



Ukrainian Agribusiness Club

"Stakeholders' involvement in Ukrainian
Policy Making".

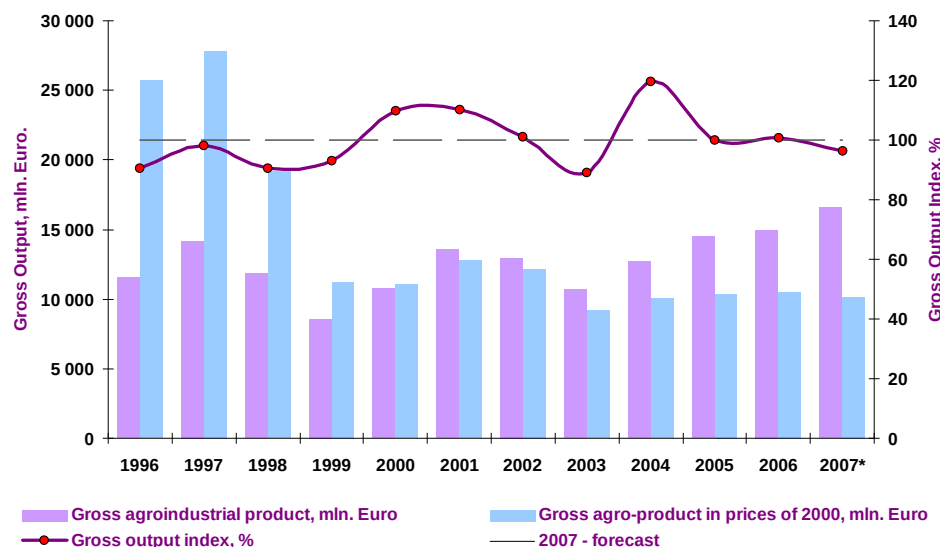
Volodymyr Lapa

Topics

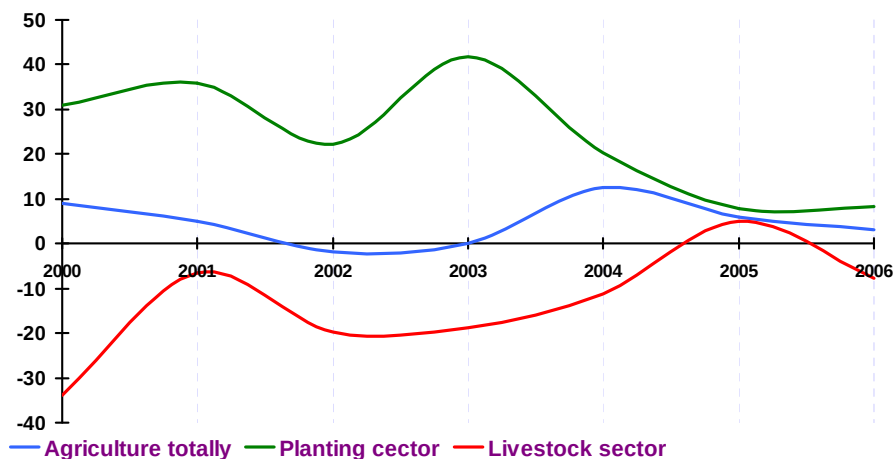
- What is Ukrainian Agriculture?
- What is Ukrainian Rural Area?
- What is Ukrainian Agrarian Policy?
- Who are the Stakeholders?
- Characteristics of Stakeholders
- Why Policy Making doesn't work correctly?
- What is Ukrainian Agribusiness?
- Agribusiness as a Stakeholder
- Recommendations

What is Ukrainian Agriculture?

