The EBRD’s experience with policy dialogue in Ukraine
Case study - grain sector

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Contents

Abbreviations

Executive summary

The policy problems and results chain

Timeline of Government’s interventions and joint initiatives by public and private sectors (2006-2013)

1. Introduction .................................................................................................................................................. 13

2. Context for the policy dialogue ...................................................................................................................... 15

2.1 Global context

2.2 National context

2.3 Government policy and institutional environment

2.4 EBRD strategy in the grain sector

3. Policy process .................................................................................................................................................. 19

3.1 Conception, planning and strategy

3.2 Carrying out the policy dialogue

3.3 Achieving results

3.4 Reviewing, reporting and evaluation

3.5 Resourcing

4. Conclusions .................................................................................................................................................... 27

5. Sources .......................................................................................................................................................... 28

Annex 1: Key characteristics of Ukraine’s grain sector ......................................................................................... 29

Annex 2: Recent EBRD operations in the Ukraine grain sector ............................................................................. 35

Annex 3: Timeline of policy dialogue in Ukraine’s grain sector (2009 to 2013) .................................................. 37
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction &amp; Development</td>
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<td>EvD</td>
<td>Evaluation department, EBRD</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation</td>
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<td>FAO TCI</td>
<td>Investment Centre of Food and Agriculture Organisation</td>
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<td>GoU</td>
<td>Government of Ukraine</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>LTT</td>
<td>Legal Transition Team</td>
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<td>MinAgro</td>
<td>Ministry of Agrarian Policy and Food</td>
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<td>MoU</td>
<td>Memoranda of Understanding</td>
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<td>OCE</td>
<td>Office of the Chief Economist</td>
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<td>OECD</td>
<td>Organisation of Economic Cooperation and Development</td>
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<td>SEMED</td>
<td>Southern and eastern Mediterranean</td>
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<td>TC</td>
<td>Technical Cooperation</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>Working Group</td>
<td>Ukraine Grain Market Working Group</td>
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Executive summary

In 2013 the Evaluation department (EvD), at the request of Board members and the President, conducted a study of the European Bank for Reconstruction and Development’s (EBRD’s) experience with policy dialogue in Ukraine. An early decision was taken to adopt a case study approach as the core evaluation methodology in order to get the needed “rich picture” of qualitative information. Early consultations with EBRD policy actors identified ten possible cases of which five were selected using criteria to ensure their relevance to the Ukrainian context and other countries in which the EBRD invests. These criteria included amongst others, whether there was an international dimension beyond the interests of the EBRD and Ukraine, volume of operations and degree of outcome success so far. The area of grain sector reforms emerged from this selection process as a key topic for a case study. This case study was prepared by the Evaluation team and then shared with the Agribusiness team and non-Bankung departments for verification and additional input.

Policy dialogue in the Ukrainian grain sector provides an example of EBRD-led policy dialogue that produced results in a relatively short period of time. The case demonstrates best practice in a number of respects, particularly in terms of analytical underpinning and explicit planning of policy dialogue strategy; involvement of all stakeholders and building trust; moving to evidence-based rather than political decision-making and producing early “wins”. It also succeeded through adopting a series of confidence-building measures through a multi-tactic approach; using the global dimension (food security agenda) to good effect; providing real benefits to key stakeholders (aligning interests); and effectively managing public relations (a multi-channel approach). Significant lessons can be drawn on the conduct of policy dialogue with wider application.

The EBRD had two very clear reasons for engaging in grain sub-sector policy dialogue:

- EBRD clients were being adversely affected by arbitrary and unpredictable policy actions
- There was a perceived need for the EBRD to contribute to global food security given the food price crisis of 2007-08.

There was a very clear understanding of the problems to be addressed based on long engagement in the sector and a specially-commissioned sector review to inform and focus the dialogue (Ukraine: Grain Sector Review and Public Private Policy dialogue).

Dialogue was carried out by EBRD staff at a high level with the Agribusiness Director and former Deputy Director with the Minister. Three Technical Cooperation (TC) initiatives with the Food and Agriculture Organisation (FAO) worth €592,284 were implemented through consultancy services. Actions included conducting of sector and policy analysis, development of a pro-reform coalition and a policy dialogue strategy, face to face meetings via working groups and roundtables and signing of Memoranda of Understanding on grain exports and their critical levels agreed between the Ministry of Agrarian Policy and Food (MinAgro) and industry representatives. A credible grain balance model using 120 indicators was put in place, links were made to the G-20 Agricultural Marketing Information System and export markets links to the southern and eastern Mediterranean (SEMED) built. Key decision makers participated in study tours to Brazil and Italy, and an effective media and communications campaign was implemented.

Actions taken were evidence of a coordinated approach working well within the EBRD across departments, between the regional office and headquarters and with other International Financial Institutions (IFIs) and donors. The program of dialogue was found to be flexible enough to adjust to changing needs and to react to opportunities.
Engagement resulted in increased EBRD and private sector investments along the grain production and supply chain in Ukraine. There were no further market disruptions, and increased and more predictable exports. The predictability of policy actions and transparency of data was also enhanced. Sustainability of the dialogue was assured through strong grain industry commitment and enabled by an inclusive platform for public-private dialogue.

**Findings**

Public-private policy dialogue in the Ukrainian grain sector provides a good example with lessons that the EBRD and its counterparts in Ukraine could replicate in other sectors (a similar approach is already being adopted in the dairy sector). The example could also be followed by other countries in which the EBRD invests where challenges and opportunities for development are similar to those of Ukraine.

- Success of the dialogue depends a lot on the agreement of the parties as to the significance of the problems, a common vision of the solutions, and a common analytical playing field (equal access to background data and information).
- Creation of an alignment of interests between different parties is fundamental for a fruitful policy dialogue.
- Establishing good working relations between key Ukrainian and EBRD interlocutors is essential for achieving desired results. The agribusiness sector has achieved such a level of relationships which is very positive factor for policy dialogue.
- The Grain Market Working Group and its international status is a key instrument for ensuring transparency and clear and predictable regulations in the grain sector (especially for export).
- The work was launched very successfully with strong commitment of private sector and international partners (EBRD and FAO), along with a well-targeted public relations campaign which helped to build Government commitment without alienating it.
- Having equal access to the evidence base and high-quality regularly updated information on the Ukrainian grain balance is a crucial factor for success.
- Further support activities from the EBRD are necessary for exploring more international models but even more importantly for developing specific mechanisms of implementation and assisting at the first stage of implementation.
- The existence of a working group consisting of public and private actors and their associations is crucial but does not completely remove the need for other forms of engagement and lobbying on case-by-case basis.
The policy problems and results chain

Policy challenges 2009 to the present

i) Ukraine not fulfilling its grain production potential or contributing to global food security to the extent it could;

ii) In the context of high price volatility, a lack of predictability in policy, and non-transparent data about grain markets deterring potential investors;

iii) Unexpected introduction of export quotas, their unfavourable distribution; problems with Value Added Tax (VAT) refunds and other taxes/duties;

iv) Lack of a platform for productive dialogue between the private and public sectors.

What happened?

Conception, planning and strategy

Deciding to engage

There were two very clear reasons for engaging in grain sector policy dialogue – firstly, EBRD clients were being adversely affected by arbitrary and unpredictable policy actions and secondly, there was a perceived need for the EBRD to contribute to global food security given the food price crisis of 2007-08.

(1) (clarity about why engaging)

Identifying the problem

There was a very clear understanding of the problems to be addressed based on long engagement in the sector and a specially-commissioned sector review to inform and focus the dialogue (Ukraine: Grain Sector Review and Public Private Policy dialogue).

(2) (existence of robust analytical underpinning)

Selecting and validating the policy message(s)

The policy messages were selected based on the priority recommendations in the grain sector review, which proposed that “immediate dialogue should focus on the common interests of the public and private sectors…[being] essential for development.” Validation of the messages occurred as a result of dialogue within EBRD (Agribusiness team and OCE), between EBRD and Food and Agriculture Organisation (FAO, see below for nature of partnership) and finally with the private sector actors.

(solutions also based on good analysis and subject to further validation)

Clarity on results

There was clarity on the desired short-term results of resolving the issue of unpredictable, arbitrary and unfair application of policy and also medium to longer-term desired result of addressing constraints preventing Ukraine from meeting its potential for the production and export of grains.

However, expected results were not explicitly built on a theory of change (“if we take this policy action we expect this to happen”) and nor were they specified in terms of outputs, outcomes and impacts to facilitate monitoring, reporting,

(3) (clarity on expected results and their linkage in terms of a series of cause and effect relationships with results specified in terms of outputs, outcomes and impacts constitutes best practice)

The various elements of the policy process as reflected in the each case study are characterised as follows:

✈️ = not or only weakly demonstrated
✈️✈️ = mixed performance
✈️✈️✈️ = possible good practice
✈️✈️✈️✈️ = possible best practice

The word “possible” is used as practice should be guided by the context so the practices should not automatically be considered good and replicated without thinking about the context.
Evaluation and Learning.

**Strategy and tactics**

There was a deliberate process of considering options and selecting a preferred strategy and tactics, while retaining essential flexibility. There was an engaged approach to strategy and tactics selection such that those in favour of change were of one mind by the time they engaged with decision-makers. While the strategy was well informed technically, economically and from a business sense there perhaps could have been somewhat more explicit consideration of political economy aspects.

(having a strategy and tactics that are “owned” by the pro-lobby while remaining flexible – taking account of political economy)

**Carrying out the dialogue**

**Main inputs provided by EBRD**

- EBRD staff time – well coordinated input by Agribusiness team and OCE with frequent high-level contact (Director and former Deputy Director to Minister); the high level is crucial for maintaining trust and a high degree of engagement from Ukrainian government counterparts.

(well resourced policy dialogue initiative with creativity shown in accessing needed resources)

- Three TC projects for a total of €592,284 with FAO providing services as consultant (covering 30 per cent of cost) as well as funding for local consultants and support and complementary staff resources.

