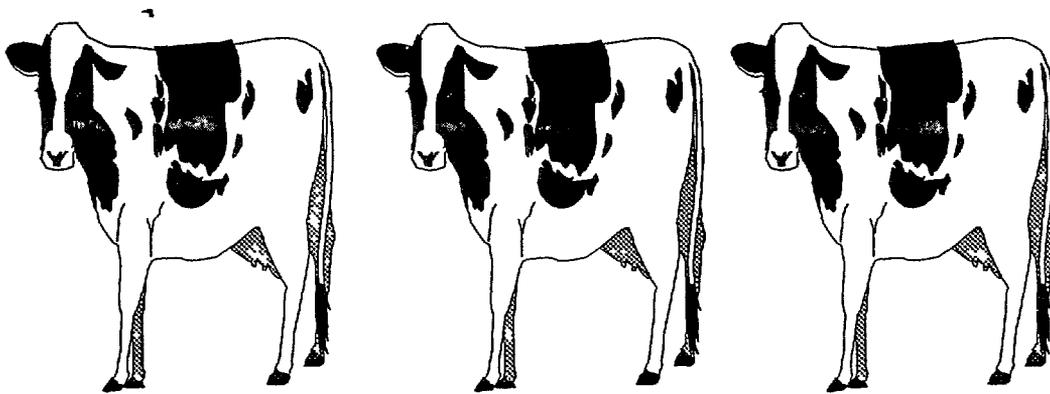


PD-ABQ687

Western Ukraine Initiative
CA #EPE-A-00-96-90021-00



Final Mid-Term Evaluation Report

Submitted to
Land O'Lakes, Inc.

Submitted by
A.P. Gross & Company, Inc.

18 May 1998

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**ACCELERATED PRIVATE AGRICULTURAL SECTOR GROWTH
IN WESTERN UKRAINE --
EXPANDED BUSINESS LINKAGES
WITH POLAND AND THE REGION (WUI)
COOPERATIVE AGREEMENT # EPE-A-00-96-90021-00**

MID-TERM EVALUATION

Executive Summary

A P Gross & Company, Inc (evaluator), an independent economic and business development consulting firm, was contracted by Land O'Lakes, Inc to conduct this mid-term evaluation of the *Accelerated Private Agricultural Sector Growth In Western Ukraine --Expanded Business Linkages With Poland And The Region* (WUI) Cooperative Agreement Number EPE-A-00-96-90021-00

From mid-April to early May, more than 35 interviews were conducted in Washington, Arden Hills, Warsaw, Lviv, and Kiev with various participants in WUI. These include farmers, agribusinesses, credit unions, banks, associations, WUI personnel, USAID officials, and representatives from the major US agribusiness community. Project background data and other information were obtained from relevant document and literature review. Appreciation is expressed to all of those who extended their candor and patience in the development of this report.

This evaluation report is presented in six sections, including this introduction, plus seven attachments.

The Cooperative Agreement was established on 24 September 1996 with Land O'Lakes, Inc (Land O'Lakes) as prime awardee and ACDI as subawardee. Federal funding of \$2,953,316 was granted with a completion date of 30 September 1999. The original CA obligated \$1 million. Modification 01 provided incremental funding and increased USAID's obligation by \$800,000. As of 31 March 1998, \$1.3 million of the federal share of funding and \$0.3 million of non-federal funds have been expended.

The intent of this CA is to facilitate the development of the Ukrainian domestic agricultural sector by 1) Increasing profitability of participating businesses, 2) Increasing availability of rural credit, 3) Developing support organizations for private agricultural businesses, and 4) Increasing trade linkages between Western Ukraine and neighboring countries, particularly Poland and Hungary.

More specifically, expected results by the end of the CA are 1) Create Trade/Investment Linkages, 2) Increase Profitability of Agribusinesses, 3) Expand Rural Credit, 4) Improve Capacity Utilization, 5) Increase Investment in Private Agribusinesses, 6) Establish Private Business Management Services, and 7) Strengthen Professional Agribusiness Associations.

This CA is relevant to USAID Strategic Objective 1.3 Accelerated development and growth of private enterprises and Intermediate Results

- IR 1.3.1 Free availability and flow of business-related information
- IR 1.3.2 Improved application of market-driven business skills
- IR 1.3.5 This strategic objective includes a component calling for "a more competitive and market-responsive private financial sector"

A combination of long-term technical assistance provided by U.S. expatriates, short-term consulting by Polish nationals, and third country training in Poland and Hungary is being used to accomplish these objectives

This mid-term evaluation is to assess progress toward achieving WUI objectives. It is intended to assist Land O'Lakes as prime awardee to determine need and to suggest appropriate mid-course corrections to enhance project effectiveness and increase beneficiary impacts.

The evaluator reviewed relevant project documentation and obtained information through a series of interviews with relevant CA personnel, project beneficiaries and project officials in the US, Ukraine and Poland. A debriefing at USAID/Ukraine was given in Kiev prior to departure.

Need assumptions made in the project design were accurate, appropriate, and more relevant today than when the project was first conceived. *Practical* assumptions concerning implementation were underestimated. **International agribusiness interests in Ukraine have suffered setbacks during the last two years.** Unfortunately, prospects for economic reform in Ukraine have not improved since the time of project start-up and the economy is in a precarious stage. Regardless, expected results have been increased in Year 2 Workplan and these are already well-underway to being realized.

Despite the conservative posture of the original design, no convincing evidence was seen that provided for a definitive decision on how to deal with the monetization matter. Everyone associated with this CA experienced the disappointing loss of the monetization proceeds. All project management sequentially expended without resolve an inordinate level of effort attempting to salvage the funds, time which could have been devoted to other aspects of the project.

However, specific reference is made to an official USDA letter to Land O'Lakes stating that "*the Government of Ukraine has from the beginning obstructed the proper implementation of this Land O'Lakes (LOL) [1995 Food for Progress] agreement, and that LOL does not share any responsibility for the failure of the purchaser to provide proper payment for the 20,000 metric tons of soybean meal donated by USDA.*"

This project will meet and more likely exceed all expected results specified in the CA by the scheduled end of the agreement. Supporting documentation is maintained at WUI offices. *Project documentation has been seen and reviewed.*

Unanticipated Benefits When asked about profitability resulting from project activities, the director of a milk processing facility said that he expects to see tangible results. He also stated very clearly that *his workers are more productive - they see that his attitude toward work has changed and that has caused their attitudes to change as well*

Recommendations Beneficiaries Have for Further Assistance The obvious and expected answer was to provide credit. However, there was also near consensus that the use of US consultants and trainers should be secondary to Ukrainian and regional consultants and trainers.

Expatriate and Ukrainian staff are impressive and are not afraid of hard work. The Chief of Party and Credit Specialist have assembled and developed a professionally-run and well organized office. Both individuals are highly committed to WUI. There is some minor evidence of past friction between Messrs Thiele and Smith. They now appear to have a professionally functional relationship, but nothing more.

The sequence of events and current project status indicate that the absence of funds from the monetization effort would not have adversely impacted the project during the first year. These also indicate that the placement of long term credit staff should not have been delayed.

The level of backstopping provided to the WUI project by home office staff and USAID has been sufficient and appropriate.

Needless to say, anticipated results from this CA are not likely to have a statistically significant impact on this country unless the Government of Ukraine's anti-free enterprise policies are eased and eventually eliminated. Boundaries are at best diffused between real progress in privatization and continued --and even expanded-- government controls on the economy which force major economic components to remain "informal".

All of the "Westerners" interviewed expressed at least some level of cynicism, frustration, pessimism, or all of the above. Western Ukrainians interviewed were more optimistic. The Western Ukraine Initiative appears to be more than merely a "worthwhile activity." Despite Government "slippages" away from free-markets, the direction that this project is taking on can 1) Enable new investment in Western Ukraine, 2) Build capacity for follow on progress once the project ends, 3) Increase USAID's return on investment by leveraging what has been institutionalized as a result of other projects.

Sixteen specific recommendations are offered for consideration.

**ACCELERATED PRIVATE AGRICULTURAL SECTOR GROWTH
IN WESTERN UKRAINE --
EXPANDED BUSINESS LINKAGES
WITH POLAND AND THE REGION (WUI)
COOPERATIVE AGREEMENT # EPE-A-00-96-90021-00**

MID-TERM EVALUATION

I. Introduction

A P Gross & Company, Inc (evaluator), an independent economic and business development consulting firm, was contracted by Land O'Lakes, Inc to conduct this mid-term evaluation of the *Accelerated Private Agricultural Sector Growth In Western Ukraine --Expanded Business Linkages With Poland And The Region (WUI) Cooperative Agreement Number EPE-A-00-96-90021-00*. The consultant was selected by Land O'Lakes and approved by USAID.

This mid-term evaluation report is based on analysis of data obtained through interviews with key Land O'Lakes, Inc and ACDI personnel in Ukraine, Poland, and US, and intended project beneficiaries including private farmers and consultants-in-training, associations, credit institutions and traders. Officials from USAID/ENI/ED/AG and USAID/Ukraine participated on the evaluation team and were also interviewed. Project background data and other information was obtained from relevant document and literature review. Work on this evaluation was performed between April and May 1998.

Appreciation is expressed to all of those who extended their candor and patience in the development of this evaluation.

This report is presented in six sections, including this introduction. Section II briefly provides background objectives of the Cooperative Agreement, Section III discusses the purpose of this evaluation, Section IV describes methodology used, Section V presents findings, conclusions and recommendations of evaluation components specified in the SOW. Section VI presents further rationale for using Eastern European beneficiaries/graduates of the Farmer-to-Farmer program. An Executive Summary and seven attachments are also part of this report. Attachments are described below.

II. Background

USAID Cooperative Agreement EPE-A-00-96-90021-00 (CA) was established on 24 September 1996 with Land O'Lakes, Inc (Land O'Lakes) as prime awardee and ACDI as subawardee in response to their 21 March 1996 proposal entitled *Accelerated Private Agricultural Sector*.

Growth in Western Ukraine --Expanded Business Linkages with Poland and the Region (WUI)
Federal funding totaling \$2,953,316 was granted under the WUI project with a completion date of 30 September 1999. The original CA obligated \$1 million. Modification 01 dated 17 April 1997 provided incremental funding and increased USAID's obligation by \$800,000. As of 31 March 1998, \$1.3 million of the federal share of funding and \$0.3 million of non-federal funds have been expended.