Gross Agricultural Output and Agricultural Production Index, 1996 - 2007*



Profitability of agriculture, %



Foreign trade within agro-products

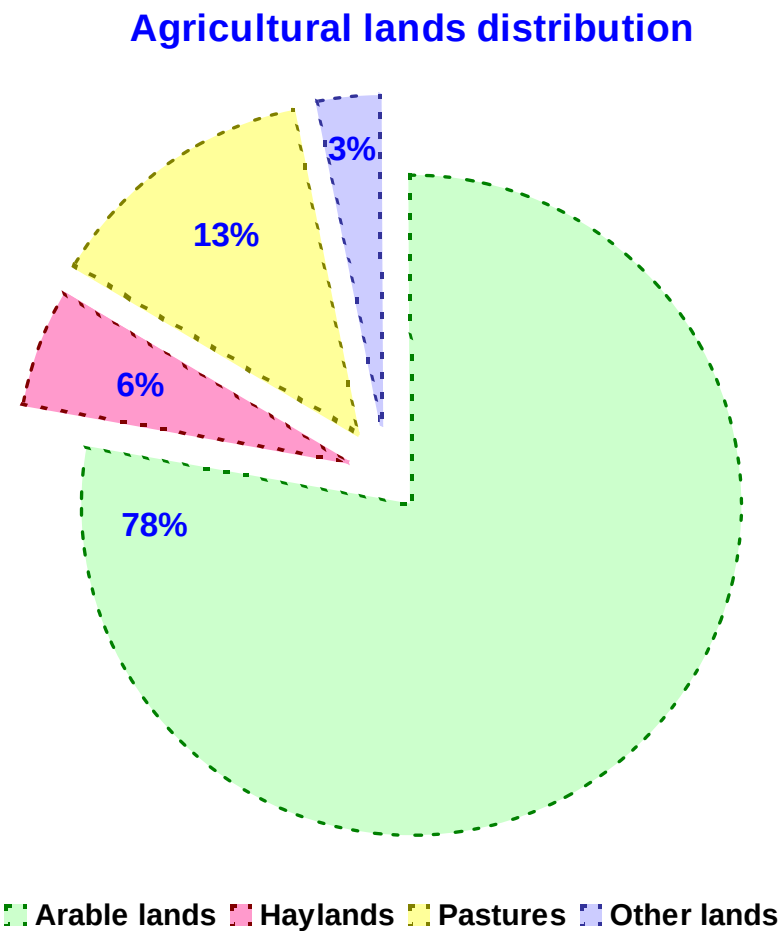
	2004	2005	2006	2007 (8 months)
	In million USD			
Exports	3 473	4 307	4 713	4 180
Imports	1 908	2 684	3 166	2 599
Balance	+ 1 565	+ 1 623	+ 1 547	+ 1 581

Direct Investments in Ukrainian agriculture, mio. USD

	2003	2004	2005	2006
Foreign investments	199,7	216,8	375,5	495,2
Investments into assets	401,5	635,6	978,6	1 278,9

Source: State Statistic Committee

Structure of Ukrainian Lands (2005)



	Share of total, %	Area, thousand hectares
Agricultural lands distribution:	64%	38 917
State Agro-enterprises	3%	1 514
Agro-cooperatives	4%	2 532
Agro-companies	19%	11 618
Private plots and farms	23%	14 306
Other	15%	8 947
Other land users (non agricultural)	36%	21 438

