



USAID | **AgroInvest Project**
FROM THE AMERICAN PEOPLE

QUARTERLY REPORT

APRIL 1 – JUNE 30, 2013

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AGROINVEST

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APRIL 1 – JUNE 30, 2013**

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS

| | |
|--------|---|
| EU | European Union |
| FAO | Food and Agriculture Organization of the United Nations |
| GOU | Government of Ukraine |
| LGAF | Land Governance Assessment Framework |
| LOE | Level of Effort |
| MAPF | Ministry of Agrarian Policy and Food |
| NGO | Non-governmental Organization |
| OFM | Owner Finance Mechanism |
| PO | Producer Organization |
| SMP | Small and Medium Producer |
| SOW | Scope of Work |
| UNITER | Ukraine National Initiatives to Enhance Reforms Project |

INTRODUCTION

Project Overview

The purpose of AgroInvest is to provide technical assistance to accelerate and broaden economic recovery in Ukraine and increase the country's contribution to global food security efforts. AgroInvest is achieving this objective by supporting a stable, market-oriented agricultural policy environment, stimulating access to financial services for small and medium producers (SMPs), and facilitating a more effective market infrastructure for SMPs.

The scope of work identifies three main components, refined into six tasks, as follows:

- Component 1: Support a Stable, Market-Oriented Environment
 - Task 1-a: Accelerate Market Oriented Reforms
 - Task 1-b: Strengthen Industry Associations
 - Task 1-c: Provide Public Education for Land Rights
- Component 2: Stimulate Access to Finance
 - Task 2-a: Sustainable Access to Financial Services for SMPs Provided
- Component 3: Facilitate Market Infrastructure for Small and Medium Producers
 - Task 3-a: Producer Organization Development
 - Task 3-b: Develop Wholesale Markets and Other Market Infrastructure

AgroInvest is a five-year project, extending to an estimated completion date of January 24, 2016. The scope of this Project encompasses the following U.S. Foreign Assistance Framework Program Areas: 4.2 Trade and Investment, 4.5 Agriculture, 4.6 Private Sector Competitiveness, and 4.7 Economic Opportunity.

QUARTERLY HIGHLIGHTS

In April-June 2013, the AgroInvest Project team continued technical implementation activities in the Project focus areas. Key activities and accomplishments during this period included the following:

- Initiated implementation of grant programs with two new agricultural industry associations that were selected on a competitive basis to build their capacity in advocacy and agricultural policy analysis.
- Announced a new grants tender to select up to five industry associations to develop their capacity in advocacy and agricultural policy analysis.
- Completed the Baseline Survey and discussed its findings at 10 public events, including seven regional events, generating 186 media appearances.
- Scaled up the Legal Land Rights Services Program and the National Information Campaign “My Land, My Right” to help citizens understand and protect their land rights which resulted in over 1,700 consultations, 57 public events and the

dissemination of 3,481 printed materials and 182 media appearances on land during the reported period.

- Established working relationships of two partner banks with a company – an agricultural industry leader - and its two pilot distributors. Most noteworthy, Kredobank developed two special lending offers for SMP-customers of the company which are served by the pilot distributors.
- Finalized and launched activities for the subcontract on specialized agro technological trainings for credit officers of partner financial institutions.
- Completed the Assessment of Agrilending to Small and Medium-Sized Agriculture Producers in the Ukrainian Banking Sector, and the report on the feasibility of the application of a microfinance instrument to subsidize a portion of interest rates charged by financial institutions (interest rate buy down project).
- Short term consultant Bill Maltby, U.S. Agricultural Finance and Credit Unions Specialist, provided his assessment and recommendations to partner credit unions on how to address and overcome current challenges and work towards ensuring their sustainability.
- Conducted a study tour to the Netherlands for credit union officers to learn about the Dutch system of agricultural cooperative banks and develop working relations with Dutch agricultural input suppliers.
- Developed two new specialized credit products for small and medium-sized agriculture producers, and supported the finalization and promotion of six other credit products previously developed by AgroInvest.
- Conducted five training sessions for 157 farmers from southern and western regions - clients of the partner financial institutions. The trainings aimed to improve the creditworthiness of agricultural producers through sustainable development of their agricultural activities on the basis of turn-key solutions offered by AgroInvest and its financial partners
- The Decree of the Ministry of Agrarian Policy and Food (MAPF) of Ukraine #315, dated May 21, 2013, on Approval of Model Bylaws of Agricultural Service Cooperative was signed. The Model Bylaws were developed by the AgroInvest Project at the MAPF's request.
- The systematized scientific and practical commentary to the Law of Ukraine on Agricultural Cooperation and related legislative texts was developed and approved by the MAPF.

SECTION I: ACCOMPLISHMENTS AND PROGRESS TO DATE

Technical Implementation

COMPONENT 1: Support a Stable, Market-Oriented Policy Environment

Task A: Accelerate Market-Oriented Reforms

Analysis of legislation on agricultural land market

During this reporting period, AgroInvest continued focusing its activities on monitoring, reviewing, and analyzing legislation on land-related issues. This included analysis of the draft Law of Ukraine “On Agricultural Land Circulation”. On April 5, 2013, the State Land Agency of Ukraine published a first draft of this law for public discussion. This legislation is expected to replace the draft Law “On Land Market” as a legislative document to establish the main principles of the agricultural land market and remove the existing moratorium on the sale and purchase of agricultural land. The AgroInvest team reviewed this draft law and, jointly with USAID representatives, discussed the proposed draft with key stakeholders so as to develop alternative proposals and improve the proposed draft. As a part of this work, the AgroInvest team:

- Participated in a meeting of the Scientific and Expert Council under the State Land Agency to discuss the proposed draft law (April 11, 2013);
- Organized a round table of leading industry associations and experts to discuss the draft law and identify its main drawbacks (May 29, 2013);
- Jointly with USAID representatives, developed specific proposals to improve the main provisions of the proposed legislation; and
- Facilitated a public discussion of the draft law during its regional events where findings of the Baseline Survey were presented (for details see description of the Survey under Component 1C activities).

Experts of the Resource Center, which was established by the Land Union of Ukraine under an AgroInvest grant, also analyzed other legal and legislative documents addressing land issues and developed proposals with solutions to issues identified through their analysis. This, in particular, included:

- Developing a draft law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine (regarding formation of land plots and their state registration based in land survey documentation developed prior to 2013)”. This draft law addresses discrepancies in requirements to the land survey activities that emerged after the law On State Land Cadastre and the Law on State Registration of Immovable Property became effective on January 1, 2013. The draft law prepared by the Resource Center was registered by the Verkhovna Rada of Ukraine on June 3

2013 (http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=47220) and is awaiting review and approval.

