



MINISTRY OF AGRARIAN POLICY  
AND FOOD OF UKRAINE

STRATEGY FOR AGRICULTURE  
AND RURAL DEVELOPMENT  
IN UKRAINE 2015-2020



**Single and Comprehensive  
Strategy and Action Plan  
for Agriculture and Rural  
Development in Ukraine  
for 2015-2020**



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## FOREWORD

The current situation in Ukraine calls for new approaches to reform work and policy-making. With the Single and Comprehensive Strategy for Agriculture and Rural Development in Ukraine for 2015-2020 (hereafter 'the Strategy'), efforts are being made to respond to this call and address in a comprehensive manner the need for key reforms that have been long-awaited by agricultural producers, businesses, and the rural population.

The Strategy sets out a development plan for Ukraine's agriculture sector and rural areas for the period 2015-2020. Building on strategic documents already in force - including Strategy 2020 and the 2014 Coalition Agreement - it provides a long-term vision for the development of agriculture and rural areas, as well as offering the basis for a stable, predictable and transparent legal framework aimed at improving the business climate, fighting corruption and stimulating investment for the modernisation of the agriculture sector. The Strategy also gives a grounding for the institutional reform necessary for successful follow-up and implementation.

Pursuing a balanced approach to development, the Strategy aims to boost competitiveness in the agriculture sector and promote exports, while seeking an equitable distribution of its benefits, in particular by contributing to rural development and the improvement of the quality of life in the poorest regions as well as preserving natural resources and the environment.

The Strategy is the result of an unprecedented, collaborative process. The identification and prioritisation of needs in Ukraine's agriculture sector and rural areas has involved input from the Government and other ministries, representatives of major donors (the European Union and its Member States, the World Bank/International Finance Corporation (IFC), the United States Agency for International Development (USAID), Food and Agriculture Organisation of the United Nations (FAO), European Bank for Reconstruction and Development (EBRD), Organisation for Economic Co-operation and Development (OECD), the European Investment Bank (EIB), and donor countries such as Canada, Switzerland, etc.) as well as an extensive consultation process with the wider society, who were consulted during the Strategy drafting and kept informed of progress achieved. The efforts of all those who contributed to the process were very much appreciated, as was the close involvement of diverse stakeholders - including business and producers' associations, civil society and academia - whose wide range of views brought considerable value to the Strategy.

Comprehensive in its approach, the Strategy encompasses a wide range of issues that affect the agriculture sector as a whole, including land management, access to credit, taxation, agricultural research and education, state support mechanisms, food safety, environment, and so forth. The majority of these issues do not fall under the competence of the Ministry of Agrarian Policy and Food of Ukraine and, therefore, the success of the Strategy depends largely on effective inter-institutional cooperation and coordination. To this end, the Ministry of Agrarian Policy and Food has committed to setting up an operational coordination mechanism to follow-up on the implementation of the Strategy's action plans including monitoring and assessing the impact of the Strategy. All interested parties, including professional organisations and civil society, will be invited to participate actively in this process. We also anticipate that the active involvement of donors will continue during the implementation of the Strategy, in particular for the scaling up of good practices which would fall beyond Ukraine's budgetary means.

The Strategy is accompanied by a realistic Action Plan, containing targeted priorities and doable actions. We believe that successful implementation of this Action Plan will have a major impact not only on the agriculture sector and rural areas, but also on the Ukrainian economy as a whole.

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## EXECUTIVE SUMMARY

The National Strategy and Action Plan for Agriculture and Rural Development provides an integrated, inclusive, equitable and realistic strategic vision and policy framework for reform in the agriculture sector and rural areas for the period 2015-2020. The overall objective is to increase agricultural competitiveness and food security, and to promote rural development in a sustainable manner in line with EU and international standards.

### **The need for reform**

For Ukraine – a country oriented towards agricultural exports and possessing almost unrivalled agricultural production potential – the outlook for world agricultural market developments is very promising. World agricultural trade is expected to grow continuously, both in the area of commodities and for processed, high value added products, against the background of growing incomes, urbanisation, changing eating habits and the development of biofuel production.

However, reform of the Ukrainian agriculture sector is necessary to seize the enormous opportunities offered by this outlook, as at the current time Ukraine's agriculture and agri-food sector are far less competitive than they could – and should – be. For example, wheat yields remain two times lower than in France and Germany. There has not been enough investment to establish a modern, well performing agri-food and farming economy. Business initiatives are quashed by the bad business climate characterised by unnecessary administrative burdens, corruption and overregulation. In rural areas, inflexible land markets combined with low education levels and a lack of young, business minded, innovative farmers have resulted in inefficient farm structures and unused potentials for efficiency gains and diversification. Strong reliance on a few export commodities and partners furthermore makes Ukraine vulnerable to adverse weather events, political occurrences and market/price developments.

If Ukraine's potential is not unlocked in the very near future, the country risks missing the chance offered by the growing world agricultural markets. There is a very real danger of losing out permanently on export opportunities as more competitive, more flexible and quicker to adjust competitors seize the most promising and valuable market openings.

In order to make full use of favourable opportunities of the world market of agricultural products, the potential of Ukraine's agriculture and agribusiness has to be unleashed through deep, long-term, sustainable policy reform that focuses on increasing agricultural competitiveness and promoting rural development.

### **The vision for Ukraine's agriculture sector**

In a long-term, ambitious reform process, Ukraine will develop a competitive, export-oriented agriculture sector; an agri-processing industry will produce competitive food products corresponding to international safety and quality standards. Investment and modernisation in the processing industry will allow for the production of more processed and high value added products that diversify the export portfolio. Consequently, Ukraine's position on traditional export markets will be strengthened and trade in new export products to new partner countries will reinforce the positive agri-food trade balance.

In the farm sector, healthy and diversified production structures will evolve with the help of a reformed, more flexible land market. Farms of different sizes and orientations will contribute to efficient agricultural production; specialisation and diversification of production, including the development of organic farming, will make it possible for different types of farms to be viable. These developments will be possible in the context of a stable and predictable, simple and targeted modern agricultural policy and support system in which market distorting forms of support, such as price support and coupled payments, are kept to a minimum.



Rural policies will be developed that take into account local needs and encourage local initiatives. These will result in new employment opportunities - both in the off-farm sector by developing rural businesses and the on-farm by diversifying farm production and developing more high value added and organic product options - and improved infrastructures, leading to a better quality of life in rural areas.

The environmental sustainability of agricultural and food production activities is taken into account in all policy interventions. Regulatory norms for water, soil and pesticides will be established based on EU and international standards. Wider application of organic farming practices as well as modern and efficient policies in the area of forestry, fisheries and bioenergy will contribute to protecting natural resources.

### **Ten Strategic Priorities**

The National Strategy and Action Plan for Agriculture and Rural Development lays out how the reform will be implemented in ten main strategic priorities:

*1. Business climate, fight against corruption, and setting up of a stable legal framework in line with EU and international standards, in particular by implementing the EU-Ukraine Association Agreement*

The identified priority is to drastically change production systems and the provision of state guarantees regarding the safety and quality of food and other agricultural products by harmonizing its national legal framework for sanitary and phytosanitary measures with that in the EU. In this context, it will be necessary to modify or cancel a range of legislative acts that have proven to be outdated and create an unnecessary burden or unjustified cost for market operators, in order to foster investments and initiatives in the agriculture sector.

This approach guarantees the establishment of a fairer, more transparent, stable and simplified predictable regulatory environment business climate for producers and processors of agricultural products that will decrease administrative burden and facilitate investments and technologies into Ukrainian agriculture. Standards will be made more efficient, transparent and in line with EU and developed economies' standards. This will enhance the quality and safety status of Ukrainian agricultural and food produce, as well as facilitate access to third countries' markets thus providing additional export opportunities. In this context, it will be necessary to modify or abolish laws, regulations, administrative acts, authorisations and controls that have proven to create an unnecessary burden or unjustified cost for operators, in order to foster investments and initiatives in the agriculture sector of the country.

*2. Land reform*

The goal of this reform is to allow effective use of land as a productive resource and asset by fostering an open and transparent lease of state and communal lands and establishing a fully-fledged agricultural land market. To reach this goal, it will be necessary to deregulate land rights turnover and consolidate ownership and use of land; to improve the system of cadastre and real estate right registration; and to ensure the protection of rights to land plots.

*3. Institutional reform of the Ministry of agrarian policy and food and related state agencies and state owned enterprises*

The main aim of the restructuring and reorganisation of MAPF will be to clearly define the scope of the competencies of the MAPF and related state agencies and state owned enterprises (hereafter MAPF institutions); to establish effective ARD Policy Development, Strategic Management, Programming and Implementation structures, systems and procedures within and subordinated to MAPF which will ensure transparency and accountability in decision-making and active and sustained engagement of sector stakeholders in all stages of policy implementation. It is necessary to establish a trained professional and qualified staff with relevant capacities, skills, experience and resources

to undertake new tasks and responsibilities, thereby enabling the Ministry to rebuild the confidence and trust of sector stakeholders at all levels. The reform of state owned enterprises will ensure separation between the regulatory and business activities of government; facilitate fair competition between state and private companies; decrease financial losses in the management of state agriculture companies; and increase budget revenues. This will contribute to creating an environment favourable for investments. Relevant pieces of legislation will have to be amended and, in principle, all companies privatised except those using State budget funds, performing arbitration functions, or those related to national security.

#### *4. Food security*

The priority will be to establish a policy system for food security that does not intervene in markets, but ensures physical and economic access to sufficient, safe and nutritious food for all by targeting the most vulnerable populations. A targeted food relief programme, together with effective monitoring of the food security status of the country, will be developed. State intervention will be limited to preventing crisis situations.

#### *5. Taxation*

Rationalisation and elimination of existing drawbacks in the agriculture sector's taxation system will make it fairer, reduce the share of the shadow economy and reduce the level of tax burden on legally operating businesses. All this will improve the conditions for further agribusiness development and export capacity building. The issue of VAT (special VAT regime, VAT refund) will be addressed in accordance to the specifics of each sub-sector.

#### *6. Agri-food production chain development*

Improving the operational practices of food chain actors as well as upgrading and modernising the industry production, warehousing and processing capacities and the logistics infrastructures will expand Ukraine's agribusiness opportunities and improve its competitiveness. This will also facilitate the development of diversified and innovative production structures and attract foreign investment. Promoting various forms of producers' organisations and representation will increase their bargaining power and thus help to establish business practices adapted to global challenges. In order to unleash Ukraine's agri-food production chain potential, a more efficient, simple and transparent State support policy that encourages investment, diversification and market orientation will be required. In the context of a tight budget, a limited number of simple, targeted and controllable measures will be implemented, including State support measures specifically targeting small and young farmers.

#### *7. Rural development – revitalisation of rural areas*

The development of a rural development policy will promote and contribute to the balanced territorial and sustainable development of Ukrainian rural areas, rural communities, and the wider rural economy of the country. This will be achieved through direct legal and financial support and capacity building of rural communities and rural stakeholders and the development and implementation of integrated local development strategies designed by rural people for rural people. Concretely, the policy's objective will be to make basic services more accessible to the rural population, to develop diversified activities and the necessary infrastructure for rural tourism, to improve rural residents' skills and raise their awareness of a need to integrate local development processes and to preserve local traditions and cultural heritage.

#### *8. Access to international markets, trade policy and export promotion*

This strategic priority will aim at improving the competitiveness of Ukraine's agricultural entities through trade liberalisation, reduced trade transaction costs and export promotion.

### *9. Research, education and advisory services*

Reform and optimisation of state research and educational institutions to improve their quality and efficiency will enable research relevant to agri producers, generate world class innovative products, and develop new curricula corresponding to the agri producers' and food industry needs. The dissemination of agricultural knowledge and innovations, as well as relevant business related information, will be facilitated by the establishment of adequate infrastructure and the development of an extension services network.

### *10. Environment and management of natural resources, including forestry and fishery*

The implementation of minimum ecological standards, the development of sustainable natural resources management programmes with relevant indicators, and the development of organic farming will contribute to the integration of environmental and climate change concerns into agriculture and rural development. The development of a comprehensive programme on sustainable waste management in rural areas will complement the action undertaken under this priority, including actions aimed at developing bioenergy production and ensuring the sustainable development of fishery and forestry.

#### **Action plan**

Each strategic priority is accompanied by an action plan which lays out concrete and pragmatic solutions to the corresponding challenges. Acknowledging the budgetary constraints facing Ukraine, the action plans offer a timetable proposing to start the implementation of pilot projects and "quick-wins" in order to secure some concrete results already in 2015.

#### **Appropriate budgeting, cooperation and monitoring**

Most of the actions proposed in this Strategy will require proper financing in due course. This calls for a profound revision of the agricultural budget allocation and of taxation in the agriculture and agribusiness sector. Donors may also be solicited to finance specific projects.

In the process of implementing the reform, cooperation with other ministries and central bodies of executive power will be essential, as there are many cross-sectoral policies. An efficient and effective monitoring mechanism will also have to be set up to check both the proper implementation of the action plan and its impact on the agriculture sector.



## GLOSSARY

Agricultural (agri-food) products	Products listed under groups 1-24 of the Ukrainian Classification of Commodities in Foreign Trade
AMS	Aggregate measure of support
Association Agreement	Association Agreement between the European Union and its Member States, on the one part, and Ukraine, of the other part
bn	billion
CAP	Common Agricultural Policy
CBEP	Central Bodies of Executive Power
DCFTA	Deep and Comprehensive Free Trade Area
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
FAO	Food and Agriculture Organisation of the United Nations
GDP	Gross domestic product
GAO	Gross agricultural output
Green box support measures	Subsidies that do not distort trade, or at most cause minimal distortion. They have to be government-funded (not by charging consumers higher prices) and must not involve price support.
Ha	hectare
IFC	International Finance Corporation
MAPF	Ministry of Agrarian Policy and Food of Ukraine
mIn	million
NBU	National Bank of Ukraine
OECD	Organisation for Economic Co-operation and Development
PO	Producers' organisation
Small agricultural producers	Individual farms, family farms, and small farm enterprises
USAID	United States Agency for International Development
VAT	Value added tax
WB	World Bank
WTO	World Trade Organisation

# 1 DESCRIPTION OF THE CURRENT SITUATION

## 1.1 Assessment of the agriculture sector and rural development

This chapter gives an overview of the situation, conditions and performance of agriculture, the food industry and rural areas in Ukraine.

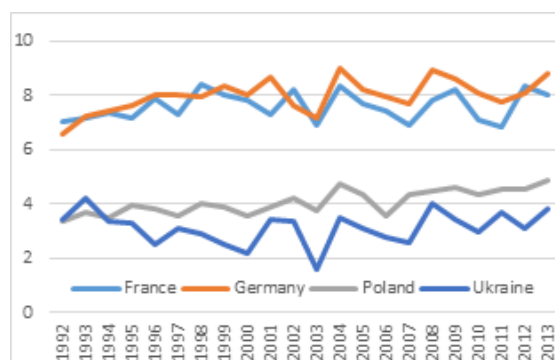
### Agri-food sector performance

Exceptional natural endowments and favourable geographical position provide an excellent basis for a strong agriculture sector in Ukraine. One third of world's stock of the most fertile black soils, coupled with favourable temperatures and precipitation regimes, is highly favourable for the production of crops, livestock and biomass for energy use. The country is also gifted with a location on the Black Sea, year-round ice-free ports and navigable rivers, facilitating access to key markets in the Middle East, North Africa and EU. Ukraine has been able to use its soils and agri-climatic conditions to increase significantly the agricultural productivity and exportable volumes of grains over the last decade. Ukraine turned into one of the world's top producers and exporters of grains. It has become the third largest global exporter of maize (17.6mln tons in 2014) and barley (4.2mln tons), and the sixth largest exporter of wheat (10.5mln tons). Ukraine has also emerged as the number one global producer and exporter of sunflower seeds and oil. Over the last decade, the total grain and oilseed production increased by 56 percent and reached a record 79mln tons in 2014. During the same period, exports of grains, oilseeds and their processed products have grown by 250 percent and reached 35mln tons in 2014. This growth in output has been driven by the expansion of cultivated areas, as well as an increase in productivity (see Figures 1 and 2). However, the Ukrainian agriculture sector remains dominated by the production of large-scale crops, whereas limited progress has been observed in processed and higher value-added agricultural and food products.

Increasing productivity and output trends has translated into an increasingly important role for agriculture in the Ukrainian economy. Its share in the GDP (including forestry and fishery) increased from 7.5 percent in 2008 to 10.3 percent in 2014. Its value added grew by 71 percent during 2003-2014, while the rest of the economy grew by 26 percent. The share of agriculture in the total employment in Ukraine has stayed roughly the same, i.e. 18 percent in 2000 and 17 percent in 2013 (excluding rural households). The rural population constitutes 31 percent (14mln people) of the total population.

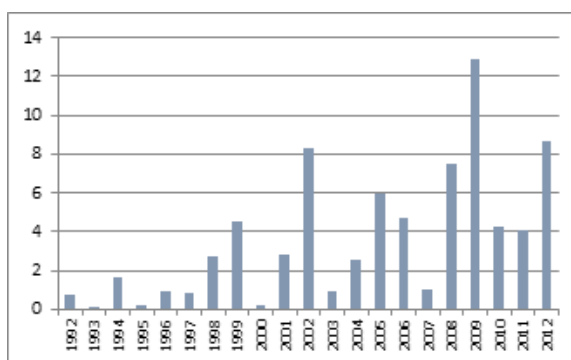
Despite this growing trend, agricultural productivity in Ukraine lags far behind by comparison with other countries. For example, yield levels of major grains in Ukraine have been far below those of its competitors. In the US and Western Europe, where grain is produced with higher specific intensities, there are substantially higher grain yields (see Figures 1 and 2).

Figure 1. Wheat yield, t/ha



Source: FAOSTAT

Figure 2. Wheat exports, mln t



Source: FAOSTAT, until 2000 FAO estimates or unofficial figures.

Intensity levels in Germany and France, for example, are about nine times higher than in Ukraine (World Bank, 2013). Ukraine's neighbour, Poland, has also been outperforming Ukraine in grain yields on average by 36 percent in 2010-2013, in spite of substantially poorer quality soils. In other words, Ukraine's agriculture could potentially contribute much more to the country's economy and to the well-being of its citizens.

The food industry also plays an important role in the Ukrainian economy. Between 2001 and 2013, the food industry's share of GDP in Ukraine has been in the range of about 7-9 percent, with the exception of 2004 when both agriculture and the food industry suffered from the consequences of a severe crop winter-kill in 2003. Employment in the food industry has been almost constant at about 4 percent of total employment in Ukraine.

Agri-food products also play an increasingly important role in the country's trade balance. The share of agri-food exports in the total exports increased from 12 percent in 2005 to 31 percent in 2014 worth USD 16.7bn. The agricultural trade balance has always been positive in Ukraine; it equalled USD 10.6bn in 2014. However, Ukrainian agri-food exports are dominated by raw products and their share is constantly increasing. For instance, the share of cereals in the total Ukrainian agri-food export increased from 26 percent in 2004 to 39 percent in 2014, or from 7.6mln tons to 32.6mln tons over the same period; the share of oil seeds increased from 5 percent to 12 percent, or from 0.5 to 3.8mln tons over the same period. At the same time, the share of prepared meat and fish products decreased from 0.8 percent to 0.4 percent. Vegetable oils are the only processed good among the top three exported agri-food goods: its share increased from 17 percent in 2004 to 22 percent in 2014, or from 0.9 to 4.6mln t over the same period.

Ukrainian agri-food imports are much more diversified than exports. Edible fruits and nuts are the largest imported group and constituted 13.2 percent of all agri-food imports in 2014. Other significant imported goods are fish and molluscs (9.8 percent), miscellaneous edible preparations (8.6 percent), tobacco and manufactured tobacco substitutes (8.0 percent), beverages, spirits and vinegar (7.0 percent) and cereals (6.1 percent).

The EU is by far Ukraine's main trade partner, accounting for 30.9 percent of Ukraine's agri-food exports and 39 percent of its imports. Over the last ten years, the value of Ukrainian agri-food exports to the EU has increased by 65.9 times; however, the share of EU countries in the total agri-food exports remained fairly constant – 24 percent in 2004, 27 percent in 2013. Ukraine mainly exports to the EU such commodities as cereals, oilseeds, vegetable oils, and food industry wastes. Russia remains an important agri-food partner for Ukraine; its share in the total agri-food exports, however, has dramatically decreased from 35.4 percent in 2004 to 5.64 percent in 2014. Traditionally, Ukraine exported to Russia mainly meat/fish, cocoa products, beverages, dairy products, and vegetables.

### **Logistics and infrastructure**

Productivity at the farm level is worth little without efficient infrastructure and marketing. The higher the costs for collecting, moving, storing, handling, processing and certifying the products on their way from the farm gate to the export harbour or retail network (i.e. logistics costs), the smaller the share of the world market price or consumer price that will remain for agricultural producers. All available sources so far demonstrate that logistics costs in Ukraine are extremely high by comparison with its international peers. In grain sector, for example, logistics costs in Ukraine make up USD 50-55/t of grain, while in France and Germany they make up on average only USD 30/t and USD 34/t in the US (World Bank, 2015).<sup>1</sup> USD 20/t difference is a potential source of increased revenues and investments into agriculture. Inefficiency of Ukraine's logistics and infrastructure is also reflected in relatively low World Bank 2014 Logistics Performance Index (LPI) for Ukraine (2.98), which is almost 30 percent

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<sup>1</sup> World Bank (2015). Grain Logistics in Ukraine: Reform and Investment Scenarios for a Sustainable Future. June 2015.

lower compared to the top performer, Germany (4.12). Poland, Ukraine’s neighbour, significantly outperforms Ukraine in all components of the LPI.

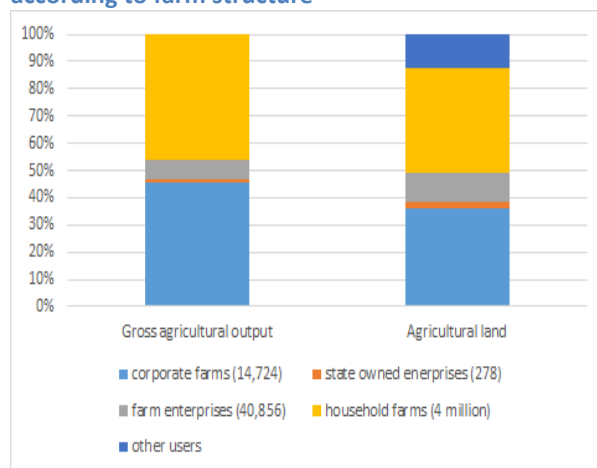
Furthermore, the infrastructure of the wholesale food, fruits and vegetables markets, and live cattle markets, have virtually not been developed. This includes not just physical markets but also marketing information infrastructure. This is especially important for small farmers and households.

### Farm structures

The gross agricultural output (GAO) in Ukraine is generated by two main groups of producers, i.e. agricultural enterprises and ‘households’. There are more than 4mln households (having 2.8 ha of land each on average), producing food primarily for subsistence needs, but managing 38 percent of the Ukraine’s total agricultural land and accounting for nearly 45 percent of the country’s GAO in 2014. The rest of agricultural output was generated mainly by private agricultural enterprises. The state-owned agricultural enterprises generated only about 0.9 percent of the GAO in 2014.

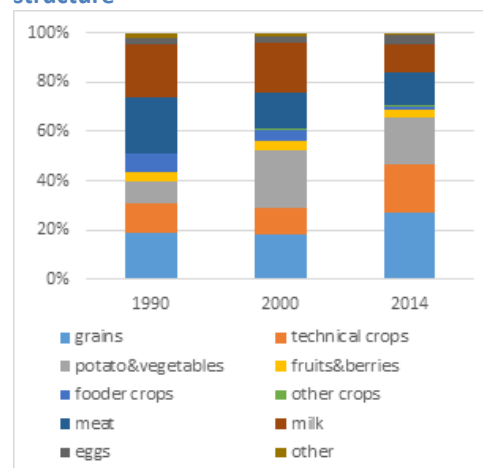
Agricultural enterprises in Ukraine generally can be divided into corporate agricultural enterprises and farm enterprises. These enterprises, unlike households, are registered legal entities. There are 14,724 corporate agricultural enterprises (mainly the successors of the former collective and state farms) each cultivating 956 ha of arable land on average and generating 46.5 percent of the GAO in 2014. There are about 40,856 farm enterprises (mainly run by individual farmers) with an average of 105 ha of arable land each, altogether cultivating about 13 percent of the Ukraine’s arable land, generating 7.6 percent of the total GAO in 2014.

**Figure 3. Distribution of agricultural land and output according to farm structure**



Source: own presentation based on Ukrstat data

**Figure 4. Development of agricultural output structure**



Source: own presentation based on Ukrstat data

Over the last decade Ukraine has experienced a process of land use consolidation that has led to the emergence of large, vertically-oriented agri-holdings. The number of corporate farms has shrunk from roughly 17,700 in 2004 to 14,724 in 2013. An increasing number of these enterprises are coming under the control of agri-holdings, which were created with different purposes, in different sizes, shapes, and organisational forms while sharing common characteristics. In 2014, agricultural holdings cultivated more than 6mln ha of agricultural land in Ukraine (27 percent of the total area). Agri-holdings produced about 21 percent of the GAO, including 18.7 percent of the total crop output and 24.8 percent of the total livestock output in 2012.

In the livestock sector, households dominate as regards raw milk, and beef and veal, with shares in output each 76 percent in 2014. Agricultural enterprises (including farm enterprises) play a lesser role in the production of pork and poultry, being respectively responsible for 49 percent and 16 percent of the output in 2014. However, the share of households shrank from 61.6 percent in 2000 to 45 percent in 2014, mainly due to the recovery of output of agricultural enterprises.

Households also prevail in the production of potatoes, vegetables and fruits, i.e. 97 percent, 86 percent, and 83 percent respectively in 2014. Agricultural enterprises (including farm enterprises) play a leading role mainly in the cultivation of export-oriented crops. They produced 78 percent of grains, 86 percent of sunflower seeds, 98 percent of rapeseeds, and 92 percent of sugar beets in 2014. Farm enterprises mainly produce crops rather than livestock, accounting for about 12 percent of the total grains, 7 percent of sugar beets, 19 percent of sunflower seeds, 16 percent of soybeans and 18 percent of rapeseeds, but only 2.4 percent of the total meat and 1.5 percent of raw milk produced in 2014. Farm enterprises follow the same cropping patterns as corporate farms yet produce at similar or lower rates of intensity, which is the first hint that they face competitive disadvantages limiting their productivity growth.

Sector-wise, the GAO of Ukraine is dominated by crops that made up 70.2 percent of GAO in 2014, while livestock made up the rest. In 1990, crops and livestock almost equally shared the GOA, i.e. 51.5 percent and 48.5 percent respectively.

### **Business environment**

Ukraine's institutional environment provides the agri-food sector with generous agricultural tax benefits, while neglecting the development of public infrastructure and other supporting services, and imposing high transaction costs due to the excessive regulatory environment. Thus far, agricultural policy in Ukraine has been lacking a clearly defined agricultural and rural development strategy: policy-making continues to be ad hoc and opportunistic, largely focusing on sub-sector strategies rather than the creation of an level playing field for producers, and lacking a cohesive long-term strategic perspective that would align state interventions with economic principles.

#### *Public support*

Overall state support to agriculture via fiscal instruments (budget outlays and tax breaks - so called 'budget transfers') is rather moderate in Ukraine. It is made up of modest levels of public expenditure and quite generous tax benefits. Tax benefits made up about 90 percent of total budget transfers to farmers in 2011-14, mainly via a special value-added tax (VAT) regime in agriculture. The budgeting and timing of public expenditures are ad hoc and therefore have overall had no positive effect on agriculture; pervasive corruption and non-transparency in the allocation of budget outlays have also substantially undermined trust among farmers towards programmes of direct budget support. Only a handful of well-connected agricultural enterprises benefited from budget subsidies. The special VAT regime entitles farmers to retain the VAT received from their sales to recover VAT on inputs and for other production purposes at the discretion of farmers. On the one hand, this gives farmers additional working capital. On the other hand, this support favours large scale and efficient enterprises, which cannot be considered as a correct policy objective. Another important agricultural tax is a Single tax of the fourth group of the simplified taxation system (single tax in the following). The Single tax is a flat rate tax that replaces profit and land taxes, and is paid as a percentage of a normative farmland value. This tax is beneficial for farmers as it does not require detailed bookkeeping and constitutes a low burden for farmers. However, this support favours highly profitable enterprises, with high intensity production that does not require substantial land resources.

In 2010-12 overall state support to agriculture accounted for almost 8 percent of the total value of agricultural production, while in the OECD area it was 12 percent for the same period.<sup>2</sup> At the same time Ukrainian agriculture receives far larger budget transfers as a percentage of GDP than their OECD counterparts, i.e. 1.62 percent in Ukraine compared to 0.34 percent in OECD countries in 2010-12 (OECD, 2013). In 2014 budget transfers to Ukrainian agriculture were almost 2 percent of GDP. This support does not, however, account for benefits or losses due to state intervention in pricing, administrative and regulatory barriers, trade and domestic market policy, export VAT refund arrears. In the end, these measures roll back onto the farmers in the form of lower or higher farm-gate prices.

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<sup>2</sup> Technically equals (PSE+GSSE – MPS) according to the OECD methodology (OECD, 2013).

For example, export restrictions on grains were even implemented five times in the last seven marketing years on the grounds of food security (in 2006/07, 2007/08, 2010/11 and in 2011/12), taking the form of either quotas or export taxes. The losses to farmers due to depressed domestic prices amounted to USD 1.3bn and USD 3.9bn in 2007 and in 2008 respectively. In the 2010/11 marketing year the estimate of forgone revenue to farmers varied from USD 1.9bn to USD 2.6bn (World Bank, 2013). If losses/benefits are added to the budget transfers above, the overall state support to agriculture decreases on average to 2.84 percent of the gross agricultural output in Ukraine in 2010-2012, compared to 22 percent in OECD countries, 25.5 percent in the EU, and 21.2 percent in Russia.<sup>3</sup> In percentage of GDP, this support was equivalent on average to 0.69 percent in Ukraine and 0.83 percent in OECD countries in 2010-2012 (OECD, 2013).

### *Investment climate and access to financing*

Ukrainian agriculture provides relatively high returns on capital. The World Bank (2013) shows that returns to capital in agriculture increasingly exceed returns in other sectors.<sup>4</sup> In the year 2000, capital productivity in agriculture was about 38 percent higher than that of industry and 68 percent higher than that of services. Since then the ratio of capital productivity in agriculture to the productivity of capital in industry and services has increased significantly. It was already 4.5 times higher than that of industry and 9 times higher than that of services in 2013.

Despite this, the FDI inflows and capital investments in agriculture as well as in the overall economy have been at moderate levels. Figure 3 shows that share of agriculture in total FDI decreased to about 1.3 percent in 2013, compared to 4 percent in 2005-2007 (World Bank, 2013). This is far behind the sector's 10.6 percent contribution to the GDP in 2013. Unlike primary agriculture, the share of food processing in total FDI inflow has been relatively stable at about 5 percent over the last decade and, generally speaking, corresponds to its contribution to GDP. The share of agriculture in total capital investments better reflects the contribution of the sector to GDP: it has constituted on average 6 percent over the last decade, while the share of food processing has been 5.5 percent on average since 2007.

The major reason for moderate investment is Ukraine's unfavourable business environment which is riddled with cumbersome regulatory hurdles and red tape. This is not an agriculture-specific phenomenon but rather runs through the entire Ukrainian economy. The country is ranked 96th out of 189 in the in the World Bank's 2015 rating for Doing Business (DB). Despite progress in its ranking attributable to reforms registered in eight areas, Ukraine still lags behind all regional peers. Globally, Ukraine's business environment compares to that of the Philippines, Dominican Republic, and Sri Lanka. Ukraine also performs poorly in other business environment rankings, some of which reveal that country is even backsliding. Ukraine is 76th in the Global Competitiveness Index 2014-2015 (GCI), down from being 73rd just 2 years earlier. The GCI consists of many different components that are divided into twelve pillars. The country's most problematic issue area is the poor institutional framework (130th place). Economic freedom in Ukraine continues to be labelled as "repressed" by the 2014 Economic Freedom Index (EFI).

Access to credits for agricultural producers is very limited in Ukraine, especially taking into account current macroeconomic and financial hardships. The share of agricultural loans in the total volume of loans relative to agriculture's contribution to GDP is by far lower in Ukraine than in the EU (World Bank, 2013). In the aftermath of the global financial crisis, the share of agriculture in the banking sector's loan portfolios has been about 5.9 percent. The share of the food-processing sector in banks' loan portfolios is comparable to the share of primary agriculture, i.e. 5.2 percent over the same period.

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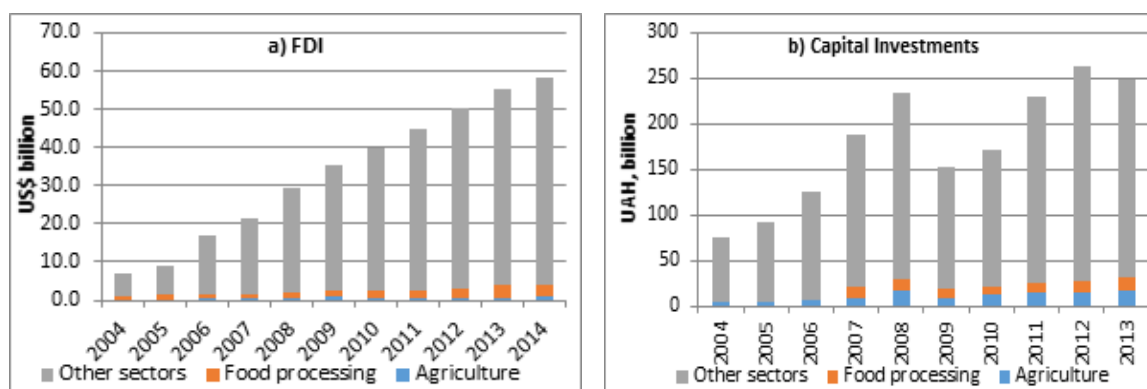
<sup>3</sup>Technically equals (PSE+GSSE) according to the OECD methodology (OECD, 2013).

<sup>4</sup>World Bank (2013). Ukraine: Agricultural Policy Review. World Bank Policy Note. Report No 83763, Washington DC, November 2013.



An IFC survey (2011) reports that internal self-financing in the form of retained earnings and personal savings are the most prominent source of funding among agribusiness enterprises. External financing through bank credit and trade/supplier finance rarely appears to be a viable option for agribusinesses. About half of the producers sell 80-100 percent of their new harvest immediately to finance their working capital (IFC, 2011). Small and medium enterprises are especially disadvantaged in access to external financing.

Figure 5. Development and structure of FDI and capital investments in Ukraine



Source: AGRICISTRADE (2015)<sup>5</sup>

#### *Agricultural land use and ownership*

The total area of Ukraine is 60.4mln hectares. As of 2013, 69 percent of all the territory of Ukraine (or 41.6mln ha) is classified as agricultural land, which includes 32.5mln ha of arable land, 2.4mln ha of meadows and 5.4mln ha of pastures. Half of the arable land is black soil - the highest productive soil type in the world. Ukraine has about one third of the world's black soil. The area of irrigated farmland is about 2.2mln ha, but only 613 thousand ha were actually irrigated in 2013. Nowadays, out of 41.6mln ha of agricultural land in Ukraine, 30.8mln ha are privately owned by 6.92mln Ukrainians (in the form of land shares), whereas around 10.7mln ha are owned by state, with about 0.4mln ha in communal property.

There is a moratorium on agricultural land buy-and-sell transactions in Ukraine until 2016. Agricultural producers operate predominantly on leased agricultural land, i.e. 84.5 percent (17.4mln ha) of cultivated agricultural land. The current owners of "land-shares" are mainly pensioners whose children have typically moved away to work in urban areas. Land is now typically leased for 4-10 years, with maximum periods of 49 years. The majority of land rental rates ranged from USD 25/ha to USD 75/ha in 2012 (AGRICISTRADE, 2015), but a high proportion of rental payments are made in kind. The government set the minimum rental value at 3 percent of the normative value of land, which is now about UAH 26,000 per hectare on average.

#### *Agricultural education, research, and advisory services*

Ukraine is experiencing a shortage of adequately trained agricultural specialists at all levels. The size of Ukraine's agricultural system exceeds any normal benchmark. Nevertheless, farmers cannot easily recruit the experts they need for a more efficient operation of their agricultural enterprises and instead have to draw on job training programmes and their own agricultural schools. The large oversupply of students also means that there are not sufficient employment opportunities for graduates. This situation is caused by the flawed system of university financing and incentives framework. State financing (about 37.3 percent of the total agricultural budget) is allocated based on

<sup>5</sup>AGRICISTRADE (2015). Ukraine: Country report. Institute for Economic Research and Policy Consulting. EU FP 7 collaborative research project 'Exploring the potential for agricultural and biomass trade in the Commonwealth of Independent States'.

the number of students rather than performance criteria. Ukraine's universities have no academic or financial autonomy. Moreover, low salaries, problems with the recognition of foreign degrees, corruption, and non-competitive processes for recruitment and promotion prevent the reorganisation of agricultural universities.

Ukraine's agricultural research system appears disconnected from both the practical needs of Ukraine's farmers as well as international research efforts, and suffers from the same institutional and management weaknesses as the education system. The National Academy of Agrarian Science is Ukraine's main institution for agricultural research. It has a special status that provides it with complete autonomy without independent auditing or any state control. Its involvement in education is limited to the teaching of PhD students. It oversees 340 institutes and experimental farms, of which five are national research centres, 52 are research institutes, and more than 200 are experimental farms cultivating about 0.5mln ha of agricultural land. Ukrainian agricultural economists are not particularly visible in international research, with only a few publishing their work in international journals and presenting papers at prestigious international conferences.

Ukraine's agricultural advisory services are underdeveloped. State support is marginal and the services remain largely underfunded. Public advisory services lack credibility and the reliability of extension officers is further undermined by the low performance of the governmental institutions to which they are affiliated or from which they graduated. Most of the development in extension services is privately driven and fee-based.

#### *Cooperation and producer organisations*

The organisational structure of the Ukrainian agricultural market is characterised by a high share of individual production (by small farms, including households), especially in labour intensive segments of agricultural production, whereas it is the corporate sector (agricultural enterprises) that has better access to market resources, marketing channels, support and influence on national agricultural policy. Under such circumstances, to be competitive, the small farmers (households and farm enterprises) need to increase their efficiency and bargaining power by means of collective production, marketing, supply and attraction of funding.

However, at the moment, producer organisations (POs) in Ukrainian agriculture have a critically low level of development, power and efficiency – their role and activities are hardly noticeable.

#### *Sanitary and phytosanitary services*

Ukraine's sanitary and phytosanitary control system has been complicated, including four supervisory agencies, with largely overlapping functions, significant bureaucracy and corruption, and low effectiveness in terms of the protection of health for people, animals and plants. Ukraine still continues to use some sanitary and phytosanitary regulations which are not fully WTO compliant. Total compliance costs of the sanitary control system amount to between 2.6 percent and 4.9 percent of annual turnover of agricultural enterprises, depending on the sector (World Bank, 2013). The burden of the phytosanitary measures for the private sector is about 7.5 higher in Ukraine than in the EU (IFC, 2014).

#### *Rural development and quality of life in rural areas*

Over 20 years' of agrarian transformation has not resulted in the improvement of well-being that had been expected by rural residents. Today, rural areas are in a difficult condition: unemployment and poverty are widespread; logistical and social infrastructures (social services systems, health, culture, kindergartens etc.) are in a bad state; human capital (education levels etc.) is not developing well; and the situation with respect to natural resources and the environment keeps deteriorating.

The level of wages in agriculture remains one of the lowest in the national economy (69 percent of the national average). As few as 661,400 people are officially employed in agriculture, forestry, and fishery sectors; unofficial employment in small holdings prevails. The per capita cash income of rural

households - 34.8 percent of which rely on social benefits - is one quarter lower than that of non-rural households. The percentage of income from farming in the total rural household income has been falling continuously (29.9 percent in 2000, 10.6 percent in 2013). 23 percent of rural households have a personal income level which falls below the minimum subsistence level (in cities it is 10.2 percent). The poverty level in rural areas is 1.7 times higher than in cities. In terms of living conditions, the percentages of poor rural and urban households are 39 percent and 19 percent, respectively.

Most rural residents do not have access to high quality healthcare or educational services. As little as 26 percent of rural children attend kindergartens. Graduates of rural secondary schools have much worse results in external independent tests than their urban counterparts (by 15 percent to 20 percent depending on the subject). The mortality rate in rural areas is much higher than in cities – by 40 percent in selected years. According to experts, in many cases rural residents pass away prematurely due to poverty, lack of access to regular medical check-ups, and poor quality of medical assistance. Family disruption, poor care for children, high levels of alcohol and drug addiction and social misconduct are frequently observed phenomena in rural areas.

There is still a large gap between the volume of residential construction and the quality of housing and utility services in villages located in suburban and recreational areas and remote rural areas. Only 31.5 percent of the rural housing stock is connected to centralised water supply systems.

The situation with environmental safety is deteriorating. Emissions of pollutants and carbon dioxide by stationary sources of ambient air contamination in the agriculture sector are comparable with those in the mining sector. The number of unauthorised landfills is not decreasing.

Difficult living conditions have caused hopelessness and a lack of trust among many members of rural communities. Participatory approaches and local initiatives for the purpose of solving rural problems are almost non-existent because of the paternalistic mind-set ("the government must provide everything") on the one hand, and inadequate mechanisms of public involvement in local matters and the unpopularity of local governance among the population on the other hand.

All of these factors cause the migration - especially of young people - to cities. Due to the out-migration of rural residents, the number of rural residents fell by 1.7 mln from 2001 to 2013.

## 1.2 Strengths, Weaknesses, Opportunities and Threats

The following table sums up the most important strengths, weaknesses, opportunities and threats regarding Ukraine's agri-food sector and rural areas based on the sector assessment in section 1.1.

### STRENGTHS

*Production potential:* favourable agri-climatic conditions with one third of the world's stock of the most fertile black soil

*Geographical situation:* located between large markets in the East and West and with good access to North Africa and Asia

*Modern farming sector:* large agriholdings use up-to-date technologies (no-till, GPS, remote sensing etc.) to manage their operations

*Export orientation:* important global exporter of agricultural commodities (mainly cereals and sunflower oil); established structures and partners for commodity export

### WEAKNESSES

*Bad business climate:* corruption; high administrative and regulatory burden

*Lack of access to credit especially for small farmers:* underdeveloped agri-finance infrastructure; lack of investment capacity and loan availability (impacting in particular the development of livestock production), with prohibitive interest rates

*Undeveloped rural infrastructures:* undeveloped rural markets and other rural infrastructure; costly logistics (farm gate/fob price ratio about 60 percent) and high transaction costs

*Infrastructure:* developed railway lines and main connecting roads infrastructure; navigable river network; year-round availability of ice-free and deep port capacities to handle large vessels

*Some favourable conditions for livestock and food processors:* both may benefit from the availability of domestically produced grain as well as cheap labour to develop their business

*Low productivity:* relatively low productivity in agriculture and agri-processing

*Inappropriate requirements:* some national food hygiene and safety as well as quality requirements are not up to international norms and require scientific assessment and adjustment

*Lack of effective policy:* ad-hoc and opportunistic state agricultural policy, lack of long term strategy; absence of level-playing field for all producers and sectors; market distorting intervention system; unbalanced allocation of budget support

*Inflexible land market:* continued delay of introduction of farmland market sales and purchases; impossibility to use land as collateral; insecure property rights

*Export composition:* export mostly composed of commodities, thus vulnerability to adverse weather and market conditions or political events; lack of processing industry and high value added export

*Farm(er) characteristics:* high share of small household/subsistence farms in production; prevailing conservative attitudes; psychological hurdles to self-organisation/cooperation

*Low qualifications:* low education in rural areas, lack of qualified staff (especially highly skilled), lack of skills for modern technologies and modern managerial practices

*Ineffective research structures:* underperforming agricultural science, research and development, and education systems; low support to farmers from agricultural education, research and technical assistance;

*Quality of life in rural areas:* low incomes and lack of prospects for rural residents

## OPPORTUNITIES

*Global market development:* growing global population leading to increased demand especially from expanding middle-income population; shift from supply to demand-driven paradigm of international agriculture and westernization of diets; growing demand for bioenergy; agricultural trade increase in particular for processed, quality, high value products (i.e. not only commodities but meat,

## THREATS

**That can be addressed through agricultural policy reform:**

*Some farmers' inability to adapt:* the very small, less educated and older farmers may not have the capacity to adapt to the upgraded agricultural standards (SPS in particular) following the implementation of the Association Agreement and DCFTA

dairy, fruits and vegetables, food preparations)

*Productivity increase:* substantial room for productivity improvement, e.g. potential to increase yields in the south of Ukraine by revitalising irrigation;

*Investment opportunities:* demonstrated high capital returns in some agriculture sectors despite current unfavourable business environment

*Trade opening:* Association Agreement provides EU market access opportunities; incentive to comply with international standards and technology transfers from the EU (in the context of the upgrading of national quality infrastructures linked to harmonisation of SPS measures) also provide access to other international markets

*Human capital, potential of education and research:* on-going reform of the education, existing research base and extension services leads to higher skill levels

*Attractiveness of farming:* increasing number of people in rural areas willing to engage in farming activities as they become more profitable

*Reform mindedness:* substantial internal and external pressure for reform

*Deteriorating agri-infrastructure:* not enough investment in agri-infrastructure (machinery, storage etc.), maintenance and development

*Loss of export opportunities:* emerging export markets occupied by more flexible and efficient competitors

*Environmental deterioration:* negative impact of intensified agricultural production on natural resources (decreasing content of nutrients in soils, erosion, worn-out melioration systems) and climate

*Fragile rural areas:* ageing rural population; depopulation of rural areas; lack of qualified labour for agriculture; no off-farm business development.

*Possible vested interests:* resistance to changes from stakeholders benefiting from the current system and having powerful incentives to delay and sabotage many of the reforms.

**That are outside the direct influence of agricultural policy:**

*Price developments:* expected decrease in global agricultural commodity prices from recent high levels

*Political instability:* continued aggression in the East and illegal annexation of the Autonomous Republic of Crimea

*Economic conditions:* worsening economic situation and negative exchange rate development leading to budget constraints, lack of liquidity

*Energy prices:* higher energy prices making production and transport more costly

*Deteriorating logistics infrastructures:* in particular deterioration of roads and ageing railways; not enough investment in modernisation

## 2. THE VISION

The aim of the National Strategy and Action Plan for Agriculture and Rural Development is to provide an integrated, inclusive, equitable and realistic strategic vision and policy framework for reform in the agriculture sector. This chapter explains why such reform is necessary and where it should lead.

The first section makes the case for reform. First, it points out the enormous chances that the world market outlook for agricultural products provides for a country with Ukraine's production potential. Second, it highlights the problems that will keep the country from being able to use this potential without major reform. Lastly, it sketches out how Ukraine's potential could be unleashed through policy reform.

The second section of this chapter provides a vision of what the Ukrainian agri-food sector and rural areas could look like after a wide reaching reform programme has been successfully implemented.

