

**Partnerships for Food Industry Development  
A U.S./Ukrainian/Moldovan Partnership**

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**Response to USAID's Mid-Term Evaluation  
and Meeting of April 4, 2003**

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**Submitted by**

**International Programs**

**Louisiana State University Agricultural Center**

**Baton Rouge, Louisiana**

**In association with**

**The World Food Logistics Organization, Alexandria, VA,**

**The World Laboratory, Ukraine Branch, and**

**The National Institute of Animal Husbandry and Veterinary Medicine of Moldova**

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## List of Acronyms

AFDO .....	Association for Food and Drug Officials
ASBA.....	Asov Sea Basin Association
AWP .....	Annual Work Plan
BISNIS.....	Business Information Service for the Newly Independent States
CNFA.....	Citizen’s Network for Foreign Affairs
FDA .....	Food and Drug Administration
HACCP.....	Hazard Analysis for Critical Control Points
IFC .....	International Finance Corporation
IIFSQ .....	International Institute for Food Safety and Quality
INZMV .....	(Moldovan National Institute of Animal Husbandry and Veterinary Medicine)
ISS.....	Information Support System
JV .....	Joint Venture
KNUTE.....	Kyiv National University for Trade and Economics
LSU AgCenter .....	Louisiana State University Agricultural Center
MTE.....	Mid-Term Evaluation
PFID.....	Partnerships for Food Industry Development (as administered by USAID)
PFID-MSP .....	PFID-Meat, Seafood and Poultry (as administered by the LSU AgCenter)
SAR.....	Semi-Annual Report
TTT .....	Train-the-Trainer
USAID .....	United States Agency for International Development
WFLO .....	World Food Logistics Organization
WL .....	World Laboratory, Ukrainian Branch

## **Section I. Introduction and Summary**

### **A. Background**

In January 2001, USAID awarded a four-year Cooperative Agreement to the Louisiana State University Agricultural Center (LSU AgCenter) to provide assistance to meat, seafood and poultry industries under the Partnership for Food Industry Development Program (PFID). The LSU AgCenter-led PFID-Meat, Seafood and Poultry (PFID-MSP) partnership includes The Louisiana State University Agricultural Center, World Food Logistics Organization (WFLO), the World Laboratory, Ukraine Branch (WL), in Kyiv, Ukraine, and the National Institute of Animal Husbandry and Veterinary Medicine, (INZMV) of Chisinau, Moldova.

In January 2003, USAID conducted a mid-term review of PFID-MSP's performance of the first half of their four-year Cooperative Agreement and to make recommendations to USAID on the future of this PFID-MSP partnership. A four-person assessment team was assembled and traveled to Ukraine and Moldova from January 19 to 29, 2003. In Ukraine the team participated in the PFID-MSP Annual Advisory Committee Meeting, which afforded the opportunity to observe presentations on project activities and interview PFID-MSP personnel. In Ukraine and Moldova, additional interviews were conducted with PFID-MSP clients and members of the local agribusiness community.

In the Mid-Term Evaluation (MTE) Report, dated March 27, 2003, the evaluation team concluded that the most outstanding performance has occurred under Program Objective 4, "Create Technical and Educational Capacity", within the industry. PFID-MSP partners led the founding of an International Institute for Food Quality and Safety (IIFQS) in Ukraine, which has already assisted the Government by drafting new food safety guidelines and standards that are consistent with international standards. Another capacity-building accomplishment is the PFID-MSP Hazard Analysis for Critical Control Points (HACCP) training program. PFID-MSP is also assisting local meat and seafood processing industries to adapt and apply new cold chain technologies, with significant contribution from the World Food Logistics Organization (WFLO).

The Evaluation Team stated that poorly performing activities include those activities aimed at improving the supply of raw materials to the processing industry and the fostering of business partnerships. The evaluation team believes that the scope of the livestock and fishery supply problems in the target countries is well beyond the capabilities of the assembled partnership. The MTE Report states that, based on an industry assessment and in response to stakeholder input, PFID-MSP has invested significant resources and time in year-two on activities focused on the livestock and fish production sectors, but have little to show for these investments. Likewise, in the first two years of the agreement, the MTE Report stated that PFID-MSP has not demonstrated it has the expertise necessary to foster business partnerships in a challenging environment.

In Moldova, the Evaluation Team saw significant management problems and major weaknesses in business aspects that have hindered the program's success. The MTE Report states that these issues have been raised with LSU on several occasions by USAID from the start of the PFID-

MSP program in Moldova and, although some progress has been made, the team believed that local management of the program in Moldova is still in the wrong hands.

Based on these findings, the Evaluation Team made five recommendations, summarized in the next sub-section. The evaluation team stated that, if their recommendations were adopted, the potential for Ukraine and Moldova to improve their food industry structures would be significantly improved by PFID-MSP assistance.

The PFID Management Team from USAID/Washington, two members of the Evaluation Team, the LSU AgCenter and WFLO reviewed the Evaluation Team's report on April 4, 2003 at Baton Rouge. The meeting participants focused on the Evaluation Team's five recommendations, discussing each one in turn. The PFID-MSP staff asked for guidance from the USAID staff regarding the next steps in their response to those recommendations. This report is the first of these steps, a written response to the evaluation report.