- Developing proposals to simplify the procedure for state registration of land plots. These proposals, in particular included the removal of a requirement for land documentation to be reviewed and approved by five government agencies prior to registration. They are included in a draft law registered by the Verkhovna Rada on June 4, 2013 (http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=45521).
- Preparing proposals to address urgent issues related to implementing land property rights due to discrepancies in land legislation approved in 2012. All these proposals were sent forth in a letter from the Land Union of Ukraine to the Chairman of the Verkhovna Rada Volodymyr Rybak and Chairman of the Agricultural and Land Committee Grygoriy Kaletnyk.

In addition, Resource Center experts actively participated in amending the draft law “On Agricultural Land Circulation,” which was presented for public discussion by the State Land Agency of Ukraine on April 5, 2013. Four experts from the Land Union and the Resource Center participated in a working group established by the Ministry of Agrarian Policy and Food (MAPF) on May 20, 2013, to address comments emerging from the public discussion of the proposed draft law.

Land Market Implementation Proposals

AgroInvest continued exploring and developing proposals related to the land market.

Owners Association Concept. The Project contributed further to elaborating on an alternative approach to addressing potential conflicts of interest between single farmers who cultivate land and multiple landowners, and to lower transaction costs.

The Project engaged a leading Ukrainian scientific agency, the Institute of Economics and Forecasting of the National Academy of Sciences, to provide inputs to the draft Owners Association Concept and receive feedback at the grassroots level in regard to practical implementation of the Concept. As a part of this activity, the Institute held six focus groups in Zhytomyr and Chernivtsi oblasts to discuss the issues of land lease relations with land shareowners, agricultural producers, village mayors and raion officials in April and May 2013. The Institute provided the Project with its findings from the focus groups held. Also, the Institute provided its comments and recommendations to the draft Owners Association Concept.

The Project also contracted a leading Ukrainian legal company (OMP) to undertake the legal analysis regarding the creation of Owners Associations in Ukraine. The analysis mainly focused on the issue of constitutionality of the mandatory approach when creating Owners Associations. On June 5, 2013, the OMP lawyers presented their findings to USAID representatives and AgroInvest staff. The legal analysis was completed after additional comments and questions were raised during the presentation. The legal analysis has shown that the mandatory nature of Owners Associations would run against the provisions of the Constitution on voluntary nature of peoples’ associations and

freedom of individual membership in public organizations. Based on the results of the legal analysis, the Project will no longer work towards the development of a mandatory Owners Associations. Instead, the Project will explore the concept of “master leases” as an alternative approach to address current agricultural land lease issues. Master leases were one of the alternatives proposed in the legal analysis of the OMP lawyers.

Land lease agreements. As a part of its work to analyze the current status of lease arrangements in Ukraine, the Project continued gathering copies of actual (signed) land lease agreements with the help of Project partners. The Association of Village Mayors, the Institute of Transitional Societies, The First Agrarian Cluster, the Kherson Regional Organization “Committee of Voters of Ukraine”, and Civil Platform Association assisted in collecting the documents. As of July 1, 2013, the Project collected 226 leases from 19 raions in seven oblasts.

The Project initially planned to collect 2,000 leases in 13 oblasts so as to have a representative sample of the entire country. However, even with support from Project partners, the target collection number was quickly deemed an unrealistic goal due to the confidential nature of the leases. Despite guarantees of anonymity, lessees are apprehensive of allowing their leases to be shared. Therefore, in order to thoroughly study the content of leases in the country, the Project will instead collect a minimum of 500 lease agreements in 13 oblasts by October 2013. It has been determined that this decrease in the target number of leases to be collected will not compromise the analysis.

Land Governance Assessment Framework (LGAF)

The Project successfully completed its work regarding the LGAF methodology and prepared the LGAF final report in both Ukrainian and English. The draft report and the assessment’s findings were presented by AgroInvest policy expert, Oleksandr Muliari and World Bank representatives at the World Bank’s annual forum, “Land and Poverty” in Washington DC on April 12-14, 2013. The assessments findings were also presented at the Food and Agriculture Organization of the United Nations (FAO) Technical Workshop entitled “Awareness Raising on the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security” in Kyiv on May 14, 2013. At this time, the LGAF report is being finalized by World Bank through their internal peer review procedures. Upon completion of these procedures the World Bank will submit the report’s findings to the GoU.

Other Policy Initiatives

The MAPF requested AgroInvest support in developing their 2014-2020 agriculture sector strategy. This strategy is required under the President’s 2013 -2020 Action Plan to establish a basis for the National Program of Agriculture Sector Development through 2020. To assist the MAPF with preparing the sector strategy, AgroInvest engaged Dr. William Myers, an experienced U.S. agricultural policy economist, who reviewed a proposed concept paper that outlines the main issues to be addressed in the future agriculture sector strategy and provided detailed recommendations for its improvement and, at the request of the MAPF, presented information to GoU officials and other

stakeholders on experiences of other countries in addressing policies related to large-scale and small-scale farming, and what elements of these policies could be applicable in Ukraine's situation.

Task B: Strengthen Industry Associations

The Project continued working with eight industry associations selected to participate in the capacity building grant program.

1. All-Ukrainian NGO Ukrainian Agrarian Confederation

Main accomplishments of the Ukrainian Agrarian Confederation during the reported period included:

- Participation in discussions and signing of a Memorandum of Understanding on Activities on the Grain Market between the government and leading national agricultural industry associations;
- Development and publication of two brief analytical memos: on the situation with credit in the agricultural sector and on the situation in animal farming in Ukraine;
- Preparing and submitting to the Cabinet of Ministers proposals on main issues that need to be addressed to improve the registration of rights to immovable property after the new law On Registration of Immovable Property became effective.

2. All Ukrainian NGO Ukrainian Grain Association

Main accomplishments of the Ukrainian Grain Association during the reported period included:

- organizing a national round table entitled “Prospect of the Market of Spring Crops in Ukraine”;
- translation, publication and development of analytical materials based on three monthly USDA reports;
- organizing three press-conferences on most pressing issues in the grain market;
- publication of weekly news monitoring reports for the information on Ukrainian grain market.