### 2.1. The case for reform

The prospects for Ukrainian agriculture, agri-food industry and rural areas could potentially be very promising due to the expected continued growth of world agricultural trade (See Box: Outlook for agricultural trade).<sup>6</sup>

#### **Outlook for agricultural trade**

*The OECD-FAO agricultural outlook 2015-2024<sup>1</sup> expects world agricultural trade to continue to increase, although more slowly than in the previous decade, maintaining a stable share relative to global production and consumption.*

*While prices for agricultural products are expected to decrease in real terms over the next ten years, prices are projected to remain at a higher level than in the years preceding the 2007-08 price spike.*

*In many emerging economies, demand will be subdued by per capita consumption of staple commodities approaching saturation but major changes in demand are foreseen to take place in developing countries, where continued but slowing population growth, rising per capita incomes and urbanisation all increase the demand for food. Rising incomes prompt consumers to diversify their diets by increasing their consumption of animal protein relative to starches. For this reason, the prices of meat and dairy products are expected to be high relative to the prices of crops; while among crops the prices of coarse grains and oilseeds used for feed should rise relative to the prices of food staples.*

*For many of the products that are of particular interest to Ukrainian agriculture, substantial increases in world exports are expected. Wheat exports are projected to grow by around 11 percent between the average of 2012-2014 and 2024; exports of coarse grain by 16 percent. Oilseed exports would rise by as much as 30 percent in the forecasted timespan and those of vegetable oils by 17 percent. In the area of animal products, the export of poultry meat is projected to rise by 33 percent and that of cheese by 24 percent.*

*In Asia, Europe and North America additional agricultural production will be driven almost exclusively by yield improvements, whereas in South America yield improvements and additional agricultural area are projected. Modest production growth is expected in Africa, although further investments could raise yields and production significantly.*

*Exports of agricultural commodities are projected to become concentrated in fewer countries, while imports become more dispersed over a large number of countries.*

<sup>6</sup> OECD/Food and Agricultural Organization of the United Nations (2015), *OECD-FAO Agricultural Outlook 2015*, OECD Publishing, Paris. [http://dx.doi.org/10.1789/agr\\_outlook-2015-en](http://dx.doi.org/10.1789/agr_outlook-2015-en)



However, in order to profit from these developments, the weaknesses identified in chapter 1.2 have to be overcome and the threats contained. To achieve this, reforms have to be put in place that will:

#### **build on Ukrainian agriculture's strengths...**

For Ukraine - a country oriented towards agricultural exports and possessing almost unrivalled agricultural production potential - the outlook for world market developments is very promising.

Continuing increased demand and export growth is expected both for commodities, where Ukraine is already a strong player for some products but can still achieve large gains through efficiency increases, and for processed, high value added products where the country's potential is substantially underexploited.

Due to the fact that Ukraine has been a major agricultural exporter for many years, much of the necessary infrastructures, business relationships and contacts and export expertise are already in place and could be built upon.

#### **...address Ukrainian agriculture's weaknesses...**

However, Ukraine's agriculture and agri-food sector are far less competitive than they could – and should – be. According to the data provided of the State Statistics Services of Ukraine (2015), grain, leguminous and sunflower yields were back to the high levels of 1990 only in 2011. Wheat yields remain about two times lower than in, for example, Germany or France, while for sunflowers Ukrainian yields are comparable with those in the EU. There has not been enough investment to establish a modern, well performing agri-food and farming economy. Business initiatives are quashed by a bad business climate characterised by unnecessary administrative burdens, corruption and overregulation. In rural areas, inflexible land markets combined with low education levels and a lack of young, business minded, innovative farmers have resulted in inefficient farm structures and unused potential for efficiency gains and diversification. The strong reliance on a few export commodities and partners furthermore makes Ukraine vulnerable to adverse weather events, political occurrences and market/price developments.

If Ukraine's potential is not unlocked in the very near future, the country risks missing the chance offered by the growing world agricultural markets. There is a very real danger of losing out permanently on export opportunities as more competitive, flexible and quicker to adjust competitors seize the most promising and valuable market openings.

The latest OECD/FAO agricultural outlook sees substantially reduced growth rates for Ukraine compared to past years, which is a worrying perspective that needs to be countered. For wheat, the 2015-2024 yearly production growth rate may be divided by more than two compared to the 2005-2014 one while the yearly export growth rate may be divided by five. By comparison, Russia's 2015-2024 yearly production growth rate may be multiplied by three compared to the 2005-2014 one while the yearly export growth rate may be divided by 1.5. Production and export yearly growth rates in Ukraine are also expected to decline significantly for coarse grain and oilseeds in 2015-2024 compared to 2005-2014, down from and to similar levels, somehow a consequence of the remarkable yearly growth rates witnessed in the past years (around 19.5 percent for exports). By comparison, the EU may benefit more from the opportunities offered by the development of world demand, with increasing yearly growth rates despite a stagnation in production.

For meat, poultry is expected to strengthen its export capacity with strong yearly growth rates for exports and a reduction of imports. Beef and veal may follow the same pattern while the pig meat sector is expected to suffer and face increased imports, with Ukraine remaining a net importer of pig meat and a marginal exporter.

As regards prices, the OECD and FAO expect nominal prices for wheat and oilseeds to decrease leading to a drop of almost 30 percent in real terms in 2024 compared to the 2012-2014 average. To maintain

the income provided by agricultural exports, Ukraine should therefore strongly consider processing the grain to capture the added-value of the processing stage.

### *...tap into potential of Ukrainian agriculture*

In order to make full use of the opportunities of world agricultural market developments, the potential of Ukraine's agriculture and agribusiness has to be unleashed through deep, long term, sustainable policy reform that focuses on increasing agricultural competitiveness and promoting rural development.

The reform will provide the right conditions for modernisation and innovation in the sector, leading to increased efficiency and diversification and, consequently, to export growth.

This development will be supported by a modern agricultural policy that is simple, targeted at areas where the greatest benefits can be achieved, and based on non-market distorting forms of support that allow farmers to be market oriented in their production decisions.

Strong emphasis is placed on the sustainability of developments, making sure that a better functioning agriculture sector also contributes to an improved quality of life in rural areas and that the environmental consequences of agricultural production are taken into consideration in policy design.

This strategy and action plan lays out the ten main strategic priorities for how this reform will be designed and implemented and formulates a concrete action plan until 2020 for each priority intervention area (see chapters 2.3 and chapter 4).

## **2.2. Efficient agri-food sector and thriving rural areas – a vision**

What could the Ukrainian agri-food sector and rural areas look like at the end of the reform process? This section provides a snapshot of where the country could be once an ambitious, long term, sustainable reform programme has been fully endorsed and implemented.

### *Agri-industry*

Ukraine has complemented its competitive, export-oriented agriculture sector with an agri-processing industry capable of producing internationally competitive food products providing additional trade opportunities.

The regulatory framework, in particular on food safety, sanitary and phytosanitary issues, has been adapted to international standards, which provides full access to export markets in particular the EU and the Asian market. In order to meet EU requirements, the processing industry has invested to modernise and upgrade its producing, storage and processing capacities. Modernisation has also allowed for the production of more processed and high value added products that diversify the export portfolio and offer opportunities for skilled labour.

The country provides a positive, stimulating business climate for operators and producers as the legal and regulatory framework has been deregulated and streamlined, administrative procedures have been simplified, corruption has been reduced and the fairness of the taxation system has been improved. The role of the state in the management, ownership and control of enterprises is very limited and no longer restricts competition and hampers efficiency.

Favourable conditions for investment facilitate access to credit and provide fair conditions for financing. Foreign direct investment is flowing in, encouraged by the simplified regulatory framework, stable and predictable policies and the sector's promising perspective. As a consequence of these developments, Ukraine's position on traditional export markets has been strengthened and trade in new export products to new partner countries has been established, reinforcing the positive agri-food trade balance.

### *Farms*

In the farming sector, healthy and diversified farm structures have evolved. Farms of different sizes and orientations contribute to efficient agricultural production; specialisation and diversification of production, including the development of organic farming, make it possible for the different types of farms to be viable. Small family-plot subsistence farming has given place to more market oriented moderate-size family farms. The development of viable farm structures has been enabled through a more transparent and flexible land market and the finalization of the land reform process. Access to land for purchase and rental and clear, secure property rights have allowed farm structures to develop gradually and to explore and establish efficient ways of farm organisation.

Various forms of producer groups and organisations have been established that help farmers to reduce costs, meet standards and ensure fair business practices and contractual relations in the marketing chain. At the same time, efficiency-increasing investment in sector modernisation has been encouraged, with support to innovation, training, research, and agricultural education stepped up. This puts farmers in the position to be able to fully explore the possibilities of the evolving world agricultural markets. These developments have taken place in the context of a stable and predictable, simple and targeted modern agricultural policy and support system. Market distorting forms of support, such as price support and coupled payments, are kept to a minimum in order to allow farms to be market oriented and adapt to market demand instead of following policy signals.

### *Rural areas*

Rural areas are not just sites of production but also provide for a substantial part of the Ukrainian population a place to live and work. Therefore, great emphasis is placed on a sustainable development of the agriculture sector that fully incorporates the social consequences of reform. With increased efficiency of the agriculture sector, a decline in farm employment was unavoidable but this development was buffered and managed through appropriate policy interventions, preventing disruptions in rural social structures, widespread rural poverty and large scale urban migration. An important step was the creation of new employment opportunities in rural areas – both in the off-farm sector by developing rural businesses and on-farm by diversifying farm production and developing more high value added and organic product options. A precondition for the successful development of new business and job opportunities in rural areas was the improvement of public infrastructure – road, river and rail transport opportunities have been improved, the electricity and water supply has been made more reliable etc. – as well as the provision of public services such as education, health and care. Rural policies now better take into account local needs and encourage local initiatives as decision-making structures in rural areas have been decentralised and made more inclusive.

### *Environment*

The development of the agricultural and agribusiness sector must not happen to the detriment of the environment and climate if long term production potentials are to be maintained and rural areas are to remain attractive places to live, work and relax. Therefore, the environmental sustainability of production activities is taken into account in all policy interventions. In order to effectively protect natural resources, regulatory norms for water, soil and pesticides were established based on European and international standards. In order to ensure the actual application of the set standards, certain types of agricultural support are linked to the respect of minimum environmental requirements. This has also helped to make farmers more aware of issues of environmental and climate protection. The wider application of organic farming practices that are more protective of resources contributes to strengthening the sector's sustainability. The efficient and sustainable management of resources has additionally been fostered through modern and efficient policies in the area of forestry and fisheries which prevent over-exploitation and resource degeneration, and through the development of bioenergy which ensures energy saving and energy efficiency in agriculture and forestry.

## 3 THE STRATEGY

### 3.1 Guiding Principles

This chapter briefly outlines the principles that guide the proposed strategy and actions. The guiding principles are horizontal and apply to all proposed policy interventions, but examples are given linking certain principles to particular intervention areas in order to demonstrate how the relevant considerations have influenced the specific reform proposals.

#### **Judiciary and property rights**

##### *Rule of law*

All people and institutions are *subject to and accountable to law that is fairly applied and enforced*.

##### *Functioning judicial system*

The judiciary is free, impartial and independent.

##### *Respect of private property rights*

Private property rights – i.e. the rights of individuals/groups to control, benefit from, invest in and transfer their property – are defined and protected. Example: private property is promoted in priority "Reform of state agricultural property and state owned enterprises".

#### **Transparency, accountability and predictability**

##### *Transparency*

Public officials, civil servants, managers and directors of companies and organisations have the duty to act visibly, predictably and understandably and to manage and publish information in a responsible manner. Example: transparency is an important element in strategic priority "Land reform" and priority "Reform of state agricultural property and state owned enterprises".

##### *Accountability*

Officials in public, private and voluntary sector organisations are answerable for their actions and there is redress when duties and commitments are not met. Example: accountability is an important concept behind the reforms in priority "Assessment and simplification of state support to agriculture".

##### *Clear objectives, assessment of results, and review*

The intervention's objectives are articulated clearly and an appropriate system of monitoring and assessing their achievements is set up. Where evaluation shows that intended objectives have not been reached, strategies are reviewed and redesigned.

#### **Market orientation and regulation**

##### *Market-based solutions*

The production and exchange of goods is guided by market signals rather than through command and control instruments except in particular, justified cases. Example: market orientation guides the policy reform in priority "Assessment and simplification of state support to agriculture" and strategic priority "Food security".

##### *Minimise regulatory burden*

Laws, regulations and administrative procedures are kept to the necessary minimum. Example: minimisation of the regulatory burden is the principle behind priority "Abolishment of unjustified laws".

## Inclusiveness

### *Participation*

All members of a community or organisation are involved in and have influence on decisions concerning them. Example: participation is promoted in intervention areas "Local governance" and "Market Management".

### *Non-discrimination*

People are treated without prejudice to any group or category they belong to (such as gender, nationality, religion, sexual orientation etc.).

### *Equity*

All parties are treated in a way that is ethically and legally just and reasonable under the circumstances; benefits as well as costs and burdens of interventions are shared equally between equivalent parties. Example: equity considerations are guiding the reform in intervention area "Taxation".

### *Sustainability*

Development is encouraged that meets the needs of the present without compromising the ability of future generations to meet their own needs, taking account of economic, social and environmental aspects. Example: environmental sustainability considerations guide interventions in the area "Water, land pesticides, nitrates and minimum environmental standards"; social sustainability of reforms is a central element of intervention area "Improvement of quality of life in rural areas".

## 3.2 Main Strategic Priorities

### **STRATEGIC PRIORITY 1. BUSINESS CLIMATE AND FIGHT AGAINST CORRUPTION; SETTING UP OF A STABLE LEGAL FRAMEWORK IN LINE WITH EU AND INTERNATIONAL STANDARDS, IN PARTICULAR BY IMPLEMENTING THE EU-UKRAINE ASSOCIATION AGREEMENT.**

#### *Introduction*

Despite the relatively high returns on capital that agriculture yields, the inflows of FDI and capital investments in agriculture have been quite low. The major reason for moderate investments is Ukraine's unfavourable business environment. The country is ranked 96th out of 189 in the World Bank 2015 Doing Business rating. Ukraine also performs poorly in other business environment rankings, some of which reveal that it is even backsliding. Economic freedom in Ukraine continues to be labelled as "repressed" by the 2014 Economic Freedom Index. Ukraine ranks last out of 43 countries in Europe, and 155th out of the total 178 countries in the ranking. Ukraine is 76th in the Global Competitiveness Index (GCI) 2014-2015, down from being 73rd just 2 years earlier. The GCI consists of many different components that are divided into twelve pillars. The country's most problematic issue in GCI ranking is the poor institutional framework (130th place). A detailed review of the 21 individual components constituting this institutional pillar suggests that Ukraine continues to be riddled with cumbersome regulatory hurdles and red tape, and suffers from a lack of transparency as well as favouritism and corruption. This causes additional substantial and often underestimated costs to the economy and to agriculture in particular. Studies show that, for instance, private sector expenditures for meeting the requirements on food products safety and quality account for 2.6 - 4.9 percent of the annual revenues of companies. In Ukraine, the regulatory burden on the private operators in connection with compliance with the phytosanitary measures is 7.5 times higher than in the EU (IFC, 2015).

The Strategy thus focuses on upgrading Ukraine's sanitary and phytosanitary system to foster investment and initiatives in the agricultural and food sectors. It also focuses on modifying or abolishing laws, regulations, administrative acts, authorisations and control which have proven to create an unnecessary burden or unjustified cost to the operator, to ensure a fair, transparent, stable and predictable business climate for producers and operators. The Association Agreement between the European Union and its Member States, on the one part, and Ukraine, of the other part (hereafter 'the Association Agreement') provides the reference basis for this work.

#### **Priority 1.1 Food Safety, Sanitary and Phytosanitary Issues**

##### *Rationale*

Ukraine shall identify the strategy and mechanisms for implementing Article 64 of Chapter 4 (Sanitary and Phytosanitary Measures) of the Association Agreement. Presently, the extent to which Ukrainian agricultural producers comply with the EU's requirements is quite sporadic. Some of them exceed the average European level while others do not meet the EU minimum requirements. Ukraine is actively engaged in import and export activity, which determines the economic status of the state. Approximation of SPS legislation to EU requirements is necessary to obtain authorisation for export to trading partner countries that recognise the EU control system.



### *Main objective*

The Ukrainian system of control over the production, internal circulation, import and export of SPS objects should be efficient and transparent to the extent possible and capable of being highly appraised in external evaluations by relevant agencies of trading partner countries. Requirements to cross-border movement of live animals, products of animal origin, and other SPS objects shall ensure a high level of protection of the environment, public health, epizootic welfare, and phytosanitary safety of the territory.

Food and animal by-product producers shall have access to as many markets as possible. The objective is to expand export opportunities for the producers of products of animal and plant origin with the utmost added value intended for end consumers.

The Competent Authority in charge of the implementation of the state policy in the area of food safety and quality shall comply with the best practices and requirements as to transparency, objectivity, response time, traceability and independence.

The prevailing consumer impression about the quality and safety of Ukrainian foodstuffs should be replaced by the notion that “Ukrainian foodstuffs are good and safe”.

### *Priority measures*

1. Establishment of a full-fledged Competent Authority in charge of the implementation of state policy in the area of state control over the safety of the food chain 'from farm to fork'. Implementing a system for delegating state control functions to the competent non-governmental organisations.
2. Bringing the legislation to conformity to the extent determined as mandatory according to the results of the verification visits of FVO inspectors. Bringing the legislation relating to the production and circulation, traceability, identification and registration of animals, compliance of production and circulation of feed and animal by-products to microbiological requirements, organisation and planning of a risk-based control system in Ukraine. Amending the Law of Ukraine dated 22.07.2015 № 1602-VII 'On Amending Certain Legislative Acts of Ukraine Regarding Food Products' with the aim of greater harmonisation with EU requirements.
3. For the completion of training process for specialists of the Competent Authority introduction of special training within Higher Educational Institutions to enable quick saturation of the labour market with new knowledge and state and institutional control principles.
4. Initiating the procedures of the EU market targeted opening for the companies that can prove their compliance with the EU's requirements. Defining the export expansion of milk and dairy products, beef, pork, rabbit meat, running birds etc. as priority directions in descending order.
5. Substantiating and set realistic transition periods to implement harmonised legislation on GMOs, animal welfare, anti-epizootic measures, import and export operations (in terms of sanitary and phytosanitary measures), quality indicators of milk and dairy products, internal trade rules, application of local trade rules.
6. Implementation of measures for granting qualified consultations for introducing control systems and other current safety controls.
7. Initiation of the procedures for recognising the equivalence of the systems of control over sanitary and phytosanitary measures with competent authorities of trading partner countries including potential trading partner countries.

### *Expected results*

- After approximation of key principles of the national laws on SPS is achieved to the maximum extent possible, procedures of gaining access by Ukrainian producers of food of animal and vegetable origin to the EU market will be considerably easier.
- Decisions on granting such targeted access to the EU market for the Ukrainian companies will allow for maximum efficiency in the use of transition periods by the companies that will work both in domestic and third countries market without re-profiling. Such an approach will help protect even the smallest producers and enable processors to gradually shift to supplies of raw materials from large producers, while small manufactures will be able to consolidate, register and obtain operating permits, if required.
- In the long-term, one should expect the stable manufacture of quality and safe products of animal and vegetable origin by small producers and farmers, as well as the extension of end markets for Ukrainian finished products to the EU and other markets.
- Strengthening export capacity of the state through entering markets that recognize the EU's control system and markets as well as to those that do not. Implementation of the risk-based approach into state control organisation.

### *Implementation risks*

- Hasty, unbalanced adaptation without respective transition periods may lead to increased administrative pressure on unrelated companies and farms and a resulting decline of many small and medium businesses. On the other hand, inadequate sanctions for violations may trigger a wave of disregard for new requirements and non-fulfilment of Ukraine's obligations before the EU.
- Inadequate reaction of the Customs Union members to Ukraine's choice for European integration remains a risk of possible partial or complete loss of end markets of these countries.

### *Mitigating actions*

- Targeted access to the EU markets, time-balanced adoption of new approximated legislation and setting respective transition periods with reference to the relevant conclusions and comments of FVO inspectors are the most efficient preventive measures.
- Tripartite negotiations on SPS, initiation of procedures for recognising the equivalence of control systems and laboratory results may substantially simplify the substantiation of procedures and measures aimed at the approximation of legislation with regard to third countries who are not EU Member States.
- Arranging for measures aimed at raising awareness of consumer properties of products and raw materials of domestic and foreign manufacture.

### *Performance targets*

- 30 percent increase in the number of companies authorised to export finished products of animal and vegetable origin to the EU market Member States for human use by 2020.
- 30 percent increase in Ukrainian agricultural exports to Asian and African markets by 2020.
- 10 percent decrease in the incidence of food-related diseases by 2020 according to the existing incidence determination methodology.
- Obtaining a BSE-free status for Ukraine within 10 years.
- Implementing an awareness raising campaign on consumer properties of products made of raw materials of domestic and foreign manufacture starting from 2016.

## **Priority 1.2 Other provisions including those which are identified in the Resolution of the Cabinet of Ministers of Ukraine of 17.09.2014 № 847-p**

### *Rationale*

Chapter 17 "Agriculture and rural development" of the Association Agreement provides that the Parties shall cooperate to promote the development of agriculture and rural areas, in particular, through gradual approximation of the policies and harmonisation with the relevant EU laws and regulatory standards, which are, inter alia, set out in Annex XXXVIII to the Agreement. Currently, the main guide to realise the abovementioned activities includes the Action Plan approved by Order No. 847-p of the Cabinet of Ministers of Ukraine dated September 17, 2014, implementation of which should ensure increased competitiveness of the domestic products both in the Community market and in other international markets where EU standards are recognised. Therefore, implementation of the provisions of the Association Agreement involves not only simple fulfilment of the obligations before the EU and conquest of the European market; it also obliges Ukraine to perform its other international obligations in terms of implementation of the requirements of quality and safety standards for food products, and thus expansion of the export potential for Ukrainian producers in other economically interesting markets, including markets of Asia, the Customs Union, etc.

### *Main objective*

Through the balanced implementation of the European requirements for quality and safety of agricultural and food products, to stimulate production with a high added value, including through wide use of geographical indications, thereby stimulating diversification and increase of exports, overcoming the economic challenges connected with the ban of the mentioned product imports to the historically shaped markets, as well as enforcement of the obligations of Ukraine under the Association Agreement and other Ukrainian obligations according to international instruments in the field of safety of products intended for human consumption.

### *Priority measures*

1. Creation of a legal framework related to: good manufacturing practice of Ukrainian organic products, GMO regulation issues, determining some quality indicators for milk and dairy products, as well as beef, unification of the requirements for quality and labelling of alcoholic beverages, including those produced and imported to Ukraine, requirements for some quality indicators of specific types of agricultural and food products, in particular, juices, spreads, products made from cocoa, honey, to contribute to the creation of the brand 'Product of Ukraine';
2. Creation of conditions for the use of quality schemes for agricultural and food products (geographical indications and guaranteed traditional composition and production methods for food products);
3. Taking measures for recognition of the equivalence of the seed compliance assessment system (including production and trade) to that of the EU and international organisations.

### *Expected results*

- Extension of the lists of national agricultural and food products intended for export to international markets, including the EU market;
- Implementing minimum requirements for the quality of agricultural and food products at the level of legislative acts for replacement of the production system according to regulatory documents (DSTU, SOU, etc.) to contribute to ensuring the rights of consumer to high-quality products in the domestic market;

- Facilitating the creation of the brand "Product of Ukraine" as a sign of quality assurance for relevant products.

#### *Implementation risks*

The main risk is leaving without attention the issue on establishment of the transitional period for the entry into force of the approved legislative changes, lack of analysis of the impact of the implementation of the EU *acquis communautaire* regulations on the development of small and medium-size agricultural producers, as well as a lack of analysis as to the coordination of relevant changes with Ukraine's obligations within international organisations, for example the WTO, as well as with other trade partners.

#### *Mitigating actions*

- Determination of the priority of adaptation of the relevant EU *acquis communautaire*, taking into account the following criteria: importance from the perspective of ensuring and protecting consumer rights, connection to the necessity to increase (enhance) the export indicators to the EU, connection with the conduct of verification missions on the part of the EU, contribution of implementation of the respective legislative act in corruption control, as well as the improvement of the business climate, potential for quick effects related to the implementation of the specific legislative act of the EU;
- Conducting analysis of the compliance between the legal regulation of the EU and Ukraine, taking into account the issues related, inter alia, to institution building, and start drafting the relevant regulatory legal acts;
- Carrying out consultations with the relevant government bodies concerned and industry associations, and approval of the prepared documents by the competent authority (Ministry, Government, Parliament) for finding a consensus and balanced approach to regulation.

#### *Performance targets*

- By the end of 2016, prepare texts of draft regulatory legal acts related to the good manufacturing practice of Ukrainian organic products, GMO regulation issues, determining some quality indicators for milk and dairy products, as well as beef, unification of the requirements for quality and labelling of alcoholic beverages, including those produced and imported to Ukraine, requirements for some quality indicators of specific types of agricultural and food products, in particular, juices, spreads, products made from cocoa, honey;
- By 2018, approve the prepared draft regulatory legal acts in the areas mentioned above;
- By 2020, the practice of using quality schemes for agricultural and food products, in particular, geographic indications, shall increase twofold.

### **Priority 1.3 Abolishment of unjustified laws**

#### *Rationale*

Ukraine is placed 96th in the World Bank's Ease of Doing Business rating. It is approximately the same rank that Ukraine has in terms of the GDP per capita rating. Many studies have shown strong correlation between the ease of conducting business (from the regulatory point of view) and the national income, investment attractiveness, economic stability, and an inverse correlation vis-à-vis the level of corruption etc. Unnecessary procedures bear huge and often underestimated costs for the economy and represent the major source of corruption.

A seemingly innocent obligatory regulation can easily cause considerable losses for the entire economy. Corruption associated with one procedure may trigger corruption in other areas in the same

manner, as failure to comply with a certain administrative procedure leads to missed deadlines for other regulatory documents that are interconnected with it. Therefore, in order to facilitate economic growth and to reduce the level of corruption, a set of actions aimed at the cancellation of unjustified regulatory legal acts/procedures with respect to the conduct of business activities must be undertaken.

#### *Main objective*

Modify or cancel regulatory legal acts involving excessive regulation of business activities in the agri-industrial complex, which have been proven to be not in compliance with EU standards, or those duplicating other provisions, or causing an unnecessary burden or unjustified costs for the operators, in order to ensure a fair, transparent, stable and predictable production and business climate for producers and operators, contributing to investments and initiatives in the agriculture sector.

#### *Priority measures*

Four regulation areas requiring deregulation have been identified. It is suggested to determine deregulation spheres as sometimes mandatory formal procedures are not regarded as regulations, though they in fact contain all key characteristics as such.

These four spheres are as follows:

To limit a number of permissive documents. Leave only those mandatory procedures that are necessary to protect human, animal or plant life or health, the environment, or to prevent fraudulent practices subject to the requirement that these measures are justified by solid scientific evidence and practical effectiveness of the measures applied, and of which the procedures do not unjustifiably limit free trade and competition shall be left in place.

Limit the powers of state regulatory bodies. Leave only those mandatory procedures that are necessary to protect human, animal or plant life or health, the environment, or to prevent fraudulent practices subject to the requirement that these measures are justified by solid scientific evidence and practical effectiveness of the measures applied, and of which the procedures do not unjustifiably limit free trade and competition.

Review legal subordinate acts, technical regulations etc., governing products' properties (criteria of their quality and safety). Eliminate any limitations on the production and distribution of agricultural products which do not relate to public safety and/or limit fair competition.

Administer taxation- to introduce the rules, governing tax payment and tax refund procedures. Simplify unjustified procedures of tax administration that unfairly discriminate the rights of taxpayers.

In three out of four spheres it is necessary to leave in action only those mandatory procedures that that are necessary to protect human, animal or plant life or health, the environment, or to prevent fraudulent practices subject to the requirement that these measures are justified by solid scientific evidence and practical effectiveness of the measures applied, and of which the procedures do not unjustifiably limit free trade and competition.

#### *Anticipated results*

- Significant reduction of corruption levels;
- Reduced costs to producers and their service providers;
- Increased investment attractiveness.

#### *Implementation risks*

- Risk of eliminating administrative formalities which are in fact necessary for gaining access to foreign markets or preventing harm to public health;
- Bad technical execution of deregulation.

### *Mitigating actions*

- Continuous and professional advocacy activities and legal literacy of the initiatives implemented;
- Thorough study of the permissive procedures as to the access to foreign markets and public health.

### *Performance targets*

During 2015-2017:

- Implementation of professional independent survey on at least an annual basis for sources and level of corruption and level of satisfaction with administrative services related to the procedures for issuance of permissive documents. Within polling, estimate the percentage of agrarian companies that dealt with corruption when obtaining permissive documents, as well as the percentage of those satisfied with administrative services.
- Deregulation should not undermine access to foreign market or harm public health;
- Leave in effect only those permissive documents, powers of regulatory bodies and limitations on the production of goods which are necessary to protect human, animal or plant life or health, the environment, or to prevent fraudulent practices subject to the requirement that these measures are justified by solid scientific evidence and practical effectiveness of the measures applied, and which procedures do not unjustifiably limit free trade and competition.
- Simplification of unjustified taxation administration procedures that unfairly discriminate against the rights of taxpayers, in particular, based on the criteria of automatic VAT refund and electronic administration.



## STRATEGIC PRIORITY 2. LAND REFORM

### *Rationale*

The land reform process has already been going on for more than two decades. Agricultural and other lands were privatized, such that 31.0mln ha out of the total 41.5mln ha of Ukrainian agricultural holdings are currently under private ownership, while approximately 10.5mln ha are owned by the state and nearly 0.03mln ha are municipally and collectively owned. In addition, legal preconditions have been created for various types of land-related economic activities. However, there are still a number of problems preventing effective use of land as a production resource and asset. Up to the present, there has been a moratorium on alienation and change of the designated purpose of agricultural lands; uncompleted reform of the land registration system; unprotected proprietary rights to land; imbalance between the interests of lessees and lessors; degradation of soils; fragmentation of land holding; and wide-spread corruption, etc.

### *Main objective*

Create a full-fledged agricultural land market, improve the land lease market, ensure the open and transparent lease of state and municipal lands, and enhance the cadastral and registration system.

### *Priority measures*

1. Implementation of a full-fledged agricultural land market, deregulation of the economic turnover of lands, sustainable land use and consolidation of land holding and land use:
  - 1.1. Preparation and phased implementation of an open and transparent agricultural land market, including the possibility of a pilot roll-out of different models of economic turnover of agricultural lands in specific localities on the basis of a state-legal trial;
  - 1.2. Legislative settlement and transfer into municipal ownership of state-owned lands located beyond the boundaries of population centres, except for those accommodating state-owned facilities; improvement of the procedure for transferring unused inheritance plots, unclaimed shares into municipal ownership; settlement of the legal status of lands with unclear legal regime – field roads, forest belts, collective property;
  - 1.3. Development of a programme for economic encouragement of sustainable land use and prevent degradation of land;
  - 1.4. Implementation of mechanisms for the consolidation of agricultural lands in order to improve land use efficiency;
  - 1.5. Optimisation of the land taxation system in order to encourage rational and efficient use of land resources and prevent speculation in land plots;
  - 1.6. Cancellation of free-of-charge acquisition into ownership of land plots and state and municipally owned lands, preserving the right for privatization of land plots which were transferred into use to citizens before 2002;
  - 1.7. Reduction of the grounds for accrual of rights to state and municipally owned land plots without holding land bids;

- 1.8. Ensuring development of lending against security of the right to use land plots (including emphyteusis)<sup>7</sup> without limiting the rights of landowners;
- 1.9. Privatization of agricultural lands that belong to the National Academy of Agrarian Science of Ukraine and State Entities which are subject to privatization, except those used for research purposes.
2. Enhancement and development of the cadastral system and registration of property rights to real property
  - 2.1. Filling the cadastral database with information on land plots and limitations on their use;
  - 2.2. Combining the cadastral system and the system for registration of property rights to real property within a single information system;
  - 2.3. Improvement of the procedure for state registration of land plots and property rights thereto by implementing electronic document flow for entering information into the State Register of Property Rights to Real Property, State Land Cadastre and for using such information;
3. Securing and protection of rights to land plots:
  - 3.1. Creation of a simple procedure for correcting errors in the State Land Cadastre (including a bulk one). Enabling to obtain extracts from the State Land Cadastre in case of an error (with a description of this error and identification of possible correction methods);
  - 3.2. Harmonisation of the types of use (designated purpose) of land plots within a category of lands in accordance with global best practices. Granting the right to the landowner and land user to use the land plot in any manner which is consistent with the planning documentation and/or zoning, except for those requiring the change of the category of lands;
  - 3.3. Creation of the legal basis for voluntary unification of land plot owners, whose land plots are located within the same land neighbourhood in order to protect the rights and interests of land plot owners.

#### *Expected results*

- Improved competitiveness and transparency in the land market; reduction of corruption in land relations; possibility of using land and land use rights as security;
- Information support of the managerial decision-making in the area of land relations; more efficient cadastral and registration system.
- Improved efficiency of land use and, accordingly, increased productivity in the agrarian sector; enhanced lending opportunities for agrarian producers;
- Increased revenues of local budgets, improved opportunities for rural development; increased cost of lease and value of agricultural lands, resulting in the increased personal income of the rural population;
- Reduced transaction costs in land relations; improved guaranteeing of ownership rights to land.

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<sup>7</sup> Use of someone else's land plot for agricultural needs.

### *Implementation risks*

Political nature of the issue of cancellation of the moratorium on sale and purchase of agricultural lands; lack of consensus on this matter in society and between Coalition deputy groups in the Verkhovna Rada of Ukraine.

### *Mitigating actions*

- Awareness raising activities on-site;
- Implementation of system for monitoring land relations and land market analysis and ensuring full public disclosure of the relevant information.

### *Performance targets*

- 15 percent increase in local budget earnings by 2020;
- 2016: Pilot implementation of the agricultural land market in specific regions of Ukraine;
- By 2016: Implementation of the land relations monitoring system.

## **STRATEGIC PRIORITY 3. INSTITUTIONAL REFORM OF THE MINISTRY OF AGRARIAN POLICY AND FOOD AND RELATED STATE AGENCIES AND STATE OWNED ENTERPRISES**

### **Priority 3.1 Institutional restructuring of the Ministry of agrarian policy and food and related state agencies and state owned property**

#### *Rationale*

The Ministry of Agrarian Policy and Food (MAPF), its related Agencies, subordinate bodies are currently structured and staffed based on out-dated priorities and needs. There is currently no clear distinction between core functions or organisational units, creating numerous overlaps in responsibilities, tasks and activities. Archaic administrative systems, cumbersome paper-based reporting, approval and control systems continue to generate a stifling level of bureaucracy, causing a constant distraction from core policy, regulatory and technical tasks. Institutional corruption risks still exist, linked to a complex web of unnecessary and imaginative controls, regulations and approval processes, management of state owned assets and intervention mechanisms. The institutional structure, systems and ownership framework have frequently been cited as one of the most significant factors inhibiting farm and agribusiness development. Changing this structure is therefore a high priority for the sector.

Furthermore, following the signing of an Association Agreement, including the Deep and Comprehensive Free Trade Area (hereafter 'the DCFTA') between Ukraine and the EU, the greatest burden of this legal and regulatory convergence with EU standards and requirements is focused upon the agriculture, food and rural sector. This places significant and growing technical demands on MAPF to effectively manage and coordinate this gradual alignment process.

Moreover, to ensure the effective implementation of the drafted Strategy and Action Plan for Agriculture and Rural Development and the alignment with its specific and comprehensive set of objectives over the next five years (2015-2020), restructuring of the MAPF institutions.

#### *Main objectives*

The main aim of the restructuring and reorganisation process shall be to:

- Harmonise the institutional framework for agriculture and rural development (ARD) with EU and international requirements;
- Clearly define the scope of competencies of the Ministry, its Agencies and subordinate bodies and their linkages with other relevant government institutions in support of ARD;
- Establish effective ARD Policy Development, Strategic Management, Programming and Implementation structures, systems and procedures within and subordinated to MAPF which will ensure transparency and accountability in decision-making and active and sustained engagement of sector stakeholders in all stages of policy implementation;
- Establish a core professional, qualified, trained and equipped staff with relevant capacities, skills, experience and resources to undertake new tasks and responsibilities, thereby enabling the Ministry to rebuild the confidence, trust and respect of sector stakeholders at all levels;
- Establish effective linkages at oblast and rayon levels to support the delivery of policy interventions in support of the ARD sector and targeted stakeholders;
- Establish an effective management and monitoring framework and set of policies which will ensure the strategic management, use and divestment of state owned agricultural property in line with ARD sector strategic priorities, needs and requirements.

## Priority measures

### 1. Government and inter-governmental policy framework:

The boundaries of policy and regulatory functions in support of the ARD sector shall be clearly defined and agreed with all relevant Government bodies. This shall be supported by EU and other international technical assistance to ensure that suitable policy and regulatory linkages are established in all relevant policy areas including (but not limited to) food safety, veterinary and phytosanitary policy, agri-climate and environmental policy, regional development policy, advisory services, education, training, research and innovation policy. This shall include the establishment of coordination and monitoring body, involving representatives of other relevant ministries and agencies, donors and representatives of the private and civil society sectors (see chapter 4 on Strategy Implementation).

### 2. Ministry core competency rebranding and repositioning:

In line with the new strategy, policy objectives and scope of interventions, the Ministry shall be renamed. A legal change shall be introduced to rename the Ministry to reflect rural development. This re-branding shall underpin the shift in focus of the Ministry to embrace its newly defined scope of policy, regulatory, support and facilitation functions, services and systems. It shall also provide a clear recognition of the governmental commitment to sector reform, systemic change and gradual alignment with the EU and wider international community.

### 3. Ministry management based on core competencies:

In line with its new name and with the general principles outlined above, the new Ministry shall be gradually restructured to ensure the Ministry is doing the right things (effectiveness) in the right way (efficiency). This shall include a commitment to define core Ministry functions aimed at improving both vertical and horizontal coordination and management. Functional divisions and responsibilities within the new Ministry shall be restructured to ensure establishment and operation of the core competencies, for example: *Strategy, policy and programme design and management; Finance, budget, accounting and audit; Monitoring and control; Policy analysis and information; Technical, legal and regulatory; International relations; Communications and public relations; Administration; Information and communication technology (ICT) support; Human resource management; Advisory, research, education and training (and innovation).*

Functional reorganisation shall be guided by a detailed function review of the Ministry, its related Agencies and subordinate institutions. Findings from this review shall guide the development of an overall *Institutional Restructuring Plan (IRP)*.

### 4. Reorganisation of MAPF Agencies and subordinate bodies

As part of the functional review and restructuring process, MAPF shall also undertake detailed functional reviews of all of its Agencies and subordinate bodies. Findings from the reviews shall be used to guide preparation of detailed recommendations and plans to guide all Agency and subordinate bodies modernisation and reorganisation actions, in line with the overall strategy in support of the ARD sector. This is anticipated to include a reduction and adaptation of control functions to ensure the gradual alignment of systems with those of the EU. Particular focus on the short term shall be on reorganisation of the State Agencies for Forestry and Fishery.

### 5. Developing more effective oblast and rayon level linkages and support systems

Oblast and rayon level capacities, services and systems shall be assessed through targeted reviews in selected regions, upon agreement with individual administrations. Recommendations for changes in specific functions, systems and procedures shall be developed which can best support the delivery of new, targeted ARD policy interventions, primarily in support of small and medium sized farms and

rural enterprises. Requirements and options for oblast and rayon level partnerships shall be proposed and agreed with individual administrations, as appropriate and where feasible within existing legal constraints. Where new legal changes will be required, these shall be developed at the central level, in consultation with other relevant government bodies.

Where possible, MAPF shall aim to design and implement targeted pilot policy interventions at oblast/rayon/village level to test the relevance and effectiveness of programme design. To guide this process and in anticipation of future management requirements, MAPF shall be responsible for overseeing all coordination and development activities with oblast and rayon Administrations.

#### 6. State owned enterprise management and divestment functions (within MAPF):

Recognizing the significance and sensitivity of state owned enterprise management and divestment issues, to oversee the development and implementation of the policy framework for SOEs, the Ministry shall establish a mechanism for overseeing the strategic management of all sector assets in the long-term interests of the agricultural and rural sector and Ukrainian economic interests. The mechanism shall allow for a balance of public, private and civil society interest groups, farmer and producer groups, agricultural industry associations, education and research institutions etc.

MAPF has recently established a management unit within the Ministry which is responsible for state owned property. The unit shall assist in the development of clear policy proposals and detailed action plans that shall allow the gradual withdrawal of the Ministry from the management and ownership of all non-strategic enterprises in the ARD sector. Where strategic and regulatory functions exist within any state owned asset portfolio, as part of this transition these functions shall be transferred to other relevant structures, enterprises, Ministry Departments etc.

#### 7. Foundation for Agriculture and Rural Development Assistance (FARDA):

To address the extensive institutional weaknesses, lack of capacities, inability to attract and retain appropriately qualified, trained and motivated staff, and acknowledging the wider government civil service structural constraints and budgetary limitations that exist, the Ministry shall establish a dedicated Foundation. The main responsibilities of the *Ukrainian Foundation for Agriculture and Rural Development Assistance (UFARDA)* shall include ARD project implementation, advice and support; sector research, preparation of analysis and publication services; and sector information services.

#### *Expected results*

The main results and impacts of the sector institutional and asset re-structuring and reorganisation processes are anticipated to include:

- A significant increase in the effectiveness and efficiency of institutional and asset performance in policy support and delivery mechanisms, enhanced regulatory and technical support, and information, advisory and other relevant support systems and services;
- Improved and sustained levels of stakeholder participation and oversight in policy design, implementation and monitoring;
- A significant reduction in corruption and abuse of public funds and enhancement of transparency and accountability of public authorities at all levels in the sector.

#### *Implementation risks and mitigating actions*

The main identified risks that may prevent or constrain implementation include:

- Lack of support and/or cooperation from the central government and lack of support for institutional reform actions and initiatives. Mitigation shall be ensured through engagement in policy dialogue through technical working groups, based on evidence-based analysis of the main costs and benefits of the proposed changes and policy and regulatory impacts.



- Availability, capacity, motivation and commitment of senior and technical staff of MAPF. This shall be mitigated by securing support from external experts to assist in the professional training and capacity building of staff; and a continuous professional development programme.
- MAPF access to state funds to support the implementation of the necessary institutional changes, new policies and programmes. This shall be mitigated through development of rigorous budget planning, forecasting and financial control systems and procedures, donors support of priority actions, and development of regulatory impact assessment analysis capacities to support all future public programmes.
- Weak or absent cooperation among the different stakeholders involved in institutional reform. This shall be mitigated through the establishment and maintenance of formal stakeholder consultation to be part of all stages of policy design, implementation and monitoring.

#### *Performance targets*

- Undertaking a detailed functional analysis of MAPF institutions in 2015;
- Reorganisation of targeted key departments where detailed function reviews have been completed within existing legal and institutional constraints in 2015;
- Approval of changes in Ministry legal foundation/rulebook in 2016;
- Newly named and reorganised main structure approved and introduced in 2016;
- Full staff reselection process in line with new structure, functions and requirements completed by the end of 2016.

### **Priority 3.2 Reform of state agriculture property and state-owned agri-enterprises**

#### *Rationale*

According to the State Property Agency of Ukraine, the agri-industrial complex has approximately 1,800 companies with a share of state ownership. Among them, 56 are different types of companies with the share of stocks held by the state varying from less than 5 percent to 100 percent; among them there are the two largest enterprises - State Food and Grain Corporation of Ukraine PJSC and the Agrarian Fund PJSC. The cumulative financial losses of all state-owned agrarian companies exceeded UAH 2bn in 2014, but even this figure is underestimated, because most company assets are overvalued through the unaccounted withdrawal of funds in doubtful transactions. In general, the total amount of losses caused to the state by state-owned agrarian companies under effective criminal cases and procedures exceeds UAH 9bn. The management of state-owned companies has been insufficiently profitable and efficient, thus there is an urgent need for their privatization.

There are four legislative acts that need to be revised:

- Law of Ukraine "On the List of State-Owned Entities not subject to privatization" (already the list of companies that cannot be privatised);
- Law of Ukraine "On the Specifics of Privatization of Property in the State Agricultural Complex" (sets the specific rules for privatization of agrarian companies);
- Law of Ukraine "On the State Regulation of the Production and Circulation of Ethyl Alcohol, Cognac and Fruit Spirits, Alcoholic Beverages and Tobacco Products" (sets the state monopoly on the alcohol production);
- Law of Ukraine "On State Support to Ukrainian Agriculture" (anticipated activities of the Agrarian Fund and Agrarian Exchange).

Some state-owned agrarian enterprises are listed in the Law of Ukraine "On the List of State-Owned Entities not subject to privatization". The law lists more than 1,700 companies, about 25 percent of which are related to the agriculture sector. Nevertheless, many of these companies are inactive, already either declared bankrupt having had their assets removed.

The Law of Ukraine "On the Specifics of Privatization of Property in the State Agricultural Complex" lists special aspects of privatization of state-owned agricultural enterprises, paying special attention to the priority rights of employees of these companies to receive a share in the privatised company. This makes privatization unattractive to potential buyers.

There is a need to amend all the above-mentioned legislative acts in order to carry out any significant privatization and/or reform of state property.

In general, all the companies should be privatised except for the following: 1) enterprises using funds from the state budget (for example, the Agrarian Fund), 2) enterprises with arbitration functions (for example, some laboratories); 3) enterprises related to national security (for example, the State Reserve); 4) enterprises keeping specialised registers and databases required for implementation of the state agrarian policy.

#### *Main objective*

Ensure separation between the regulatory and business activities of the government, facilitate fair competition between state-owned and private companies, reduce financial losses in the management of agri-industrial companies and increase budget revenues, and create favourable conditions for investments.

#### *Priority measures*

1. De-monopolisation of alcohol production;
2. Privatization of state-owned enterprises;
3. Reform of the National Academy of Agrarian Sciences of Ukraine to limit land use to scientific purpose only;
4. Resolving the issues of stable servicing and payment of the state guaranteed debt of state-owned enterprises of the agri-industrial complex;
5. Reform of the regulation of privatization of state-owned agricultural enterprises.

#### *Expected results*

- Reduction of the corruption level;
- Elimination of losses in the public sector;
- Increased investments;
- Improved efficiency of land use;
- Reduced volumes of shadow alcohol production.

#### *Implementation risks*

- Increased unemployment level;
- Corruption associated with privatization;
- Additional expenses from the state budget to cover the state guaranteed debt;
- Inefficient privatization procedures.

### *Mitigating actions*

- Permanent and professional legal and expert activities aimed to protect the interests of the agricultural sector;
- High level of publicity regarding the activities of state-owned companies and their privatization.

### *Performance targets*

- No remaining companies owned by the state, except for: 1) enterprises using funds from the state budget (for example, the Agrarian Fund), 2) enterprises with arbitration functions (for example, some laboratories); 3) enterprises related to national security (for example, the State Reserve); and 4) enterprises keeping specialised registers and databases required for implementation of the state agrarian policy.
- Land use from the NAAS is limited to land used exclusively for scientific purposes;
- Any state monopoly on alcohol production should be cancelled by 2020;
- Privatization and restructuring should be carried out without triggering payments from the state budget or sovereign default under the state guaranteed debt.

### During 2015-2016:

- Amend the draft law on the privatization of agricultural enterprises;
- Privatised companies accounting for at least 30 percent of the total revenue of state-owned agricultural companies;
- Adopt a draft law on the de-monopolisation of alcohol production by 2020 at the latest, providing also for the privatization of alcohol enterprises;
- Conduct an audit of NAAS land use, arrange for termination of the rights to land plots which are not used for scientific purposes.

### During 2017-2020:

- Privatised all the remaining state-owned companies, except for: 1) enterprises using funds from the state budget (for example, the Agrarian Fund), 2) enterprises with arbitration functions (for example, some laboratories); 3) enterprises related to national security (for example, the State Reserve); and 4) enterprises keeping specialised registers and databases required for implementation of state agrarian policy.

## STRATEGIC PRIORITY 4. FOOD SECURITY

### *Rationale*

Ukraine persistently produces food in excess of its domestic consumption needs. However, this is neither a sufficient nor a necessary condition for the food security of all households and individuals in the country. Results of the most recent 2013 household income self-assessment survey available from the State Statistical Committee of Ukraine show that 492.5 thousand households, or about 1mln people, complained about insufficient income for food. The food security issue is further exacerbated by the following fact: according to the regular household survey of the State Statistical Committee of Ukraine, on average the Ukrainian population spent about 53 percent of its budget on food in 2014, including 54.9 percent in urban and 46.4 percent in rural areas. The poorest population group (below the subsistence level of income, i.e. UAH 1176 per month) spent about 62 percent of its income on food.