Source: State Statistic Committee

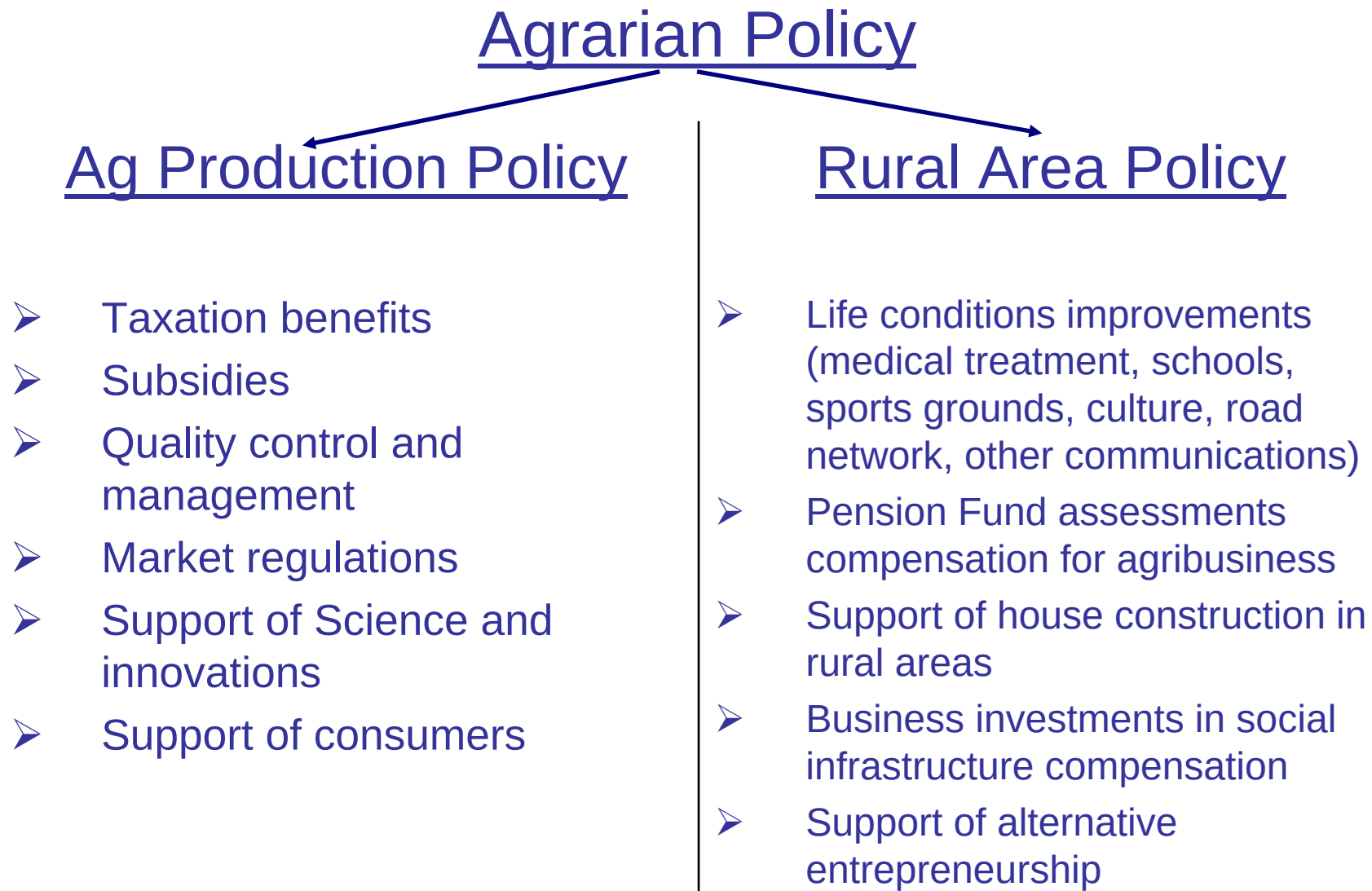
What is Ukrainian Rural Area?

- Rural Population – **14 793 615** people of 46 446 085 total
- Number of settlements – **28 597**
- Employed in agriculture - **3 980 000** people of 20 410 000 total
- Unemployment: rural – **16,6%****, urban – 7,7%*
- Number of primary schools in rural area – **14 916** (fullness 80%)**
- Share of highly and professionally educated adults: rural – **53%**, urban – 79%**
- Number of ambulance stations - **16 113** (real treatment 56%)
- Road network in rural area: only **7%** of funds of 1990 were assigned for road-network development (new and repair)**
- Telephone network covers **20%** of rural population**
- Coverage with gas-lines – **30%**, water supply – **22%****

Sources: * - State Statistic Committee.

