancing of the mechanism of state support for the main types of agricultural production aimed at ensuring food supply security;

realization of customs policy with adherence to WTO requirements;

introduction of expert evaluation of future crops applying modern technologies of research and calculations;

update of statistics reporting in order to receive actual assessment of the domestic agricultural market capacity and its export potential.

12. Ensuring of food safety and quality

The policy of ensuring safety and quality of food shall be focused on:

completion by 2010 of the development and implementation of quality standards for the main types of agricultural production and food products in accordance with the international ones;

creation of the registers of standards for agricultural production and food products;

set-up of a database containing information about Ukrainian and foreign technologies, state-of-the-art food innovations which meet and exceed the level of world analogues;

advancing of the mechanism of the state control over adherence to veterinary and sanitary regulation while animal husbandry and manufacturing of animal products;

creation of conditions for controlling the process of animal breeding, quality of food staples and food products according to WTO rules;

determination of requirements towards the work of controlling bodies which are responsible for increase of effectiveness of the steps aimed at controlling the quality of food products according to WTO rules;

accrediting of the state veterinary laboratories in compliance with ISO/IEC 17025 requirements;

clarification of the list of sanitary and phytosanitary measures in order to reconcile them with WTO Agreement on sanitary and phytosanitary measures;

improvement of the control over performance by manufactures of the requirements of regulating documents, technical rules on the quality of products, legislative requirements in the field of consumer protection, change of the role of state and market operators regarding provision of safety of products according to European principles;

development of the legal framework on issues connected with use of food products manufactured out of genetically modified organisms;

improvement of the state control over the food products quality in order to avoid duplication of functions inside the executive power under the Action plan — Ukraine-EU.

13. Support of agricultural manufactures income

Taking into account the dependence of agriculture upon weather patterns and high level of risks as well as extended production cycle which determines slow capital turn-over the following work shall be undertaken:

improvement of current and introduction of new mechanisms of agricultural manufacturers support in compliance with WTO requirements;

implementation of investment support allocation for production with low level of profitability starting with the livestock industry;

support of the agricultural manufacturers income via stimulation of insurance development, creation of insurance market infrastructure, advance in legislative and methodological framework for its regulation.

14. Development of agro-ecological image of Ukraine

In view of the fact that domestic agriculture is a crucial industry in supplying the population with food products the issues of ecological safety are of primary importance.

Therefore it is planned:

to take organizational and legal steps regarding implementation of resource-saving, safe and ecologically sound production of agricultural products and results of their processing;

to introduce the mechanisms for stimulation of environmental development of agriculture, creation of conditions for restoration of soil fertility, water and other natural resources;

to promote pricing with due consideration to ecological safety of products;

to establish a system of permanent audit of adherence to technological and ecological requirements and management standards;

to ensure effective transmission of information about the methods and means of agro-ecologic activity through the system of agricultural professional education, consultations to agricultural producers and advisory information services on methods of agro economic activity;

to develop the draft National code on stable agricultural management, to ensure implementation of basic agro-ecological requirements and standards and control over their fulfilment as a condition for granting budget support to manufacturers;

to stabilize the development of organic farming, to create a system of its certification;

to form the information space for export of ecologically safe agricultural production.

15. Development of organizational and legal forms of farm management

It is anticipated to create equal terms for effective activity of all kinds of farms and to promote establishment of producers associations both in production and service spheres that will facilitate increase of their competitive advantages.

The following efforts shall be realized in this regard:

preparation of recommendations on optimizing the sizes of agricultural enterprises and their structural divisions with due consideration to specialization and specifics of natural and climatic zones;

substantiation and provision of recommendations regarding rational organization of agricultural production within different farm enterprises, determination of their technical and economic parameters;

attraction of the capital of domestic non-agricultural structures for establishment of unified land and property agricultural complexes on the terms of partnership and co-operation;

generation and fulfilment of the programme for support of competitive farming development;

facilitation of the development of service cooperation of agricultural producers, creation of friendly environment for establishment and registration of non-profitable agricultural service cooperatives;

organizational and financial support focused on establishment of cooperative units of agricultural producers;

stimulation of processing and other agricultural enterprises participation as well as consumer associations in establishing cooperative units on the terms of associate membership;

facilitation of development and implementation of zonal models of new production units organization on the grounds of partnership;

promotion of diversification of business activity in rural areas, development of rural tourism, restoration of ancillary craft and trades;

improvement of the state statistic reporting in order to cover all types of farming at the agricultural lands.

16. Development of external economic activity

There are the following ways of the problem settlement:

accession of Ukraine into WTO, integration and extension of its participation in the international agricultural organizations activity;

realization of efforts preventing antidumping investigations, expansion of application of bilateral and multilateral inter-government trade agreements execution in the agricultural sphere and provision of the domestic market participants with information related to external markets environment through establishment of a monitoring system;

development of external-economic marketing cooperation;

attraction of foreign investments for ensuring implementation of modern technologies, management, increase of compatibility of domestic products at the domestic and external market;

stimulation of production volumes increase and export of ecologically safe agricultural products;

continuation of works aimed at harmonization of national legislation with the requirement of WTO and EU;

completion of the development of the national standards of phytosanitary and veterinary control in compliance with WTO requirements and EU directives;

development of the national standards for milk and meat products according to international ones;

application of the authorized by WTO mechanisms of limitation of agricultural export operations with the aim to ensure food supply security of the state and stabilization of domestic market;

promotion of geographical diversification of the external market of agricultural production marketing, strengthening of positions at the traditional markets;

restoration of an institute of agricultural advisors within the structure of Ukrainian embassies covering the most attractive for export regions of the world;

update of the mechanism of information support for the development of export capacity;

improvement of the system of attraction of international support for harmonization of food quality standards, phytosanitary and veterinary control in the agricultural sector;

creation of conditions for attraction of direct foreign investments and credit facilities into the agricultural sector with the goal to develop agricultural production and facilitate the development of rural areas, to launch joint investment projects;

immediate adjustment of the national nomenclature of goods in the sphere of external-economic activity to the unified international one (2007 edition) in order to prevent claim from the side of other states (upon WTO accession);

adoption of unified average customs duties for disputable commodity codes;

suspension of the duty and value added tax applied to production assets for those producers which import them for fulfilment of export contracts subject to guaranteeing of such suspended liabilities by large banks;

strengthening control over the stated price at the boarder of Ukraine as an exporting-importing country compared to the price of another importing-exporting country in order to prevent underpricing as a way of tax evasion and export of financial resources.

IV. Financial support of the agricultural sector

1. Development of financial services market

Financial services can be rendered through operations at the market of credit and insurance facilities, debt instruments and pledges.