The current food security model exclusively targets the physical availability of certain commodities and their prices via trade controls, market interventions and price regulations, but not the really needy categories of the population. Moreover, Ukraine has never addressed the issue of dealing with food waste. This makes a strong argument for changing the food security policy/model according to international best practices.

### *Main objective*

Establish a food security policy that ensures physical and economic access to sufficient safe and nutritious food for all, targeting in particular the most vulnerable people.

### *Priority measures*

1. Introduce food relief programmes for the most vulnerable populations.
  - 1.1. Initiate the development and implementation of a targeted food relief programme for the most vulnerable groups of the population; assess its budgetary and administrative requirements;
  - 1.2. Develop specific programmes for the healthy nutrition of children such as “School Milk” and “Fruit & Vegetable” , for pregnant and lactating women;
  - 1.3. Consider developing a food waste management strategy for Ukraine.
2. Functioning agri-food markets – an indispensable prerequisite for sufficient food in the country.
  - 2.1. Gradual transfer to liberal pricing policy;
  - 2.2. Reform the system of intervention operations to limit their impact on the market and their application only to prevent emergency situations, like natural disasters, military conflicts, severe market disruptions, markets crises, sanitary and phytosanitary problems, etc.;
  - 2.3. Develop a system for monitoring the food security situation in the country on a regular basis. Design and introduce a regular food security survey.
3. Enhance institutional, policy and legal framework for food security policy implementation  
Institute a Food Security Committee within the Ministry of Agrarian Policy and Food of Ukraine with the goal of coordinating, monitoring and evaluating food security policy activities, establishing and maintaining relationships with the donors, implementing food and nutritional advocacy.

### *Expected results*

- Economic access via introduction of a new food security model that would ensure targeting the most needy categories of the population;
- Physical access via liberalised consumer and producer prices, retail mark-ups, and profitability margins. This would financially relieve the downstream sector (e.g. millers and bakers) and open more opportunities for investments in the downstream sector and for increased competition between the downstream and exporters in securing enough raw materials;
- Developed/improved and implemented food security monitoring system.

### *Implementation risks*

- Worsening macroeconomic situation in the country, significant local currency devaluation and inflation. This led to high food inflation and thus increasing the share of the population requiring food assistance. Manifold increases in communal, gas and electricity tariffs only exacerbated this problem;
- Current significant budget deficit might threaten the implementation of the food relief programme for the most vulnerable populations as this requires additional budget expenditure. There is a risk that budget requirements for introducing a food relief programme will exceed available budget resources. Possible lack of modern infrastructure to support the introduction and implementation of the food relief programme;
- There is a risk of abuse of food security assistance.

### *Mitigating actions*

- Feasibility study assessing the cost/benefit of a food relief programme for the most vulnerable population; food relief awareness campaign.

### *Performance targets*

- Reduction in proportion of population experiencing food insecurity based on a regular food security survey;
- By 2016: cancel regulation of the agri-food consumer and producer prices;
- By 2016: develop food security monitoring system/food security survey;
- By 2017: introduce food security monitoring system/food security survey;
- By 2016: reform intervention system/New Law on State Support;
- By 2017: develop food waste management strategy;
- By 2017: design of the food relief programme;
- By 2017: piloting of food relief programme.

## STRATEGIC PRIORITY 5. TAXATION

### *Rationale*

Systemic reform is required in agricultural taxation on account of: a tenfold gap in the levels of tax burden per hectare between legally operating agricultural producers and their competitors who use shadow land lease; untimely and incomplete export VAT refunds; the unstable and unpredictable VAT taxation system for the agriculture sector; the high level of agrarian shadow business related to the use of natural resources; and non-compliance with international practices regarding the taxation of cooperatives in the agriculture sector.

### *Main objective*

To rationalise and eliminate the existing drawbacks of the agriculture sector taxation system in order to make it more fair and predictable; reduce the share of the shadow economy; redistribute the level of tax burden between legal and illegal businesses, as well as different types of activities in the agri-industrial complex; ensure favourable conditions for further agribusiness development and export capacity building, including the export of finished products with a high share of added value.

To tackle the issue of export VAT refund as the main barrier to the development of exports and the key reason for the bias of market balance in favour of certain market players benefitting from improper advantages when solving their VAT refund issues.

### *Priority measures*

1. In order to tackle the problem of the shadow lease and gap in the level of tax burden per hectare, it is proposed to set a minimum amount of tax obligation to be paid by the owner and lessee under the personal income tax (PIT) and unified social contribution (USC) per one hectare of agricultural land.
2. Ensuring guarantees at the legislative level of timely and full export VAT refund for all agricultural products: transition from VAT refund budget expenditures planning to VAT net income planning; balancing on a special treasury account of income and expenditure for VAT refund and transferring the balance to the budget income; acknowledgment of the entire tax credit as legitimately formed on the basis of tax invoices registered in the Uniform Register of Tax Invoices.
3. To maintain the current level of state support for the agricultural sector, in particular to ensure within the transitional period until 1 January 2018 the force of special VAT regime as a basic mechanism of supporting livestock farming and small farmers, as well as to develop and implement additional mechanisms of state support.
4. Aligning the tax rate for agricultural lands with the group four rates of the simplified taxation system.
5. Improvement of the personal income taxation system for income obtained from the sale of agricultural products using natural resources (procurement of wild plants, mushrooms, fishing, etc.).
6. Changing the taxation system of cooperatives - introduction of a patronage dividends system: taxation of the financial result received by the cooperative at the level of members rather than the cooperative.
7. Development of a simplified taxation system for small farms (including households and family farms).
8. Studying the efficiency and impact of the taxation system of agricultural producers on the development of the Ukrainian agrarian sector with priority attention paid to the following issues:



- 8.1. Extension of the special VAT regime, determining conditions and relevant indicators, subject to compliance with which the special VAT regime can be waived, in particular regarding the criteria applying for the small farms definition.
- 8.2. Introducing differentiated VAT rates for food products.
- 8.3. Exemption of small farms, households and farming enterprises from VAT taxation, refund of the input VAT paid as part of the acquired production factors.
- 8.4. Expediency and potential models of the reform of the fourth group of the simplified taxation system.

#### *Expected results*

- Market share reduction of shadow production and land areas under shadow lease.
- Improved competitiveness of national producers in the global market and
- Growth of agricultural exports.
- Increased share of cooperatives in the volume of agricultural production and exports.
- De-shadowing of agrarian business related to the use of natural resources (procurement of wild plants, mushrooms, fish).
- Creating conditions for a gradual, evolutionary transition to the common VAT taxation system for the majority of agricultural producers.

#### *Implementation risks*

- Delay of the reform process through the divergence of the interests of different agrarian market players and insufficient coordination between the process participants.
- Blocking the resolution of the issue of complete and timely VAT refund through the budget deficit.

#### *Mitigating actions*

- Utmost consolidation of the positions of industry's representatives, the Ministry of Agrarian Policy and Food and donors in terms of the required design of taxation reform of the agriculture sector.

#### *Performance targets*

- 50 percent reduction of officially uncultivated agricultural lands during 2016-2020.
- Reduced number of legal disputes and amount of the disputed export VAT by the State Fiscal Service by 90 percent by 2020.
- De-shadowing of 80 percent of the market of agricultural products using natural resources (wild plants, mushrooms, fish) by 2020.

## **Excise tax**

### *Rationale*

In recent years, legislative acts on excise tax have been adopted in a patternless, ad hoc and fragmentary way without regard for sector specifics or a uniform development philosophy to serve as a basis. Therefore, in Ukraine there is a downtrend in the production and sale of domestically manufactured excisable products, which are substituted by smuggled and counterfeit products. This trend is primarily due to an unpredictable and unforeseeable excise of Ukraine. Notwithstanding the

fact that in 2014 the excise tax rates were dramatically raised by 42 percent for filter cigarettes, more than threefold for plain cigarettes, and by 87 percent for cognac, the revenues of the State budget of Ukraine increased only by 3.3 percent compared to 2013. This measure blocked the development of the denaturated alcohol industry.

#### *Main objective*

To develop a simple, sound, fair and predictable (in the long-term) excise tax system for the alcohol and tobacco industries, which shall allow for a low administrative burden and enable Ukrainian producers to compete effectively in domestic and foreign markets in line with the WTO Agreement and the Association Agreement.

#### *Priority measures*

1. To develop and implement the Excise Policy Strategy and a long-term plan for harmonizing excise rates within the framework of the Association Agreement by 2030, as well as the procedure and principles for calculating excise liabilities with due regard for the paces with which excise rates are increased in Belarus, Moldova and Russia, and the purchasing power of the population.
2. To align the Ukrainian excise laws with the EU laws in terms of fostering the development of denaturated (commercial) alcohol and bioethanol production, as well as the production of spirit used in spirit vinegar production.
3. To implement new modern technologies for combating schemes used for illegal imports into Ukraine of spirits, alcoholic beverages and tobacco products and the illicit manufacture thereof within the territory of Ukraine.

#### *Expected results*

Stable operation of the spirit, alcohol and tobacco industries, improvement of their investment appeal and ensuring stable and predictable budget receipts.

#### *Implementation risks*

- The industry's failure to reach an agreement on the issue and the lack of coordination of relevant activities by different government authorities.
- The complexity of developing and implementing an effective control system that would block the production and sale of potable alcohol under the guise of denaturated alcohol.

#### *Mitigating actions*

- A thorough development of legislation governing the production of denaturated alcohol with the engagement of a wide range of experts and representatives of the industry.
- Consolidation of the industry's position and that of the bodies of executive power.

#### *Performance targets*

- To boost the production and sales of ethyl alcohol – approximately 8mln decaliters, denaturated alcohol – approximately 5-7mln decaliters, bioethanol – approximately 200 thousand tons, increase exports of spirits to the EU by 2020.
- To raise the legal production and sales of alcoholic beverages by 40-50 percent and those of tobacco products by 7-8 percent (directly reflecting the reduction in their shadow circulation) by 2020.
- To increase annual receipts of the State budget of Ukraine from the excise tax payment by at least UAH 4bn starting from 2020.

## STRATEGIC PRIORITY 6. AGRI-FOOD CHAIN DEVELOPMENT

Competitiveness of the agri-food sectors all over the world is increasingly dependent upon value chain relationships. Good soils, for example, and a supportive climate form the basis of a country's agricultural competitiveness, but it is worth little without efficient infrastructure and marketing systems. The higher the costs of collecting, moving, storing, processing and certifying agricultural products on their way from the farm gate to the export harbour or retail network, the smaller the share of the world market or retail price that will remain for agricultural producers. In the same way more expensive agricultural inputs suppress agricultural productivity and development as a result. An agricultural producer in Ukraine receives, for example, only about 60 percent of the export price for the sold grain, while in the US and the EU this figure amounts to 85-90 percent. The same holds true or even worse across other agriculture sectors, especially when it comes to the fruit, vegetable and livestock products market, mainly produced by a large number of unorganised small agricultural producers. The infrastructure of the wholesale food, fruits and vegetables markets and live cattle markets have virtually not been developed. This includes not just physical markets but also marketing information infrastructure. Another aspect of this is that a weak and inefficient processing industry results in a commodity based rural economy with little opportunities for higher value added products - a phenomenon currently observed in Ukraine. Improving the efficiency of infrastructure requires investment which in turns requires developed rural financial markets, a supportive business climate and government policy.

This strategy keeps in perspective all the constituent elements of the Ukrainian agri-food chain and explores possibilities for improving its competitiveness from different angles. Dealing with limited access to financial resources is of paramount importance for agri-food chain actors. It prevents modernisation of already existing agri-food chains and the construction of new ones, in particular the production, processing, storage, trade, organisational and legal aspects of doing business and ensuring the proper quality of agri-food products. State support is a potential stimulating factor in the development of agri-food chains, especially when it comes to small agricultural producers, whose share in the manufacturing of gross agricultural production exceeds 50 percent and who provide jobs for about 80 percent of people employed in agriculture. Promoting various forms of producers' organisations and representation will increase their bargaining power and thus help to establish business practices adapted to global challenges. Due attention is paid to possibilities for improving transport and storage infrastructure, as well as upgrading and modernising processing capacities to widen the range of high-value products.

In terms of the institutional setup, some agri-food chain elements are beyond the MAPF responsibility, e.g. the Ministry of Infrastructure of Ukraine plays a key role in transport infrastructure. However, via active engagement, cooperation and communication with other ministries, the MAPF can move forward the development agenda.

### Priority 6.1 Access to financial resources

#### *Rationale*

Ukraine has been developing its agricultural and financial market since the mid-1990s. A small number of international companies have invested in local Ukrainian subsidiaries. The largest agricultural intermediaries include international trading companies, suppliers of means of production and distributors, as well as agricultural machinery manufacturers. These foreign investments provide a significant amount of foreign capital as compared to the investments in the agriculture sector received from domestic small and medium-sized enterprises. Currently, Ukrainian commercial banks grant credits for agricultural enterprises at the weighted average rate at the level of 20-23

percent(according to the NBU - 21.6 percent in Q1 2015, 20.1 percent - for 2014), with the lending share of agriculture compared to share of agriculture in GDP amounting to 22 percent. Such fundraising conditions, multiplied by the limited opportunities to use land as a security (including the right of lease), create extremely complicated conditions for the domestic agrarian sector. Therefore, of importance are methods for improving the access of agricultural producers to financial resources.

#### *Main objective*

To expand new and improve existing opportunities for domestic agricultural businesses, to improve access to financing and financing conditions for all the stakeholders using the best EU and international practices.

#### *Priority measures*

1. Determining the state priorities, policy of support and use of targeted financial tools for specific categories of agricultural producers (large, medium, small and micro);
2. Completion of the land reform; opportunities of using land and the right of lease (property right) as a security for financing agriculture and as free circulation objects;
3. Encouraging the development of the secondary financial market; implementation of IFRS standards;
4. Implementation and ensuring free circulation of agrarian receipts and warehouse certificates;
5. Contributing to the liquidity improvement of the financial market for agricultural commodity producers through cooperation with the NBU and international donor organisations;
6. Creating a system for guaranteeing lending to small and medium enterprises;
7. Restoration of the state insurance support programme in the agrarian sector. Development and implementation of risk mitigation tools, such as insurance (of yield, revenues, etc.), derivatives in the agriculture sector; contribute to the implementation of new standard insurance products;
8. Improving the financial literacy of agricultural producers and the agricultural literacy of the financial sector; contributing to the implementation of best corporate management practices for agricultural enterprises;
9. Development of a regulatory legal framework for credit unions and cooperative banks as the suppliers of financial services for the smallest agricultural producers according to the NBU requirements; origination of a (non-governmental) refinancing fund for banks and credit unions for lending to small producers;
10. Assist in the creation of cooperative banks;
11. Formation and development of forward and future agrarian markets and other financial instruments for hedging;
12. Contribute to the introduction of a support (institution) fund for specific agribusiness areas and programmes on the grounds of co-financing from different funding sources, which cannot be combined within budgetary, donor and commercial financing.

#### *Expected results*

- Improved access for the banking system and non-financial institutions of the foreign/domestic capital market to financing of the agriculture sector;
- To enable micro, small, medium size agricultural producers'/farmers' access to banking and non-banking lending;

- Improved access to financial resources will increase the value and diversification in the agriculture sector, improve the level of confidence to financial institutions, and expand the financing volumes;
- Improved business activity in the agricultural, food and processing areas, services sector, which will contribute to the rural development and improved social status.

#### *Implementation risks*

- High level of societal/lobby resistance to Land Reform;
- Insufficient level of competence for management of production;
- Insufficient level of communication between banks, non-banking institutions, insurance companies, regulatory bodies, NBU, and MAPF with respect to the building up a new financial market for the agrarian sector based on common values.

#### *Mitigating actions*

- Transparent lead position of the Ministry of Agrarian Policy and Food regarding Land Reform in Ukraine and its implementation;
- Regular organisation of training for employees of banks/investment companies/non-banking institutions/farmers and support during the first years;
- World Bank, IFC, EBRD and other international/local experts' involvement in all the actions mentioned above;
- Close cooperation between the expert team and institutions involved in reforming the financial sector to ensure transparency and increased confidence.

#### *Performance targets*

- 50 percent reduction in interest rates for commercial loans, increased share of the long-term lending by 20 percent up to 2020;
- Introducing circulation of agrarian receipts throughout the country's territory in 2017;
- 50-75 percent increase in financing volume in the agrarian sector during 2017-2020;
- 30 percent increase in number of enterprises which have made use of the subsidised agrarian insurance services and extension of the range of standard insurance products;
- Using the right of land lease as a security.

## **Priority 6.2 Infrastructure and logistics, upgrading and modernisation of production and processing capacities**

#### *Rationale*

For the moment, agricultural producers in Ukraine receive only about 60 percent of the export price for sold grain, while in the USA and EU countries this figure accounts for 85-90 percent. This is generally explained by inefficient grain logistics. In addition, the Ukrainian transport infrastructure and logistical capacities are able to cope with the current export volume of cereals for the moment. However, it is obvious that elevator and port capacities require enhancement, and likewise investments are needed in the transport infrastructure for the purpose of export of the growing excesses of grain. The situation is similar in other markets. Moreover, the wholesale networks of food products, fruit and vegetable markets, as well as the live cattle markets are practically

underdeveloped. This includes not only physical availability of the markets, but also marketing and information infrastructure. The same goes for the infrastructure for procurement and sale of agricultural products, especially potato, vegetable and fruit, losses of which "from field to table" amount to 50-60 percent. This is especially important for small agricultural producers (private farms, family-type farm holdings and small agricultural enterprises) which are practically unable to ensure proper post-harvest treatment and storage of such products. Application of state-of-the-art production and processing technologies to improve efficiency in the area of production, processing and trade, as well as to improve product quality, is the necessary requirement for engagement in supply chains, and better use of existing competitive (spatial, economic, environmental, specific) advantages in the domestic and foreign markets, which currently requires additional incentives from the state. Considerable losses also occur in the processing process, as the equipment of many enterprises is obsolete and incapable of ensuring the adequate quality of final products.

### *Main objective*

Encourage and improve the efficient use of available infrastructure for the storage and transportation of agri-food products; create a stable climate for investments in the infrastructure and logistics, including reforming of railway, river and seaports, road infrastructure and special-purpose motor transport, in order to reduce the logistical costs. Ensure development in the industry by means of upgrade and modernisation of production, warehousing and processing capacities to increase competitive power and to contribute to the development of diversified and innovative production structures.

### *Priority measures*

1. Encourage the development of storage infrastructure:
  - 1.1. Attracting investments in the grain storage and treatment capacities and service infrastructure, facilitating the permissive procedure and land allotment procedure for investors;
  - 1.2. Improved regulatory environment with respect to the operation of grain stores, modernisation of the already existing and construction of new storage capacities.
2. Encourage the development of the transport infrastructure:
  - 2.1. Roads and railway;
    - 2.1.1. Encourage improvement of the regulatory environment in the area of railway service and rolling stock, in particular:
      - 2.1.1.1. Ensure competitive supply of rail cars to all applicants;
      - 2.1.1.2. Ensure investment-attractive railway tariffs for construction and operation of private rail cars;
    - 2.1.2. Stimulate the extension of the capacities of port railway stations;
    - 2.1.3. Stimulate the development of a concept/tools to prevent overload of surface transport facilities.
  - 2.2. Waterways;
    - 2.2.1. Encourage competition in the river transportation market between the domestic and foreign carriers, namely:
      - 2.2.1.1. Liberalise the authorisation system for foreign fleet;
      - 2.2.1.2. Equalise port charges for coastal voyages to the competitive level against international voyages;



- 2.2.1.3. De-monopolisation of port pilot services.
- 2.2.2. Ensure provision of dredging operations on the Dnipro river;
- 2.2.3. Improve the efficiency of provision of state services, including:
  - 2.2.3.1. Consider the issue of developing a new sluicing model. This model can provide that sluices and hydroelectric power stations would be considered as a single undivided property and technical maintenance of the sluices can be financed from the sale of electric power. [m1] This is quite logical because sluices constitute an integral part of any hydroelectric power station built to produce electric power;
  - 2.2.3.2. Ensure functioning and price attractiveness of unbridging on rivers. Develop a concept of draw bridges for competitive navigation;
  - 2.2.3.3. Provide a legal mechanism to raise investments in the domestic waterways by adopting a Law "On the Domestic Waterways".
- 3. Creating a national marketing infrastructure for agricultural products, taking into account regional specificities and oriented towards both producers and consumers in locations of direct concentration;

Develop an integrated development programme for the infrastructure of the agrarian market, providing for three levels:

Level 1 - national wholesale agricultural markets; Level 2 - regional wholesale agricultural markets; Level 3 - local logistical platforms (procurement centres) with the functions of farmer markets.

Details of the programme should include:

- Liberalisation of the access to state or municipal lands for placement of agricultural markets; purchase of land plots for social purpose;
- Participation of the state in the construction of access roads, water and electrical networks, etc.;
- Encouragement/support of investments in storage capacities.
- 4. Development of information infrastructures;
  - 4.1. Ensuring open and transparent access to performance indicators and business results (for example, via FADN) to contribute to better information awareness of the market as to the expectations, forecasts and trends;
  - 4.2. Ensuring dissemination of information about application of intensive production technologies, transition to specialised approaches to the conduct of business, development of specialised IT solutions.
- 5. Encourage the development of production and processing infrastructures;
  - 5.1. Stimulating deep processing of agricultural products; improving the access of producers of local products and small lots to retail, implementing approaches to the formation of supply chains directly involving retail trade;
  - 5.2. Reconstruction, restoration and development of irrigation systems and ensuring efficient use of irrigated and drained lands.

#### *Expected results*

- Improved efficiency and increased capacities of grain logistics. As a result, the gap between the procurement and export prices should be reduced to 75-80 percent, allowing the increase of the revenues of agricultural producers by 15-20 percentage points;

- Creation of a modern infrastructure for procurement and sale of horticultural products, 50 percent increase in the capacity of horticultural storage facilities, which meet the present-day conditions, losses of potato and horticultural products reduced by 50 percent.

#### *Implementation risks*

- Complicated current macroeconomic situation, budget deficit;
- Unattractive investment climate;
- Uncoordinated actions between the ministry of agrarian policy and food and the ministry of infrastructure.

#### *Mitigating actions*

- Attracting investments and capital for implementation of new technological, technical, infrastructure and intellectual projects;
- Efficient inter-ministerial coordination.

#### *Performance targets*

- Increase of the river transportation of grain by 6-7 mln tonnes by 2020;
- Increased capacities of grain storage facilities by 20mln tonnes, and for port capacities - by 10mln tonnes; up to 50 percent increase of the horticultural storage capacities which meet the present-day conditions; losses of potato and horticultural products reduced by 50 percent, and vegetable processing volumes increased by 30 percent by 2020;
- Increased exports of the domestic material and technical resources for agricultural production (first of all, seeds) by USD 200mln per annum, beginning from 2017;
- Increased share of products of processing in the total production output and exports by 35-45 percent;
- 2.5 times expansion of irrigated areas (up to 1 mln ha) by 2020;
- Increased gross yield at the expense of irrigated lands up to 50 percent (depending on the specific crop);
- Reduced import-dependence for the most sensitive groups of food products by 46-60 percent by 2020;
- Improved specific weight of value-added products in the commodity output structure by 15 percent by 2020.

## **Priority 6.3 Producers organisations**

### *Rationale*

The goal of a producer organisation (PO) is to market goods collectively or share equipment or services, in order to reduce costs and to have better market opportunities and bargaining power as a group than small individual producers, who constitute a major part of Ukrainian agricultural production. International experience demonstrates that POs (incl. cooperatives, which are considered the most common form of PO globally) could be a powerful tool, in particular for the development of small and medium sized enterprises. Despite the fact that in Ukraine there are some cooperatives in place (in particular in the dairy sector) and some assistance has been provided to them, the share of cooperatives in the total marketed volume remains marginal and should be increased. For

comparison, market share of co-ops in developed markets (EU, US, Canada) exceeds 40 percent, while in Ukraine it is less than 1 percent.

### *Main objective*

Taking account of the experience already gained in Ukraine and the experience of POs in the world, the main objective is to promote various forms of producer groups organisations and representation, with the aim of reducing the production, processing, transportation and export costs, maximizing the selling price for agricultural commodities and promoting fair and transparent contractual relationships in the market in order to establish business practices adapted to global challenges.

### *Priority measures*

1. Adaptation of the current Ukrainian legal status for cooperatives, in particular with a view to eliminating some existing restrictions hampering their development such as the restriction regarding the legal status of members;
2. Adoption of a taxation system for POs (including cooperatives) and its members based on international best practices, that will be favourable for PO development and non-discriminatory (in comparison with other legal forms). Abolishment of the precondition for the exit of the members (individuals) from cooperatives arising in connection with receiving and declaring additional legal income earned as a member of a cooperative;
3. Ensuring specialised services in the Ministry of Agrarian Policy and Food of Ukraine and/or regional authorities in charge of promoting cooperative models and other forms of POs, training for members and cooperatives' employees, coordinating the work of NGOs in this sector, as well as providing organisational and administrative support (incl. feasibility studies) to farmers to set up cooperatives;
4. Implementation of state support schemes to POs during their first five years, aiming at adapting capacities and tools for collective purposes, improving the quality of products and adaptation to the markets, ensuring conditions to avoid the opportunistic creation of POs with the sole objective of benefiting from such schemes;
5. Provision of improved conditions for loans and other financial mechanisms, and priority access to investment and modernisation support.

### *Expected results*

- Increase in the market share of cooperatives and other forms of organisations;
- Improvement of financial performance of small and medium size producers;
- More added value and diversification, better access to foreign markets;
- Contribution to the development of rural areas;
- Increase in stability and transparency of market organisation.

### *Implementation risks*

- Lack of confidence between members, no respect to the internal rules, insufficient capacity of members to evolve;
- Lack of competence for management and marketing and qualification of staff;
- High initial investment costs.

### *Mitigating actions*

- Raising awareness of the current and potential cooperatives' members on the benefits, constraints and responsibilities arising from becoming such a member;

- Ensure proper feasibility studies assessing the cost/benefit;
- Training of the members and staff, and ‘hand-holding’ support during the first years;
- Pilot projects for POs establishment based on the amended legislation.

#### *Performance targets*

- Increase of the quantity of members of POs (including cooperatives) and employees of POs (including cooperatives) by 200 percent until 2020;
- 3 percent increase of the market share covered by PO (cooperatives) until 2020;
- Ten pilot projects on PO are implemented by 2020.

### **Priority 6.4 Assessment and simplification of the state support to agriculture**

#### *Rationale*

In Ukraine, direct support to farmers from the state budget virtually does not exist. Indirect support (tax benefits) over the period 2011-2014 accounted for 90 percent of the total state support to the agriculture sector, while according to the OECD the total state support reached roughly 8 percent<sup>8</sup> of gross agricultural output of Ukraine in 2010-12. If losses/benefits due to state intervention in pricing, administrative and regulatory barriers, trade and domestic market policy, export VAT refund arrears, are added to the budget transfers above, the overall state support to agriculture decreases on average to 2.84 percent of the gross agricultural output in Ukraine in 2010-2012, compared to 22 percent in OECD countries, 25.5 percent in the EU, and 21.2 percent in Russia.<sup>9</sup> Ad hoc budgeting and timing of public expenditures, non-transparent budget transfers, and limited access to state support programmes for small and medium farm enterprises undermined farmers' trust in the state and support instruments such as direct subsidies, and brought to nothing their impacts on the agriculture sector. We arrived at this present state of affairs by virtue of the fact that direct state support programmes have never been performed properly on account of the flagrant funding gap.

#### *Main objective*

To develop and implement an effective, simple and transparent policy of providing support to the agriculture sector through: evaluating and refining the existing system; establishing a limited number of simple, targeted and efficient measures aimed at achieving specific and well formulated priority goals that are easy to implement, control and assess; providing proper, stable, predictable and long-term strategy oriented funding.

#### *Priority measures*

1. To ensure that the state budget resources are used in a transparent and effective way, irrespective of the support model selected:
  - 1.1. To establish a platform for notifying the public of the use of public outlays in the agriculture sector and their efficiency;
  - 1.2. To ensure that all producers have access to the state support programmes according to current priorities;
  - 1.3. To reduce the number of state support areas and the number of conditions the applicants have to meet;

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<sup>8</sup> Technically this measure is equivalent to (PSE+GSSE-MPS) using OECD methodology (OECD, 2013).

<sup>9</sup> Technically this measure is equivalent to (PSE+GSSE) using OECD methodology (OECD, 2013).

- 1.4. To prevent officials from making decisions on state budget resources use at their own discretion;
- 1.5. To make the implementation of new support measures possible only after funding commitments already assumed are fulfilled.
2. To implement a new model of state support causing minimum market and production incentives distortion:
  - 2.1. To develop new areas of state support on the basis of the priorities set;
  - 2.2. To establish clear priorities and specific requirements for state support programme applicants. The priority tasks shall include providing support to young farmers, small agricultural producers, labour-intensive and environmental production, and other areas that shall be identified based on the findings of a special study;
  - 2.3. To reinforce 'green box' support measures, particularly finance rural development programmes, agricultural insurance etc.
3. Gradual transition from state support in the form of tax benefits to guaranteed state support in the form of budget transfers:
  - 3.1. To assess different versions of agricultural activities taxation reform and submit the agreed reforms by 2017;
  - 3.2. To develop a plan for implementing agriculture sector taxation reform, in particular, with reference to the implementation of new support mechanisms including ensuring their actual financing.
4. To improve the existing or develop new approaches of supporting small agricultural producers or farm organisations.

#### *Expected results*

Implementation of new state support measures that are more effective, less complex and cause minimum market distortion. Transition from tax benefits (after the assessment is performed and relevant indicators are achieved) to budget transfers. The state support system will be translated into an effective instrument for promoting agriculture sector development according to the priorities set.

#### *Implementation risks*

- General worsening of the macroeconomic situation in the state, significant devaluation of the national currency and inflation. Substantial current budget deficit may endanger funds allocations for the implementation of state support programmes;
- Limitation of expenditures according to the WTO yellow box support measures.

#### *Mitigating actions*

Carrying out an economic feasibility study to assess the impact on budget revenues as a result of tax benefits cancellation, sources of agricultural programmes budget financing, their anticipated impact on the agriculture sector and rural infrastructure.

#### *Performance targets*

- New law on State Support of Agriculture sector in 2015;
- Implementation of the system of public control over state support by 2017;
- Pilot small agricultural producers support programme in 2016;
- Ensuring 100 percent financing for priority state support programmes starting from 2017.

## Priority 6.5 Support to small farms

### *Rationale*

Small farms in Ukraine produce more than 50 percent of the gross agricultural production, including the vast majority of potatoes, fruits, vegetables and milk. They also provide jobs to approximately 80 percent of people employed in the sector. More than 20 percent of them engage in commercial activities and offer their produce mainly through local markets; the remaining part is made up of subsistence or semi-subsistence farms. Small agricultural producers make an important contribution to the quality of life in the Ukrainian countryside, as well as to food security in the country.

Despite the social and economic importance of small agricultural producers, there is still no legislative framework, which would provide them with the status of full-fledged participants in the markets for inputs, financial resources, and agricultural produce. They lack access to labour protection and social security systems. They have virtually no access to support programmes for the development of their farms. The system to register such small producers or record information on farm performance, incomes or employment, is inefficient.

In order to improve the performance of small farmers and increase their contribution to food self-sufficiency and the fulfilment of economic, ecological and social functions in rural areas, it is necessary to develop mechanisms of state support for these producers that will improve their sustainability and competitiveness, attract investment, promote growth and stability of incomes, and make them more active participants in the markets of agricultural produce.

### *Main objective*

Develop a set of legal, economic and organisational interventions to support small agricultural producers in order to promote the improvement of their productivity and profitability, modernisation, the diversification of agricultural activities, an increase of added value, the use of innovative market distribution channels, and the ensured access to finance, etc. with a special emphasis on the promotion of opportunities for young people and women in running family type farms.

### *Priority measures*

1. Creation of the economic, organisational and social conditions for small farm support (registration, taxation, insurance, credit, pension system) by enhancing the relevant legislative and regulatory framework;
2. Development of special programmes to support small farmers with respect to credit and insurance to improve access to financial services;
3. Preferential provision of existing state owned agricultural land to small farmers to encourage them to expand their farm businesses; transfer of state-owned land into the ownership of rural communities, in particular for the establishment of public pastures (with associated requirement for their strong, community-based governance);
4. Development of specific training programmes, organisation of training, provision of advisory services to small producers to improve their skills in managing farms, accessing finance and engaging in specialised/high value added production, in particular to facilitate the implementation of support programmes;
5. Design and implementation of a targeted investment support programme to assist small farm development and diversification;

6. Introduction of a support scheme to promote forming for partnerships, societies, producer organisations (including cooperatives), to improve market access and market infrastructure, development and applications of new trading rules standards;<sup>10</sup>
7. Develop and implement a special programme to support young farmers (including special training programmes, preferential access to agricultural land, subsidies to compensate interest rates on commercial bank loans).

#### *Expected results*

- Small farms are legally registered and gain access to available social security and other support;
- Small farmers become better trained, more efficient, and market oriented;
- Small farmers gain access to new investment capital for modernising and diversifying production capacities;
- Agriculture becomes more attractive as a profession, creating more employment opportunities, attracting more young people and women to stay, live and work in rural areas;
- Family farms become able to contribute positively to the quality of life, food security and sustainability of rural areas.

#### *Implementation risks*

Resistance to legal changes to give clear status to small farms and family holdings;

- Resistance to change or acceptance of business-orientation amongst small farmers;
- Opposition from larger farms against channelling available state support to small farmers;
- Lack of information and data to guide the effective design of new support schemes;
- Limited capacity to implement new support mechanisms and instruments, as well as risk of corruption and mismanagement.

#### *Mitigating actions*

- Well drafted legislation, supported by evidence-based analysis of the positive regulatory impact;
- Targeted training and advisory services tailored to small farm needs and capacities;
- Analysis of European policy for small farm support and demonstration of its benefits;
- Piloting of support to small farms to demonstrate positive effects of programmes for farmers (with involvement of other stakeholders and donors);
- Formation of a system for collection and analysis of statistical and other information regarding performance and priority needs of family farms;
- Functioning of effective mechanisms for the evaluation and monitoring of state support programmes with the involvement of independent auditing (and ideally supported by international donors).

#### *Performance targets (by 2020)*

- 50 percent increase in share of small farms producing for the market from the total number of small farms;
- 20 percentage point increase in share of commercial production of family farms;
- 15 percent increase in output of family farms;

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<sup>10</sup> For more detailed description, see Section 6.3



- 25 percent increase in incomes of family farms;
- 5-7 percent increase inactive employment at family farms;
- Establishment of more than 1000 new farms by young farmers;
- 15 percent increase in family farm credit and investment capital.

## STRATEGIC PRIORITY 7. RURAL DEVELOPMENT – REVITALISATION OF RURAL AREAS

Past components of Ukrainian public policy in support of rural areas have predominantly focused on providing support (subsidies) for agricultural enterprises and regional infrastructure. The interventions were not designed to promote wider rural development. The main reason for this is that (i) regional development policies were focused on addressing regional economic disparities which tend to favour the larger urban centres; and (ii) sectoral support (subsidies) was mainly provided to a small segment of the rural population – farmers and others entrepreneurs engaged in agriculture – rather than to rural communities. Evidence from other countries unambiguously indicates that: (i) rural economic development needs to be explicitly linked to agricultural development to help ensure its success; and (ii) subsidy-based policies are not effective in addressing some of the most pressing socio-economic challenges facing rural communities. In Ukraine this has led to a growing disparity between the small number of individuals and businesses that have benefited from the past system, and the majority of the rural economy and rural population have meanwhile been excluded.

A new, more equitable approach is needed to address this policy vacuum. It is therefore proposed to introduce a policy framework specifically aimed at developing both agriculture and rural communities and making them more competitive, primarily through the better targeting of public and donor resources which will help to mobilise local assets and resources.

The (agricultural and) rural development policy framework has to clearly identify local rural economic opportunities, as part of a broader family of national policies (developed in direct cooperation with the Ministry for Regional Development and other relevant Ministries and State Agencies), designed to improve regional rural competitiveness. This new approach shall include several interrelated and complementary components. It will also require a high degree of collaboration and partnership between state and non-state actors at national, regional and local levels. The multi-sectoral policy framework and proposed approach shall aim to identify and exploit the highly varied development potential of the different rural areas of Ukraine with a focus on ‘places’ rather than ‘sectors’, and on ‘investments’ rather than ‘subsidies’.

More specifically, rural development support shall be based on a national (agricultural and) rural development strategy, covering a number of factors such as rural services and infrastructure and the availability of a suitable workforce, community initiatives and actions of rural communities, all of which affect the performance of the local rural economy. There shall be a focus on local assets and knowledge; the strategy shall also promote a community-led local development approach to rural development, involving national, regional and local government and other rural stakeholders.

Given the scope and complexity of the challenges to be addressed in rural areas, the lack of past experience in implementing such policies in Ukraine and the anticipated limited availability of public funds, it will not be feasible to respond to all rural policy needs and priorities in the short to medium term. Therefore, in the short to medium term (2015-2020), it is proposed that (agricultural and) rural development support is focused on establishing four main priority areas of intervention, namely:

1. Establishment of the necessary (agricultural and) rural development institutional, legal and strategic framework to manage and support rural development policy implementation (see Strategic Priority 3 Institutional reform);
2. Establishment of an investment framework to support agricultural enterprises, predominantly aimed at strengthening the competitiveness of small and medium scale farmers (see Strategic Priority 6 Agri-food production chain development);
3. Establishment of an investment framework to support non-agricultural enterprises, predominantly aimed at encouraging value-added rural activities and promoting diversification

of rural economic opportunities (see “Improving the quality of life and diversifying economic activity in rural areas” below);

4. Establishment of an investment framework to promote the organisation and mobilisation of local rural community resources and the development of public-private partnerships between rural communities, agribusinesses, civil society and local public authorities (see Community-led local development below).

#### *Institutional and legal framework for Rural Development*

In order to implement this new approach, an institutional and legal framework should be established, including the following:

- Revision of relevant legal acts to formally allocate the responsibility for policy management regarding the sustainable development of rural areas of Ukraine to the Ministry of Agrarian Policy and Food (excluding regional rural infrastructure which should remain under the responsibility of the Ministry for Regional Development); and/or
- Establishment of a mechanism for Rural Development which shall be responsible for coordinating the development, management and monitoring of rural development policies (to include, as a minimum, the Ministries responsible for Agriculture, Environment, Health, Education, Transport and Regional Development); and/or
- Establishment within MAPF of a dedicated structural unit for the Administration of Agriculture and Rural Development Payments, which shall be responsible for administering expenditures allocated for rural development support. The Department shall be responsible for establishing a system for the transparent application, selection, payment and evaluation of the efficiency of support payments (to include subsystems for grant application approval, payment approval, on-the spot checks, accounting and control functions, as a minimum);
- The subsequent renaming of the Ministry to reflect rural development;
- The establishment of a dedicated institutional framework and specific support structures and capacity within the Ministry of Agrarian Policy and Food which shall be responsible for the design, development, monitoring and evaluation of all future programmes for rural development support.

#### *Establishing the legal basis for support to rural development*

The OECD definition of rural areas could be used as a basis for defining the rural areas of Ukraine. This is based on population density. Areas would be defined as rural if the population density is at or below 150 persons per square kilometre. Further refinement of this approach would define three levels of rurality, namely:

Predominantly Rural (PR): if more than 50 percent of the population is living in settlements with less than 150 persons per km<sup>2</sup>;

Intermediately rural (IR): if 15-50 percent of the population is living in settlements with less than 150 persons per square kilometre;

Predominantly urban (PU): if less than 15 percent of the population is living in settlements with less than 150 persons per square kilometre.

In addition, there is a need to clearly define the different types of farm holdings in Ukraine. Specific definitions should be developed (possibly guided by recognised European definitions of similar farming structures) and approved for small agricultural producers (individual farms, family farms, and small farm enterprises).

## **Priority 7.1 Improvement of quality of life and diversification of economic activities in rural areas**

### *Rationale*

Rural areas in Ukraine suffer from negative trends in economic and social development, often linked to problems of scarcity of job opportunities, low salary levels in agriculture, depopulation, poor infrastructure and access to basic public services, particularly education and health.

Improvement in the quality of life and diversification of economic activities in rural areas is necessary to promote harmonised environmental, social, and economic development in rural areas, in particular through the development of local infrastructure and basic social services and by ensuring access to modern information and communication technologies. In addition, it is necessary to improve the attractiveness of rural areas as a place to live and do business, thereby creating new employment opportunities, especially for women and young people.

### *Main objective*

To maintain the viability of rural areas; to ensure an increase in the rural population's incomes and improve the socio-demographic structure of rural areas by means of diversifying the rural economy and business operations in which the rural population is engaged, and by developing the infrastructure and rural space as a recreational resource; to improve living conditions and welfare of rural residents and make basic services more accessible to them; to motivate rural residents towards and increase their capacity for participation in local development processes.

### *Priority measures*

1. Develop the rural economy by stimulating non-agricultural operations; introduce innovative products; develop business networks and marketing projects; promote branding;
2. Develop the touristic potential of rural areas for rural and agrarian tourism;
3. Use forest, water, and other natural resources for the purposes of recreational services;
4. Develop the rural infrastructure for the purpose of expanding basic services for the rural economy and rural population, with an emphasis on developing communication and informational networks;
5. Revive and develop rural areas; preserve and improve the rural cultural heritage as a local development asset;
6. Improve the knowledge and practical skills of the rural population for the purposes of organising and commercializing non-agricultural business operations in rural areas.

### *Expected results*

Implementation of the priority measures will result in the following:

- Expansion of employment opportunities and increased incomes of the rural population;
- Increased opportunities for rural residents to make investments in the development of their human capital and local infrastructure;
- Preservation of rural areas as a high quality spatial basis for developing agriculture, agri-landscapes, and living environments for future generations;
- New expanded opportunities for developing agriculture, fishery, forestry, agrarian and rural tourism, and other economic activities;
- Multiplication effect of growing incomes in rural areas from provision of essential services locally.

### *Implementation risks*

Rural residents are inertial with regard to the diversification of business operations and sources of their income;

- Large companies preclude rural residents from accessing local resources;
- Programmes to stimulate non-agricultural operations cannot be funded because of budget constraints;
- Unpreparedness for the development of the diversified rural economy, decentralisation, and demopolisation of public services;
- Persistence of paternalistic principles for organising public services.

### *Mitigating actions*

- Training in and providing advice on entrepreneurship development; deregulating micro- and small business operations;
- Engaging local assets in the rural economy; overcoming corruption in state regulation.
- Taking stimulation measures on a pilot basis;
- Taking measures to decentralise the economy and organize public life; transfer to community-based rural development policies;
- Testing new approaches to the provision of public services in several regions of Ukraine.

### *Performance targets*

The level and structure of households' total income, mobilised investments, and the percentage of the rural population employed in the rural economy shall serve as general progress indicators.

Listed below are indicators of successful implementation of individual measures (by 2020):

- Incomes of the rural population have increased by 15 percent thanks to changed economic activities;
- The number of households whose agrarian assets are used in non-agricultural activities has grown by 20 percent;
- The number of rural household members receiving incomes from alternative sources has grown by 20 percent;
- The number of micro and small enterprises has increased by 10 percent;
- The number of touristic homesteads, routes, and tourists has increased by 5 percent;
- Indicators of self-estimated of living standards of the rural population have increased by 5-15 percent;
- The numbers of training events held and the number of participants have increased by 30 percent;
- The number of initiated and implemented projects in non-agricultural areas has increased by 25-30 percent.
- All rural residents have access to broadband communication services;
- The number of active Internet users in rural areas has increased by 50 percent.

## Priority 7.2 Community-led rural development

### *Rationale*

Past and current government policies in support of rural development have focused almost exclusively on measures to stimulate the growth and performance of agricultural production or on the development of regional infrastructure. Little or no attention has been given to supporting the improvement of the socio-economic conditions or well-being of rural citizens. This means that in Ukraine today, no current economic or social policy framework exists to support over 30 percent of the Ukrainian population.

The new Ukrainian rural policy paradigm shall focus on the numerous and varied Ukrainian rural communities who have shown initiative in resolving their problems over the past decades and on encouraging other communities towards self-development. The development of local rural communities can play a vital role in the economic development and viability of rural areas. Understanding the needs of these communities and providing flexible mechanisms that can allow local problems to be addressed through the design of local solutions, supported by the state, shall form the basis for future interventions. The development of such policies needs to be guided by the formation and support for new partnerships between the public sector, private sector and civil society. This also needs to be accompanied by the development of an appropriate legislative framework that shall allow local initiatives to develop and manage local resources.

### *Main objective*

To promote and support community-led rural development with a view to making the communities more active and to promote the growth of the rural economy through legal and financial support on the basis of integrated local development strategies designed by rural people for rural people, with the involvement of the state and other stakeholders in their implementation.

### *Priority measures*

1. To prepare and adopt an appropriate legislative framework which shall support and protect the interests of local rural communities and promote decentralisation of authority over decisions affecting such communities. This shall include legal mechanisms to prevent the undue influence of regional and national government over rural communities, local development actions and initiatives regarding local development, control over economic partnerships and land boundaries, implementation of property rights over communal property, businesses and access to utilities and other services.
2. To promote initiatives and partnerships among local rural communities, businesses, local governments and civil society representatives. This shall be piloted through the introduction of a community partnership scheme which shall provide financial and technical support to targeted rural communities to (i) facilitate cooperation of rural communities; (ii) support animation of local development strategies; and (iii) assist in the design and implementation of pilot community initiatives designed by and for those communities.
3. To develop institutional capacities and targeted support programmes at a central, regional, and local level to support and guide the assessment of local rural development needs, the design of local development strategies for specific rural communities and support for the design and implementation of pilot rural community projects to be supported with public funds.
4. To develop training, information and support capacity at the central level to promote local rural community development, monitor and report progress, and to identify good and less good practices in community based rural development.

5. Use the findings from pilot initiatives to improve the policy framework and guide the roll-out of the support scheme to other regions and communities throughout the country.

#### *Expected results*

- The interests of local rural communities will be better protected through the introduction and enforcement of a clear, transparent and robust legal framework;
- New partnerships between rural communities, private, public and civil society actors will be established and expanded, attracting additional resources to support local projects and address local needs;
- A range of local development strategies will be developed by rural people for local people and implemented by them;
- The capacities of local, regional and national stakeholders and support institutions will be strengthened in support of local rural development.

#### *Implementation risks*

- Lack of political commitment to decentralise authority to local rural communities;
- Lack of capacity to design, organise, manage or administer new policies by key institutions;
- Lack of transparency in project selection, conflict of interests, elevated costs for services and lack of documentation justifying costs;
- Insufficient managerial, organisational and administrative skills of local leaders.

#### *Mitigating actions*

- Piloting actions to demonstrate policy in action, to guide the use of newly delegated authorities and to ensure transparency in the use of public funds;
- Design of new structures and systems based on EU best practices (supported by international technical assistance);
- Elaborating clear procedures and criteria for project selection and verification of costs supported by effective monitoring and controls;
- Developing the capacity of local leaders through targeted training and capacity building programmes.

#### *Performance targets*

- Legal framework prepared and adopted in 2015-2016;
- Special structural unit is established in MAPF to support local rural community development;
- Pilot community support programme designed and pilot areas identified in 2015-2016;
- Implementation of new pilot programme in 2016;
- At least 10 targeted rural communities identified and being supported in the formation of new partnerships and the development of local development strategies in 2016.