The intent of this CA is to facilitate the development of the Ukrainian domestic agricultural sector by

- Increasing profitability of participating businesses
- Increasing availability of rural credit
- Developing support organizations for private agricultural businesses
- Increasing trade linkages between Western Ukraine and neighboring countries, particularly Poland and Hungary

More specifically, expected results by the end of the CA are

- 1 Create Trade/Investment Linkages At least 20 profitable business linkages between Poland and Western Ukraine will be facilitated through the program's training and technical assistance activities
- 2 Increase Profitability of Agribusinesses At least 40 agribusinesses will develop and utilize business and marketing plans which increase their overall profit margins by 15%
- 3 Expand Rural Credit At least one private credit institution will expand credit and their credit services to Western Ukrainian private agribusinesses
- 4 Improve Capacity Utilization At least five processors and/or cooperatives will provide credit through on-lending scheme to their producers/customers, resulting in improved operating efficiencies and boosted product output/sales by 20%
- 5 Increase Investment in Private Agribusinesses At least 50 business operating loans will be approved for agribusinesses and producers to start up or expand operations. At least five capital investment agreements will be closed through the project's Capital Investment Program each year
- 6 Establish Private Business Management Services At least ten Ukrainian agribusiness consultants will be trained in the first two years and begin delivering for-fee services to

agribusinesses during the third year of the program

- 7 Strengthen Professional Agribusiness Associations Three agricultural support groups such as professional associations, private cooperatives, industry alliances, foundations and commodity boards will be strengthened and/or established

This CA is relevant to USAID strategic objective and intermediate results

Strategic Objective 1.3 Accelerated development and growth of private enterprises

- IR 1.3.1 Free availability and flow of business-related information
- IR 1.3.2 Improved application of market-driven business skills
- IR 1.3.5 This strategic objective includes a component calling for “a more competitive and market-responsive private financial sector”

A combination of long-term technical assistance provided by U.S. expatriates, short-term consulting by Polish nationals, and third country training in Poland and Hungary is being used to accomplish these objectives. Some short-term expatriate technical assistance and training was used early in the project.

III Purpose of Mid-Term Evaluation

This mid-term evaluation is to assess progress toward achieving WUI objectives. It is intended to assist Land O'Lakes as prime awardee to determine need and to suggest appropriate mid-course corrections to enhance project effectiveness and increase beneficiary impacts. In particular, the evaluation will identify and describe progress towards the USAID Strategic Objective, Intermediate Results, and Project Indicators.

The *Scope of Work (SOW)* is found as attachment A. A brief evaluation of the SOW is presented at the end of the attachment.

IV. Methodology

The evaluator reviewed project documentation and obtained information through a series of interviews with relevant CA personnel, project beneficiaries and project officials in the US, Ukraine and Poland. The evaluation was carried out through the following:

- Interviews with USAID/ENI/ED/AG project staff in Washington and the field
- Interviews with key project staff at ACDI office in Washington

- Interviews with key project staff at the Land O'Lakes home office in Arden Hills, MN
- Literature review of relevant project documentation including original proposal, cooperative agreement, subagreement, amendments, work plans, quarterly reports, project files, and the like
- Field visits to project beneficiaries in Western Ukraine
- Field interviews with Land O'Lakes and ACDI management at the Land O'Lakes/Lviv office
- Interviews with the appropriate USAID/Kiev and Washington officials

A list of persons interviewed is found as attachment B, documents reviewed are listed in attachment C Sample interview forms are found as attachments D, E, and F

A debriefing at USAID/Kiev was given prior to departure Present at the debriefing meeting were Mike Kaiser, Ken Lyvers, Dennis Sharma, Sergey Vetosh, Harry Walters, and the evaluator Attachment G is a synopsis of the debriefing meeting, this synopsis was presented verbally and submitted as found in the attachment

V. Evaluation Components

The following section is comprised of evaluation components identified in the SOW either specifically or by inference

A Project Design

1 The economy of Western Ukraine presents at least several conflicting impressions On one hand, interest rates are prohibitively high, credit is very difficult --if not unlikely for most in the agriculture sector-- to obtain, some critical inputs (such as animal feed, quality seed, etc) are not readily available to small farmers, and the combination of prohibitively high government taxes and anti-export biases (such as arduous export and customs procedures) force many agribusinesses and business in general to operate in an informal economy

On the other hand and for the time being, hard currency is readily available, no shortage of consumer goods is apparent, and people residing in and near the city of Lviv (as well as Kiev) appear to be living a lifestyle that is better than one would expect

Need assumptions made in the project design were accurate, appropriate, and more relevant today than when the project was first conceived *Practical* assumptions

concerning implementation were not realistic. Again, on one hand expected results were very conservative. It seems apparent that many results expected by end of project were conservatively stated. Expected results specified in the CA as well as more ambitious objectives in the Year 2 Workplan are already well-underway to being realized.

On the other hand and as reported by a major international private agribusiness, agricultural interests in Ukraine have suffered serious setbacks during the last two years. Unfortunately, prospects for economic reform in Ukraine have not improved since WUI was conceptualized and the economy is in a precarious stage.

- 2 Given the environment in Ukraine at the time of project design, expected results were understandably conservative. However, *considering the level of results accomplished at this juncture, these expectations were underestimated.* It is noted that the Year 2 Workplan specifies expanded and reasonably more ambitious expectations. It is also noted that amendments proposed as of 30 April 1998 appear to be more appropriate and these proposals expand project activities and expected results.
- 3 The best designed projects do not always go according to plan. When things go wrong -- especially with major project components-- *contingency plans based on "what if" scenarios need to be decided upon and put into effect as soon as possible.* No evidence was seen that provided for "what if" decision-making. Although this is "20/20 hind-sight", *it is remarkable that a funding agency would not have contractual oversight for a major aspect of this project.*

Of particular note, the Land O'Lakes Project Officer reported that "a considerable amount of attention was given to this aspect and that the results are evident today. Contingency planning to obtain alternative sources of funding was first raised with Ken Lyvers in November of 1996." Apparently Land O'Lakes was criticized for suggesting "that other avenues for obtaining capital were being considered and that [USAID/Kiev] viewed [seeking other sources of funding] as an admission that monetization had been abandoned." Despite this view, former ACDI Project Officer Jason Brown developed a list of contingencies that were explored.

Having said that and knowing what we know now about credit and banking in Ukraine, the project environment was unprepared to handle the distribution of monetization proceeds at the time of project start-up. There was no intimate understanding of the nuances of government obstruction, unintentional or otherwise. Furthermore, no known legal framework to distribute the proceeds of a WUI fund was in place at the time of project start-up.

B. Project Implementation

- 1 A major aspect of the credit component was linked directly to the USDA monetization agreement with Land O'Lakes. Everyone associated with this CA experienced the disappointing loss of a logical and hopeful way to leverage US Government resources. *Project management from the awardee, subawardee, and USAID sequentially expended without resolve an inordinate level of effort attempting to salvage funds which as of this writing remain unpaid.* No effective decision was made by project management at Land O'Lakes, ACDI and/or USAID concerning limiting the time that was spent on monetization matters. *Although the funds were to come from a non-USAID program, no apparent collection strategy was evident.*

Consequently, valuable time which could have been devoted to other aspects of the project --such as identifying additional sources of credit funds--was lost. Any alleged damage done to the project because of the absence of monetization funds was compounded by ill-advised efforts.

As a point of information, specific reference in this evaluation is made to an official USDA letter to Land O'Lakes dated 26 March 1998. USDA states in this letter its opinion that "the Government of Ukraine has from the beginning obstructed the proper implementation of this Land O'Lakes (LOL) [1995 Food for Progress] agreement, and that LOL does not share any responsibility for the failure of the purchaser to provide proper payment for the 20,000 metric tons of soybean meal donated by USDA." The agreement with Land O'Lakes is now closed.

- 2 Mid-Term Results and the Effectiveness of Technical Assistance and Training

Create Trade/Investment Linkages 6 trade linkages have been documented, 6 additional firms reported trade linkages but would not agree to put their sales in writing. Products and commodities include but are not limited to lolly-pop production equipment, packaging equipment for sugar, margarine, ketchup, a ravioli machine, sausage casings, flour bags, supply of rapeseed, etc. Efforts to facilitate these linkages are systematic and ongoing. Trade fairs and seminars continue to be part of project workplans. Efforts to accomplish these are supervised from Lviv and coordinated through the combined efforts of WUI's Lviv and Warsaw offices. These linkages are a direct result of programs and interventions developed and facilitated by WUI (e.g., trade fair, site visits, market research).

Increase Profitability of Agribusinesses Project partners have been identified and at least 10 firms have developed and begun to utilize business and marketing plans. Profit margins are expected to increase, but it is unclear whether these can be accurately compared to previous years as no reliable baseline data were seen. No reliable baseline data existed prior to project start-up, as reported by project participants and management. However,

systems are going into place to establish baseline data from business plans established. In most instances, interviewees indicated that business planning has changed their view of the way they conduct business. *Marketing plans need to be followed up with direct technical assistance in implementing a marketing and sales strategy.*

Expand Rural Credit, Improve Capacity Utilization, and Increase Investment in Private Agribusinesses Despite the lack or non-availability of funds from which loans could be disbursed, WUI undertook a comprehensive market study and financial sector assessment. Based on this work, WUCB was strongly indicated to be the most appropriate financial intermediary for the on-lending program. WUCB has received major training inputs supervised by the Senior Credit Specialist.

NewBizNet established the Business Support Center (BSC-a subsidiary of Lviv Institute of Management) during which time it was very helpful to ACIDI short-term teams. BSC and the Farmer-to-Farmer Program are good examples of how USAID funding is being leveraged.

The hiring of long term expatriate and Ukrainian nationals as credit staff did not occur until near the end of the first year of the project. The arrival of Ken Smith brought new focus to the credit component of this CA. Training needs assessments have been completed, legal assessments are being undertaken, and three loan mechanisms have been designed.

WUCB - Lviv Credit Union - and Future Cooperatives

A WUI Cooperative Development Task Force has been established to support cooperative development in Western Ukraine. Task force members have been identified and advisors have been recruited. The facilitator is Anatoly Pokhodzayev, a lawyer and credit specialist currently working as part of the WUI staff. Mr. Pokhodzayev is also involved in a legal advisory group - this group is extremely helpful in developing operation strategy so that legal and regulatory problems can be avoided. *This group would have benefited the project at the time of start-up.*

At this juncture, WUCB's readiness is estimated to be at 80 percent. More than 15 draft agreements and MOUs have been submitted to NARD for approval, however no final approval is known at this writing.

Establish Private Business Management Services At least 10 consultant trainees have been identified and training has begun in delivering "for-fee" services to potential agribusiness customers. Trainees are finding that no one is interested in paying for such services at this time. *One suggestion is that consultants seek other forms of payment besides cash.*

Strengthen Professional Agribusiness Associations WUI is working to strengthen the "Village Leaders" program, Lviv Dairy League, consultant's association (in formation) and Oblast Farmers Association. Inferred in the cooperative task force activity is the future formation of a cooperative association.

- 3 Supporting documentation is maintained at WUI offices. *Project documentation has been seen first hand. Individual dossiers, other project files and related correspondence have been spot-checked and reviewed.* These indicate individual records of all services received by all project participants, such as how often they attend seminars, subject-matter, what specific technical assistance they are receiving (such as business plan development) from whom these services are received. These mid-term results encompass and reflect work done under the first year workplan as well as work already begun under the second year workplan.

Unanticipated Benefits When asked about profitability resulting from project activities, the director of a milk processing facility said that he expects to see tangible results. He also stated very clearly that *his workers are more productive - they see that his attitude toward work has changed and that has caused their attitudes to change as well.*

Recommendations Beneficiaries Have for Further Assistance Each interviewee was asked how they think the project can be more helpful. The obvious and expected answer was to provide credit. However, there was also near consensus that *the use of US consultants and trainers should be secondary to Ukrainian and regional consultants and trainers.* Several reasons were given, such as the development and realities of Ukrainian agriculture are far from the development and realities of US agriculture, there is difficulty for project participants to relate, local and regional trainers are easier to understand, there is little need for translation and interpretation, cost factors are not as much of an issue when local and regional specialists are used.