There are the following basic ways of the agricultural sector crediting development:

establishment of credit infrastructure:

facilitation of the cooperative credit system focused on rendering services to agricultural market participants, small-size and middle-size businesses in rural areas;

expansion of the number of functions of the fund of support for husbandry farms in regard of granting small loans for individual husbandry farms and their associations;

promotion of the development of rural credit unions and their associations;

improvement of credit instruments;

introduction of pledge operations with application of warehouse certificates, pledge and mortgage bonds;

improvement of the level of guaranteeing payback of loans via establishment of the state system of real estate registration, namely land plots, development of evaluation and insurance activity, use of pledged property, improvement of the mechanism of insuring financial risks of commercial banks;

improvement of the mechanism of the state support to the agricultural enterprises through the mechanism of interest rates decrease for credit facilities use;

development of the network of credit support to agricultural products sales under forward and future contracts, factoring operations with application of bills of exchange;

build-up of the system of debt instruments and pledges registration;

performance of efforts regarding development of debt instruments, financial derivatives and title for agricultural enterprises;

establishment of the system for formalization of debt instruments in a form of securities;

improvement of the system of warehouse documents registration as well as legislative framework for extended application of bills of exchange as a payment mean.

Development of the agricultural sector insurance shall be focused on the following directions:

update of the legislative framework on the issues of insurance in the agricultural industry;

set-up of the National agency of state support to agricultural insurance;

working-out and adoption of the Programme of state support to insurance operations in the agricultural sector of the economy;

establishment of pools of companies involved in insurance of risks in the agricultural sector.

2. Investment and innovation model of development

In the process of the Programme realization an investment and innovation model of the agriculture development shall be formed as a result of increase of competitive struggle at the market of agricultural products and integration of Ukraine into the international economic environment.

Establishment of the abovementioned model shall be provided by means of:

development and realization of the state, regional and other programmes of the sector development;

attainment of outstripping rate of growth of investments from domestic and external sources;

development of the innovative products market;

creation of innovation parks on the basis of current agricultural research and educational institutions;

formation of the investment support to farming units with the primary focus on realization of innovative projects;

utilization of budget funds on tender terms for investment projects in the field of rural social and economic infrastructure development;

direction of one third of incomes to road funds for innovating development of road network in rural areas;

creation of economic conditions for the development of organic farming;

financing of the development of material and technical basis of scientific institution of the agricultural complex in the annual amount not less than 6 percent of the fixed assets cost;

improvement of the state ordering system for intellectual property rights;

provision of priority to agricultural producers in the process of competitive selection of innovative projects to be financed by the state;

reconciliation of depreciation policy within the enterprises which lease property;

expansion of international co-operation in the sphere of innovations;

increase of the level of commercialization of the results of scientific research and innovations;

establishment and development of advising activity, taking of steps aimed at the efficiency increase of advising offices activity.

Performance of the efforts aimed at establishment of investment and innovation model of agriculture development will ensure attraction of about 20 billion UAH into the sector since 2015.

3. Budgetary policy

The budgetary policy is formed according to the legislation and has the target to guarantee food supply security of the state and compatibility of agricultural production.

There are the following priorities of the budgetary policy:

innovative development of the sector;

creation of conditions for high-technology competitive commodity production;

support to the improvement of the system of agricultural producers crediting;

provision of financial participation of the state in the programmes on insuring and guaranteeing of the agricultural producers profit;

financial support to enterprises in their effort focused on acquisition of material and technical resources;

financial support to manufacturing livestock and farming products;

ensuring social protection of population employed in the agricultural sector, partial reimbursement of agricultural producers costs related to payroll payments to social insurance and pension funds.

Realization of the priority efforts anticipates the following:

partial compensation of natural disaster damages;

creation of the state food stocks;

provision of assistance in the field of structural change of agricultural production via compensation of released degraded natural resources and through state investments into restructuring of production activity;

improvement of the system of state control over products safety and quality;

rendering of marketing and promotion services;

performance of efforts in the field of struggle with pests, animal and plant diseases;

application of advanced experience and consulting services rendering;

financing of innovative scientific and research works and their material and technical supply;

training, retraining and skills upgrade of specialists and workers for production and social sphere of rural areas;

environmental protection and ecologically safe production.

The following efforts should be performed for improvement of the state support:

to determine the criteria for budgetary funds distribution;

to introduce the mechanism of agricultural producers participation in the programmes of state financial support on the terms of equal access and effective use of budgetary funds;

to increase the volumes of financing of scientific researches and works, advising activity, education, development of rural social sphere and rural territories, system of control over food products safety and quality;

to mark up the efficiency of the state budgetary funds use for support of the agricultural industry by means of implementation of the target-programme method of formation and utilisation of budgetary funds;

to conduct monitoring of budgetary programmes performance in order to cancel inefficient programmes and to direct financial resources to realization of the programmes which in the best way meet the goal of the state support.

4. Taxation system and mechanism improvement

The following is planned in this regard:

to improve the system and mechanism of taxation applied towards agricultural producers with due consideration of seasonality of agricultural production;

gradual transformation of indirect state support to agricultural producers together with introduction of special regimes of taxation in line with WTO requirements;

implementation of the mechanism of direct and indirect taxation taking into account the need for ensuring compatibility of the agricultural sector at the domestic and external markets.

The following aspects should be developed in the system of agricultural producers taxation:

In the field of direct taxation:

keeping of a fixed agricultural tax during the period till 2010;

implementation of a simplified taxation system, accounting and reporting of small-size entrepreneurs with the aim to facilitate their development in rural areas and creation of new jobs;

provision of switching of agricultural manufacturers which deal with production (growing) and processing of under glass farming products as well as livestock and poultry ones into the payment of a fixed agricultural tax in percent out of gained income;

strengthening of the importance of land payments, improvement of methodological approaches to the determination of their amount with the goal to depict real volumes of rent incomes and substantiation of reasonable rates level for proper financing of the development of rural areas.

In the field of indirect taxation:

stage-by-stage withdrawal of indirect way of support of the agricultural production with the help of special tax regimes utilization (in a part of consideration of WTO requirements and EU directives);

preservation during the period till 2009 of special regimes of value added tax application for agricultural producers.

The performance of the abovementioned measures will give an opportunity to increase the effectiveness of taxation system in the industry, to strengthen a regulatory function of taxes and to increase budget contributions, to adjust the instrument of financial support with WTO requirements and EU directives.

5. Improvement and reforming of management system in the agricultural sector

Improvement and reforming of management system in the agricultural sector anticipates the following steps:

analysis of problem segments of management which prevent development and realization of effective agrarian policy in the long-term perspective;

conceptual determination and modelling of a strategy of transformational development of the agricultural potential of Ukraine based on implementation of innovative management instruments;

qualification of methodological approaches and applicable mechanisms of management improvement in the sphere of state budgetary support, crediting, insurance, tax and tariff policy, other types of infrastructural development of agriculture;

ensuring of preparation for launching of one of the most important vectors of the state agrarian policy for the forthcoming 7-10 years – large-scale target project on reforming of the system of Ukrainian agricultural potential management aimed at the establishment of a powerful and competitive agro-industrial complex;

solution of a questions in the field of establishment of scientific and methodological, institutional, regulatory and technological, legislative and professional framework for a set-up of system for informational supply of the agricultural management according to international standards;

target, structural, functional and legal adjustment of the activity of the Ministry of Agrarian Policy of Ukraine to present time challenges, the state strategy of social and economic development and the tasks of the Programme.