**Actors and roles**

- All policy actors were brought around the table (no one left out)

- EBRD role as credible and trusted (by all parties) facilitator/adviser and FAO as highly credible technical expert/adviser (clear roles)

**Actions**

- Conduct of sector and policy analysis to identify and prioritise problems, their causes, solutions, strategy and tactics for problem resolution, and what results were expected from problem resolution (see concept, planning and strategy above)

- Early building of a pro-reform coalition and development of a policy dialogue strategy before engaging with the government. (see concept, planning and strategy above)

- Regular face-to-face meetings of all concerned parties via working groups and periodic roundtables – whether fully consciously or not, the effort was significantly directed at creating an alignment of interests, which is absolutely critical for success. (building relationships and creating an alignment of interests)

- Signing of Memoranda of Understanding, keeping of minutes to confirm agreements and avoid misunderstandings (putting it in writing to ensure mutual understanding)

- Putting in place a credible Ukrainian grain balance model using 120 indicators with mostly monthly updates and comparison to US Department of Agriculture estimates. This forms a basis for making decisions on data-driven rather than political grounds thus ensuring a more predictable and less arbitrary application of policy. (moving from political to evidence-based decision-making)
Study tours to Brazil, Rome and Naples to give key decision makers a tangible vision for the future – the visit to Brazil to see the positive results from a more conducive policy for private sector investment and that to Rome and Naples to learn about grain market analysis and an to see an example of a well-functioning grain production chain.

Linking Ukraine more closely in to the global grain system by integrating it in to the G-20 Agricultural Marketing Information System and building linkages to important export markets in SEMED region.

Effective media and communications campaign

Support for grain congresses

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**Coordinating**

Grain market policy dialogue is an excellent example of (i) a joined-up approach within the EBRD – Agribusiness team and OCE, and between Kiev resident office and London; (ii) sourcing much-needed and highly credible subject matter expertise in this case from the FAO Investment Centre (FAO/TCI) based on an existing framework memorandum of understanding which provided for a 70:30 funding split; selectively joining up with other IFIs/donors (such as the International Finance Corporation, the United States Agency for International Development, World Bank) when the situation required it.

**Flexibility and reaction to events**

Good ability to adjust resources to changing needs and to react to emerging opportunities.

**Results achieved**

**Outputs**

1. Ukraine grain sector review and public policy dialogue study;
2. Ukraine Grain Market Working Group established and fully operational based on a Memorandum of Understanding;
3. Government officials and private operators maintaining strong and responsive dialogue where the two parties are keen to share information and take actions in their respective areas of responsibility;
4. Three annual Memoranda of Understanding (MoUs) on grain exports and their critical levels were agreed and signed between the Ministry of Agrarian Policy and Food (MinAgro) and industry representatives;
Outcomes

1. Increased EBRD and private sector investments along the grain production and supply chain in Ukraine;
2. No market disruptions, and increased and more predictable exports;
3. Enhanced predictability of policy actions and transparency of data;
4. Sustainability of the dialogue assured through strong grain industry commitment and enabled by inclusive platform for public-private dialogue.

Supporting both policy adoption and implementation

The EBRD has shown its willingness to remain engaged for the “long haul” – in so doing, it is not only deepening and extending reforms in the grain sector (in areas such as warehouse receipts, crop receipts, addressing infrastructure bottlenecks, supporting production improvements), it is also, and very importantly, supporting the implementation of reforms already put in place. Policy reversals or capture/subversion are common in Ukraine, and additionally, fine tuning of policy reforms is often needed. Both factors call for long-term engagement.

Evidence of learning

Learning from the experience is a central feature of this case study, both in terms of incorporating experience into current and future efforts by those involved, and as a rich source of learning for other teams. However, rather too much of the learning remains in the participants’ heads so is not available outside the immediate team.

Reviewing, reporting and evaluation

Reviewing

The need to coordinate the efforts of the Agribusiness team, OCE and FAO in the first instance, and subsequently, the private sector and their associations, has provided plenty of opportunity for reviewing progress. The need to seek further TC funding and the formulation of the integrated approach have also provided stocktaking moments. This evaluation suggests that the inclusion of some independent/external experts in regular reviews (particularly those with political economy skills) would add considerable value.

The EBRD and FAO have conducted formal reviews of progress in a consultative manner through roundtables on Public-Private Dialogue in the Ukrainian Grain Sector during successive Ukrainian Grain Congresses over the period 2010-2013.

Monitoring

Formal monitoring of policy dialogue is done through:
(i) attendance by focal points from the EBRD (headquarters and resident office) and FAO at most of the Working Group meetings;
(ii) keeping of official minutes of the Working Group meetings which record the discussions and decisions with minutes shared with all participants; and
(iii) regular monitoring of regulatory and legislative changes through Working Group discussions and through separate dialogue with policy dialogue counterparts.

Less informal monitoring takes place through:
(i) back-to-office reports submitted by FAO and EBRD staff to their respective teams with sharing of these between the two institutions;
(ii) conference calls and meetings with private and public stakeholders in the sector, and;
(iii) Agribusiness bankers' meetings with clients provide regular contact with companies that are part of the Working Group.

The monitoring information is used to:

(i) reorient the process if this is needed;
(ii) identify the need to engage with technical experts to facilitate Working Group dialogue on specific issues, and;
(iii) as a basis for reporting to the EBRD and FAO on progress and challenges.

As noted above under “clarity on results” there is no structured monitoring (or reporting) in terms of outputs, outcomes and impacts linked together in a theory of change. Tracking of a range of sector indicators also provides a useful check on progress.

Particularly with policy dialogue, monitoring needs to include a regular scan of the wider context from a political economy perspective as changes here can have a major effect on the success or otherwise of policy dialogue and the strategies that should be adopted.

Another characteristic of policy dialogue is the potential for perverse outcomes – sometimes policy prescriptions might help solve a problem but in the process they may create new problems or the well-intended policy message may in fact produce totally the opposite effect from what was intended. Sometimes there are positive unintended effects. Monitoring systems need to pick up such perverse effects or unintended effects, whether positive or negative.

**Reporting**

Notwithstanding the fairly comprehensive monitoring described above, the policy dialogue carried out probably lacks visibility within the Bank with the adverse consequences for recognition and rewards and learning.

However, the grain sector case does demonstrate excellent reporting of results through “story telling” (most recently through the 2013 Annual Report on EBRD’s Private Sector for Food Security Initiative). Telling the story of policy dialogue is an effective way of reporting on progress and it can be more meaningful than trying to report against time bound targets since policy making is a political process, which is almost inevitably not a straight-line process, nor one that is amenable to measurement against (largely uncontrollable) targets and deadlines. Story telling on the other hand provides a rich picture that is a more effective management and communication tool than a set of numbers. On the downside, there can be a tendency not to tell the story of unsuccessful or partly successful initiatives, which may have high learning potential. Reporting on the good news only does not provide a balanced assessment.

**Evaluation**

No policy dialogue initiative studied by the evaluation made any provision for independent evaluation or external review. Given the complexity of most policy dialogue initiatives, their frequently long duration, the “tunnel vision” that can develop through close involvement of a long period, and the importance of learning, periodic evaluation can add significant value.

**Resourcing and rewards**

**Sufficiency of resources and**

The grain sector case provides an excellent example of matching resources to needs and being creative about sourcing
needed resources. The director of agribusiness can determine what proportion of time Agribusiness team members spend on policy dialogue and in this case, policy dialogue was given a high priority (of the 5 Agribusiness team respondents to the staff survey, 2 indicated that around 75 per cent of their time was taken up with policy dialogue, 2 indicated around 30 per cent and 1 said around 10 per cent). Creativity has been shown in getting additional resources such as a Food Security Analyst (shared between OCE and agribusiness) and, shortly, a Grain and Dairy Policy dialogue Analyst in Kiev – both funded under TC. An existing cooperation agreement with FAO was used to access this lead agriculture sector agency’s technical, economic and policy experience on a cost-sharing arrangement. While the FAO is operating as a consultant, it is using its own staff so the continuity and institutional memory are much greater than in the case of using external consultants. OCE also provided expertise to the joint venture. The team was able to access sufficient TC resources to meet its needs. This evaluation considers that value would be added by having skills in political economy available as the fundamental problems are not technical, they are political and addressing these needs highly specialised skills.

**Incentives and rewards**

The policy dialogue work by Agribusiness team members is rewarded mainly through acknowledgement and praise though the positive results obtained have been motivating in themselves. In this case, the policy dialogue has resulted in new business so this also flows through achieving team scorecard objectives and so bonuses, albeit with some lag. This evaluation considers that it is difficult if not impossible to provide a direct monetary reward for policy dialogue and in any case, it would be undesirable to provide direct monetary rewards even if it were possible because of the perverse incentives this would set up. Therefore, rewards will need to be largely soft (such as through praise and public recognition) and the motivation of staff will need to be intrinsic rather than extrinsic.
Timeline of Government’s interventions and joint initiatives by public and private sectors (2006-2013)

September 2006: The Cabinet of Ministries passed a resolution on automatic licensing of wheat exports.

October 2006: New export quotas introduced until 30 June 2007. Volumes: 3,350,000 t for wheat, 500,000 t for barley, and 3,350,000 t for corn and rye.

February 2007: Export quotas for barley and corn were cancelled.

June 2007: Another resolution introduced non-automatic licensing (i.e., export quotas) on wheat, barley, corn, and rye, superseding the Sept 2006 resolution.

December 2006: New export quotas introduced from 1 July 2007 till 30 October 2007. Volumes: 1,200,000 t for wheat, 350,000 t for barley, and 900,000 t for corn.

March 2008: New export quotas introduced till 30 October 2008. Volumes: 200,000 t for wheat, 400,000 t for barley, and 600,000 t for corn.

April 2008: Export quotas and automatic licensing arrangements for corn were cancelled. Export restrictions were cancelled as part of Ukraine’s WTO commitments.

April 2008: New export quotas introduced till 30 June 2008. Volumes: 2,200,000 t for wheat and 900,000 t for barley.

July 2008: Export duties on corn and wheat were eliminated.

February 2007: Export quotas for barley and corn were cancelled.