3. All-Ukrainian NGO Ukrainian Agriculture Service Cooperative Members' Union

Main accomplishments of the Ukrainian Agriculture Service Cooperative Members' Union during the reported period included:

- organizing a national scientific and practical conference entitled “Development of Agricultural Service Cooperatives as a Condition to Preserve Ukrainian Village”;

- preparation and submission of an appeal to the President, Prime-Minister and Speaker of the Parliament on main issues hindering further development of agricultural service cooperatives in Ukraine.

4. All-Ukrainian NGO Union of Rural Women of Ukraine

Main accomplishments of the Union of Rural Women of Ukraine during the reported period included:

- organizing a regional public event “Day of Protecting Rights and Economic Interests of a Rural Women” to provide members of the Union with knowledge, skills and tools in most diverse issues of life of a rural woman that contribute to protection of her rights and economic interests;
- preparation and dissemination of 5 information bulletins for Union members and partners.

5. Society for Promotion of Rural Green Tourism in Ukraine

Main accomplishments of the Society for Promotion of Rural Green Tourism in Ukraine during the reported period included:

- preparation of two draft laws of Ukraine: “On Amendments to the Law of Ukraine on Private Farming regarding the Development of Rural Green Tourism” and “On Amendments to the Tax Code of Ukraine regarding Taxation of Services Provided in the Sphere of Rural Green Tourism”;
- development of draft Order of the Ministry of Infrastructure “On Approval of Methodological Recommendations regarding Provision of Services in the Sphere of Rural Green Tourism by Owners of Private Farms”;
- development of a new structure of the Society;
- holding a national conference entitled “Development of Policy and Functioning of Rural Green Tourism in Ukraine”;
- development of draft recommendation for inspectors of the “Green Household” program;
- publication of a magazine entitled “Rural Green Tourism”.

6. NGO Organic Federation of Ukraine

Main accomplishments of the Organic Federation of Ukraine during the reported period included:

- organizing a national round table on “Organic Production in Ukraine: experience and prospects” during the annual agricultural fair Agro-2013;
- presentation on the status and main issues for further development of organic agriculture in Ukraine during a meeting of the Public Council of the Ministry of Agricultural Policy and Food in Ukraine;
- publication of the magazine “Organic UA”;

- interaction with the parliamentary committee of the Verkhovna Rada of Ukraine on amendments to the draft law “On Production and Circulation of Organic Agricultural Products and Raw Materials”.

7. National Association of Agricultural Advisory Services “Dorada”.

Main accomplishments of the National Association of Agricultural Advisory Services during the reported period included:

- analysis of the international and national policy related to the development of agricultural advisory services;
- preparation of draft strategy for development of agricultural advisory services in Ukraine;
- development of the strategy for the Association;
- analysis of regional strategies for the support of agricultural advisory services in Ukraine;
- organizing a training seminar on land issues for representatives of regional advisory services;
- publication and dissemination of 5 bi-weekly information bulletins for members and partners;
- development of the Association’s internet-portal.

8. Association of Farmers and Private Land Owners of Ukraine.

Main accomplishments of the Association of Farmers and Private Land Owners of Ukraine during the reported period included:

- organizing a regional seminar on policy issues related to development of private farming in Ukraine;
- publication and dissemination of two bulletins of the Association;
- participation in a working group to prepare amendments to the draft law “On Circulation of Agricultural Land in Ukraine”.

During the reporting period, AgroInvest signed contracts with two new partners: the Association of Village Mayors and the Agrarian Union. The objective of the grant program with the Association of Village Mayors is the strengthening of the institutional capacity of the Association through forming an expertise-and-analytical center of the Association and providing advisory and legal aid to its members. The objective of the grant program with the Agrarian Union is the development of the capacity and tools for the Union’s analytical center activities in the sphere of agrarian policy analysis at the national and regional levels to advocate the interests of agriculture producers and Agrarian Union member companies.

In addition, finalizing and signing agreements with two additional partners are underway: the Pig Breeders Association and the Association of Wholesale Markets.

A competition for a new round of grants for industry associations for capacity building and advocacy activities was announced in June 2013.

Task C: Provide Public Education for Land Rights

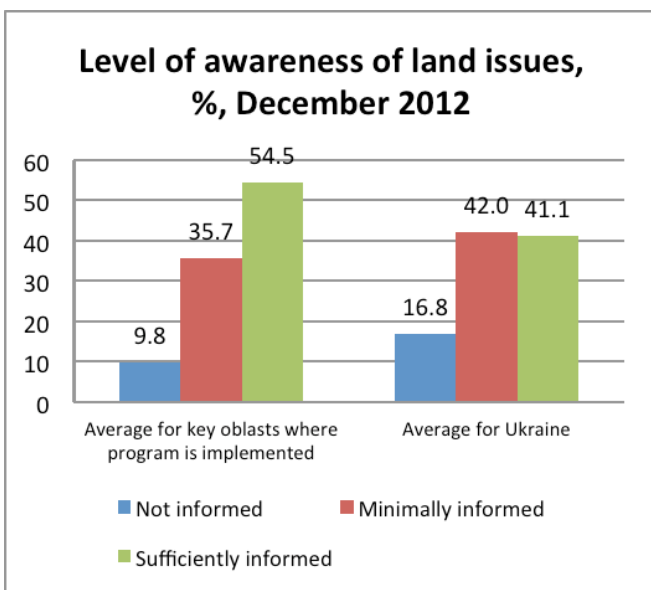
The Project continued the Legal Land Rights Services Program to help citizens understand and protect their land rights. AgroInvest also scaled up the Land Rights Public Education and Outreach Campaign. The Project completed the Baseline Survey on Land Rights Awareness, Small- and Medium-Scale Agricultural Producers Access to Finance, and Agricultural Market Infrastructure; its findings were presented and discussed at a series of round tables both at the national and regional levels. The Information Campaign “My Land, My Right” continued and covered a wide range of topics dealing with land and agrarian policy.

Baseline Survey

An AgroInvest subcontractor, the Center for Social Expertise completed all field work and presentations relating to the Baseline Survey on Land Rights Awareness and submitted a draft final report. The survey findings were presented and discussed at a series of nine events, including two public hearings (in Kyiv and Simferopol, organized in cooperation with the USAID PACT/UNITER Land Reform Barometer Project), two conferences (in Zhytomyr and Ternopil), four round tables (in Kherson, Mykolaiv, Chernivtsi, and Dnipropetrovsk), and one press-club meeting (in Kyiv).