There was also near consensus that they were ready for more practical technical assistance. In this instance, the technology source should drive the selection of technical assistants.

- 4 Effectiveness of Project Methodology

WUI is a calculated mix of technical assistance and training coupled with site visits and practical visitations. Opportunities are created and crafted for meaningful exchanges between Western Ukrainians and their Polish and Hungarian counterparts. The project is consistently providing timely market and credit information. Project management clearly recognizes the need for flexibility in project implementation and adjustments. Project management listens very carefully to what its clients say. This is consistent with the results described in item 3.

The question of focus needs to be constantly revisited as it seems easy to lose focus and site of direction in Ukraine *There is need to achieve measurable success in a more specific sector in order to be able to go beyond what is anecdotally accomplished.* This issue will be addressed later in the report

C. Project Management

- 1 Overall, U S expatriate and Ukrainian staff are impressive and are not afraid of hard work Of particular note are the Polish staff from Land O'Lakes who continue to provide valuable project inputs Despite problems stemming from the monetization effort, the Chief of Party and Senior Credit Specialist have assembled and developed an excellent staff and a professionally-run and well organized office For the most part, functional management systems are in place, accurately maintained and easily accessible records are kept, and financial and technical reporting are accomplished in a timely manner The USAID/Kiev Project Manager, Ken Lyvers, specifically commented that management "is qualified, doing a good job, and they are very responsive to the Mission " The USAID/Kiev Project Officer also commented that management "is doing a good job "
- 2 For the most part, planned events and functions specified in annual workplans are implemented in a timely manner Project management is flexible and project efforts are sometimes refocused in response to its market demands Consistent with this are comments from the director of the Lviv Institute of Management who specifically commented that "the project was initially too formal and rigid " He went on to say that Mr Thiele "reacted quickly and that this project is among the best things done by USAID "
- 3 Jon Thiele is Chief of Party and he has had previous long-term USAID experience He has more than four years of professional and in-residence experience in FSU countries Mr Thiele has specific marketing and training experience, project supervisory experience in SME development, as well as successful work experience with a fortune 100 company and in his own consulting practice He has designed, developed, and successfully implemented a loan program targeting small farms in Kazakstan Mr Thiele is fluent in Russian and German, and holds Master of International Management and Bachelor of Arts-Cum Laude- in Economics degrees

USAID/Kiev conveyed the impression that, as Chief of Party, *Mr Thiele should be more communicative with USAID project management* There is some question about how much time he spends away from the Lviv office, and USAID/Kiev could not differentiate whether Mr Thiele's absences from Lviv is for project business purposes or annual leave The USAID/Kiev Project Manager specifically commented that *he never knows when the Chief of Party is going out of the country* Considering the frequency of visits to Kiev by and written communications from project staff, travel should not be at issue The Project

Manager was unaware that the Senior Credit Specialist was in Poland at that specific moment, *but he did not make any comment on Mr Smith being out of the country This is an indication that he does not feel comfortable with Chief of Party communications If so, this needs to be resolved as soon as possible*

- 4 For the Senior Credit Specialist, WUI is Ken Smith's first USAID long-term assignment Mr Smith has more than twenty years of credit, banking, and association experience He has held senior and executive-level positions with farm and ranch-specific credit associations He also has significant experience as an owner/manager of livestock operations in Oregon and Texas Mr Smith has had two previous short-term consulting assignments in FSU countries He holds a Bachelor of Applied Studies degree in Liberal Arts and he has completed numerous relevant short courses and seminars, such as Farm Credit Executive Institute courses from the Carlson School of Management at the University of Minnesota

Mr Smith has had more frequent interaction with USAID/Kiev Initially, he worked diligently to try to find resolution to the monetization issue More recently, Mr Smith has had frequent contact with the Mission concerning a possible infusion of World Bank support Mr Smith has shown vision in plans for the establishment of the cooperative task force and legal advisory committee

- 5 Both individuals are highly committed to WUI Mr Thiele comes across as being quietly intense Mr Smith comes across as being a "take-charge" person There is some minor evidence of past friction between Messrs Thiele and Smith They now appear to have a professionally functional relationship, but nothing further *This is unfortunate because project progress could possibly be further along if Messrs Thiele and Smith worked on one program instead of treating the project as two separate initiatives* There is the possibility that each could complement the other's efforts, especially since they share many of the same clients Regardless, there can be only one Chief of Party and that person is Jon Thiele

The need for long-term expatriate senior staff to collaborate is essential to the success of the project in several other practical ways Mr Smith is somewhat weak on written communications and Mr Thiele is less verbal On one hand, Mr Smith's frequent visits to Kiev makes him much more visible to USAID/Kiev and provides greater opportunities for Mission staff to know him better than the Chief of Party On the other hand and despite this, USAID/Kiev was unaware of some basic information about the project This will be corroborated by the USAID/ENI/ED/AG Project Officer

- 6 *WUI could possibly benefit from occasional visits by USAID/Kiev The USAID/Kiev Project Officer made his first visit to the Lviv project during this evaluation The USAID/Kiev Project Manager did not visit Lviv during this time and it is not known whether he has ever been to the Lviv project*

- 7 The hiring of long term expatriate and Ukrainian nationals as credit staff did not occur until the second year of the project. Project management explained that this delay was due to major concerns about the availability of proceeds from the monetization effort. However, given the current understanding of problems associated with lending, the project would not have been able to begin lending during the first year under any circumstances known at this time. Again, WUCB is now at a readiness level of 80 percent and necessary NARD agreements have not yet been signed. *With "20/20 hind-sight" and under these circumstances, long term credit staff could have been hired and fielded during project start-up. Given the current pace of the credit component, WUCB could have been at a 100 percent readiness level, the NARD agreements could have been concluded, and the current stages of the other two loan mechanisms could have been advanced. Furthermore, other sources of credit could have been sought.*

The sequence of events and current project status indicate that the absence of funds from the monetization effort would not have adversely impacted the project during the first year. These also indicate that the placement of long term credit staff should not have been delayed.

- 8 The quality of coordination between Land O'Lakes and USAID staff in Ukraine and the U S is difficult to measure. While USAID/ENI/ED/AG seems to be current on most or all matters involving WUI, USAID/Kiev is unclear about a number of issues, such as expatriate staff travel, the hiring of a half-time worker in Hungary, etc.

Ken Lyvers, USAID/Kiev Project Manager indicated that he has face-to-face contact with WUI staff at least once per month. Yet he was unclear about expatriate staff out-of-country travel and he stated specifically that did not know about the half-time worker in Hungary, even though specific reference to the worker in Hungary is clearly made in the Year 2 Workplan. USAID/Kiev does not appear to be familiar with non-credit aspects of the project.

There is an obvious need for a more efficient level of communication between the Chief of Party and the USAID/Kiev Project Manager.

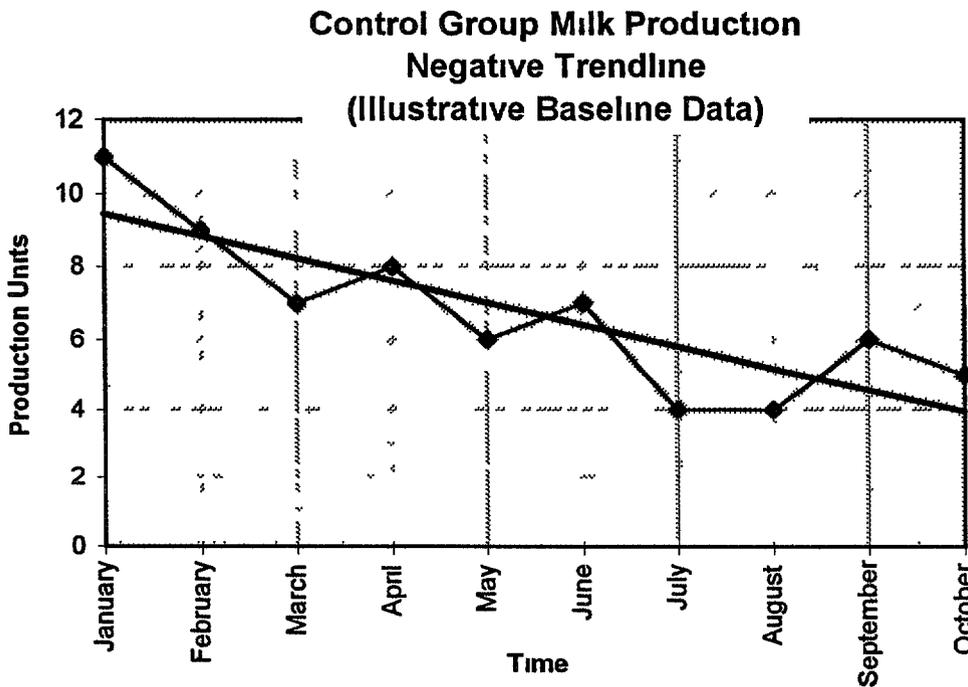
- 9 The level of backstopping provided to the WUI project by home office staff and USAID has been more than sufficient and appropriate. Colleen Bryn is an excellent and most efficient backstop officer who would be a welcome addition to any team.

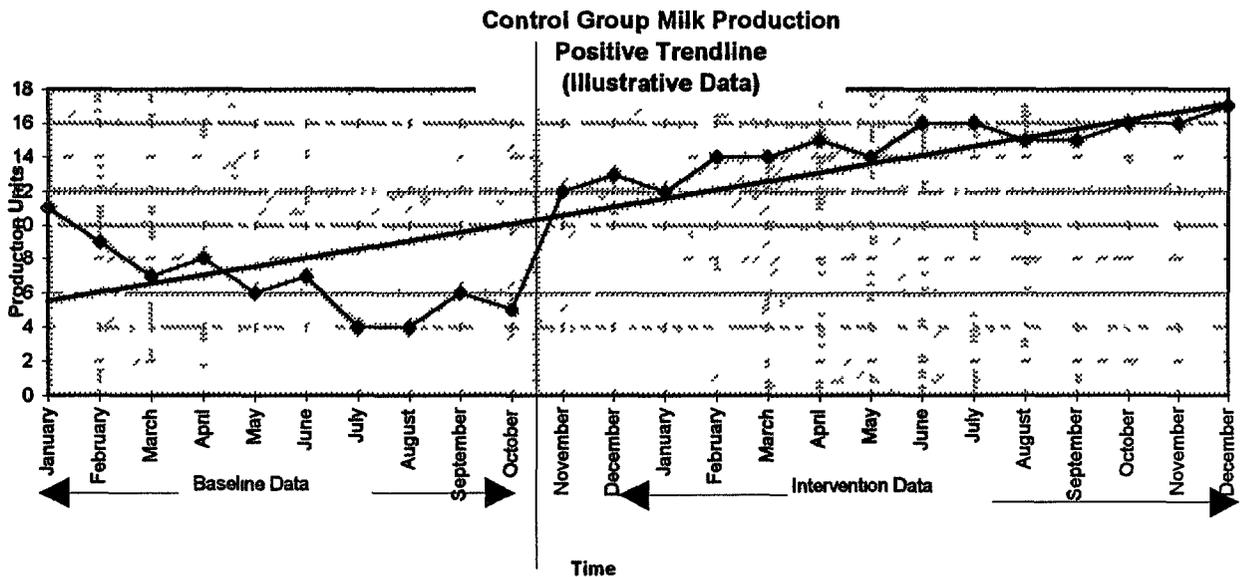
D Monitoring and Evaluation

- 1 As indicated in the previous section, functional management systems are in place, accurately maintained and easily accessible. Since there was no way to reestablish baseline

data in the first year, efforts were made to put into place the collection of data so that the project would have a basis of comparison for succeeding years. These pertain to participants in seminars and training sessions, the development of individual business plans, preparations for applying for credits, etc. Land O'Lakes' financial management system was observed and acknowledged to be comprehensive and appropriate for this project. *More information from ACDI has been requested in reference to the way it determines its non-federal funding contribution to the project.*

