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Ukraine Doesn't Need Aid. It Needs Land Reform.

Ukraine remains one of six nations in the world where selling land is forbidden. It shares this dubious distinction with North Korea, Cuba, Venezuela, Tajikistan, and the Democratic Republic of the Congo.

by Andriy Radchenko



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Since the 2014 Maidan Revolution and Russia's invasion of Ukraine, the United States and its partners have provided billions of dollars of financial aid to Ukraine. But Ukraine doesn't need more money from the United States. It's a wealthy country. What Ukraine needs is America's assistance in unleashing its own natural wealth, much of which is currently locked up in the country's land.

Ukraine remains one of six nations in the world where selling land is forbidden. It shares this dubious distinction with North Korea, Cuba, Venezuela, Tajikistan, and the Democratic Republic of the Congo.

As newly inaugurated President Volodymyr Zelensky identifies priorities for his administration, the United States has an opportunity to support reforming Ukraine's land ownership system. In addition to being valuable to Ukraine, doing so would be consistent with the Trump administration's foreign assistance and development philosophy—rather than providing direct financial aid, the administration seeks to support U.S. partners in unshackling their own economies, making them both more self-sufficient and more prosperous.

The World Bank estimates that lifting the moratorium on land sales in Ukraine would add some \$15 billion to Ukraine's economy, more than 10 percent of the country's annual GDP. Others estimate that effective land reform could generate up to \$100 billion in foreign investment within years.

Once its potential is unleashed, Ukraine could become an agricultural superpower and a partner for the United States in ensuring global food security, while simultaneously earning Ukraine massive export revenues, creating new jobs, and attracting large amounts of foreign investment.

All of this potential raises the question: Why hasn't Ukraine unleashed its agricultural potential, and why should the Trump administration act now to support land reform in Ukraine?

Eighteen years ago, the pro-Communist majority in Ukraine imposed a moratorium on the sale of land, which allowed farmers to rent land, but not buy it. The Communist majority in the Ukrainian parliament is long gone, but populist forces that serve the interests of Ukrainian agro-oligarchs, along with lawmakers who act as proxies on behalf of Moscow preventing Ukraine from becoming a successful country, without fail extend this moratorium every year. Their main argument revolves around the false narrative that if the moratorium were lifted, rich and predatory foreigners—whether Chinese, Arabs, or Americans—would buy up all of Ukraine’s land, leaving Ukrainian farmers dependent on the charity of foreigners to make a living and feed their families.

But Europe’s experience with land reform does not validate this fear. Every post-Communist country in Europe has legalized the sale of agricultural land since the 1990s. As a result, the price of land in these countries has gone up, and farmers have used the land as collateral to purchase modern equipment and fertilizer. The results are remarkable: average agricultural production in these countries has risen by 40 percent, and a robust rural middle class—previously non-existent—has emerged. Moreover, foreigners have shown little interest in buying land in these countries.

In a recent speech, Zelensky declared: “This year we will definitely carry out land reform.” Russian media, widely accessible in Ukraine, and pro-Russian politicians responded immediately with anti-land reform propaganda. The reason for this Russian mobilization against Ukrainian land reform is clear: Moscow is not interested in having a prosperous neighbor with democratic values, and it will continue to look for ways to undermine Ukraine’s progress.

Ukraine’s new leadership is likely to face tremendous pressure from pro-Russian opponents of reform. It is time for the Trump administration to make American support for land reform a key component of its Ukraine policy, working to counterbalance the impact of Russia’s propaganda machine while also advancing U.S. national security and development goals. Ukraine doesn’t need money from the United States. What it needs is America’s guidance, leadership, and counsel to make the country a more prosperous and self-reliant ally.

Andriy Radchenko is Chairman of Ukraine’s state-owned Agrarian Fund.

Image: Reuters

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Renewed Corruption in State-Owned Agrarian Fund Hurts Land Reform in Ukraine

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On November 13, Ukraine's parliament (the Verkhovna Rada), in its first reading, supported lifting the farmland sales moratorium ([Rada.gov.ua \(http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67059\)](http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67059), November 13). No one doubts that the bill will be signed into law by President Volodymyr Zelenskyy before the end of the year. If so, this means that starting on October 1, 2020, six million land owners will have the full right to dispose of their property, and all residents of Ukraine will have the right to buy land legally. This would fulfill a long-awaited economic reform step, which, according to various estimates, could accelerate Ukraine's annual real GDP growth rate by 1.5–2 percent ([Khp.gov.ua \(http://khp.gov.ua/en/index.php?id=1573688014\)](http://khp.gov.ua/en/index.php?id=1573688014), November 14, 2019; [Worldbank.org \(https://www.worldbank.org/en/news/opinion/2017/10/02/ukraine-can-boost-annual-output-us15-billion-with-land-reform\)](https://www.worldbank.org/en/news/opinion/2017/10/02/ukraine-can-boost-annual-output-us15-billion-with-land-reform), October 2, 2017).