The main criteria which should ensure transition to a brand new modern management system anticipate the following:

creation of a competitive system of management in the sphere of agricultural industry which would meet international managements standards and WTO requirements and EU directives;

introduction of a model which would efficiently combine the state and non-state form of management together with applicable management at the level of separate sectors and enterprises;

readable and balanced breakdown of functions, authorities and responsibility between management bodies that will facilitate consistency and efficiency of positive economic processes both in the production area and in the social development of rural territories;

establishment of the system of management by secure IT means and technologies that will give an opportunity to manage on an operational and high-quality basis the processes of preparation, adoption, execution and adjustment of decisions at different management levels and business activity;

innovative modernization of the system of training and use of highly professional management personnel with due application of progressive

methods of rating, assessment and motivation of managerial work, provision of a transparent and legislatively protected career promotion of management and specialists at public service;

creation of a modern science school focused on organization and development of the management aimed at working out of competitive theoretical and applicable innovations.

It is planned to split the fulfillment of the work on improvement and reforming of the management system into three stages which are complimentary to each other and are based on the unified conceptual and methodological basis:

the first one — improvement of management methods;

the second one — preparation for reforming;

the third one — realization of administrative and managerial reform.

Improvement of management methods includes the following main tasks:

analytical inspection of the management system in the agricultural sector and generation of a respective report based on it with suggestions regarding determination of the essential principles and goals of its modernization and reforming;

rating of structural and functional indices of the current management system: center-region-district; improvement of a typical staff structure and regulations on regional and district agricultural development administrations for the purpose to create equal and sufficient conditions for their effective functioning;

introduction of management methods which promote increase of compatibility of the agricultural sector under conditions of WTO accession;

advancing of controlling and inspecting activity;

working out and adoption of regulatory acts execution which will stimulate agricultural production and development of market environment;

creation of the monitoring system in the different spheres of management with high level of certainty, responsiveness and unification of information flows;

improvement of the structure and determination of functions of the Ministry of Agrarian Policy of Ukraine according to the Law of Ukraine —“On the Cabinet of Ministers of Ukraine”.

Preparation for reforming anticipates realization of the project called —Development of the model and instruments for realization of

administrative and managerial reform in the agricultural sector” as a separate budget programme till the end of 2008.

Carrying out of administrative and managerial reform foresees the following:

shaping of the functions on governmental and non-governmental management according to defined management model for the agricultural sector and strategic plan of its development;

set-up of specialized agro-industrial sub-complexes with complete production cycle of the end product and its marketing and a separate mechanism of financial and economic supply;

establishment of positive co-operation of the Minagropolicy and other governmental bodies dealing with the agro-industrial production with public professional and inter-professional organizations in the field of generation of agrarian policy and implementation of responsibility for its effective performance;

improvement of the structure of management bodies which execute the state regulation of the agricultural sector in the part of rural territories development.

Informational supply of the agricultural complex management shall be focused on:

creation of the state network of informational and marketing centers dealing with introduction of informational services, research performance and ensuring the development of the e-market and advanced system of state planning via generation of sectoral and cross-sectoral balances;

set-up of informational and analytical monitoring system on the basis of these informational and marketing centers for monitoring of performance of the agricultural social and economic development indices;

inventory of electronic information resources and set-up of an integrated informational (search) network;

creation of an informational and analytic center.

6. Professional education

The issue of human resources supply of the agricultural sector is planned to be settled through:

Improvement of the state higher education standards adopted to the requirements of Bologna convention, ensuring accessibility of education and increase of compatibility of the graduates from the higher agrarian educational institutions at the international labour market;

Introduction of personnel training for the agricultural sector under the target assignment within the state order;

working out and realization of educational programmes for the specialists in the sphere of business activity, management, finance and business-administration applying the system of training and retraining of human resources;

increase of enterprises motivation for their employees training, provision of financial and technical help to educational institutions which provide it;

improvement of the skills upgrade forms and methods of pedagogical and scientific-pedagogical personnel employed by the higher agrarian educational institutions applying practical study at the agricultural enterprises;

reforming of the system of agrarian education in compliance with international standards and demands of the domestic and European labour market;

completion by 2010 the process of establishment of regional university centers with the aim to increase the level of teaching at the national universities to the European level;

improvement of the mechanism of career-guidance at rural schools, selection and involvement of talented rural children in studying in the higher educational institutions primarily in agrarian ones;

optimization of the network of higher agrarian educational institutions, adaptation of courses and faculties on which the training of agrarian specialists will be performed according to the needs of production and agricultural market;

assistance to young specialists in establishment of farms, getting long-term loans on payback and non-payback basis for allotment of land plots, construction of houses, acquisition of agricultural machinery, breeding livestock, production, processing and marketing of the manufactured products;

expansion of the network of educational centers and their supply with modern agricultural machinery.

7. Agrarian science

Under the market conditions the agricultural production is developing mainly by means of implementation of advanced technologies and creation of an innovative model of the agricultural production.

Realization of the Programme stipulates the following:

scientific supply of the priority tasks fulfillment in the field of innovative development of the agricultural production and rural territories;

development and application of forecasting and modeling technologies on the development of the agrarian sector and rural territories;

subjection of the essential volumes of the agrarian science financing to general state order for creation of innovation products and formation of the supply model of agriculture with innovative attainments;

development of scientific research at the higher agrarian educational institutions and improvement of their cooperation with scientific institutes aiming to increase the level of supply of the agricultural sector with highly-qualified specialists;

promotion of international integration in the sphere of science;

quality improvement of measures on implementation of the results of scientific research.

8. Development of advisory services

Increase of compatibility of the agricultural products via introduction of modern technologies is one of the main tasks of effective economic operations. That is why there is a need in setting-up a system for expansion of agricultural knowledge and information through the network of advisory offices and creation of conditions for rendering their advisory services to agricultural businesses and rural population on the following:

management, marketing, accounting, taxation system, environmental protection, employment and self-employment of rural population;

implementation of advanced technologies, modern scientific attainments and positive foreign experience in production;

employment of rural population by means of development of agricultural and non-agricultural business activities and cooperation in rural areas, namely generation and realization of youth programmes, fulfillment of other initiatives of citizens;

provision of assistance to the executive governmental and local bodies in generation and realization of social and economic plans of rural area development;

formation of civil society with due consideration of the needs of rural population and communities, development and performance of the state and local programmes of advisory activity.

Creation of an effective advisory service stipulates:

completion of the network of regional and district advisory offices formation with representatives at village councils;

involvement of the agrarian higher educational and scientific institutions into the provision of social-oriented advisory services;

establishment of the agricultural distance education and advisory system;

provision of the state support to agricultural advisory activity through annual allocation in the state and local budgets of the funds for financing of the State target programme of agricultural advisory activity according to the demands of Ukrainian legislation.

9. Stages and control over the Programme performance

The Programme shall be performed in three stages.