2. WUI has no difficulty obtaining qualitative data. The establishment of baseline data collection procedures for quantitative purposes is a recent development and WUI should be credited for this effort.
3. A *Multiple Baseline Single System Design* is suggested for analytical purposes. This suggested approach is a time series analysis since change --if any occurs-- is to be observable over time. *Single system designs* are instruments with which change in specific variables can be objectively monitored and evaluated within a relatively short period of time. *Monitored change can be analyzed for statistical significance and attribute.* Within this environment, a single system design time series model could be easily developed.
4. Using illustrative data, the following is an example of how this project can be quantitatively monitored.





- 5 A *multiple baseline approach* is also suggested because multiple variables are to be monitored. This approach to measuring change can provide an inference of attribute and can show quasi-statistical correlations between WUI interventions and whatever change in variables can be observed and measured.

E Lessons Learned, Conclusions and Recommendations

- 1 Needless to say, anticipated results from this CA are not likely to have a statistically significant impact on this country unless the Government of Ukraine's anti-free enterprise policies are eased and eventually eliminated. Boundaries are at best diffused between real progress in privatization and continued --and even expanded-- government controls on the economy which force major economic components to remain "informal"

All of the "Westerners" interviewed expressed at least some level of cynicism, frustration, pessimism, or all of the above. Western Ukrainians interviewed were more optimistic. It is possible that they see more opportunities for their fledgling private enterprises.

- 2 The Western Ukraine Initiative appears to be more than merely a "worthwhile activity". Despite Government "slippages" away from free-markets, the direction that this project is taking on can

Enable new investment in Western Ukraine

- Build capacity for follow on progress once the project ends
- Increase USAID's return on investment by leveraging what has been institutionalized as a result of other projects, such as Farmer-to-Farmer, Business Development Project, Western NIS and other Enterprise Funds, Eurasia Foundation, Cooperative Bank Development Fund, and the like

16 Recommendations

1 USAID project outcomes should be linked to activities governed by USAID contracts and cooperative agreements

Despite immense influence concerning project activities relating to monetization, USAID did not have a direct, formal project role in managing monetization efforts

2 Projects should be designed with "what if" planning and decision-making provisions when major "things go wrong" Timely decisions concerning such plans need to be made sooner rather than later in order to protect and pursue overall project objectives

Overall integrity of the project as a whole can otherwise be assured

3 Mr Thiele should provide Mr Smith with assistance to establish clearer guidelines for his reporting in order to enable greater uniformity and timeliness in overall internal project reporting Mr. Smith might wish to assign Andrew Tsegelsky the responsibility of drafting reports on his behalf

Project reporting can only be more accurate if it is provided from Lviv, as opposed to Washington

4 USAID/Kiev Project Management should make an effort to visit the Lviv project office on a more regular basis

USAID/Kiev will become more familiar with the greater project, as opposed to some of its individual components

5 Do not allow project staff to expend any more time on the monetization matter

If any proceeds are actually realized from the monetization effort, project management time will be better spent on developing mechanisms through which these proceeds can be utilized

6 As Chief of Party, Mr Thiele should be more communicative with USAID project management As USAID Project Manager, Mr Lyvers should be more familiar with

non-credit aspects of the project

Communication is not a one-way proposition

7 Enable WUI to gain greater focus by increasing project emphasis on the dairy sector

Efforts should be made to eliminate systemic deficiencies in Western Ukraine's dairy sector (e g , management, technology, etc)

- Increase profitability of processors
- Improve quality of milk and milk products
- Identify new market segmentation opportunities

Measurable variables can be easily established for baseline data collection and analysis It is also possible to reestablish older baseline data with some accuracy

8 Advance association development

- Establish and/or strengthen institutional capacity to accomplish item 7
- Strengthen ability to effect positive policy change emerging from accumulated grass-roots efforts

9 Provide market information and *practical* marketing and sales support

Take project participants on sales calls!

10 Increase emphasis on *trade and investment development*, with particular focus on future exportable products.

Efforts to promote cross-border trade need to include and improve prospects for Ukraine's export markets

11 Continue to provide training and technical assistance to WUCB, Lviv Credit Union, and other future targets to be determined

LIM should be consulted on ways in which it can be accessed for such training, particularly after the project ends

12 Establish a credit facility to serve as a model for possible World Bank support

- Can a small credit facility make a difference? It certainly can to those who will benefit as Ukraine's new class of entrepreneurs Without the facility there will be no difference at all
- This represents one way to bring new money, new investment into the economy The World Bank is discussing at least US\$5 million for Western Ukraine, and possibly up to US\$25 million for a credit program Discussions have been held and continuing correspondence between USAID and World Bank reveals interest in supporting a WUI credit facility

13 Discuss contingency planning in the event that government places new restrictions on accessing foreign exchange, or if exchange rates radically deteriorate.

Such as developing alternative ways to bring local currency into the formal economy One example could be to auction U S imports through a "Strategic Agriculture/Agribusiness Input Program - envisaged as a modified CIP