The events were organized jointly with local partners – providers of legal land rights services, Resource Center, the Ministry of Justice of Ukraine, the State Registration Service of Ukraine, and the State Land Agency. They were attended by representatives of oblasts and raion governments, including local offices of the Ministry of Justice, State Registration Service of Ukraine, and State Land Agency, public notaries, local NGOs, farmers, landowners, academia, and press.

The discussions generated 186 media appearances on a number of topics that surfaced as a result of the survey, ranging from attitudes towards the moratorium on the sale of agricultural land, to rent relations, access to finance and market infrastructure, sources of information both for landowners and their lessees, and legal problems they encounter when concluding lease agreements, dealing with land authorities, and in other situations. Among other things, the Baseline Survey uncovered the impact of the Legal Land Rights Services Program implemented by USAID AgroInvest. Chart below shows the degree to which land-owners feel they



are informed about land issues according to their own assessment. The chart compares Ukraine's average levels (including 14 oblasts surveyed) with the levels in the key oblasts where the program is being implemented. It should be noted that the survey was conducted from November-December 2012, and the program was launched in July 2012, and became fully operational in August-September 2012 after some pre-implementation activities were completed and the Legal Centers were set up.

The chart shows that the share of rural landowners who self-reported that they are sufficiently informed about land issues was 54.5% in the key oblasts where the program is implemented compared to 41.1% on average for the 14 oblast surveyed. The level of those who think they are not informed was 16.8% versus 9.8%, suggesting that less people feel they are deprived of access to information in the key oblasts. The number of those who received at least some information was also bigger in the surveyed oblasts (42% versus 35.7%). It should be re-emphasized that this impact was achieved after just four months into the program.

Legal Land Rights Services Program

The Legal Land Rights Services Program continued and advanced. Four grantees, namely the Institute of Transitional Societies, The First Agrarian Cluster, the Kherson Regional Organization "Committee of Voters of Ukraine", Civic Platform on Implementation of Land Reform in Dnipropetrovsk Oblast continued to implement their projects and serve ever increasing numbers of rural landowners.

The Legal Land Rights Services Program currently covers eight oblasts with support from the Kyiv-based Land Rights Resource Center.

Land Rights Resource Center

The Land Rights Resource Center continued to operate efficiently during this reporting period. Based on the information about legal land problems collected by providers of legal land rights services in eight oblasts of Ukraine, the Center produced a number of new materials that are available at the Land Web-Portal and disseminated by legal land rights services providers who conducted training sessions and provided consultations to providers of primary legal land rights services, organized and took part in expert discussions, and initiated a number of legislative initiatives described above and aiming to improve the legal and regulatory environment dealing with land relations.

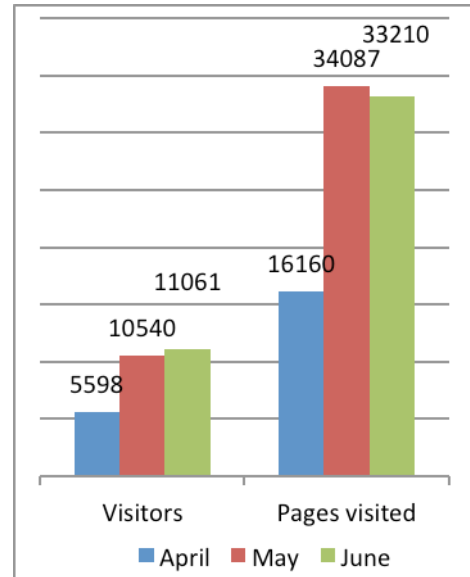
In this reporting period, the Resource Center produced the following new materials:

- 1) Document templates – a claim for the recovery of unpaid rent in cash and a sample letter from a citizen to the lessee for payment of unpaid rent.
- 2) Roadmap "Procedure for obtaining free land from state and municipal property, and state registration of land and property rights to it".

- 3) Document template – a claim for recognition of ownership to the land as inherited by will.
- 4) Roadmap “How to execute documents, if geologists want to carry out research work on your land.”
- 5) Document template – agreement on establishing servitudes for the right to trespass.
- 6) Roadmap “How to change the purpose of land”.

In addition, the following posters were developed, agreed upon with the Ministry of Justice, and disseminated by the Resource Center and other USAID AgroInvest partners:

- 1) Poster “Procedure for the state registration of land and property rights to land, state certificate of title issued to you, but that does not cadastral number assigned.”
- 2) Poster “Procedure for obtaining free land from state and municipal citizens of Ukraine.”



This and other materials developed by the Land Rights Resource Center are available as the Land Web-portal (www.zem.ua) maintained by the Center. This quarter, more than 27,000 visitors went to the Land Web-Portal, bringing the total number of unique visitors since the launch of the program to 156,000. The number of pages visited in the reporting period exceeded 80,000, and the overall number of pages visited totaled 425,000. For detailed statistics, please see the chart above.

Furthermore, during the reporting period, the Resource Center:

- Launched the program of cooperation with the Ministry of Justice of Ukraine and the State Registration Service, and conducted the first two training events with a total of 300 participants for state registrars and public notaries on land issues in order to help them better understand land legislation. These events were such a success that the Ministry of Justice requested that the Resource Center conduct similar workshops in nearly every oblast of Ukraine; this program is currently under consideration.
- Analyzed land laws and initiatives, developed comments and proposals on improvement of land legislation and regulations, and participated on the Public Council of the State Land Agency.



- Worked intensively with the State Land Agency and the Center of State Land Cadastre to identify problems and find solutions.
- Further developed cooperation with the Association of Farmers as the official legal land advisor of the Association; organized a seminar for 38 members of the Association to answer their questions on land and lease relations.
- Organized and/or took part in, 16 expert discussions/round tables on topical land issues, including a 2-day All-Ukrainian Land Management Forum attended by land managers, land appraisers, academia, NGOs, government agencies and lawyers, and attorneys.
- Provided 61 consultations to providers of primary and secondary legal land services.
- Conducted six training events for providers of primary and secondary legal land services, etc., including one international event on the German Land Mandatory Societies – a total of 198 participants.
- Participated in the information campaign (gave interviews, participated in public events, press-conferences, partook in events of the Agrarian & Land Press Club, commented on land issues for press, participated in TV and radio programs, etc. – a total of eight events).