During the first stage (2008—2009) together with realization of current tasks on the development of rural areas and agricultural sector the following shall be ensured:

working out and adoption according to the determined procedure of legislative acts on ensuring effective realization of the Programme, namely regarding:

improvement of the living level in rural areas, improvement of the state construction standards, performance of rating of rural territories defining the principles for rural settlement network optimization, status of a rural settlement, authorities of self-government bodies in the field of social development of the settlement network;

establishment of the Inter-Agency coordination council on the development of rural territories;

working out and adoption of the state programmes on production and supply of mineral fertilizers, plant protection means and chemical ameliorants, restoration and reconstruction of irrigation and drainage systems;

formation of the agricultural lands market, establishment of a state enterprise managing the state-owned lands; ensuring efficient use, renewal and fertility improvement of soils; control over handling of the agricultural production as a condition for access to budgetary support of the agricultural complex development;

improvement of organizational and legal mechanism for establishment of personal farms associations aiming to use land plots in a joint and effective way;

standardization of organic agricultural operations and production of bio-fuel;

participation of the state in creation of the wholesale food markets infrastructure;

harmonization of quality standards for the main types of agricultural products with the international requirements;

establishment of professional associations of manufacturers aiming at protection their interests and promotion of their products at the domestic and external markets;

introduction of amendments to the legislative acts regarding special taxation regimes;

taking a series of steps concerning adjustment of the state support mechanism with WTO requirements and EU directives as well as the legislative framework on the agricultural sector development;

set-up in case of necessity of additional governmental and non-governmental management bodies for organizing performance of the measures anticipated by the Programme regarding provision of social development of rural territories and expansion of the agrarian market;

rating of rural territories, working out regional development programmes and town planning documentation based on its results, determination of the volumes and sources of financing;

performance of organizational, informational and explanatory work in view of the Programme realization.

Within the second stage (2010—2011) the social and production rates stipulated by the Programme shall be performed.

Within the third stage (2011—2015 роки) it is foreseen to:

ensure realization of the determined measures according to each direction of the agrarian sector and rural area development;

achieve the volumes of production anticipated by the Programme;

plan the further work aimed at the development of rural areas and the agricultural sector;

create social, economic and other conditions for ensuring proper increase of production rates and living standards of rural population.

Coordination of efforts and control over the Programme tasks performance shall be executed by the Ministry of Agrarian Policy of Ukraine and Inter-Agency coordination council on the rural area development.

PASSPORT
to the State target programme on the development of Ukrainian rural
areas for the period till 2015

1. The Concept of the Programme was adopted by the resolution of the Cabinet of Minister of Ukraine dated December 21, 2005 No. 536 —“On adoption of the Concept of the Programme for the support of Ukrainian rural areas development for the period of 2006—2010” (Official bulletin of Ukraine, 2005, No. 52, page 3339).

2. The Programme was adopted by the resolution of the Cabinet of Ministers of Ukraine dated 2007, No. .

3. The state initiator and coordinator is the Ministry of Agrarian Policy of Ukraine (Minagropolicy).

4. The state ordering party — Minagropolicy.

5. The leader of the Programme — Minister for Agrarian Policy.

6. Executors of the Programme activities: Ministry of Agrarian Policy (Minagropolicy), Ministry of Regional Development and Construction (Minregionbud), Ministry of Economy, Ministry of Finance, Ministry of Labour, Ministry of Fuel and Energy, Ministry of Transport and Communication, Ministry of Industrial Policy, Ministry of Education and Science, Ministry of Health, Ministry of Environmental Protection, Ministry of Culture and Tourism, Ministry of Family, Youth and Sports, State Committee of Water Resources, State Committee of Land Resources, State Committee of Forestry, Ukrainian Academy of Agrarian Sciences, Council of Ministers of the Autonomous Republic of Crimea, regional and Sevastopol city administrations.

7. Time of performance 2008—2015.

8. Expected volumes and sources of funding, Mln. UAH.

Funding source	Funding Volume	including per year			
		2008	2009	2010	2011—2015
State budget	120750,5	15318,9	15153,5	14550,4	75727,7
Local budgets	11,2	0,1	0,3	10,1	0,7
Other sources	7402,4	407,2	984,1	1028,2	4982,9
<hr/> Total	128164,1	15726,2	16137,9	155588,7	80711,3

TASKS AND STEPS
on performance of the State target programme on the development of Ukrainian rural areas for the period till 2015

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								

Development of the social sphere and rural territories

1. Ensuring implementation of social standards in rural areas	number of rated objects of social infrastructure, thousand	28,6	10,7	17,9	Rating of the objects of social infrastructure within rural settlements	Minagropolicy	state budget	0,8	0,3	0,5			
					Reimbursement of costs incurred by agricultural enterprises while constructing the objects of social sphere in rural settlements	—	—	800	100	100	100	500	

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
2. Business activity development						Granting of financial support to farming enterprises	—	—	536,4	60	63	66,2	347,3	
3. Development of the network of rural automobile roads	number of access roads	370	110	155	105	Construction and reconstruction of access roads with hard-surface roads to rural settlements	Ministry of Transport and Communication	—	1203,1	260,4	528,1	414,6		
4. Improvement of engineering infrastructure	length of built access gas pipelines, km	800	38,4	88,6	104,2	568,8	Construction of access gas pipelines to rural settlements	Minregionbud and Minagropolicy	—	2002,3	258,9	203,1	238,8	1301,5
						Construction of local pipelines for transportation of gas	Council of Ministers of the Autonomous Republic of Crimea, regional and Sevastopol city administrations	other sources	5284,4	241,2	680,5	777,8	3584,9	

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
							Top-priority provision of rural areas with centralized water supply	State Committee of Water Resources	state budget	339,7	38	39,9	41,9	219,9
5. Development of residential construction and communal facilities	Housing stock, thousand square meters	3066	145	527	548	1846	Performance of regional programmes of support to individual housing construction "Own house"	Minagropolicy	—	910	105	110,3	115,8	579
							Provision of housing to the personnel of educational, cultural, health sphere, budget institutions and organizations of the agricultural sector who reside in rural areas	—	—	5400	1000	800	600	3000

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
	Length of water supply networks, km	9750	400	1200	1350	6800	Reformation and assurance of communal facilities development in rural areas	—	—	354,5	40,9	43	45,1	225,5
6.	Development of education in rural areas													
	Number of acquired school buses	3550	234	432	496	2388	Performance of the Programme "School Bus"	Ministry of Education and Science	—	625,8	70	73,5	77,2	405,2
							Subvention from the state budget to local budgets for computerization and informational support of general education schools	—	—	1444,8	161,6	169,7	178,2	935,4

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
7. Development of medical services in rural areas	Number of built, reconstructed, renovated, equipped with medical devices, ambulances and communication: ambulant clinics, thousand units	4,6	0,2	0,5	0,6	3,3	Construction, reconstruction, renovation, supplying with equipment, ambulances and communication means as well as with highly-qualified personnel of ambulant clinics and rural health posts	Ministry of Health	state budget	1341,1	150	157,5	165,4	868,2
	rural health posts, thousand units	13	0,6	1,4	1,7	9,3								
							Provision of support in health-improvement of children of the agricultural complex employees	Minagropolicy	—	105,6	10,6	11,7	12,8	70,5
8. Development of physical training and sports among rural population							Provision of support in the development of physical training and sports among rural population	—	—	96,2	9,7	10,6	11,7	64,2