For nearly two decades, Ukraine has banned the sale of land, which in turn has stymied the country's economic growth and stunted its investment-friendly reputation. Not only does this moratorium empower agricultural conglomerates and agro-oligarchs at the expense of Ukraine's smallholder farmers (who might otherwise use their land as collateral for accessing credit, for example), but it has also led to inefficiencies in the country's agricultural system—leaving large tracts of land uncultivated or producing well below its potential, and creating corruption opportunities along the way ([Interfax \(https://en.interfax.com.ua/news/economic/388066.html\)](https://en.interfax.com.ua/news/economic/388066.html), December 2, 2016; [Voxukraine.org \(https://voxukraine.org/uk/ne-moratoriyem-yedinim-peredumovi-uspishnoyi-reformi/\)](https://voxukraine.org/uk/ne-moratoriyem-yedinim-peredumovi-uspishnoyi-reformi/), May 31, 2017). Additionally, the European Court of Human Rights ruled in 2018 that the Ukrainian government's ban on the sale of agricultural land was illegal, as it violated the human rights of Ukrainians ([Hudoc.echr.coe.int \(https://hudoc.echr.coe.int/eng#%7B%22itemid%22%3A%22001-183128%22%7D\)](https://hudoc.echr.coe.int/eng#%7B%22itemid%22%3A%22001-183128%22%7D), August 22, 2018). Lifting the moratorium, on the other hand, could add some \$15 billion to the economic output of Ukraine, further consolidating the country's dominance of global food exports markets ([Worldbank.org \(https://www.worldbank.org/en/news/opinion/2017/10/02/ukraine-can-boost-annual-output-us15-billion-with-land-reform\)](https://www.worldbank.org/en/news/opinion/2017/10/02/ukraine-can-boost-annual-output-us15-billion-with-land-reform), October 2, 2017).

The Zelenskyy government is bent on changing the *status quo*. Both President Zelenskyy and Prime Minister Oleksiy Honcharuk have called for land reform to be completed in the next year ([President.gov.ua \(https://www.president.gov.ua/en/news/volodimir-zelenskij-obgovoriv-z-agrariyami-vprovadzhennya-ze-57669\)](https://www.president.gov.ua/en/news/volodimir-zelenskij-obgovoriv-z-agrariyami-vprovadzhennya-ze-57669), October 9). Two approaches to land reform are working their way through the Rada—one originating with the Cabinet of Ministers and the other in the parliament. Both bills would ensure land reform comes into force on October 1, 2020, and lift the moratorium on farmland sales. The government's draft immediately gives foreigners the right to purchase land, while other legislation restricts the ability to purchase land before January 1, 2024, to domestic companies that have been registered in Ukraine for at least three years. A reconciled version of the bill is expected to pass the legislature ([Pravda.com.ua \(https://www.pravda.com.ua/rus/news/2019/11/13/7231829/\)](https://www.pravda.com.ua/rus/news/2019/11/13/7231829/), November 13).

At the same time, the agricultural sector and the domestic land market are in dire need of an operator who can provide financial resources to support small- and medium-sized farmers looking to purchase land. Ukraine's regular banking system is still in recovery from a financial crisis and does not lend to the real estate sector ([Bank.gov.ua \(https://www.bank.gov.ua/stability/report?fbclid=IwAR3EHkk_6Cmj7bwbTKflqQqQrRhoLyGb9PpIEiaSFoiXOYyfKb1kw9bDn5o\)](https://www.bank.gov.ua/stability/report?fbclid=IwAR3EHkk_6Cmj7bwbTKflqQqQrRhoLyGb9PpIEiaSFoiXOYyfKb1kw9bDn5o), June 2019). The state budget, meanwhile, provides for only 4.4 billion hryvnia (\$150 million) for these ends, enough to cover less than 10 percent of future demand ([Censor.net.ua \(https://censor.net.ua/en/news/3159361/finance_minister_state_budget_envisages_uah_44_bln_to_support_lending_within_land_reform?fbclid=IwAR3_TSOxV_BPWIMOXjgT0CrgHuS2wDPL57MCttwnSMYw5D3cafGGt4UN2Y\)](https://censor.net.ua/en/news/3159361/finance_minister_state_budget_envisages_uah_44_bln_to_support_lending_within_land_reform?fbclid=IwAR3_TSOxV_BPWIMOXjgT0CrgHuS2wDPL57MCttwnSMYw5D3cafGGt4UN2Y), November 13). It is especially important to consider that 30–40 percent of the financing that sowing farmers rely on to operate comes from borrowed funds. Of these loans, 8.8 billion hryvnia (\$360 million) per year would traditionally come from the state-owned Agrarian Fund, which simultaneously generates about 1 billion hryvnia (\$41 million) in net budget revenues annually ([Ua-outlook.com.ua \(http://ua-outlook.com.ua/en/2019/06/25/agrarianfund/?fbclid=IwAR3GBAmb6HH0taUaq-ZHLm5HNJdl3BzvezOnX_goL6Dydf1rhd6iPYDdu0\)](http://ua-outlook.com.ua/en/2019/06/25/agrarianfund/?fbclid=IwAR3GBAmb6HH0taUaq-ZHLm5HNJdl3BzvezOnX_goL6Dydf1rhd6iPYDdu0), June 25).