Providers of secondary legal land rights services

Providers of secondary legal land rights services are an essential element of the Legal Land Rights Services Program. They meet with rural landowners at the contact points (20 Legal Centers, including permanent offices and contact points providing services according to established schedules; the contact points work either in village halls or in offices of the state registration service) and at community meetings, discuss problems, read documents, provide information, consultations, and legal advice, help prepare claims, go to court, if needed, or help resolve the issue by mediation, if possible.

In addition, the Providers train local providers of primary legal services (village mayors, land managers, librarians, etc.). This work is most efficient when done locally, as logistically it is not appropriate for the Resource Center to do this from Kyiv. Providers of primary legal services trained by AgroInvest's partners, in turn, become involved in the Project; they use posters delivered to their villages to provide landowners with roadmaps; they also use materials from the Land Web-portal as they are trained to use these materials, and where to find the needed information; they also refer their community members to the Legal Centers, should they need secondary legal services.

An important part of the Providers' work is collecting information about typical problems and advising the Resource Center on the topics for future roadmaps. This information is then analyzed and used by the Resource Center for both preparing the needed roadmaps and developing some legislative changes as appropriate.

Providers of legal land rights services are also active in disseminating information through their own media publications, such as success stories. These success stories also serve as “roadmaps,” as they highlight a problem and provide detailed information on how it was resolved, including concrete actions and guidance on documents needed for each step. An important feature of these materials is that they take into account the local context. It is a significant problem in Ukraine that regulations are applied in different ways depending on the oblast and even raion, making it next to impossible to develop a generic roadmap that would work all over Ukraine. For that reason, it is very important that AgroInvest’s local partners know all these details and advise accordingly.

The table below summarizes the main results achieved by the Providers in this reporting period and from the launch of the program in June 2012. These numbers represent the eight oblasts where the program operates.

| | April-June 2013 (reporting period) | June 2012-June 2013 (total since program was launched) |
|---|---|---|
| Number of consultations | 1,729 | 5,199 |
| Number of land deeds issued in target communities | 4,269 | 8,399 |
| Number of land conflicts resolved as a result of Project assistance | 92 | 250 |
| Number of round tables | 14 | 24 |
| Number of participants | 530 | 940 |
| Number of presentations, training events, community meetings | 57 | 137 |
| Number of participants | 1,965 | 4,630 |
| Number of materials disseminated | 3,481 | 14,854 |
| Number of media publications, including TV and radio | 182 | 528 |

Land Rights Public Education and Outreach Campaign

The Land Rights Awareness & Education Campaign continued to scale up, and the subcontractor, Center for Ukraine Reform Education LLC (CURE), organized all planned events and conducted all activities as scheduled.

The campaign includes the media campaign, TV program, radio programs and talk shows, video and radio spots, as well as the Agriculture and Land Press Club. Thematically, the campaign is primarily focused on land issues, but since land is a cross cutting theme for many other issues on AgroInvest including access to finance, wholesale and retail market development, etc., the campaign looks into those as well through the lens of land.

In this reporting period, six 10-minute radio programs, as part of the campaign “My Land, My Right”, were aired and dedicated to the following topics:

1. [Tax revolution in the agrarian sector](#) (April 8, 2013)
2. [What is the attitude of Ukrainian villagers to land reform?](#) (April 29, 2013)
3. [Organic farming in Ukraine](#) (May 13, 2013)
4. [Lease of land plots](#) (May 27, 2013)
5. [What should we expect in 2015: quality Ukrainian milk and dairy products or empty shelves?](#) (June 10, 2013)
6. [What problems of Ukrainian countryside can be solved due to green tourism?](#) (June 25, 2013)

In addition to the 10-minute radio programs aired bi-monthly, a 40-minute radio talk show is aired on a quarterly basis. In this reporting period, the talk show was dedicated to the topic of [role of credit unions in providing access to finance for small and medium producers](#). It was aired on June 27, and the speakers were representatives of credit union associations.

Also, in this reporting period, the TV program “My Land, My Rights” was launched. The first two programs to air covered the following topics:

1. [Organic Farming](#) (June 4, 2013)
2. [Green tourism, a way to development of Ukrainian countryside](#) (June 29, 2013)

The [National Agrarian & Land Press Club](#), established as part of the Land Rights Public Education and Outreach Campaign, conducted four events in the reporting period, including three press club meetings and one press tour. In order to support the overall goals of AgroInvest, the subject matter of these events were not limited to land issues; however, for all of them land was among the main topics as land is of key importance for all activities in the agricultural sector. For more details please refer to Communications section and Annex 1.

COMPONENT 2: Stimulate Access to Finance

Work with Partner Banks

Cooperation between partner banks and companies – agricultural industry leaders as an instrument of enhancing agrilending to SMPs

The Project facilitated the collaboration of two partner banks, Kredobank and Metabank, with Monsanto Ukraine. As an input supplier, Monsanto Ukraine has demonstrated an interest in supporting innovative agricultural projects as well as dedicating resources to and sharing the risks of such innovations.

An action plan for this collaboration was developed by Monsanto, and a confidentiality agreement was signed by all three parties, thus laying the groundwork for the implementation of that plan. Two distributors were selected by Monsanto to help pilot the seasonal financing of rapeseed sales to SMPs: Agroscope (operating in Western and Central Ukraine) and Bizon-TEH (operating in Southern Ukraine). AgroInvest acted as a

facilitator in the discussions between these two distributors, Kredobank, and Metabank. During these discussions, the distributors successfully clarified the terms of their participation as well as their expectations on agrilending to SMPs with the representative credit teams from each bank.

Kredobank has already developed a draft of its lending proposal for potential SMPs. The proposal includes a standard cash lending offer as well as an innovative financing instrument, based on promissory notes issued to distributors, for SMP-customers who are “in good standing.” The draft lending proposal was reviewed and accepted by the Monsanto marketing department; it will be offered to the selected distributors’ SMP-customers in July 2013.

Metabank is currently in discussions with another distributor, Bizon-TEH, to develop a similar proposal to that described above relating to Kredobank.

Agrotechnological trainings for credit officers of partnering financial institutions

In June 2013, the Project subcontracted a one-year cycle of agrotechnological trainings for credit officers from partner financial institutions. These trainings will focus on six areas of agricultural production: field crop production, vegetables, orchards, intensive horticulture, dairy farming, and pig breeding. These focus areas were selected based on the results of the “Market Survey on the Current Status of Agrilending to SMPs in Ukraine,” which the Project conducted in late 2012 and early 2013.