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
					Improvement of material and technical equipment of educational-sportive lodges, bases of Olympic training and sport institutions of the state importance	—	—	55,7	6,5	7,6	41,6		
9. Provision of state support to the development of depressed territories					Stimulation of the development of depressed territories	Minregionbud	—	526,6	58,9	61,8	64,9	340,9	
Total per section								21027,1	2565,2	3059,5	2918,4	12484,2	
including:							state budget	15742,7	2324	2379	2140,6	8899,3	

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
								other sources	5284,4	241,2	680,5	777,8	3584,9	

Development of the agricultural market

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10. Development of plant farming	Area of sowing, Mln hectares	108,9	14,6	14,6	14,6	65,1	Payment of subsidies per 1 hectare of grains and technical cultures sowing	Minagropolicy	state budget	9191	1028	1079,4	1133,4	5950,2
	Volume of purchased seeds, thousand tons	53,7	6,5	6,6	6,6	34	Provision of the state support to the agricultural enterprises which are located in difficult climatic conditions	—	—	348,8	35	38,5	42,4	232,9
	Number of purchased spare parts, thousand units	112,5	13,3	13,3	13,5	72,4								

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
Volume of purchased fuel products, thousand tons		127,4	15,4	15,8	16,2	80								
Volume of purchased mineral fertilizers, thousand tons		139,6	16,2	17	17,8	88,6								
Volume of purchased plant protection means, tons		835,5	105	105	105,5	520								
Volume of purchased plant growing regulators, tons		42,3	5,1	5,2	5,3	26,7								
Volume of purchased seeds, thousand tons		614,4	65,1	72,3	79,5	397,5	Provision of the state support in taking selection means in plant farming	Minagropolicy and Ukrainian Academy of Agrarian Sciences	—	979,6	98,3	108,1	118,9	654,2
Volume of production of original seeds, thousand tons		425	45	50	55	275								

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
	The area on which preventive efforts regarding extermination of pests and diseases of agricultural cultures are conducted , thousand hectares	9200	1150	1150	1150	5750	Fighting with pests and diseases of agricultural cultures	Minagropolicy	—	49,8	5	5,5	6,1	33,3
							Partial reimbursement of the cost of electrical power utilized for irrigation of agricultural cultures at the irrigated lands	Minagropolicy	state budget	548,1	55	60,5	66,6	366
							Creation of a reserved stock of certified and hybrid seeds	—	—	199,3	20	22	24,2	133,1
							Formation of national certified plant resources	—	—	62,6	7	7,4	7,7	40,5

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
									865,2	412	453,2			
						Provision of the state support in the development of grape-growing, fruit-farming and hop-growing	—	—						
11. Efficient organization of rural territories and agricultural land users	Afforestation, thousand hectares	71,4	8,7	8,8	8,9	45	Ensuring protection and safeguarding of efficient use of forests allocated for permanent use by agricultural enterprises	—	—	169,4	17	18,7	20,6	113,1
12. Preservation and fertility improvement of soils, ecologization of the agricultural production							Rectification of the consequences of flooding of Solotvinsky salt mines	—	—	130	15	15	16,2	83,8

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
									19,5	1,5	2	16		
						Formation of the national ecological network	—	—						
13. Enhancement of the land monitoring system	Area of inspection, Mio hectares	39,89	4,92	4,97	5	25	Performance of the agro-chemical rating of the agricultural lands	Minagropolicy	state budget	78,7	7,9	8,7	9,6	52,6
14. Reclamation of land	Performance of soil chalking, thousand hectares	1151		130	146	875	Financing of steps aimed at provision of preservation, recreation and fertility improvement of soils	—	—	996,5	100	110	121	665,5
	Gypsuming of soils, thousand hectares	2278,9	216,4	252,7	294,2	1516	Operation of national and inter-farm reclamation systems	State Committee of Water Resources	—	8300,5	928,4	974,8	1023,6	5373,7

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
						Ensuring protection from harmful effect of rural settlements and agricultural farms water resources	—	—	858,3	96	100,8	105,8	555,7	
15. Development of livestock industry	Increase of livestock production volumes:					Increase of livestock production volumes by means of subventions to manufacturers for products sold to processing enterprises	Minagropolicy	—	11075,6	1238,8	1300,7	1365,8	7170,3	
	young stock of cattle with high weight conditions, thousand tons	2890	280	300	320	1990								
	conditioned pigs, thousand tons	3175	280	310	340	2245								
	broiler chicken, thousand tons	9100	750	850	1000	6500								

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
	milk, thous. tons	52060	5500	5700	6000	34860								
	wool, thous. tons	17	1	2	2	12								
	number of livestock, thousand heads:						Increase of the number of livestock within agricultural enterprises by means of:	Minagropolicy	state budget	3576,3	400	420	441	2315,3
	breeding heifers and calves	520	30	40	50	400	purchase of breeding heifers and calves on leasing terms							
	milk dairy cows	7830	700	750	820	5560	additional payments for existing and gained stock of milk dairy cows							
	beef-cows	426	44	45	46	291	additional payments for existing stock of beef-cows							

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
dam-sheep and barren ewes older than 1 year		3325	350	365	385	2225	additional payments for current stock of dam-sheeps and barren ewes older than 1 year							
heifers purchased in private farms		440	20	30	40	350	additional payments for heifers purchased in private farms							
bee-families, thousand		13400	1500	1550	1600	8750	additional payments for current bee-families							
volume of organic milk production, thousand tons		271	26	28	30	187	additional payment for production of organic milk							
identification and registration of the cattle livestock, thousand heads		26455	2500	2700	2900	18355	financing of efforts aimed at conduction of identification and registration of the cattle livestock							

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
						Provision of the state support to selection efforts in the livestock and poultry industries	Minagropolicy and Ukrainian Academy of Agrarian Sciences	—	1167,6	130,6	137,1	144	755,9
						Prevention of animal infections spread	Minagropolicy	state budget	312,9	35	36,8	38,6	202,6
						Selection in fishing industry	—	—	120	13,4	14,1	14,8	77,7
						Reproduction of live water resources	—	—	35,8	4	4,2	4,4	23,2

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
16. Formation and restoration of material and technical facilities	Share of the state in technical assets purchase, percent	5,5	5,3	5,2	5,2	5,7	—	—	4824,4	539,6	566,6	594,9	3123,3	
								other sources	1893,4	166	182,6	200,8	1344	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
	Number of units of the system of engineering and technical supply covered by the effort of scientific and technical advice	16000	2500	2500	11000	Working out of methodical, research and applicable recommendations regarding speeding-up of innovative development of the engineering and technical supply of the agricultural sector, increase of its workforce capacity	—	state budget other sources	14		2	2	10
								54					54
						Reconstruction of distilling plants for production of bio-fuel	—	state budget	180	17	20	22	121
17.	Establishment and development of the agricultural market infrastructure	26	5	5	16	Establishment and ensuring activity of the state service of monitoring of the agricultural market	Minagropolicy	state budget	89,4	10	10,5	11	57,9