June 2007: New export quotas introduced until the 31 December 2006. Volumes: 400,000 t for wheat, 600,000 t for barley, and 3,350,000 t for corn and rye.

March 2008: New export quotas introduced till 31 March 2008. Volumes: 200,000 t for wheat, 400,000 t for barley, and 600,000 t for corn.

May 2008: Export duties on corn and wheat were replaced by export duties.

December 2008: Automatic licensing of corn exports were introduced.

March 2009: Grain export quotas were introduced on estimations from Ukraine’s grain balance.

June 2009: London Grains and Oilseed Roundtable organized by EBRD with FAO/TCI.


October 2010: Export quotas were introduced until 30 June 2010.

October 2011: Export duties on corn and wheat were eliminated.

July 2011: Second MoU is signed for 2012-13 Marketing year.

October 2011: Export quotas for wheat were cancelled.

July 2012: Export quotas were replaced by export duties.

July 2012: Second MoU is signed for 2012-13 Marketing year.

October 2011: Signiﬁcation of first MoU between business associations, grain producers, and Ministry of Agrarian Policy and Food (MinAgro) to provide predictability and avoid MK interventions.

July 2012: Second MoU is signed for 2012-13 Marketing year.

January 2011: Signing of MoU of Initiative for Joint Action to support the development of the grain sector in Ukraine was signed by Ministry of Agrarian Policy and Food, EBRD, Grain Association, Agrarian Confederation and Agrarian Markets Development Institute.

January-June 2011: A number of Working groups are formed such as the Ukrainian Grain Sector Working Group (Ukrainian private sector and associations, EBRD, FAO and MinAgro).

July 2012: Third MoU is signed for 2013-14 marketing year between private sector and Ministry of Agrarian Policy and Food.

January 2011: signing of MoU of Initiative for Joint Action to support the development of the grain sector in Ukraine was signed by Ministry of Agrarian Policy and Food, EBRD, Grain Association, Agrarian Confederation and Agrarian Markets Development Institute.

January-March 2011: A number of Working groups are formed such as the Ukrainian Grain Sector Working Group (Ukrainian private sector and associations, EBRD, FAO and MinAgro).
1. Introduction

The EBRD’s engagement in policy dialogue aimed at facilitating public-private dialogue in the grain sector of Ukraine was formally launched at the end of 2010 and is on-going initiative. It is jointly supported by the EBRD and FAO with some other International Financial Institutions (IFIs) and donor organisations supporting adjacent areas.

It should be stressed that policy dialogue performed by the EBRD in the grain sector and agricultural sector in general is very broad and includes, among other things, legislative work, capacity building, policy advice and negotiations in the sphere of financial instruments. For the purposes of this evaluation we focus on the work and achievements of the public-private dialogue Ukraine Grain Market Working Group with only marginal analysis of the adjacent areas and activities, and then only when they are complementary activities and achievements of the Working Group. This deeper analysis allows us to extract lessons that are hopefully more insightful, useful and relevant for future policy dialogue work.

The public-private dialogue Working Group provides a framework mechanism which serves as a basis for a number of specific initiatives – such as the annual Memoranda of Understanding (MOUs) between the Government of Ukraine and private sector operators and their associations for areas such as crop receipts and warehouse receipts that are essential elements of the on-going policy dialogue but are not the object of the detailed analysis by this evaluation.

Agribusiness is the one of the most attractive and profitable sectors for investors in Ukraine. Despite a generally challenging business climate and deteriorating indicators of socio-economic development, reduced transparency and growing incidence of unfair business practices, agriculture and food industries continue to attract domestic and international investors.

Currently, the EBRD Board is cautious about approving new operations in Ukraine due to the country’s proximity to the trigger level and the unfavourable macro-economic and political conditions. However, it is generally supportive of new investments in Ukrainian agriculture sector. The reason for this might be that by its nature the agriculture sector is the platform for many players where monopolisation is difficult and where smaller actors can achieve significant results by using smart modern technologies and techniques. Business practices that are against the EBRD’s integrity principles are easy to spot and avoid as the market provides many opportunities for engagement with partners that are keen to play by international rules and introduce modern and transparent business practices.

However, the unavailability of long-term funding is a big obstacle for expanding the grain sector, which according to some estimates requires the investment of US$ 22 billion to bring production standards, infrastructure and quality of grain up to a level where Ukraine can fulfil its production potential and meet international market standards. Of this, US$ 9 billion is required for enhancing the logistics and transport infrastructure alone. The EBRD’s role in this respect is difficult to overestimate as it is the biggest private sector investor in Ukraine with a solid reputation for funding long-term projects where domestic and international commercial banks are not active due to different attitudes to risk assessment. Also, EBRD’s commitment to achieving transition objectives and contributing to global food security through a predictable and growing supply of

2 The case study period under review starts from December 2009. This is when Ukraine Grain Sector Review was carried out in the framework of earlier TC project by EBRD/FAO.
3 In the framework of EBRD/FAO Framework Agreement signed in 1997.
4 Interview with Ukrainian Agrarian Confederation, June 2013, Kiev, Ukraine.
food with transparent information about availability and production in different countries are important factors motivating EBRD engagement in grain market policy dialogue in Ukraine.
2. Context for the policy dialogue

In outlining the context of grain market development in Ukraine this evaluation considers:

- the global context of food security and grain market development;
- the national grain demand/supply system;
- Government policy and the institutional environment;
- the EBRD strategy in the grain sector, and existing and potential EBRD investment operations in Ukraine.

2.1 Global context

While global food supply and food security are topics that have often been high on the donor / IFI agenda for decades, in 2007-2008 they moved to centre stage given dramatic changes in the global food supply and demand situation. An unprecedentedly sudden increase in global food prices due to adverse climate conditions simultaneously affecting several major food producing regions, and additional demand for food-based industrial products such as biofuel led to the situation where millions of people around the globe experienced shortages of food resulting in higher rates of malnutrition. The situation was exacerbated by export restrictions imposed by a number of exporting countries. According to an FAO survey, 33 percent of exporting countries introduced some sort of restrictions in the aftermath of food price crisis with the aim of protecting domestic consumers.

The international community stepped up its response and a range of global food security fora and other initiatives were launched. The EBRD joined forces with other international finance institutions (IFIs) and global development partners to target food security challenges. The Bank’s involvement was particularly relevant and important given the huge potential that its region of operations has to offer in mitigating food shortages through increased production. The EBRD saw its unique role as facilitating and supporting the dialogue between the private sector and the government agencies in the countries that have the biggest potential for expanding grain production and export (Russia, Kazakhstan and Ukraine). It is the core objective of a new initiative, the Regional Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain Value-Chain, approved by the EBRD in 2010 (in 2012, this was split into integrated approaches for individual countries, including Ukraine).

In 2011, the EBRD launched a Private Sector for Food Security Initiative that aims to support the private sector in its region of operations to: achieve higher yields, produce better quality crops, create appropriate logistics and storage infrastructure, and create financial instruments for greater investment. The EBRD “champions the role of the private sector in boosting food production through technical assistance, policy dialogue and new financing. It also helps set incentives and creates the right environment for encouraging private sector support”. Apart from direct investments in the sector, the EBRD is also making efforts to help match the supply (from countries in Central and Eastern Europe (CEE) and Commonwealth Independent States) and demand (from the southern and eastern Mediterranean (SEMED) countries) for food in its region of operations, which is in line with the priorities of the initiative.

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6 EBRD’s Private Sector for Food Security Initiative, 2011
7 Private Sector for Food Security Initiative, Annual Report 2012
Although not discussed here, Ukraine’s membership of the World Trade Organisation (WTO) is another important contextual factor at the international level.

2.2 National context

Ukraine has traditionally been one of the biggest grain exporters in the world. However, since it gained independence in 1991, its performance in terms of yields and value of crops available for export has not been good when compared to the countries with similar agro-climatic conditions such as France. Its role in global grain markets could be much more significant. According to EBRD/FAO estimates an increase in production and export of at least 75 percent could be achieved with adequate investment in areas such as access to finance and crop-based financial instruments, access to equipment and fertilisers, storage and transportation, education and skills of producers, cooperation and certification among others.8

As of the 2012-13 marketing year, Ukraine was exporting about 22 million tons of grain. It accounts for 12.9 percent of the global corn market, 18.5 percent of the world barley market, and 4.5 percent of the world wheat market. Grain production is dominated by wheat, in particular forage wheat, which, according to various estimates accounted for between 30-67 percent of total domestic production in 2009-10. Sector statistics and development trends are presented in Annex 1.

Currently Ukraine is punching below its weight in grain production and export. Possessing one of the most fertile black soils in the world (even factoring in the degradation trends caused by decades of unsustainable agricultural practices) its grain yields are 71 percent less than in France – a close comparator country by natural conditions.

The EBRD’s integrated approach in Ukraine’s grain sector identified a number of challenges of the country’s grain value chain. These include:

- Below potential yields;
- Lack of access to modern storage facilities;
- Remaining challenges to establishing a well-functioning warehouse receipts system;
- Challenges in establishing additional pre-harvest financing options.9

These challenges provide the basis for the EBRD’s strategy in supporting Ukraine’s grain sector.

2.3 Government policy and institutional environment

Unlike other sectors of Ukrainian economy, the institutional set-up in the agrarian sector is relatively stable and the leadership of the key government agency – the MinAgro – has not changed much over the last three years. As Ukraine is a significant world player in the agriculture sector, it is very much in the international spotlight, which adds to the pressure to deliver and sometimes create more incentives to undertake needed reforms. International “naming and shaming” plays its role in specific situations, as illustrated by the experience of dialogue with the Government of Ukraine (GoU) with regard to global food security in the last five years.

As is generally the case in Ukraine, however, the policy process in the agriculture sector suffers from a number of weaknesses, especially in terms of implementation. Also, some fundamental issues such as land ownership remain unresolved – this specifically hinders investment in the sector especially in terms

8 FAO Grain Market Analysis (2009)
9 EBRD Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain value-chain (Regional), 2010 (updated in 2012 with creation of a separate integrated approach document for Ukraine)
of greatly limiting the collateral available for borrowing. Volatility in production and global grain prices cause the Government to have aggressive controlling functions aimed at assuring both availability and lower prices for domestic consumers by restricting the export of grains in the years of low production.