In addition, the subcontract specifies that sample training modules must be developed by August 2013, after which time trainings should start being held. These trainings will be held over the course of one working day and will be conducted in the oblast centers of Ukraine. The exact locations of future trainings will be determined jointly by AgroInvest and its partner institutions. Some oblasts have already been identified for future trainings. Including Kyiv, Lviv, Zaporizhzhya, Dnipropetrovsk, Kherson, and the Autonomous Republic of Crimea.

Addressing the Office of the Inspector General’s Recommendations

In response to the recommendations made in the Office of the Inspector General’s (OIG) September/October 2013 audit of the USAID AgroInvest Project, local agriculture finance specialist Mr. Serhiy Khoruzhiy conducted an assessment of the current state of agrilending in Ukraine and of measures being taken to increase agrilending to SMPs in the Ukrainian banking sectors.

The assessment confirmed the OIG auditors’ opinion, that “it is not feasible for AgroInvest to allocate resources and make efforts to engage new partner banks for SMP lending purposes because of the low level of Ukrainian banks’ activity in this segment of the lending market.” Mr. Khoruzhiy’s assessment indicated that the Project should continue working with its established partner banks on agrilending issues and focus its efforts on supporting credit unions in this area.

Following the OIG's recommendation that the Project conduct an analysis of the use of microfinance instruments or grants to fully leverage its partners, the Project enlisted the efforts of agricultural finance and credit unions specialist Mr. William Maltby. Mr. Maltby concluded that Ukraine's dynamic legislative and financial environment renders such a microfinance instrument or grants unviable at present. The National Action Plan of the Government of Ukraine, released in March 2013, has even called into question the functionality of and future prospects for Ukrainian credit unions. Additionally, draft legislation from the National Bank of Ukraine, which is expected to be released and sent to the Verkhovna Rada in July 2013, points to the very real possibility that credit unions in Ukraine may have to reorganize themselves into cooperative banks. Given this looming uncertainty for Ukrainian credit unions, it has been determined that launching new grants or microfinance instruments through the Project's partner financial institutions is not prudent under the current circumstances.

Enhancement of Agrilending to SMP's through Credit Unions

Study tour of credit unions to the Netherlands

From April 8th through 13th, 2013 the USAID AgroInvest Project conducted its first study tour in the Netherlands. A total of 17 individuals participated in the study tour. Of this 17, 15 were loan officers from selected credit unions, representing both of AgroInvest's Task Forces. The remaining two participants were GoU officials from the Ministry of Agrarian Policy and Food of Ukraine: Yuriy Ivanovych Minyaylyk, Deputy Director of the Department of Financial and Credit Policy and Accounting, and Olena Zirnzak, Deputy Director of the Department of International Economic Relations.

The objective of the study tour was in support of the Project's goal of increasing Ukrainian credit union loan officers' capacity to expand agrilending to SMPs in Ukraine. During the study tour, participants received in-depth information on international best practices, which enabled them to build upon lessons learned in previous AgroInvest capacity building workshops held and reinforced the importance of following models that have been proven efficient and effective.

The participants also visited successful Dutch farming operations in order to gain knowledge of the various technologies in use there. With the financial support of credit unions, these technologies can be introduced to Ukrainian SMPs in pilot regions.

Since their return from the Netherlands, the Project has continued working with study tour participants to expand agrilending to SMP's in Ukraine. Study tour participants are working both independently and in coordination with AgroInvest to apply the knowledge and skills gained through the study tour. Specifically, they are conducting structured presentations for their colleagues and other members of the Task Forces who were not able to attend the study tour.

Another result of the study tour was a set of innovative training sessions entitled "Efficient Production of Fruits and Vegetables Using Dutch Technologies." These trainings were conducted on June 25 and 27, 2013, in the cities of Lviv and Kherson with support of AgroInvest and Rosetta Agro, an exclusive representative of six Dutch suppliers in Ukraine who organized and conducted many of the training sessions in the Netherlands. Rosetta Agro is supporting the commercialization of Dutch produce, especially high-performing berries and fruit seedlings, for the Ukrainian market. Various relevant agrotechnologies were presented at the training, including increased revenue through more efficient growing cycles and issues of sales and marketing. These training events were attended by 18 credit unions and farmers who are members of those unions.

New credit products for SMPs

During the reporting period, the Project supported the development of two new specialized loan products for SMP:

- "Strawberries" (for the cultivation of open-field strawberries);
- "Milking machines" (for the purchasing of individual milking machines for small-farms).

Both products were presented at the AUCUA/DPP Agrilending Task Force meeting on June 18, 2013. These credit products, as with all credit products supported by AgroInvest, are intended to be turn-key mechanisms that credit unions and their loan officers can use to streamline loan processes. This, in turn, enables them to make smart financing decisions for the benefit of both the financial institution and the SMP using the product.

Included with these loan products are supportive materials such as informational cards for mapping loan procedures, forms to help assess the creditworthiness of potential loan recipients, product promotion materials, templates for cooperation agreements with equipment manufacturers, and reference materials on relevant types of agricultural production. For example, a practical guide for strawberry cultivation has been developed for SMPs and loan officers and is included in the "Strawberries" product.

In addition, AgroInvest continued to support the improvement and implementation of loan products developed in past quarters:

- A webinar was conducted on April 4, 2013, designed to promote the credit product "Beekeeping."
- The loan product "Dry Vitamin," which focuses on mini-dryers for agricultural produce preservation, was presented at the AUCUA/DPP Agrilending Task Force meeting on April 23, 2013. Due to high interest in this product, an additional webinar was held on June 6, 2013.
- AgroInvest conducted a series of seminars entitled "Overview of changes in the land legislation in 2012 and their impact on legal regulation of land relationships in 2013" as a follow-up measure for the credit product "For registration of rights to a land plot." This seminar was offered to AUCUA/DPP member credit unions on April 23, 2013, as well as to UNASCU member credit unions on April 24,

2013. 31 credit union representatives participated in these two events. An additional webinar was held later on May 20, 2013, for 14 more attendees. A manual entitled “Handbook on completing the formation of land plots and the rights afforded by registration” was developed by AgroInvest and distributed to credit unions and their members. These materials enabled credit unions to fund land plot registrations and provided SMPs with advisory support maintaining their land rights.