## **B. Summary of Recommendations**

- 1) PFID-MSP should focus the remaining two years of the Cooperative Agreement on technical assistance and capacity building in the area of international food safety and quality standards, with the aim of sustainability by the end of the Cooperative Agreement. The work plans for years 3 and 4 should reflect this focus.
- 2) PFID-MSP should continue modest and targeted assistance in the area of industry association support, including practical information support useful to industry clients. The work plans for years 3 and 4 should reflect this focus.
  - PFID-MSP will adopt both of the preceding recommendations. Changes will be made in the work plan for Year 3 and Year 4 to reflect these recommendations.
- 3) PFID-MSP should discontinue support to activities that are not clearly well within the core competency of the assembled partners and not likely to deliver anticipated results described in the Cooperative Agreement program description. These include production-side assistance activities such as livestock marketing associations/auctions, credit unions, and improved animal production schemes. The work plans for years 3 and 4 should reflect this change.
  - PFID-MSP will adopt this recommendation as it pertains to strict livestock production recommendations, such as the Moldovan out-grower and the Ukrainian credit union schemes. However, it requests that some project activities, which are believed to be directly within the scope of PFID-MSP (as defined in the Cooperative Agreement), should be allowed to continue. This includes the livestock marketing auctions, defined as a support mechanism enabling Ukrainian stakeholders to increase effectiveness in regulating their food industries. Another activity involves the Moldovan processing trials, which promote capacity building through collaborative research.
- 4) PFID-MSP should change management of its local program in Moldova, as the current local partner is seriously under-performing while at the same time claiming quite remarkable

results. The change must be made in close collaboration with the USAID office in Moldova and, in order to prevent damage to relations with the GoM, no action should be taken without prior approval of the local USAID mission.

- PFID-MSP will initiate action to change the Moldovan project management from INZMV to another entity. However, it contends that to preserve institutional memory, effective personnel from the current project team should be retained. This will cause the least amount of disruption to the Project's implementation, particularly as it pertains to the current effective relationships with stakeholders, government agencies and other players in the Moldovan food industry.
- 5) PFID-MSP should develop and implement a marketing program for USAID missions, based on its strong capability in international food safety standards for meats, seafood and poultry and its scientific and technical capacity building expertise in the areas of storage and handling of perishable foods.
- PFID-MSP has already initiated action in this area and proposals have been submitted for Associate Awards. PFID-MSP recognizes the need for a marketing plan, which it has already started developing and plans to complete this activity by the Fifth Semi-Annual Report.

## **Section II. Responses to Recommendations**

The response to the Mid-Term Evaluation (MTE) is organized by recommendations in the MTE Report. However, there are comments and other instances in the report where the LSU AgCenter feels that inputs and reactions are warranted to further clarify our project implementation approach to meeting project goals as outlined in the Cooperative Agreement. Thus subsections A through E address the specific recommendation in the MTE Report, while an additional subsection F addresses the various items that do not fall under any one recommendation made in the MTE.

In general it is sufficient to say that the approach to project activity implementation and project management adopted by the LSU AgCenter is primarily anchored in creating new competencies within a cadre of local specialists and local institutions that could carry on the work of PFID-MSP long after the funding has ended. Establishing new awareness, competencies, and the ability of a core group of persons who can influence the industry, and the government while maintaining long-term relationships with their US partners (both University and industry based) are essential ingredients to sustainability. To this end, the first two steps of awareness and assessment followed by interaction with the beneficiaries are critical in harnessing the interest and ownership of project ideals by beneficiaries. These initial steps, while not producing "measurable" or visible results were the main reason why the industry and the government in Ukraine and Moldova were open to the PFID-MSP activities. In fact, in Ukraine the activities of the PFID-MSP program have earned the interest and participation of a number of entities, in the government and the industry.

## A. First Recommendation

*PFID-MSP should focus the remaining two years of the Cooperative Agreement on technical assistance and capacity building in the area of international food safety and quality standards, with the aim of complete local sustainability by the end of the Cooperative Agreement. The work plans for years 3 and 4 should reflect this focus.*

- All areas of technical assistance in HACCP should be continued in both Ukraine and Moldova. This includes U.S. and in-country training.
- The impact potential in promoting science-based legal, regulatory and policy frameworks for international trade in food products is high.
- WL should build on its new in-country HACCP training capacity and expand its work in this area as appropriate.
- In Moldova, PFID-MSP has a strong partner in Free Fisheries and should significantly increase its industry contact base in the HACCP training area.
- Ukraine's International Institute for Food Safety and Quality should continue to receive assistance, but a plan to reach sustainability without USAID assistance by the end of the current Cooperative Agreement should be developed and implemented as soon as possible.
- Technical assistance and training by LSU/WFLO should be more carefully coordinated and driven by demand from the local PFID-MSP programs, rather than by the LSU/WFLO staff.

### 1. Discussion and Implications

Food safety has been a significant PFID focus since the beginning of the program. This focus can be divided into two major areas: (1) providing food safety and regulatory training necessary to enhance in-country expertise to enter into international trade and to improve local food safety, and (2) establishing a professional-core personnel infrastructure to maintain sustainability after the project has terminated. During the first two years of the project, selected personnel have been trained in HACCP and sanitation principles. In addition, governmental food safety and inspectional agencies in Ukraine and Moldova are in the process of adopting regulations that mirror US HACCP requirements to facilitate international trade. Introduction to US Food and Drug Administration personnel have provided a mechanism to maintain long term connections with new and emerging regulatory changes.

At this stage of the project, both countries are near sustainability in the area of seafood HACCP compliance and training. Certified HACCP trainers can now offer and manage all training efforts<sup>1</sup>. The first Association of Food and Drug Officials (AFDO) approved course is scheduled

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<sup>1</sup> The USAID MTE team acknowledged this achievement but understated the number of certified trainers. Page 17 of the MTE report stated that, "In addition, 4 Ukrainians and 4 Moldovans have participated in U.S.-based HACCP Trainer Courses and have been certified as HACCP trainers, capable of providing basic HACCP courses that lead to internationally-recognized certification." In fact, the actual number of qualified trainers can be disaggregated as follows: five Ukrainians who completed a Train-the-Trainer (TTT) course in meat and poultry HACCP, four Ukrainians who completed a TTT course in seafood HACCP, four Moldovans who completed a TTT course in meat

for June 2003 in Odessa, Ukraine. This is a significant milestone, as it will be planned, scheduled and taught by in-country professionals with AFDO approval. Thus PFID-MSP feels that sustainability has nearly been completed in this area.

