

Data Sheet

USAID Mission:	Ukraine
Program Title:	Small and Medium Enterprise and Agriculture
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	121-0132
Status:	Continuing
Planned FY 2006 Obligation:	\$8,504,000 FSA
Prior Year Unobligated:	\$743,000 FSA
Proposed FY 2007 Obligation:	\$6,730,000 FSA
Year of Initial Obligation:	2003
Estimated Year of Final Obligation:	2007

Summary: USAID's program to accelerate small and medium enterprise (SME) and agriculture growth includes training and technical assistance to: 1) improve the competitiveness of SME and agriculture; 2) increase access to land and credit; and 3) create the legal and regulatory environment to support and sustain competitive markets, trade, and investment.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$1,700,000 FSA). In 2006, USAID will focus on rapid deregulation of the business environment by implementing the Regulatory Guillotine (a reform strategy) to remove unnecessary and burdensome regulations; continue consultation to four sectors; and focus on developing a national strategy to improve foreign direct investment. USAID's agricultural policy activity will assist the Government of Ukraine (GOU) in adopting legislative measures to complete agricultural enterprise privatization, reform agricultural taxes and subsidies, and transform the government regulators into business-responsive organizations or replace government regulatory functions with self-regulating organizations. The new agricultural policy project will contribute to: 1) a 20% annual increase in investment in Ukraine's agricultural production and processing sector; 2) 10% annual growth in agricultural exports; 3) 7% annual growth in rural incomes; and 4) privatization of government agricultural enterprises. Both projects will improve the business environment by reducing structural corruption. Implementing partners: Development Associates International and ABT Associates (both prime).

Improve Private Sector Competitiveness (\$819,000 FSA, \$120,900 FSA prior year recoveries). In 2006, small and medium enterprises' share of gross domestic product and employment is expected to increase by approximately 5% due to USAID assistance. USAID will focus on developing wholesale markets, increasing farm access to supermarket chains, and increasing farmer access to profitable technologies. Principal implementers include: Development Alternatives International (DAI) and Land O'Lakes (both prime).

Increase Agricultural Sector Productivity (\$351,000 FSA). USAID expanded its legal assistance program nationally to protect the rights of new land owners, complete remaining land titles, and work with the GOU and the World Bank to enact a legal and regulatory framework to support a land market. However, with a new state leadership in place, it became apparent that the former government had misled the public about the amount of agricultural land privatized. Therefore, it has become imperative for the activity to work closely with the GOU to restructure the World Bank loan to ensure that agricultural land privatization is completed. USAID will continue to increase agricultural productivity by increasing producer access to wholesale and retail markets. Implementing partners: Chemonics International and Land O'Lakes (both prime).

Program Support (\$429,000 FSA, \$85,028 FSA carryover). USAID will provide funds for administrative support, and evaluations and assessments.

Strengthen the Financial Services Sector and Increase Access to Capital (\$5,205,000 FSA, \$537,500 FSA carryover). Main activities in FY 2006 will include passage of the mortgage securities law, a pilot mortgage-backed bond, signed contracts with an international credit bureau operator and data suppliers and users, and the placement of two pilot municipal bonds. USAID will lead a concerted effort to improve the legal environment for financial leasing. Future program activities will involve pro-active legislative initiatives to remedy deficiencies that have impeded mortgage bond and municipal bond issues, including passage of the mortgage securities law. USAID will promote the concept of a pooled municipal finance facility or "bond bank" to the Ministry of Finance and Ministry of Construction and Communal Services as a mechanism for increasing access to credit for small and medium municipalities, with the long-term goal of establishing such a facility in Ukraine.

USAID will support the Eurasian Council of Certified Accountants and Auditors (ECCAA) in support of the Certified International Accounting Profession (CIPA) Global Development Alliance (GDA) Project. This is a "regional" GDA. The cooperative agreement will strengthen the capacity of ECCAA as a regional institution. Implementing partners: The Pragma Corporation, Western Newly Independent States Enterprise Fund, and ECCAA (all prime).

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$1,600,000 FSA). USAID will continue providing agricultural policy advice to the GOU through its new agricultural policy project. The focus in 2007 will be to expand the program from pilot activities into national programs to encompass the entire sector by increasing public and business involvement in policy development. Implementers are the same as above.

Strengthen the Financial Services Sector and Increase Access to Capital (\$5,130,000 FSA). USAID will establish a pooled finance facility. Two additional mortgage-backed bonds will be issued and placed by USAID's partner banks; the State Mortgage Institute will issue and place its first mortgage-backed bond; and one utility company bond will be issued and placed. The credit bureau will commence selling credit history reports on a commercial basis. A financial lease tax package will be adopted leading to significant growth in access to credit. Implementers are the same as above.

Performance and Results: USAID's integrated program approach has increased the efficiency and effectiveness of its work in promoting growth in the SME and agriculture sectors. The programs with the greatest cost-benefit ratios were the Ukraine Land Titling Project, which has a benefit-cost ratio \$15; the Ukraine Micro-Lending Project, which has a benefit-cost ratio of \$183; and the Grain Warehouse Receipts program, which has a ratio of \$500. USAID's agricultural projects accounted for over \$25 million in fruits and vegetables sold and contributed at the national level to a robust 25% increase in processed fruit and vegetables. USAID projects increased access to credit in Ukraine with over 90,000 loans valued at more than \$740 million. Although not quantifiable yet in terms of cost-benefits, USAID's assistance in regulatory reform to promote business growth has been directly responsible for coordinating the repeal or amendment of over 5,000 national and regional regulations that were deemed roadblocks to SME growth, and the drafting of multiple laws that encourage economic growth.

US Financing in Thousands of Dollars

Ukraine

121-0132 Small and Medium Enterprise and Agriculture	DCA	FSA
Through September 30, 2004		
Obligations	155	49,937
Expenditures	0	21,273
Unliquidated	155	28,664
Fiscal Year 2005		
Obligations	0	12,320
Expenditures	0	0
Through September 30, 2005		
Obligations	155	62,257
Expenditures	0	21,273
Unliquidated	155	40,984
Prior Year Unobligated Funds		
Obligations	0	743
Planned Fiscal Year 2006 NOA		
Obligations	0	8,504
Total Planned Fiscal Year 2006		
Obligations	0	9,247
Proposed Fiscal Year 2007 NOA		
Obligations	0	6,730
Future Obligations	0	0
Est. Total Cost	155	78,234