14 Continue to utilize Ukrainian and regional consultants and trainers

The project will continue to demonstrate responsiveness to its clients

15 Develop specific exit strategies for all expatriate personnel.

At least discuss need parameters for concluding roles of expatriate personnel

16 Leverage Farmer-to-Farmer Whenever Possible

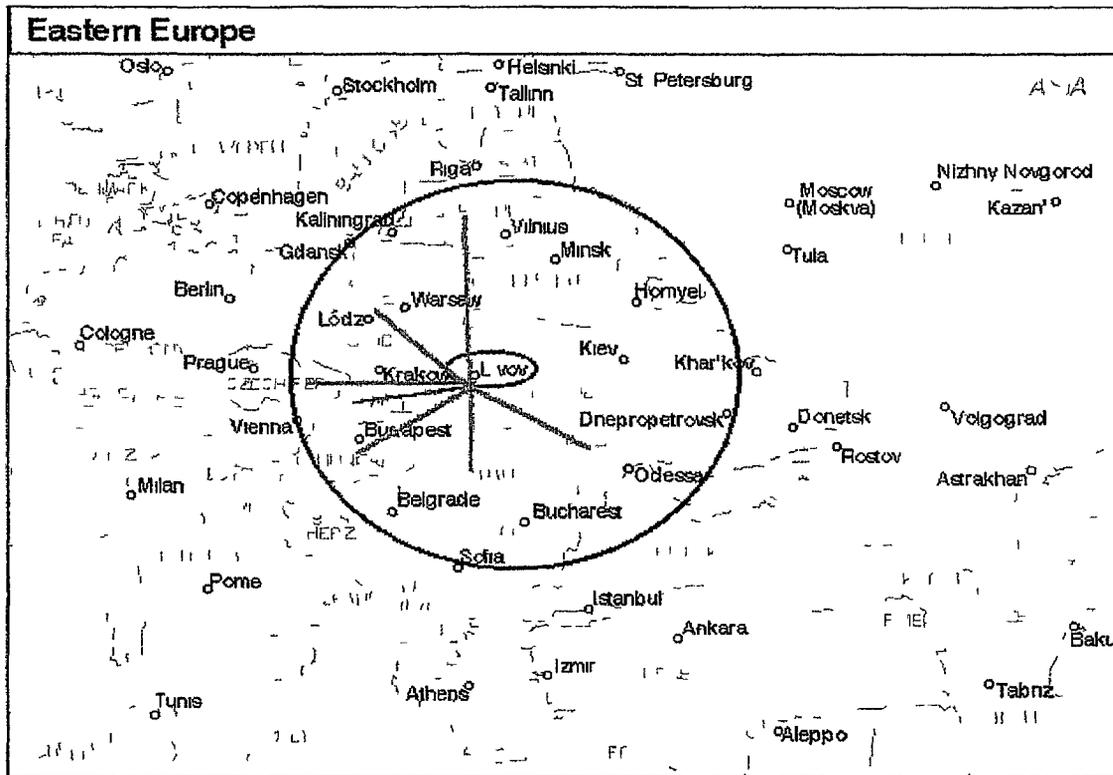
See Section VI

Section VI. Leveraging F2

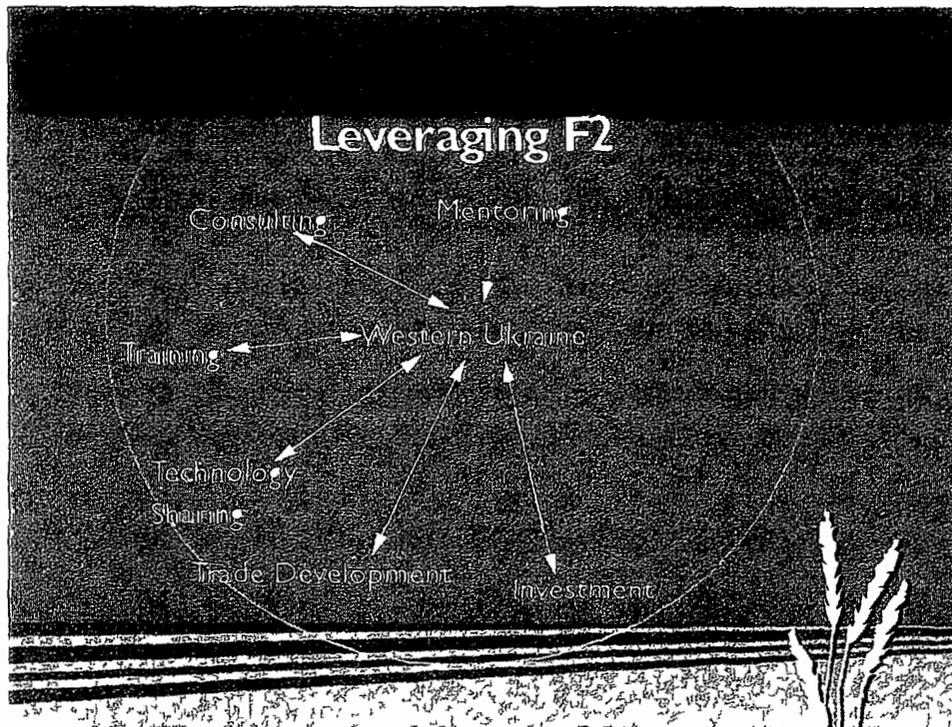
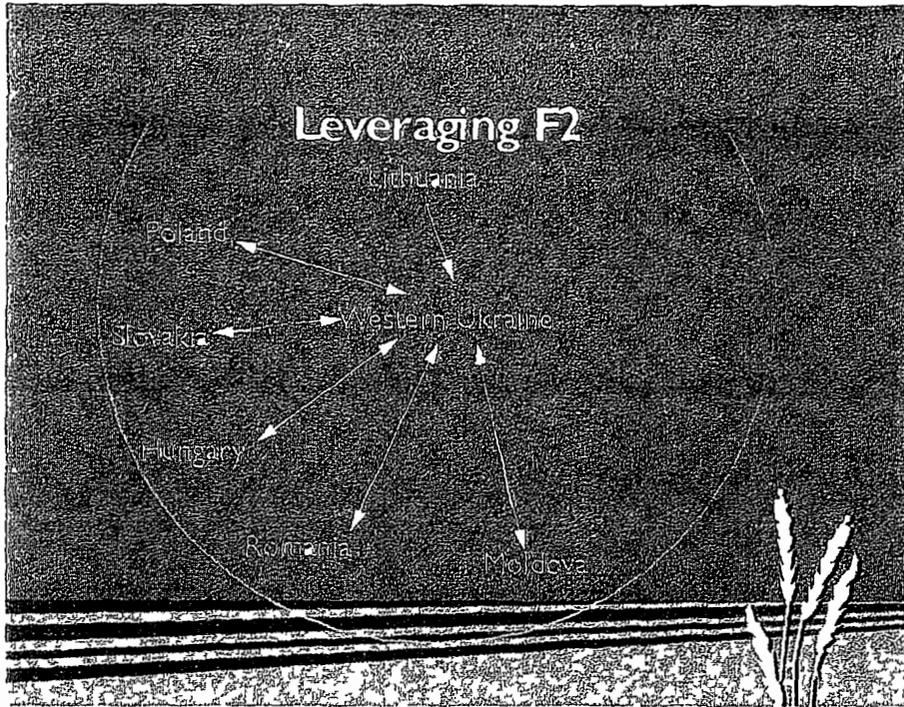
- 1 Lviv happens to be at one of the crossroads of Eastern Europe It is easily accessible from Poland, Slovakia, Hungary, Romania, Moldova, Russia, and the rest of Ukraine These countries are likely to be Ukraine's leading trading partners as their respective private sectors emerge from former centrally-controlled economies Coincidentally, these countries have benefited from the Farmer-to-Farmer Program
- 2 If these countries represent Ukraine's future markets, Ukraine represents a major market to these countries as well As evidenced with Poland, cross-border interest in trade can be quickly facilitated and positively exploited Certainly, Poland has much to gain from establishing trade linkages with Western Ukraine Likewise, Ukraine has much to gain as

well --initially by benefiting from critical Polish imports, eventually by exporting product to Poland

- 3 Seven countries linked by many historical, cultural and economic forces, also have in common the benefit of receiving Farmer-to-Farmer programs Farmers and agribusinesses in these countries, having benefited from Farmer-to-Farmer, have something of value to share with Western Ukrainian farmers and agribusinesses They also have an implicit debt to the US
- 4 It is possible under WUI to access successful graduates of Farmer-to-Farmer (referred to as the second generation of Farmer-to-Farmer, or F2 beneficiaries) All F2 farmers and agribusinesses can be contacted at a very low cost because they are already known Land O'Lakes is already familiar with and relates to F2 beneficiaries



- 5 F2 beneficiaries could represent a significant part Ukraine's developing markets They could also be WUI's consultants, trainers, traders, investors, technology sources, and *mentors*



Rationale for Extending the F2 Model

- Farmers and agribusinesses in other countries have experience from advanced stages of reform
- These countries represent Ukraine's most significant future trading partners
- Good potential for prospective "out-sourcing" investment in Ukraine
- Few language and cultural barriers
- Logistically less expensive than using US expatriates and site visits

Illustrative Event F2 Conclave in Lviv

Beneficiaries/graduates known to Land O'Lakes can be easily identified in other countries - farmers, processors, etc - those who have "graduated" from Farmer-to-Farmer and have succeeded

Lviv is a central city by train It is at the crossroads of other F2 countries, such as Poland, Slovakia, Hungary, Romania, Moldova, and Lithuania

Purpose of Conclave Forum-format opportunity for F2 graduates (farmers, processors, etc) to

- Meet and compare experiences
- Educate WUI participants about problems and progress experienced
- Graduates become MENTORS of Ukrainian participants - encouraged to stay in contact through the Ukrainian "transition" process
- Graduates become trade linkages and trade partners
- Formal & informal training, TA, hope and encouragement mixed with a little reality and business

Other Issues to Pursue

- 1 Lviv Institute of Management (LIM) - it is possible that current costs per student for various short-term coursework and seminars could be lower if offered through LIM, as opposed to developing these through WUI

For example, 3-5 consecutive days of intensive course training at LIM would cost approximately 90-100 grivna, or about US\$50 per student, a course consisting of 3 short classes per week for five weeks would cost approximately 120 grivna, or about US\$60 per student

LIM could help the project by providing more –or less– advanced training so that trainees could be placed in groups according to level of training need, as opposed to lumping all trainees together in one class

Furthermore, it is possible that training for business consultants could be less costly and more academically suitable at LIM

- 2 Does the WUI/ACDI legal task force consult with CNFA's expert from North Dakota State University? CNFA is working with Vitali Znovschok, a US-educated Ukrainian author on cooperatives There was at least some discussion between Dr Znovschok and Peter McNeil of ACDI, however it is unknown whether Mr McNeil was in Ukraine on WUI or other business at the time
- 3 USAID/Kiev frequently seems to request WUI staff to undertake responsibilities for what appears to be Mission communications For example, Ken Lyvers has asked Ken Smith to negotiate with World Bank officials concerning the possibility of support of a credit facility being proposed by ACDI Is this standard practice?

ATTACHMENT A
MID-TERM EVALUATION
SCOPE OF WORK

*Accelerated Private Agricultural Sector Growth in Western Ukraine --
Expanded Business Linkages with Poland and the Region (WUI)*

CA# EPE-A-00-96-90021-00

March 18, 1998

I Purpose

The purpose of this mid-term evaluation is to assess the extent to which Land O'Lakes has achieved the objectives of the Western Ukraine Initiative (WUI) project. The project goal is to develop the Ukrainian domestic agricultural sector by increasing the profitability of participating businesses, increase the availability of rural credit, and develop support organizations for private agricultural businesses. It is to increase trade linkages between western Ukraine and neighboring countries, particularly Poland and Hungary. A combination of long-term technical assistance provided by U.S. ex-expatriates, short-term consulting by Polish nationals, and third country training in Poland and Hungary is being used to accomplish these program objectives. The implementers are Land O'Lakes, Inc., the prime recipient, and ACDI/VOCA, the subrecipient.

The mid-term evaluation is intended to assist Land O'Lakes to determine the need and to suggest appropriate mid-course corrections for enhanced project effectiveness and beneficiary impacts. In particular, the evaluator should identify and describe progress towards the USAID Strategic Objective, Intermediate Results, and Project Indicators.

II Background

On September 24, 1996, Land O'Lakes was awarded USAID Cooperative Agreement EPE-A-00-96-90021-00 at the estimated federal funding total of \$2,953,316 under the project entitled Accelerated Private Agricultural Sector Growth in Western Ukraine --Expanded Business Linkages with Poland and the Region (WUI). The completion date is September 30, 1999. The subawardee is ACDI/VOCA. As of December 31, 1997, the project has been obligated \$1,800,000 and has expended \$944,428 of the federal share of funding.

The expected results of the project, as expressed in the proposal, are to

Create Trade/Investment Linkages At least 20 profitable business linkages between Poland and Western Ukraine will be facilitated through the program's training and technical assistance activities.

Increase Profitability of Agribusinesses At least 40 agribusinesses will develop and utilize business and marketing plans which increase their overall profit margins by 15%.

Expand Rural Credit At least one private credit institution will expand credit and their credit services to Western Ukrainian private agribusinesses

Improve Capacity Utilization At least five processors and/or cooperatives will provide credit through on-lending scheme to their producers/customers, resulting in improved operating efficiencies and boosted product output/sales by 20%

Increase Investment in Private Agribusinesses At least 50 business operating loans will be approved for agribusinesses and producers to start up or expand operations At least three capital investment agreements will be closed through the project's Capital Investment Program each year

Establish Private Business Management Services At least ten Ukrainian agribusiness consultants will be trained in the first two years and begin delivering for-fee services to agribusinesses during the third year of the program

Strengthen Professional Agribusiness Associations Four agricultural support groups such as professional associations, private cooperatives, industry alliances, foundations and commodity boards will be strengthened and/or established

The project fits under the following USAID strategic objective and intermediate results

Strategic Objective 1.3 Accelerated development and growth of private enterprises

IR 1.3.1 Free availability and flow of business-related information

IR 1.3.2 Improved application of market-driven business skills

IR 1.3.5 This strategic objective includes a component calling for "a more competitive and market-responsive private financial sector"

III Statement of Work

A Methodology

The evaluator will carry out an evaluation based on the following

Literature review of relevant project documentation, including original proposal, work plans, and quarterly reports

Interviews with USAID/ENI/ED/AG project staff in or from Washington, DC

Interviews with appropriate staff at ACDI/VOCA office in Washington, DC

Interviews with key project staff at the Land O'Lakes home office in Arden Hills

Field interviews with key Land O'Lakes and ACDI/VOCA project staff at the Land O'Lakes/Lviv office

Interviews with the appropriate USAID/Kiev staff

Field visits to project clients in western Ukraine

Prior to departure from Ukraine, the evaluator will provide a de-briefing and offer preliminary written observations to the USAID/Kiev staff

B Tasks

The evaluator will prepare and deliver written and oral evaluation reports that address the following

Project Design

Determine whether the assumptions and constraints made in the project design were appropriate to the environment in Ukraine

Determine the criteria used to identify the target beneficiaries/clients and assess the appropriateness of the selection of geographical sectors and clients for the project targets

Assess whether the identified project clients are capable of meeting the project outcomes

Project Implementation

Assess the effectiveness of Land O'Lakes in meeting project purpose, goals, outputs, USAID Strategic Objective 1 3, applicable Intermediate Results, and Project Indicators

Review and comment on the effectiveness of project methodology

Assess the effectiveness of technical assistance and training Questions to focus on with the project beneficiaries are

Where were the beneficiaries before the project began?

What assistance did Land O'Lakes provide?

How did they benefit? State in measurable terms, wherever possible

Any unanticipated benefits?

What recommendations do the beneficiaries have for further assistance?