Similarly, PFID has established a cadre of technical specialists who are prepared to conduct appropriate food safety and quality procedures in both Ukraine and Moldova.

## 2. *Required Actions*

In the seafood area for the next two years, Dr. Moody will verify sustainability with seafood processing facility visits, in cooperation with the US Food and Drug Administration (FDA). In addition, Dr. Moody will facilitate global networking. One attractive venue is through participation in the Boston Seafood Show conducted in March 2004. Dr. Moody will establish some cooperation goals with International Institute of Food Safety and Quality (IIFSQ) to increase food safety and food science in the Ukraine. This institute is a strong base in which to establish future cooperative food safety efforts with partners in the US. Such efforts could include web pages, newsletters, round table discussion groups, conferences, workshops and distribution of trade leads. In the remaining two years, Dr. Moody will devote time to strengthening IIFSQ in areas of outreach to industry, universities and government.

Dr. McMillin will provide similar assistance in the Meat and Poultry components. An example of such assistance will include his participation in a Poultry Quality Round Table to be held in June 2003. At this round table, Dr. McMillin has been asked to cover the following issues:

- *Standards and quality* – Including application in the United States and the steps in the poultry processing critical to maintaining quality; and
- *Modified atmosphere packaging* – Including appropriate gases, health effects and shelf life.

## **B. Second Recommendation**

*PFID-MSP should continue modest and targeted assistance in the area of industry association support, including practical information support useful to industry clients. The work plans for years 3 and 4 should reflect this focus.*

- LSU PFID-MSP Ukraine has had success with the Azov Sea Basin Association (ASBA). This should be continued and expanded.
- WFLO assistance in the area of training and technical assistance should be continued in the context of support to associations of private firms. Small and medium-sized firms should be assisted along with larger firms.
- PFID-MSP should continue and expand its availability of translated WFLO technical and scientific resources to associations and firms.

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and poultry HACCP and four Moldovans who completed a TTT course in seafood HACCP. Therefore, there was a total of number of seventeen participants in such training rather than the eight reported in the MTE report.



- Information support system development should be continued, but only if a credible plan for sustainability beyond the life of the Cooperative Agreement is first developed.

### 1. *Discussion and Implications*

Following up on stakeholders who have received training in association building needs to be addressed by the Project Partners. Guidance will be provided in this issue by the internal evaluation to be conducted in July.

PFID-MSP acknowledges the need to develop a viable plan to attain sustainability of its information support systems, especially in Ukraine. This plan will be addressed in the revised Third Annual Work Plan.

To make ISS sustainable in Ukraine after the end of the Project, WL is combining efforts of two projects to which it has contributed information technology services. These include PFID-MSP and “Improving Income of Private Ukrainian Agricultural Produces through Agricultural Extension”, another USAID-funded project implemented in partnership with the LSU AgCenter. A common web-portal is being established so all clients with Internet access can open it. For those without Internet access, two ways of information delivery are provided: mailing and fax. Second, ISS in its basic variant will be installed at stakeholder associations, which already have well-established communication mechanism with members. This will also contribute to ISS maintenance because ISS has a simple mechanism of introducing new information. Further, data will be automatically updated through interactive pages. Enterprises will be willing to place price information at the web site, and will do this accurately, because this service is free of charge.

Funding of ISS maintenance will be acquired partially on pay-and-use basis applied for individual users and partially through inclusion of the cost of this new service into membership fees for members of associations where ISS will be installed. In addition, a governmental source of funding has been identified; after an ISS presentation Mr. Sergey Melnyk, State Secretary of the Ministry of Agrarian Policy of Ukraine has ordered an allotment of funds for ISS maintenance.

### 2. *Required Actions*

WFLO intends to follow the Evaluation Team’s recommendation to assist the PFID-MSP team with capacity building in the area of international food safety and quality standards, with the aim of sustainability by the end of the Cooperative Agreement. To improve the chances of local sustainability WFLO will assist local associations with deliverables, which will be made available to members. Specific activities are described in the work plans for Ukraine and Moldova. These could include the following activities under the current funding agreement:

- Round Table discussions for Mid-level cold chain employees. These roundtables will start with a follow up visit with all PFID-MSP trained candidates from the 1<sup>st</sup> and 2<sup>nd</sup> year of the program. Discussions will be held with these individuals on the future needs for training and the pros and cons of the experience from the first two years. The information gained during this meeting will be the basis for topics discussed not

only in the roundtables, but also for the basis of activities identified as proposals for new Associate Awards.

- WFLO has also expanded its resources for short-term training in the areas of food processing and post harvest technologies and handling methods. These resources will be made available to the PFID-MSP program.

As discussed above, The PFID-MSP team has a goal of local sustainability by the established entities by the end of the Cooperative Agreement. To improve on these chances, the PFID-MSP team will write concept papers and Associate Awards to seek funding to provide the following: Note – without additional funding these activities will not be available under the current project. The PFID-MSP team feels sustainability will be impaired without these activities taking place.