** - OECD, Ukrainian agricultural potential use: rural development stimulation and peasants' life quality improvement.

What is Ukrainian Agrarian Policy?



What is the priority of Ag Production Policy?

Total agricultural public expenditures (TAPE)

	2004	2005	2006	2006 executed	2007 adopted	2008 draft
	mln UAH	mln UAH	mln UAH	mln UAH	mln UAH	mln UAH
Total agricultural public expenditures (TAPE)	325045,5%	559252,0%	836849,8%	864808,9%	963962,9%	1347383,0%
Production subsidies (in % to TAPE):	32,8%	27,3%	30,6%	23,0%	35,9%	45,6%
Financial support of livestock and crop production:	421,0	689,5	1 992,5	1 609,9	2 182,5	2 721,8
Support to horticulture, wine grapes and hops	109,1	175,0	227,7	319,5	275,0	412,0
Public food reserves	0,0	6,0	20,1	7,7	17,4	1 353,6
Partial compensation of interest rates for credits	141,5	350,0	260,0	0,0	667,00	1 000,00
Financing of spring field works	247,9	0,0	0,0	0,0	0,0	0,0
Financial support of rural farms	1,1	27,3	28,0	27,7	38,0	120,0
Fertilizer subsidies	109,6	0,0	0,0	20,1	150,0	0,0
Partial compensation of costs of agricultural machinery	36,2	270,0	32,0	3,0	131,8	168,0
Financial leasing						371,6
Milk processing	0,0	10,0	4,0	0,0	0,0	0,0
Total Production Subsidies	1 066,4	1 527,8	2 564,3	1 987,8	3 461,8	6 147,0

Source: German-Ukrainian Policy Dialogue in Agriculture

What is the priority of Rural Area Policy?

Total agricultural public expenditures (TAPE)

	2004	2005	2006	2006 executed	2007 adopted	2008 draft
	mln UAH	mln UAH	mln UAH	mln UAH	mln UAH	mln UAH
Total agricultural public expenditures (TAPE)	3 250,5	5 592,5	8 368,5	8 648,1	9 639,6	13 473,8
Growth-Inhancing measures (in % to TAPE) (1):	58,3%	65,2%	52,0%	54,3%	47,2%	50,3%
Rural Development	24,3	23,1	24,4	24,3	27,6	1 255,6
R&D	77,9	143,1	154,5	490,7	162,9	348,6
Education and training	619,8	913,5	1 041,7	1 096,9	1 222,1	1 826,3
Public stockholdings	50,0	25,9	10,0	4,5	20,0	20,0
Pests and disease control	9,9	20,0	30,0	29,7	44,5	40,0
Food safety and quality control	471,0	585,0	704,0	665,8	793,2	1 003,0
Extension and Advisory Services	8,6	8,1	10,0	8,1	9,3	19,5
Insurance costs compensation	0,0	54,0	10,0	10,0	50,0	200,0
Land Reform	10,4	15,0	5,0	3,6	5,0	107,9
Biofuels	0,0	0,0	0,0	0,0	15,0	17,0
Selection programs:						
<i>Livestock</i>	112,8	124,0	110,0	109,5	125,0	125,0
<i>Crops</i>	42,8	103,3	104,7	101,7	96,7	98,6
<i>Fish</i>	2,0	6,5	6,8	5,4	9,9	13,4
Other measures:						
Natural disaster relief	67,3	20,0	25,0	37,5	40,0	50,0
Environment Protection	61,1	81,8	109,6	89,6	28,7	21,0
Others:	336,6	1 523,0	2 010,0	2 015,0	1 895,2	1 628,5
<i>Compensation to Pension Fund</i>	0,0	1 207,4	1 669,9	1 669,9	1 381,1	1 086,6
<i>Administrative costs</i>	59,2	80,3	101,2	100,5	231,6	288,0
Other Ministries:	8,9%	7,5%	17,3%	22,8%	16,9%	4,1%
Rural Development	104,3	170,3	1 075,3	1 651,4	1 415,8	258,0
Education and training	102,9	120,99	103,67	150,69	155,9	0,2
Selection programs	11,5	12,32	13,86	12,52	13,9	13,9
Land Reform	28,2	62,70	154,69	52,31	0,0	124,4
Environment Protection	42,7	52,16	101,05	101,16	47,2	156,1
Total Growth-Inhancing measures (1)	2 243,3	5 352,5	7 575,4	8 430,7	7 790,6	8 701,5