Recommend mid-course corrections to project implementation

Make recommendations for follow-on assistance to project clients

Project Management

Review project administration, including quality and background of staff, organization, management systems, reporting, and timeliness of technical assistance and training

Assess the extent and quality of coordination between Land O'Lakes and USAID staff in Ukraine and the U S

Determine whether the level of backstopping provided to the project by home office staff and USAID has been sufficient and appropriate

Monitoring and Evaluation

Determine what controls are in place to monitor progress

Assess what adjustments have been made by Land O'Lakes in the project as the result of external issues and constraints or changing assumptions

Assess methods Land O'Lakes has used to obtain feedback on and to measure the success of the project

Lessons Learned

Answer the question, "What are the lessons to be learned by this project so far?" Lessons learned generally concern the big, overarching issues and can relate to any part of the project design, implementation, management, and monitoring/evaluation

C Consultant Qualifications

The mid-term evaluation will be carried out by one consultant, selected by Land O'Lakes and approved by USAID staff. The consultant should have experience in conducting evaluations. Experience with international trade and with credit is required. It is also preferable that the consultant have some familiarity with business in Ukraine or other Central and Eastern European countries.

D Work Days

A six-day work week is authorized while the evaluator is in the field.

IV Proposed Schedule

The core of the evaluation is expected to take approximately three weeks: (1) one week in the U.S., (2) one week in Ukraine for project assessment, and (3) one week in the U.S. for report-writing. The consultant must be flexible in the timing of the portion of the evaluation in Ukraine, so that it coincides with the visit of any USAID staff persons who may wish to accompany the evaluator on the evaluation. The assignment will take approximately fourteen (14) work days to complete. Below is a proposed timeline:

prior work	Read documents and conduct interviews in U.S. (2 days)
April 23-May 3, 1998	Field work in Ukraine (6 days)
May 3-7	Write report after return to U.S. (3 days)
May 8	Draft report due to USAID and Land O'Lakes
sometime May 11-15	If requested by USAID--presentation to USAID in Washington D.C. (1 day)
May 18-22	Incorporate comments, complete final report (2 days)
May 22	Final report due to USAID and Land O'Lakes

The evaluator is expected to present an oral and written report to the USAID Project Officer after the assignment is completed.

W

V Logistics

Land O'Lakes will provide all necessary logistics, including arrangements for transportation, interpreters, hotels, and per diem. The evaluator is responsible for the drafting and final preparation of the evaluation report.

VI Deliverables

The evaluator will brief USAID/Lviv staff at the completion of the field work, including providing a concisely written preliminary assessment. The evaluator will provide an oral briefing for USAID/ENI staff within 10 days of delivering the draft evaluation.

The evaluation report will include (1) a cover page, (2) an executive summary (3-5 pages), (3) main text (maximum of 20 pages), and (4) a brief statement of conclusions, recommendations, and lessons learned. The report should be written in laymen's terms.

Appendices will include but are not limited to (1) evaluation scope of work, (2) description of methodology used in evaluation, (3) list of documents reviewed, and (4) list of persons contacted/interviewed.

The evaluation report should provide empirical findings to answer these questions, conclusions that are based on the findings, and recommendations based on an assessment of the results of the evaluation. The evaluation report is to provide lessons learned that may emerge from the analysis.

Evaluation of Scope of Work

This Scope of Work (SOW) generally seems appropriate for the interim evaluation of a project of this size. Several suggestions to improve on future SOWs include:

1. Provide reference to project budget and financial information, at least to consider budget as a planning tool. Several comments were made by Mr. Lyvers concerning the number of trips to Poland and US taken by the Chief of Party, as well as references to travel to Kiev undertaken by the Project Officer. His comments reflect a lack of understanding concerning what travel by the Project Officer is being charged to the WUI project, versus the USDA monetization agreement.
2. Expected results in the SOW did not completely coincide with expected results indicated in the Cooperative Agreement. When establishing parameters for SOWs, criteria specified in official project documentation need to be stated. Discrepancies exist as follows:

Expected Result	SOW	Cooperative Agreement
Increase Investment in Private Agribusinesses	At least three capital investment agreements	At least five capital investment agreements
Strengthen Professional Agribusiness Associations	Four agricultural support groups	Three agricultural support groups

Larger projects will likely require increased levels of effort, number of evaluators for purposes of maintaining the technical integrity of the evaluation, or a combination of the two. The level of effort and use of a single evaluator seemed appropriate for this evaluation.

**ATTACHMENT B
LIST OF PERSONS INTERVIEWED**

Contact	Organization	Office Phone	Fax
1 Besore, Jim	ACDI/VOCA ul Jasna 26 p 324 00-054 Warsaw, Poland	4822-826-5180	4822-826-5142
2 Blood, David	Land O'Lakes, Inc Farmer-to-Farmer Program 10 Kopernika #6 Lviv 290000 Ukraine	380322-74-19-43	380322-97-19-11
3 Bryn, Colleen	Land O'Lakes, Inc Program Specialist International Development P O Box 116 Minneapolis, MN 55440-0116	612-481-2508	612-481-2556
4 Campbell, Rolf	Land O'Lakes, Inc Director of Operations International Development P O Box 116 Minneapolis, MN 55440-0116	612-481-2693	612-481-2556
5 DeSantis, Dennis	ACDI/VOCA Vice President 50 F Street, N W Suite 1100 Washington, DC 20001	202-879-0251	
6 Dudzhan, Bohdan	Executive Director Lviv Dairy League Lviv, Ukraine	380322-33-25-33	380322-33-01-88
7 Fauth, Wade	Land O'Lakes, Inc WUI Project Officer International Development P O Box 116 Minneapolis, MN 55440-0116	612-481-2596	612-481-2556
8 Gvozdirov, Serhiy	Lviv Institute of Management Director, Academic Programs	380322-52-44-63	380322-52-44-63

	57, 700-richa-Lvova St Lviv, 290601, Ukraine		
9 Hayduchok, Roman	Hal-Inform Flour Miller, Trader Lviv, Ukraine		
10 Herlehy, Tom	CNFA - Kiev	38044-294-7961	38044-295-3055
11 Kaiser, Michael	USAID/Kiev 19 Nizhny Val St Kiev 254071 Ukraine	38044-462-5678	38044-462-5834
12 Klimczuk, Boguslaw	Seminar Leader/Facilitator Ul Partyzantow 3 22-400 Zamosc, Poland	4884-638-2210	4884-639-2715
13 Landina, Tetiana	Western Ukraine Commercial Bank Deputy head of Planning and Finance 7a Naukova Str Lviv, Ukraine	380322-65-27-07	380322-65-27-09
14 Lesyk, Olga	Western Ukraine Commercial Bank Strategic Development and Marketing Department 7a Naukova Str Lviv, Ukraine	380322-65-27-07	380322-65-27-09
15 Lyvers, Ken	USAID/Kiev 19 Nizhny Val St Kiev 254071 Ukraine	38044-462-5678	38044-462-5834
16 Lyshanuch, Roman	Farmer Consultant Trainee Lviv Oblast, Ukraine		
17 Malyna, Nadia	Translator Economist and Law Student Lviv, Ukraine	38022-75-87-49	
18 Maynard, Mike	Cargill Enterprises, Inc Representative Office, Kiev 3 Mechnikova Str, 4th Floor	38044-294-5537	38044-294-5615

	Kiev, Ukraine 252023		
19 Metelsky, Igor	Equipment Trading Company Farmers Association Consultant Trainee Lviv, Ukraine		
20 Nehala, Volodymyr	Dairy Processor Partners Program Lviv Oblast, Ukraine		
21 Ohynuk, Leonid	Farmer Partners Program Lviv Oblast, Ukraine		
22 Pokhodzyayev, Anatoliy	ACDI/ VOCA Credit Specialist and Legal Consultant Western Ukraine Initiative 10 Kopernika #6 Lviv, Ukraine	380322-74-19-43	380322-97-19-11
23 Pytkowska, Justyna	Land O'Lakes, Inc WUI Polish Logistics and Administration ul Smolna 16/7 00-375 Warsaw, Poland	4822-827-8979	4822-827-7637
24 Semenyuk, Oksana	Lviv Credit Union Director Consultant and Credit Trainee 7, Rynok Sq Lviv, Ukraine	380322-72-49-15	
25 Sharma, Dennis	USAID/ENI/ED/AG Washington, DC	202-712-5253	
26 Shulgan, Yuriy	Western NIS Enterprise Fund Consultant Trainee 7 Halytska Ploshcha, 2nd Floor Lviv, Ukraine 2900000	380322-97-18-55	380322-97-18-56
27 Singer, Jeff	ACDI/VOCA Western Ukraine Initiative	202-879-0251	

	Project Officer 50 F Street, N W Suite 1100 Washington, DC 20001		
28 Slyussar, Olga	Farmer Partners Program Lviv Oblast, Ukraine		
29 Smith, Ken	ACDI/VOCA Senior Credit Specialist Western Ukraine Initiative 10 Kopernika #6 Lviv, Ukraine	380322-74-19-43	380322-97-19-11
30 Thiele, John	Land O'Lakes, Inc Chief of Party Western Ukraine Initiative 10 Kopernika #6 Lviv, Ukraine	380322-	380322-97-19-11
31 Tsegelsky, Andrew	ACDI/ VOCA Project Assistant Western Ukraine Initiative 10 Kopernika #6 Lviv, Ukraine	380322-74-19-43	380322-97-19-11
32 Vetosh, Sergey	USAID/Kiev Banking Specialist 19 Nyzhny Val St 254071 Kiev, Ukraine	38044-462-5678	38044-462-5834
33 Walters, Harry	USAID/Kiev 19 Nyzhny Val St Kiev 254071 Ukraine	38044-462-5678	38044-462-5834
34 Zdybel, Dariusz	Land O'Lakes, Inc Polish Market Information and Facilitation Western Ukraine Initiative ul Smolna 16/7 00-375 Warsaw, Poland	4822-827-8979	4822-827-7637

ATTACHMENT C
LIST OF DOCUMENTS REVIEWED

- 1 "Accelerated Private Agricultural Sector Growth in Western Ukraine --Expanded Business Linkages with Poland and the Region--" Land O'Lakes, Inc and Agricultural Cooperative Development International Proposal submitted to AID Mission-Kiev, Agricultural Technical Office, Bureau for Europe and the NIS, The U S Agency for International Development, September 1995
- 2 "Technical Assistance to Dairy Plant Management", Accelerated Private Agricultural Sector Growth Project, Western Ukraine Initiative, Ella Mae Howard, October 1997
- 3 "Ukraine - Agriculture in Reform", Issue 1, December, 1996, Agricultural Land Share Project (ALSP)
- 4 "Ukraine - Agriculture in Reform", Issue 2, February, 1997, Agricultural Land Share Project (ALSP)
- 5 USAID Cooperative Agreement EPE-A-00-96-90021-00
- 6 USAID Cooperative Agreement EPE-A-00-96-90021-00, Modification 01
- 7 Annual Workplan, Year 1, January 1997
- 8 Quarterly Reports
Land O'Lakes, Inc , September-December 1996
Land O'Lakes, Inc , January-March, 1997
Land O'Lakes, Inc , April-June, 1997
Land O'Lakes, Inc , July-September, 1997
Land O'Lakes, Inc , October-December, 1997
ACDI, October-December, 1996
ACDI, January-March, 1997
ACDI, April-June, 1997
ACDI, July-September, 1997
ACDI, October-December, 1997
- 9 Western Ukraine Commercial Bank Training Needs Assessment
- 10 Executive Summary, WUCB Train-the-Trainer Program, "Fundamentals of Credit Selection Seminar", ACDI/VOCA, Western Ukraine Initiative, April 1998
- 11 Polish Banking Site Visit Reports