However due to the chaotic policies of Tymofiy Mylovanov, Ukraine's new minister of economic development, trade and agriculture, the Agrarian Fund is today at risk of liquidation (see below). Cumulatively, this could result in 2 billion hryvnia (\$82 million) in losses to the state and also hit grain harvests next year—the basis of Ukrainian exports, which would significantly shake exchange rate stability and force the Honcharuk government to seek unscheduled new loans.

A recent investigation by agricultural market analyst Ivan Kyrchevsky, citing open sources, including data from the National Agency for the Prevention of Corruption (NACP), found that the Agrarian Fund had until now been a highly profitable state-owned enterprise (SOE) in agriculture. However, the Fund had become a target of “gray cardinals” within the Ministry of the Economy's Department of Rural Politics, Alex Lissitsa, along with Hennadiy Supykanov, whose father was an agriculture advisor to former president Viktor Yanukovich. According to Kyrchevsky, Lissitsa and Supykanov have actively engaged in a campaign to undermine Agrarian Fund Chairman Andriy Radchenko and seize control of the company for themselves. Conspicuously, on the exact same day that Supykanov filed an e-declaration to compete for the position of Fund chair ([Declarations.com.ua \(https://declarations.com.ua/declaration/nacp_3971a261-0809-4c2b-8b46-7d19dd60101d\)](https://declarations.com.ua/declaration/nacp_3971a261-0809-4c2b-8b46-7d19dd60101d), October 23), Economy Minister Mylovanov announced on Facebook he would be sacking Radchenko. Compounding the bad optics, the Cabinet has, to date, not published an official decision on the dismissal of the Agrarian Fund's head, thus fueling intrigue about “trusted cronies” and fears of a return to corrupt practices ([The Page \(https://thepage.com.ua/experts/semeynyj-podryad-ill-kak-agrarnyj-fond-popal-pod-ricel-seryh-kardinalov-apk-vremen-yanukovicha\)](https://thepage.com.ua/experts/semeynyj-podryad-ill-kak-agrarnyj-fond-popal-pod-ricel-seryh-kardinalov-apk-vremen-yanukovicha), October 29). This clumsy attempt to dismiss Radchenko on the pretext that a liquidation manager should be appointed in his stead increasingly looks like an attempt to incorporate Ukrainian state enterprises into “ministerial business.”

Under Radchenko's leadership, the Agrarian Fund had prioritized corporate governance reform to boost the company's transparency, accountability and, ultimately, its profitability ([Diplomatic Courier \(https://www.diplomaticcourier.com/posts/how-ukraine-can-root-out-corruption-at-state-owned-enterprises\)](https://www.diplomaticcourier.com/posts/how-ukraine-can-root-out-corruption-at-state-owned-enterprises), September 7). For example, the Fund had implemented competitive tender practices for its contracts and hiring decisions, improved employee incentives and salaries in order to boost retention and decrease corruption, implemented regular, independent financial audits of company operations (all made available to the public), as well as created a new position—an independent, anti-corruption “ombudsman” to both prevent and root out internal corruption. The results of Radchenko's anti-corruption focus are compelling. No longer among the country's least profitable publicly owned firms, the Agrarian Fund is now the 16th-largest SOE contributor to the Ukrainian state budget ([Me.gov.ua \(http://www.me.gov.ua/News/Detail?lang=uk-UA&id=5b766e9d-5ca7-411a-9037-7085c5da1bca&title=Top100-DerzhavnikhPidprimstvU2018-RotsiOtrimaliZagalniiPributokV25-3-MlrdGrn&fbclid=IwAR1RKbrxyVF9GMVe8LSXbzkihyNOKU7Eh69-mC-Oa6L3LYfezzng-K_OsgE\)](http://www.me.gov.ua/News/Detail?lang=uk-UA&id=5b766e9d-5ca7-411a-9037-7085c5da1bca&title=Top100-DerzhavnikhPidprimstvU2018-RotsiOtrimaliZagalniiPributokV25-3-MlrdGrn&fbclid=IwAR1RKbrxyVF9GMVe8LSXbzkihyNOKU7Eh69-mC-Oa6L3LYfezzng-K_OsgE), July 19). Rather than leaching money from government coffers, the Agrarian Fund is now actively adding to it. Furthermore, the Agrarian Fund plays an important role in Ukraine's agricultural economy in general as well as

in ongoing attempts at reform of this sector more specifically. The current threat of its liquidation or seizure by Yanukovich-era “gray cardinals” ([The Page](https://thepage.com.ua/experts/semejnyj-podryad-ili-kak-agrarnyj-fond-popal-pod-pricel-seryh-kardinalov-apk-vremen-yanukovicha) (<https://thepage.com.ua/experts/semejnyj-podryad-ili-kak-agrarnyj-fond-popal-pod-pricel-seryh-kardinalov-apk-vremen-yanukovicha>), October 29) thus inflicts a serious blow to the reform plans put forward by the president and prime minister.

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