In order to inform SMPs on new lending opportunities at their local credit unions, the Project developed and distributed informational posters to partner credit unions to be posted in their areas of coverage. These posters provide information on the benefits of utilizing the products as well as information on the application process.

Additionally, the following credit products were developed in order to improve internal lending practices among UNASCU-members of the Task Force, with a focus on proper documentation and the effective assessment of agricultural borrowers’ risk:

- “Lending from a credit union to a credit union member: individual agricultural entrepreneur.”
- “Lending from a credit union to a credit union member: a member-owned farm or private enterprise engaged in SMP”
- “Lending to a credit union member: an individual entrepreneur, member-owned farm or private enterprise. Provided by United Credit Union through a credit union” for the purpose related with business activities in small and medium agricultural production.

On April 24 and June 21, 2013, trainings on these credit products were conducted for UNASCU member credit unions.

КРЕДИТИ
МАЛИМ ТА СЕРЕДНІМ СІЛЬГОСПВИРОБНИКАМ:



- На розвиток пасіки;
- На вирощування полуниці;
- На придбання обладнання для сушіння сільськогосподарської продукції;
- На придбання доїльних апаратів та розвиток молочного господарства;
- На інші потреби сільгоспвиробників.

Умови кредитування розроблені спеціально для сільгоспвиробників:

- Кредити надаються на поповнення оборотного капіталу, придбання засобів захисту рослин, насіння, саджанців, добрив, ремонту, а також на придбання обладнання, техніки та інші потреби сільгоспвиробників;
- Ми співпрацюємо і з середнім бізнесом, і з дрібними сільгоспвиробниками, починаючи від тих, хто працює на декількох сотках/гектарах;
- Умови кредитування розроблені з урахуванням сезонності та інших особливостей сільгоспвиробництва;
- Умови кредитування – повністю прозорі, без комісій, без прихованих платежів;
- Кредит оформлюється протягом від декількох годин до одного тижня в залежності від суми кредиту; Ви можете взяти як короткостроковий кредит, так і на більш довгий термін;
- Ми забезпечуємо індивідуальний підхід до кожного позичальника і налаштовані на довгострокову співпрацю.

Ви можете отримати кредит на розвиток свого господарства, якщо Ви:

- Є жителем нашої області;
- Маєте досвід роботи у сільському господарстві не менше 1 року;
- Не маєте негативної кредитної історії у фінансових установах.

Координати кредитної спілки

Для отримання детальної інформації звертайтеся до працівників кредитної спілки.

Видання цього планує стало можливим завдяки підтримці американського народу, наданій через Агентство США з міжнародного розвитку (USAID) у рамках проекту AgroInvest.

Improving the management of loan portfolios in credit unions

- ABC-Center LLC, an AgroInvest subcontractor, finalized recommendations for managing loan portfolios in credit unions that provide agrilending services. These recommendations were developed based upon the results of the baseline study of lending practices of the AUCUA/DPP Task Force member credit unions, which was prepared with AgroInvest support in Q2 – Q3 Y3. ABC-Center also analyzed existing practices at seven Task Force member credit unions. Specific recommendations for other member credit unions pertain to:
 - The management of agriculture loan portfolios at various stages of loans processing;
 - The management of other credit unions' accounts payable and receivable;
 - The administration of credit and deposit activities;
 - The proper dissemination of information about lending proposals.

These recommendations were presented to credit unions at the meeting of the AUCUA/DPP Task Force, held on June 18, 2013. The relevance and applicability of these recommendations were met with high praise.

- The Information and Advisory Service, LLC, an AgroInvest subcontractor, tested a new method for internal auditing, which was developed for the Internal Audit Service of UNASCU, at two credit unions: “Oshadnist” CU in Khmelnytskyi oblast and “Yednist” CU in Kherson oblast. The subcontractor observed the current practices at these two credit unions and identified several problems, gaps and mistakes in their agro loan classifications and portfolio management and offered their recommendations for increasing the quality of lending processes, application and contract templates, and loan classifications. This form of support is helping credit unions to avoid similar problems in the future by following recommendations and thereby improving the quality of their agro lending services for SMPs as well as managing the delinquency of agro loan portfolios.

After pilot testing, the UNASCU Internal Audit Service was officially founded on April 17, 2013. UNASCU had maintained plans to launch this group since 2011, but only through AgroInvest's support were these plans able to materialize. The new Internal Audit Service at UNASCU is already producing to greater transparency among its members' lending practices.

Trainings on agrotechnological literacy for credit unions and their customers

In April 2013, AgroInvest conducted a special training for loan officers from five Crimean credit unions. Ten participants from these unions received training on the use of profitability calculation models for four new business lines—three in the livestock industry (dairy farming, sheep production, and pig production) and one pertaining to perennial plantations. These models allow for the effective assessment of risk in loan applications provided by loan officers of partner credit unions.

Building the Capacity of SMPs

Trainings on financial and managerial literacy

On June 12, 2013, AgroInvest conducted training on financial literacy for the members of the Society for Promotion of Rural Green Tourism Development in Ukraine (AgroInvest partner, Component 1). This training came at the behest of this partner following an All-Ukrainian Conference entitled "Formation of Rural Tourism Development and Operational Policies," held from June 7-8, 2013. The attendees at this all-Ukrainian conference demonstrated a keen interest in access to finance for private households engaged in rural tourism through credit unions and other financial institutions, about which information was provided at the event. They received recommendations on selecting and using credit services, calculating effective interest rates, and executing loan contracts properly. Also they received lists of credit unions providing agri lending in each oblast of Ukraine. In response to this interest, the Society for Promotion of Rural Green Tourism Development in Ukraine asked AgroInvest to conduct a second training on effective selection and use of credit facilities for their members which was conducted on June 12, 2013 in Kyiv.

Provide recommendations to Ukrainian credit unions on overcoming challenges to the expansion of agrilending

Since early 2013, a few large Ukrainian credit unions (Hromada, Vygoda, Melon, and others) requested the Project's assistance in analyzing current market challenges that could slow down the expansion of agrilending. Among those challenges already identified were:

- The governmental initiative to limit the deposit basis of credit unions operations (in the case that credit unions do not transform into cooperative banks);
- The problem of seasonal liquidity experienced by credit unions.