- 12 Bank Market Research Report
- 13 Resumes Wade Fauth, John Thiele, Kenneth Smith
- 14 Subagreement Between Land O'Lakes, Inc and Agricultural Cooperative Development International, 25th October 1996
- 15 Amendment to Subagreement Between Land O'Lakes, Inc and Agricultural Cooperative Development International, 6th January 1998
- 16 "Performance Monitoring and Evaluation TIPS", USAID Center for Development Information and Evaluation, Number 11, 1997
- 17 "Cost Share for LOL Ukraine Regional Agribusiness Development Proposal", Charles Uphaus Memorandum, 5 August 1996
- 18 Poland-Ukraine Agricultural Trade Data, 1993-1994, source unknown
- 19 ACIDI Capability Statements, "Banking and Financial Systems for Agriculture and Microenterprise "
- 20 Evaluating Practice Guidelines for the Accountable Professional, Bloom, Martin and Fischer, Joel, Prentice-Hall, Inc , Englewood Cliffs, NJ, 1982

Person Interviewed		Date	
Mailing Address			
Telephone			
Type of Enterprise	Producer Processor Trader Supplier Other (specify)		

- 1 How long have you been in private business?
- 2 What did you do before going into private business?
- 3 What commodities and/or services do you provide and in what volumes?
- 4 How did you hear about the USAID/Land O'Lakes program?
- 5 Why did you decide to participate in this program? What were your expectations?
- 6 Please describe some of the problems affecting profitability (how well your business performed) that you were facing at that time that
- 7 Please describe how you market/sell your product/service
- 8 Who/where are your markets in Ukraine?
- 9 Do you sell to markets outside of Ukraine? If so where?
- 10 How long have you been selling to markets outside of Ukraine particularly Poland?
- 11 What percentage of your business is outside of Ukraine?
- 12 Has this changed from previous years and if so how?

- 13 What changes if any have you noticed in your business/markets in the last year?
- 14 Has the USAID/Land O'Lakes program helped you identify new credit sources? Please describe
- 15 Has the USAID/Land O Lakes program helped you prepare for potential credit sources? Please describe
- 16 (If you are a processor or a producer) Has anyone discussed with you "on-lending"? Please describe and indicate whether this is something you would recommend
- 17 Please indicate three ways in which your business has improved in the last year
- 1
- 2
- 3
- 18 Please indicate three main reasons why your business has not improved (debt?)
- 1
- 2
- 3
- 19 Have you received any services from and/or participated in any activities sponsored by USAID/Land O'Lakes (e.g. workshops, training, technical assistance, business consultations)? If so please describe
- 20 What practical assistance from USAID/Land O'Lakes has been the most relevant/helpful?
- 21 What assistance from USAID/Land O'Lakes has been the least relevant/helpful?
- 22 Has USAID/Land O'Lakes affected your business? If so, please describe in the following contexts
- Have you gained new trade/investment linkages? New markets? Please describe
- Have you experienced an increased in profitability? What percentage? Please describe
- Do you have improved and/or access to credit? Please describe
- Improved capacity utilization? Increased production and/or sales? By what percentage? Please describe
- Have you received increased investment (debt and/or equity)? Please describe
- Was a new business established? Please describe

23 Do you belong to a trade or business association? If so please describe

24 Based on your experience with the USAID/Land O Lakes project how do you think the project can be more helpful?

75

Person Interviewed		Date	
Mailing Address			
Telephone			
Type of Enterprise	Association	Cooperative	Industry Alliance
	Foundation	Commodity Board	

- 1 When was the organization founded?
- 2 How many members does the organization have and what is the typical composition of its membership?
- 3 What is the primary purpose of the organization?
- 4 Do members pay dues? How much?
- 5 What services does the organization provide to its members?
- 6 Does the organization charge fees for services? Please give examples
- 7 How did you hear about the USAID/Land O Lakes program?
- 8 Why did you decide to participate in this program? What were your expectations?
- 9 Please describe some of the problems affecting the organization
- 10 Please describe how the organization and its services are marketed

11 What changes if any have you noticed in the organization in the last year?

12 Please indicate three ways in which your business has improved in the last year

1

2

3

13 Please indicate three main reasons why your business has not improved

1

2

3

14 Have you received any services from and/or participated in any activities sponsored by USAID/Land O'Lakes (e.g. workshops, training, technical assistance, business consultations)? If so, please describe

15 What practical assistance from USAID/Land O Lakes has been the most relevant/helpful?

16 What assistance from USAID/Land O Lakes has been the least relevant/helpful?

17 Based on your experience with the USAID/Land O'Lakes project, do you believe that the organization has been strengthened?

18 How do you think the USAID/Land O Lakes project can be more helpful?

Person Interviewed		Date	
Mailing Address			
Telephone			
Type of Enterprise	Credit Institution		

- 1 How long have you been serving private business?
- 2 What financial services do you offer?
- 3 What percentage of your portfolio is in agribusiness? Has this changed in the past year?
- 4 What percentage of your agribusiness portfolio is non-performing? Has this changed in the past year?
- 5 What types of agribusinesses do you lend to - please describe
- 6 What types of agribusinesses do you NOT lend to - please describe
- 7 How did you hear about the USAID/Land O'Lakes program?
- 8 Why did you decide to participate in this program? What were your expectations?
- 9 Please describe how you market/sell your services
- 10 What changes if any have you noticed in your business/markets overall in the last year?

31

11 Has the USAID/Land O'Lakes program helped your institution? Please describe

12 Please indicate three ways in which your business has improved in the last year

1

2

3

13 Please indicate three main reasons why your business has not improved

1

2

3

14 Have you received any services from and/or participated in any activities sponsored by USAID/Land O'Lakes (e.g. workshops, training, technical assistance, business consultations)? If so, please describe

15 What practical assistance from USAID/Land O'Lakes has been the most relevant/helpful?

16 What assistance from USAID/Land O'Lakes has been the least relevant/helpful?

17 Has the USAID/Land O Lakes project had a positive/negative affect on your institution? If so please describe in the following context

Have you expanded credit to rural areas?

18 How do you think the USAID/Land O Lakes project can be more helpful?

Western Ukraine Initiative

CA #EPE-A-00-96-90021-00



Mid-Term Evaluation
Debriefing at USAID/Ukraine
by
A.P. Gross & Company, Inc.
30 April 1998

The Cooperative Agreement

- USAID Cooperative Agreement established 24 September 1996 with Land O'Lakes, Inc (Land O'Lakes) as prime awardee and ACDI/VOCA (ACDI) as subawardee
 - Federal funding totaling \$2,953,316 was granted
 - Completion date of 30 September 1999
 - \$1.8 million of federal funding obligated as of April 1997
 - \$1.3 million of the federal share of funding and \$0.3 million of non-federal funds have been expended as of 31 March 1998



Expected Results

- The intent of this CA is to facilitate the development of the Ukrainian domestic agricultural sector by
 - Increasing profitability of participating businesses
 - Increasing availability of rural credit
 - Developing support organizations for private agricultural businesses
 - Increasing trade linkages between Western Ukraine and neighboring countries, particularly Poland and Hungary
- This CA is relevant to USAID Strategic Objective 1.3 Accelerated development and growth of private enterprises



- More specifically, expected results by the end of the CA are
 - 1 Create Trade/Investment Linkages At least 20 profitable business linkages between Poland and Western Ukraine will be facilitated through the program's training and technical assistance
 - 2 Increase Profitability of Agribusinesses At least 40 agribusinesses will develop and utilize business and marketing plans which increase their overall profit margins by 15%



- 3 Expand Rural Credit At least one private credit institution will expand credit and their credit services to Western Ukrainian private agribusinesses
- 4 Improve Capacity Utilization At least five processors and/or cooperatives will provide credit through on-lending scheme to their producers/customers, resulting in improved operating efficiencies and boosted product output/sales by 20%
- 5 Increase Investment in Private Agribusinesses At least 50 business operating loans will be approved for agribusinesses and producers to start up or expand operations At least five capital investment agreements will be closed through the project's Capital Investment Program each year



- 6 Establish Private Business Management Services At least ten Ukrainian agribusiness consultants will be trained in the first two years and begin delivering for-fee services to agribusinesses during the third year of the program
- 7 Strengthen Professional Agribusiness Associations Three agricultural support groups such as professional associations, private cooperatives, industry alliances, foundations and commodity boards will be strengthened and/or established



Mid-Term Results

- 1 Create Trade/Investment Linkages 6 trade linkages documented, 6 additional firms reported trade linkages but would not agree to put their sales in writing Products/commodities include
 - lolly-pop production equipment, packaging equipment for sugar, margarine, ketchup, a ravioli machine, sausage casings, flour bags, supply of rapeseed, etc
- 2 Increase Profitability of Agribusinesses Project partners have been identified and at least 10 firms have developed and begun to utilize business and marketing plans Profit margins are expected to increase, however it is unclear whether these can be compared to previous years as no reliable baseline data were seen



- 3 Expand Rural Credit
- 4 Improve Capacity Utilization
- 5 Increase Investment in Private Agribusinesses

Despite the non-availability of funds from which loans could be disbursed, WUI undertook a comprehensive market study and financial sector assessment Based on this work, WUCB was strongly indicated to be the most appropriate financial intermediary for the on-lending program NewBizNet established the Business Support Center (BSC-a subsidiary of Lviv Institute of Management) during which time it was very helpful to ACDI ST teams In addition to the Farmer-to-Farmer Program, this is another example of how USAID funding is being leveraged.



- Although ACDI's hiring of LT expatriate and Ukrainian nationals as credit staff was late, the arrival of Ken Smith resulted in new focus for the credit component of this CA.
- Training needs assessments have been completed, legal assessments are being undertaken, and three loan mechanisms have been designed:
 - WUCB - Lviv Credit Union - and Future Cooperatives



- At this juncture, WUCB's readiness is estimated to be at 80 percent. More than 15 draft agreements and MOUs have been submitted to NARD for approval.
- This indicates that the absence of funds to lend would not have adversely impacted the first year of the project had fielding of the LT expatriate not been delayed.