## STRATEGIC PRIORITY 8. ACCESS TO INTERNATIONAL MARKETS, TRADE POLICY AND EXPORT PROMOTION

### *Rationale*

During the period 2004-2014, the share of agriculture in GDP was 10 percent on average (10.8 percent in 2004, 10.3 percent in 2014). The share of agriculture in the total export of Ukraine increased from 10.6 percent in 2004 to 30.9 percent in 2014. The trade balance of agricultural products increased from USD 1.56bn to USD 10.62bn during the same time period. Further increase in agricultural trade has the potential to be the most significant factor for achieving sustained economic growth in Ukraine in the conditions of a better business climate and increased competitiveness in both local and foreign markets.

### *Main objective*

To improve the competitiveness of Ukraine's agricultural entities through trade liberalisation, reduced trade transaction costs, and export promotion.

### *Priority measures*

1. Access to markets:
  - 1.1. Implementation of a consulting mechanism with business for effective prioritization, negotiation and implementation of broad and meaningful trade agreements such as the DCFTA;
  - 1.2. Recognition of the equivalency of the control system and correspondence, focusing not only commodity markets, but also on processed products;
  - 1.3. Increase in the role of the economic departments of Ukrainian embassies and establishment of an Institute of Trade Representatives (with joint public / private (producers and producers organisations) financing in the most promising trade countries.
2. Simplification of trade:
  - 2.1. Implementation and realisation of a consultations mechanism for decreasing the transaction costs on moving products in local and foreign markets;
  - 2.2. Implementation of a system of self-governing organisations delegating identified control and other functions from the state to other organizations;
  - 2.3. Establishing access channels to the market for small and medium size producers using a simplified procedure;
  - 2.4. Implementation of international experience in the relations between producers and supermarkets chains.
3. Export Promotion:
  - 3.1. Initiatives to ensure Ukraine's agricultural entities have the required capacities in market intelligence, export readiness, knowledge of relevant trade agreements and trade financing shall enable more exporters to gain a market share in international markets and increase the value of agricultural and food exports;
  - 3.2. Implementation of export financing and insurance;
  - 3.3. Creating the brand "Product of Ukraine";
  - 3.4. Introduction of initiatives for preparing producers to participate in international fairs and composing a list of suggested fairs for participation.

### *Expected results*

- Increase of Ukrainian exports;
- Trade agreements that remove barriers to targeted international markets will improve Ukraine's international competitiveness, provide Ukrainian agricultural businesses with greater access to these markets, and lower prices on imported goods for Ukraine consumers;
- A Ukrainian regulatory system that is aligned with international standards and practices, together with infrastructure investments that support the movement of agricultural goods will reduce the costs of moving products to both domestic and international markets;
- Initiatives to strengthen export market intelligence, export readiness and access to trade financing will increase the capacity of exporters to compete and gain market share in new markets.

### *Implementation risks and mitigating actions*

A key risk in prioritizing and negotiating beneficial trade agreements could be the limited capacity to effectively identify and assess new market opportunities in terms of their beneficial impacts on producers and consumers. To mitigate this risk, stakeholder groups could be established to ensure the government has all the necessary information to prioritize and negotiate trade agreements that benefit the agriculture sector as well as the wider economy.

A key risk in aligning Ukraine's regulatory system in order to reduce trade transaction costs is the inability to effectively identify issues and develop measures for reducing the costs of moving goods to domestic and international markets. The mitigating action to manage this risk is to establish a special mechanism to identify issues and coordinate the implementation of measures to reduce trade costs.

A key risk affecting whether Ukrainian agricultural entities are able to enter new markets and gain market share is the limitations in skills, market intelligence and export financing and how these issues will be resolved. To address this risk, pilot projects can be implemented through industry associations for guiding and supporting agricultural entities in developing and implementing mechanisms to strengthen export knowledge, market intelligence and access to export financing and insurance.

### *Performance targets*

- 20 percent increase in the export of Ukrainian agricultural products by 2020;
- Final stage of negotiations regarding five new FTA with new countries by 2020;
- Creation of brand "Product of Ukraine" by 2017;
- Law on "Self-managing organisation" by 2017;
- First meeting within the consultation mechanism on trade to be held by 2016, with meetings taking place twice a year;
- Law on "Local markets" in 2016;
- 5-point climb World Bank's Logistics Index by 2020;
- System of export financing and export insurance implemented by 2020.

## STRATEGIC PRIORITY 9. RESEARCH, EDUCATION AND ADVISORY SERVICES

Despite the existence of long-standing traditions and a well-deserved reputation, the system of agricultural science in Ukraine needs improvement, particularly on account of the low level of integration of theoretical and applied research, the lack of feedback between research, agricultural education, advisory services and the real needs of farmers and agribusiness. As a result, in most cases the level of pilot projects of Ukrainian agricultural science falls behind similar pilot projects in developed countries, with research receiving very slight funding from the state budget with almost total absence of funding on the part of business. Scientists in Ukraine currently have insufficient competencies to integrate into the global agricultural research community. Considering the agricultural potential of the country, which is one of the largest in Europe, Ukrainian scientists do not actively participate in international conferences and their works are rarely published in top-rated scientific journals. The isolation of Ukrainian agricultural science from the global scientific community has a negative impact on Ukrainian agricultural education. Although the overall level of education has quite a high reputation, there is still a gap between the results of provision of educational services and the needs of the agriculture sector. Graduates of agricultural universities, colleges and technical schools lack practical knowledge, skills and competencies, and their education is too theoretical. Employers complain about the need to retrain graduates in accordance with their professions at the workplace. The educational system lacks an international component, and up-to-date teaching technologies, instructional techniques and scientific activities fall far behind the world practice, and this undermines the quality of specialist training. Both scientists and academic teaching staff at Ukrainian agricultural universities, teachers of colleges and technical schools are not integrated into the global university community – most of them do not speak English, do not participate in international conferences and do not write for international scientific journals. Lacking a proper connection with agrarian science, university science is on a low level and has little effect on improving the quality of the educational process.

Due to their developmental shortcomings, agricultural science and education have a insignificant impact on the productivity and efficiency of farm businesses and processing enterprises. Ukraine lacks an effective system of innovation transfer, expansion of modern production and processing technologies for agricultural products, methods and ways of organising and managing the agricultural business, and provision of advisory services for middle and small enterprises. The absence of such a system significantly reduces the possibility of developing small and medium entrepreneurship in the country and does not contribute to improving inputs productivity, increasing manufacturing of value added products and, in the end, does not ensure the growth of villagers' well-being.

### Priority 9.1 Agrarian research and innovation

#### *Rationale*

Despite the long-standing tradition and reputation of Ukrainian agricultural research, the system could be improved, in particular regarding the low integration of fundamental and applied research, and the gap between research, education, and consulting services on the one hand, and the actual needs of farmers and agricultural producers on the other. Ukrainian agricultural research lags behind research in developed countries; it lacks state funding, with business funding practically non-existent. Under these conditions, researchers in Ukraine lack qualifications and are not able to become a part of the international research scene.

### *Main objective*

To ensure the quality and efficiency of agrarian research via reform and optimisation of state research institutions in order to enable them to conduct research relevant to the agri-producers and generate world-class innovations.

### *Priority measures*

1. Actualization and discussion of a concept for innovation policy in agriculture and for agrarian research reform based on the innovation model;
2. Establishment of a platform for enhancing the interaction between state research institutions, producers, agribusiness and other interested stakeholders in order to coordinate and monitor policy in agricultural research and to stimulate private-public partnerships;
3. Carrying out an independent audit of the performance of the NAAS and other MAPF research institution assets in order to identify the optimal number and size of the assets necessary for research, extension and training services, and to privatize commercially used assets;
4. Reforming the system of agricultural research institutions in order to enhance their research activities and better utilise available resources;
5. Elaborating the legal basis for the diversification of funding, namely allowing financial support from businesses;
6. Development and implementation of results-oriented systems of assessment and motivation for researchers;
7. Elaboration of the transfer of the research results system and to promote innovations via extension services;
8. Enforcement of the legislation on intellectual property rights in the selection systems for crop science and livestock breeding;
9. Provision of incentives for the commercialization and capitalisation of intellectual property (tax, credit, insurance and monitoring);
10. Promotion of access to the international research community and to encourage the development of common research programmes with foreign partners, in particular within the European Research Area (ERA) and Horizon 2020.

### *Expected results*

- Adoption and implementation of the agrarian research concept on the basis of the innovation model;
- Development of agrarian research priorities taking into account the needs of agribusiness and other stakeholders;
- Diversification of the funding sources for research institutions;
- Privatization of NAAS's non-performing commercially used assets;
- Optimisation of the number of state-owned agrarian research institutions;
- Establishment of a system for implementing research results on the basis of agrarian research institutions;
- Improvement the quality and efficiency of agrarian research;
- Raising the profile and contribution of Ukrainian agrarian research at the international level.

### *Implementation risks*

- Insufficient funding needed for reforms;
- Resistance to the reforms on the part of the academic community and state research institutions;
- Insufficient organisation of the reform effort on part of the Ukrainian authorities.

### *Mitigating actions*

- Involve international donor community in funding reforms;
- Encourage young researchers to do research according to international standards;
- Provide for the autonomy of the NAASU, funding the selected research projects rather than supporting members of the Academy.

### *Performance targets (until 2020)*

- A 5percent increase in the number of research projects meeting internationally accepted standard and publications in international peer review journals;
- 10 percent increase in investments into agrarian research from business and other private sector entities;
- 20 percent increase in the number of international projects and research partnerships;
- 5 percent increase in international patent applications for registrations.

## **Priority 9.2 Agricultural education**

### *Rationale*

The overall level of education in Ukraine is widely recognized; however, there is a gap between agrarian sector demand and agricultural education outcomes. The agriculture graduates have solid academic knowledge but few practical skills. Employers complain about the need to teach the graduates on the job. However, when it comes to the agricultural education system, it lags behind the generally accepted practices regarding up-to-date technologies of delivery, teaching practices and research. The education system also lacks an international dimension, which overall has negative effects on the standard of new graduates.

### *Main objective*

To improve the quality of agrarian education via reform of state educational institutions and the development of new curricula that are relevant to agri-producers' needs, with degrees and diplomas and an identified set of required competences.

### *Priority measures*

1. Enhancement of the interaction between the universities and agri-producers by developing new programmes, new delivery methods and operations according to the needs of the agricultural and agri-food sector (BSc and MSc) and the set of competences required by the agri-producers;
2. Upgrading of existing and develop new teaching programmes, taking into account international experience and the needs of the agriculture sector;
3. Improvement of transparency and rules on student evaluation and the acquisition of diplomas in order to prevent corruption and misconduct;

4. Elaboration and encouragement of the use of legislation allowing alternative sources of funding for agricultural educational establishments.
5. Improvement of the qualifications requirements of university teaching staff through improving practical experience, increasing knowledge of English, international publications, participation in international conferences, internships and teaching experience in foreign universities;
6. Enhancement of the research component and upgrade veterinarian, biological, technical and other laboratory equipment;
7. Development of international collaboration programmes for education and research, leading to integration into the European Research Area (ERA) and participation in Horizon 2020;
8. Optimisation of the number of state agricultural universities in accordance with agrarian business specialisations, regional features, the reinforcement of research, and possibilities for extension services;
9. Optimisation of the system of intermediate level education and vocational training.

#### *Expected results*

- Execution of agreements concerning the training and education of specialists according to a set of competences developed between agrarian educational and research institutions and producers;
- Establishment of an Advisory Board on agrarian education at the Ministry of Education and Science;
- Establishment of employers' boards at universities;
- University research will meet the international standards commissioned by agribusiness;
- Optimisation of the number of state agrarian educational institutions;
- Elimination of corruption, plagiarism and student cheating in the agrarian education system;
- Establishment of private funds for financing agrarian universities;
- Establishment of extension services at agrarian educational institutions for rural SMEs.

#### *Implementation risks*

Resistance to the reforms by some educators from state educational institutions;

- Insufficient levels of cooperation of agribusiness and agrarian educational institutions;
- Facilities and equipment of agrarian educational institutions not corresponding to the needs of agribusiness.

#### *Mitigating actions*

- Reinforce faculty of agrarian educational institutions by employing those who meet the following requirements: proficiency in spoken English, past participation in recognised international conferences, internships or teaching experience in foreign educational institutions;
- Involve graduates of agrarian educational institutions in employer board activities;
- Upgrade facilities and equipment of agrarian educational institutions via public–private partnerships.

#### *Performance targets*

- 50 percent increase in the number of the agrarian educational institutions graduates employed in agribusinesses;

- 10 percent increase in funding for agrarian institution research coming from private agribusinesses.

### **Priority 9.3 Development of extension services**

#### *Rationale*

Ukrainian agriculture lacks the transfer of innovations system, the wide application of cutting-edge agricultural production and processing technologies, management practices, extension services to the SMEs, and monitoring of all the above-mentioned elements. The deficiencies of this system impede the development of agrarian SMEs, the better utilisation of available resources, value added products manufacturing and prevents improvement in the well-being of rural inhabitants.

#### *Main objective*

Extension of current agricultural knowledge, innovations, experience, latest research results and business related information.

#### *Priority measures*

1. To establish the National Coordination Centre for Extension Services;
2. To establish a platform (at the National Coordination Centre for Extension Services) for gathering information and analysis on new technologies and innovations in order to disseminate results and feed into policy-making. This platform should incorporate research institutions, agrarian universities, advisory services, businesses, and producers;
3. To develop institutional capacities at the central, oblast and rayon levels, to design a programme on new technologies and innovation and to implement its results through extension services network;
4. To provide for the support of extension services and to diversify funding sources, in particular through public-private partnerships.

#### *Expected results*

- An operational National Coordination Centre for Extension Services;
- An operational extension services network at the oblast, rayon and local levels;
- Integration of the agrarian universities and research institutions into the extension and consulting system on transfer of innovations;
- An operational open national electronic and publically accessible platform for agricultural and economic knowledge;
- Accessibility of extension services;
- Development of SMEs in rural areas;
- Participation of agrarian research and educational institutions in extension services.

#### *Implementation risks*

- Insufficient funding from state or local budgets allocated for extension services;
- Lack of administrative actions from the Ministry of Agrarian Policy and Food of Ukraine aimed at the establishment of extension services at the oblast and rayon offices of agri-industrial development;
- Lack of interest in extension from the research institutions or universities.



### *Mitigating actions*

- Identify MAPF's departments responsible for the establishment of extension services at the oblast and rayon offices of agri-industrial development;
- Render HR and financial support to extension services at the national, oblast and local communities levels;
- Raise funding, secure grants from international donor organisations in particular to develop the system of extension services as the vehicle for innovations transfer.

### *Performance targets*

- 10 percent increase in extension services rendered, included those funded out of the state budget;
- 20 percent increase in use of extension services by the rural population;
- 20 percent increase in use of agricultural extension services by SMEs.

## **STRATEGIC PRIORITY 10. ENVIRONMENT AND MANAGEMENT OF NATURAL RESOURCES (INCLUDING FORESTRY AND FISHERIES)**

Agriculture requires the dedication of many of natural resources, including land, water, and energy. When the quality and quantity of natural resources degrades as a result of unsustainable practices, it is not only the environment that suffers; the viability of future agricultural operations is also put at risk. Sustainable agriculture, fisheries and forestry is founded on the premise that our resources can be carefully managed and cultivated to make them last indefinitely. In addition, natural resources availability and use is influenced by climate change. Sustainable natural resource management is a key priority for the development of agriculture and rural areas, helping to avoid the negative consequences for the environment and climate that are caused by the improper management of natural resources. The latter results in the reduction of the quality and quantity of agricultural, organic, wood and fisheries production and thus also has negative social and economic impacts on rural areas. A key requirement for approximation with international and European standards requires priority actions in natural resource management.

### **Priority 10.1 Water, Land, Pesticides and Minimum Environmental Standards**

#### *Rationale*

Principles of the Common Agricultural Policy (CAP) are still not known to the majority of people in Ukraine. There are certain minimum environmental standards in Ukraine; however, all of them are based on post-Soviet technologies providing functional regulation of issues related to the construction rather than operation of agricultural facilities for the intended purpose. The main CAP principle on the integration of environmental issues into agricultural production is almost unused. Another major problem in the country's agrarian sector is the large number of emergency situations of man-made and natural origin (for example, the environmental disaster at the salt mine in the village of Solotvino; degradation and pollution of land as a result of the military conflict; desertification in Kherson Oblast; chemical pollution of lands and water bodies, etc.). Effective system management of emergencies should be based on the principles of prevention, preparedness and response, which so far are not in place in Ukraine due to interdepartmental discrepancies. Pollution of land and water is largely due to the use of pesticides, of which 25 percent are counterfeit. At the moment, there is no integrated approach to the biological safety of the country and even no central executive authority appointed to be responsible for this issue. Integrated principles of pest control are non-efficient. Furthermore, owing to the established interdepartmental cooperation, there is no complex approach to the handling of waste (solid industrial waste, veterinary and chemical waste, or empty pesticide containers) in agricultural areas.

#### *Main objective*

The key objective includes the phased integration of environmental issues into agricultural production: starting with the urgent implementation of minimum environmental standards and further development of programmes for the sustainable management of natural resources, the development of the relevant indicators and, in the medium term, the implementation of mechanisms of Cross-Compliance according to CAP principles. Another priority includes implementation of an integrated approach to pest control according to the respective recommendations of the FAO and the European Pest Control Association. Ukraine must considerably reduce the share of counterfeit pesticides in the domestic market and implement an integrated approach to counteracting their international trade. An additional priority includes the development of a comprehensive programme for sustainable waste management in agricultural areas (including solid industrial waste, agricultural waste, empty pesticide containers, veterinary waste, etc.). A special priority area includes effective

management of man-made and natural emergencies in the agriculture sector, which should be based on prevention, preparation, and response and, if necessary, rehabilitation. This priority, in particular, has direct relation to the restoration of agricultural natural resources on the liberated territories in the military conflict area.

#### *Priority measures*

1. Approximation of the applicable Ukrainian laws, standards and practices to the European-wide principles of conduct for a sustainable agricultural policy, in particular in the area of natural resource management and the application of pesticides and agricultural chemicals.
2. Strengthening institutional potential for management and control in the areas of biological safety, use of natural resources, pesticides and agricultural chemicals; fundamental improvement of the interdepartmental and international cooperation in these areas, aimed in particular, at the strengthening of control and expert functions of the State Veterinary and Phytosanitary Service for resolving agricultural and environmental issues; apart from this, improvement in interdepartmental cooperation in the area of prevention, preparation and response to man-made and natural emergencies in the agriculture sector and in agricultural areas, in particular with respect to the rehabilitation of agricultural natural resources on the liberated territories in the military conflict area in the east of Ukraine.
3. Development of comprehensive programmes in the area of prevention, preparation and response to man-made and natural emergencies in the agriculture sector and in agricultural areas, biological safety in Ukraine and sustainable use of agricultural natural resources, pesticides and agricultural chemicals.
4. Development and implementation of the minimum environmental standards and indicators of impact of agricultural activities on the condition of ecosystems and biotopes, including conversion of bee farming into one of these indicators; implementation of principles of integrated pest control; in the medium term, phased transition to the implementation of Cross-Compliance mechanisms that constitute an integral part of the CAP.
5. Implementation of effective measures aimed at a significant reduction in the share of counterfeit pesticides in the market and counteracting their international trade, as well as counteracting corruption and other crimes connected with the use of agricultural natural resources.
6. Development and implementation of measures for adapting to climate change and for reducing greenhouse gas emissions from agriculture as part of the National Action Plan for Climate Change Prevention.

#### *Expected results*

- Compliance with these priority objectives will directly influence the development of sustainable agriculture, resource-saving use of natural resources and the reduction of expenses to agricultural producers. This will also contribute to environmental protection, the improvement of living conditions for the population in rural areas, while also constituting the main factor for green tourism development.
- A considerable reduction of noncertified agricultural chemicals in the Ukrainian market will contribute to the efficiency of agriculture and environmental protection in Ukraine.

#### *Implementation risks*

- Lack of funds;
- Corruption and counteraction from criminal business;
- Lack of qualified personnel at the executive level;

- Low level of public awareness regarding the sustainable use of natural resources and integrated approach to pest control.

#### *Mitigating actions*

To mitigate the abovementioned risks, an effective campaign should be enacted to attract investments at the national and international levels, and the approach to using state and oblast environmental funds should also be changed. Proper refresher training courses and programmes should be implemented to increase the potential of managers of institutions, state agencies and businesses. Permanent effective campaigns are needed to inform the public about the benefits of sustainable approaches to the use of natural resources in the course of agricultural production. There will need to be balanced decision making on deregulation in the area of handling harmful agricultural chemicals.

#### *Performance targets*

- Greenhouse gas emissions from agricultural sources reduced by 20 percent by 2020;
- Share of counterfeit pesticides in the domestic market reduced to the general European figures (maximum 10 percent);
- Improved biochemical condition of soils due to the 10 percent increase in the quantity of humus on average for the country;
- Increase of additional jobs for 5 percent;
- Reduced water consumption for agricultural production from the dwells by 10 percent;
- Reduced pesticide usage by 10 percent and replacing especially toxic pesticides with less hazardous ones;
- Reduced share of application of mineral and organic nitrogen fertilizers to 250kg of total nitrogen per ha.

### **Priority 10.2 Organic agricultural production and market development**

#### *Rationale*

An export-oriented private sector for organic production (mainly targeted at markets of EU Member States) has already been developing in Ukraine since the 1990s on account of the demand for organic products on the international market. There are no official state statistics on organic production, trade and consumption in Ukraine. As of December 2013, the area of agricultural lands used for organic production amounted to 393,400 ha, with the number of certified agricultural producers equalling 175 according to EU norms (Source: Organic Federation of Ukraine). Currently, there are serious limitations in place on SME access to the financial resources needed to develop organic agribusinesses; there is no effective control or supervision, which damages Ukraine's reputation internationally due to scandals involving Ukrainian organic products, consumer fraud and unfair competition among the producers, certification authorities and points of sale. Further development of the organic sector requires: political and administrative support; a systemic approach; state support in areas of organic production and sales organisation; formation of state policy for organic agriculture and a positive image of Ukraine; harmonisation of the Ukrainian legislative framework to basic EU norms and standards in the area of organic production and sales; the formation of an efficient supervision and control (certification) system; a favourable investment climate; access to financial resources for SMEs and adapted organic production technologies; the extension of the supply of Ukrainian organic products to the domestic and foreign markets; and the increased awareness of the population about organic products.

Despite the positive dynamics of organic market development in Ukraine, the foundation for the legal framework in Ukraine was only established in September 2013, when the Law of Ukraine "On Production and Circulation of Organic Agricultural Products and Raw Materials", No 425-VII, was adopted. However, as of June 2015 it has not yet been implemented due to the lack of relevant subordinate acts, procedures and designated responsible state authorities. No enterprises have been certified according to the organic laws of Ukraine. The existence of one law and about twenty subordinate acts with a low level of coordination and harmonisation with the EU legislation, as well as lack of transparency and an unclear system of functioning are the main obstacles for producers for starting organic production within the framework of Ukrainian laws. In order to create a favourable business environment and build confidence, it is highly important to establish cooperation and partnerships for development between the public sector, NGOs and organisations. Such a process of cooperation merely began during the period January-June 2015.

### *Main objective*

To develop the organic market in Ukraine through strengthened competitiveness, effective implementation of the legal framework of the EU, improvement of the competence and image of the organic sector in Ukraine, in order to increase the sales volume and improve the quality of Ukrainian organic products aimed for export and for the domestic markets while meeting the growing demand for organic products. Development of organic production shall help to solve environmental and employment problems, and improve business activity, especially in rural areas.

### *Priority measures*

1. Legal aspects, political dialogue and institutional development
  - 1.1. The development and effective implementation of organic legislation in Ukraine, harmonised with the EU legislation, including state support for organic production and trade development;
  - 1.2. The creation and support of institutional development of state authorities at the national and regional levels regarding the development of organic agricultural production.
2. Business environment and trade
  - 2.1. Development and implementation of social and economic incentives for organic market development; increase in the trade volumes and quality of organic products in the domestic and foreign markets, ensuring protection of consumer rights against unfair competition, as well as the formation of a positive image of Ukraine at the international level;
  - 2.2. Improvement of the business climate for organic market development through the establishment of clear and transparent rules for the functioning of the organic sector;
  - 2.3. State support in the development of the organic market in Ukraine through access to state procurements of certified organic products for state-owned institutions (government authorities, kindergartens, schools, hospitals);
  - 2.4. Implementation of effective protection against abuse and improvement in confidence regarding organic products and Ukraine's reputation at the international level.
3. Education, science, consultancy, and knowledge management related to organic production and sales;

Development and systemic implementation of programmes in the area of education, science, consultancy, and knowledge management in organic agricultural production and trade at the national and regional levels, and the allocation of state support in this area.

4. Communication and promotion.

Increased level of awareness among the population and producers about organic products through the introduced systemic approach and state support in the area of communications regarding the promotion of organic products.

#### *Expected results*

- Responsible persons have been appointed within state authorities, and these persons implement gained knowledge in organic issues in order to facilitate the development of the organic market in Ukraine;
- Implementation of positive legislative changes in order to reach equivalence with the requirements of EU legislation, including to facilitate the export of organic products;
- The term "organic" is protected from abuse; there is a growing confidence among consumers about organic products, and organic producers are protected from unfair competition;
- Increased competitiveness of Ukrainian organic producers and access to international markets;
- Economic growth and business development in the field of organic agriculture;
- Creation of added value and obtaining a premium price for organic producers;
- Ukraine has a positive image thanks to the successful participation of the Ukrainian pavilion in the international BioFach exhibition;
- A system of education, science, consultancy, knowledge management in organic production and sales is implemented and operates systemically;
- Producers of organic products get high quality and professional expert examination regarding the implementation of technologies in organic agriculture, provided by consultants and scientists;
- Formation of workforce capacity by educational and scientific institutions, aimed for employment by organic producers in the medium- and long-term;
- Growing number of consumers in Ukraine, who know the correct identification and recognize labelling of organic products;
- Increasing interest among mass media as to the subject of organic products;
- Increasing number of unique visitors to pages dealing with organic issues on each state authority's website.

#### *Implementation risks and mitigating actions*

- Lack of political will on account of the government's focus on large enterprises instead of small and medium businesses (which could engage in organic production);
- Unstable macroeconomic environment (war ongoing in some parts of the country, outflow of capital from Ukraine);
- Scandals involving Ukrainian organic products at the international and national level;
- Discrepancies between Ukrainian and EU organic legislative requirements;
- Unwillingness of international certification bodies to register (and pay taxes) in Ukraine;
- Corruption scandal with the competent government authority;
- Export (quota) limitation imposed by the Ukrainian state;
- Fraud and abuse of the term "organic" due to imperfect legislation or system of monitoring/supervision;

### *Performance targets*

- Ukrainian legislation in the area of organic production is harmonised with the EU requirements and implemented;
- Creation of organic market development units within the structures of the Ministry of Agrarian Policy and Food of Ukraine and oblast state administrations;
- Preparation and adoption of a National Action Plan for Organic Market Development with the allocation of required funds and access to financial resources for organic producers;
- Implementation of official state statistics with regard to organic production, trade and consumption in Ukraine (pursuant to the Ukrainian and EU organic legislation) by the end of 2015;
- Increase in number of enterprises engaged in organic production up to 350 by the year 2020;
- Increase in area of agricultural lands used for organic production up to 500,000 ha by 2020;
- Increase in sales of organic products in points of sale by 5 percent annually;
- Increase in exports of organic products by 5 percent annually.

## **Priority 10.3 Forestry**

### *Rationale*

Ukraine, which ranks 8th in Europe in terms of the forested area, holds only the 31th place as regards the forest coverage. The average forest coverage of the country's territory is 15.9 percent, which varies from 5.3 percent in Steppe to 42 percent in the Carpathians. Ukrainian forests grow under different natural and climatic conditions (Polissia, Forest Steppe, Steppe, Ukrainian Carpathians, mountain areas in Crimea) and are located unevenly over the country's territory, requiring different professional approaches to forest management and central support of forestry activities.

The total area of forest plots in Ukraine is 10.4mln ha. For the purposes of forest management, forests have been granted for permanent use to enterprises, institutions and organisations that belong to the scope of management of different ministries, and other executive authorities and agencies. Currently, the Ukrainian forest fund comes under the jurisdiction of more than fifty ministries, agencies and organisations. 73 percent of the national forests (approximately 7.6mln ha) come under the competence of the central executive authority for forestry - the State Agency of Forest Resources of Ukraine.

Growing stock in the forests is estimated at up to 2.1bn m<sup>3</sup>. At the same time, despite the sizable area of forest plots as compared to other European countries, intensity of using annual gains of wood stocks, Ukraine is behind Poland, which has approximately the same area of forest lands and is even behind Lithuania which has a forested area amounting to just 2.1mln ha.

The current situation in the Ukrainian forest industry does not allow for the efficient use of the resource potential of forests and forest lands, including due to the current corruption risks.

Problems also facing the industry: the need to ensure balance between the environmental, economic and social functions of balanced forest management; imperfect distribution of management functions, resulting in individual cases in duplication of functions or loss of their performance; complicated exercise of the rights of ownership (use) of forests; lack of management mechanisms for municipally-owned forests; need for simplified normative regulation for changing the intended purpose of agricultural lands which undergo natural afforestation; lack of economic mechanisms to encourage the implementation of environmentally efficient technologies or their elements, protection,



conservation, advanced reproduction of forests, including on privately-owned lands; lack of transparent mechanism for wood sale; and illegal felling and circulation of the produced timber.

#### *Main objective*

To ensure sustainable forest management which involves caring for forests and forest lands and their use in a manner and with the intensity to maintain their biodiversity, productivity, reproductive capacity, viability and their potential to perform, both at present and in the future, all their intrinsic environmental, economic and social functions at the local, national and global levels without causing damage to other ecosystems.

#### *Priority measures*

1. Improvement of the legal framework on forestry to enable the formation of an effective forestry policy;
2. Improvement of the forest management model through improvement of the law-making functions and state control in the area of forestry relations and forest-management functions;
3. Ensuring competitiveness and innovative development:
  - 3.1. Creating a transparent wood market in Ukraine, ensuring competitiveness of forestry, the renovation of fixed assets and logistical base of forestry enterprises, providing forestry with environmentally efficient technologies, forest nurseries and equipment for forest cultivation, forest management and protection of forests;
  - 3.2. Ensuring the transition to the European standards of measurement, product specification and quality assessment of wood, involving scientific institutions in the forestry area to carry out harmonisation of the state standards with the European standards;
  - 3.3. Ensuring forestry transport infrastructure development;
  - 3.4. Accounting for all forests and taking a national forest inventory;
  - 3.5. Ensuring functioning of the nation-wide unified system for electronic accounting of wood;
  - 3.6. Assisting in the improvement of the economic function of forests through the further development of public-private partnerships, in particular with respect to the performance of forestry transactions;
  - 3.7. Increased volumes of use of non-wood forest products.
4. Improvement of the professional level of forestry employees - implementation of special educational measures, development and implementation of a traineeship programme for industry employees, including abroad;
5. Improvement of hunting management;
  - 5.1. Rearrangement of hunting lands;
  - 5.2. Improvement of the equipment and technical capacities of the service protecting the state hunting fund;
  - 5.3. Undertaking measures for increasing the number of hunting animals, combating poaching, and supporting the propagation of hunting culture.
6. Overcoming the negative consequences of the military operations in the east of Ukraine:
  - 6.1. Development and implementation of programmes for forest rehabilitation and recovery of forest resources;
  - 6.2. Implementing complex examination regarding man-made contamination of lands;

- 6.3. Conducting research into forest pathology in order to assign sanitary and recreational measures, fire protection arrangement, conservation and protection of forests from fires, pests and diseases;
- 6.4. Undertaking measures for forest management in order to identify the deforestation volumes; carrying out a re-afforestation work complex.

#### *Expected results*

- Ensuring balanced forestry and hunting development and management;
- Increased area of state forests;
- Creating more favourable conditions for developing entrepreneurship, creating new job opportunities, first of all in the rural areas;
- Reduced threat of land degradation, prevention of water and wind erosion of soil;
- Ensuring employment and social security of forestry employees;
- Increased investments in the forest industry;
- Development of the domestic wood market;
- Minimised unauthorised felling and poaching;
- Supporting users of hunting lands of all ownership types;
- Promoting the development of rural areas.

#### *Implementation risks*

- Imperfect legal framework in forestry;
- Lack of special stabilizing development fund for the industry;
- Lack of evaluation of forests of all forest users and national forest inventory;
- Poor state of equipment and technical capacity of the industry's enterprises.

#### *Mitigating actions*

- Good political will of state management;
- Pursuing a balanced developmental policy for developing any forestry programmes, taking into account the environmental, social and economic role of forests;
- The European integration priorities of Ukraine;
- Anti-corruption measures.

#### *Performance targets*

- Increased volume of timber in Ukrainian forests by 150 mlnm<sup>3</sup> by 2020;
- Increased area of forest plantations by 10 thousand ha annually;
- Increased population of main hunting animals by 20 percent;
- Improved logistical support, by inter alia creating a base seed plot in each natural zone with state-of-the-art forest cultivation technology, acquiring air skid systems, 60 mobile GIS systems for forest management;
- Improved access to forest resources, with construction of 500 km of forest roads annually;
- Introducing electronic wood accounting for all forest users, increasing the volume of wood supplies to the domestic market and growing volumes of wood processing by 15 percent;

- Taking measures for refresher training and probation for 400 forestry specialists;
- Increased budget and fund revenues.

## **Priority 10.4 Bioenergy**

### *Rationale*

Ukraine has a considerable potential for energy production from biomass consisting of agricultural, municipal and food industry wastes, wood waste and agricultural energy crops and energy plantations of willow and poplar. Biomass is a cheap and accessible local fuel; it is important for use from the strategic point of view, because this improves the energy security of the country, reduces the cost of energy and improves the efficiency of agriculture as well as the national balance of payments. The economically proven energy potential of the available biomass waste in Ukraine amounts to 24.5mln tonnes of reference fuel (TRF), while the energy potential of energy crops and plantations that can be cultivated on unused agricultural lands ( $\approx 4$ mln ha) equals approximately to 13.7mln TRF. The total potential amounts to 38.2 mln TRF which accounts for 18 percent of the total volume of consumption of primary energy resources in Ukraine. The consumption volume of biomass as a biofuel was 2.3mln TRF in 2012 (1.2 percent of the total volume of energy consumption). The annual level of use of the biomass potential does not exceed 6 percent. The production potential of biogas is equal to 2.9bn  $m^3$ /year from animal waste and 31.7bn  $m^3$ /year from garden waste. The economically proven bioenergy potential of Ukraine remains unused to a large extent.

Development of sustainable agriculture and bioenergy contributes to the mitigation of the effects of climate change, together with satisfaction of the increasing demand for food products, feeds, energy carriers and various types of biomaterials. The EU's experience shows that bioenergy can also become a considerable growth driver for the agriculture sector and national economy in general.

### *Main objective*

In terms of the general development strategy of the agriculture sector and the development strategy of the renewable energy sector in Ukraine, the main objective is to determine the policy priorities for the sustainable development of bioenergy so far as it relates to the agriculture sector. The ultimate objective is to unlock the entire potential of the bioenergy industry to increase the sustainability level and reduce production costs in agriculture, and to lower the level of environmental pollution.

This task can be fulfilled by overcoming the main obstacles in unlocking the bioenergy potential of the country, which include but are not limited to: the lack of coordination and respective qualified management in the relevant state institutions, resulting in the lack of balanced national policy in the energy industry; improper legal framework to some extent through the incomplete approximation of the Ukrainian legislation to that of the EU in the area of bioenergy; the lack of a consolidated methodology for the national evaluation of bioenergy potential; the inefficient management of "green tariffs"; restrictive rules for the production of energy crops; the weak material and technical base for biomass processing; insufficient distribution of information on bioenergy and energy efficiency.

Problems and bottlenecks related to bioenergy development are of an inter-industry nature and are attributable to many state and private players. Successful development of bioenergy in the country can be only guaranteed by means of close interaction between all the stakeholders, including the Ministry of Agrarian Policy and Food of Ukraine.

### *Priority measures*

1. Providing further institutional support to the Ministry of Agrarian Policy and Food in forming a raw material base and introduction of bioenergy into the agri-industrial complex and improving the inter-industry coordination of actions related to bioenergy, along with determining the area

of competence of state authorities which are relevant to the regulation of the industry (including issuance of authorisations);

2. Further improvement of the legislative framework for issues of bioenergy development and its harmonisation with EU legislation (in particular, to add a section on Bioenergy Plants to the State Register of Plant Varieties and include tree energy crops (willow, poplar) in the list of plants which can be cultivated on agricultural lands; facilitation of the procedures for determining, obtaining and administering the "green tariff" for electric energy from biogas and biomass, cancellation of the quota for using 50 percent of domestically manufactured equipment, etc.);
3. Implementing a system of social and economic incentives for bioenergy development (in particular, by identification and inventory-taking of lands which may be used for growing energy crops, evaluation of the national biomass potential, encouraging sustainable biomass and biofuel production, assisting in raising credit resources in the bioenergy area, creating an information analysis centre for bioenergy promotion and the provision of information to the public, creating a network of test sites to test and enhance technologies for growing and producing seeds and planting material of bioenergy crops).

#### *Expected results*

- More effective coordination between state agencies, institutions, associations and private sector representatives in the area of bioenergy;
- Improved legislative framework harmonised with the basic norms and provisions of EU legislation;
- Increased share of bioenergy in the total volume of energy consumed in Ukraine, resulting in improved national energy security;
- Reduced cost of energy resources and other production costs in the agriculture sector;
- More efficient use of unproductive lands;
- Improved access to long-term financial resources;
- Better public awareness of the issues of sustainability, energy efficiency and bioenergy.

#### *Implementation risks*

- Insufficient number of professional employees in state agencies and difficulties in overcoming the bureaucratic hurdles of state agencies;
- High initial investment costs, prolonged payback period and high cost of financing;
- Low aspiration of market players for coordination of actions.

#### *Mitigating actions*

- Improved awareness on the part of the market players;
- Provision of technical and financial aid for implementation of pilot projects;
- Training for personnel and stakeholders, provision of expert and organisational support to state institutions.

#### *Performance targets*

- Increased area of energy crops to 300 thousand ha;
- Increased volume of biomass consumption as a biofuel by 10 percent;
- Production of pellets and briquettes from forestry and agricultural waste brought to 1.2mln tonnes per annum;

- Increased number of production facilities for biogas and other types of biofuel at enterprises of the agri-industrial complex by 20 percent;
- Increased share of bioenergy in the total energy balance of Ukraine to 10 percent.

## **Priority 10.5 Fisheries**

### *Rationale*

The fishing industry ought to play an important role in Ukraine's economy. It should encompass the catching and processing of fish, reproduction and protection of the fish stock, aquaculture, selection and breeding activities, amateur fishing, scientific and research support and personnel development, maritime security system, and implementation of international fishery policy.

Over the past years, a considerable share of fishery assets in Ukraine were lost due to industry issues and this specificity did not receive adequate attention in general and the agriculture sector in particular. Indeed, one of the main indicators of the state of national food security - average consumption of fish products per capita - decreased from 20kg/year (1991) to 9.5kg/year (2014).

Sustainable development of the fishing industry was not included into the strategic planning and implementation of state policy due to the lack of understanding of the importance of this factor. Measures to improve the social and resource saving components of sustainable development on a par with economic factors were hardly taken into account in forming the state policy and exercising state administration. As an illustration, the lowest salary level in Ukraine is in the fishing industry. There are also no requirements or measures on restoration of the natural potential of fishery water bodies of both national importance, as well as the pond stock in Ukraine.

The scientific research and existing fishery science in Ukraine possesses quite high expertise. However, the lack of technical support to national fishery science and extremely insufficient funding of government-contracted scientific research means there is no contribution towards the efficient work of scientific institutions. Once adequately reformed, such scientific institutions shall be able to fully meet the fishing industry's demands and cooperate worthily with scientific institutions of the EU and developed countries throughout the world.

Thus the natural, labour and scientific potential of the industry is capable of ensuring fishery development in Ukraine, but this is conditional upon the systemic reform of public administration and the attraction of investments into the fishing industry.

### *Main objective*

To ensure national food security subject to the sustainable development of fishery through legislative, financial, and institutional reforms, and the implementation of a number of strategic measures for the development of the real sector of economy, social and environmental stabilisation.

### *Priority measures*

1. Revision and enhancement of the legal framework to contribute to the investment attractiveness of the industry and its deregulation, modernisation and development of aquaculture, facilitation of granting water bodies for use on lease terms, control of fishing, enhanced combatting against illegal fishing and trade in fishing products. Unification of Ukraine's fishery legislation to align with EU legislation;
2. Support for the institutional development of the central administration body for fishery, as well as other institutions performing state administration functions in the industry;
3. Improvement of the financial and lending support of the fishing industry;

4. Conservation and rational use of water bio resources of the Black, Azov Seas and inland water bodies in Ukraine and strengthening counteraction to illegal, unaccountable and unregulated fishing;
5. Ensuring effective international activities of Ukraine in the fishing industry;
6. Ensuring completeness of the scientific and technical base of relevant scientific institutions to ensure objective and independent assessment of the state of the reserves of water bio resources and management;
7. Implementation of a complex of measures to improve the qualification of research officers of relevant Ukrainian scientific fishery institutions, training of specialists in specialised research areas: education and training in European specialised educational institutions, participation in seminars, training sessions, courses, traineeship in European scientific institutions and on research vessels;
8. Implementation of a complex of measures ensure proper functioning of the fishing complexes and to carry out genetic studies and expert examination in the fishing industry, acquire equipment and consumables, and train skilled specialists;
9. Popularize and promote consumption of the national produce of fishing industry;
10. Financing of fishery selection, maintaining breed stocks; artificial reproduction, with the subsequent release to the natural environment of endangered indigenous fresh-water and sea fish species, restoration of natural populations of indigenous fish species in order to create favourable conditions for reproduction;
11. Financing of the artificial reproduction programme for commercially valuable fish species aimed at supporting water ecosystems and the formation of commercial stocks, as well as implementation of important fishery melioration measures;
12. Supporting attracting investments in the creation of joint ventures using modern technologies for commercial farming of valuable fish species in the Ukrainian marine and freshwater bodies and recirculation systems, as well as molluscs and algae;
13. Restoration of the fishery and recreational potential of Ukrainian water bodies;
14. Promote complex processing of raw fish material and development of compound feed production;
15. Adaptation programme for fishermen using water bio resources to create fish culture farms.

#### *Expected results*

- Bringing the Ukrainian fishery legislation into alignment with the legal requirements of the European Union;
- Improve the efficiency of functioning of the central executive body for fishery;
- Supporting investment attractiveness of the fishing industry;
- Increased output of domestic fish products in the national market and average consumption level per capita;
- Higher social living standard of the industry workers;
- Increased export potential;
- Efficient cooperation with scientific institutions in EU countries.

### *Implementation risks*

- The legislative framework of the fishing industry is very flawed, outdated and, despite the recent adoption of certain laws, requires substantial upgrading and unification to be brought into line with the requirements of the fundamental legislative norms of the European Union;
- Lack of sustainable development policy for the fishing industry;
- Inefficient operation of property and water bodies in state fishery;
- Lack of adequate fishery infrastructure that would comply with international requirements on the structure and operation of industrial markets;
- Imperfect system of establishing catch limit quotas of aquatic bio resources and irrational allocation of the quotas;
- Lack of functioning capital financing mechanism in the industry and governmental support;
- Outdated equipment and lack of mechanism for replacement;
- Indicators of general sanitary and hydro biological status of fishery water bodies have not been systematically studied in the last twenty years; measures for biological rehabilitation, melioration and purification have not been undertaken, and selective breeding is practically non-existent, resulting in a low fish production capacity and inefficient fishery utilisation of water bodies;
- Lack of subsidizing of different areas of economic activities on acceptable terms, application of modern biotechnologies in the activities of industry enterprises, supply of fisheries with high-quality compound fish feeds, as well as the presence of technical barriers posing obstacle to domestic fishery products *en route* to international markets;
- Availability of unregulated, unaccountable and illegal fishing and trade in illegally captured aquatic bio resources.

### *Mitigating actions*

- Good political will of the state management;
- Adhering to the sustainable development policy in elaborating any programmes for the fishing industry;
- Development of non-governmental professional organizations to support self-governance of the market;
- European integration priorities of Ukraine;
- Anti-corruption measures.

### *Performance targets*

- Total fish production level (880,000 tonnes);
- Market share of the national fish products (50 percent) and average consumption level per capita (22kg/year);
- Stock level of aquatic bio resources in fishery water bodies (up to 100 percent of the background level of the commercial stock);
- Environmental and biological indicators of the condition of fishery water bodies in line with requirements of Water Framework Directive 60/2000/EC and increased fish productivity up to 40 percent;
- Increased level of salaries of the industry workers and higher rate of employment.



## 4. STRATEGY IMPLEMENTATION

### 4.1 Institutional framework and coordination

The overall responsibility for the follow-up and overall implementation of the Strategy lies with the Ministry of Agrarian Policy and Food of Ukraine. For coordination of actions and contribution to the effective planning and implementation of the Action Plans in the framework of the Strategy it is necessary to define a coordination and monitoring body<sup>11</sup>, which will get analytical and organisational support from the Rural Development Fund.

The Ministry shall undertake the following functions:

- Co-ordinate and supervise the implementation of the Action Plans together with other line ministries and institutions as well as the monitoring and coordination body in order to ensure consistency;
- Prepare an annual progress report and submit it to the Cabinet of Ministers and the Verkhovna Rada of Ukraine after the assessment of the monitoring and coordination body; review the main outcomes;
- Ensure that the principle of sound financial management has been followed;
- Ensure dissemination of information and publicity;
- Elaborate subsequent actions, make proposals for necessary adjustments either on its own initiative or as an initiative made by the monitoring and coordination body. However, the adjustments cannot change the main targets and aims of each strategic priority;
- Ensure general communication and report on progress to the donors active in the agriculture sector in Ukraine through their periodical meetings;
- Ensure organizational functioning of the coordination and monitoring body.

Line ministries shall have responsibility at the Action Plan level according to their competencies in the relevant sectors. They will be invited to make their contributions to annual reports about the progress in their respective areas and initiate changes to the Action Plans in the areas of their responsibility, if needed.

### 4.2 Assessing the performance

The Ministry of Agrarian Policy and Food is responsible to the Cabinet of Ministers of Ukraine for ensuring effective monitoring of the overall implementation of the Strategy. The Ministry of Agrarian Policy and Food undertakes the responsibility to organise regular monitoring and assessment of the Strategy implementation, including on the basis of quantitative indicators and the collection of comparable data. That would allow to track the progress towards achieving objectives and targets, and to identify areas for particular attention.

The outcomes of monitoring and evaluation shall be supplied to the coordination and monitoring body.

The coordination and monitoring body shall be set up within three months of the approval of the Strategy. The coordination and monitoring body shall draw up its own rules of procedure. The rules of procedure shall be adopted by the coordination and monitoring body at its first meeting. The meetings of the coordination and monitoring body should take place not less than once a quarter.

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<sup>11</sup> Coordination and monitoring body could be created within the structure of the National Committee for Reforms

The members of the coordination and monitoring body shall include high-level managers of the line ministries and agencies involved, the Presidential Administration, the Verkhovna Rada of Ukraine, representatives of major NGOs, professional organisations, civil society and donors.

The Coordination and monitoring body shall undertake the following functions:

- Periodically review progress made towards achieving the main objectives of the Strategy;
- Examine the results of implementation, particularly achievement of the targets and the progress on utilisation of the financial allocations;
- Consider and assess the annual and final implementation reports;
- Consider and assess the Action Plans and, where appropriate, their amendments;
- Consider and assess actions taken;
- Propose to the Ministry of Agrarian Policy and Food any adjustment or review of the Strategy.