In the international legal field (as determined by WTO rules) there is only one legitimate reason for the country to impose ad hoc export restrictions – if export levels are a threat to domestic food security. Until recently however, nobody knew whether the level of grain production in any given year in Ukraine was close to critical or not. There was no reliable and universally trusted source of information on the grain supply and demand balance. Local sources often cited the estimates produced by US Department of Agriculture since no reliable domestically-generated information was available.10

The main reason for the government to adopt restrictive export measures in Ukraine is because of the need to control bread prices, at least for the so-called social types of bread that are accessible to the most vulnerable groups of the population, which are at the same time the most active electorate in Ukraine. Every government or President of Ukraine pledges to keep bread prices as low as possible for “social” types of bread and any decision to increase them is generally perceived as political suicide. Instead of providing targeted social assistance to the neediest groups, successive governments have typically used inefficient blanket price control that requires restrictions on exports when global prices and demand are high. As in many countries, the greatest barrier to developing a transparent and deregulated grain market in Ukraine is not in the sphere of agriculture sector policy, but in the sphere of social policy, which many see as long overdue for reform to target benefits and social support to those who really need them (according to joint analysis by the United Nations (UN) and Institute of Demography and Social Studies of National Academy of Science of Ukraine 15 percent of the Ukrainian population is living in absolute poverty, or below national subsistence level).11

As grain export restrictions have also included maize and barley (feed grains), the domestic livestock and poultry industries have benefited from lower feed prices so creating a further market distortion.

Over the years Ukraine has used various types of market distorting mechanisms all of which have had a negative impact on farmers’ incomes, global markets and contributed to greater price volatility as well as being a largely ineffective and inefficient means of achieving social objectives.

Since 2003 these measures have included:

- **2003-2004**: Following liberalisation of the grain market and exports in the mid-to-late 1990s, Ukraine had its worst grain harvest on-record in 2003. This led to the situation when nearly three million tons of wheat had to be imported to cover a shortage in the domestic market at a price one and a half times higher than the export price obtained in the previous marketing year. The government stepped in and initiated grain imports through state trading companies, procured from the private sector and removed import tariffs and Value Added Tax (VAT) in order to facilitate imports of wheat. Mandatory reporting on grain stocks has been in place to monitor physical availability of grain since 2004-2005. In this socially combustible situation, the government made general conclusions that the free market can pose a threat to domestic food security. It is still very much adhering to this position.

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10 In Ukraine it is Ministry of Economic Development and Trade that is responsible for publishing regular grain balance, not Ministry of Agrarian Policy and Food that is responsible for the policy formulation and implementation in agriculture sector

− **2006:** due to a poor harvest, a ban on export was introduced, causing about US$100 million losses for the exporters and an international scandal, due to logistical collapse and the chain of financial difficulties as large volumes of grain were kept locked in the warehouses.

− **2010:** GoU introduced export quotas due to low grain production and fears of significant export demand. Quotas were distributed among exporters and some of them (especially international companies) did not receive a quota at all. Some counterparts in Ukraine claim that there is proof of document manipulation at the Ministry which made some exporters’ applications invalid (specifically EBRD clients Nibulon and Dreyfus). This caused another major scandal of international scale.

The most recent export control measures, export quotas and their unfair distribution favouring publicly-owned companies were the factors that led to the EBRD’s initiative to enhance private-public dialogue in the grain sector so as to avoid non-transparent decision-making and mutual misunderstanding which persisted among public and private sector counterparts.

There are other problems, especially those relating to taxation, customs, grain certification and quality control. It is not so much that these elements of grain market regulation are burdensome, more that they are unpredictable, as legislation, regulation and their application change frequently and seem to be selectively applied. There are also various groups of economic interests that are widely considered to be using the state bureaucratic machinery for personal gain. Most believe that many officials and politicians represent the interests of various market players. This context needs to be taken into account when operating in the sector and in the country in general.

### 2.4 EBRD strategy in the grain sector

The *Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain Value-Chain* (see footnote 9) recognised the crucial importance of the grain value chain for global food security, and the inability of a project-by-project approach to contribute to real change in the sector. The EBRD Agribusiness team jointly with the EBRD Office of the Chief Economist developed a document which comprises a project pipeline for 2010-14 and strategy for supporting policy dialogue and technical cooperation as a necessary package designed to achieve a set of investment and reform objectives.

The integrated approach identified two key objectives to be achieved:

− Improving supply, access and quality control of physical infrastructure;
− Improving liquidity and access to commodity backed financing.

The EBRD identified five countries of strategic importance, namely Ukraine, Russia, Kazakhstan, Serbia and Romania. In 2012, separate integrated approach documents were produced for each country in order to have more customised approach given the quite different contexts, progress and the dynamics of particular institutional and regulatory settings.

Since starting agribusiness operations in Ukraine, the EBRD has invested in 67 operations worth €1.53 billion (volume not including regional initiatives). €692 million has been invested in crop production or crop support activities. Since 2010, eight new operations were approved in Ukraine’s grain sector. Further information on these and TC is in Annex 2.
3. **Policy process**

Observations about the policy process in grain sector reform follow the conceptual framework developed for this evaluation. The framework considers policy problem identification, selecting and selling policy messages, policy actors taking actions that lead to policy choice and implementation, which in turn give rise to identifiable policy outcomes. The observations and conclusions are structured along the following lines:

- Conception, planning and strategy
- Carrying out policy dialogue
- Achieving results
- Reviewing reporting and evaluation
- Resourcing and rewards

Findings have been derived largely on the basis of interviews held with almost all of the main policy actors in the public-private dialogue in the grain sector along with discussions with informed observers, supplemented by a review many documents.

3.1 **Conception, planning and strategy**

Under this area we consider:

- The reasons why the EBRD decided to engage in policy dialogue and whether there was clarity on this;
- How the problems that become the focus of the dialogue were decided upon as meriting attention;
- How the “solutions” to the problems, which became the policy messages the EBRD advocated, were chosen as being the “right” option and how these messages were validated;
- Whether there was clarity regarding expected results;
- Whether and how strategy and tactics were decided upon.

Belief in a rational approach to policy making would indicate that conception, planning and strategy are crucial to achieving final outcomes. A clear vision of the desirable outcomes and a plan and strategy for achieving them; an understanding the position and limitations of counterpart(s); and a solid basis in terms of information and analytical underpinning, with no asymmetries in knowledge among the main policy actors are generally perceived to be essential conditions for successful policy dialogue. Others argue that given that policy making is a political process that takes place in a dynamic and often uncertain environment there is a low payoff to planning. This case study examines the hypothesis that planning for policy dialogue pays.

The reason the EBRD launched policy dialogue in a more structured manner in Ukraine’s grain sector was two-fold:

- On the one hand, the global food price crisis in 2007-08 and persisting global food price volatility negatively affected access to food for a growing share of world’s population. The EBRD is an active member of the global community that is seeking to address global food security. The EBRD saw it could contribute most effectively by supporting food production (and grain...
production in particular) through financing private sector clients. This can be characterised as a top-down motivation.

– On the other hand, the EBRD’s private sector clients in Ukraine were experiencing significant difficulties in operations due to unpredictable and arbitrary export restrictions and various regulatory and fiscal measures that made business projects less predictable and less profitable. Some government measures, like introducing arbitrary or unreasonable technical standards, grain export quotas and delays in refund of VAT caused considerable financial difficulty for EBRD clients (about 10 companies, both domestic and multinationals), which also had negative consequences for Bank’s business. In general, the Government’s actions lacked predictability, consistency and their “corruption capacity” was high, which led to non-transparent and unfair practices that were unacceptable for the Bank and its clients due to integrity standards. This provided a bottom-up motivation for the Bank’s engagement.

In addition, the Bank always wants to do business so it tends to act if it perceives blockages to investing that might be removed by policy dialogue although this did not seem to be a major or at least explicit consideration in this case.

The EBRD’s policy actors clearly knew why they were getting involved in grain sector policy dialogue and as consequence they a clear idea of the results they wanted to achieve.

The initiators of the dialogue were members of the EBRD’s Agribusiness team, and in particular its Director and former Deputy Director, jointly with an OCE Senior Economist. FAO/TCI was brought into the group from the start under the aegis of an existing memorandum of cooperation. FAO/TCI’s engagement was led by an experienced (Rome-based) economist who also happened to be Ukrainian. Bringing together this senior-level blend of business, economic and technical expertise as a coordinating and planning group is plausibly an important contributor to the success of the grain sector policy dialogue.

A first action was for the EBRD to commission FAO/TCI to prepare a Grain Sector Review and Public Private Policy Dialogue study. This focussed report contains chapters on:

– Grain market developments from 2003 to 2008 (production, prices and government interventions)

– Policy environment of the grain sector (policy-making process, public support measures and the impact of EU integration and World Trade Organisation (WTO) membership);

– Key grain sector constraints (farm-level constraints and government-level constraints);

– Priority recommendations for a public-private dialogue (alignment of public support programmes with WTO requirements, removal of potential barriers to grain trade between Ukraine and EU and creation of a single transparent government information system for reporting grain production, use and trade).

With its focus on policy and the role of public-private dialogue this commissioned piece of analytical work was highly relevant as it provided the basis for a common understanding of the issues, options and the way forward – first among the coordinating/planning group members, then the private sector when they were brought in to the process and finally, with the government. The study established the facts of the situation so they were not under dispute and it clearly spelled out the consequences of the policy choices.
made. It is highly likely that this study was a very important contributor to the success of the grain sector policy dialogue.

EBRD then invited its private sector clients and their associations to a meeting in London in October 2010 in order to develop a list of challenges and action plan needed to overcome these. Only after this was GoU included in the process and since then it has been an equal and active member of the dialogue.\textsuperscript{13}

The conclusion of this evaluation is that there was a strong payoff from a process of developing clarity on the facts, issues and options, and of adopting a deliberate and sequential process of engagement for considering and selecting strategic and tactical options.