- 6 Establish Private Business Management Services At least 10 consultant trainees have been identified and training has begun in delivering "for-fee" services to potential agribusiness customers However, trainees are finding that no one is interested in paying for such services
- 7 Strengthen Professional Agribusiness Associations WUI is working to strengthen the "Village Leaders" program, Lviv Dairy League, consultant's association (in formation) and Oblast Farmers Association
- Supporting documentation is maintained at WUI offices and has been reviewed in individual dossiers and related correspondence



- These mid-term results encompass and reflect work done under the first year workplan as well as work already begun under the second year workplan.
- Expected results established in the design of this activity were conservative However, expected results in the second year workplan have been expanded to reasonably more ambitious levels



- The best designed projects do not always go according to plan *When things go wrong* --especially with a major project component-- contingency plans based on "what if" scenarios need to be decided upon and put into effect as soon as possible No convincing evidence was seen concerning definitive contingency planning No definitive decision by project management at LOL, ACDI/VOCA and USAID concerning limiting the time that was spent on monetization matters was evident



- Despite good intentions and efforts, a better practice from a management standpoint would have been for USAID to have at least some contractual oversight of the monetization program
- In fairness, specific reference in this evaluation is made to an official USDA letter to Land O'Lakes dated 26 March 1998 USDA states in the letter its opinion that "*the Government of Ukraine has from the beginning obstructed the proper implementation of this Land O'Lakes (LOL) [1995 Food for Progress] agreement, and that LOL does not share any responsibility for the failure of the purchaser to provide proper payment for the 20,000 metric tons of soybean meal donated by USDA*" USDA has closed its agreement with Land O'Lakes



Recommendations

- ▶ Do not allow project staff to expend any more time on the monetization matter.
 - ▶ Gain Greater Focus by Increasing Emphasis on the Dairy Sector
 1. Work to eliminate systemic deficiencies in Western Ukraine's dairy sector (e.g., management, technology, etc.).
 2. Increase profitability of processors.
 3. Improve quality of milk and milk products.
- 

- ▶ Identify new market segmentation opportunities
 - ▶ Advance Association Development
 - 1 Establish and/or strengthen institutional capacity to accomplish above
 - 2 Strengthen ability to effect positive policy change emerging from accumulated grass-roots efforts
 - 3 Provide market information and marketing and sales support
 - ▶ Increase Emphasis on Trade and Investment Development, with particular focus on exportable products
 - ▶ Continue to Provide Training and TA to WUCB, Lviv Credit Union, and Other Future Targets to be Determined.
- 

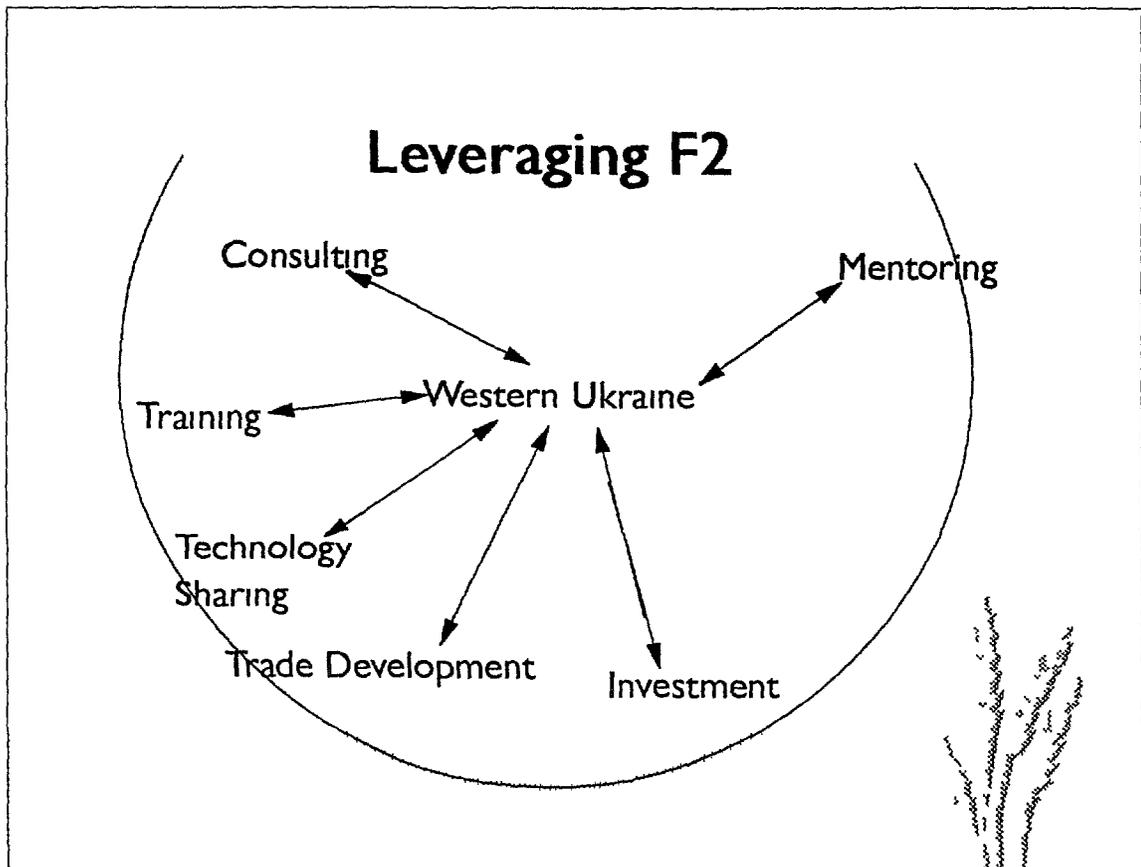
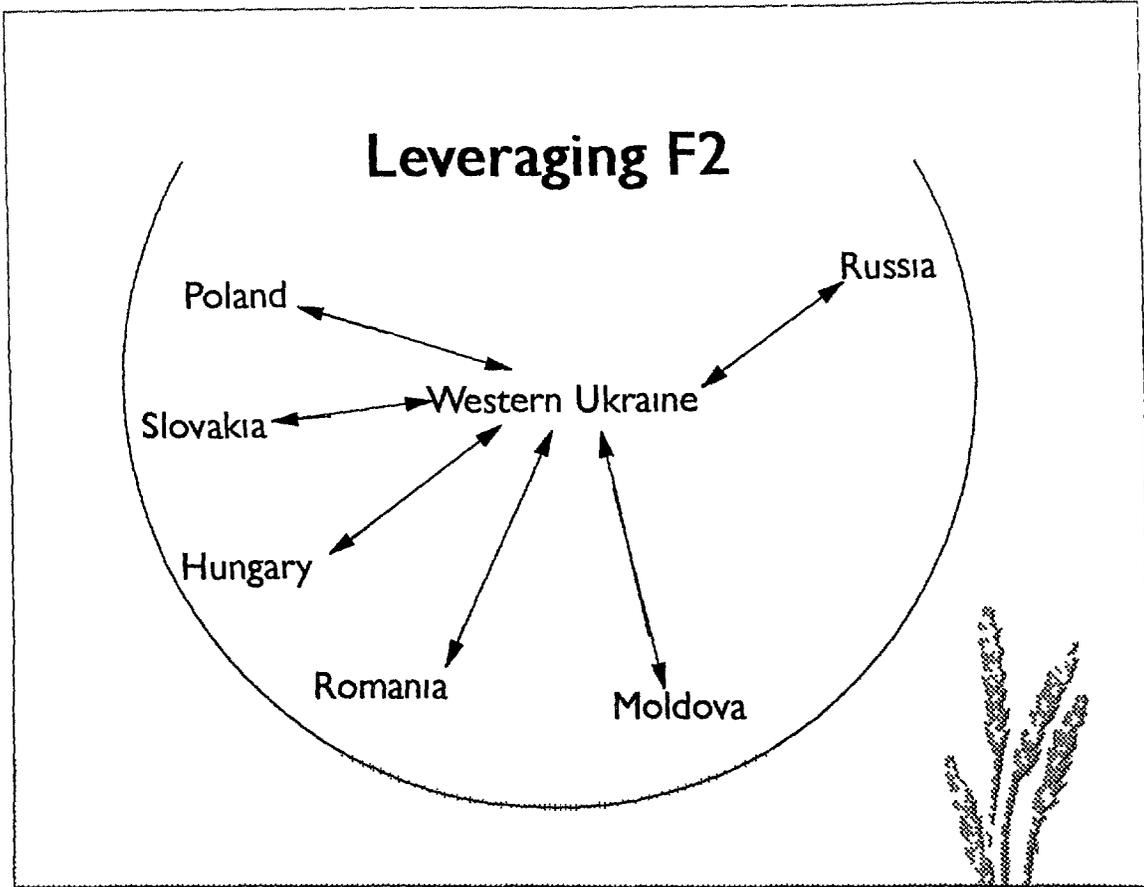
▶ Establish a Credit Facility to Serve as a Model for Possible World Bank Support

- ▶ Can a small credit facility make a difference? It certainly can to the relatively few who will rise to the occasion as Ukraine's new entrepreneurs and work toward a free and open economy. Without the facility there will be no difference at all
- ▶ This represents one way to bring new money, new investment into the economy. An alternative way to bring local currency out from the mattresses is to auction U.S. imports through a "Strategic Agricultural Input Program - envisaged as a modified CIP"



- ▶ Utilize Ukrainian and Regional Consultants and Trainers.
- ▶ Develop Specific Exit Strategies for All Expatriate Personnel
- ▶ *Leverage Farmer-to-Farmer Whenever Possible.*





Rationale for Extending the F2 Model

- Experiencing further advanced stages of reform
- Potentially represents most significant future trading partners
- Good potential for "out-sourcing" investment in Ukraine.
- Fewer language and cultural barriers.
- Logistically less expensive than using US expatriates.



Illustrative Event

- F2 Graduates Conclave in Lviv
Beneficiaries known to Land O'Lakes can easily identify those in other countries -farmers, processors, etc.- who have "graduated" from F2

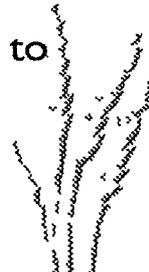
Lviv is likely the most central city by train at the crossroads of other F2 countries, such as Poland, Slovakia, Hungary, Romania, Moldova, and Russia.



- Purpose of Conclave opportunity for F2 graduates (farmers, processors, etc) to
 - meet and compare experiences
 - educate WUI participants about problems and progress experienced.
 - graduates become MENTORS of Ukrainian participants - encouraged to stay in contact through the Ukrainian "transition" process
 - graduates become trade linkages and trade partners
 - formal & informal training, TA, hope and encouragement mixed with a little reality and business



- Several administrative suggestions are being formulated for the evaluation report, such as
 - Land O'Lakes Chief of Party to establish clearer guidelines for ACDI reporting that will enable greater uniformity and timeliness in overall project reporting
 - clarifications in minor discrepancies between expected results identified in the proposal versus those stated in the CA This evaluation considered only CA-specified results
 - clarification of ACDI's cost share percentage to date



- Expatriate and Ukrainian national staff are impressive and do not appear to be afraid of work. If there was ever any friction between any staff, none was evidenced to be interfering with current work in progress



Realities and Lessons Learned

- Needless to say, anticipated results from this CA are not likely to have a statistically significant impact on this country unless the Government of Ukraine's anti-free enterprise policies are eased and eventually eliminated. Boundaries are at best diffused between real progress in privatization and continued government controls on the economy which force major economic components to remain "informal"



Overall Impression

- This is more than merely a worthwhile activity. The direction that this project is taking on can enable new investment in Western Ukraine, build capacity for follow on progress once the project ends, and can increase USAID's return on investment in several other projects by leveraging what has been institutionalized as a result of other projects such as Farmer-to-Farmer, Business Development Project, Western NIS and other Enterprise Funds, Eurasia Foundation, Cooperative Bank Development Fund, etc