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
					2011 – 2015			403,1	40,5	44,5	48,9	269,2	
					Financing of scientific researches in the sphere of standardization and certification of the agricultural products	—	—						
					Formation of the state food reserve, conduction of pledge and intervention operations at the organized agricultural market	—	—	3335	1335	600	400	1000	
					Holding of the state exhibitions in the field of agricultural production	—	—	79,7	8	8,8	9,7	53,2	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
18. Ensuring of food safety and quality	Number of certified laboratories of veterinary medicine	12	7	5	3	Certification of the state laboratories of veterinary medicine according to the requirements of international certification ISO/IEC 17025	Minagropolicy Council of Ministers of the Autonomous Republic of Crimea, regional and Sevastopol city administrations	state budget local budgets	118	54	40	24	
								10		10			
							Minagropolicy	EU and World Bank loans	170	120,4	49,6		
	Number of constructed laboratories dealing with determination of the agricultural and food products quality	77	11	11	55	Construction and equipment of laboratories dealing with determination of the agricultural and food products quality	—	state budget	175	25	25	125	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year				
		total	including per year							2008	2009	2010	2011 – 2015	
			2008	2009	2010									
					Provision of financial support to the Ukrainian laboratory of quality and safety of agricultural products	Minagropolicy	state budget	183,4	18,4	20,2	22,3	122,5		
					Performance of anti-epidemiological activities	—	—	1194,5	133,6	140,3	147,3	773,3		
19. Development of external-economic activity	Payment of membership dues to UNO on the issues of food supply and agriculture,				Expansion of participation in the activity of international agricultural organizations	—	—	5,9		0,85	0,85	4,2		
	thousand EUR	494,9 9	70,71	70,7 1	353,5 6									
	thousand USD	564,9 1	70,6 1	70,6 1	353,0 6									

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
					2011 – 2015			0,8	0,1	0,1	0,1	0,5	
					Participation in the activity of the International Union for protection of new breeds of plants	—	—						
					Payback of liabilities of the State Service on Right Protection for Plant Varieties and Ukrainian State Seed Inspection on the loans granted by international financial institutions	—	—	2,5	1,6	0,9			
					Performance of international activity in the field of fishing industry	—	—	7,2	0,9	0,9	0,9	4,5	
Total per section								51825,6	6917	6714,7	6291,8	31902,1	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
including:							state budget	49698,2	6751	6411,7	6031,4	30504,1	
							local budgets	10			10		
							other sources	2117,4	166	303	250,4	1398	
Financial supply of the agricultural sector													
20. Provision of the state assistance in crediting enterprises of the agricultural complex						Provision of financial assistance to the agricultural enterprises through the mechanism of loans cheapening	Minagropolicy Council of Ministers of the Autonomous Republic of Crimea, regional and Sevastopol city administrations	state budget	9360	1000	1100	1210	6050
21. Ensuring the development of the agricultural sector insurance						Establishment and functioning of the National Agency on the state support of agrarian insurance	Minagropolicy	—	65	5	10	50	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
								2900	200	300	400	2000	
					Provision of the state support in the process of performance of programmes on insurance and guarantee of the income of agricultural producers (insurance bonus cheapening)	—	—						
22. Improvement of taxation system and mechanism					Reimbursement of the Pension Fund losses through application of a decreased rate of contributions made by the agricultural enterprises for the compulsory state pension insurance	—	—	1686,6	1086,6	600			
Total per section													
including:								14011,6	2286,6	2005	1620	8100	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								

Improvement of current management instruments and reforming of the management system in the agricultural sector

23. Performance of a thorough analysis of current management problems in the agricultural sector which prevent formation and realization of the effective long-term state agrarian policy	Generation of the report	1	1			Scientific and research and expert study of data, holding of seminars, round-table meetings, determination of a form for interpretation and presentation of materials, processing of statistic and other informational data	Minagropolicy	state budget	0,5	0,5		
							Council of Ministers of the Autonomous Republic of Crimea, regional and Sevastopol city administrations	local budgets	0,2	0,2		

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
24. Conceptual determination and modeling of the strategy of the agricultural complex development	Working out of several options of the strategy of the agricultural complex development, modeling of scenarios which would ensure strategic breakout of Ukraine in the market development of the agricultural complex	1	1	1	1	Scientific and research development, design works, software development of the models of the agricultural complex development	Minagropolicy state budget other sources	0,9 0,6	0,7 0,6	0,2			

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
25. Working out of methodological approaches to improvement of current management instruments which are applied for provision of the state support, crediting, insurance, taxation and tariff policy					2011 – 2015	Preparation of suggestions regarding changes of the current organization of respective innovations	—	state budget	1,5	0,5	0,7	0,3	
26. Organization and regulation of the activity of institutions in the sphere of agricultural complex						General leading and management in the field of agricultural sector	Minagropolicy	state budget	1798,9	157,3	173	190,3	1278,2

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
					regulation of the activity of institutions in the sphere of right protection for plant varieties	—	—	1175,6	102,8	113,1	124,4	835,3	
					Ensuring active operations of the Agrarian Fund	—	—	213,2	18,6	20,5	22,6	151,5	
Total per section								17520,5	1531,7	1687,4	1854,3	12447	
including:							state budget	17519,7	1531,7	1686,6	1854,3	12447	
							local budgets	0,2		0,2			
							other sources	0,6		0,6			
					Professional education								

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
27. Development of the system of economic education for the agricultural sector as a main factor for the development of business activity in rural areas	Number of educated specialists, persons	1200	300	400	500	Training of top-management under the programme –Magister of Business Administration” for the agricultural complex	Minagropolicy	state budget	30	7,5	10	12,5	
	Number of worked out programmes	5	5			Training of specialists with basic non-economic education under the programme –Magister of Business Administration”	—	—	0,3	0,3			

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
	Number of educated specialists, persons	1400	400	500	500	Training of specialists with basic economic education under professional educational programmes	—	—	21	6	7,5	7,5	
	Number of new lecturers, persons	200	200			Training of the teaching staff according to the requirements of Bologna Convention	—	—	0,7	0,7			
28.	Reformation of the agrarian education system	5	5			Working out scientific and research design projects in the field of reformation of the agrarian education system	—	—	5	5			

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
	Number of worked out programmes	5	5			Education and training of the specialists under the requirements of Bologna Convention	—	—	5	5			
	Number of retrained teachers, persons	200	200			Retraining of teachers under the requirements of Bologna Convention	Minagropolicy	state budget	1	1			
29. Training of personnel for the agricultural complex by the higher educational institutions						Performance of training of personnel for the agricultural complex by higher educational institutions of I-II levels of accreditation	—	—	5877,4	589,8	648,8	713,7	3925,1

Task	Index	Index value					Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year								2008	2009	2010	2011 – 2015
			2008	2009	2010	2011 – 2015								
							—	—	7896,3	792,4	871,6	958,8	5273,4	
						Performance of training of personnel for the agricultural complex by higher educational institutions of III-IV levels of accreditation	—	—	136,5	13,7	15,1	16,6	91,2	
	Number of retrained regular labour force, thousand persons	376	47	47	47	235	Training, retraining and skills improvement of regular labour force of the agricultural sector	—	—	79,7	8	8,8	9,7	53,2