- Directories of companies directly involved in the cold chain, as well as suppliers to the industry. This directory will be created as volume 1 by the PFID-MSP team. The directory can be supported by selling of advertising space in the directory to local as well as international firms doing business in the region. Following the PFID project, the local associations can update the document every three to four years to represent the current business environment.
- Localized textbooks for training. WFLO will assist the local associations with the development of localized textbooks for training the cold chain workforce. Close contact with the local PFID-MSP office will assist the team with providing targeted information. This document will be produced as a first volume, and over time the local organizations can translate all the appropriate information.
- CD-ROM based training materials. The WFLO will assist the local associations with the development of CD-ROM based materials. The CD-ROM's focus will be geared to train employees in the supervisory level of companies involved in the cold chain. Following Year 4, the CD-ROM will be updated every six years by the local groups and made available for a fee to association members.
- Seminars for Senior Level Training. Seminars with local association support can be established for senior level training for companies involved in the cold chain. These seminars will also be used to introduce the region to interested international firms exploring opportunities in emerging markets. Following the establishment of the seminar series, the local associations can hold an international conference every three years.
- Quarterly short courses for the cold chain work force. WFLO will gain considerable knowledge by interviewing the local cold chain workforce, previously trained during the 1<sup>st</sup> and 2<sup>nd</sup> year of the program. Selected individuals will have the opportunity to explain the training received during quarterly short courses offered to the work force (TTT). In addition to these previous students, international experts will be made available for teaching selected chapters out of the WFLO textbook "Successful Refrigerated Warehousing".

WFLO will work with the local and region associations to carry out the activities and deliverables listed above. WFLO's objective is for the local groups to offer these activities as non-dues revenue following Year 4 of the Cooperative Agreement to ensure sustainability.

### C. Third Recommendation

*PFID-MSP should discontinue support to activities that are not clearly well within the core competency of the assembled partners and not likely to deliver anticipated results described in the Cooperative Agreement program description. The work plans for years 3 and 4 should reflect this change.*

- These include production-side assistance activities such as livestock marketing associations/auctions, credit unions, and improved animal production schemes.

#### 1. Discussion and Implications

PFID-MSP will follow the Evaluation Team's recommendation to eliminate improved animal production schemes from its remaining work-plans. Eliminated activities include support of the pig out-grower scheme in Moldova and the Khmel'nitsky Fish Farmer Credit Union.

Regarding the Livestock Auction Agency, the Evaluation Team stated that the magnitude of raw material problem and its current structure in Ukraine and Moldova is beyond PFID-MSP's scope and resources to make a likely impact. PFID-MSP admits that as with the beginning of any initiative in an emerging market, this activity cannot show immediately tangible results. Preparatory measures, not the auctions themselves, were to be conducted in 2002 and, in a very short period of time and with minimum resources, the Project Activity succeeded in creating an infrastructure with procurement sites, office premises, and runways. PFID-MSP's view is that promoting a targeted pilot activity in livestock marketing, with emphasis on open shared market information, would provide a useful model for the rest of the Ukrainian food industry. It also contends that such sharing of market information fostered a programmatic linkage with the Project's information support system. In essence, PFID-MSP feels that establishing proof of concept through this activity will spur the industry to replicate the model in other appropriate oblasts, thereby providing a vital service presently lacking in the Ukrainian food industry.

Discussion of this issue among PFID-MSP partners revealed that definition of PFID-MSP's role would be appropriate in this activity. At the April 4<sup>th</sup> meeting, these were identified as policy formation, capacity building and economic monitoring/analysis.

To further clarify its role in the activity, WL stated that it was the organization that spent considerable time analyzing the economic viability on both a macro- and micro-economic level (refer to Annex B of the Fourth SAR). It was WL that first advocated a field-driven idea of auction establishment as a primary market element and created a core field group in Volhyn oblast. Dr. Moldavan, PFID/WL economist, worked extensively to organize the core group, as well as to develop a livestock procurement scheme and business plan for the Livestock Auction Agency. She also contributed to the development of the Provision of Livestock and Poultry Auctions, which the Government approved to provide a legal framework for auctions throughout Ukraine.

The principal reason for pursuing this activity was to improve efficiency in the procurement procedures of meat processing plants. PFID-MSP contends that this is not on the periphery of the PFID-MSP program but rather a direct contribution to the economic efficiency of the meat-processing sector. Moreover, if the auctions are successful (in that they benefit both farmers and

processors), then they will be *sustainable* after PFID-MSP leaves the country and thus satisfy a recurring concern of the Evaluation Team.

In this context, PFID-MSP feels that its staff has the core competency to develop pilot livestock auction agencies. As stated in the MTE Report, PFID-MSP has provided valuable support to the establishment of the livestock auction agencies. PFID-MSP hopes that the provision of verifiable information showing the impact of the Livestock Auction Agency and the project staff's contribution to that impact will persuade USAID to allow continued project involvement in this activity.

In a similar discussion, the MTE Report speaks favorably on the results of PFID-MSP's achievements in the case of the Asov Sea Basin Association (ASBA) in Ukraine and Propiscicola in Moldova (on Page 16) while recommending PFID's discontinued support of production oriented associations. It is true that the ASBA is expanding its focus from solely production to include marketing and processing support to its members. The Evaluation Team also was skeptical regarding INZMV's contribution to the increased sales of Propiscicola's members. PFID-MSP asks USAID for the opportunity to demonstrate such a contribution and, if it is apparent to USAID's satisfaction, continue supporting Propiscicola.

## 2. *Required Actions*

PFID-MSP's AWP will be revised to reflect the following mid course adjustments arising from USAID's recommendations:

- 1) Discontinue support of improved animal production schemes, such as the INZMV-conducted pig out-grower activity and credit unions, such as that proposed for fish farmers in Khmelnytsky.
- 2) Provide evidence of significant impact of the following Project activities, as well as tangible evidence of PFID-MSP contributions to stakeholders in the course of those activities:
  - a) Livestock marketing auctions in Ukraine; and
  - b) Production-oriented associations, such as Propiscicola in Moldova.