\subsection*{3.2 Carrying out the policy dialogue\textsuperscript{14}}

The dialogue was performed via the institutional arrangement of the Working Group on public-private dialogue for grain market reform comprising private, public and international counterparts. A MoU was signed that stipulated the obligations of each party. The signing of the MoU was an important step in creating a shared understanding of the problems and a common commitment to working towards their resolution.

In a situation of mutual suspicion, even antagonism, between the public and private participants, the role of the EBRD as a neutral “umpire” (with financial resources available to be deployed as a “reward” for problem resolution) was a crucial component of success. MinAgro, the key counterpart on the Government side is a technical agency and part of the underlying causes of the problems were technical so the involvement of FAO as an internationally-regarded centre of technical (and related policy) expertise was another crucial component of success. Figure 1 below illustrates the cooperation between the EBRD and FAO in terms of Technical Cooperation (TC). Also Table 1 and Figure 2 illustrate a core group of stakeholders engaged in the grain sector policy dialogue and interaction in the framework of public private dialogue.

\begin{table}[h]
\centering
\caption{Collaboration between EBRD and FAO in Ukraine’s sector policy dialogue}
\begin{tabular}{ll}
\hline
\textbf{Phase I. Reinforcing Private-Public Dialogue} & \textbf{Ukraine Grain Sector Analysis} (completed in December 2009; €71,000) \\
\textbf{TC project on advancing development of pre-harvest financing instruments} & \textbf{Grain growing and farm management training for local farmers} (€265,077) \\
\textbf{TC initiatives in other sectors (e.g. dairy, food safety etc)} & \textbf{TC project on} \\
\hline
\end{tabular}
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\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{image}
\caption{Collaboration between EBRD and FAO in Ukraine’s sector policy dialogue}
\end{figure}

\textsuperscript{13} Note that EBRD policy dialogue with MinAgro was also on-going in other sub-sectors of agribusiness sector.

\textsuperscript{14} A full description is contained in Annex 3.
Table 1: Policy Actors active in Ukraine’s grain sector

<table>
<thead>
<tr>
<th>Government of Ukraine</th>
<th>Private Sector</th>
<th>IFIs/donors</th>
<th>Expert and analytical organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agrarian Policy and Food (key agency responsible for development and implementation of policy in the sector)</td>
<td>Ukrainian Grain Association (UGA, 46 grain producers and exporters)</td>
<td>EBRD - Agribusiness Team (Investments) and OCE (policy dialogue and TC co-ordination)</td>
<td>Agrarian Markets Development Institute (analytical support, working on the automated system for grain supply and demand balance)</td>
</tr>
<tr>
<td>Ministry of Economic Development and Trade (responsible for Grain Balance publication)</td>
<td>Ukrainian Agrarian Confederation (UAC, association uniting producers of different types of food)</td>
<td>FAO (Investment Centre) (co-financing, expertise and analysis, TC implementing agency)</td>
<td>APK-Inform</td>
</tr>
<tr>
<td>State Statistics Committee of Ukraine (data gathering and data provision for grain balance and AMIS)</td>
<td>Agrarian Union of Ukraine (AUU)</td>
<td>IFC (active in CR and WHR WGs)</td>
<td></td>
</tr>
<tr>
<td>Ministry of Taxes and Duties (administering taxes, including VAT refund to grain exporters)</td>
<td>American Chamber of Commerce (ACC)</td>
<td>USAID (Agroinvest Project)</td>
<td></td>
</tr>
<tr>
<td>Verkhovna Rada (approving new laws and amending existing ones)</td>
<td>European Business Association (EBA)</td>
<td>EU and its TC projects in agro sphere</td>
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<tr>
<td>Other regulatory agencies</td>
<td>Private companies</td>
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Note: Policy actors in bold italics are signatories of Joint Initiative MoU, January 2011

Figure 2: Principal policy actors for grain sector policy dialogue

Source: Evaluation study depiction
Interviews with the key stakeholders involved in the process revealed what they perceive as the key characteristics of the EBRD’s role in the grain sector policy dialogue:

- The EBRD is a very good partner with strong reputation in the country among business circles and with the government
- There is a very good inter-team collaboration within the EBRD (Agribusiness team and OCE) that contributed a lot to the smooth and effective process
- Despite a perceived division of labour (FAO – expertise, the EBRD – money) the role of the Bank in the process of dialogue is more sophisticated and the value of its engagement in the Working Group and other collaborative schemes is hard to overestimate
- The Government and Minister were hostile at the beginning, but gradually they changed their point of view, accepting the importance of the platform for regular public-private dialogue and agreeing a joint action plan
- The EBRD has a unique position in being able to bring parties together on the one hand and to provide financing on the other. The EBRD is seen as the most effective player among the IFIs and donors working in Ukraine – it seen as having the least rigid procedures and is not motivated by self-interest.

3.3 Achieving results

Obviously, policy dialogue must produce beneficial results if it is to be worth the cost involved. However, it is equally clear that bringing about change of overall net societal benefit involves a strongly political process with the interplay of many interests, including those of “winners” and “losers” from the proposed changes. This is challenging even in contexts where the policy actors are mostly “playing by the rules” of the democratic process. It is even more challenging where this is not the case. Given this, the timing of results from policy dialogue cannot be predicted with any degree of certainty. The pay-off from policy dialogue may lie far into the future. Notwithstanding this, experience has shown that “early wins” or quick results are very important for extending and maintain commitment. The grain sector case has produced early wins and this is an important part of its success.

That the policy dialogue effort has produced positive early results was acknowledged by all those consulted. The contributing factors to this success were identified as:

- Genuine teamwork on the EBRD side (Banking and OCE) is seen as critical for ensuring the approach to grain sector reform is fully integrated;
- TC combined with the investment operations and sustained high-level contacts between Ukrainian and EBRD officials have produced results that are both tangible and long-lasting;
- Coordination with the FAO and, where necessary, other international parties is considered crucial and the presence of the EBRD and other IFIs/donors at various working groups helps create additional pressure on the government for change;
- In general the Ukrainian regulatory and institutional environment is challenging and many reforms are needed to make it friendly to investors – in this regard, the role of the EBRD is seen as very effective in that it can: provide significant financing and expertise, effectively lobby the
Government towards making necessary legal and regulatory changes, and sometimes even provide a security shield against unfair actions towards individual companies and their owners/managers.

- Creating universal rules for all market operators – regardless their size and nationality – is crucial. The clear new and transparent system of warehouse receipts established in Ukraine will benefit all operators;
- New instruments in agriculture sector funding are essential for raising its liquidity and investment attractiveness;
- It is important to engage civil society institutions, as they have more to offer than it seems;
- Ukraine has huge potential for growth in grain sector, which has global significance given its status as one of the major exporters. It needs more investments for making it come true – including from the EBRD.

3.4 Reviewing, reporting and evaluation

Monitoring, reviewing, reporting on and evaluating progress and achievements are generally considered to be essential. While this study agrees with this in principle, it also acknowledges that these activities have a cost so they must be carried out in a way that keeps costs low and produces benefits well in excess of the costs involved. Because monitoring and reporting are often required to be carried out, and because those responsible for the task often do not see anything in it for them, there can be a tendency to “go through the motions” in a mechanical fashion such that the perceived lack of utility of the exercise becomes a self-fulfilling prophecy. There is a very real danger that monitoring, reviewing progress, reporting and evaluating can become a largely bureaucratic or “box-ticking” exercise rather than being a vital part of managing the activity in an informed way. Of course, this should not and need not be the case. Additionally, there are particular issues associated with monitoring, reviewing, reporting and evaluating policy dialogue that flow from it being part of a very dynamic and unpredictable political process, much of which is hidden from view, and where stated objectives and views may not reflect real views. The policy process involves complex interactions among many actors all of whom are influenced by self-interest and a wide range of contextual considerations, both domestic and international.

Notwithstanding the problems, this evaluation hypothesises that “smart” monitoring, review, reporting and evaluation is worth the time and effort provided that the information produced is used. The reasons supporting this hypothesis include:

- Because of the realities noted above (it is part of a dynamic and unpredictable political process where much is unstated, misstated or not visible) it is essential for policy actors such as the EBRD to stay on top of what is going on otherwise they will be operating in the dark;
- Success in policy dialogue has been shown to require a high degree of flexibility to react quickly to windows of opportunity as they open up (and indeed when they close) – this can only happen on the basis of good information;
- Just as policy making should be evidence based, so the strategy and tactics for policy dialogue should also be based on evidence of what works and what does not;
- Where resources are limited, those that can demonstrate the results they produce with existing resources are better placed to make their case for increased resources.
In light of the above, it is clear that the grain sector case exhibits what this evaluation considers to be a number of good or best practices in terms of monitoring, review and reporting. These include:

- Frequent informal monitoring and review through debate and discussion that bring a number of “minds to the task”. At one level there is the coordinated effort between the Agribusiness team, OCE and FAO TCI. At another level is the engagement with the private sector, including clients and business associations and local expert groups. This informal monitoring and review is not documented but nor, in the view of this evaluation, is it necessary that it should be. What is important is that it takes place and that decisions are made on the basis of this.

- At a more formal level minutes are produced and circulated for the meetings of the Working Group – since it is at these meetings that decisions are made (or at least formally adopted) it is important that these be formally recorded and shared.

- In terms of reporting, some use has been made of “story-telling” to inform a wider audience about achievements. This is an appropriate method of reporting on the achievements of policy dialogue, which is as much about process as it is about end results, as it allows the “rich picture” that both informs and contributes to learning.

There are several areas where review, monitoring and reporting could be improved:

- The informal review process could usefully include political economy experts who could add another important dimension.

- While story-telling is an important reporting mechanism, ultimately the policy dialogue effort must produce the desired outcomes and impacts as indicated at the beginning of this case study. It is suggested that progress should also be tracked through the selection, monitoring and reporting on a series of quantitative indicators for key outcomes and impacts.