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
								98,3	9,9	10,8	11,9	65,6	
					Skills improvement of the agricultural personnel by institutions of post-graduate education	—	—						
					Performance of training of personnel for the sphere of fishing industry by higher educational institutions of I-II levels of accreditation	—	—	255,1	25,6	28,2	31	170,4	
					Performance of training of personnel for the sphere of fishing industry by higher educational institutions of III-IV levels of accreditation	Minagropolicy	state budget	281,6	28,3	31,1	34,2	188	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
								995,5	99,9	109,9	120,9	664,8	
					Performance of training of personnel for the agricultural sector by higher educational institutions of I-II levels of accreditation within the structure of the National Agrarian University	—	—	995,5	99,9	109,9	120,9	664,8	
					Performance of training of personnel for the agricultural sector by the National Agrarian University	—	—	2654,7	266,4	293	322,3	1772,9	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
					Skills improvement of personnel by the Institute of Post-graduate education of top-management and specialists of the agricultural complex of the National Agrarian University	—	—	35,7	3,6	3,9	4,3	23,9	
Total per section:							—	18373,7	1837,5	2046,8	2440,9	12248,6	

Agrarian science

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
30. Organization of technical and technological re-equipment of scientific and research institutions					2011 – 2015	Performance of applicable scientific and technical research studies, performance of works under the state target programmes and orders in the sphere of agricultural complex development	Minagropolicy	state budget	129,2	14,4	15,2	15,9	83,6
						Performance of fundamental researches in the sphere of natural and technical sciences	Ukrainian Academy of Agrarian Sciences	—	1935,6	216,5	227,3	238,7	1253,1

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year			
		total	including per year							2008	2009	2010	2011 – 2015
			2008	2009	2010								
								1832,8	205	215,3	226	1186,6	
					Performance of applicable scientific and technical research studies, performance of works under the state target programmes and orders, provision of financial support for technical supply of scientific institutions and training of scientific personnel								
					Performance of researches and implementation of experimental developments in the agricultural sector	Minagropolicy	state budget	1129,7	113,4	124,7	137,2	754,5	
					Performance of applicable developments in the sphere of fishing industry	Minagropolicy	state budget	40,8	4,1	4,5	5	27,2	

Task	Index	Index value				Step	Chief administrator of budget funds	Financing sources	Expected volume of financial resources for the performance of the tasks, Mio UAH	Including per year						
		total	including per year							2008	2009	2010	2011 – 2015			
			2008	2009	2010									2011 – 2015		
						Council of Ministers of the Autonomous Republic of Crimea, regional and Sevastopol city administrations	local budgets	1	0,1	0,1	0,1	0,7				
Total per section								97,3	10,7	11,1	11,5	64				
including:							state budget	96,3	10,5	11	11,4	63,3				
							local budgets	1	0,1	0,1	0,1	0,7				
Total under the Programme								128164,1	15726,2	16137,9	15588,7	80711,2				
including:							state budget	120750,5	15318,9	15153,5	14550,5	75727,6				
							local budgets	11,2	0,1	0,3	10,1	0,7				
							other sources				7402,4	407,2	984,1	1028,2	4982,9	

**VOLUME of
agricultural and food production for the period till 2015**

Mln tons

Major types of products and commodities	Production volumes, year						
	actual			projected			
	1990	2005	2006	2007	2008	2010	2015
Major items of agricultural produce							
Grain	51	38	34,3	27,3	40	42	50
Sugar beet	44,3	15,5	22,3	16,7	21,9	23,5	25
Oil-bearing seeds	2,8	5,7	7	7,05	7,4	8,5	14
including:							
sunflower	2,6	4,71	5,32	4,5	4	4,5	4,5
soybean	0,1	0,61	0,89	0,95	1,3	1,5	3
rape	0,13	0,28	0,6	1,1	1,9	2,2	6
potato	16,7	19,5	19,5	18,2	19	18	18
Vegetables	6,7	7,3	8,1	7,1	7,4	8	8
Cucurbit	0,8	0,31	0,47	0,7	0,7	0,6	0,8
Fruit	2,9	1,69	1,11	1,5	1,6	1,7	3,2
Grape	0,8	0,44	0,3	0,5	0,5	0,5	0,8
Meat	6,5	2,4	2,6	2,75	2,95	3,2	5,1
Milk	24,5	13,7	13,3	12,3	12	12,6	20

Eggs, bln.pcs	16,3	13	14,3	13,4	13	13,8	17
Major types of food products							
Flour	7,67	2,9	2,65	2,7	2,8	3	3
Grain	0,96	0,34	0,32	0,32	0,33	0,38	0,4
Sugar sand	6,79	1,9	2,6	1,56	2	2,9	3,1
Unrefined oil	1,07	1,4	2,15	2,25	1,9	3	5
Meat	2,76	0,64	0,78	0,817	0,86	1	1,6
Sausages	0,9	0,31	0,3	0,31	0,35	0,4	0,6
Fat cheese	0,18	0,27	0,22	0,25	0,26	0,3	0,4
Butter	0,04	0,12	0,1	0,09	0,09	0,1	0,2
Margarine	0,2	0,3	0,3	0,3	0,3	0,32	0,35
Confectionery	1,1	0,28	0,24	0,26	0,28	0,4	0,8

**DEMAND for
durable means of agricultural production for the period till 2015**

Mln. UAH

Asset types	All categories of farms, year			Including			
				Agricultural enterprises		Private farms	
	2005	2010	2015	2010	2015	2010	2015
Buildings, utilities, transmission devices	38551,4	141396,4	211986,8	104046,3	170206	37350,1	41780,8
Machinery and equipment	19158,6	117169,6	159926,1	96942,8	133609,3	20226,8	26316,8
Transport	6205,2	27262,2	41195,3	21951,1	33577,3	5311	7618
Draft cattle	38,1	166,1	257,8	127,3	209,6	38,8	48,2
Productive livestock	1195,1	6812,3	9413,2	3590,5	6004,3	3221,7	3408,8
Perennial plantings	1999,3	3335,7	4256,6	2987,4	3910,8	348,4	345,8
Appliances, instruments, devices and equipment	3987,2	15913,2	22241,2	12671,8	18257,2	3241,5	3984
Total	71135	312055,5	449277	242317,2	365774,5	69738,3	83502,4

**Volume of
credits and investments into agriculture for the period till 2015**

Mln. UAH

Index title	Amount of credits by year					
	actual	projected				
	2006	2007	2008	2009	2010	2015
Amount of credits	12700	14000	17000	18500	20000	30000
including concessional:	3200	8000	10000	12000	13000	17000
Out of general amount of credits:						
long-term	4700	5500	7500	9000	12000	18000

short-term	8000	8500	9500	9500	8000	12000
Investments attraction	4905*	9800	10600	11900	13300	20000
including foreign investments:	1100	2000	3000	5000	6000	8000

*As of year 2005

VOLUME
of revenue to the consolidated budget of Ukraine for the period till 2015
from taxes and dues paid by agricultural enterprises

mln. UAH

Industry title	Revenue volumes, year							Total during 2007-2015
	actual		projected					
	2005	2006	2007	2008	2009	2010	2011—2015	
Agriculture	1265	1485	1650	1850	2050	2475	13610	21635
Food industry and agricultural processing	7410	8711	10160	11700	14800	17095	98300	152055
Fish industry	25	35	43	53	65	78	450	689
Salt production	28	39	47	57	70	82	500	756
Total	8728	10270	11900	13660	16985	19730	112860	175135