## ANNEX I. ACTION PLAN FOR 2015-2020

N	Name and description of the actions/measures	Period	Responsible institution(s)	Expected Results / Intended Impacts
1	2	3	4	5
<p><b>MAIN STRATEGIC PRIORITY 1. BUSINESS CLIMATE AND FIGHT AGAINST CORRUPTION, SETTING UP OF A STABLE LEGAL FRAMEWORK IN LINE WITH THE EU AND INTERNATIONAL STANDARDS, IN PARTICULAR BY IMPLEMENTING THE UKRAINE-EU ASSOCIATION AGREEMENT</b></p>				
<p><b>Priority 1.1 Food Safety, Sanitary and Phytosanitary Issues</b></p>				
1.	<p>To establish a full-fledged Competent Authority in charge of the implementation of the state policy in the area of state control over the safety and quality of food products. To implement the system of delegating state control functions to authorized non-government organizations.</p> <p><i>Target group: all food market operators of Ukraine.</i></p> <p><i>Suggested approach and methods:</i></p> <ul style="list-style-type: none"> <li>- To use the results of the competition conducted with the participation of the National Agency of Ukraine on Civil Service.</li> <li>- Conduct an expert assessment with substantial conclusions regarding the developed and implemented regulations about the status, structure and functioning of the structural divisions of the newly established body.</li> </ul>			
1.1	<p><b>Develop and implement the mechanisms of privatizing of institutions engaged in the sphere of state control of production and</b></p>	2016	<p><u>Lead:</u> Cabinet of Ministers  <u>Associated:</u> Ministry of agrarian policy and food; Ministry of economic development and trade; Ministry of health</p>	<p>– Facilitate transparency and expansion of exports of designated products to the international markets, including the EU.</p>

	<b>selling of food products and food by-products of animal origin. Submit in the established order the motion for a law on Private veterinary practice.</b>			
1.2	<b>Develop and implement the mechanisms of delegating government authorities to non-government organizations. Prepare and submit the relevant proposed law.</b>	2016		
2	<p>– To bring the legislation to conformity to the extent determined as mandatory according to the results of the verification visits of FVO inspectors.</p> <p>– To bring the legislation relating to the production hygiene and circulation, traceability, identification and registration of animals, compliance of production and circulation of feed and animal by-products to microbiological requirements, organisation and planning of risk-based control system in Ukraine.</p> <p><i>Target group:</i> food products and feeds market operators; <i>Suggested approach and methods:</i> To check whether the draft laws that have to be implemented into the national laws comply with the EU legislation, and engage an expert(s) of the European Commission DG SANTE to issue an expert opinion regarding the draft laws.</p>			
2.1	<b>Support the draft laws revised by the EU experts and registered in the Parliament:</b> <ul style="list-style-type: none"> <li>– N 2845 on “Feed safety and hygiene”,</li> <li>– N 0906 on “State Control done with the aim of verifying compliance to the legislature on safety and quality of food and feed, health and wellbeing of animals”.</li> </ul>	2015-2016	<u>Lead:</u> Cabinet of Ministers  <u>Associated:</u> Ministry of agrarian policy and food, Ministry of economic development and trade, Ministry of health	<ul style="list-style-type: none"> <li>– Ensure protection of the human and animal health,</li> <li>– Protect the environment</li> </ul>
2.2	<b>Prepare the draft law on changes to the Law of Ukraine on “By-products of animal origin that are not meant for human consumption”.</b>	2016		
2.3	<b>Develop and implement a plan for the structure of implementing the provisions of regulations that have to be developed pursuant to the above-mentioned legal acts.</b>	2016		

	<b>Including estimates of costs for their development.</b>			
2.4	<b>Amend the Law of Ukraine "On amendments to certain legislative acts of Ukraine regarding food products" to ensure their coherence with EU requirements.</b>	2016		
3	Complete retraining of specialists of the Competent Authority, introduce special training at higher educational institutions to enable quick saturation of the labour market with new knowledge and state and institutional control principles.  <i>Target group:</i> State institutions, bodies of executive power in charge of the development and implementation of state policy on food safety, food market operators.			
3.1	<b>Attract technical assistance from relevant departments of DG SANTE to improve plans of specialists' training at existing educational institutions.</b>	2016	<u>Lead:</u> Ministry of science and education, Ministry of agrarian policy and food  <u>Associated:</u> Ministry of economic development and trade	<ul style="list-style-type: none"> <li>– Creating a market of skilled specialists who know key principles and requirements of the EU laws.</li> <li>– Changing drastically approaches used in the state control.</li> <li>– Implementing actively the risk-based approach.</li> <li>– Reducing to a significant degree corruptive burden on business, improving image and efficiency of the state control system.</li> <li>– Creating preconditions for a reasonable reduction in the number of inspectors and increase in salaries to be achieved through payroll fund savings.</li> </ul>
3.2	<b>Draft an order on adoption and implementation of regulations on remote system of continuing education.</b>	2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> State Veterinary and Phytosanitary Service	
3.3	<b>Update the list of educational institutions to be in charge of essential tasks related to training of skilled specialists that know the requirements and principles laid down in the EU legislation.</b>	2016		
3.4	<b>Establish the list of trainers and launch training.</b>	2016		
3.5	<b>Launch specialists training process.</b>	2017		
4	Initiate the procedures of the EU market targeted opening for the companies that can prove their compliance with the EU's requirements. To define the priority animal origin products for export expansion: milk and dairy, beef, pork, rabbit meat, running birds etc. as priority directions in descending order.  <i>Target group:</i> Companies engaged in manufacturing of food products and raw materials of animal origin that roughly comply with the EU requirements. Companies that a willing to invest in changing procedures and systems for achieving maximum approximation or full compliance with the EU requirements.			

	<i>Suggested approach and methods:</i> identify relevant EU regulations to be immediately translated into the national regulatory documents and obtain advice from the experts of the European Commission DG SANTE.			
4.1	<b>Strategically determine milk and dairy, beef and pig meat product areas as priority for entering the EU member states' markets and markets of countries that recognize the EU control system.</b>	2015-2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> Ministry of economic development and trade	Expanding export possibilities of strategically determined food groups and raw material to the international market, including EU
5	To substantiate and set realistic transition periods to implement harmonised legislation on GMOs, animal welfare, antiepzootic measures, import and export operations (in terms of sanitary and phytosanitary measures), quality indicators of milk and dairy products, internal trade rules, application of local trade rules.  <i>Target group:</i> Operators of food products, animal by-products, feeds, feed additives market of Ukraine etc. <i>Suggested approach and methods:</i> Identify the provisions of relevant acts of the EU legislation that are to be translated into the national laws, and engage an expert(s) of the European Commission DG SANTE, FVO to issue an expert opinion regarding the developed draft laws and to determine the effect of the transition periods on the implementation of certain provisions and as well as penalties applied to the relationships arising out from promoting Ukrainian products to the EU market.			
5.1	<b>Assess regulatory legal acts and state of compliance with the provisions of EU legislation on the definition of some indicators of production conditions, quality of key basic socially and economically important products of animal or plant origin;</b>	2016	<u>Lead:</u> Ministry of agrarian policy and food	<ul style="list-style-type: none"> <li>– Promoting relevant products to international markets, including the EU market,</li> <li>– Enabling slow and prudent reorganization of the concept of engaging in commercial activities, equipment used for livestock management, transportation and killing.</li> <li>– Ability to preserve for the longest possible period of time access to historical markets of countries that do not recognize the EU control system.</li> </ul>
5.2	<b>In cooperation with producer associations and representatives of supervisory boards of the technical assistance projects and donors, to substantiate and set transition periods reasonable for the national production and procedures for the targeted opening of the EU market.</b>	2016		
6.	Implementing a set of measures related to the provision of qualified advice on the implementation of the departmental control systems and other modern safety control systems.  <i>Target group:</i> Food manufacturers, trade outlet operators, animal by-products, feeds and feed additives processors etc. <i>Suggested approach and methods:</i>			

	Conduct comprehensive planning and organizational measures (including paid ones) for providing training to relevant staff at the producers' level, who in turn will be able to introduce the system into production.			
6.1	<b>Develop draft regulations purported to incorporate relevant provisions of the EU laws relating to the compulsory requirements of certain indicators, production, safety and quality conditions;</b>	2016 – 2019	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> Ministry of health, Ministry of economic development and trade	Reduce tension among food producers and processors arising from poor awareness and wrong assessment of the cost of departmental quality system implementation and certification.
6.2	<b>In cooperation with the associations of producers and processors, to agree upon the plan and principles of providing advisory services and practical aid regarding training, implementing and confirming the effectiveness of implemented departmental systems of control over the safety and quality of food products.</b>	2016 –2019		
7	<p>Initiating the procedures for recognizing the equivalence of the systems of control in the spheres of sanitary and phytosanitary measures with competent authorities of trading partner countries including potential ones.</p> <p><i>Target group:</i> operators of food products, animal by-products, feeds, feed additives market of Ukraine - exporters and potential exporters to third countries other than the EU member states.</p> <p><i>Suggested approach and methods:</i> identify the provisions of relevant acts of the EU legislation to be translated into the national laws. Through tripartite negotiations and expert insights to decide on the mutual recognition mechanism.</p>			
7.1	<b>Within the framework of the tripartite negotiations, initiate determining the mechanism for conducting assessment and mutual recognition of control systems of Ukraine and of trade partner countries (EEC and others). Facilitate building of the assessment system based on the key provisions of the OIE Terrestrial Animal Health Code;</b>	2015-2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> Ministry of economic development and trade, Ministry of foreign affairs	<ul style="list-style-type: none"> <li>– Introducing legislative changes that are equivalent to the requirements of the EU legislation causes concerns among states that do not recognize this system.</li> <li>– The assessment and mutual recognition procedure will allow to preserve historical export markets for Ukrainian agricultural products.</li> </ul>



7.2	<b>To launch the agreed and established procedure.</b>	2015-2016		
8	To create an appropriate regulatory framework and relevant political and socio-economic conditions for the implementation of the state policy on food safety and quality. To prove its compliance with the best practices and transparency requirements, speed of relevant reactions, traceability and independence.			
8.1	<p>With engagement of EU experts to <b>develop and finalize the procedures for approval of the Laws of Ukraine:</b></p> <ul style="list-style-type: none"> <li>– N 2845 on “Feed safety and hygiene”,</li> <li>– N 0906 on “State Control done with the aim of verifying compliance to the legislature on safety and quality of food and feed, health and wellbeing of animals”,</li> <li>– N 2863-1 on “Amending the Law of Ukraine on the Animal By-Products Not Intended for Human Consumption”.</li> </ul>	2016–2018	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of economic development and trade, Ministry of justice.	
8.2	<p><b>Analyse the development and implementation of relevant legal documents and powers of ministries and agencies.</b></p> <p><b>Amend the laws:</b></p> <ul style="list-style-type: none"> <li>– "On child food", "On retrieving from selling, processing, utilization, destruction or further use of defective and dangerous products."</li> <li>– Terms of use, maximum residue limits in food products of auxiliary materials for processing and materials in contact with food products.</li> <li>– Amending the list of products to be certified with the changes approved by the State Committee of Ukraine for Technical Regulation and Consumer Policy from 01.02.2005 №28 from which food products are to be withdrawn.</li> <li>– Revision of safety indicators and some quality indicators of drinking water, the requirements for which are installed in the last part of Article 28 of</li> </ul>	2015-2016	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of economic development and trade, Ministry of justice, Ministry of health.	

	the Law of Ukraine "On Drinking Water and Water Supply".			
8.3	<b>Introduce the concept of risk assessment according to the classification of companies and setting criteria for two-stage assessment of production risk and a company's production conditions</b>	2017 – 2018	Cabinet of Ministers, Ministry of agrarian policy and food, Ministry of economic development and trade	
8.4	<b>Develop, approve and implement the education plans for students training at higher educational institutions. To launch specialists training process.</b>	2017	Ministry of agrarian policy and food, Ministry of science and education	
8.5	<b>Establish the list of educational institutions to be in charge of essential tasks related to training skilled specialists that know the requirements and principles laid down in the EU legislation.</b>	2017		
8.6	<b>Launch specialists training process.</b>	2017-2020		
8.7	<b>Create the postgraduate education (retraining) centre to be established at the CA, train trainers and launch retraining for inspectors at all levels of the Competent Authority.</b>	2016-2018	Cabinet of Ministers.	
8.8	<b>Develop, approve and launch the procedures for recognizing the equivalence with those countries who do not recognize the EU control system.</b>	2016-2020	Cabinet of Ministers, Ministry of agrarian policy and food	
8.9	<b>Conduct comprehensive planned and organizational measures (including paid ones) for providing training to relevant staff at the</b>	2016-2019	Cabinet of Ministers, Ministry of agrarian policy and food	

	<b>producers level, who in turn will be able to introduce the system into production. Provide advisory, consultative, and practical aid regarding training, implement and confirm the effectiveness of implemented departmental systems of control over the safety and quality of food products.</b>			
<b>Priority 1.2 Other Provisions including Those Determined in Order No. 847-p of the Cabinet of Ministers of Ukraine dated September 17, 2014.</b>				
1	<p>Creation of a legal framework related to:</p> <ul style="list-style-type: none"> <li>– good manufacturing practice of the Ukrainian organic products,</li> <li>– GMO regulation issues,</li> <li>– determining some quality indicators for milk and dairy products, as well as beef,</li> <li>– unification of the requirements for quality and labelling of alcoholic beverages, including those produced and imported to Ukraine,</li> <li>– requirements for some quality indicators of specific types of agricultural and food products, in particular, juices, spreads, products made from cocoa, honey, to contribute to the creation of the Ukrainian Product brand;</li> </ul> <p><i>Target group:</i> agri-food producers.</p> <p><i>Suggested approach and methods:</i> To identify relevant provisions of the EU laws to be translated into the national laws, and engaging an expert(s) of the European Commission DG SANTE and DG AGRI to issue an expert opinion regarding the previously mentioned draft law.</p>			
1.1	<b>To develop the draft Law of Ukraine on Good Manufacturing Practice of Organic Products.</b>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u> Ministry of Economic Development and Trade, Ministry of Finance of Ukraine</p>	The introduction of legislative changes equivalent to the requirements of the EU legislation that will expand the possibilities of export of the relevant products to international markets including to the EU market.
1.2	<b>To develop the draft Law of Ukraine on GMO regulations.</b>	2016		
1.3	<b>To develop a draft order for determining some quality and safety indicators of milk and dairy products.</b>	2016		
1.4.	<b>To develop a draft order for determining some quality and safety indicators of beef.</b>	2016		

1.5.	<b>To develop the draft Law of Ukraine on Alcoholic Beverages Quality Requirements Standardization.</b>	2016		
1.6.	<b>To develop a draft order for determining some quality indicators of cocoa products.</b>	2016		
1.7.	<b>To develop a draft order for determining some quality indicators of honey.</b>	2016		
1.8.	<b>To develop a draft order for determining some quality indicators of jams.</b>	2016		
1.9.	<b>To develop a draft order for determining some quality indicators of juices.</b>	2016		
2	Creation of conditions for use of quality schemes for agricultural and food products (geographical denominations and guaranteed traditional composition and production methods for food products)  <i>Target group:</i> domestic companies that produce products with the use of the geographical denominations and those that use the 'guaranteed traditional composition' sign.			
2.1.	<b>To develop the relevant Law of Ukraine on Guaranteed Traditional Composition and Method of Production of agricultural products and food;</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine  <u>Associated:</u> Ministry of Economic Development and Trade of Ukraine Ministry of Finance of Ukraine	Creation of additional opportunities to promote domestic products on international markets, including the EU market, and mitigated risks for Ukrainian producers related to the re-branding of products that are manufactured with the use of geographical denominations.
2.2.	<b>To develop the methods for justification of technical and financial measures for performance of 7 and 10-year transition period use of geographical denominations registered in the EU under the Association Agreement by domestic producers.</b>	2016		
3	Taking measures for recognition of the equivalence of the seed compliance assessment system to the EU requirements  <i>Target group:</i> domestic companies that produce seeds and intend to export them to international markets including the EU market <i>Suggested approach and methods:</i> To identify relevant provisions of the EU laws to be translated into the national laws, and engaging an expert(s) of the European Commission DG AGRI to issue an expert opinion regarding the aforesaid draft law.			

3.1	<b>To determine the provisions of the 14 EU legislative acts under the Association Agreement and develop regulatory acts for their implementation in the national legislation.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine  <u>Associated:</u> Ministry of Economic Development and Trade, Ministry of Finance of Ukraine	The introduction of legislative changes equivalent to the requirements of the EU legislation that will expand the possibilities of seeds export to international markets including to the EU market.
4	<b>To implement the procedures for approval by the competent authority of regulatory acts worked out.</b>		<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine  <u>Associated:</u> Ministry of Economic Development and Trade of Ukraine, Ministry of Finance of Ukraine	
5	<b>To analyse the necessity for involving technical and financial assistance to perform the transition period of geographical denominations use (10 years for wine production and 7 years for cheeses).</b>	2017-2020		
6	<b>To introduce new denomination instead of 'Cognac of Ukraine' after consultations with relevant product producers.</b>	2017-2020		
7	<b>To reconsider the requirements to cognac products advertising in terms of promoting new domestic beverage instead of 'Cognac of Ukraine' to be made of domestic raw materials.</b>	2017-2020		
8	<b>To analyse economic and social impact of the introduction of GMO regulatory rules according to the EU model.</b>	2017-2020		
9	<b>To create institutional conditions for the implementation of the GMO regulatory rules.</b>	2017-2020		
10	<b>To create the institutional conditions for implementing organic production rules (clear</b>	2017-2020		

	<b>division of powers between the competent authorities).</b>			
11	<b>To implement practical measures aimed creating a proper system of organic products certification</b>	2017-2020		
12	<b>To provide institutional conditions (including through the establishment of a consultation centre) for promoting the use of geographical denominations and 'traditional composition guaranteed' sign.</b>	2017-2020		
<b>Priority 1.3 Revision of Regulatory Legal Acts Involving Excessive State Regulation</b>				
1	<p><b>Keep in full force and effect only those permit documents, powers of regulatory bodies and limitations of the production of goods, which are necessary to protect human, animal or plant life or health, the environment, or to prevent fraudulent practices, provided that these measures are justified by solid scientific evidence and practical effectiveness of the measures applied, and do not create unreasonable barriers to the freedom of trade and competition.</b></p> <p><i>Target group:</i> agricultural producers and their suppliers, bodies of state power.  <i>Suggested approach and methods:</i> developing and adopting relevant legal acts.</p>	2015-2019	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p>	<ul style="list-style-type: none"> <li>– Lower level of corruption</li> <li>– Improved investment attractiveness</li> <li>– Better efficiency of public services.</li> </ul>

1.1	<b>Draft law on abolition of unjustified permission documents in the agricultural and food sector.</b>			
1.2	<b>Draft law on simplification of permission documents that cannot be abolished.</b>			
1.3	<b>Draft law on introducing specific permission documents present in the EU and absent in Ukraine.</b>			
1.4	<b>Draft law about regulating the issue of permission documents regarding GMOs in Ukraine.</b>			
1.5	<b>Draft law on simplification of the land auctions and land circulation.</b>			
2	<p><b>To simplify unjustified taxation administration procedures that unduly discriminate the rights of taxation payers, specifically by the criterion of electronic administration of automatic VAT refunding.</b></p> <p><i>Target group:</i> agricultural producers and their suppliers.  <i>Suggested approach and methods:</i> developing and adopting relevant legal acts.</p>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p>	<ul style="list-style-type: none"> <li>– Lower level of corruption</li> <li>– Improved investment attractiveness</li> </ul>
3	<p><b>To implement at least annually a professional independent survey of corruption level and sources, and the level of satisfaction with administrative services.</b></p> <p><i>Target group:</i> agricultural producers and their suppliers.  <i>Suggested approach and methods:</i> developing and adopting relevant legal acts. By the end of 2016 - to complete and open to public the plan aimed at improving the survey statistics with specific quantitative targets. Estimate the percentage of entities involved in</p>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p>	<ul style="list-style-type: none"> <li>– Lower level of corruption</li> <li>– Improved investment attractiveness</li> </ul>



	agriculture that had to deal with corruption when getting permit documents and the percentage of the satisfied with administrative service as part of the survey.			
<b>MAIN STRATEGIC PRIORITY 2. LAND REFORM</b>				
1	Create a full-fledged agricultural land market, improve the land lease market, ensure open and transparent lease of state and municipal lands, and complete the filling-in of the land cadaster.			
1.1	<b>Prepare for and conduct phased implementation of an open and transparent agricultural land market.</b>	2015-2020	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of regional development, State geological cadaster	
1.1.1	<b>Develop the mechanisms for implementation and functioning of the agricultural land market.</b>  <i>Suggested approach and methods:</i> – The mechanisms shall provide for initial limitations in the market (for example, access and scope of holding), as well as requirements for implementation of the market (for example, fill-in of the cadaster base of a specific territorial unit). – Draft the Law of Ukraine on amendments to the Land Code of Ukraine and the draft law on introduction of state-legal experiment in regions of Ukraine.	2015-2016	<u>Associated:</u> Ministry of finance, Ministry of economic development and trade, Ministry of justice	
1.1.2	<b>Implement a pilot project of the agricultural land market in specific regions of Ukraine on the basis of the state-legal experiment.</b>  <i>Suggested approach and methods:</i> – Selection of the regions should be representative for Ukraine in terms of agroclimatic conditions and administrative-territorial specifics. For example, one raion for each Ukrainian oblast.	2015- 2016		Suggestions on introducing the market and legal acts.

	– For the selected raions, the fill-in of the cadaster database should be at least 80 percent of the total number of agricultural land plots of all forms of ownership.			
1.1.3	<b>Conduct monitoring of the land market using a land governance monitoring system, market analysis, publication of findings on a regular basis.</b>	2015-2020		
1.1.4	<b>Undertake awareness raising activities.</b> <i>Suggested approach and methods:</i> All the implementation steps for the agricultural land market should be accompanied by a robust educational and information campaign.	2015-2020		Increasing awareness of the population
1.1.5	<b>Conduct an independent assessment of the effectiveness of the implementation of the agricultural land market within the pilot state-legal experiment.</b> <i>Suggested approach and methods:</i> The assessment should contain both legal and economic components, as well as the recommendations on the changes to the Ukrainian legislation in order to adjust the mechanisms for agricultural land market regulation.	2016-2017		Development of draft changes to regulatory legal acts
1.1.6	<b>Development of changes to the agricultural land market regulation mechanisms</b> <i>Suggested approach and methods:</i> Develop changes to legal acts.	2016		
1.1.7	<b>Implement the agricultural land market nationwide.</b> <i>Suggested approach and methods:</i>	From 2017		

	Taking effect by the legal provisions related to the agricultural land market throughout the territory of Ukraine.			
1.1.8	<b>Conduct an independent assessment of the functioning of the agricultural land market throughout the country for the purpose of the further liberalization of the market regulation mechanisms.</b>	2017 - 2020		
1.2	<p><b>Legally settle and transfer into municipal ownership state-owned lands located beyond the boundaries of population centres, except for those accommodating state-owned facilities.</b></p> <p><i>Proposed actions/mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Finalizing inventory of state-owned agricultural lands beyond the boundaries of settlements.</li> <li>– Developing land management projects for land plots to be transferred, on their approval and decision making on their transfer.</li> <li>– Improve the procedure for transfer of unused inheritance lands and unclaimed privatization shares into municipal ownership. Develop procedures, pilot testing and national rollout</li> <li>– Improve the procedures for monitoring of land use for communal and state land (including remote sensing). Suggested approach and methods: Develop methodology, pilot testing and national rollout</li> <li>– Resolve outstanding issues with unclear legislative regime: field roads, collective property, unclaimed shares,</li> <li>– Replace permanent use right with rental rights</li> </ul>	2015 - 2020	<p><u>Lead:</u> Ministry of agrarian policy and food, Ministry of regional development, State geological cadaster</p> <p><u>Associated:</u> Ministry of finance, Ministry of economic development and trade, Ministry of justice</p>	
1.3	<b>Improve the methods of consolidation of use and ownership of agricultural land plots.</b>	2015- 2016		

	<b>Improve the legal regulation of the exchange of land plots inside land areas and exchange of rights to use such land plots between land users.</b>			
1.3.1	<b>Assess the state of organization of the land plot shares within the pilot territory, availability and up-to-date status of land management projects and land plot location schemes.</b>			
1.3.2	<b>Assess the adequacy of the provisions of the applicable laws on the consolidation mechanisms.</b>			
1.3.3	<b>Propose changes to the legislation in terms of the required consolidation mechanisms.</b>			
1.4	<b>Develop the program for economic encouragement of sustainable land use to control the degradation of land.</b>  <i>Suggested approach and methods:</i> <ul style="list-style-type: none"> <li>– Develop terms of reference and hold an international tender for preparation of the program</li> <li>– Conduct an independent assessment of the prepared program</li> <li>– Adopt the improved program.</li> </ul>	2015-2017		
1.5	<b>Encourage revision of the land taxation in order to encourage rational and efficient use of land resources and prevent speculation in land plots</b>  <i>Suggested approach and methods:</i> <ul style="list-style-type: none"> <li>– Development of methodology and law proposals</li> </ul>	2015 - 2016	<u>Lead:</u> Ministry of finance, Ministry of economic development and trade, Ministry of justice Ministry of regional development, State geological cadaster <u>Associated:</u> Ministry of agrarian policy and food,	Changes to the legislation.

	– Proposals on the improvement of the land plot valuation technique (including mass valuation), software, training.			
1.6	<b>Cancel free-of-charge acquisition into ownership of land plots of the state and municipally owned lands, preserving the right for privatization of the land plots which were transferred into use to citizens before 2002.</b>  <i>Proposed actions/mechanisms:</i> Changes to legislation	2015		Changes to the legislation.
1.7	<b>Reduce the grounds for accrual of rights to state and municipally owned land plots without holding land bids.</b>  <i>Proposed actions/mechanisms:</i> Changes to legislation.	2015-2016	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of regional development, State geological cadaster  <u>Associated:</u>	Changes to the legislation.
1.8	<b>Improve transferability of use rights and development of lending programs with collateralized security land use rights without limiting the rights of land owners.</b>  <i>Proposed actions/mechanisms:</i> - Conducting a feasibility study - Development of methodology and law proposals, pilot testing and national rollout - Awareness raising activities	2015- 2016	Ministry of finance, Ministry of economic development and trade, Ministry of justice	–
1.9	<b>Rehabilitate lands that underwent radioactive contamination as a result of the accident at Chernobyl Nuclear Power Plant and the territories vacated due to the anti-terrorist operation, and put them back into economic turnover.</b>  <i>Suggested approach and methods:</i>	2015- 2016		

	<ul style="list-style-type: none"> <li>– Feasibility study and study of international experience for post-war land rehabilitation.</li> <li>– Development of a state program and its implementation</li> </ul>			
2	Enhancement and development of the system of cadaster and registration of proprietary rights to real property.			
2.1	<p><b>Fill the cadaster database with information on land plots and limitations on their use (including servitudes)</b></p> <p><i>Proposed actions/mechanisms:</i></p> <p>Amend the laws of Ukraine "On state land cadastre", "On land management", "On state registration of rights to real estate and their encumbrances" and adopt in accordance with the regulatory legal acts.</p> <p><i>Suggested approach and methods</i></p>	2015-2020	<p><u>Lead:</u> Ministry of agrarian policy and food, Ministry of regional development, State geological cadaster</p> <p><u>Associated:</u> Ministry of finance, Ministry of economic development and trade, Ministry of justice</p>	
2.1.1	<ul style="list-style-type: none"> <li>– <b>Undertake preparatory works, develop and approve the concept.</b></li> <li>– <b>Define a clear set of indicators to determine the scope of corrective actions and allow for the implementation monitoring.</b></li> <li>– <b>Incorporate these indicators into the land relations monitoring system.</b></li> </ul>	2015-2016		
2.1.2	<b>Introduce a pilot, develop the terms of reference and methodology.</b>	2016		
2.1.3	<b>Scan and verify documents on the land plots, textual and graphic land management related materials kept in hard copies only (for approximately 26mln land plots).</b>			
2.1.4	– <b>Prepare data on the land plots registered prior to 2004.</b>	2016-2020		

	– <b>Entering data on the land plots to the database (approximately 5mln land plots).</b>			
2.1.5	<b>Identify and classify possible errors.</b>	2015-2016		
2.1.6	<b>Correct errors identified as part of the state program.</b>	2016-2020		
2.2	<p><b>Combine the cadastral system and the system for registration of proprietary rights to real property within a single information system.</b></p> <p><i>Proposed actions/mechanisms:</i> Amending the Land Code of Ukraine, the Laws of Ukraine on the State Land Cadaster; State Registration of Proprietary Rights to Real Property and their Encumbrance and relevant regulations as adopted thereunder.</p> <p><i>Suggested approach and methods</i></p> <ul style="list-style-type: none"> <li>– Develop and make changes to the regulatory framework governing the state registration of proprietary rights to real property and State Land Cadaster.</li> <li>– Consolidate and upgrade the technical platform (database, software and hardware, telecommunication data transmission system etc.).</li> <li>– Pilot the combined system and finish the functionality.</li> <li>– Optimize the office registration system.</li> </ul>	<p>2015-2016</p> <p>Until 2017, 1,5 years, including 6 months for points 1-3 and 1 year for points 4-11.</p>	<p><u>Lead:</u> Ministry of agrarian policy and food, Ministry of regional development, State geological cadaster</p>	
<b>3</b>	<b>Securing and protecting the rights to land plots.</b>			
3.1	<ul style="list-style-type: none"> <li>– <b>Create a simple procedure for correcting errors in the State Land Cadaster (including a bulk one).</b></li> <li>– <b>Enable obtaining extracts from the State Land Cadaster in case of an error (with a</b></li> </ul>	2016		

	<p><b>description of this error and identification of possible correction methods).</b></p> <p><i>Proposed actions/mechanisms:</i></p> <ul style="list-style-type: none"> <li>– develop draft regulations</li> <li>– develop software applications</li> <li>– give training to the Land Cadaster registrars.</li> </ul>			
3.2	<ul style="list-style-type: none"> <li>– <b>Cancel of the types of use (designated purpose) of land plots within a category of lands.</b></li> <li>– <b>Grant the right to the land owner and land user to use the land plot in any manner which is consistent with the planning documentation and/or zoning, except for those requiring the change of the category of lands.</b></li> </ul> <p><i>Proposed actions/mechanisms:</i> Draft changes to relevant legislative acts</p>	2016		
<p><b>MAIN STRATEGIC PRIORITY 3. INSTITUTIONAL REFORM OF THE MINISTRY OF AGRARIAN POLICY AND FOOD AND RELATED STATE AGENCIES AND STATE OWNED ENTERPRISES</b></p>				
<p><b>Priority 3.1 Institutional restructuring of the Ministry of agrarian policy and food and related state agencies and state owned property</b></p>				
1	State owned enterprise management and divestment functions.			



1.1	<b>Establish an effective system for overseeing the strategic management of all sector assets in the long-term interests of the agricultural and rural sector and Ukrainian economic interests.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Allowing for a balance of public, private and civil society interest groups, farmer and producer groups, agricultural industry associations, education and research institutions etc.
2	MAPF rebranding and reorganization.			
2.1	<b>Change name of the Ministry to reflect rural development.</b>	2016	<u>Lead:</u> Cabinet of Ministers & Ministry of Agrarian Policy and Food	<ul style="list-style-type: none"> <li>– Shift in focus of the Ministry to embrace its newly defined scope of policy, regulatory, support and facilitation functions, services and systems.</li> <li>– Provides a clear recognition of the government commitment to sector reform, systemic change and a commitment to gradual alignment of the sector with the EU and wider international community.</li> </ul>
2.2	<b>Prepare an Institutional Restructuring Plan (IRP).</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Senior staff of the Ministry, supported by international experts in targeted areas, will prepare a detailed Institutional Restructuring Plan to guide all future institutional reform.
2.3	<b>Reorganize targeted key Departments where detailed function reviews have been completed within existing legal and institutional constraints.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Based on the IRP and functional review findings, plans will be implemented for Department level restructuring to improve effectiveness and efficiency.
2.4	<b>Prepare and Approve new Presidential Decree to define changes in Ministry systematization / institutional framework.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Based on the IRP and functional review findings, legal changes will be incorporated in a revised Presidential Decree to restructure all Departments aiming to improve effectiveness and efficiency.
2.5	<b>Undertake full staff reselection process in line with new Ministry structure, functions and requirements completed.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	<ul style="list-style-type: none"> <li>– Based on the new Presidential Decree restructure all Departments</li> <li>– All staff will be subject to competitive reselection (or other actions) aiming to improve effectiveness and efficiency of the new Ministry structure and capacities.</li> </ul>
2.6	<b>Design and make operational Continuous Professional Development programme</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	All reappointed staff and newly appointed staff will be subject to regular performance appraisals, training needs

	<b>(CPDP) for all Ministry staff, Agencies and other sub-ordinate bodies being implemented on an annual basis.</b>			assessments and development of Continuous Professional Development Plans to ensure on-going skills and capacity development aiming to improve effectiveness, efficiency and sustainability of capacities.
3	Reorganize MAPF institutions.			
3.1	<b>Undertake detailed functional reviews of all MAPF Agencies and subordinate bodies (particularly Fisheries and Forestry).</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Senior staff of the Ministry will coordinate a detailed functional assessments of all Agencies (inc. Fisheries and Forestry) with the aim of developing detailed Institutional Restructuring Plans for all Agencies and bodies.
3.2	<b>Provide detailed recommendations and plans to guide all Agency and subordinate bodies modernisation and reorganization actions, in line with the overall Strategy.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Based on the functional review findings, plans will be implemented for all Agencies and subordinate bodies to improve effectiveness and efficiency.
4	Establishment of effective Oblast and Rayon level linkages and support systems.			
4.1	<b>Assess Oblast and Rayon level capacities, services and systems in selected regions, upon agreement with individual administrations.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, targeted Oblast and rayon Administrations	Recommendations for changes in specific functions, systems and procedures will be developed which can best support the delivery of new targeted MAPF policy interventions at Oblast and Rayon level.
4.2	<b>Design and implement targeted pilot policy interventions at Oblast/Rayon/Village level to test the relevance, effectiveness and robustness of new ARD policy/program designs, systems and procedures.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, targeted Oblast and rayon Administrations	Pilot implementation of new policies at Oblast and Rayon level will change the paradigm of ARD policy delivery bringing policies closer to targeted beneficiaries.
4.3	<b>Roll-out of pilot mechanisms/schemes on a national level.</b>	2017	<u>Lead:</u> Ministry of Agrarian Policy and Food, targeted Oblast and rayon Administrations	Piloting results will result in national schemes in support of small and medium-scale farming; diversification of agriculture and rural enterprises, and potentially support for producer groups and local community groups.
5	Transitional institutional structures.			
5.1	<b>Conduct feasibility assessment for the establishment of a Ukrainian Foundation for</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	– The UFARDA will be responsible for all main ARD project & program implementation and/or implementation advice and support functions.

	<b>Agriculture and Rural Development Assistance (UFARDA).</b>			– It will provide sector research, preparation of analysis and publication services; and it will provide a Sector Information Service Centre.
6	<b>Assess the conditionality of Ukraine’s full membership in the International Fund for Agricultural Development (IFAD) and signing of the membership application in order to receive support within the strategic priority areas of agricultural development in Ukraine.</b>	2016 – 2017	<u>Lead:</u> Ministry of Foreign Affairs  <u>Associated:</u> Ministry of Agrarian Policy and Food	–
<b>Priority 3.2 Reform of relations in the area of state property and state-owned companies</b>				
1	<b>To amend the Law of Ukraine on the Specifics of Privatization of Property in the Agro-Industrial Complex</b>  <i>Target group:</i> state-owned companies. <i>Suggested approach and measures:</i> advocate the adoption of the relevant draft law to spike potential buyers' interest in privatization (ensuring higher share of companies sold on auction).	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of economic development and trade	Better privatization incentives for privatization
2	<b>To privatize companies that represent at least 30 percent of the total revenue of state agricultural companies.</b>  <i>Target group:</i> state-owned companies. <i>Suggested approach and measures:</i> Conduct necessary formal privatization procedures	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	Reduced corruption level, increased investments and state budget revenues.
3	<b>To adopt by 2020 a draft law on demonopolization of spirit production providing also for privatization of companies engaged in spirit production.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of economic development and trade	– Reduced shadow spirit production – Increased investments

	<p><i>Target group:</i> Ukrspyrnt state enterprise, alcoholic beverages producers.</p> <p><i>Suggested approach and measures:</i> advocate the adoption of the relevant draft law.</p>			
4	<p><b>To audit land use by NAAS, arrange termination of rights to the land plots, which are not used for scientific purposes.</b></p> <p><i>Target group:</i> NAAS of Ukraine.</p> <p><i>Suggested approach and measures:</i> advocate for appointment of a special investigative commission in the Parliament that shall jointly with the Ministry of Agrarian Policy and Food determine the land use, then put to vote the decision to terminate rights to the land plots that are not used for scientific purposes.</p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p>	<ul style="list-style-type: none"> <li>– Lower level of corruption</li> <li>– Better efficiency of land use.</li> </ul>
5	<p><b>Privatize all remaining state-owned companies, except:</b></p> <ul style="list-style-type: none"> <li>– those channelling through state budget funds to (for example, State Agrarian Fund),</li> <li>– those with arbitration functions (for example, some of the laboratories);</li> <li>– those related to national security (for example, State Reserve),</li> <li>– those maintaining specific registers and databases as may be necessary for the implementation of the state agrarian policy.</li> </ul>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p>	

## MAIN STRATEGIC PRIORITY 4. FOOD SECURITY

1	Establish food security system that does not intervene in markets, but ensures physical, social and economic access to food to the most vulnerable population. Develop effective tools for monitoring food security situation in the country.			
1.1	<p><b>Initiate introduction of the food relief programs for the most vulnerable population.</b>  <i>Target group:</i> the most vulnerable/ food unsecured population (to be defined);  <i>Suggested approach and measures:</i> direct subsidy, feasibility study.</p>	2016	<p><u>Lead:</u> Ministry of Social Policy/Local governments  <u>Associated:</u> Ministry of Agrarian Policy and Food, Ministry of Finance; Ministry of economic development and trade</p>	<ul style="list-style-type: none"> <li>– Introduced food relief program.</li> <li>– Fairer food security system that would target really needy people.</li> </ul>
1.1.2	<b>Commission a feasibility study on possible food relief program for Ukraine</b>	2015-2016		
1.1.3	<b>Design food relief program and imbed it into and existing social security system. Develop implementation strategy and awareness campaign.</b>	2016		
1.1.4	<b>Develop necessary legislation for introduction of the food relief program.</b>	2016		
1.1.5	<b>Pilot a food relief program on a specific territory of Ukraine.</b>	2017		
1.1.6	<b>Introduce a food relief program on a national scale</b>	2018		
1.2	<p><b>Design and introduce special programs for a healthy nutrition of children, such as “School Milk” and “Fruit &amp; Vegetable”, and for pregnant and lactating women. Imbed it into the current feeding programs where possible (as a top up).</b></p>	2016	<p><u>Lead:</u> Local governments/Ministry of Social Policy</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food, Ministry of Finance</p>	<ul style="list-style-type: none"> <li>– Introduced healthy nutrition program</li> <li>– Healthier nutrition of defined population categories.</li> </ul>

	<i>Target group:</i> children, pregnant and lactating women. <i>Suggested approach and measures:</i> direct subsidy, feasibility study			
1.2.1	<b>Commission a feasibility study on possible healthy nutrition program.</b>	2015-2016		
1.2.2	<b>Design healthy nutrition program and imbed it into and existing feeding systems where possible. Develop implementation strategy.</b>	2015		
1.2.3	<b>Pilot a healthy nutrition programs.</b>	2016		
1.2.4	<b>Assess the efficiency of a pilot food relief program and introduce necessary changes/amendments.</b>	2017		
1.2.5	<b>Implement a nutrition program on a national scale.</b>	2018		
1.3	<b>Commission a feasibility study on assessing the situation with food waster in Ukraine and on possible design of the food waste management program.</b>	2015-2016	<u>Lead:</u> Ministry of Agricultural Policy and Food	
1.4	<b>Draft a food waste management program for Ukraine</b>	2016	<u>Lead:</u> Ministry of Agricultural Policy and Food	
2	Ensure functioning agri-food markets.			
2.1	<b>Abolish restrictions on consumer and producer prices, retail mark-ups, and profitability margins.</b> <i>Target group:</i> agricultural and food producers, retailers	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food <u>Associated:</u> Ministry for Economic Development	<ul style="list-style-type: none"> <li>– Liberalize food price policy. More opportunities for investments in the downstream sector</li> <li>– Increase competition between the downstream and exporters in securing enough raw materials (food grain) supplies.</li> <li>– Increase farm-gate prices and agricultural incomes,</li> <li>– More agricultural produce volumes.</li> </ul>

	<i>Suggested approach and mechanisms:</i> cancel Regulation of the CMU #1548 as of 25.12.1996/ Law on price regulation			
2.2	<p>– <b>Reform the system of intervention operations to limit their impact on the market and their application only to prevent crisis situations.</b></p> <p><i>Target group:</i> intervention agent, agricultural and food producers, grain traders</p> <p><i>Suggested approach and mechanisms:</i> Introduce necessary amendments to the Law of Ukraine #1877-IV “On State Support of Agriculture in Ukraine” (as of 24.06.2004).</p>	2017	<p><u>Lead:</u> Ministry of Agricultural Policy and Food</p> <p><u>Associated:</u> Ministry for Economic Development/Ministry of Finance</p>	<ul style="list-style-type: none"> <li>– Liberalized food market and trade policy framework</li> <li>– Increased farm-gate prices and agricultural incomes</li> <li>– More agricultural produce volumes.</li> </ul>
2.3	– <b>Develop a system for monitoring food security situation in the country on a regular basis. Design and introduce a regular food security survey</b>	2015-2016	<p><u>Lead:</u> Ministry of Agricultural Policy and Food/ State Statistics Committee/Donors</p> <p><u>Associated:</u> Ministry for Social Policy</p>	
2.4	<b>Introduce a regular food security survey</b>	2017	<p><u>Lead:</u> Ministry of Agricultural Policy and Food/ Donors/ Ukrstat</p> <p><u>Associated:</u> Ministry for Social Policy</p>	
3	Enhance institutional, policy and legal conditions for food security policy implementation			
3.1	<b>Institute a Food Security working group within the Ministry of Agrarian Policy and Food of Ukraine with the goal of coordinating, monitoring and evaluating food security policy activities, establishing and maintaining relationships with the donors, implementing food and nutritional advocacy</b>	2017		

	<i>Suggested approach and mechanisms:</i> develop necessary organizational and legislative initiatives (including the draft law On Ensuring Food Security)			
<b>MAIN STRATEGIC PRIORITY 5. TAXATION</b>				
1	To amend the laws of Ukraine on the agricultural sector taxation to eliminate the existing system drawbacks, reallocate the tax burden among legal and illegal business and different types of agro-industrial activities.			
1.1.	<p><b>Develop and agree upon with key stakeholders a draft law on setting a minimum amount of tax obligation to be paid by the owner and lessee under personal income tax (PIT) and unified social contribution (UST) per one hectare of agricultural land.</b></p> <p><i>Target group:</i> <u>Legal</u> agricultural producers. <i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To set a minimum amount of aggregate PIT and UST payments per hectare. However, if the owner and/or lessee in annual terms has paid an amount that is less than the minimum relevant payments amount, he/she shall pay the remaining sum (difference).</li> <li>– To establish a non-taxable land plot size to mitigate adverse effect on individuals who are agricultural landowners.</li> <li>– To hold expert discussion of the final version of the proposed standards.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Finance of Ukraine</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade.</p>	<ul style="list-style-type: none"> <li>– To increase the cost of illegal business (expenditures incurred by shadow producers of agricultural products),</li> <li>– To reduce the extent of land plots in shadow lease (leased without execution of lease agreements and payment of PIT on the amount of revenues gained from the land lease),</li> <li>– To reduce shadow economy.</li> </ul>
1.2.	<p><b>Develop and agree upon with key stakeholders a draft law on amendments to the Budget Code of Ukraine and other legislative acts to ensure full and timely VAT</b></p>	2015 – 2017	<p><u>Lead:</u> Ministry of Finance of Ukraine</p>	<ul style="list-style-type: none"> <li>– Solved problem of late or under-refund of VAT due to current budget deficit or discrepancy between planned and actual refund costs.</li> <li>– Increased exports, better balance of payments of Ukraine.</li> </ul>



	<p><b>refunding irrespective of the current budget situation and planned budgetary expenditures and revenues.</b></p> <p><i>Target group:</i> agricultural producers, other export-oriented sectors.</p> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To provide that only the difference between receipts generated by VAT payment and VAT refund for a given fiscal period shall be charged to the budget revenues via balancing credit and debit sides of a special treasury account.</li> <li>– To implement budget revenues planning on the basis of net VAT generated receipts, which are dependent on internal consumption volume and unaffected by the volume of exports and imports.</li> <li>– To hold public discussion of the final version of the proposed standards.</li> </ul>		<p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade</p>	
1.3	<p><b>Develop and agree upon with key stakeholders a draft law on amendments to the Tax Code of Ukraine providing for balancing tax burden per one hectare for tax payers referred to category 4 of the simplified tax system and land tax payers.</b></p> <p><i>Target group:</i> <u>Legal</u> agricultural producers.</p> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To establish minimal land tax rate so that it is equal to the rates applicable to the tax payers referred to category 4 of the simplified tax system.</li> <li>– To hold expert discussion of the final version of the proposed standards.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Finance of Ukraine</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade</p>	<ul style="list-style-type: none"> <li>– To increase the cost of illegal business (expenditures incurred by shadow producers of agricultural products)</li> <li>– To reduce the extent of land plots in shadow lease (leased without execution of lease agreements and payment of PIT on the amount of revenues gained from the land lease)</li> <li>– To reduce shadow economy.</li> </ul>
1.4	<p><b>Develop and agree upon with key stakeholders a draft law on amendments to the Tax Code of Ukraine and other legislative</b></p>	2015-2016	<p><u>Lead:</u> Ministry of Finance of Ukraine</p>	<ul style="list-style-type: none"> <li>– Legalized entrepreneurial activities related to picking wild plants, berries, nuts, mushrooms and fishing;</li> </ul>

	<p><b>acts to simplify engaging in, and taxation of, activities related to picking wild plants, berries, nuts, mushrooms and fishing promote this business legalization.</b></p> <p><i>Target group:</i> self-employed rural population engaged in picking wild plants, berries, nuts, mushrooms and fishing for the purpose of further sale, and buyers who purchase these products for further resale.</p> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To replace the PIT on revenues from the sale of harvested wild plants, berries, nuts, mushrooms and fish with a rental fee to be paid by a buyer who purchases relevant products from individuals.</li> <li>– To hold expert discussion of the final version of the proposed standards.</li> </ul>		<p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade</p>	<ul style="list-style-type: none"> <li>– Increased revenues of rural population, elimination of opportunities for corrupt practice at the customs bodies.</li> </ul>
1.5	<p><b>Develop and agree upon with key stakeholders a draft law on amendments to the Tax Code of Ukraine to improve cooperative taxation system with due regard for good practices and legislation of developed countries.</b></p> <p><i>Target group:</i> small and medium-sized farmers, private individuals engaged in agricultural products manufacture.</p> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To introduce a patronage dividend system providing for taxation of the financial result received by the cooperative at the level of members rather than the cooperative.</li> <li>– To hold expert discussion of the final version of the proposed standards.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Finance of Ukraine</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade</p>	<ul style="list-style-type: none"> <li>– Creating conditions necessary for the development of cooperative movement, consolidation of small and medium-sized producers to boost revenues from the sales of their products, decrease in production costs due to the economy of scale.</li> <li>– Eliminating existing barriers to the incorporation of cooperatives with large number of members.</li> </ul>

1.6	<p><b>Develop and agree upon with key stakeholders a draft law on amendments to the Tax Code of Ukraine to extend the application of a special VAT regime for the transition period as a basic mechanism for supporting livestock farming and small farmers.</b></p> <p><i>Target group:</i> livestock producers  <i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To work out criteria, conditions, and timeline for the transition of livestock and small farmers to the system of VAT payment on general terms after the end of the transition period.</li> <li>– To hold expert discussion of the final version of the proposed standards.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Finance of Ukraine</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade</p>	<ul style="list-style-type: none"> <li>– To maintain the current level of state support for the agricultural sector, in particular for livestock farming and small farmers</li> <li>– , as well as to develop and implement additional mechanisms of state support.</li> <li>– Overcoming current crisis related to politically motivated foreclosure of export end markets and drastic deterioration of domestic consumers' purchasing capacity.</li> </ul>
1.7	<p><b>Develop and agree upon with key stakeholders a draft law on a simplified taxation system for small farms.</b></p> <p><i>Target group:</i> small farms.  <i>Suggested approach and measures:</i>  To permit registration of small farms exempted from VAT taxation, while refunding them input VAT paid.</p>	2016	<p><u>Lead:</u> Ministry of Finance of Ukraine</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food; Ministry of Economic Development and Trade</p>	<ul style="list-style-type: none"> <li>– Reduced percentage of expenses for VAT administration</li> <li>– Creating favourable conditions for the development of small farms.</li> </ul>
2	<p>Studying the efficiency and impact of the taxation system of agricultural producers on the development of the Ukrainian agrarian sector.</p> <p><i>Target group:</i> agricultural producers</p>			

2.1	<p><b>Study the efficiency and impact of the taxation system of agricultural producers on the development of the Ukrainian agrarian sector with the priority attention paid to the following issues:</b></p> <ul style="list-style-type: none"> <li>– Developing and implementing additional mechanisms of state support.</li> <li>– Extension of the special VAT regime, determining conditions and relevant indicators, subject to compliance with, the special VAT regime can be waived.</li> <li>– Introducing differentiated VAT rates for food products.</li> <li>– Exemption of small farms, households and farming enterprises from VAT taxation, refund of the input VAT paid as part of the acquired production factors</li> <li>– Expediency and potential models of the reform of the fourth group of the simplified taxation system</li> </ul> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To analyse available statistical data,</li> <li>– To build up forecast mathematical model to evaluate the impact of implications of the transition to new taxation systems,</li> <li>– To set criteria upon which the relevant transition shall be possible and reasonable</li> </ul>	2015- 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u> Ministry of Finance of Ukraine</p>	<ul style="list-style-type: none"> <li>– Working out and substantiating a plan of further agricultural sector reforms.</li> <li>– Discussing economic issues of a model selection rather than political ones, reduced risks of wrong decisions making.</li> </ul>
2.2	<p><b>Develop and agree upon with key stakeholders the concept and plan for further reforming agricultural sector taxation.</b></p> <p><i>Suggested approach and measures:</i> To discuss the findings of the study on the efficiency and impact of the agricultural producers taxation system on the Ukrainian agrarian sector development as part of the working group activities.</p>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u> Ministry of Finance of Ukraine</p>	To approve the concept and the action plan for further reforming the agricultural sector taxation system.