Monitoring and reporting can also have an important benefit for GoU. Regular meetings of the Working Group as well as annual round table discussions of the wider circle of interested parties at the Ukrainian Grain Congress are important opportunities for participatory monitoring and for arriving at a joint assessment of the progress and the further steps necessary for improving the situation in the grain sector. Engaging local think tanks/analytical centres as well as government agencies responsible for data gathering and publishing information is important step for instilling a more modern approach to monitoring and assessing the effects of the specific policies and measures into the public policy and budget processes. Currently in Ukraine, there is little systematic assessment of the effects of government policies on the markets, livelihoods and businesses. Monitoring, though a well-established function, is mostly used for formal control and punitive actions – its data is rarely used for evaluating the effects of policy decisions and instruments and for evidence-based policy making. The EBRD clearly has an opportunity to change this situation for the better.

3.5 Resourcing

The most significant issues related to the resourcing of policy dialogue in the grain sector reform that were identified by core stakeholders are:

15 See for example EBRD Information Sheet: Private Sector for Food Security Initiative, September 2011
16 It should be noted that there are external sources of policy monitoring, in particular OECD produces a regular Agricultural Policy Monitoring and Evaluation report for OECD member countries and emerging economies. The most recent report was published in September 2013 and covered policy analysis of Ukrainian agrarian sector policy.
Policy dialogue should be targeted in terms of scope and it needs to be EBRD specific. The EBRD needs to cautiously evaluate cost and benefits of extending its reach in long-term policy dialogue. Staff numbers, time allocation and resources should align with long-term policy goals.

The way the EBRD’s human resources are used for policy dialogue is not fully satisfactory – Bankers are not rewarded for the time dedicated to policy dialogue and it puts them in disadvantageous position comparing to colleagues who are not engaging in policy dialogue;

Policy dialogue often requires long-term engagement to achieve and/or sustain results but this can only happen if resources if resources are also available over the long term;

Outsourcing technical expertise from other parts of the EBRD (OCE, LTT) and externally (FAO) is essential for achieving results;

Policy dialogue work at the EBRD is mainly rewarded through acknowledgment and praise though positive results are a very strong motivation by itself;

Bringing a results focus to policy dialogue work is a challenge;

It is crucial to employ Ukrainian expertise as much as possible as it provides a deeper insight, higher quality and better value for money.

The grain sector case provides an excellent example of matching resources to needs and being creative regarding where to find needed resources. The Director of EBRD’s Agribusiness team can determine what proportion of time Agribusiness team members spend on policy dialogue and in this case policy dialogue was given a high priority (of the five Agribusiness team respondents to the staff survey, two indicated that around 75 percent of their time was taken up with policy dialogue, two indicated around 30 percent and one said around 10 percent). Creativity has been shown in getting additional resources such as a Food Security Analyst (shared between OCE and the Agribusiness team) and, shortly, a Grain and Dairy Policy dialogue Analyst in Kiev – both funded under TC. A master-stroke was using the existing cooperation agreement with FAO to access this lead agriculture sector agency’s technical, economic and policy experience on a cost-sharing arrangement. While FAO/TCI is operating as a consultant, it is using its own staff so the continuity and institutional memory are much greater than in the case of using individual consultants or those from a firm. OCE also made available the required expertise to the joint venture. The team was able to access sufficient TC resources to meet its needs. This evaluation considers that value would be added by having skills in political economy available as the fundamental problems are not technical, they are political and addressing these needs highly specialised skills.

The policy dialogue work by Agribusiness team members is rewarded mainly through acknowledgement and praise though the positive results obtained. This in itself has had a motivating influence. Policy dialogue conducted in this area has resulted in new business and the results have flowed through to achieving team scorecard objectives and bonuses albeit with some lag. This evaluation considers that it is difficult if not impossible to provide a direct monetary reward for policy dialogue and in any case it would be undesirable to provide direct monetary rewards even if it were possible because of the perverse incentives this would set up. Therefore, rewards will need to be largely soft (such as through praise and public recognition) and the motivation of staff will need to be intrinsic rather than extrinsic.
4. Conclusions

Analysis of the process pursued by the EBRD for achieving changes in the current policies and attitudes towards grain sector reform in Ukraine demonstrates its high relevance and great impact. Although the process is on-going and many changes are yet to take place in order to enhance the grain production value chain, the fundamental elements created to date are solid. These are crucial for effective policy dialogue – mutual trust, respect, and desire to collaborate on clearly identified challenges that are recognised by all parties.

Public-private policy dialogue in the Ukrainian grain sector is one of the most successful cases of policy dialogue, and provides the Bank and its counterparts in the country with the lessons that could be replicated in other sectors of agribusiness operations in Ukraine17 and other countries where the EBRD invests, where challenges and opportunities for development are similar to those of Ukraine. These lessons include:

- Success of the dialogue depends a lot on the agreement of the parties as to the significance of the problems and common vision of the solutions, as well as a common analytical playing field (equal access to background data and information)
- Creation of an alignment of interests between different parties is fundamental for a fruitful policy dialogue;
- Establishing good working relations between key Ukrainian and EBRD interlocutors is essential for achieving desired results. The agribusiness sector has achieved such a level of relationships which is very positive factor for policy dialogue;
- The Grain Market Working Group and its international status is a key instrument for ensuring transparency and clear and predictable regulations in the grain sector (especially for export);
- The work was launched very successfully with strong commitment of private sector and international partners (the EBRD and FAO), at the same time a well-targeted public relations campaign helped to build commitment by the Government without alienating it;
- Having equal access to the evidence base and high-quality regularly updated information on the Ukrainian grain balance is a crucial factor for success;
- Further support activities from the EBRD are necessary for exploring more international models but even more importantly for developing specific mechanisms of implementation and assisting at the first stage of implementation.

The existence of a working group consisting of public and private actors and their associations is crucial but does not completely remove the need for other forms of engagement and lobbying on a case-by-case basis.

17 Similar modus operandi is about to be launched in the diary sector in Ukraine
5. Sources

Interview with Ukrainian Agrarian Confederation, June 2013, Kiev, Ukraine

EBRD/FAO Agro Balance


EBRD/FAO Framework Agreement signed in 1997


EBRD’s Private Sector for Food Security Initiative

EBRD Information Sheet: Private Sector for Food Security Initiative, September 2011

EBRD Private Sector for Food Security Initiative, Annual Report, 2012

EBRD TC database, 2013 and Data from the Technical Cooperation Request System as well as from documents provided by the Agribusiness team

FAO Grain Market Analysis (2009)

EBRD Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain value-chain (Regional), 2010 (updated in 2012 with creation of a separate integrated approach document for Ukraine)

15% of Ukrainians live below poverty line, 5 July

OECD Agricultural Policy Monitoring and Evaluation September 2013

EBRD Initiative for Joint Action to support the development of the grain sector in Ukraine 2011

Productivity and Efficiency of Corporate and Individual Farms In Ukraine by Zvi Lerman and David J. Sedik

The State Statistics Committee of Ukraine

The State Statistics Committee of Ukraine and FAO presentation “Reinforcing public-private dialogue in the Ukrainian Grain sector”

The agri-food sector in Ukraine: current situation and market outlook until 2025 Extension of the AGMEMOD model towards Ukraine by Myrna van Leeuwen, Petra Salamon, Thomas Fellmann, Martin Banse, Oliver von Ledebur, Guna Salputra and Olexandr Nekhay

World Bank database
Annex 1: Key characteristics of Ukraine’s grain sector

This annex presents key trends and data that characterise the grain sector of Ukraine – its productivity, dynamics of development and position compared to countries with similar potential for grain production and export.

1. Agricultural output and grain production

Figure 2: Agricultural land area ('000 ha)

Figure 3: Indices of agricultural production (per cent of previous years)
The first graph above shows the continuous decline of the agricultural land area in Ukraine since 1990. Grain is the main agricultural crop produced in Ukraine as illustrated above. Since the break-up of the Soviet Union in 1991, grain production in Ukraine has decreased considerably. Annual grain production halved to 22-25 million tonnes during the period of 2000 to 2004 from approximately 47 million tonnes in the period 1986-1990.18

During the period of 2000 to 2006, annual grain production has risen to 35-36 million tonnes. However, total agricultural output remains below its pre-transition level as many structural constraints persist including ineffective government interventions in the grain market and administrative measures such as grain export quotas that caused significant uncertainty in the market. Grain production has varied in recent years. Yields have been stagnating since the 2004/2005 harvest and fell sharply in 2007/2008 due to a drought. In 2008/2009, a grain harvest of between 46 and 49 million tonnes was expected. This volume of production was closer to Soviet-era levels and boosted Ukrainian grain exports. As illustrated in the pie graphs below, wheat was the main grain produced in Ukraine followed by barley and maize until 2010. However, as maize generally allows farmers to obtain higher margins, its share in total grain production increased to 46 percent in 2012 while the share of wheat decreased to 34 percent.

Source: The State Statistics Committee of Ukraine
Figure 5: Production of main agricultural crops

Figure 6: Grain composition, 2010

Source: The State Statistics Committee of Ukraine and FAO presentation “Reinforcing public-private dialogue in the Ukrainian Grain sector”

Figure 7: Ukraine's wheat production and exports

Source: The State Statistics Committee of Ukraine and FAO presentation “Reinforcing public-private dialogue in the Ukrainian Grain sector”
2. Structure of production

Ukrainian agriculture can be characterised by a dichotomous structure involving large farms which dominate with regards to cereal and oilseeds output while the production of meat (except for poultry and partially pork), milk, potatoes and vegetables is based mainly on small and semi-subsistence farms. Consequently, the latter sectors are often poorly structured and relatively inefficient. Nevertheless, problems of land erosion, shortage of water and drought are common across all sectors of the Ukrainian agriculture.

The graph below shows the transformation from the traditional corporate farms to substantially smaller family or individual farms. Two waves of reform took place in the agricultural sector. The first one (in the 1990s) implied a privatization of the agricultural land but only in the form of certificates of ownership without actual conversion of these papers into physical lots. In 1999, the second wave of reforms forced the conversion of the share of certificates of ownership into physical land plots. As a result of that, the share of agricultural land in individual use increased from around 10 percent in 1990 to 40 percent in 2004.