(1)- not included Compensation to Pension Fund and Administrative costs

Source: German-Ukrainian Policy Dialogue in Agriculture

Who are the Stakeholders?

Ag Production Policy

- Government
- Parliament
- Politicians
- NGOs/business
- Science
- Local Authorities
- Experts/donor projects
- Political parties

Rural Area Policy

- Parliament
- Government
- Politicians/parties
- Business
- Local Authorities
- Science
- NGOs
- Experts/donor projects

Characteristics of Stakeholders

Parliament	Low realistic legislations (in comparison with budget resources)
Government	Mainly politically oriented policy, lack of partnership relations with business
Politicians/ parties	Low level of economic platform, huge populism in programs
NGO	Low representation, local priorities
Business	Different business and social responsibility
Local Authorities	Low local budget possibilities
Science	Deficient readiness for science/policy changing, insufficiency of business-oriented research
Experts	Lack of independence and realistic recommendations

Characteristics of Stakeholders: Who is responsible?

In case of Rural Area Policy

- Ministry of Agrarian Policy (crediting of buildings construction in the rural areas);
- Ministry of Education and Science (schools, kinder gardens);
- Ministry of Transport and Communications (roads, telephone communication network)
- Ministry of Health Care (hospitals, village medical centers)
- State Committee of Ukraine for Regulatory Policy and Entrepreneurship (support of entrepreneurship)
- Local Authorities – co-responsible for many programs

Conclusions: low-coordinated policy, lack of bottom-up approaches

Characteristics of Stakeholders: influence of NG bodies

Non-governmental stakeholders	Quantity	Lands operating	Influence, % from all NG Stakeholders		Ways
			Ag Business Policy	Rural area policy	
Householders	6 mln	15 m ha	10%	30%	Vote
Farmers	47 thd	3,8 m ha	30%	20%	NGO
Ag enterprises	6700	14 m ha	30%	30%	NGO, financing, direct contacts
Ag holdings	20	2 m ha	30%	20%	direct contacts, financing, NGO

Sources: State Statistic Committee, own estimates

Why Policy Making doesn't work correctly?

- Low motivation of Stakeholders
- Absence of a valid post-soviet strategy
- Lack of willingness to reform (such as Land Reform, Pension Reform, Budget Reform etc.)
- **Look-out**
 - Increase of Politics/Governmental responsibility
 - Effect of the Local Authorities election
 - Changing of business approaches - efficiency of agriculture production and improvement of life conditions in Rural Area

Agribusiness as a Stakeholder

Ag Production Policy

- Taxation
- Subsidies
- Productivity
- Land relations
- Regulatory policy

Rural Area Policy

- Education & training
- Employment
- Rural infrastructure
- Social infrastructure

Recommendations

- Real goals
- Budget decentralizing
- Support of local initiatives
- Improvement of regulatory policy
- Co-financing of Local Authorities and NGO's projects according to the State priorities

Global question:

What do we want from agrarian policy?

- Food security
- Improvement of the rural living space
- Raw materials for bio-fuels
- Income growth for the rural inhabitants
- Business approach measures
- Food safety / GMO
- Fair international trade

Could we replace this crossroad?

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Thank you for attention!