3	<p><b>Follow up the implementation and evaluate the results of the proposed reforms. To develop corrective actions and measures with due regard for the results obtained.</b></p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u> Ministry of Finance of Ukraine</p>	
4	<p>To develop and implement the Excise Policy Strategy and a long-term plan for harmonizing excise rates within the framework of the Association Agreement by 2030, the procedure and principles of calculating excise liabilities with due regard for the paces with which excise rates are increased in Belarus, Moldova and Russia, and purchasing power of the population.</p> <p><i>Target group:</i> spirits, alcohol beverages and tobacco producers.</p>			
4.1	<p><b>Develop the Concept for the reform of the excise tax system, which should provide for:</b></p> <ol style="list-style-type: none"> <li>1. Setting the deadlines for the harmonization of rates of the excise tax on tobacco products and alcohol beverages, which shall include <ul style="list-style-type: none"> <li>– a medium-term plan for making changes thereto in 2016-2020,</li> <li>– as well as its adjustment models with due regard for devaluation / revaluation of the national currency,</li> <li>– real financial solvency of the population;</li> <li>– pace of relevant rates increase in neighbouring states: Belarus, Moldova, and Russia;</li> <li>– shadow market volume and progress achieved in measures taken to combat it;</li> </ul> </li> <li>2. Aligning the national laws with the European legislation in terms of advance payment of the excise tax by the producers of alcoholic beverages and tobacco products, and such terms as 'cigarettes', 'cigars', 'cigarillos', 'smoking tobacco', 'tobacco products'.</li> <li>3. Setting a single rate of the excise tax on fermented low-alcohol beverages made of any natural raw materials (no spirits added).</li> </ol>	2015-2016		

	<p>4. Developing and substantiating the establishment of the ratio between ad valorem and specific components of the excise tax on tobacco products including holding consultations with DG TAX as to the incorporation of VAT to the tax basis as the ad valorem component of the excise tax.</p> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– Carry out economic analysis</li> <li>– Build mathematic models for assessment of the impacts of implementing different tax policy versions</li> <li>– Hold consultations with domestic and foreign experts including those of dg tax.</li> </ul>			
4.2	<p><b>Develop and agree upon with key stakeholders a draft law on amending the Tax Code and other regulatory acts to implement the Concept for the Excise Tax System reforming (action 4.1).</b></p> <p><i>Suggested approach and measures:</i> develop a comprehensive legislative act approved and supported by the majority of key stakeholders.</p>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine,</p> <p><u>Associated:</u> Ministry of Finance of Ukraine</p>	
5	<p>Align the Ukrainian excise laws with the EU laws in terms of fostering the development of denaturated (commercial) alcohol and bioethanol production, as well as the production of spirit used in spirit vinegar production under 2209 code according to the Ukrainian Classifier of Commodities in Foreign Economic Activities and spirit used directly or as a component in semi-finished products used in food products manufacturing.</p> <p><i>Target group:</i> ethyl alcohol producers.</p>			
5.1	<p><b>Develop and agree upon with key stakeholders a draft law on amending the Tax Code and other regulatory acts to set a zero rate of the excise tax for</b></p> <ul style="list-style-type: none"> <li>– denaturated (commercial) spirit</li> <li>– spirit used in spirit vinegar production under 2209 code according to the Ukrainian Classifier of Commodities in Foreign Economic Activities and</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, Ministry of Finance of Ukraine State Fiscal Service</p>	<ul style="list-style-type: none"> <li>– To expand spirits use consequently,</li> <li>– Increase its production and sales,</li> <li>– Raise investments and revenues of the State budget.</li> </ul>

	<p>– spirit used directly or as a component in semi-finished products used in food products manufacturing</p> <p><b>Establish an effective system of control that would block the production and sale of potable alcohol under the guise of denaturated spirit.</b></p> <p><i>Suggested approach and measures:</i> To develop a reliable mechanism of control over the production and sale of spirits on the basis of a Uniform Electronic System that would establish a comprehensive control over the production, circulation and use of spirits.</p>			
6	<p>Implement new modern technologies for combating schemes used for illegal imports into Ukraine of spirits, alcohol beverages and tobacco products and illicit manufacture thereof within the territory of Ukraine.</p> <p><i>Target group:</i> alcohol beverages and tobacco producers.</p>			
6.1	<p><b>Develop and reach agreement with key stakeholders on a draft law providing for the implementation in Ukraine of a Uniform Electronic System of control over the production, circulation and sales of tobacco products and alcohol beverages in real-time mode.</b></p> <p><i>Suggested approach and measures:</i> Introduce electronic excise stamps, create a public electronic register of excisable goods.</p>	2016	<p><u>Lead:</u> Ministry of agrarian policy and food, State fiscal service</p>	<ul style="list-style-type: none"> <li>– Reduce shadow production of spirits, alcohol and tobacco products,</li> <li>– Increase revenues of the State budget,</li> <li>– Create the conditions for raising the excise tax rates so that to prevent the shadow market increase.</li> <li>– Reduce corruptness in tax authorities.</li> </ul>
<b>MAIN STRATEGIC PRIORITY 6. DEVELOPMENT OF AGRI-FOOD VALUE CHAIN</b>				
<b>Priority 6.1 Access to Finance</b>				

1	To implement guarantee mechanisms and instruments for warehouse certificates and agrarian receipts, practice their use in the pilot regions and expand to other regions.			
1.1.	<p><b>Adopt necessary regulations to arrange for a simple and easy to use procedure of the purchase and sale of grain related agrarian receipts and warehouse documents on grain, issuing sureties thereunder, and a suitable procedure for such liabilities accounting by banks and other financial institution for the purpose of their liquidity calculation.</b></p> <p><i>Target group:</i> parties to agricultural producers' loan agreements (commodity and financial loans), guarantors</p> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To develop draft regulations,</li> <li>– To test them within a pilot project and</li> <li>– expand throughout the territory of Ukraine.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Finance of Ukraine Ministry of Justice of Ukraine</p>	<ul style="list-style-type: none"> <li>– Methodological guidelines on accounting grain related agrarian receipts and warehouse documents.</li> <li>– Generalized tax consultation on taxation of operations with grain related agrarian receipts, warehouse documents.</li> </ul>
1.2.	<p><b>Adopt necessary regulations to determine the order of connecting the Oblasts of Ukraine to the agrarian receipts use system, conduct trainings on agrarian receipts handling for all associated persons in accordance with the order of precedence then determined.</b></p> <p><i>Target group:</i> parties to agricultural producers' loan agreements (commodity and financial loans), guarantors</p> <p><i>Suggested approach and measures:</i> To connect another 3 Oblasts by the end of 2015, the remaining territory of Ukraine — by the end of 2016.</p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Justice of Ukraine</p>	<ul style="list-style-type: none"> <li>– Joint order to expand the pilot providing for agrarian receipts implementation practice by the example of individual Oblasts.</li> <li>– Order to finish the pilot and implement agrarian receipts throughout the territory of Ukraine.</li> </ul>



2	<p><b>Approve changes to the laws governing the activities of credit unions and cooperative banks</b>, which shall:</p> <ul style="list-style-type: none"> <li>– Permit legal entities to be members of credit unions,</li> <li>– Permit credit unions to be members of, and participate in, the Deposit Guarantee Fund,</li> <li>– Introduce the status of a 'agricultural credit market financial operator', which can be granted to, among others, credit unions, whereby ensuring equitable participation in budget financing programmes at the national and regional levels;</li> </ul> <p><i>Suggested approach and measures:</i></p> <ul style="list-style-type: none"> <li>– To develop the concept of changes and amendments to the Law and a draft law on making changes and amendments.</li> <li>– To adopt changes and amendments to Law of Ukraine N 2908-III on Credit Unions dated December 20, 2001</li> <li>– To bring into compliance regulations governing the activities of credit unions and cooperative banks</li> <li>– To facilitate the commencement of operation of the (non-government) fund of refinancing banks and credit unions to issue loans to small agricultural producers</li> </ul>	2015 – 2018	<p><u>Lead:</u> National Commission for the State Regulation of Financial Services Markets</p> <p><u>Associated:</u> Ministry of Agrarian Policy and Food, Ministry of Economic Development and Trade, Ministry of Finance, National Bank of Ukraine, Verkhovna Rada of Ukraine</p>	
3	Developing agricultural insurance.			
3.1	<p><b>To amend the Law of Ukraine on the Specifics of Agricultural Products Insurance with State Support</b></p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> National Commission for the State Regulation of Financial Services Markets</p>	Reformed insurance system

3.2	<b>To create a greater variety of insurance products under which state support is provided.</b>	2015-2016	<u>Lead:</u> National Commission for the State Regulation of Financial Services Markets, Ministry of Agrarian Policy and Food  <u>Associated:</u> Agrarian insurance pool	Developed and approved new standard insurance products
3.3	<b>To propose allocating budgetary funds to make insurance cheaper and ensure further predictability thereof.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food  <u>Associated:</u> Ministry of Finance of Ukraine, Ministry of Justice of Ukraine, Agrarian insurance pool	Ensured finance of the programme of state support to agricultural products insurance
3.4	<b>To work out recommendations as to the Charter of the Agrarian Insurance Pool to broaden membership and implement transparent conditions for cooperation with all stakeholders.</b>  <b>To generalize consultations on the Pool operation, cooperation with the bodies of state power and agricultural producers, preparation and submission of relevant reports.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine  <u>Associated:</u> National Commission for the State Regulation of Financial Services Markets	Created transparent conditions for the operation of public and private partnerships
4	Determined national priorities, support policy and use of financial instruments for specific categories of agricultural producers.  <i>Target group:</i> all agricultural producers / farmers (small, medium-sized and large business).			
4.1	<b>Facilitate development of additional funding instruments</b>  – Financial instruments in the form of loans, guarantees and capital	2015-2016		

	– Requirements for use of financial market instruments, especially in cases where farmers are unable to raise funds from commercial banks and other private investors.			
4.2	<b>Determine the policy framework of financial instruments use according to the EU programmes<sup>12</sup>.</b>	2015-2016		
4.3	<b>To lift the ban on financial instruments use in projects and for beneficiaries that have the capacity to raise additional private capital for investments in rural territories.</b>	2015-2016		
4.4	<b>To develop segmentation approaches (having provided measurable and transparent segmentation criteria), which should be compliant with Basel III principles</b>  (beneficiary / business owner; related companies / parties; subsidiaries, increased capital / liquidity position).	2015-2016		
5	To enable the use of land and right of lease (property right) as collateral in agricultural sector financing and objects in free circulation upon termination of the land reform.			
5.1	<b>To implement a pilot project envisaging long-term lease of state lands (5-10 years) by private sector (SME, micro-farmers), and ensure lending by state-owned banks.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	
5.2	<b>Review a Dutch checked bankable option of lease of a land plot designed for SME farmers with debt.</b> <b>To work out recommendations as to the use thereof in Ukraine.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food  <u>Associated:</u> International Financial Corporation	

<sup>12</sup>[http://ec.EURpa.eu/agriculture/rural-development-2014-2020/financial-instruments/index\\_en.htm](http://ec.EURpa.eu/agriculture/rural-development-2014-2020/financial-instruments/index_en.htm)

5.3	<b>Develop a long-term small and medium-sized business lending programme for farmers on the basis of lease serving as collateral.</b>	2016	<u>Lead:</u> Ministry of Agrarian Policy and Food  <u>Associated:</u> commercial/state banks, World Bank, International Financial Corporation, European Bank for Reconstruction and Development	
6	Promoting the development of the secondary financial market; implementation of the IFRS			
6.1	<b>Develop a programme of foreign investments through private or state-owned banks, capital of which shall be covered by a government guarantee (actually funded by the IMF, EBRR).</b>  <i>Suggested approach and measures:</i> A special purpose programme for the agri-industrial segment of the sector for potential hedging exchange risk due to huge export capacity.	2016-2017	<u>Lead:</u> Ministry of Agrarian Policy and Food, National bank of Ukraine, IFC, EBRR, World Bank	
7	To promote the improvement of liquidity of the financial market for agricultural producers through the cooperation with the NBU and international donor organizations.			
7.1	<b>Introduce mechanisms of risk sharing or loan guarantee programme to develop special purpose lending for pilot Agri SME lending and aggregation.</b>			
8	To create the system for guaranteeing loans to small and medium-sized businesses			
8.1	<b>Carry out a pilot project on the development of recommendations as to the implementation of the system for guaranteeing loans to small and medium-sized businesses.</b>			

9	To renew state programme of support to the agricultural sector insurance. Development and implementation of risks mitigation instruments such as insurance (of yields, revenues etc.), agricultural derivatives. Promoting the implementation of new standard insurance products.			
9.1	<b>Develop the programme of adapting agri-insurance products to the bank system of Ukraine.</b>			
10	Improving financial awareness of agricultural producers and agricultural awareness of the financial sector; facilitating the implementation of the best practices in corporate governance for farms			
10.1	<b>Initiate expert training programmes on agro / banking / financial issues for all agro-industrial participants of the market on a permanent basis. Develop a relative plan and set priorities.</b>			
<b>Priority 6.2 Infrastructure and logistics, upgrading and modernisation of production and processing capacities</b>				
1	To develop / encourage investments in grain storage and processing facilities and service infrastructure <i>Target group:</i> agricultural producers, grain storage industry, traders			
1.1.	<b>To develop the concept to encourage investments in grain storage and processing facilities and service infrastructure, in particular, facilities that will be placed at agricultural producers' enterprises</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine <u>Associated:</u> Ministry of Finance of Ukraine	The concept will enable to spell out the role of the state and private sector in promoting investments in storage facilities and relevant investment incentives
1.2.	<b>To promote the improvement of the regulatory environment in terms of</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Regional Development, Construction and	

	<p><b>modernisation of existing, and construction of new storage facilities.</b></p> <p><i>Suggested approach and measures:</i> To amend relevant laws in order to:</p> <ul style="list-style-type: none"> <li>– To reconsider the role of Public Consultations (PC) in the implementation of projects aimed at modernisation of existing / construction of new elevators</li> <li>– To address the issue of fire safety and environmental protection in the implementation of projects aimed at modernisation of existing / construction of new elevators.</li> <li>– To align predictable requirements for decisions of the bodies of local self-government on issuing construction permits.</li> <li>– To lighten import duties for grain storage and processing equipment for promoting technical modernisation</li> <li>– To cancel certification of the equipment imported to the territory of Ukraine subject to the availability of warranty and manufacturer's certificates issued to the equipment purchasers.</li> </ul>		<p>Housing and Communal Services of Ukraine</p> <p><u>Associated:</u> Ministry of Finance of Ukraine</p>	
1.3.	<p><b>Promote the improvement of the regulatory framework governing the operation of grain warehouses and elevators.</b></p> <p><i>Suggested approach and measures:</i> To amend relevant laws in order to:</p> <ul style="list-style-type: none"> <li>– develop and implement new Technical Regulation on grain warehouses</li> <li>– bring the Ukrainian grain quality standards into line with the international ones.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine</p> <p><u>Associated:</u> Ministry of Finance of Ukraine</p>	
2	<p>Development of the domestic motor roads and railways</p> <p><i>Target group:</i> agricultural producers, rail carriers, motor carriers, and traders</p>			

2.1.	<b>Improve the regulatory environment in the area of railway service and rolling stock.</b> <i>Suggested approach and mechanisms/Mechanisms:</i> – Ensure competitive supply of rail cars to all applicants. – Ensure investment-attractive railway tariffs for construction and operation of private rail cars; – Develop an investment strategy to increase the number of and upgrade the rolling stock.	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of Infrastructure  <u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade	
2.2.	<b>Ensure market-based, transparent and non-discriminatory railway transportation tariffs within the territory of Ukraine.</b>	Starting from 2016	<u>Lead</u> Ministry of Infrastructure, Ministry of Economic Development and Trade	– Falling logistics costs – Strengthened competition capacity of processed grain products – Increased production volume of processed grain products
2.3	<b>Support the expansion of port capacities, including port rail terminals by means of improving the regulatory environment and mechanisms for private-public partnership and financing.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of Infrastructure  <u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade	
2.4	<b>Stimulate the development of concept/tools to prevent overload of surface transport facilities.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of Infrastructure  <u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade	
3	Development of the Ukrainian waterways.  <i>Target group:</i> agricultural producers, river infrastructure and transport facilities, ports, traders			
3.1	<b>Encourage the competition in the river transportation market between the domestic and foreign carriers.</b>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Infrastructure	

	<p><i>Suggested approach and mechanisms/Mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Liberalize the one-time-only authorization system for foreign fleet to put into river ports through making relevant changes to Order N 665 of the Ministry of Infrastructure of Ukraine dated November 9, 2012.</li> <li>– Equalize port charges for coastal voyages to the competitive level against international voyages through making relevant changes to Order N 316 of the Ministry of Infrastructure of Ukraine dated May 27, 2013.</li> </ul>		<p><u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade</p>	
3.2	<p><b>Demonopolize pilotage services in inland waterways and liberalize the pilotage services fee for piloting vessels in inland waterways</b></p> <p><i>Suggested approach and mechanisms/Mechanisms:</i> To amend Order N 965 of the Ministry of Infrastructure dated December 3, 2013</p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Infrastructure</p> <p><u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade</p>	
3.3	<p><b>To improve the efficiency of public services in the area of water management.</b></p> <p><i>Suggested approach and mechanisms/Mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Ensure provision of dredging operations on the Dnipro river and other rivers.</li> <li>– Consider the issue of developing a new sluicing model. This model can provide that sluices and hydroelectric power stations would be considered as a single undivided property and technical maintenance of the sluices can be financed from sale of electric power (Order N 553 of the Ministry of Infrastructure dated October 16, 2014)</li> <li>– Ensure functioning and price attractiveness of unbridging on rivers. Develop a conception of draw bridges for competitive navigation (Article 99 of the Ukrainian Railways Charter).</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Infrastructure</p> <p><u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade</p>	



3.4	<p><b>Provide a legal mechanism to raise investments in inland waterways</b></p> <p><i>Suggested approach and mechanisms/Mechanisms:</i></p> <ul style="list-style-type: none"> <li>– To make relevant changes to the Laws of Ukraine on Public-Private Partnership, Investment Activity, the Land Code and other regulations</li> <li>– To develop and adopt the Law on Inland Waterways that would address the existing ambiguity of legal status of ports, terminals, river transport lands, hydraulic engineering installations, rights and obligations of the carriers etc.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Infrastructure</p> <p><u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade</p>	
4	<p>Creating a national network for support of sales of agricultural products, taking into account regional specifics and with the orientation towards both the producers and consumers in locations of direct concentration</p> <p><i>Target group:</i> agricultural producers.</p>			
4.1	<p><b>To provide a legal mechanism for the development of an integrated three-level infrastructure of the horticultural market through making relevant changes to the Law of Ukraine on Wholesale Agricultural Markets and other regulations.</b></p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Infrastructure</p> <p><u>Associated:</u> Ministry of Finance, Ministry of Economic Development and Trade</p>	
4.2	<p><b>To develop an integrated development programme for the agrarian market infrastructure.</b></p> <p><i>Suggested approach and mechanisms:</i> The programme shall provide for three levels:</p> <ul style="list-style-type: none"> <li>– Level 1 - national wholesale agricultural markets;</li> <li>– Level 2 - regional wholesale agricultural markets;</li> <li>– Level 3 - local logistical platforms (procurement centres) with the functions of farmer markets.</li> </ul> <p>Details of the program should include:</p>	2015-2016		

	<ul style="list-style-type: none"> <li>– Liberalization of the access to state or municipal lands for placement of agricultural markets; purchase of land plots for social purpose.</li> <li>– Participation of the state in the construction of access roads, water and electrical networks, etc.</li> <li>– Providing state guarantees to attract investments;</li> <li>– Budget support to local markets development.</li> <li>– Encouragement / support of investments in storage capacities</li> </ul>			
5	Upgrade and modernisation of production and processing facilities.			
5.1	<b>Cancel import fee and VAT on the equipment designed for the food industry.</b>	2016-2020	<u>Lead:</u> Ministry of Finance of Ukraine  <u>Associated:</u> Ministry of Economic Development and Trade of Ukraine Ministry of Agrarian Policy and Food	<ul style="list-style-type: none"> <li>– Technical modernisation and conversion of production facilities</li> <li>– Service yard re-equipment</li> </ul>
5.2	<b>To reduce (by 30 percent) the cost of domestically manufactured equipment for the food industry or lighten the cost of loans raised for such equipment purchase</b>	2017-2020	<u>Lead:</u> Ministry of Finance of Ukraine  <u>Associated:</u> Ministry of Economic Development and Trade of Ukraine Ministry of Agrarian Policy and Food	<ul style="list-style-type: none"> <li>– Technical modernisation and conversion of production facilities</li> <li>– Service yard re-equipment</li> </ul>
6	<b>To develop and adopt the laws to promote the development of agricultural production ( including seeds, mineral fertilizers, equipment and facilities).</b>  <i>Target group:</i> seed producers <i>Suggested approach and mechanisms:</i> Adopt changes and amendments to the relevant laws of Ukraine to align them with the certification procedure <i>to ensure the</i>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food	<ul style="list-style-type: none"> <li>– Ukrainian seed producers' access to the EU market</li> <li>– Improvement of seed purity and quality</li> <li>– Equivalent requirements of the EU and Ukrainian legislation</li> <li>– Mutual recognition of the certification / conformity assessment with the specialized international organizations</li> </ul>

	<i>compliance with the essential markets standards and requirements</i>			
7	<p><b>To improve the legislation in terms of facilitating access of small commodity and local producers to retail networks.</b></p> <p><i>Target group:</i> small and medium-sized producers. <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– To promote access of small and medium-sized producers to long-term contracts with supermarket networks,</li> <li>– To simplify the settlement procedure</li> <li>– To limit the period of payment for products delivered.</li> </ul>	2016	<p><u>Lead:</u> Ministry of Finance of Ukraine Ministry of Agrarian Policy and Food, Ministry of Economic Development and Trade</p>	The reduction of the permissible period of payment for products delivered to fourteen days will promote and encourage bilateral contractual obligations on a long-term basis, and foster the development of primary processing and modernisation of fresh products storing
8	<b>Develop and implement a program of promoting advanced processing of agricultural products.</b>	2015-2017	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of Economic Development and Trade</p>	
9	<b>Initiate development and implementation of system of monitoring, of open and transparent access to production and performance indicators, for instance based on FADN.</b>	2016-2020	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, State Statistical Service of Ukraine</p>	Will promote raising market awareness of expectations, forecasts and trends.
10	<b>Implement specialized IT-solutions for extension of intensive production technologies, shift to specialized approaches of doing business.</b>	2016-2020		
11	<b>Facilitate small commodity and local producers' access to retail trade. To implement approaches for generating supply chains subject to directly engaging retailers.</b>	2017-2020		

12	<b>Foster the attraction of investments in modernisation of production facilities, boosting processing volumes and logistics component capacities.</b>	2017-2020		
13	<b>Ensure efficient use of irrigated and drained lands:</b> <ul style="list-style-type: none"> <li>– Ensure functioning of the established Collegial Council,</li> <li>– Develop and strategy for reconstructing, restoring and developing of the irrigation systems in the South of Ukraine,</li> <li>– Conduct a feasibility study of the models of irrigation,</li> <li>– Develop and implement pilot projects of irrigation systems in the South of Ukraine,</li> <li>– Spread the best practices of irrigation based on the results of the pilot projects.</li> </ul>	2015 -2020	<u>Lead:</u> Ministry of Agrarian Policy and Food, Ministry of Infrastructure  <u>Associated:</u> World bank	
14	<b>Subject to IFAD membership attract resources of the Fund for developing the irrigation systems in the south of Ukraine.</b>	2016 – 2017	<u>Lead:</u> Ministry of Agrarian Policy and Food  <u>Associated:</u> Ministry of Foreign Affairs, Ministry of Regional Development	
<b>Priority 6.3 Producers organisations</b>				
1	Eliminate key legal barriers for the development of agricultural cooperation.  <i>Target group:</i> agricultural cooperatives, small and medium agricultural producers, food producers			
1.1	<b>Develop, approve by the Cabinet of Ministers of Ukraine and pass to the Parliament a draft</b>	2015	<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine	– Elimination of legal barriers constraining development of agricultural cooperation,

	<p><b>law amending current legislation on cooperation.</b></p> <p><i>Suggested approach and mechanisms:</i> Bring the current status of a farming cooperative in line with best international (European and other) practices by means of eliminating:</p> <ul style="list-style-type: none"> <li>– Restrictions on membership in the production cooperatives,</li> <li>– Restrictions for service co-ops to conduct some activities - in particular, to carry out purchase of members' products with the transfer of ownership.</li> </ul>			<ul style="list-style-type: none"> <li>– Providing producers with flexible legislative environment for establishment and functioning of cooperatives.</li> </ul>
2	<p>Ensuring legal definition and recognition of producer organizations.</p> <p><i>Target group:</i> agricultural producers, food producers, existing forms of producers association.</p>			
2.1	<p><b>Develop, approve by the Cabinet of Ministers of Ukraine and pass to the Parliament a draft law on the producer organizations; to develop and adopt relevant regulations.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Introduce into Ukrainian practice and determine at the level of a law a clear definition, possible legal forms, key functions and powers of producer organizations, set recognition criteria for producer organizations</li> <li>– Define the responsible bodies and relevant state policy on the promotion and monitoring of the development of producer organizations.</li> </ul>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u> NGOs</p>	<p>Creation of additional opportunities for Ukrainian agricultural producers to unite into various forms of producer organizations and thus to increase their competitiveness and welfare of rural citizens.</p>
2.2	<p><b>Implement pilot projects based on amended legislation.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Promote the association of producers into cooperatives and other forms of PO through pilot</li> </ul>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u> NGOs</p>	<p>Creation of additional opportunities for Ukrainian agricultural producers to unite into various forms of producer organizations (including co-ops) and thus to increase their competitiveness and welfare of rural citizens as well as testing new legislation.</p>

	<p>demonstrative projects on establishment of cooperatives (PO) in some areas and sectors,</p> <ul style="list-style-type: none"> <li>– evaluate a practical effect of legislative changes adopted,</li> <li>– further scale of successful pilot projects to other areas and industries.</li> </ul>			
3	<p>Development of programme and systemic measures to promote producer organizations and associations</p> <p><i>Target group(s):</i> producer organizations (incl. cooperatives), agricultural and food producers.</p>			
3.1	<p>Develop and integration of systemic policy measures aimed at producer organizations development into the state (incl. Ministry's) and regional programs.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Ensure specialized services in the Ministry of Agrarian Policy and Food of Ukraine and/or regional authorities in charge of promoting cooperative models and other forms of producer organizations,</li> <li>– Organise training for members and cooperatives' employees,</li> <li>– Coordinate the work of NGOs in this sector and providing support (incl. Feasibility studies) to farmers to set up cooperatives;</li> <li>– Include into the Ministry's programme measures for producer organization (incl. Cooperatives) for sectors and regions with clear deadlines and objectives,</li> <li>– Establishment of tools to monitor implementation of stipulated measures.</li> </ul>	2017	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p>	
4	<p>Introduction of specific state support schemes for producer organizations</p> <p><i>Target group:</i> producer organizations (incl. cooperatives), agricultural and food producers.</p>			
4.1	<p><b>Elaborate and implement state support schemes for producer organizations (incl. cooperatives), develop and adopt necessary</b></p>	2017	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p>	

	<p><b>supporting legislative and regulative documents and decisions.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Implementation of a state support scheme for producer organizations (incl. cooperatives) during its first five years, aiming at adapting capacities and tools for collective purposes, improving the quality of products and adaptation to the markets;</li> <li>– Ensuring adequate instruments to control coherent and efficient use of the support.</li> </ul>		<p><u>Associated:</u> Ministry of Finance of Ukraine</p>	
<p><b>Priority 6.4 Assessment and simplification of the state support to agriculture</b></p>				
1	<p>To ensure that the state budget resources are used in a transparent and effective way irrespective of a support model selected.</p> <p><i>Target group:</i> Agricultural producers.</p>			
1.1	<ul style="list-style-type: none"> <li>– <b>Develop the concept of the platform for informing on, and exercising control over, the use of public expenditures in the agricultural sector and their efficiency;</b></li> <li>– <b>Develop and agree upon with key stakeholders legislative changes as may be necessary to implement the platform in question;</b></li> </ul> <p><i>Suggested approach and mechanisms:</i> The platform concept shall incorporate the below components:</p> <ul style="list-style-type: none"> <li>– open registers of the state support recipients;</li> <li>– a web page on the website of the Ministry of Agricultural Policy and Food designed for reporting and informing on the state support programmes;</li> </ul>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Finance</p>	<ul style="list-style-type: none"> <li>– Improved transparency and efficiency of the state support,</li> <li>– Increased trust of agricultural producers in the state support programmes.</li> <li>– Improved institutional capacity of the ministry of agrarian policy and food of Ukraine and implementation of effective state support programmes.</li> </ul>

	<ul style="list-style-type: none"> <li>– annual assessment of the efficiency and effectiveness of the state support programmes, taxation, state support system reform, including with the engagement of independent institutions and organizations.</li> </ul>			
1.2	<p><b>Develop and agree upon with key stakeholders changes and amendments to the Law of Ukraine on State Agricultural Sector Support and other regulations that would provide that new support measures could be possible only after already existing financing commitments of the Ministry of Agrarian Policy and Food are fulfilled.</b></p> <p><i>Suggested approach and mechanisms:</i> To introduce a standard on repayment of budgetary debt under the state support programmes;</p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Finance</p>	Improved trust of agricultural producers in the state support programmes
1.3	<ul style="list-style-type: none"> <li>– <b>Develop and agree upon other regulations that would provide access to the state support programmes for all producers depending on the existing priorities and criteria;</b></li> <li>– <b>Develop the concept and implement regular awareness raising activities / campaign by the Ministry of Agrarian Policy and Food to notify agricultural producers and rural population of the state support programmes; legislative support to implementation of the Concept.</b></li> </ul> <p>Suggested approach and mechanisms</p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Finance</p>	Improved agricultural producers access to, and trust in, the state support programmes



	Awareness raising activities through media, Internet (at the web page of the Ministry of Agrarian Policy and Food dealing with the state support issues), different measures, advisory services network, district specialized departments.			
2	Implement new model of the state support causing minimum market and production incentives distortion <i>Target group:</i> Agricultural producers			
2.1	<ul style="list-style-type: none"> <li>– <b>Develop and agree upon with key stakeholders new text of the Law of Ukraine on State Agricultural Sector Support;</b></li> <li>– <b>Develop and approve the State Agricultural Sector Support Programme for 2016-2021;</b></li> <li>– <b>Develop and agree upon other regulations as may be necessary for the implementation of the Law of Ukraine on State Agricultural Sector Support and State Agricultural Sector Support Programme.</b></li> </ul> <p>Suggested approach and mechanisms:</p> <ul style="list-style-type: none"> <li>– consider a significant reduction (3-4) in the number of the state support areas and set priorities to determine new state support areas;</li> <li>– provide a possibility for co-financing state support programmes with donors and other investors;</li> <li>– increased focus on 'green box' support programmes;</li> <li>– Set priority tasks of the state support programmes based on the findings of an independent study focusing on, among other things, such priorities as</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Finance</p>	Improved efficiency of the state support through better targeting thereof, providing support to right producers (who really need it).

	set forth below: small agricultural producers, dairy farms, farms that use organic fertilizers only, newcomers/young farmers.			
2.2	<ul style="list-style-type: none"> <li>– <b>Develop and agree upon the Plan for gradual transition from the state support in the form of tax benefits to the guaranteed state support in the form of budget transfers;</b></li> <li>– <b>Develop legislative environment as may be necessary for the implementation of the aforesaid plan;</b></li> </ul> <p><i>Suggested approach and mechanisms:</i> To create an interdepartmental group for developing the above-mentioned plan.</p>	2015	<p><u>Lead:</u> Ministry of Agrarian Policy and Food and Ministry of Finance</p> <p><u>Associated:</u> Ministry of Economic Development and Trade</p>	
3	<p>Develop and implement an effective, simple and transparent policy of providing support to the agricultural sector.</p> <p><i>Target group:</i> Agricultural producers</p>			
3.1	<p><b>To implement the concept of the platform for notifying the public of the use of public expenditures in the agricultural sector and their efficiency</b></p> <p><i>Suggested approach and mechanisms:</i> The platform concept shall incorporate the below components:</p> <ul style="list-style-type: none"> <li>– Creating and maintaining the open register of the state support recipients;</li> <li>– Maintaining a web page on the website of the Ministry of Agricultural Policy and Food designed for reporting and informing on the state support programmes;</li> <li>– Annual assessment of the efficiency and effectiveness of the state support programmes, taxation, state support system reform, including</li> </ul>	2017		

	with the engagement of independent institutions and organizations;			
3.2	<p><b>Implement the concept of conducting regular awareness raising activities / campaign by the Ministry of Agrarian Policy and Food to notify agricultural producers and rural population of the state support programmes; Provide legislative support to the Concept implementation.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Awareness raising activities through media, Internet (at the web page of the Ministry of Agrarian Policy and Food dealing with the state support issues), different measures, advisory services network, district specialized departments.</li> </ul>	2017		
3.3	<ul style="list-style-type: none"> <li>– <b>Implement and follow-up the progress in the implementation of the Plan for gradual transition from the state support in the form of tax benefits to the guaranteed state support in the form of budget transfers;</b></li> </ul> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Create a working group for developing the above-mentioned plan at the Ministry of agrarian policy and food.</li> <li>– Develop legislative environment as may be necessary for the implementation of the aforesaid plan</li> </ul>	2017	<u>Lead:</u> Ministry of agrarian policy and food.	
<b>Priority 6.5 Support to small farms</b>				

1	<p><b>Enhance the relevant legislative framework (registration, taxation, insurance, and pension system).</b></p> <p><i>Target group:</i> individual farms, family farms and small farm enterprises.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Design a legislative and regulatory framework for small farm support</li> <li>– Conduct public discussions of the project.</li> <li>– Submit to the Verkhovna Rada of Ukraine and follow-up until its adoption.</li> </ul>	2015- 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, Local governments</p> <p><u>Associated:</u> Ministry of Social Policy, Ministry of Justice, Donors</p>	Institutional conditions and legislative framework established to promote the activity of small farms
2	<p><b>Develop the special credit and insurance programmes for small farm support.</b></p> <p><i>Target group:</i> individual farms, family farms and small farms</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Carry out a feasibility study for a special programme of credit and insurance support</li> <li>– To draft the programme and develop an implementation strategy</li> <li>– Piloting the credit and insurance support programme</li> <li>– Assess of the pilot project efficiency and work on mistakes.</li> </ul>	2015- 2016	<p><u>Lead:</u> Local governments, Ministry of Agrarian Policy</p> <p><u>Associated:</u> NBU, Ministry of Finance, donors</p>	<ul style="list-style-type: none"> <li>– Improving access to beneficial credits</li> <li>– Mitigating business risks by providing access to subsidized agrarian insurance schemes / a wider access to financial services</li> </ul>
3	<ul style="list-style-type: none"> <li>– <b>Provide preferential leasing of existing state owned agricultural land to small farmers to encourage them to expand their farm businesses;</b></li> <li>– <b>Transfer agricultural land into the ownership to rural communities, in particular for community pastures.</b></li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Ministry of Social Policy, Ministry of Justice, Donors</p>	Increased efficiency and competitiveness of small farms

	<p><i>Target group:</i> individual farms, family farms and small farms, rural residents</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Draft a law for granting preferential leasing of agricultural land to small farms</li> <li>– Conduct public discussions of the draft law</li> <li>– Submit the draft law to the Verkhovna Rada of Ukraine and follow-up until its adoption.</li> </ul>			
4	<p><b>Develop specific training programmes, organization of training and advisory services for small farmers</b> to improve their skills in the technologies of commercial activity, managing farms, improving access to finance, investments, and benefit chains.</p> <p><i>Target group:</i> individual farms, family farms and small farms, rural residents</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Carry out a feasibility study for the specific training programmes and advisory service system</li> <li>– Design the programme and develop an implementation strategy</li> <li>– Pilot the programme</li> <li>– Assess of the pilot project efficiency and work on mistakes.</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments</p> <p><u>Associated:</u> Donors</p>	Mastering new knowledge and practical skills in business activity and management
5	<p><b>Design and implement a pilot target investment support programme to promote the development of small farms and diversification of their agricultural activity.</b></p> <p><i>Target group:</i> individual farms, family farms and small farms, rural residents</p> <p><i>Suggested approach and mechanisms:</i></p>	2015-2018	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	Access to investment, extending modernisation opportunities for small farm

	<ul style="list-style-type: none"> <li>– Hold a feasibility study for the special programme of credit and insurance support</li> <li>– Design the programme and develop an implementation strategy</li> <li>– Pilot the programme</li> <li>– Assess the pilot project efficiency and work on mistakes.</li> </ul>			
6	<p><b>Introduce of a support scheme for small agricultural producers to promote forming of partnerships, cooperation, producer groups (in particular, cooperatives) in order to improve their access to markets and market infrastructure, development and implementation of new trading regulations and standards.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Development of guidelines concerning small farm support on the part of authorities to facilitate their association for access to markets and market infrastructure</li> <li>– Public discussion of the guidelines</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Ministry of Justice, Donors</p>	Increased competitiveness at product, resource and finance markets.
7	<p><b>Developing and introducing a special support programme for young farmers.</b> (including special training programmes, preferential access to agricultural land, and compensation of the loan rate at commercial banks).</p> <p><i>Target group:</i> individual farms, family</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Hold a feasibility study for the special support programme for young farmers</li> <li>– Design the programme and develop an implementation strategy</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	<ul style="list-style-type: none"> <li>– Increase of the number of young people employed in villages,</li> <li>– Improvement of competitiveness.</li> <li>– Access to production resources</li> </ul>

	<ul style="list-style-type: none"> <li>– Pilot the programme</li> <li>– Assess the pilot project efficiency and work on mistakes.</li> </ul>			
8	<p><b>Further implement the small farm support programme on credit and insurance on the national level</b></p> <p><i>Target group:</i> individual farms, family farms and small farms, rural residents  <i>Suggested approach and mechanisms:</i> extending pilot project results to other representatives of the Target group.</p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	
9	<p><b>Implement on the national level (based on the pilot project) special training programmes, organization of training, provision of consultation (advise) services, improvement of access to finance, investment, benefit chains.</b></p> <p><i>Target group:</i> individual farms, family farms and small farms, rural residents  <i>Suggested approach and mechanisms:</i> extending pilot project results to other representatives of the Target group</p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	
10	<p><b>Implement on the national level investment support programme to promote the development of small farms and diversification of their agricultural activity.</b></p> <p><i>Target group:</i> individual farms, family farms and small farms</p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	

	<i>Suggested approach and mechanisms:</i> extending pilot project results to other representatives of the Target group.			
11	<p><b>Further promote forming partnerships, cooperation, producer groups (in particular, cooperatives)</b> in order to improve their access to markets and market infrastructure, development and implementation of new trading regulations and standards.</p> <p><i>Target group:</i> individual farms, family farms and small farms  <i>Suggested approach and mechanisms:</i> extending pilot project results to other representatives of the Target group</p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	Improved access of small agricultural producers to the markets and market infrastructure Applying new rules and standards of trade.
12	<p><b>Implement on the national level the support programme for young farmers (including special training programmes, preferential access to agricultural lands, and compensation of the loan rate in commercial banks).</b></p> <p><i>Target group:</i> individual farms, family farms and small farms  <i>Suggested approach and mechanisms:</i> extending pilot project results to other representatives of the Target group.</p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy, Local governments.</p> <p><u>Associated:</u> Donors</p>	

## MAIN STRATEGIC PRIORITY 7. RURAL DEVELOPMENT – REVITALISATION OF RURAL AREAS

### Priority 7.1 Improvement of quality of life in rural areas



1	<p><b>Revise the legislative and regulatory frameworks for registration and development on non-agriculture operations in rural areas.</b></p> <p><i>Target group:</i> Business entities using agriculture assets for non-agriculture operations; registered business entities in non-agriculture spheres in rural areas; rural residents engaged in non-agriculture operations without being registered; rural residents – potential entrepreneurs in non-agriculture spheres.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Review and assess laws, regulations, other documents and real procedures regulating introduction and carrying out of non-agriculture operations in rural areas;</li> <li>– Develop proposals on revising/cancelling them.</li> <li>– Proposals on revising regulations and guidelines shall be intended to streamline introduction of and create favorable conditions for non-agriculture operations to the maximum extent possible.</li> </ul>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, local governments</p> <p><u>Associated:</u> Ministry of Economic Development; Ministry of Social Policy</p>	<p>Amending laws, national and sectoral regulations, which are equivalent to similar EU documents. This will streamline the process of introduction of and create proper enabling environments for non-agriculture operations in rural areas.</p>
2	<p><b>Develop and implement pilot projects in stimulating non-agriculture operations and supporting micro enterprises in rural areas in the following spheres:</b></p> <ul style="list-style-type: none"> <li>– <b>rural and agrarian tourism,</b></li> <li>– <b>bio power engineering,</b></li> <li>– <b>fishery,</b></li> <li>– <b>woodwork,</b></li> <li>– <b>construction etc.</b></li> <li>– <b>as well as in developing a telecommunication infrastructure.</b></li> </ul>	2015 –2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, local governments</p> <p><u>Associated:</u> Ministry of Economic Development, Ministry of Finance, Ministry of Social Policy, Ministry of Power Engineering and Coal Mining</p>	<ul style="list-style-type: none"> <li>– Gaining experience in developing non-agriculture business operations in rural areas,</li> <li>– Improvement of the human capital and accumulation of the social capital to improve the quality of rural population's life in the pilot regions.</li> </ul>

	<p><i>Target group:</i> Existing and potential business entities engaged in non-agriculture activities in rural areas.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Develop pilot projects in specified non-agriculture areas and in the telecommunication sector; select on a competitive basis regions and raions where these project shall be implemented; secure implementation of the pilot projects.</li> <li>– Pilot initiatives shall be selected with allowance for a potential of utilizing local assets; competitive selection of local pilot projects shall ensure that as a broad circle of participants shall be engaged;</li> <li>– Implementation of pilot project shall produce a multiplication effect in attaining goals of priority 7.1.</li> </ul>			
3	<p><b>Support business entities with regard to preservation, modernisation, and development of local infrastructure facilities for the purpose of expanding basic services for the rural economy and rural population; revive and develop rural areas.</b></p> <p><i>Target group:</i> Business entities, rural communities, local governments.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Develop pilot projects to support business entities' initiatives in developing the infrastructure and reviving rural areas based on PPP principles.</li> <li>– Pilot initiatives shall be selected with allowance for specifics of rural infrastructure development and revival of rural areas based on partnership principles with engagement of the civic society.</li> <li>– Undertake the competitive selection of pilot projects,</li> <li>– Implement pilot projects.</li> </ul>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, local governments</p> <p><u>Associated:</u> Ministry of Economic Development, Ministry of Finance, Ministry of Social Policy, Ministry of Education and Science, Ministry of Health Care</p>	<ul style="list-style-type: none"> <li>– Assess new approaches to expanding the access to production and social services in rural areas to select the best forms of implementing such approaches.</li> <li>– Accumulate experience in public-private partnership with engagement of civic society institutions in the sphere of developing the rural infrastructure and expanding an access to public services for the rural population.</li> <li>– Expand the access of rural population to social services.</li> <li>– Competitive selection of local pilot projects will stir up local initiative.</li> <li>– Pilot projects Implementation will stimulate improvement of the service quality.</li> </ul>

4	<p><b>Develop and implement a targeted initiative in organizing:</b></p> <ul style="list-style-type: none"> <li>– <b>general and special training events on modern arrangement of business operations,</b></li> <li>– <b>distance training of adult trainees from rural areas</b></li> <li>– <b>developing a system of informational and advisory support to development of non-agriculture operations.</b></li> </ul> <p>Target group: rural population, existing and potential economic entities engaged in non-agriculture operations in rural areas, local government representatives, community-based NGOs.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Develop training programs for trainers;</li> <li>– hold training events for trainers and staff members of informational-and-advisory services;</li> <li>– organize training events for entities engaged in non-agriculture activities, representatives from executive authorities and local governments, NGOs;</li> <li>– develop pilot projects in distance training of adult rural residents and select regions where the pilot projects shall be implemented;</li> <li>– secure implementation of the pilot projects.</li> </ul> <p>The measure shall be taken in two phases.</p> <ul style="list-style-type: none"> <li>– At the first phase, training programs shall be developed, and teachers and advisors will be trained.</li> <li>– At the second phase, training of the rural population, economic entities, and officials shall be organized.</li> </ul>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food / Ministry of Education and Science/local governments</p>	<ul style="list-style-type: none"> <li>– Programs and methods of training adult rural residents and non-agriculture economic entities will be tested.</li> <li>– Professional trainers and advisors will be trained.</li> <li>– Active training methods will be implemented.</li> <li>– An organizational basis will be laid down which is needed to roll out the knowledge transfer network in rural areas.</li> </ul>
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	Training shall be held using active methods. Pilot projects of (distance) training shall be implemented in rural areas of various types: those with high unemployment, those featuring mono-economy, facing a demographic crisis etc.			
5	<b>Subject to Ukraine's membership in IFAD attract resources of the Fund to support the poor rural population with opportunities for improving food security and nutrition, raising incomes and strengthening protection against negative environmental influences on agriculture.</b>	2016-2017	<u>Lead:</u> Ministry of agricultural policy and food  <u>Associated:</u> Ministry of Foreign Affairs, Ministry of Social Policy	
6	<b>Further expand programs and training areas; qualitative updating of the knowledge and practical skills of the rural population; development of the social capital for the purpose of diversifying economic activities in rural areas and sources of rural residents' income.</b>  <i>Target group:</i> rural population <i>Suggested approach and mechanisms:</i> Disseminate results of the pilot projects in organizing training of adult rural residents and economic entities.	2017-2020	<u>Lead:</u> Ministry of Agrarian Policy and Food, local governments	
7	<b>Expand and diversify the support of projects intended to stimulate non-agriculture economic operations and micro enterprises in non-agriculture spheres in rural areas, develop the infrastructure, preserve and reconstruct the rural cultural heritage.</b>	2017-2020	<u>Lead:</u> Ministry of Agrarian Policy and Food, local governments	