Figure 8: Agricultural land by farm type

Source: Productivity and Efficiency of Corporate and Individual Farms In Ukraine by Zvi Lerman and David J. Sedik

3. Fertilizers and mechanisation

Cereal yields per hectare are lower in Ukraine than yields in both the European Union and the region of Europe and Central Asia as illustrated below. The low yields in Ukraine are closely related to the low use of fertilizers and products to protect plants. Fertilizer use was about 141 kg/ha in 1990, which decreased drastically during the transition period. During the last decade, fertilizer consumption has increased again by 13-15 kg/ha up to 58 kg of active substance per hectare in 2010.

19 The agri-food sector in Ukraine: current situation and market outlook until 2025 Extension of the AGMEMOD model towards Ukraine by Myma van Leeuwen, Petra Salamon, Thomas Fellmann, Martin Banse, Oliver von Ledebur, Guna Salputra and Olexandr Nekhay
Figure 9 Cereal yield, kg per hectare

Source: The World Bank database

Figure 10 Fertilizer use

Source: The World Bank database

Figure 11 Agricultural machinery, tractors per 100 sq. km of arable land

Source: The World Bank database
The access to financial resources remains an obstacle for Ukrainian farmers and this restrains the use of fertilizers and affects land productivity. The limited access to long-term loans prevents farmers from investing in fixed assets such as transportation equipment or new storage facilities. The third graph above illustrates the decrease in agricultural machinery (measured by tractors per 100 sq.km of arable land) since 1992. The lack of efficient modern agricultural machinery and equipment is a critical obstacle which prevents the improvement of grain yields.
Annex 2: Recent EBRD operations in the Ukraine grain sector

1. Recent EBRD operations in the Ukraine grain sector

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>EBRD loan, US$ million</th>
<th>Total cost, US$ million</th>
<th>Type of financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2013</td>
<td>NAP Ukraine</td>
<td>75</td>
<td>135</td>
<td>34 farming companies (pre/post harvest)</td>
</tr>
<tr>
<td>June 2012</td>
<td>Toepfer</td>
<td>50</td>
<td>150</td>
<td>Working capital for grain origination</td>
</tr>
<tr>
<td>June 2012</td>
<td>Toepfer</td>
<td>10</td>
<td>10</td>
<td>Elevator and infrastructure construction</td>
</tr>
<tr>
<td>June 2012</td>
<td>Nibulon</td>
<td>130</td>
<td>448</td>
<td>Working capital syndicated loan</td>
</tr>
<tr>
<td>January 2012</td>
<td>Agrotrade</td>
<td>20</td>
<td>34</td>
<td>Working capital and elevator construction</td>
</tr>
<tr>
<td>December 2011</td>
<td>Viterra</td>
<td>30</td>
<td>30</td>
<td>Working capital</td>
</tr>
<tr>
<td>June 2010</td>
<td>Mriya Farm</td>
<td>50</td>
<td>50</td>
<td>Farming/working capital</td>
</tr>
<tr>
<td>April 2010</td>
<td>Nibulon</td>
<td>50</td>
<td>112</td>
<td>Grain elevator/transportation</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>415</td>
<td>969</td>
</tr>
</tbody>
</table>

Source: EBRD databases

- **Viterra (Ukraine)**, approved in December 2011 and rated Good/High, is a project to provide working capital financing to Viterra, an international commodity trader, to support the company’s entry and expansion in the EBRD region. Transition impact could be derived from market expansion through backward linkages to local farmers, including agronomist advice, input provision and pre-financing. Additional transition impact is expected to stem from setting standards of business conduct.

- **Agrotrade (Ukraine)**, approved in March 2012 and rated Good/High, to provide financing of capex and working capital needs to Agrotrade, a Ukrainian group involved in commodity trading. The capex consists of the upgrade to more efficient drying equipment in the Group’s silos and of the construction of a greenfield seed processing plant. Transition impact potential is related to market expansion through forward linkages to farmers by increasing drying capacity available to third-party farmers and provision of high quality seeds. The project will support setting standards of business conduct in the field of energy efficiency via reduction of energy use and greenhouse gas emissions.

- **Nibulon (Ukraine)**, approved in July 2012 and rated Good/High, to enable Nibulon, a Ukrainian integrated grain and oilseeds producer and exporter, to finance its working capital needs. Transition impact potential derives from market expansion to farmers by facilitating better access to finance as well as covenanted corporate governance improvements. Further transition impact potential can be linked to the company’s contribution to the policy dialogue by participating in Working Group meetings and providing comments on draft laws on land reform and crop receipts in Ukraine.

- **Toepfer (Ukraine)**, approved in July 2012 and rated Good/High, is a project to provide working capital and long-term financing to Toepfer, an international commodity trading group based in
Germany. The loan will allow Toepfer to upgrade its grain handling and storage infrastructure from which part of the transition impact potential stems by providing third party access to its storage facilities. Further transition impact potential is linked to the company’s engagement in the EBRD/FAO grain round table in Ukraine and its commitment to utilise Crop Receipts once the system is in place.

- **Louis Dreyfus (Russia/Ukraine), approved in November 2012 and rated Good/High**, to enable Louis Dreyfus, a commodity trading company to invest in transport infrastructure such as vessels and train wagons as well as silo facilities in Ukraine and Russia. The project also supports LDC’s working capital needs for sourcing and export capacity for agricultural commodities. Transition impact potential stems from market expansion through increasing transport, storage and handling capacity for grain in Ukraine and Russia including third party access to provide wider access to global export markets. Further transition impact potential stems from demonstration of new financing methods through provision of warehouse receipts in Russia and promoting frameworks for markets through further involvement of LDC in policy dialogue activities.

## 2. Planned EBRD Operations in Ukraine’s Grain Sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Project name</th>
<th>EBRD finance (€ million)</th>
<th>Total project cost (€ million)</th>
<th>Expected signing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional (Russia and Ukraine)</td>
<td>NCH Agriculture Partners II</td>
<td>48-80 (US$ 60-100 million)</td>
<td>200 (US$ 250 million)</td>
<td>2013</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Olimpex Dry Port</td>
<td>8.2 (US$ 11 million)</td>
<td>8.2 (US$ 11 million)</td>
<td>2013</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>56-88</td>
<td>56-88</td>
<td></td>
</tr>
</tbody>
</table>

Source: EBRD, Grain Sector Integrated Approach, 2012

EBRD has approved a varied range of TC projects that support various aspects of policy development and implementation. A summary of key recent TC projects in the sector is presented in Table 3.

### Figure 12 Recent technical cooperation projects in the Ukrainian grain sector

<table>
<thead>
<tr>
<th>Types of TC</th>
<th>TC committed</th>
<th>US$</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC non policy dialogue related</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TC committed in the agricultural sector (includes agriculture, forestry and fishing)</td>
<td>Till 2013</td>
<td>2,296,819</td>
<td></td>
</tr>
<tr>
<td>Grain Sector Review and Policy Options in Ukraine</td>
<td>Mar-08</td>
<td>72,534</td>
<td></td>
</tr>
<tr>
<td>EBRD/FAO Reinforcing Public-Private Dialogue in the Ukrainian Grain Sector (Phase I)</td>
<td>01-Mar-13</td>
<td>405,000</td>
<td>310,635</td>
</tr>
<tr>
<td>EBRD/FAO Reinforcing Public-Private Dialogue in the Ukrainian Grain Sector (Phase II)</td>
<td>06-Jun-13</td>
<td>272,640</td>
<td>209,115</td>
</tr>
</tbody>
</table>

Sources: EBRD TC database, 2013 and Data from the Technical Cooperation Request System as well as from documents provided by the Agribusiness team
### Annex 3: Timeline of policy dialogue in Ukraine’s grain sector (2009 to 2013)