## **D. Fourth Recommendation**

*PFID-MSP should change management of its local program in Moldova, as the current local partner is seriously under-performing while at the same time claiming quite remarkable results. The change must be made in close collaboration with the USAID office in Moldova and, in order to prevent damage to relations with the GoM, no action should be taken without prior approval of the local USAID mission.*

- The administrative structure should be changed and the budget reformulated for the Moldova program, to keep the number of salaried employees to a bare minimum needed for managing the program and to provide technical experts on a fee-for-service basis.

- USAID/EGAT should consider termination of year 3 and 4 funding for PFID-MSP unless substantive changes are made to improve the performance of the Moldova program.

### *1. Discussion and Implications*

PFID-MSP accepts this recommendation to change the Moldovan partner for the reasons mentioned in the MTE Report. In addition, the LSU AgCenter would like to respond to USAID management by providing the following clarifications and explanations.

While the lack of experience in project management and technical assistance delivery of the Moldovan partner was recognized early on and corrective action taken by the LSU AgCenter management, it must be recognized that this particular partner established a core group of scientific personnel who are now competent to carry on the kinds of activities that are most lacking in Moldova to support the food industry. No doubt, as pointed out in the MTE Report this core group of scientists lacked business expertise, and was strengthened by the addition of the Economist from the private sector.

Additionally, it must be recognized that the original Team Leader for the Moldovan partner passed away in October 2002 (due to sudden illness) leaving a void that needed to be filled quickly. The LSU AgCenter acted quickly by advertising the position (position description was reviewed by USAID/Chisinau) and hiring a replacement. The selected candidate (interviews of final list of candidates was conducted by Drs. Velupillai and Hubchen and one Moldovan team member), a former team member, is a capable leader with good management capabilities and has a good knowledge of the Moldovan food industry.

On this same subject, the MTE Report's Annex VI outlines a "Summary of USAID Guidance Regarding the Moldovan Partner". A detailed response to these actions are found below to demonstrate that corrective actions were taken by PFID-MSP to the satisfaction of USAID management (all referenced e-mails are found in Annex A):

- June 4, 2001 – Concerns with Joint Stock Company "Ocean" (Annex VI, first page). Once the LSU AgCenter received this communication, immediate action was taken to disassociate PFID Moldova with this entity. To date no activity or interaction with this company has taken place.
- February 8, 2002 Teleconference (Annex VI first page). This mentions that the program director was in Ukraine, and was unable to come to Chisinau at USAID Mission request. PFID-MSP would like to clarify this by stating that the request to the program director to join Dr. Knight and USAID/Chisinau in Chisinau came after the program director had already left the US on his journey to Ukraine. As the program director was unaware of USAID plans to meet in Chisinau, he did not obtain a visa to enter Moldova. This was explained by the program director to Dr. Knight by email, and resulted in the teleconference. As critical advice was given to the program director at this conference call, the program director summoned the Moldovan team leader and key team members to Kyiv for a detailed meeting on the issues raised at the conference call. A corrective strategy was then mapped in Kyiv, and communicated to Dr. Knight by email dated 2/17/02.

- The program director returned to the US and on March 21 went to Moldova to make the necessary changes in the team structure: reconstitute the budget for personnel and discuss many issues of project planning, monitoring, follow up etc. The program director also met with USAID Chisinau, and attended meetings with some stakeholders (reference email from USAID Chisinau to Dr. Knight, 3/29/02). This action was then summarized in a report from the program director to Dr. Knight (reference email of 4/02/02), and was accepted on a positive note by Dr. Knight (reference email of 4/03/02).
- Subsequent to this management action by the program director, the PFID-MSP Coordinator from the LSU AgCenter then visited Moldova twice (in April and June 2003) to provide management guidance on project planning, monitoring, documentation and human resource management.
- The Year 2 Work Plan comments by USAID March 17, 2002 (summarized in the five bullet points in Annex VI's second page - with communication in writing dated March 21, 2002) were communicated to the program director who was in Chisinau at the time (referenced in above discussion). The responses to these points raised in the comments to the Year 2 Work Plan were then prepared by the program director with the help of the Moldovan Team, and the revisions were submitted to USAID Washington who then shared them with USAID Chisinau. The responses and revisions of the Year 2 Work Plan included a complete refocus of activities for Moldova. This was sent by the LSU AgCenter on March 26, 2002 and approved by email on March 29, 2002, indicating that the response was "reviewed by USAID Washington and USAID Moldova and found to be responsive to both mission and management input".
- Finally all these management actions were summarized in the subsequent Semi-Annual Report (SAR) submitted in July 2002. USAID's response to the SAR's summary of such actions was limited to a question by Nick Higgins regarding expectations for the future performance of INZMV (September 6, 2002). PFID replied that such expectations were based on the indicators of the Annual Work Plan.

PFID-MSP sincerely believes that the above management actions to correct and remove the concerns raised by USAID demonstrate that PFID-MSP took the advice and guidance of USAID management seriously. In the absence of further communication from USAID, PFID-MSP assumed that the corrective actions were satisfactory to USAID. This assumption was reinforced by what the LSU AgCenter saw as a significant correction of INZMV's management deficiencies, as demonstrated by the following

- Transparent hiring and selection of team members and US-based training participants – as evidenced by the recruitment for the Team Economist in June and the Team Leader in November;
- Improved planning of project activities – as evidenced by INZMV improved presentations during the 2nd ACM; and
- Timely delivery of internal program and financial documentation.

## 2. *Required Actions*

At this time the actions required to meet this recommendation as proposed by the PFID-MSP team on April 4, 2003 to USAID will be based on the following steps:

Step 1: INZMV is kept as the address of record for the time being and personnel changes are limited to specific individuals not performing to expectations. This maximizes both programmatic and administrative continuity (for example, the established project bank account is maintained). With immediate effect (the program director will be leaving for Chisinau on May 17, 2003), potential NGO partners are identified with assistance from USAID/Chisinau; their suitability discussed with the USAID office in Chisinau, program director visits with these potential partners and the PFID Moldova management role is advertised.