	<p><i>Target group:</i> economic entities engaged in non-agriculture operations, rural communities.</p> <p><i>Suggested approach and mechanisms:</i> Secure support of projects in diversified activities in rural areas, rural communities' initiatives in developing the local infrastructure and preserving and reconstructing the cultural heritage.</p>			
8	<p><b>Analyse results of completed pilot projects intended to support initiatives in developing the rural infrastructure and reviving rural areas, expand support of initiatives in developing public-private partnership in these spheres.</b></p> <p><i>Target group:</i> rural communities, economic entities in rural areas, government authorities and public administration bodies.</p> <p><i>Suggested approach and mechanisms:</i> Support economic entities and rural communities' initiatives in organizing an access to the public good and infrastructure based on de-centralization, voluntary choice of service forms, and multi-channel funding.</p>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, local governments</p> <p><u>Associated:</u> Ministry of Education, Ministry of Health Care, and Ministry of Regional Development</p>	
<b>Priority 7.2 Community-led rural development</b>				
1	<p><b>To prepare and adopt an appropriate legislative framework which shall support and protect the interests of local rural communities and promote decentralisation of authority over decisions affecting such communities.</b></p>	2015 -2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Regional Development, Ministry of Justice, Donors</p>	<ul style="list-style-type: none"> <li>– Adopting Laws of Ukraine</li> <li>– Decentralizing power</li> <li>– Increasing the influence of local communities on the development of rural territories.</li> <li>– Improving protection of local community interests due to the introduction and implementation of a clear, transparent and reliable legislative framework.</li> </ul>

	<p><i>Target group: Local rural communities</i>  <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– This shall include legal mechanisms to prevent undue influence of regional and national government over rural communities,</li> <li>– local development actions and initiatives,</li> <li>– control over economic partnerships and land boundaries,</li> <li>– ownership rights over communal property, enterprises,</li> <li>– access to public and other services (including review of corresponding regulations) in order to legislatively determine rural territories</li> <li>– provide the Ministry of Agrarian Policy and Food with the functions of generating the policy of sustainable rural development (apart for the issues of regional infrastructure that remain the responsibility of the Ministry of Regional Development).</li> </ul>			
2	<p><b>Promote initiatives and partnerships amongst local rural communities, businesses, local government and civil society representatives.</b>  This shall be piloted through the introduction of a community partnership scheme that shall provide financial and technical support to targeted rural communities to:</p> <ul style="list-style-type: none"> <li>– facilitate rural community group formation,</li> <li>– support animation of local development strategies and</li> <li>– assist in the design and implementation of pilot community initiatives designed by and for those communities.</li> </ul> <p><i>Target group: local communities and territorial self-government bodies.</i></p>	2015 -2016	<p><u>Lead:</u>  Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u>  Ministry of Regional Development,  Ministry of Justice, Donors</p>	<ul style="list-style-type: none"> <li>– Adopting Laws of Ukraine</li> <li>– Decentralizing power</li> <li>– Increase of the influence of local communities on the development of rural territories.</li> <li>– Improving protection of local community interests due to the introduction and implementation of a clear, transparent and reliable legislative framework</li> </ul>

	<p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Identify local means involved by rural communities to organize common activity (natural and material resources, human and social capital, political authority, cultural heritage, financial assets);</li> <li>– Assist in attracting external resources for local development based on fund-raising;</li> <li>– Create local rural development funds for basic administrative and territorial units (or rural community development funds) as public organizations to consolidate rural residents and resources for the joint development of the local economy and local project financing;</li> <li>– Introduce mechanisms for channelling national budget finance to the level of rural communities in order to support local development projects based on social partnership.</li> </ul>			
3	<p><b>Initiate an Inter-agency coordination body on rural development and authorize it for the coordination the activity on development, management and monitoring rural development policy (involving at least representatives of ministries in the sphere of agriculture, environment protection, health care, education, transport and regional development)</b></p> <p><b>Establish local rural community development centres as public organizations for consolidating rural residents and resources to jointly develop the local economy and finance local projects</b></p> <p><i>Target group:</i> Local rural communities</p>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Ministry of Regional Development, Ministry of Justice, Donors</p>	<ul style="list-style-type: none"> <li>– Piloting local community development projects.</li> <li>– A range of local development strategies developed by rural people for local people and implemented by them.</li> <li>– New structures, systems and procedures of administration, management and coordination of rural development programmes.</li> <li>– Institutional changes and improved opportunities for extending the sphere of state policy influence beyond the production of primary agricultural products, including both rural agricultural and non-agricultural activities in the support schemes, as well as motivating to getting income from new sources and creation of new employment opportunities for rural residents.</li> <li>– Management systems based on best international practices clearly determining the management roles, responsibility and structure pertaining to the policy/programme management and financial</li> </ul>

	<p><i>Suggested approach and mechanisms:</i> Develop institutional capacities and targeted support systems at the central, regional, local and territorial levels to:</p> <ul style="list-style-type: none"> <li>– Generate and assess local rural development needs,</li> <li>– Design of local development strategies for specific rural communities</li> <li>– Implement corresponding pilot projects.</li> </ul>			<p>administration (i.e. processing applications for finance, authorization and implementation of payments to final beneficiaries).</p> <ul style="list-style-type: none"> <li>– New financial administration systems based on best international practices of financial control, record keeping, transparency traceability along the entire chain from the finance body to the final beneficiary. This will help to introduce corruption-free procedures and administrative supervision in its daily activity.</li> <li>– Introduction of the above system will make it possible to create a transparent and reliable financial basis for the further attraction of finance from international donors and loan capital to manage this finance.</li> </ul>
4	<p><b>Develop training, information and support capacity at the national level to</b></p> <ul style="list-style-type: none"> <li>– promote local rural community development,</li> <li>– monitor and communicate progress,</li> <li>– identify good and less good practices in community based rural development.</li> </ul> <p><i>Target group:</i> local rural communities <i>Suggested approach and mechanisms:</i> Design a training programme, a system for monitoring of and reporting on the activities of local communities.</p>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food <u>Associated:</u> Ministry of Regional Development, Donors</p>	<ul style="list-style-type: none"> <li>– Training programmes on rural community activity,</li> <li>– Monitoring and reporting system pertaining to the activity of rural communities,</li> <li>– Monitoring and assessment systems to improve the analysis of the impact of rural development policy on the targeted beneficiaries whose data will be used as the basis for adjusting the policy and programmes.</li> </ul>
5	<p><b>To use the findings from the pilot initiatives to improve the management of the implementation of the support scheme in other regions and communities throughout the country.</b></p> <p><i>Target group:</i> local rural communities <i>Suggested approach and mechanisms:</i></p>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food <u>Associated:</u> Ministry of Regional Development, Donors</p>	<ul style="list-style-type: none"> <li>– Pilot projects of rural community development</li> <li>– Disseminating the best rural community development experience in the regions of Ukraine.</li> <li>– Improving the capacities of stakeholders that contribute to the rural community support at the local, regional and national levels.</li> </ul>



	Spread the results of the pilot projects on rural community development.			
6	<p><b>To promote initiatives and partnerships amongst local rural communities, businesses, local governments and civil society representatives.</b></p> <p><i>Target group:</i> Local rural communities  <i>Suggested approach and mechanisms:</i>  Organization and financial measures aimed at creation of local rural communities and development of partnership at the local level.  This shall be piloted through the introduction of a community partnership scheme which shall provide financial and technical support to targeted rural communities to:</p> <ul style="list-style-type: none"> <li>– Facilitate rural community group formation,</li> <li>– Support dissemination of local development strategies,</li> <li>– Assist in the design and implementation of pilot community initiatives designed by and for those communities.</li> </ul>	2017 - 2020	<p><u>Lead:</u>  Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u>  Ministry of Regional Development,  Donors</p>	
7	<p><b>Share the findings from the pilot initiatives of rural development to improve the political framework and management of the implementation of the support scheme in other regions and communities throughout the country.</b></p> <p><i>Target group:</i> Local rural communities  <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Development and launch of rural community support schemes in new targeted regions</li> </ul>	2017 - 2020	<p><u>Lead:</u>  Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u>  Ministry of Regional Development,  Donors</p>	

	<ul style="list-style-type: none"> <li>– Monitoring, assessment and adjustment of the schemes to maximally increase the productivity and efficiency</li> <li>– Widening the scope of training and information services aimed at supporting local rural communities.</li> </ul>			
<p><b>MAIN STRATEGIC PRIORITY 8.</b></p> <p><b>ACCESS TO INTERNATIONAL MARKETS, TRADE POLICY AND EXPORT PROMOTION.</b></p>				
1	<p><b>Conduct a pilot project of exporters training</b></p> <p><i>Target group:</i> Small and medium-sized agricultural producers/farmers and associations to which they belong, that want to begin exporting but do not know where to start.</p> <p><i>Suggested approach and mechanisms:</i> To provide groups of potential exporters fundamental knowledge, skills and abilities to assess whether they are ready to export. Competence trainings should be implemented through various platforms, seminars and webinars.</p>	2015-2017		
2	Increase the competitiveness of Ukrainian agricultural companies and increase the share of Ukrainian imports on key target markets.			
2.1	<p><b>Create Export Support Centres</b></p> <p><i>Target group:</i> Small and medium-sized agricultural enterprises/ farmers and associations to which they belong.</p> <p><i>Suggested approach and mechanisms:</i> On the basis of cooperation between the associations of producers, international donors and elected representative of the state to establish pilot centers support export within two-three producer associations to advise on the sale of goods in foreign markets.</p>	2015-2016	<p><u>Lead:</u> Ministry of Economic Development and Trade, Ministry of Agrarian Policy and Food</p> <p><u>Associated:</u> Agricultural associations</p>	Members of agricultural associations enter foreign markets and/or strengthen their presence there.

	<p>Among other things, the centers must:</p> <ul style="list-style-type: none"> <li>– Develop instruments of market research, identify target markets,</li> <li>– Organize visits of Ukrainian producers abroad and visits of potential buyers from abroad to Ukraine.</li> </ul> <p>Also centers can:</p> <ul style="list-style-type: none"> <li>– Organize seminars, webinars,</li> <li>– Assist in developing effective strategies of foreign market entry, marketing plans and sales,</li> <li>– Publish and distribute manuals and analytics (adapted its own or foreign counterparts) to increase awareness of potential exporters about potential opportunities and challenges in entering the foreign market,</li> <li>– Conduct data checks of potential buyers and distributors,</li> <li>– Provide advice on legal and regulatory issues, paperwork requirements, requirements for products in foreign markets,</li> <li>– Assist in addressing the certification issues of Ukrainian products abroad and compliance with technical standards,</li> <li>– Advise on trade finance matters,</li> <li>– Advise on finding partners and networking.</li> </ul>			
2.2	<p><b>Assess the pilot projects (3 Export Support Centers).</b></p> <p><b>In case of a positive assessment, either increase the number of centers, or create a single center that provides services to all interested associations and their members.</b></p> <p><i>Suggested approach and mechanisms:</i> Criteria for evaluating the pilot projects:</p>	2017-2018		

	<ul style="list-style-type: none"> <li>– The value of exports achieved with the support of the Centers, the number of exporters using the services Centres,</li> <li>– Number of new markets/products that started to be exported with the help of the Centre,</li> <li>– Desire of producers to finance further activity of the centers.</li> </ul>			
2.3	<b>Develop the concept of introducing export credits and insurance.</b>	2017	<u>Lead:</u> Ministry of Economic Development and Trade  <u>Associated:</u> National Bank	
2.4	<b>Introduce a system of export financing and credits.</b>	2018	<u>Lead:</u> Ministry of Economic Development and Trade  <u>Associated:</u> National Bank, Ministry of Agrarian Policy and Food	
3	Ensure national and international legal conditions for trade facilitation.			
3.1	<b>Adopt the Law of Ukraine on “Self-regulating organizations in the agricultural sector”.</b>	2015-2016		
3.2	<b>Adopt the Law of Ukraine on “Local markets”.</b>	2015-2016		
<b>MAIN STRATEGIC PRIORITY 9. RESEARCH, EDUCATION AND ADVISORY SERVICES</b>				
<b>Priority 9.1 Agrarian research and innovation</b>				
1	<b>Actualize and discuss a Concept of reforming agricultural science based on the innovation model and the concept of innovation policy in agriculture.</b>	2015-2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u>	Approved Concept of reforming agricultural science based on innovation model

	<p><i>Suggested approach and mechanisms:</i> Create a working group to develop the concept with the participation of the National Academy of Agricultural Sciences, the Ministry of agrarian policy and food, the Ministry of education and science, Agricultural universities. Discuss the Concept with industry experts, businesses and agricultural stakeholders.</p>		<p>National academy of agricultural sciences Ministry of science and education</p>	
2	<p><b>Create a Public Council on agricultural science at the Ministry of education and science.</b></p>	2016	<p><u>Lead:</u> Ministry of science and education, Ministry of agrarian policy and food National academy of agricultural sciences</p> <p><u>Associated:</u> Council of entrepreneurs at the Cabinet of Ministers</p>	<ul style="list-style-type: none"> <li>– Creating foundations that will improve interactions between public research institutions, producers, agribusiness and other stakeholders to coordinate and monitor scientific research;</li> <li>– Forming priority areas of agricultural research development considering the needs of agribusiness and other stakeholders</li> <li>– Promoting public-private partnerships.</li> </ul>
3	<p><b>Conduct an audit of the efficiency of assets usage by the National Academy of Agricultural Sciences and other public research institutions of the Ministry of agrarian policy and food of Ukraine in order to determine the optimal number and size of the assets necessary for the purposes of research, advisory and training activities and to privatize those used for commercial purposes.</b></p>	2016	<p><u>Lead:</u> National academy of agricultural sciences</p> <p><u>Associated:</u> Ministry of agrarian policy and food, State fiscal inspection, Ministry of internal affairs, Security service</p>	<p>An audit report about the efficiency of assets usage.</p>
4	<p><b>Reform the system of agricultural research institutions to strengthen the scientific component of their activities and rational use of available resources.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Create a commission to reform the system of research institutions;</li> </ul>	2016	<p><u>Lead:</u> National academy of agricultural sciences</p> <p><u>Associated:</u> Ministry of agrarian policy and food, Ministry of science and education</p>	<p>Optimizing the number of state agricultural research institutions.</p>

	– Reorganize agricultural research institutions.			
5	<b>Develop legal documents that allow to diversify funding of research activities, in particular enable financing by businesses.</b>	2016	<u>Lead:</u> National academy of agricultural sciences <u>Associated:</u> Ministry of agrarian policy and food, Ministry of science and education	
6	<b>Develop and implement a motivational system of evaluation of researchers based on performance.</b>  <i>Suggested approach and mechanisms:</i> Develop regulations on financial incentives for researchers based on outcomes of their work.	2016	<u>Lead:</u> National academy of agricultural sciences  <u>Associated:</u> Ministry of agrarian policy and food, Ministry of science and education	– Improve monetary appeal of research outcomes for researchers, – Improve productivity, – Increase the quality of scientific research
7	<b>Take the necessary measures to ensure the protection of intellectual property rights in selection system in crop and animal husbandry.</b>  <i>Suggested approach and mechanisms:</i> – Introduce the necessary changes to the current legislation governing patent licensing relationships; – Conduct the study of international experience.	2015 - 2016	<u>Lead:</u> National academy of agricultural sciences, State research institutions  <u>Associated:</u> Ministry of agrarian policy and food	Developing and adopting regulations to create conditions to guarantee the protection of intellectual property rights in selection system in crop and animal husbandry.
8	– <b>Promote the internationalization of research teams and individual researchers,</b> – <b>Encourage the establishment of joint research programs with foreign partners, in particular the European research area (ERA), including Horizon 2020,</b> – <b>Promote the participation of research institutions in the Horizon 2020 program,</b>	2016	<u>Lead:</u> National academy of agricultural sciences, State research institutions  <u>Associated:</u> Ministry of agrarian policy and food, Ministry of science and education	– Developing scientific cooperation with foreign research institutions, – Improving the quality of scientific research, – Creating conditions for developing world-class innovative products - technology of production and processing of agricultural products, plant varieties, animal breeds, seed.

	– Implement a program of learning of English language for scientists.			
9	<b>Privatize land and assets of public research institutions.</b>	2017 – 2020	<u>Lead:</u> Ministry of agrarian policy and food, National academy of agricultural sciences  <u>Associated:</u> State research institutions	
10	<b>Optimize the system of public agricultural research institutes and other units of the National academy of agricultural sciences and the Ministry of agrarian policy and food to strengthen the scientific component of their activities and rational use of resources (land, equipment, experts).</b>	2017 – 2020	<u>Lead:</u> National academy of agricultural sciences, Ministry of agrarian policy and food.	
11	<b>Continue implementing programs of internationalization of public research institutions for their integration into the European Research Area (ERA); Continue participation of research institutions in the program Horizon 2020 and other international programs.</b>	2017 – 2020	<u>Lead:</u> National academy of agricultural sciences, State research institutions  <u>Associated:</u> Ministry of agrarian policy and food	
12	<b>Improve the system of applying scientific research developments into production and promote disseminating innovation through the system of advisory services and training of advisers.</b>	2017 – 2020	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> National advisory service and its representations on the regional and local levels, National academy of agricultural sciences	Increasing the number of scientific developments, trained advisers.

13	<ul style="list-style-type: none"> <li>– <b>Develop effective organizational and financial measures to stimulate the process of commercialization and capitalization of intellectual property rights (tax, credit, insurance, monitoring);</b></li> <li>– <b>Develop and implement a monitoring system for commercialization and capitalization of intellectual property rights.</b></li> </ul>	2017-2020	<p><u>Lead:</u> National academy of agricultural sciences, State research institutions</p> <p><u>Associated:</u> Ministry of agrarian policy and food</p>	
<b>Priority 9.2 Agricultural education</b>				
1.	<p><b>To strengthen the link between universities and enterprises by forming agribusiness enterprises targeted requests for training the specialists they need (Bachelor and Master students) with certain knowledge, skills and competencies.</b></p> <p><i>Suggested approach and mechanisms:</i> Sign cooperation agreements between universities and agribusiness enterprises.</p>	2016	<p><u>Lead:</u> Agricultural educational, State Institution “Agroeducation”.</p> <p><u>Associated:</u> Ministry of agrarian policy and food Ministry of science and education, professional associations of producers and processors of agricultural products.</p>	<ul style="list-style-type: none"> <li>– Signing agreements between agricultural universities and agricultural businesses regarding theoretical and practical training on the competencies identified,</li> <li>– Preparing scientific developments of agricultural universities following requests from the agribusiness, and their compliance to the international standards.</li> <li>– Creating Advisory Council on agricultural education at the Ministry of education and science of Ukraine,</li> <li>– Creating employers councils at the agricultural education institutions.</li> </ul>
2	<ul style="list-style-type: none"> <li>– <b>Develop new and improve existing curricula of junior specialists, junior bachelors, bachelors and masters students considering the requirements of agribusiness,</b></li> <li>– <b>Implement annual practical training (internships) for students in production sector (on general introduction, technical</b></li> </ul>	2016	<p><u>Lead:</u> Ministry of science and education, agricultural colleges and technical schools, agricultural universities, State Institution “Agroeducation”</p> <p><u>Associated:</u> Ministry of agrarian policy and food</p>	New and improved educational curricula for junior bachelor, bachelor and master students.



	<b>elements of scientific research, production aspects) including abroad.</b>			
3	<p><b>Counteract corruption, plagiarism, cheating of students during classes and exams.</b></p> <p><i>Suggested approach and mechanisms:</i> Each institution develops a code of honour for teachers and students to define a clear penalty for corruption, plagiarism and cheating.</p>	2016	<p><u>Lead:</u> Agricultural universities, technical schools</p> <p><u>Associated:</u> Ministry of science and education Ministry of agrarian policy and food</p>	<ul style="list-style-type: none"> <li>– Code of honour for teachers and students,</li> <li>– Monitoring programs for assessing compliance with a code of honour for teachers and students,</li> <li>– Reducing corruption in the system of agricultural education, academic plagiarism and dishonest behaviour of students.</li> </ul>
4	<p><b>Involve alternative sources of financing for agricultural institutions.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Prepare the draft Law of Ukraine "On college funds for universities (endowment)",</li> <li>– Introduce a mechanism for student loans to pay for university studies.</li> </ul>	2016	<p><u>Lead:</u> Ministry of science and education</p> <p><u>Associated:</u> Ministry of justice, Ministry of finance</p>	<ul style="list-style-type: none"> <li>– Improving legislation governing the funding of educational institutions and loans to pay for education of students,</li> <li>– Creating private funds for university funding.</li> </ul>
5	<ul style="list-style-type: none"> <li>– <b>Increase the qualification requirements for university teachers.</b></li> <li>– <b>Create a three-year program for teachers of agricultural universities.</b></li> </ul> <p><i>Target group:</i> teachers agrarian and other universities that train specialists for agribusiness.</p> <p><i>Suggested approach and mechanisms:</i> Prepare qualification requirements for university professors regarding:</p> <ul style="list-style-type: none"> <li>– Knowledge of English language,</li> <li>– International publications,</li> <li>– Participation in international conferences,</li> <li>– Training in modern Ukrainian and foreign companies and teaching at foreign educational institutions;</li> </ul>	2016	<p><u>Lead:</u> Ministry of science and education, State Institution "Agroeducation"</p> <p><u>Associated:</u> Ministry of agrarian policy and food</p>	<ul style="list-style-type: none"> <li>– Higher qualifications of the faculty of agricultural universities that prepares specialists for agribusiness,</li> <li>– Reducing corruption in the system of agricultural education, academic plagiarism and unfair behaviour of students,</li> <li>– Rejuvenation of the teaching staff of agricultural universities, technical colleges and vocational schools based on eligibility criteria.</li> </ul>

	<ul style="list-style-type: none"> <li>– Creating an three-year program for teachers agricultural.</li> </ul> <p>Create a three-year program for teachers at the agricultural universities for getting hands on experience with innovative technologies in the agricultural sector and exploring new methods of teaching, administrating the educational process and modern institution management (1<sup>st</sup> year – 300 people, 2<sup>nd</sup> year - 200, 3<sup>rd</sup> year - 200).</p>			
6	<b>Strengthen the research component of agricultural universities and upgrade laboratory equipment for veterinary, biological, technical and other areas of research.</b>	2016	<u>Lead:</u> Agricultural universities, technical schools.  <u>Associated:</u> Ministry of agrarian policy and food	Scientific developments of agricultural universities are prepared based on requests from agribusinesses and comply to the international standards.
7	<b>Develop international cooperation programs of academic and scientific nature, including the integration into the European Research Area (ERA), Horizon 2020.</b>	2016	<u>Lead:</u> Agricultural universities, technical schools, State Institution “Agroeducation”  <u>Associated:</u> Ministry of agrarian policy and food, Ministry of science and education	<ul style="list-style-type: none"> <li>– Programmes of internationalization of academic and scientific research,</li> <li>– Joint educational and research projects with universities and research institutions of the European Union.</li> </ul>
8	<b>Optimize the number of state agricultural universities considering regional aspects (including social components), schools of thought, competitiveness of the graduates on the labour market.</b>  <i>Suggested approach and mechanisms:</i> Conduct a comprehensive independent audit of: <ul style="list-style-type: none"> <li>– The activities of agriculture universities,</li> <li>– Their social role in the regions and rural areas,</li> </ul>	2016	<u>Lead:</u> Ministry of science and education, State Institution “Agroeducation”  <u>Associated:</u> Ministry of agrarian policy and food	<ul style="list-style-type: none"> <li>– Optimizing the number of state agricultural universities and technical colleges,</li> <li>– Creating university centres from different backgrounds</li> <li>– Strengthening the scientific component of agricultural schools to the requirements agribusiness</li> <li>– Providing scientists extension services to small and medium enterprises in rural areas.</li> </ul>

	<ul style="list-style-type: none"> <li>– Demand in labour on the market and opportunities for setting up start-ups. possibility to organize their own business.</li> </ul>			
9	<p><b>Optimize the training system of skilled junior and senior professionals to work with modern production processing technologies for agricultural products.</b></p> <p><i>Suggested approach and mechanisms:</i> Amend the Laws of Ukraine on "Education", on "Higher Education", on "Vocational training" by defining two levels of the degrees: skilled worker (one that studied in a vocational school) and junior bachelor (studied in a college or technical school) and removing the degree "Junior bachelor" from the Law of Ukraine on "Higher education".</p>	2016	<p><u>Lead:</u> Ministry of science and education</p> <p><u>Associated:</u> Ministry of agrarian policy and food, Agricultural universities</p>	Improving the legislation governing the training of specialists for agribusiness in various levels of education.
10	<ul style="list-style-type: none"> <li>– <b>Continue to monitor the quality of education through distance testing.</b></li> <li>– <b>Update required server hardware and software needed for this action.</b></li> </ul> <p><i>Target group:</i> State Institutional "Agroeducation", agricultural universities, colleges, technical schools. <i>Suggested approach and mechanisms:</i> Upgrade server hardware and software for remote testing.</p>	2016	<p><u>Lead:</u> Agricultural universities, technical schools, State Institution "Agroeducation"</p> <p><u>Associated:</u> Ministry of science and education</p>	<ul style="list-style-type: none"> <li>– Realistic assessment of knowledge,</li> <li>– Preparing students for the first job interview,</li> <li>– Avoiding corrupt relationships and biased evaluation of students (remote testing prevents contacts between students and teachers).</li> </ul>
11	<p><b>Strengthen the link between universities and enterprises by forming requests for specialists (Bachelors and Masters students) with certain knowledge, skills and competencies.</b></p> <p><i>Suggested approach and mechanisms:</i></p>	2017 – 2020	<p><u>Lead:</u> Agricultural universities, technical schools, State Institution "Agroeducation".</p> <p><u>Associated:</u> Ministry of agrarian policy and food, Ministry of science and education,</p>	

	<ul style="list-style-type: none"> <li>- Sign agreements between agricultural universities and agricultural businesses on theoretical and practical training regarding defined competencies.</li> <li>- Prepare scientific developments of agricultural universities following requests from the agribusiness, and their compliance with international standards.</li> </ul>		professional associations of agricultural producers and processors.	
12	<ul style="list-style-type: none"> <li>– <b>Improve the curricula for junior specialists, junior bachelors, bachelors and masters students considering the requirements of the agricultural business.</b></li> <li>– <b>Implement annual practical training (internships) for students in production sector (on general introduction, technical elements of scientific research, production aspects) including abroad.</b></li> </ul>	2017 – 2020	<u>Lead:</u> Ministry of science and education, Agricultural universities, colleges, technical schools, State Institution “Agroeducation”	
13	<ul style="list-style-type: none"> <li>– <b>Increase the qualification requirements for university teachers.</b></li> <li>– <b>Create a three-year program for teachers of agricultural universities.</b></li> </ul>	2017 – 2020	<u>Lead:</u> Ministry of science and education  <u>Associated:</u> Ministry of agrarian policy and food	
14	<b>Strengthen the research component of agricultural universities and upgrade laboratory equipment for veterinary, biological, technical and other areas of research.</b>	2017 – 2020	<u>Lead:</u> Agricultural universities, colleges, technical schools  <u>Associated:</u> Ministry of agrarian policy and food	
15	<ul style="list-style-type: none"> <li>– <b>Continue to monitor the quality of education through distance testing.</b></li> <li>– <b>Update server hardware and software for remote testing.</b></li> </ul>	2017 – 2020	<u>Lead:</u> State Institution “Agroeducation”, agricultural universities, colleges, technical schools  <u>Associated:</u> Ministry of science and education	

16	<b>Optimize the number of state agricultural universities considering regional aspects (including social components), schools of thought, competitiveness of the graduates on the labour market.</b>	2017 – 2020	<u>Lead:</u> Ministry of science and education  <u>Associated:</u> Ministry of agrarian policy and food	
<b>Priority 9.3 Development of extension services</b>				
1	<b>Create a National Coordination Centre of agricultural extension.</b>  <i>Suggested approach and mechanisms:</i> Create a resource and organizations framework for setting up the Centre.	2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> National association of agricultural extension services.	National Coordination Centre of agricultural extension
2	<b>Set up a project of setting up an electronic platform for extension services.</b> <i>Suggested approach and mechanisms:</i> Create a logistical and organizational framework for placing the focal point <ul style="list-style-type: none"> <li>– Create an electronic platform on the basis of an independent institution from the agricultural sector to make it operational and prepare for further transfer to the independent agricultural scientific and industrial associations or the Ministry of agrarian policy and food,</li> <li>– Establish mechanisms for data filling, communications, data exchange, monitoring, effectiveness evaluation,</li> <li>– Gradually provide further mechanisms of self-sufficiency and self-financing.</li> </ul>	2016	<u>Lead:</u> Ministry of agrarian policy and food	<ul style="list-style-type: none"> <li>– Preparing a prototype platform,</li> <li>– Ensuring information gathering, analysis of new technologies and innovations for further dissemination in the agricultural sector and promotion of appropriate sectoral policies involving research institutions and agricultural universities, producers and service companies.</li> </ul>

3	<ul style="list-style-type: none"> <li>– <b>Develop the necessary institutional resources for extension services at the central, regional and district levels.</b></li> <li>– <b>Set up a program involving new technologies, innovations and their dissemination through a network of extension services.</b></li> </ul> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Conduct organizational measures to create a network of advisory services,</li> <li>– Diversify the sources of funding of the extension, including through public-private partnerships,</li> <li>– Develop necessary regulations.</li> </ul>	2016	<p><u>Lead:</u> Ministry of agrarian policy and food</p> <p><u>Associated:</u> National association of agricultural extension services.</p>	Functioning of the extension services on the oblast, raion and municipal levels.
4	<p><b>Diversify the sources of funding of the extension service, including through public-private partnerships.</b></p> <p><i>Suggested approach and mechanisms:</i> Develop necessary regulations.</p>	2015 – 2016	<p><u>Lead:</u> Ministry of agrarian policy and food</p> <p><u>Associated:</u> Council of entrepreneurs at the Cabinet of Ministers</p>	Prepare normative legal acts regulating public-private partnership.
5	<p><b>Continue to develop the network of extension services on the central, oblast and raion levels.</b></p>	2017 – 2020	<p><u>Lead:</u> Ministry of agrarian policy and food, National academy of agricultural sciences</p> <p><u>Associated:</u> Ministry of science and education</p>	
6	<p><b>Introduce and support the functioning of the electronic platform.</b></p>	2017 – 2020	<p><u>Lead:</u> Ministry of agrarian policy and food, National academy of agricultural sciences</p> <p><u>Associated:</u> Ministry of science and education</p>	

7	<b>Ensure financial support for the extension system.</b>	2017 – 2020	<u>Lead:</u> Ministry of agrarian policy and food, National academy of agricultural sciences  <u>Associated:</u> Ministry of science and education	
<b>MAIN STRATEGIC PRIORITY 10. ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES MANAGEMENT, INCLUDING FORESTRY AND FISHERY</b>				
<b>Priority 10.1 Water, land, pesticides and minimum environmental standards</b>				
1	Fulfilment of the Country's obligations under the Association Agreement.			
1.1.	<b>Develop the Code of Best Agricultural Practices</b> (part 'Best Manure Management Practices').  <i>Target group:</i> All farmers in animal husbandry	2015-2016	<u>Lead:</u> Ministry of agrarian policy and food of Ukraine  <u>Associated:</u> Ministry of economic development and trade, Ministry of health	Development of part of the Code including list of approved technologies on manure management.
1.2.	<b>Public consultations on the Code of Best Manure Management Practices.</b>  <i>Target group:</i> All farmers in animal husbandry	2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> Ministry of economic development and trade, Ministry of health	Discussing the Code of Best Manure Management Practices, raising awareness of the EU Directive 91/676/EEC

1.3.	<p><b>Develop the Code of Best Agricultural Practices</b> (part 'Best Practices of Manure management')</p> <p><i>Target group:</i> All farmers in animal husbandry</p>	2016 - 2017	<p><u>Lead:</u> Ministry of agrarian policy and food</p> <p><u>Associated:</u> Ministry of economic development and trade, Ministry of health, Ministry of ecology and natural resources of Ukraine</p>	Development of the list of approved manure management technologies.
2.	Combating trade in counterfeit and pesticides and smuggled products			
2.1.	<p><b>Take inventory of existing pesticide brands</b> (checking the information on: existing brands, producers and suppliers with the authorities of the country-importers, development of the channels on information exchange and sharing the information with other stakeholders including Law Enforcement authorities and Interpol). <i>Target group:</i> agrochemical business and farmers <i>Suggested approach and mechanisms:</i> Technical Assistance Project</p>	2015-2016	<p><u>Lead:</u> Ministry of agrarian policy and food</p> <p><u>Associated:</u> Ministry of ecology and natural resources, State fiscal service, State security service, Ministry of interior affairs</p>	Updating the list of pesticides as permitted for use in Ukraine.
2.2.	<p><b>Improve the customs clearance procedures for pesticide importers</b> (Decrease in the number of customs entry points, filling customs risk profiles, strengthening capacity of customs and law enforcement authorities for identifying and detaining counterfeit pesticides, International Cooperation in implementing the 'Early Warning Delivery' mechanism, improving the international cooperation and information exchange). <i>Target group:</i> agrochemical business <i>Suggested approach and mechanisms:</i> Institutional changes and Technical Assistance Project</p>	2016	<p><u>Lead:</u> State Financial Service</p> <p><u>Associated:</u> Ministry of agrarian policy and food, Phytosanitary Service, Security service of Ukraine, Ministry of Interior Affairs</p>	Significant reduction in counterfeit pesticides, smuggled products and illicit international trade.
2.3	<p><b>Public campaigns aimed at raising awareness of harm caused by counterfeit pesticides</b></p>	2015 - 2016	<p><u>Lead:</u> Selected NGOs</p>	Reduction of market demand for counterfeit pesticides



	<i>Suggested approach and mechanisms:</i> Grant for NGOs <i>Target group:</i> Small farmers and inhabitants of rural territories		<u>Associated:</u> State Service for Food Safety and Consumers' Protection, Oblast and District State administrations, Village councils	
2.4	<b>Strengthen the capacity of the competent phytosanitary control authorities to improve control over domestic market of counterfeit pesticides</b> <i>Target group:</i> agrochemical business <i>Suggested approach and mechanisms:</i> Institutional changes and Technical Assistance Project	2016	<u>Lead:</u> State Service for Food Safety and Consumers' Protection  <u>Associated:</u> Ministry of agrarian policy and food, State Veterinary and Phytosanitary Service of Ukraine, State ecological inspection of Ukraine, Ministry of Interior, Security service of Ukraine	Significant reduction of internal market share of counterfeit pesticides
3.	Development of the Minimum Ecological Standards			
3.1	<b>Develop minimum ecological standards and indicators of environmental concern in agricultural production and rural development at the national and pilot oblast (-s) levels.</b> <i>Target group:</i> all farmers <i>Suggested approach and mechanisms:</i> pilot project	2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> Ministry of ecology and natural resources, Ministry of health, pilot oblasts, state administrations	Approximation of existing agricultural practice with EU CAP, selection of a pilot Oblast for the implementation of cross-compliance mechanism.
3.2	<b>Develop at least one pilot project within the framework of 'Green Agenda' community development programme</b> <i>Target group:</i> all farmers <i>Suggested approach and mechanisms:</i> pilot project	2016	<u>Lead:</u> Ministry of agrarian policy and food  <u>Associated:</u> Pilot oblasts state administrations	Pilot implementation of 'Green Agenda' support project for improvement of living and ecological conditions and providing assistance in development of a cost-effective, resource-saving community
4.	Emergencies management			

4.1	<p><b>Hold consultations with the EU at the meeting concerned with the development of the strategic approach to emergencies management</b> (Project PPRD-East Phase2).</p> <p><i>Target group:</i> rural communities  <i>Suggested approach and mechanisms:</i> International technical assistance and improvement of interagency cooperation</p>	2015-2016	<p><u>Lead:</u>  Ministry of agrarian policy and food</p> <p><u>Associated:</u>  State emergency service, State water agency</p>	Identifying risk zones, development of budget support and development of system of local volunteer rescue teams.
4.2	<p><b>Develop programmes for restoration of agricultural natural resources in the liberated territories.</b></p> <p><i>Target group:</i> rural communities in liberated territories  <i>Suggested approach and mechanisms:</i> International technical assistance and pilot project</p>	2015-2016	<p><u>Lead:</u>  Ministry of agrarian policy and food</p> <p><u>Associated:</u>  State emergency service, Ministry of defence, Ministry of ecology and natural resources</p>	Restoration of the agricultural sector in liberated territories
4.3	<p><b>Arrange for the work mission on ecological situation at Solotvino Salt Mine.</b></p> <p><i>Target group:</i> Solotvino farming community, farmers from Ukraine, Romania, Hungary and Slovakia using water from the Tysa river  <i>Suggested approach and mechanisms:</i> international aid</p>	2015-2016	<p><u>Lead:</u>  Ministry of agrarian policy and food</p> <p><u>Associated:</u>  State emergency service, National academy of sciences of Ukraine, Ukrainian salt industry research institute</p>	Preparing current assessment of the emergency in the area around Solotvino Salt Mine; preparing the forecast on possible emergency development and developing the recommendations and the Action Plan for preventing a transborder disaster.
4.4	<p><b>Organise a working meeting on sustainable resource-saving irrigation and water management in Kherson Oblast and in the South of Ukraine.</b></p> <p><i>Target group:</i> Industrial farmers in the South of Ukraine, State Ecological Inspection.  <i>Suggested approach and mechanisms:</i> Conference</p>	2015-2016	<p><u>Lead:</u>  Ministry of agrarian policy and food</p> <p><u>Associated:</u>  Ministry of economic development and trade, National academy of science of Ukraine</p>	Discussing possible technical solutions for irrigation in the area with high level of ground waters in order to reduce water and energy costs, avoid soil salinization and improve environmental situation.

5.	Adaptation to climate change			
5.1	<p><b>Organize 4 regional workshops on the adaptation to climate change in the agricultural sector.</b></p> <p><i>Target group:</i> All types of agro business <i>Suggested approach and mechanisms:</i> Conference</p>	2016	<p><u>Lead:</u> Ministry of agrarian policy and food</p> <p><u>Associated:</u> Ministry of economic development and trade, National Academy of Science of Ukraine</p>	Discussing technical and financial approaches to reduce greenhouse gas emissions in the agricultural sector based on the results of the Global Forum on Climate Change in Paris and country obligations (November 2015)
5.2	<p><b>Develop a National Action Plan on mitigation of the impact of, and adaption of the agricultural sector to, climate change.</b></p> <p><i>Target group:</i> All types of agro business</p>	2016	<p><u>Lead:</u> Ministry of agrarian policy and food</p> <p><u>Associated:</u> Ministry of economic development and trade, National academy of science of Ukraine</p>	Adaptation of the agricultural sector to climate change
6.	Strengthening biological safety of Ukraine			
6.1	<p><b>Appoint urgently a central body of executive power to be in charge of ensuring a comprehensive biological safety of Ukraine, including issued related to plant production, livestock production, and registration of biological agents and toxicants.</b></p> <p><i>Target group:</i> All agro businesses and food producers <i>Suggested approach and mechanisms:</i> institutional change</p>	2015-2016	<p><u>Lead:</u> Presidential executive office, Cabinet of ministers</p> <p><u>Associated:</u> Ministry of economic development and trade, Ministry of health, National academy of science of Ukraine, National academy of agricultural sciences of Ukraine</p>	Strengthening the biological safety policy as part of the national security
6.2	<p><b>Develop the National Action Plan that would determine the strategy and measures set</b></p>	2016	<p><u>Lead:</u> Ministry of agrarian policy and food of Ukraine</p>	To approve the procedure for the determination, taking inventory of and handling biological agents and toxins.