<p>|       | Context                                                                 | Ukraine actors                                                                 | EBRD actors                                                                 | Other actors                                                                 | Inputs and Actions                                                                                     | Outputs                                                                                           | Outcomes                                                                                                                                 |
|-------|------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 2009  | According to IA document ‘to date Bank's project-by-project approach has had insufficient leverage’ in the grain sector which is considerable by scale and complicated by a nature of linkages. Combining specific TC with the pan-regional and sector mid-term TC programmes, policy dialogue and specific investment operations is needed to increase the value, depth and longevity of EBRD’s inputs in the sector | Agribusiness team and OCE in the framework of TC project - Influencer and adviser | Investment Centre Division of FAO (FAO/TCI) - Expert/analyst and influencer | Joint EBRD/FAO Ukraine’s Grain Sector Review and Policy Options Project (Phase II) was completed. It was co-funded by CIDA and EBRD in the framework of EBRD/FAO Framework Agreement for Operational Services signed in 1997 that stipulates 70:30 ratio of TC funding provided by EBRD and FAO to FAO member countries. The team of authors was led by Dmitry Prikhodko, economist at FAO/TCI and included experts from FAO/TCI, UkrAgroConsult, LMC International and other local experts. Total value of TC - €73,000 | Report contained detailed analysis of Ukraine’s grain market and also included Methodological guidance as for how to prepare grain supply and demand balance. Phase III was initially envisaged but hasn’t materialised before Phase II completion. | The Review shaped the approach of MinAgro to addressing the challenge of inadequate information provision and was used as a basis for formulating subject of further dialogue between GoU and EBRD/FAO partners. |
|       | 2009 September                                                          | EBRD Agribusiness team - expert/analyst, advocate and influencer; EBRD Board - decision maker | “Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain value-chain” for 2010-14 (“Grain IA”) was prepared jointly by Agribusiness Team and OCE to introduce complex approach to the actions in the sphere of grain market development and enhancing global food security. | “Integrated Approach to Reform the Physical and Financial Infrastructure of the Grain value-chain” was incepted. Its two core objectives are: (1) to improve supply, access and quality control of physical infrastructure; (2) to improve liquidity and access to commodity backed credit/financing. | Each investment operation in the grain sector now has to correspond to a range of criteria identified in the Grain IA and to address specific challenges and priorities. There is more joint-up approach to TC, PD and investment operations and the pipeline of potential projects has increased. Physical infrastructure is gradually being enhanced (at least by EBRD clients) and relevant legislation is approved to untap commodity backed financing. |                                                                                                                                                                                                 |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Action/Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>August-September</td>
<td>Drive towards enhancing the quality of exported grains is leading to new requirements and test procedures that need to be observed by market operators.</td>
<td>MinAgro submitted proposal which was approved by the Decree of the Cabinet of Minister - decision maker.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GoU introduces additional grain quality test requirements that negatively affect the producers and exporters.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Until 2012 grain exporters needed two certificates - for 'internal' transportation and then for export of the grain, while grain traders on domestic market needed only one. New tests are creating new handicaps for the producers and traders, thus slowing down the flow of grain in high season, leading to losses - both production and financial. They also create new opportunity for corruption.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In general compulsory certification of grains in Ukraine does not guarantee high quality of grains (due to the mechanisms of implementation) and undermines competitiveness of Ukrainian grains. According to IFC analysis in 2011/12 marketing year grain traders spent US$124 million UAH (€12.5 million) on compulsory certification.</td>
</tr>
<tr>
<td>October</td>
<td>Grain export quotas were introduced based on estimations from Ukraine grain balance. Non-transparent distribution of quotas forced many market operators, including EBRD clients (domestic and international) to complain about unfair treatment and protest about the whole system of managing grain harvest established by MinAgro.</td>
<td>MinAgro and CabMin - decision makers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grain export quotas introduced by CabMin Decree No 938 on 4 October 2010. Private operators faced new barrier on the way of exporting the grains. Decree exacerbated situation of unpredictability when it was not clear what producers receive quota and how big. Decision making as for quota distribution was completely non-transparent and with elements of fraud.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Many private sectors traders, including EBRD clients, experienced problems with getting quotas and subsequently lost the grains that were accumulated in storage prior to shipment and potential income, including other costs and losses.</td>
</tr>
<tr>
<td>October</td>
<td>Many EBRD clients (there are about 10 companies who got EBRD loans) in Ukraine suffered financial losses as a result of introducing restrictive export quotas which allocation was non-transparent and favouring specific companies. Other problems started to accumulate that made grain sector, one of the most attractive segments of Ukrainian agrarian market, very challenging to operate in.</td>
<td>Domestic and international grain exporting companies, Grain Association and Agrarian Confederation - interested parties and influencers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agribusiness Team, particularly Gilles Mettel who was the key initiator of the dialogue with private sector on the basis of platform rather than one-to-one relations. Heike Harmgart from OCE who was leading on policy dialogue and TC in the sector was closely involved in the process from FAO/TCI, Charles Remenschneider, Director - expert/analyst, adviser.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EBRD jointly with FAO/TCI organised in London Grains and Oilseed Roundtable inviting its private sector clients and associations representing grain market operators. Ukraine's grain market restrictions and challenges for investors was dominating topic of the meeting. GoU representatives were not invited.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Joint position of private sector operators and international organisations working in the sector was developed and agreed. The strategy of dialogue with the Government was also agreed and subsequently enacted.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Private market operators came together and decided to act as a group. International organisations - EBRD and FAO - agreed to become neutral and trusted advisers who will facilitate the process of dialogue between GoU and private sector. Participants of London meeting developed a strategy for bringing the GoU to the table and for convincing it to make necessary changes.</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Participants</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>January</td>
<td>GoU was aware about consolidation of positions of market players and international organisations that are active in the agriculture, and grain sector in particular. It was keen to engage with the group in order to level-off potential negative consequences of international scale, given Ukraine’s position on international agribusiness markets. EBRD: Establishing high-level working platform that ensures continuous exchange of ideas and plans as for the development of grain market adds to predictability of the market and has positive impact on the Banks’ operations in Ukraine in this sector.</td>
<td>MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst</td>
</tr>
<tr>
<td>2011</td>
<td>Operationalization of Joint Initiative was needed</td>
<td>MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst</td>
</tr>
<tr>
<td>March</td>
<td>EBRD Strategy Committee approved TC project 'Reinforcing Public-Private Dialogue in the Ukrainian Grain Sector' aimed at facilitating, supporting and institutionalising the mechanisms for policy discussions between private and public grain sector participants in Ukraine.</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>EBRD Strategy Committee - decision maker, OCE, Agribusiness team - advocates, influencers, expert/analyst</td>
<td>FAO/TCI, Dmitry Prykhodko, economist and other experts - expert/analyst</td>
</tr>
<tr>
<td>March</td>
<td>TA is provided by EBRD’s Shareholder Special Fund jointly with FAO and USAID that covers preliminary assessment of existing legislation and drafting new laws/regulations, support in implementation.</td>
<td>MinAgro officials, including Minister - decision makers, private companies operating at Ukrainian grain sector - interested parties, influencers</td>
</tr>
<tr>
<td>March</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All year</td>
<td>Such close engagement in WG work along with EBRD clients and GoU contributed towards building a greater trust and understanding by Government officials, in particular Minister, and changing stereotypes about 'big bad foreign traders'.</td>
<td>MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>October</td>
<td>Grain producers and traders on the one hand and MinAgro on the other came to the conclusion that some sort of formal agreement is needed for each marketing year in order to be clear about the volumes of produced grains and the allowances for export, that should provide traders with some degree of certainty as for the potential business volume and the infrastructure they need for that.</td>
<td>MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, ACC, EBA, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst</td>
</tr>
</tbody>
</table>
October

Continuous support to the dialogue in the framework of TC provided to Grain Sector Reform WG

MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, ACC, EBA, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst

Director of Agribusiness team Gilles Mettetal, OCE/ Agribusiness economist, Head of RO and bankers - advocates, influencers, expert/analyst

FAO/TCI, Dmitry Prykhodko, economist and other experts - expert/analyst

Second Round table meeting “Mechanisms for the effective interaction between government and private business in the grain market” of MinAgro, grain producers, business associations, EBRD and FAO takes place in Kiev.

Assessment of the progress made in negotiations between all the stakeholders since the last roundtable.

International status of the group ensures the mutual trust and respect towards obligations of each party under existing MoU.

All year

Continuous engagement contributes to building greater trust and developing joint solutions (e.g. private operators are keen to help GoU when it’s experiencing some shortages of specific grains in several regions).

MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst

OCE/ Agribusiness economist- advocates, influencers, expert/analyst

FAO/TCI, Dmitry Prykhodko, economist and other experts - expert/analyst

Regular monthly meetings of WG, always in the second half of the month when grain balance is updated by MinEcon (monthly) and ready to be discussed.

Parties agree on the figures and facts, plan further steps and actions necessary from public and private counterparts.

Greater degree of trust and mutual understanding. Opportunities to discuss challenging issues and jointly find solutions.
| 2012 March | MinAgro - decision maker, State Statistics Service of Ukraine - expert/analyst, Domestic and international grain exporting companies - interested parties, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst | Heike Harmgart Senior Economist, OCE, Lesya Kuzmenko Senior Banker, Agribusiness - adviser, advocate, expert | FAO/TCI, Dmitry Prykhodko, economist and other experts - expert/analyst | In the framework of the PPD TC Project a visit of representatives of Grain Market WG to Rome and Naples was organized on 19-22 March 2012. The purpose of the meeting was to learn more about grain market analysis, the new Agricultural Marketing Information System (AMIS) established by G-20, FAO’s approach to food security and also to establish links with the Italian grain sector. Discussions were held about FAO’s grain market analysis, in particular Agricultural Marketing Information System (AMIS); links were established with Italian grain sector companies. The delegation was able to see examples of the grain production chain in Italy and discuss import handling, wheat quality, inspection requirements, production issues, state support, and other issues of interest. | Awareness about the modern information systems that are integral part of the food security and agricultural markets sphere. Ukrainian model of grain balance was developed on the basis of AMIS standards and linked to AMIS system. Ukrainian counterparts enhanced their knowledge and understanding about the regulatory and enabling system work for producing and exporting high-quality grain and products from grain. | Greater transparency of data with regard to grain balance (as an outcome of follow-on activities as well). |
**July**

Positive effect from MoU for 2011/12 MY was significant and stimulated engagement in further formalised partnership arrangement.

- MinAgro - decision maker, Domestic and international grain exporting companies - interested parties, ACC, EBA, Grain Association and Agrarian Confederation - influencers, Agrarian Markets Development Institute - expert/analyst

MoU for 2012/13 marketing year is signed between private sector and MinAgro - second annual memorandum.

Annual MoU will continue to be working document that underlines regular dialogue and communications that are aimed at ensuring a degree of flexibility in the clearly stated frameworks and obligations of each party.

Ukrainian grain market will continue for the third year in a raw to function on the basis of predictability, transparency and partnership between public and private sectors.

**September**

Lack of reliable, consistent, publicly accessible and trusted information about grain balance of Ukraine is creating barriers for effective communication between GoU and private sector operators. There is mistrust in the evidence provided by each party. Universally accessible and trusted source of information is essential for understanding the situation in the sector and planning specific policy measures and forecasting export volumes.

- MinAgro - decision maker, State Statistics Service of Ukraine - expert/analyst

FAO/TCI, Dmitry Prykhodko, economist and other experts - expert/analyst

Information system “Calculation of grains balance forecast for Ukraine” is created - www.grainbalance.org.ua. The system consists of 120 indicators related to production, processing, consumption, trade and stocks that are coming from 13 different statistical forms and surveys. Based on this information, the system generates 15 indicators that form the balance for wheat, barley, corn, rye, and total grain. The indicators are (mostly) updated on a monthly basis and are possible to compare with corresponding estimates from the US Department of Agriculture for Ukraine.

Publicly accessible grain balance resource which also contains some key consumption figures.

Clear and transparent evidence base that is used for taking policy decisions in the grain sector. Equal access to the information about grain supply and demand, enhanced ability of private and public sectors to operate with the same numbers and thus build joint-up strategy for managing grain flows.