Step 2: Proposals for management role of PFID Moldova are received (target date for receipt of proposals June 15-30), evaluated and a partner selected with input from USAID Chisinau.

Step 3: INZMV is then given notice of termination of its subcontract within PFID. As a thirty-day notice is required by the existing subcontract with INZMV, this will provide a transition period for the new partner to come on stream to implement the program in Moldova. It will be emphasized to the new partner that to maintain programmatic continuity and to prevent issues (including a learning phase for new partner employees and building new relationships with stakeholders - especially those with whom project activities are already in progress), key employees working currently will be employed under the new management.

## **E. Fifth Recommendation**

*PFID-MSP should develop and implement a marketing program for USAID missions, based on its strong capability in international food safety standards for meats, seafood and poultry and its scientific and technical capacity building expertise in the areas of storage and handling of perishable foods.*

### 1. *Discussion and Implications*

This recommendation is well received by the LSU AgCenter, and in fact several proposals as described in Annex B have already been submitted to various missions. Two proposals are pending review at this time. Project management felt that, first, PFID-MSP needed to establish a track record during Year 2, when it actually began implementing project activities and, second, for a successful Associate Award the following are necessary:

- A marketable product or service that PFID-MSP can offer to Missions together with a credible track record of TA that could be cited to the targeted mission;
- A match of the product/service offered by PFID-MSP to the Strategic Objective and Intermediate Results(s) of the targeted Mission
- Funding available at the targeted mission.

By the latter part of Year 2 of the program, PFID-MSP did have successful products and services that it could market. It is for the above reasons that the program director pointed out to the Evaluation Team in Kyiv that the potential for Associate Awards perhaps was over rated (at the bottom of page 20 of the MTE Report, the LSU AgCenter contends that the program director was misquoted).

While the recommendation is correct that PFID-MSP should prepare and implement a strategy to market products and services for these awards, our experience has been that even if our proposals are welcome at missions, they have usually committed their funds for their own programs. We did come close to receiving funds from the Kyiv Mission last year; however the funding did not materialize. We have now submitted a modified version of this same proposal as an independent proposal to the USDA's Emerging Market Program. Another example is a concept paper submitted to USAID/Jakarta and response from Mission (Annex C).

Despite the above attempts by the PFID-MSP, the LSU AgCenter agrees with the recommendation that a focused strategic marketing effort can produce results. This action will be taken, especially with the assistance of the WFLO. As a starting point, Annex B is provided to document the actions taken thus far to receive Associate Awards. Further an analysis of potential USAID Missions has been completed, and attempts will be made to contact these Missions. As pointed out by USAID management on April 4, 2003, USAID Washington will be kept abreast of these actions so that any assistance they feel are appropriate would be received by PFID-MSP.

## 2. *Required Actions*

LSU AgCenter and WFLO recommend a strategic plan including a standard application procedure and the identification of USAID missions with potential alignment with PFID.

- 1) Identify an appropriate USAID Mission (to date, key possibilities include Azerbaijan, Georgia and Romania).
- 2) Identify the Mission's strategic objectives those that can be addressed by PFID.
- 3) Develop a concept paper and submit to the Mission.
- 4) Conduct follow-up correspondence.
- 5) If the Mission wishes, prepare a formal proposal.

PFID-MSP has taken steps to initiate the development of a University Department in Food Science Research and Outreach, as a focus for future program design and funding proposals. Potential collaborating institutions would include the National Agricultural University of Ukraine (NAUU) and the Kyiv National University of Trade and Economics (KNUTE). Appropriate measures would include train-the-trainer programs, exchange programs with LSU AgCenter and assistance in curriculum design.

Dr. Sergey Melnychuk of the NAUU is scheduled to visit Baton Rouge in May 2003 on LSU AgCenter funds. In August 2003, Dr. Natalia Prytulskaya of KNUTE will make a similar visit



(both trips are funded through University funds). The objectives of these visits are: to acquire LSU-based information relevant to a university level food science program; and to develop an initial plan of action for establishing such an academic department in Ukraine.

## **F. Items not Specifically Covered under the Recommendations**

As discussed at the beginning of this response, PFID-MSP feels that certain relevant issues that did not fall under any one recommendation need to be discussed.

### *1. Project MTE/Activity Ranking*

The first issue is that of the overall ranking of activities shown in Annex VII on page 46. While PFID-MSP will act on all recommendations as discussed previously in this response document, it feels that the ranking procedure does not fully address activities and timing of achieving results as originally proposed in the Cooperative Agreement. For example, the Cooperative Agreement's timetable (Annex b in the approved proposal) slated the business partnership activity to become active and fully developed in Year 3; however the Evaluation Team gave it a "low" ranking at the end of Year 2.

On another level, the work accomplished by PFID-MSP in Year 1 has really not been included in the ranking process. This awareness and trust building phase was critical to the success of the later activities. PFID-MSP worked hard to receive the buy-in and trust of stakeholders, creating a sense of ownership of the design of activities. While PFID-MSP agrees that this 'result' is not readily measurable, it was nevertheless very important. In fact it is this phase of the program in Ukraine and Moldova that led to the significant results highlighted by the MTE Report, and fully conform to the PFID overall objectives (page 9, section B items 1 and 2). It would be fair to say that PFID-MSP promoted the science-based approach in both target countries, resulting in the recognition of for example, food safety issues including training of local experts.