	<p><b>forth in the biological safety policy as part of the national security of Ukraine.</b></p> <p><i>Target group:</i> All agro businesses and food producers</p>		<p><u>Associated:</u></p> <p>National academy of science of Ukraine, National academy of agricultural sciences of Ukraine, Security service of Ukraine, State fiscal service of Ukraine</p>	
7.	Sustainable Water Management			
7.1	<p><b>Develop the State Programme on Sustainable Water Management</b> (including irrigation and wastewater treatment) <b>providing for financing relevant pilot projects on basis of public-private partnership(s).</b></p> <p>The programme should first create the tools to encourage and finance the implementation of resource-saving irrigation systems and stimulate the use of local wastewater treatment systems and reuse of industrial waters.</p>	2017 – 2019	<p><u>Lead:</u></p> <p>Ministry of agrarian policy and food, Ministry of ecology and natural resources, Ministry of regional development</p>	
8	Sustainable Soil Management			
8.1	<p><b>Develop of a programme of economic incentives for sustainable land management for land erosion control</b> (including the development of a system increasing soil fertility) <b>with ecological monitoring of agricultural lands and landscapes.</b></p>	2017-2018	<p><u>Lead:</u></p> <p>Ministry of agrarian policy and food, Ministry of ecology and natural resources, Ministry of regional development</p>	
8.2	<p><b>Develop and Implement a system of agrochemical certification of lands</b></p>	2017-2019	<p><u>Lead:</u></p> <p>Ministry of agrarian policy and food, Ministry of Regional Development</p>	

9.	Implementation of principles of integrated pest management			
9.1	<b>Develop and implement training sessions for professional and non-professional users of pesticides</b>	2017-2020	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of Social Policy, Ministry of Science and Education of Ukraine	
9.2	<b>Develop and implement relevant tools stimulating the Integrated Pest Management (IPM) and encouraging the implementation of the EU Standard 16636 on Pest Management.</b>	2019-2020		
9.3	<b>Raise public awareness of health hazards that can be caused by pesticides, safety regulations on pesticides handling and Pest Management principles</b>	2017-2020	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources, Ministry of health, NGOs	
10.	Approximation of agricultural natural resources management with the requirements of EU CAP			
10.1	<b>Conduct a PR campaign for CAP</b>	2017	<u>Lead:</u> Ministry of agrarian policy and food	
10.2	<b>Evaluate pilot projects on the implementation of cross-liability mechanism</b>	2018	<u>Lead:</u> Ministry of economic development and trade, Ministry of agrarian policy and food, Ministry of Regional Development	
10.3	<b>Develop local GAEC Indicators</b>	2018	<u>Lead:</u> Ministry of economic development and trade, Ministry of agrarian policy and food, State Oblast Administration	

10.4	<b>Implement the cross-liability principle nationwide</b>	2019-2020	<u>Lead:</u> Ministry of economic development and trade, Ministry of agrarian policy and food, State Oblast Administration	
11	Adaptation to climate change			
11.1	<b>Implement the NAP on reduction of greenhouse emissions of the agricultural sector</b>	2017-2020	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources	
11.2	<b>Implement the NAP on the agricultural sector adaption to climate change.</b>	2017-2020	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources	
12	Fulfilment of the Country's obligations under the Association Agreement.			
12.1	<b>Develop Best Agricultural Practice Codes and programmes facilitating the implementation of these Codes</b>	2017	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources	
12.2	<b>Develop changes to the legislation to translate the EU Directive 91/676/EEC into the national legislation</b>	2017	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources	
12.3	<b>Determine zones exposed to nitrates, flow from which can cause the pollution of waters</b>	2017	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources	

12.4	<b>Develop a mandatory action plan for all farmers operating in zones exposed to nitrates, including reduction of soil fertility as a result of contamination with mineral and organic fertilizers.</b>	2017 – 2018	<u>Lead:</u> Ministry of agrarian policy and food, Ministry of ecology and natural resources	
<b>Priority 10.2 Organic agricultural production and market</b>				
1	Development and effective implementation of the organic legislation in Ukraine, harmonized with the EU legislation, including state support for organic production and distribution development  Target group: bodies of state power, producers, NGOs <i>Suggested approach and mechanisms:</i> To determine key provisions to be changed and harmonized with EU legislation, engage the European Commission and local experts in the preparation of the revised version of Law of Ukraine N 425-VII.			
1.1	<ul style="list-style-type: none"> <li>– <b>To develop new version of the Law of Ukraine on Organic Agricultural Products as harmonized with the EU laws on organic products (EU Directives 834/2007, 889/2008)</b></li> <li>– <b>To develop and approve regulations necessary for effective operation of organic laws of Ukraine (control and supervision, accreditation procedures, certification, labelling etc.).</b></li> </ul>	2015 - 2016	<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine  <u>Associated:</u> Union of producers of certified organic products 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Consultancy body 'QueS', Information centre 'Green Dossier', FiBL.	<ul style="list-style-type: none"> <li>– Implementation of positive legislative changes in order to reach equivalence with the requirements of the EU legislation,</li> <li>– promoting exports of organic products,</li> <li>– development of domestic organic market.</li> <li>– Term 'organic' is protected from abuse;</li> <li>– Consumers trust in organic products.</li> <li>– Organic producers are protected from unfair competition.</li> </ul>
1.2	<b>To address legally a 'set of barriers' to the organic market development in Ukraine:</b> <ul style="list-style-type: none"> <li>– To appoint and put into operation a government body to be vested with the authorities of state control and supervision over organic agricultural production.</li> </ul>	2015 - 2016		

	<ul style="list-style-type: none"> <li>– To address the issue of state labelling and applying state logo on organic products, control and supervision (including delimitation of these functions),</li> <li>– To exclude organic zones</li> <li>– To exclude organic products from the list of socially significant food products with state regulated prices</li> <li>– To determine the procedure for recognizing existing organic producers that are certified according to the EU organic laws (certification/conformity assessment)</li> <li>– To reject the registered draft law on applying 'bio' label on non-organic dairy products</li> <li>– To permit eco-labelling only for non-food products (food products can be labelled provided that the requirements set forth in the organic law are met)</li> <li>– To safeguard the use of the EU organic logo (euro leaf) in Ukraine and terminate any illicit use thereof etc.).</li> </ul>			
1.3	<ul style="list-style-type: none"> <li>– <b>To address legally a 'set of barriers' to the organic market development in Ukraine:</b></li> <li>– <b>To provide for the state programme of organic agriculture support in new State Agricultural Development Support Programme.</b></li> </ul>	2016		
1.4	<b>To take effective measures to protect term 'organic' and organic products consumers' rights.</b>	2016		
2	<p>To create and promote institutional development of the bodies of state power at national and regional level in terms of organic agriculture development.  <i>Target group:</i> bodies of state power, producers, NGOs</p>			



2.1	<ul style="list-style-type: none"> <li>– <b>To establish the division for development of organic production and distribution at the Ministry of Agrarian Policy and Food of Ukraine and newly created institution to be in charge of the supervision according to organic laws,</b></li> <li>– <b>To appoint at least one person to be responsible for organic production development at each of the ARD Departments in all 24 Oblast State Administrations.</b></li> </ul> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– To appoint persons responsible for organic issues at the bodies of state power</li> <li>– To engage experts specialized in developing state policy for the Ukrainian organic market development, including experts in organic crop production, livestock production and bee keeping, processed products, labelling and distribution, and state control etc. in newly created institution.</li> </ul>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, 24 State Oblast Administrations</p> <p><u>Associated:</u> Union of producers of certified organic products 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Consultancy body 'QueS', Information centre 'Green Dossier', FiBL.</p>	<p>Responsible persons appointed at the bodies of state power. These persons implement gained knowledge in organic issues in order to facilitate the development of organic market in Ukraine.</p> <p>State programmes of the Ukrainian organic market development have been implemented at the national and regional levels.</p>
3	<ul style="list-style-type: none"> <li>– Development and implementation of socially significant incentives for the organic market development,</li> <li>– Increased trade in, and quality of, organic products in domestic and foreign markets,</li> <li>– Engagement of new producers in organic agriculture, ensuring consumer rights protection and preventing unfair competition</li> <li>– Creation of a positive image of Ukraine at the international level</li> </ul> <p><i>Target group:</i> Organic producers, trade organizations, nongovernmental organizations.</p> <p><i>Suggested approach and mechanisms:</i> legal expertise, constructive discussion with the participation of production and distribution chain participants, public organizations, service providers and direct support to the foregoing, use of international experience.</p>			
3.1	<p><b>To provide economic incentives that shall promote organic production and</b></p>	2015 - 2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, Ministry of Foreign Affairs</p>	<ul style="list-style-type: none"> <li>– Increased competitiveness of Ukrainian organic producers and access to international markets</li> <li>– Generated additional value and obtaining premium price for organic producers</li> </ul>

	<b>development of trade in organic products (payments to organic agriculture).</b>		<u>Associated:</u> Union of producers 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Consultancy body 'QueS', Information centre 'Green Dossier', FiBL.	<ul style="list-style-type: none"> <li>– Implemented public contracts for organic products supply to kindergartens and schools, Ministry of Agrarian Policy and Trade, State Oblast Administrations (for instance, in a selected pilot Oblast).</li> <li>– Economic growth and business development in the organic agriculture sector</li> <li>– Organic products have been incorporated into the Law of Ukraine on Infant Food</li> <li>– Organic products are accounted for 2-5 percent of the total food range of trade organizations</li> <li>– Increased number of organic companies</li> <li>– Increased number of organic companies and improved product quality</li> <li>– Logistics, distribution and packaging centres created (in five pilot Oblasts) to generate additional value at local level.</li> <li>– Access to financial resources for reinvesting into, and expansion of, organic production, launching product processing and obtaining additional value</li> <li>– Positive image of Ukraine has been created through successful participation of the Ukrainian organic products pavilion in international exhibitions.</li> </ul>
3.2	<b>To ensure public contracts for organic products supply to kindergartens and schools, Ministry of Agrarian Policy and Trade, State Oblast Administrations.</b>  (To start with, for example, selected pilot Zhytomyr Oblast).	2015-2017		
3.3	<b>To ensure that organic products are provided with priority access to the participation in public tendering at the national and regional levels.</b>	2016		

3.4	<b>To incorporate organic products into the Law of Ukraine on Infant Food</b>	2016		
3.5	<b>To implement quota allocation for organic products in trade networks.</b>	2016		
3.6	<b>Organic producers' priority access to state support instruments.</b>	2016		
3.7	<b>To promote investments in organic production technologies and joint ventures incorporation.</b>	2016		
3.8	<b>To allocate funds for incorporating logistics, distribution and packaging centres with a vegetable store fitted with controlled (climate control equipment) environment and transport base</b>  <i>Suggested approach and mechanisms:</i> Pilot project with one branch near Kyiv and four regional branches (north, south, west, east) to generate large batches for shipment and effective use of sorting and packaging equipment.	2016 - 2017		
3.9	<b>To conduct negotiations with financial institutions and international organizations to provide micro-financing to organic producers.</b>  <i>Suggested approach and mechanisms:</i> up to EUR 50,000 for small business, EUR 50,000-100,000 for medium-sized business at 4-6 percent in Euro and 8-12 percent in Hryvnia	2015 - 2016		
3.10	<b>Ensure power base for, and financial support to, the participation of organic producers in</b>	2015 - 2016		

	<p><b>international organic product exhibitions to boost exports</b></p> <p>Suggested approach and mechanisms: National pavilion of Ukraine at Biofakh, a major international organic product exhibition, February 10-13, 2016, Nurnberg, Germany.</p>			
4	<p>Development and consistent implementation of programmes in education, science, consultancy, organic production and distribution knowledge management, and providing state support in this area</p> <p><i>Target group:</i> consultants, researchers, educators, producers, processors, rural communities. <i>Suggested approach and mechanisms:</i> knowledge management and implementation of several pilot projects on conducting researches and distribution of results among other agricultural producers.</p>			
4.1	<p><b>To create on-line data base on organic production at the national and oblast levels</b></p> <p>Suggested approach and mechanisms: Developed materials(including regional development programmes, legal base fundamentals, useful links, scientific works, educational programmes, etc.), number of employees, areas having organic status (of relevant organic standard), existing organic farms, available consultants etc.).</p>	2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, Ministry of Educational and Science, National Academy of Agrarian Sciences of Ukraine</p> <p><u>Associated:</u> Consulting body of 'Ques', consulting body of 'VIP Group', consulting body of 'Sib-Agro', Union of producers 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Information centre 'Green Dossier', FiBL.</p>	<p>System of education, science, consultancy, and knowledge management in organic production and trade is implemented and systematically operates.</p> <p>Producers of organic products receive high quality and professional expertise regarding the implementation of technologies in organic agriculture.</p> <p>Strengthening staff capacity by education and scientific institutions for the purpose of further employment with organic producers in the medium and long-term.</p>
4.2	<p><b>To train and support skilled experts in consulting on organic production, processing, and trade in organic products.</b></p>	2016		
4.3	<p><b>To ensure state financing of scientific research on strategic development areas of</b></p>	2016		

	<b>organic market on the basis of organic producers.</b>			
4.4	<b>To ensure the participation of the Ukrainian scientists specializing on organic production development in international scientific events to improve their level of competency, exchange experience and boost integration into global organic scientific community</b>	2016		
4.5	<b>To develop and implement organic education programmes in educational institutions in the medium and long-term.</b>	2016		
5	<p>Raise consumers' and producers' awareness of organic products using an implemented systematic approach and support of communications on organic products promotion</p> <p><i>Target group:</i> Organic producers, consumers, nongovernmental organizations.</p> <p><i>Suggested approach and mechanisms:</i> a comprehensive approach embracing all stakeholders (including organic market participants), using international experience, launching the implementation in two pilot Oblasts - Lviv and Zhytomyr.</p>			
5.1	<p><b>To develop and implement a set of measures aiming at the promotion of organic products and enhance organic production image</b></p> <p><i>Suggested approach and mechanisms:</i> holding trade fairs of organic products, panel discussions etc.</p>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, Ministry of Ecology and Natural Resources of Ukraine, Ministry of Economic Development and Trade of Ukraine, 24 State Oblast Administrations</p> <p><u>Associated:</u> Union of producers 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Consultancy body 'QueS', Information centre 'Green Dossier', FiBL.</p>	<ul style="list-style-type: none"> <li>– Ukrainian consumers and producers understand, know the correct definition and how to recognize organic products labelling.</li> <li>– Media are increasingly interested in organic products.</li> </ul>

5.2	<b>To ensure the promotion of the state logo for organic products labelling through financing relevant events at the expense of donor's funds throughout the transition period and out of the state budget.</b>	2016		
5.3	<b>To conduct social advertising to boost the production and consumption of organic products in all Oblasts of Ukraine.</b>	2016		
5.4	<b>Broadcasting minimum 1 reportage/publication per month regarding organic production with the focus on activity of local organic producers at state TV, radio channels, or publishing in press.</b>	2016		
5.4	<b>Conduct at least 1 seminar on organic production for local producers, processors and other stakeholders at Oblast level.</b>	2016		
5.6	<b>To create a menu option 'Organic production' on the websites of the Ministry of Agrarian Policy and Food of Ukraine, Ministry of Ecology and Natural Resources of Ukraine, Ministry of Economic Development and Trade of Ukraine, 24 oblast state administrations (for example, a sub-page in the menu option of Department of Agroindustrial Development of state oblast administrations).</b>	2015-2016		
5.7	<b>To develop, support and promote an integrated consolidating web-portal of the Ukrainian organic sector</b>	2015-2016		

	<i>Suggested approach and mechanisms:</i> the web-portal should contain information on consumers, producers, service providers, other parties concerned and organic agriculture products, organic sector of Ukraine.			
6	Continuing development and effective implementation of the organic legislation in Ukraine, harmonized with the EU legislation, including state support for organic production and distribution development  <i>Target group:</i> producers, bodies of state power, consumers			
6.1	<b>To develop and implement the National Action Plan on organic production and distribution development.</b>	2017-2020		
6.2	<b>Effective implementation of organic legislation that is harmonized with the EU laws</b>  (Including capacity-strengthening measures, state support for organic production development and distribution organization).	2017-2020		
7	Continuing promotion of institutional development of the bodies of state power at national and regional level in terms of organic agriculture development.  <i>Target group:</i> producers, bodies of state power, consumers <i>Suggested approach and mechanisms:</i> a comprehensive approach embracing all stakeholders (including organic market participants), launching pilot projects, applying international experience.			
7.1	<b>To ensure support of institutional development of the bodies of state power at national and regional level in terms of organic agriculture development.</b>	2017-2020		
7.2	<b>To provide administrative support to the institutional development of organic products producers' associations at the national and regional levels, incorporate them into the</b>	2017-2020		

	<b>Public Council at the Ministry of Agrarian Policy and Food of Ukraine and state oblast administrations.</b>			
8	Continuing development and implementation of socio-economic incentives for organic market development, boosting trade in, and improving quality of, organic products in domestic and foreign markets, engaging new producers in organic agriculture, ensuring the protection of consumers' rights and preventing unfair competition, and creating positive international image of Ukraine.  <i>Target group:</i> producers, nongovernmental organizations, service providers, retailers, investors, consumers <i>Suggested approach and mechanisms:</i> a comprehensive approach embracing all stakeholders (including organic market participants), implementation of pilot projects, applying international experience.			
8.1	<b>To develop the system of protecting organic producers in distribution channels to avoid consumer fraud and unfair competition.</b>	2017-2020	<u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, Ministry of Foreign Affairs  <u>Associated:</u> Union of producers 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Consultancy body 'QueS', Information centre 'Green Dossier', FiBL.	
8.2	<b>To develop national and regional programmes aimed at promoting the consumption of organic products,</b> for instance, National and Regional Programme 'Children Eat Organic Products'.	2017-2020		
8.3	<b>To provide power base for, and financial support to, the participation of organic producers in international organic product exhibitions to boost exports</b>	2017-2020		



8.4	<b>To ensure state support to the development or organic exports and implementation of the national policy to improve the international image of Ukraine as a reliable organic supplier</b> (promoting Ukraine as a reliable organic supplier in major countries exporting organic products from Ukraine).	2017-2020		
8.5	<b>To promote the incorporation of organic producers' associations, cooperatives and clusters for achieving more efficient production, promotion and sales of organic products.</b>	2017-2020		
8.6	<b>To facilitate access to 'cheap' resources, loans, including commodity loans.</b>	2017-2020		
8.7	<b>To implement 5 pilot projects to support organic production at regional level.</b>	2017-2020		
8.8	<b>To ensure the execution of public contracts for organic products supply to kindergartens and schools, Ministry of Agrarian Policy and Trade, State Oblast Administrations with due regard for the results obtained in pilot Oblasts.</b>	2017-2020		
8.9	<b>To promote the development of organic production technologies, including the development technological process charts for each of the crops taking into account agricultural and climate conditions of</b>	2017-2020		

	<b>Ukraine, and the incorporation of joint ventures.</b>			
8.10	<b>To put into operation logistics, distribution and packaging centres with a vegetable store fitted with controlled (climate control equipment) environment and transport base (pilot project with one branch near Kyiv and four regional branches (north, south, west, east) to generate large batches for shipment and effective use of sorting and packaging equipment).</b>	2017-2020		
9	<p>Development and consistent implementation of programmes in education, science, consultancy, organic production and distribution knowledge management, and providing state support in this area</p> <p><i>Target group:</i> consultants, researchers, educators, producers, processors, rural communities</p> <p><i>Suggested approach and mechanisms:</i> analysis and synthesis system, cooperation between producers and scientists / educators, using international experience</p>			
9.1	<b>To update regularly on-line data base on organic production at the national and oblast levels</b>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine, Ministry of Educational and Science, National Academy of Agrarian Sciences of Ukraine</p> <p><u>Associated:</u> Consulting body of 'Ques', consulting body of 'VIP Group', consulting body of 'Sib-Agro', Union of producers 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Information centre 'Green Dossier', FiBL.</p>	

9.2	<b>To introduce a special learning course 'Organic Production' in educational institutions.</b>	2017-2020		
9.3	<b>To ensure state financing of scientific research on strategic development areas of organic market on the basis of organic producers.</b>	2017-2020		
9.4	<b>To implement state programmes of providing organic producers with necessary consultants through creating an effective measure of skilled specialists to advise on organic production, processing, and trade in organic products.</b>	2017-2020		
10	<p>Raise consumers' and producers' awareness of organic products using an implemented systematic approach and support of communications on organic products promotion</p> <p><i>Target group:</i> producers, consumers, bodies of state power, scientists, educators, nongovernmental institutions, service providers in general organic market</p> <p><i>Suggested approach and mechanisms:</i> a comprehensive approach embracing all stakeholders (including organic market participants), simultaneous implementation at the national and oblast levels to achieve synergy effect, applying international experience.</p>			
10.1	<b>To develop and implement a set of measures aiming at the promotion of organic products and enhance organic production image.</b>	2017-2020	<p><u>Lead:</u> Ministry of Agrarian Policy and Food of Ukraine</p> <p><u>Associated:</u>  Union of producers 'Organic Ukraine', 'Organic Federation of Ukraine', Association of Organic Production 'BIOLan', Certification body 'Organic Standard', Consultancy body 'QueS', Information centre 'Green Dossier', FiBL.</p>	

10.2	<b>Social advertising on organic production and organic products (including organic logos used in Ukraine and EU) in media, over the Internet, including the official websites of the bodies of state power.</b>	2017-2020		
10.3	<b>To improve and promote an integrated consolidating web-portal of the Ukrainian organic sector</b>	2017-2020		
10.4	<b>To create an online platform for trade in organic products in foreign and domestic markets.</b>	2017-2020		
10.5	<b>To support organic products promotion at specialized organic fairs, for instance All-Ukrainian Organic Products Fair, and international and local exhibitions, e.g., the largest international exhibition of organic products 'Biofakh') via arranging special media tours and systemic work with journalists.</b>	2017-2020		
10.6	<b>To conduct awareness raising activities among agricultural companies, especially in rural areas.</b>	2017-2020		

### Priority 10.3 Forestry

1	<p><b>To improve legal framework of the forestry to enable formation of an effective forest policy</b></p> <p><i>Target group:</i> permanent forest users <i>Suggested approach and mechanisms:</i> create a working group at the State Agency of Forest Resources by involving dedicated experts, particularly lawyers, for development of the improved legal framework, more specifically :</p> <ul style="list-style-type: none"> <li>– Introduce amendments to the Forest Code of Ukraine in the area of division of functions between the responsible state bodies and local government authorities.</li> <li>– Introduce amendments to the Tax Code of Ukraine for clarification of the forest entities and a procedure for taxation of these forest entities and forest management activities.</li> <li>– Determine the mechanisms of budget financing of the forestry taking into account regional specifics of forest management and make relevant amendments to the Budget Code of Ukraine.</li> <li>– Introduce amendments to the Law of Ukraine on Fundamentals (Strategy) of the State Environmental Policy of Ukraine for the period by 2020 to refine the state policy framework of forestry and forest management.</li> <li>– Create fair, differentiated and clear system for identifying damage caused by violation of the forest regulations, make amendments to the Code of Ukraine on Administrative Offences and the Criminal Code of Ukraine to refine the grounds and procedure of bringing to liability for violation of the forest legislation.</li> <li>– Introduce amendments to the Law of Ukraine on Hunt and Hunting and other related legislative acts and regulations in order to improve a system of</li> </ul>	2015-2016	<p><u>Lead:</u> Ministry of Agrarian Policy and Food, State Agency of Forest Resources of Ukraine</p>	Implementation of the legal changes to facilitate sustainable forest management and strengthening ecological, social and economic forest functions
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	<p>hunting administration and management as well as to increase the financing of hunting.</p> <ul style="list-style-type: none"> <li>– Develop and adopt the State Target Programme 'Forests of Ukraine' for 2016-2020.</li> </ul>			
2	<ul style="list-style-type: none"> <li>– <b>Improve the forest management model through the improvement of the law making functions and state control in the area of forestry relations and forest management functions;</b></li> <li>– <b>Revise and improve the existing related regulations.</b></li> <li>– <b>Develop an effective financial and economic mechanism to provide forest management (including taxation) with due regard for uneven distribution of the forest resources, increased expenditures for supporting social and economic functions of the forests, the need for more investments to increase the forest area and improve forest quality.</b></li> </ul> <p><i>Target group:</i> permanent forest users. Suggested approach and mechanisms: Create a working group at the State Agency of Forest Resources with the involvement of dedicated experts, particularly lawyers, for development of necessary regulations.</p>	2015 – 2016	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Ensuring the development of the forest sector, concentration of the intellectual, technological, economical potential, workforce, increase their use efficiency.
3	<p><b>To create a transparent wood market in Ukraine</b></p> <p><i>Target group:</i> permanent forest users, wood processing companies <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>– Create a working group at the State Agency of Forest Resources with the involvement of dedicated experts, particularly lawyers, for</li> </ul>	2015-2016	<u>Lead:</u> State Agency of Forest Resources of Ukraine	<ul style="list-style-type: none"> <li>– Reduced corruption risks in trading in wood</li> <li>– Securing unprocessed wood supplies under long-term contracts</li> <li>– Attracting investments to the wood processing sector</li> </ul>

	<p>development of, or making amendments to, necessary regulations.</p> <ul style="list-style-type: none"> <li>– Develop new rules of trade in unprocessed timber,</li> <li>– Implement a mechanism of timber sale ensuring access to the unprocessed wood on the principles of fair competition.</li> <li>– Regulatory support of the timber and processed products legal origin.</li> </ul>			
4	<p>Ensure the competitiveness of the forestry.</p> <p><i>Target group:</i> permanent forest users.</p>			
4.1	<b>Conduct a comprehensive analysis of the forest management by all forest users, in particular, the use of forest resources aimed at increase of the wood and non-wood harvested volumes.</b>	2015-2016	<u>Lead:</u> State Agency of Forest Resources of Ukraine	<ul style="list-style-type: none"> <li>– Increased use of forest resources</li> <li>– Creation of a favourable investment climate in the forest sector</li> </ul>
4.2	<b>To ensure scientific development of new technologies and improve forest production processes by introducing these technologies into production.</b>	2015-2016		–
4.3	<b>Create legislative prerequisites and develop mechanisms of attracting investments to the forestry, forest management, development of modern accounting, logistics and wood marketing systems.</b>	2015-2016		–
4.4	Trigger innovative pilot projects.			–
4.4.1	<b>Develop and ensure operation of the wood electronic accounting system (3 forest husbandries in different natural zones)</b>	2016	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Creation of a favourable investment climate in the forest sector, increased use of forest resources
4.4.2	<b>To create a parent nursery in each natural zone with modern forest growing equipment.</b>	2016		

4.4.3	<b>Ensure a comprehensive modern fire fighting framework of a forestry enterprise (3 forest husbandries in different natural zones)</b>	2016		
4.4.4	<b>To address the problem of fir tree drying in the Carpathians (on the basis of a forestry enterprise in the Carpathian region).</b>	2016		
4.5	<b>To upgrade fixed assets and material and technical facilities of forestry enterprises and provide the forestry with environmentally efficient technologies, production technological complex and equipment for forest growing, forest management and protection.</b>		<u>Lead:</u> State Agency of Forest Resources of Ukraine	Transition to environmentally efficient technologies, improved effectiveness and competitiveness
4.6	<b>To ensure the transition to the European standards of measurement, specification and evaluation of the wood quality with the participation forestry research institutions to align the national standards with the Europeans ones</b>	2016	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Aligning national standards with the EU standards
4.7	<b>To development of the forest transport infrastructure development and new forest roads building.</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Arrangement of forest roads system and increased volume of forest roads building
4.8	<b>Keep records of all forests.</b>	2016-2017	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Updated information on the state-owned forests
4.9	<b>To make the national forests inventory</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Assessment of forest resources using statistical methods
4.10	<b>To ensure the operation of the nationwide unified wood electronic accounting system.</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Electronic accounting of wood acceptance, flow, inventory and sales.



4.11	<b>Further development of public-private partnership, particularly, in the area of forest management, and increased use of non-wood forestry products</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Promoting the enhancement of forest economic function.
5	Professional development of the forestry staff			
5.1	<b>To implement special educational measures</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	To improve the forestry education and advanced training system
5.2	<b>To develop and implement probation programmes for the sector staff</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	To improve the advanced training system
6	To improve hunting management			
6.1	<b>To arrange hunting areas</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Updated information on the hunting areas
6.2	<b>To improve material and technical support of the hunting fauna conservation service.</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	To improve the hunting fauna conservation system.
6.3	<b>Take measures aiming to increase the number of hunt animals, regulate the number of predator and harmful animals, promoting hunting culture</b>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	To increase the number of hunt animals
7	Development and implementation of Programmes for forest rehabilitation and recovery of forest resources.			
7.1	– <b>Conduct preliminary engineering activities to detect and liquidate ammunition, implement complex examination for man-made contamination of land.</b> (lands recognized as suffered from man-made contamination will	2016	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Reduced risks of environmental disasters

	<p>require the development of special local forestation programmes).</p> <ul style="list-style-type: none"> <li>– <b>Conduct a forest pathology research in order to assign sanitary and recreational measures, fire protection arrangement, conservation and protection of forests from fires, pests and diseases.</b></li> </ul>			
7.2	<ul style="list-style-type: none"> <li>– <b>Take measures for forest management in order to identify the deforestation volumes.</b></li> <li>– <b>Develop the rehabilitation programme (based on the outcome of the forest management measures) and carry out a reforestation work complex.</b></li> </ul>	2016-2020	<u>Lead:</u> State Agency of Forest Resources of Ukraine	Reforestation
<b>Priority 10.4 Bioenergy</b>				
1	<p><b>Provide further institutional support to the Ministry of Agrarian Policy and Food in forming a raw material base and introduction of bioenergy into the agricultural sector</b></p> <p><i>Target group:</i> Ministry of Agrarian Policy and Food</p>	2015-2016	<u>Lead:</u> Ministry of Agrarian Policy and Food <p><u>Associated:</u>  Ministry of Energy and Coal Industry of Ukraine  International organizations and programmes</p>	<ul style="list-style-type: none"> <li>- Improved work of relevant organizational units of the Ministry</li> <li>- Acceleration of sector specific reforms;</li> </ul>

	<i>Suggested approach and mechanisms:</i> consider the issue of possible restructuring and improvement of relevant departments of the Ministry.			
2	To improve interdepartmental coordination of bioenergy related measures. <i>Target group:</i> All sector participants (in particular government establishments and sector associations).			
2.1	<p><b>Set-up an effective and efficient bioenergy related coordination team.</b></p> <p><i>Suggested approach and mechanisms:</i> International organizations should initiate the incorporation of bioenergy coordination team (e.g. working group, coordination platform, or NGO) to be in-charge of coordinating activities of bioenergy development and promotion among key sector players.</p>	2015-2016	<p><u>Lead:</u> International organizations and programmes State Agency on Energy Efficiency and Energy Saving; Ministry of Agricultural policy and Food of Ukraine, Ministry of Energy and Coal Industry of Ukraine</p> <p><u>Associated:</u> Ministry of Ecology and Natural Resources, the State Forest Resources Agency, the National Academy of Sciences institutes (e.g. ДП «УкрЦВТ», Institute for Bioenergy Crops and Sugar Beet), the National Energy and Municipal Services Regulatory Commission, the Ministry of Infrastructure, and the Ministry of Regional Development, Construction, Housing and Communal Economy etc.</p>	<ul style="list-style-type: none"> <li>- Effective sector coordination;</li> <li>- Acceleration of sector specific reforms;</li> <li>- Institutionalization of the Bioenergy sector and of the lobbying group for Bioenergy promotion.</li> </ul>
2.2	<p><b>Develop a consolidated program and create a clear roadmap for bioenergy development in the context of the Ukrainian energy strategy</b></p> <p><i>Suggested approach and mechanisms:</i> The State Agency on Energy Efficiency and Energy Saving, together with relevant international</p>	2016	<p><u>Lead:</u> Interdepartmental coordination team</p> <p><u>Associated:</u> All sector participants (in particular government establishments and sector associations)</p>	Providing sector participants with a clear, long-term specialized plan for bioenergy development

	organizations and sector institutions should lead the process of consolidating (based on all existing strategies, including the one on agriculture) a clear roadmap for bioenergy development.			
2.3	<p><b>Improve Ukrainian Bioenergy Legal Framework</b></p> <p><i>Target group:</i> all sector participants  <i>Suggested approach and mechanisms:</i>  International agencies together with sector associations and in close coordination with public sector should set-up expert task-forces to develop draft laws and amendments to existing laws and regulations. Government establishments should commit to adopt them.  In particular:</p> <ul style="list-style-type: none"> <li>- accelerate the implementation of the EU regulations in Ukraine (Directive 2009/28/EC),</li> <li>- Improving procedures for the determination, granting and administration of the green tariff for electricity produced from biogas, improve the methodology for calculating tariffs for producing thermal energy from other types of biomass based fuel,</li> <li>- Implement term 'biomass' in the national legislation,</li> <li>- Add energy crops to the registry of crops that are allowed for growing in Ukraine,</li> <li>- Develop a regulatory framework for ensuring the production and use of gaseous biofuel through a system of accumulation, cleaning and sending to the general network,</li> <li>- Develop a technical regulation on alternate energy sources on the basis of Directive 2009/28/EC.</li> </ul>	2015-2016	<p><u>Lead:</u>  Bioenergy coordination team,  International agencies.</p> <p><u>Associated:</u>  Government establishments,  Private sector representatives</p>	Addressing specific legal barriers to bioenergy development
3	Implement a system of social and economic incentives for bioenergy development.			

3.1	<p><b>Develop and adopt amendments to relevant laws and regulations, development of scientifically grounded recommendations as to energy crops zoning</b></p> <p><i>Target group:</i> all sector participants <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Definition of agricultural lands that can be used for the production of energy crops without competing with food crops and thus threatening national and global food security,</li> <li>- Introduce the procedure of bioenergy crops growing monitoring</li> <li>- Allow production of energy crops on relevant agricultural lands.</li> </ul>	2016	<p><u>Lead:</u> Coordination team Ministry of Agrarian Policy and Food of Ukraine National Academy of Agrarian Sciences of Ukraine State Phytosanitary Service of Ukraine Local administrations.</p>	Improved access to, and use of, resources
4	<ul style="list-style-type: none"> <li>- <b>Evaluate the Ukrainian biomass and bioenergy markets</b></li> <li>- <b>Evaluate the national bioenergy potential</b></li> </ul> <p><i>Target group:</i> International agencies <i>Suggested approach and mechanisms:</i> International organizations, in the context of their existing projects or by initiating new projects should precede with assessment of the economically substantiated, sustainable bioenergy potential of the country that allows improving Ukraine's energy security without threatening food security. The analysis should be independent and impartial.</p>	2015-2016	<p><u>Lead:</u> International agencies</p>	Availability of objective data on bioenergy potential of the country
5	<p>Develop national programme for bioenergy development, energy efficiency, and energy saving in the AIC</p> <p><i>Target group:</i> all sector participants</p>			
5.1	<p><b>Develop national programme for bioenergy development, energy efficiency, and energy saving in the AIC, having implemented:</b></p>	2016		

	<ul style="list-style-type: none"> <li>- <b>Reimbursement of loans for projects providing for creating plantations of perennial energy crops and wood species officially registered in Ukraine,</b></li> <li>- <b>Mechanism to promote growing and propagation of bioenergy crops (energy willow, silver grass, switch grass etc.).</b></li> </ul> <p><i>Suggested approach and mechanisms:</i> Incorporation of the state support foundation</p>			
5.2	<p><b>To create an investment foundation that would ensure the purchase of new or used machinery under agricultural lease contracts for growing and production of bioenergy.</b></p> <p><i>Suggested approach and mechanisms:</i> Incorporation of the state support foundation</p>	2016		
6	<p><b>To create information centre for promoting bioenergy.</b></p> <p><i>Target group:</i> all sector participants <i>Suggested approach and mechanisms:</i> Support local sector associations to carry out efficient information campaigns and raise awareness of companies and consumers of energy efficiency.</p>	2015 – 2016	<p><u>Lead:</u> Sector associations together with international agencies</p>	increased local demand for biomass by promoting the production and consumption of bioenergy in Ukraine
7	Improved access of sector participants to information and increased awareness of energy efficiency and sustainability.			
7.1	<ul style="list-style-type: none"> <li>- <b>Continue promoting bioenergy through relevant information centre;</b></li> </ul>	2017 – 2020	<p><u>Lead:</u> Sector associations, international organizations and programmes</p> <p><u>Associated:</u></p>	

	- <b>Ensure active involvement of state institutions (in particular research institutes) in the work of the centre.</b>		State Agency on Energy Efficiency and Energy Saving; Ministry of Agricultural policy and Food of Ukraine,	
7.2	<b>Conduct awareness raising activities to increase awareness of population on sustainability and bioenergy</b>	2017 – 2020	<u>Lead:</u> Sector associations, international organizations and programmes  <u>Associated:</u> State Agency on Energy Efficiency and Energy Saving; Ministry of Agricultural policy and Food of Ukraine,	
8	Create favourable conditions for biomass and bioenergy market development			
8.1	<b>Develop and implement an incentive scheme for biogas used for internal needs (particularly for heat generation) or for biogas supplied to general network.</b>	2017 – 2020	State Agency on Energy Efficiency and Energy Saving; Ministry of Agricultural policy and Food of Ukraine, Ministry of Energy and Coal Industry of Ukraine	
8.2	<b>Create a network of demonstration and research facilities engaged in biogas production and treatment.</b>	2017 – 2020	State Agency on Energy Efficiency and Energy Saving; Ministry of Agricultural policy and Food of Ukraine, Ministry of Energy and Coal Industry of Ukraine	
8.3	<b>Create a network of test sites to test and enhance technologies for growing and producing seeds and planting material of bioenergy crops.</b> <i>Suggested approach and mechanisms:</i> Create test plantations for growing and expanding seeds, selection, approbation of new types and species of energy crops in Ukraine.	2017 – 2020	Ministry of Agrarian Policy and Food of Ukraine	Introduction of best international practices for energy crops productions in natural and climate conditions of Ukraine

## Priority 10.5 Fishery

1	Revision and enhancement of the legal framework to contribute to the investment attractiveness of the industry and its deregulation, modernisation and development of aquaculture, facilitation of granting water bodies for use on lease terms, control of fishing, enhanced combat against illegal fishing and trade in fishing products. Unification of the Ukrainian fishery legislation to align with the European Union legislation.			
1.1	<p><b>Simplify the procedures of fishery waters leasing, improved lessor guarantees with regard to the terms of use and state-guaranteed long-term/envisaged relations with the development of relevant legal framework</b></p> <p><i>Target group:</i> Business entities engaged in aquaculture production.  <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- review, refinement and amendments to legislative acts of Ukraine</li> <li>- technical assistance project</li> </ul>	2015 - 2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> public associations and fishery associations, business entities engaged in fishery</p>	Bringing the Ukrainian fishery legislation in line with the EU legislation requirements.
1.2	<p><b>Implement at legislative level trade measures to combat illegal, unreported and unregulated fishing, notably the sale of captured fish products solely at fish auctions and/or applying the first buyer mechanism, availability of documents that certify the legitimacy of trade operations with fish products, traceability of fish products throughout 'from net to plate'.</b></p> <p><i>Target group:</i> Business entities engaged in industrial fishing, trade and processing of aquatic bioresources.  <i>Suggested approach and mechanisms:</i></p>	2015 - 2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p>	Enhanced combat against illegal fishing. Decrease in poaching products in the Ukrainian market.



	<ul style="list-style-type: none"> <li>- introduction of accountability and control of captured aquatic bioresources</li> <li>- technical assistance project</li> </ul>			
1.3	<b>Develop and implement a unified register of fishery water bodies (their parts) and efficient state control of rational use thereof and availability of reliable information on the volume of aquatic bioresources used</b>	2015 - 2016	<u>Lead:</u> State Agency of Fisheries of Ukraine  <u>Associated:</u> State Water Resources Agency of Ukraine, State Oblast Administrations	Creation of the register and provision of necessary equipment for maintenance of the state register of fishery water bodies (their parts) leading to efficient use of waters for the fishery needs.
2	Support of institutional development of the state administration body for fishery, as well as other institutions performing state administration functions in the industry.			
2.1	<b>Evaluate the necessity for institutional change in administration of fisheries (State Agency of Fisheries of Ukraine and its territorial bodies) by optimising the functions of central body of executive power based on the EU experience.</b>	2015 - 2016	<u>Lead:</u> State Agency of Fisheries of Ukraine and its territorial bodies	Proper functioning of the state executive body for fisheries
2.2	<ul style="list-style-type: none"> <li>- <b>Create single cadastral registers and making them available to the public.</b></li> <li>- <b>Transition to electronic document flow and gradual introduction of e-governance.</b></li> </ul>	2015 - 2016	<u>Lead:</u> State Agency of Fisheries of Ukraine	Proper functioning of the state executive body for fisheries
2.3	<b>Support the scientific potential of the fishing industry in Ukraine, primarily young Ukrainian scientists, to ensure objective and independent assessment of the status of aquatic bioresources stocks</b>  <i>Target group:</i> State Agency of Fisheries of Ukraine and research institutions, fishery companies <i>Suggested approach and mechanisms:</i>	2015-2016	<u>Lead:</u> State Agency of Fisheries of Ukraine <u>Associated:</u> research institutions	Implementation of objective monitoring of the status of aquatic bioresources in the Azov and Black Seas and inland waters.

	<ul style="list-style-type: none"> <li>- financial and technical assistance to Ukraine's fishery scientists</li> <li>- technical assistance project and direct subsidy from the EU</li> </ul>			
3	Improvement of the financial and lending support of the fishing industry.			
3.1	<p><b>Create financial and credit support mechanisms of the fishing industry in the following areas:</b></p> <ul style="list-style-type: none"> <li>- <b>Compensation of capital construction costs, reconstruction and modernisation of production facilities of fish farms and the fishing fleet,</b></li> <li>- <b>Decrease the cost of credit for fish farms,</b></li> <li>- <b>Compensation (reimbursement) of insurance costs,</b></li> <li>- <b>Compensation of equipment procurement costs for aquaculture, processing plants and fishing fleet</b></li> </ul> <p><i>Target group:</i> fishery entities, public associations and groups.  <i>Suggested approach and mechanisms:</i>  Establish financial and credit support mechanism of the fishing industry, Incorporate a specialised fishery fund at the legislative level with appropriate financing</p>	2015 - 2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> public associations and fishery associations, business entities engaged in fishery</p>	Ensure financial stabilisation and investment attractiveness of the fishing industry.
3.2	<p><b>Restore fishery and recreational capacity of the Ukrainian waters</b></p>	2015 - 2016	<p><u>Lead:</u> Independent research institution</p> <p><u>Associated:</u> research and educational institutions, fish farms</p>	<ul style="list-style-type: none"> <li>- Restoration of ecological and biological status of surface waters of metropolitan cities in accordance with framework Directive 2000/60/EC</li> <li>- Prevention of water bodies pollution and spread of infections and bacterial diseases</li> </ul>

				<ul style="list-style-type: none"> <li>- Creating favourable conditions for the development of sport and amateur fishing, quality recreation opportunities for residents</li> <li>- Ongoing scientific monitoring of the ecological and biological status of water bodies.</li> </ul>
3.3	<ul style="list-style-type: none"> <li>- <b>To improve the mechanism of generating additional value of the fish products in the market to increase socio-economic status of fish farms.</b></li> <li>- <b>To implement a pilot programme aimed to increase the competitiveness of domestic fish products in the Ukrainian market.</b></li> </ul> <p><i>Target group:</i> business entities engaged in artificial growing salable fish products, aquatic resources users, fish products end users.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Create own original trade network and own original trademark</li> <li>- Implementation of franchising</li> </ul>	2015-2016	<p><u>Lead:</u> Federation of Fishery Employers and Entrepreneurs</p> <p><u>Associated:</u> commercial association of aquaculture companies</p>	<ul style="list-style-type: none"> <li>- Creation of a civilized competitive environment in the market of live and cooled fish products</li> <li>- Renew selection</li> <li>- Improved fish capacity of water bodies, creating conditions for securing national food safety</li> </ul>
3.4	<p><b>Implement the EU technical assistance project with the participation of the Veterinary Service of Ukraine to ensure the certification procedure for live fish reared in aquaculture with the possibility of further export to the EU market.</b></p> <p><i>Target group:</i> Business entities engaged in aquaculture production.</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- live fish certification with the right to</li> <li>- export the fish to the EU market</li> </ul>	2015 - 2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> State Veterinary and Phytosanitary Service</p>	Create opportunities for live fish producers to export their products to the EU markets, which will facilitate production capacity

	- technical assistance project			
4	Conservation and rational use of aquatic bioresources of the Azov and Black Seas and inland waters of Ukraine, enhanced combat against illegal, unreported and unregulated fishing.			
4.1	<p><b>Improve physical infrastructure of territorial fishery protection bodies to ensure adequate control over the use of water bioresources and combat against illegal, unreported and unregulated fishing</b></p> <p><i>Target group:</i> State Agency of Fisheries of Ukraine and its territorial bodies  <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Procurement of modern watercraft and associated materials for fishery protection bodies.</li> <li>- Establish and maintain functioning of the system of distance monitoring of inland fishery vessels.</li> <li>- financial assistance project (subsidy)</li> </ul>	2015 - 2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p>	<ul style="list-style-type: none"> <li>- Enhanced combat against illegal fishing.</li> <li>- Decrease in poaching products in the Ukrainian market</li> </ul>
5	Ensure the efficiency of Ukraine's international activity in the sphere of fishing industry			
5.1	<ul style="list-style-type: none"> <li>- <b>Integration of Ukraine into international organisations, the area or competence of which covers conservation and rational use of aquatic bioresources.</b></li> <li>- <b>Ensure the participation of Ukraine in the management of aquatic bioresources of international waters in accordance with global and national interests</b></li> </ul> <p><i>Target group:</i> State Agency of Fisheries of Ukraine and research institutions, fishery companies  <i>Suggested approach and mechanisms:</i></p>	2015-2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> Fishery research institutions</p>	Ensuring Ukraine's membership in these international organizations

	<ul style="list-style-type: none"> <li>- financial assistance of Ukraine's membership in international fishery organizations : CCAMLR, NAFO, GFCM, Eurofish</li> <li>- Subsidy</li> </ul>			
5.2	<p><b>Ensure the participation of the Ukrainian official representatives and experts in international activities in the sphere of fisheries, including organisation and conduct of international events in Ukraine</b></p> <p><i>Target group:</i> State Agency of Fisheries of Ukraine and research institutions</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- (expert working groups, workshops, conferences, sessions of the Ukrainian-Russian Commission for Fisheries in the Azov Sea)</li> <li>- Subsidy</li> </ul>	2015-2016	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> Fishery research institutions</p>	Active participation of Ukraine in international activities in the sphere of fisheries to contribute to the common cause and protect national interests
6	Create economic and legislative incentives to ensure national food security based on the principle of sustainable development of fisheries			
6.1	<ul style="list-style-type: none"> <li>- <b>Recover scientific and technical basis of relevant research institutions</b></li> <li>- <b>Scientific and technological support of the development of national aquaculture and selective breeding in the fishing industry</b></li> <li>- <b>Ensure the development of scientific and laboratory capacity of the Ukrainian sectoral research institutes to carry out genetic, bio- and hydrochemical, ichthyopathological and other specific types of studies in accordance with current requirements.</b></li> </ul>	2017-2020	<p><u>Lead:</u> State Agency of Fisheries of Ukraine and its territorial bodies, fishery research institutions</p>	<ul style="list-style-type: none"> <li>- Proper functioning of Ukraine's research institutions for the purpose of carrying out an objective and independent assessment of the status of aquatic bioresources stocks, aquaculture and genetic studies;</li> <li>- Establish scientific basis to ensure distant-water fishing with respective budgetary funding,</li> </ul>

6.2	<ul style="list-style-type: none"> <li>- <b>Establish scientific and research fish repopulation complex based on recirculating aquaculture system (RAS) for artificial reproduction of valuable fish species of the Azov Sea populations, keeping live genetic collections of wild fish and valuable aquaculture objects, perform selection and breeding activities to increase the quality of aquaculture objects.</b></li> <li>- <b>Reproduction of valuable species of the Azov Sea (release of up to 5mln young fish into natural waters.</b></li> </ul>	2017-2020	<u>Lead:</u> State Agency of Fisheries of Ukraine, fishery research institutions	<ul style="list-style-type: none"> <li>- Conservation of live genetic resources of national importance</li> <li>- Increase the quality of commodity aquaculture objects</li> </ul>
6.4	<p><b>Implement a set of measures on advanced training of research associates of the Ukrainian fisheries research institutions, prepare experts in special areas of research.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Ensure training at specialised European educational institutions,</li> <li>- Ensure the participation in workshops, courses</li> <li>- Ensure practical training at specialised European educational institutions and research vessels.</li> <li>- Facilitate target training of research experts for the fishing industry at the Ukrainian Higher Educational Institutions and specialised educational institutions.</li> <li>- Planning and implementation of multi-annual support schemes for young scientists during the first 5 years of their work at research institutions of the industry</li> </ul>	2017-2020	<u>Lead:</u> State Agency of Fisheries of Ukraine, fishery research institutions	

	(Provide accommodation, social insurance package, ensure their participation in conferences, workshops, facilitate scientific work etc.)			
6.5	<p><b>Implement a set of measure to provide for proper functioning of the fish reproducing factories and conducting of genetic studies and expert assessments in the fishing industry.</b></p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Procure equipment and expendables,</li> <li>- Train qualified personnel.</li> </ul>	2017-2020	<p><u>Lead:</u> State Agency of Fisheries of Ukraine, fishery research institutions</p>	<ul style="list-style-type: none"> <li>- Perform molecular genetic analyses, which are mandatory for the Ukraine as a party to CITES.</li> <li>- Ensure the contemporary level of fisheries research</li> </ul>
6.7	<p><b>Promote and stimulate the consumption of domestic fish products among the population of Ukraine</b></p> <p><i>Target group:</i> business entities engaged in aquaculture production, industrial fishing and processing; population of Ukraine.</p> <p><i>Suggested approach and mechanisms:</i> Conduct outreach campaigns, promotions etc. to foster the consumption of domestic fish products by citizens</p>	2017-2020	<p><u>Lead:</u> State Agency of Fisheries of Ukraine, state oblast administrations</p>	Increase national aquaculture production to ensure national food security and build export capacity
6.8	<ul style="list-style-type: none"> <li>- <b>Provide full financing of fishery selective breeding, keeping breed stocks of local high-yielding varieties of carp,</b></li> <li>- <b>Artificial re-population with further release into natural habitat of fresh water native fish species and marine valuable and endangered species,</b></li> <li>- <b>restoration of native fish habitats to create favourable conditions for their re-population;</b></li> </ul>	2017-2020	<p><u>Lead:</u> State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> Fishery research institutions, territorial bodies of State Agency of Fisheries of Ukraine</p>	

	- Finance to the extent necessary production and further release into natural waters offish species, which are natural ameliorators (herbivorous)i.			
6.9	<b>To ensure financing of the programme for artificial reproduction of industrially valuable fish species aimed at supporting aquatic ecosystems and forming industrial fish stocks as well as conducting important fishery and amelioration measures</b>	2017-2020	<u>Lead:</u> State Agency of Fisheries of Ukraine	
6.10	<b>Support attracting investment into the creation of joint ventures with modern methodologies for commercial farming in the Ukrainian marine and fresh water bodies and recirculating aquaculture systems of commercially attractive fish species as well as molluscs and algae</b>	2017-2020	<u>Lead:</u> State Agency of Fisheries of Ukraine state oblast administrations	
7	Restore fishery and recreational capacity of the Ukrainian water bodies			
7.1	<p><b>Create a natural and artificial bioamelioration complex of inland waters</b></p> <p><i>Target group:</i> Business entities – users of aquatic bio resources, amateur fishermen</p> <p><i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Introduce a set of measures on biological purification of waters and increased fish capacity</li> <li>- The project should provide for the development of a complex programme of ongoing monitoring, ecological and biological amelioration of fishery waters of Ukraine.</li> </ul>	2017-2020	<p><u>Lead:</u> Independent research institution</p> <p><u>Associated:</u> State Agency of Fisheries of Ukraine, private-owned fish farms</p>	<ul style="list-style-type: none"> <li>- 20 percent-50 percent increase in fish capacity,</li> <li>- prevention of mass fish die-off</li> <li>- balanced hydro-biotic environment of water bodies</li> <li>- Guaranteed safety of raw fish and simplification of the procedure for the Ukrainian fish products to enter the European markets.</li> </ul>



	<ul style="list-style-type: none"> <li>- To perform ecological and biological amelioration of fishery waters of Ukraine using novel biological amelioration techniques aimed at adapting the indexes of Ukrainian water bodies to the requirements of the EU Water Directive 2000/60/EC</li> </ul>			
8	<p><b>Ensure complex processing of illiquid raw fish material and development of compound feed production</b></p> <p><i>Target group:</i> aquaculture farms, agricultural businesses  <i>Suggested approach and mechanisms:</i>  Establish a compound feed plant to produce domestic compound feeds</p>	2017	<p><u>Lead:</u> private agricultural business (a joint venture with foreign capital)</p> <p><u>Associated:</u> foreign companies, agricultural producers</p>	<ul style="list-style-type: none"> <li>- 20 percent-50 percent increase in fish capacity,</li> <li>- The project envisages the construction of a powerful compound fish and animal feed production facility. The substantial agrarian capacity of Ukraine, availability of low-demand fish species (small-sized herring, goby, anchovy etc.), cost-efficient raw material and labour potential, when combined with the demand for feed in the country, collectively generate a guaranteed sales market. Payback period is 3-5 years.</li> </ul>
9	<p><b>To develop and implement an adaptation programme for fishers using aquatic bio resources to establish breeding fish farms</b></p> <p><i>Target group:</i> entrepreneurs – users of aquatic bio resources of fishery water bodies of national importance, amateur fishers, citizens of Ukraine  <i>Suggested approach and mechanisms:</i></p> <ul style="list-style-type: none"> <li>- Adaptation (transfer) of fishers engaged in industrial fishing of aquatic bioresources of water bodies to fish farmers producing aquaculture products</li> <li>- The programme envisages the transfer of fishers-users of aquatic bioresources to artificial breeding farms with pond, cage culture, recirculating aquaculture systems.</li> <li>- Transition to artificial rearing provides for the minimum of 100 users (out of 320) if accommodated with a 10 year interest-free</li> </ul>	2017-2020	<p><u>Lead:</u> state-owned companies of the State Agency of Fisheries of Ukraine</p> <p><u>Associated:</u> fish farms and businesses-users of aquatic bioresources of inland waters</p>	<ul style="list-style-type: none"> <li>- Reduce industrial load on water bodies, increase in the commercial production volume of fish products</li> <li>- Intensification of fishery waters restoration in Ukraine.</li> </ul>

	commodity loan for the procurement of equipment, materials and services is granted, as well as comprehensive state support and tax preferences etc.			
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