**CONSUMPTION VOLUME
of basic food by the population for the period till year 2015**

Per capita per annum, kilograms

Food titles	Actual volume						Projected volume			
	year									
	1990	1995	2000	2004	2005	2006	2007	2010	2015	
Meat and meat products	68	38,9	32,8	38,5	39,1	42	44	52	80	
Milk and dairy products	373	243,6	199,1	226	225,6	235	225	310	380	
Eggs (pcs)	272	171	166	220	238	251	245	290	300	
Bread and bakery foods	141	128,4	124,9	125,6	123,5	119,5	122	120	110	
Potato	131	123,8	135,4	141,4	135,6	134	133	130	125	
Vegetables and cucurbits	103	96,7	101,7	115,4	120,2	127	135	145	160	
Fruit and grapes	47	33,4	29,3	33,9	37,1	34,8	45	60	90	
Fish and fish products	18	3,6	8,4	12,3	14,4	14,1	16	18	20	
Sugar	50	31,6	36,8	38,4	38,1	39,5	39	38	38	
Oil	12	8,2	9,4	13	13,5	13,6	14	16	20	

EXPECTED RESULTS
of implementation of the State Target Programme of rural area development for the period till 2015

Task	Task performance index	Measurement unit	Index value				
			Total	Including by year			
				2008	2009	2010	2011—2015
1,6 times increase of production volume of gross agricultural output in 2015 against 2006	Production volume of gross agricultural output	mln. UAH	1024963	100654	111962	118951	693396
2.5 times increase of revenue to the consolidated budget of Ukraine from taxes and dues paid by agricultural enterprises	Amount of revenue to the consolidated budget of Ukraine from taxes and dues	—»—	163235	13660	16985	19730	112860
Securing of rural roads network development	length of secondary roads built in the local areas and rural settlements	thous. km	2	0,1	0,2	0,3	1,4
	length of surfaced streets and roads in rural settlements	—»—	13,1		1,4	1,7	10
	number of surfaced access roads to rural		370	110	155	105	

Task	Task performance index	Measurement unit	Index value				
			Total	Including by year			
				2008	2009	2010	2011—2015
	settlements						
Securing of education development in rural areas	number of school busses purchased	pcs.	3550	234	432	496	2388
Securing of medical care development in rural areas	Number of built, reconstructed, renovated, equipped with means of communication and vehicles	thous. pcs.					
	medical laboratories		4,6	0,2	0,5	0,6	3,3
	rural health post		13	0,6	1,4	1,7	9,3
Protection and increase of soil fertility, ecologization of agricultural production	area of cover crops and protective forest strips	thous. ha	39,6	5,2	5,2	5,2	24

**INDICATORS
of the state support to ensure development of the rural areas, agricultural production and market for the
period till 2015**

mln. UAH

State support area	2008—2015
Community and rural area development	15742,7
Agricultural market development	49698,2
Financial support of the agricultural sector	14011,6
Improvement and reforming of the management system in the agricultural sector	17519,7
Professional education	18373,7
Agrarian science	5308,3
<u>Advisory services development</u>	96,3
Total	120750,5

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Annex 4:
State Program for Creation of Wholesale Markets of Agricultural Products

THE CABINET OF MINISTERS OF UKRAINE

R E S O L U T I O N
of June 3, 2009 No 562
Kyiv

On Approval of the Program for Creation of the
Wholesale Markets of Agricultural Products

The Cabinet of Ministers of Ukraine r e s o l v e s :

1. To approve the State Target Program for Creation of the Wholesale Markets of Agricultural Products (hereinafter referred to as 'Program'), which is attached.

2. The Ministry of Agrarian Policy:

Along with the Ministry of Finance when formulating the draft state budget for corresponding year shall provide funds for implementation of the Program tasks and objectives proceeding from the financial capacities;

Submit to the Cabinet of Ministers of Ukraine annual progress report on the Program implementation before March 31 of the next year.

Prime Minister of Ukraine
Yu.TYMOSENKO

APPROVED
by the Resolution of
the Cabinet of Ministers of Ukraine
of June 3, 2009 No 562

**STATE TARGET PROGRAM
for Creation of the Wholesale Markets
of Agricultural Products**

Goal of the Program

The goal of this Program is to provide sale of high quality agricultural products and processed products by producers of all ownership categories on the wholesale markets and to facilitate price reduction for these products.

Ways of Problem Resolution

There are two options for resolving the problem of creation of the wholesale markets of agricultural products:

first - development of a network of the wholesale markets by attracting credits and investments by the markets themselves;

second - provision of the state support with simultaneous creation of favourable conditions for attracting investments, particularly by simplifying the procedure for allocation of land parcels to build the wholesale market facilities.

In order to achieve the goal of the Program it is necessary to develop:

- draft legislation on the wholesale market creation and functioning;

- plan for financing the relevant works from the state budget and from other sources.

Estimate funding sizes and sources are presented in the Annex.

Objectives and activities

Objectives and activities in implementation of the Program are as follows:

- drafting legal acts on activities of the wholesale markets of agricultural products;

- creation of a network of the wholesale markets of agricultural products using, among other sources, funds of the state budget amounting to 1200 million UAH;

- facilitatin of creation of the WMAP associations and their further integration into the international wholesale market organizations.

Anticipated outcomes, Program efficiency

Implementation of the Program will allow:

- creating 25 wholesale markets of agricultural products;
- forming a modern WMAP network;
- providing agricultural producers with appropriate conditions for sale of their own agricultural products on the wholesale markets;
- facilitating reduction of the consumer's inflation;
- increasing production volumes of the domestic F&V products;
- creating about 3 thou jobs.

Scope and sources of funding

Estimate amount necessary for implementation of the Program is 4000 million UAH including 1200 million UAH from the state budget. Remaining amount will be taken from other sources.

Annex
to the Program

CERTIFICATE of the State Target Program for Creation of the Wholesale Markets of Agricultural Products

1. The Concept of the Program is approved by the Resolution of the cabinet of Ministers of Ukraine of November 19, 2008 No 1447 ([1447-2008-p](#)).

2. The Program is approved by the Resolution of the cabinet of Ministers of Ukraine of June 3, 2009, No 562.

3. The State Customer-Coordinator - the Ministry of Agrarian Policy

4. The state customers - the Ministry of Agrarian Policy, The ARC Council of Ministers, oblast, Kyiv and Sevastopol city state administrations.

5. Program manager - Minister of Agrarian policy.

6. Program implementers - central executive authorities, The ARC Council of Ministers, oblast, Kyiv and Sevastopol city state administrations.

7. Implementation period: 2009-2013.

8. Estimate funding sizes and sources

Sources of funding	Funding volumes, million UAH	breakdownbyyears				
		2009	2010	2011	2012	2013
Statebudget	1200	250	283	316	351	
Othersources	2800	50	350	600	800	1000
Total	4000	50	600	883	1116	1351