### *2. Stakeholder Input*

A second issue discussed at the April 4, 2003 meeting is the use of stakeholders in determining food industry priorities, particularly the use of the Nominal Group Process. While it may be true that stakeholders are not all fluent in market oriented thinking, there are many trends and indications of market economy principles, of which key segments of the private sector (particularly in the food sector) are increasingly becoming aware and wish to take advantage (see attached article from the Kyiv Post, January 16, 2003, Annex D). The overriding viewpoint of the LSU AgCenter in eliciting stakeholder participation is that it creates a sense of ownership, which leads to commitments on the part of the beneficiaries. In fact, as stated by the MTE Report on page 17, first paragraph, it is this very approach that led to the recorded success in the Food safety/HACCP training activity.

### *3. Moldovan Technical Case Studies*

In the Evaluation Report, the Moldovan processing activity appeared to be considered as a raw material supply activity (pages 12 and 13) and therefore one could infer that it would have to be discontinued under the third recommendation. However, the latest SAR and AWP both categorized it as a technical case study relating to post-harvest technology/processing. As such,

it is one of the Project's activities most relevant to PFID's second original objective (adapting and applying food processing and marketing technologies to create value-added products...).

Based on discussions at the April 4, 2003 meeting on the subject, it was concluded that the primary responsibility for expanding the freshwater fish processing activity successfully initiated by PFID-MSP in Year 2 be left for the private sector. However, due to the fact that this activity still involves post-harvest processing aspects that are within the PFID-MSP scope, Year 3 activities shall support such expansion and include access to information, promotion of linkages and monitoring. As mentioned in the relevant Concept Paper, INZMV will shift its concentration to the trial processing of spent hens (egg laying hens that are no longer productive).

#### 4. *Fostering Business Partnerships/Joint Venture Formation*

While the Evaluation Team is critical of PFID-MSP's efforts in Joint Venture (JV) Formation, its report has no recommendations explicitly concerning this component. The relevant issue for this Project Activity is clearly defining expectations regarding the business partnership aspect, as was originally outlined in the Cooperative Agreement. Consistent with the Cooperative Agreement (page 14, second paragraph) the Business Partnership Development aspect of the project deals with the development of an efficient supply chain. Thus focus is required in a) developing a complete supply chain, and b) ensuring an efficient supply chain. Thus efforts to provide information, selection of appropriate candidates, and the development of domestic linkages and partnerships to strengthen and extend the supply chain are all a part of the requirements of the "Business Partnership Development" aspect of the project. As an extension of this activity of developing domestic partnerships to strengthen and extend the supply chain, potential foreign partnerships to enhance the food chain were to be considered.

Thus, the business partnership objective is broader than JV formation between foreign and domestic partners. This is why domestic linkages within the supply chain were also implemented in Year 2 of the project. Examples of successful partnership activities include the linking of the freshwater fish suppliers with a commercial fish-processing firm in Moldova, and the establishment of the livestock auction infrastructure in Volhyn oblast, Ukraine.

Regarding plans to foster joint ventures between foreign and domestic firms, activities completed in Year 2, and planned for Years 3 and 4 include:

- Conducting appropriate analysis that identifies key industry stakeholders, constraints, and solution strategies that creates a more favorable business environment for business partnerships;
- Organizing and conducting workshops aimed at increasing the awareness of key industry leaders and government officials regarding key constraints and solution strategies to promote foreign direct investment;
- Collaborating with other organizations promoting JV formation in Moldova;<sup>2</sup> and,

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<sup>2</sup> One example of this is facilitating the incorporation of information about potential local partners into the database of the Moldovan Agency for Investments Attraction. This organization, with which PFID-MSP has established good contacts, aims matching foreign investors with local companies.

- Exploring the possibility of an industry task force that could influence drafting of government legislation, and conduct lobbying activities aimed at promoting foreign direct investment.

PFID-MSP believes the activities described above are consistent with the business partnership aspect of the project as originally outlined in the Cooperative Agreement. Moreover, at the April 4<sup>th</sup> meeting, USAID stated that fostering an environment favorable to JV Formation could be an appropriate impact and suggested that such an environment could be promoted through associations providing advocacy services to their members.

In addition, project activities in Years 3 and 4 will also include plans to collaborate with other institutions better situated to promote direct business linkages, such as IFC, BISNIS or CNFA, and on increasing food industry stakeholders' access to those institutions. The PFID-MSP Technical Team added that JV formation would also be an appropriate follow-up to promote the sustainability of HACCP capacity building.

Thus PFID-MSP believes that, as a result of work completed in Year 2, and activities planned for Year 3 and 4, the following deliverables would result:

- Detailed case studies that identify both positive and negative aspects of JV formation;
- Dissemination of case study findings to increase potential local partners' and foreign investors awareness;
- Collaboration and information sharing with institutions promoting business linkages such as: CNFA, IFS, BISNIS, and the Moldovan Agency for Investments Attraction;

Other contributions to the business partnership aspect of the project will be implemented by WFLO. These activities include enhancement and development of a complete and efficient supply chain. WFLO has recommended the establishment of Cold Chain Audit programs, utilizing international operating companies. International experts will be made available to companies involved in the cold chain. Experts will travel to the region and assist local companies with "low cost, no cost" solutions to everyday issues. The long term effect is to not only solve issues, but create a linkage and build awareness with international companies from the US, Europe and Asia. Membership within WFLO as well as sister organizations will be targeted to travel to the region. This Cold Chain Audit activity would require additional funds from USAID because it is not in the current PFID-MSP program. WFLO sees the process being employed as follows:

- Audit programs will be developed and marketed to local companies involved in the cold chain. The concept is for local companies to receive an expert to assist them for a two-week period on various operational or engineering issues faced on a daily basis.
- WFLO will then target the appropriate international expert to travel to the region and assist the local company with these issues. Also during the visit to the region by this expert, he/she will be made available for either a short course or a round table event.
- The expert will also share business opportunities with their host company upon return from the region.

- Shortly following the visit, the expert will write up a technical review for the local company.
- A return audit by the expert will be made available if needed.
- If private sector business opportunities exist, there will be an opportunity for local company management to visit the international company.

## 5. *Budget Issues*

In the final copy of the MTE Report received on April 22, 2003 under the cover letter from Mr. Ron Harvey, an Annex VIII was included. In this annex, a "note on unsolicited comments concerning the budget" was included. This note indicates that one of the host country partners and USAID Mission staff had thought that the direct funding to country programs was low relative to funding that went directly to US-based partners.

PFID-MSP wishes to respond to the fore-mentioned note with the following:

- At the project design and proposal development stage, all partners were given the responsibility for preparing budgets consistent with their programmatic contribution to the overall project. The LSU AgCenter prepared the overall budget with this input from all partners, including host country partners. This budget was approved by USAID at the inception of the Project. Further, the PFID-MSP Director has not yet been informed about funding issues from any partners.
- An analysis of the breakdown of the overall budget by partners indicates the following approximate shares: LSU AgCenter – 35%, WFLO – 22%, and the host country programs – 43%. Note the host country share includes funds budgeted to the LSU AgCenter for programming and per diem costs of host country participants in US-based training.

## **Section III. Conclusion – Overall Plan of Action**

This report has described the following key actions that will support the MTE Report's Recommendations:

- *Food safety and quality* - Dr. Moody and an FDA official will verify HACCP implementation at seafood processing facility visits. Dr. Moody also will facilitate global networking and the IIFSQ efforts to promote food safety and food science. Dr. McMillin will provide similar assistance in the Meat and Poultry components.
- *Association development* - WFLO will provide deliverables, including round table discussions for Mid-level cold chain employees and short-term training in the areas of food processing and post harvest technologies and handling methods.
- *Livestock production* – PFID-MSP's 3<sup>rd</sup> AWP will be revised to discontinue support of schemes solely designed to improve animal production but will provide evidence of significant impact of activities promoting producer-processor linkages. These include the livestock marketing auctions in Ukraine and production-oriented associations.

- *Moldovan partner institution* – INZMV will be kept as the Moldovan partner for the time being but potential NGO partners will be identified and asked to apply for consideration for the management role of PFID Moldova. The selected partner then will replace INZMV.
- *PFID's marketing and expansion* – LSU AgCenter and WFLO will develop a strategic plan including a standard application procedure and the identification of USAID missions with potential alignment with PFID. PFID-MSP also has taken steps to initiate the development of a University Department in Food Science Research and Outreach.

## A. Timeline

The fore-mentioned measures, as well as other key Project events are summarized in the following activity schedule.

Month	Activity	Notes
May	Participation in the Chisinau Food & Drinks Exposition and related activities	In Chisinau – Mr. Ron Vallort of WFLO will participate in a cold chain round table
	Moldovan Training Visit	In Baton Rouge - Lubov Moldavan and Anatoly Yashchynsky will arrive for guidance relevant to the Livestock Marketing Scheme
	Moldovan Partner Replacement	In Chisinau – Dr. Velupillai will begin recruitment process for new Moldovan partner
June	HACCP Inspection and Guidance	In Ukraine and Moldova – Drs. McMillin and Moody (5/30-6/19) with Greg Small of FDA) will conduct simultaneous trips
	In-country HACCP Courses	<ul style="list-style-type: none"> <li>• Ukraine – Seafood HACCP</li> <li>• Moldova – Meat and Poultry HACCP</li> </ul>
	Moldovan Partner Replacement	In Chisinau – Dr. Velupillai will conclude recruitment process
July	PFID Internal Evaluation	In Ukraine and Moldova – Dr. Walter Morrison will collect data
	Submission of 3 <sup>rd</sup> AWP (revised) and 5 <sup>th</sup> SAR	Due July 31, 2003
	Orientation of New Moldovan Partner	Dr. Hubchen will provide programmatic and managerial guidance to the newly selected Moldovan partner
	WFLO Roundtable of previous participants of association training in Ukraine and Moldova	Participants will discuss follow-up issues with a WFLO representative
August	Seminar on JV Formation	In Chisinau – Dr. Harrison will work with Drs. Gheorghita and Moldavan
	Planning visit from KNUTE	In Baton Rouge - Dr. Natalia Prytulskaya will visit with Dr. Moody
	In-country HACCP Courses	Moldova – Seafood HACCP

Month	Activity	Notes
October	In-country HACCP Courses	Ukraine – Meat and Poultry HACCP

## **B. Notes on Sustainability**

A recurring theme in the MTE report was the need to ensure sustainability of PFID-MSP's contributions to the Ukrainian and Moldova food industries. This report has reflected this concern, primarily through the establishment of a core group of host country nationals who can continue to influence the food industry while maintaining long-term relationships with their US colleagues. This issue will be further addressed in the revised Third Annual Work Plan. Both the Ukrainian and Moldovan food industries are close to having a sustainable framework for HACCP compliance and training, including certified trainers and approved in-country training. This process will continue through increased networking and cooperation.

PFID-MSP acknowledges the need to develop a viable plan to attain sustainability of its information support systems. To make PFID-MSP's ISS activities sustainable in Ukraine after the end of the Project, the partners will integrate them with existing information technology services. ISS funding will be acquired partially on pay-and-use basis and governmental sources. Continuity of PFID-MSP's efforts in association development will be facilitated through continued capacity building of those association's key members and exploration of revenue possibilities.

However the key criteria for sustainability the Project's initiatives will be their substantial and visible benefit to stakeholders; if such benefits are readily apparent, the stakeholders will continue or expand the initiatives on their own accord. The staff of PFID-MSP is confident that its activities in future work plans will meet this criterion.