To provide the credit unions with a sound and professional response to these and other questions, AgroInvest invited Mr. Bill Maltby, a U.S. agricultural finance and credit unions specialist, to participate and offer recommendations. Specifically, Mr. Maltby was asked to:

- Hold working meetings with the management of AUCUA, UNASCU, Hromada CU, and other credit unions with a high percentage of agriloans in their loan portfolios for the purpose of identifying current challenges for Ukrainian credit unions;
- Identify foreign financial institutions that could provide funding to Ukrainian credit unions for lending to SMPs;
- Consider and propose new, practical methods for resolving the seasonal liquidity issues faced by Ukrainian credit unions.

Mr. Maltby, noted existing challenges and summarized his recommendations to Ukrainian credit unions in a report. The content of this report was presented to members of the Task Forces credit unions on April 24 and 25, 2013, in Kyiv. Mr. Maltby's conclusions included the following:

- AgroInvest should strongly consider offering select credit unions additional technical assistance in organizational development, financial (liquidity) management, long-range planning, and portfolio management.
- The possibility of securing funding from foreign financial institutions is not realistic at this time.
- While the interest rate buy-down scheme might be a potentially useful and interesting tactic for decreasing the high interest rates charged by pilot credit unions, this could not, and should not, be implemented as a first priority activity of AgroInvest at this time, due to the looming uncertainty about whether or not credit unions will be required by national legislation to transform themselves into cooperative banks.

Trainings on agricultural technologies for credit unions' members as a leverage of increased demand for agrilending

Project specialists organized and conducted five training sessions for 157 farmers from southern and western regions. All participants are clients of partner financial institutions. The purpose of the training sessions was to improve agricultural technologies in horticulture and sheep breeding by making available affordable financing, thus improving the creditworthiness of agricultural producers through the sustainable development of their businesses. Specialists from supply and input companies led technological components of the trainings, and credit unions offered affordable financial support. These offers were developed in cooperation with and under the guidance of AgroInvest's specialists.

Other facilitation activities

- In June 2013, with AgroInvest support, members of the management team from the Dutch micro-financial cooperative Oikocredit visited the AR Crimea to conduct a financial and economic analysis of the Crimean farmers who had applied to Oikocredit for loans. The Dutch team met with the managers of six agricultural enterprises and one service cooperative. Tours were taken to production facilities and planted areas. As the result of the visit, and with consultation from AgroInvest, Oikocredit decided to consider all six applications for approval.
- In the previous quarter a cooperation agreement was signed between Agro Capital Management, LLC (ACM) and a partner credit union Narodna Dovira. As a result, eight farmers, all members of Narodna Dovira CU, received financing within the ACM credit programs. All of these newly financed farmers are householders from the Tsyurupinsk, Skadovsk and Hola Prystan Raions in Kherson oblast, areas where ACM did not previously work. The amount of the credit received by SMPs under this cooperation effort is 169,202 UAH. The smallest loan was made in the amount of 6,676 UAH. The largest totals 39,468 UAH, and the average is 21,150 UAH. The credit resources of ACM were earmarked for the purchase of spun bond, drip irrigation tape, melon seeds, and

corn seeds. AgroInvest and ACM are currently discussing further opportunities for cooperation.

- Due to the reduction in profitability of traditional agricultural businesses as well as recent efforts to diversify production, small and medium farmers have demonstrated an heightened interest in growing fruits and berries. Financial institutions have also supplemented their credit products with investment financing, including financing of perennial plantations. As a result, a need arose for a tool to allow farmers to estimate the profitability and cash flow of fruit and berry plantations based on the number of years that have been invested in them.

In cooperation with Dmitry Potanin, Associate Professor of the Horticulture Department at the Crimean Agrotechnological University, a model for perennial plantation investment assessment was developed. This model allows farmers, financial institutions, and investors to calculate profitability and cash needs for a whole project and for each year that the perennial plantation is in operation.

Owner Financing Mechanism (OFM)

AgroInvest subcontractor Baker & McKenzie provided legal expertise during the development of contractual documents and agreements for implementation of OFM. During their consultation, Baker & McKenzie discovered that new Ukrainian legislation applicable to notarial certifications and the state registration of land leases and land sale and purchase agreements, passed in January 2013, has had a negative impact on the OFM's prospects for implementation in the near future. They therefore outlined further directions for legislative amendments that could facilitate OFM or render its implementation possible in Ukraine.

Further work with this subcontract has been put on hold, as USAID is currently deciding whether further legislative development on the part of the AgroInvest Project is merited. The subcontract for the development of a legal framework for lease-purchase agreements of agricultural land in Ukraine has been put on hold for the same reason.

COMPONENT 3: Facilitate Market Infrastructure for SMPs

Task A: Producer Organization Development

The Project's main activities this quarter focused primarily on two priorities: (1) the organization and implementation of trainings and studies focused on building the capacity of SMPs and POs and (2) the organization and implementation of competitive grant Projects for POs.

AgroInvest wrote a scientific commentary on the Law of Ukraine on Agricultural Cooperation and other related legislative texts. This commentary which was approved by the Academic Board of the Odessa National University, the Institute of Agricultural Economy, and National Scientific Center and it was recommended for publication by these institutions. The text received approval from the MAPF on June 1, 2013, (letter

#37-18-2-13/12760). The commentary is expected to be useful primarily for small and medium agricultural producers that have established or are willing to establish agricultural cooperatives. It will also be useful for local bodies of self-governance, local authorities, lecturers, post-graduate students, students of agrarian educational establishments, officers at the state registration agencies, and to all others interested in developing cooperation in the agrarian sector. The commentary will be printed and distributed next quarter.

AgroInvest finalized a draft of the Model Bylaws for the Agricultural Service Cooperative, which was written in consideration of the Law of Ukraine on Amendments to the Law of Ukraine on Agricultural Cooperation. The Model Bylaws were approved by the Decree of the Ministry of Agrarian Policy and Food #315 dated May 21, 2013. Local authorities are already putting these bylaws into practice.

Addressing a request from the MAPF, the Project finalized a draft of the Model Rules of Internal Activities for the Agricultural Service Cooperative. It is expected that the draft will be approved by a Decree of the Ministry in July or August 2013.

This quarter, a subcontract was started for the purposes of conducting a study on the economic feasibility of amending the section of the Tax Code of Ukraine regarding VAT taxation on agricultural produce sold by agricultural service cooperatives. This study was undertaken in direct response to a request by the MAPF. The findings of this economic feasibility study are expected to substantiate necessary amendments to the Tax Code of Ukraine as well as support the development of a model for integrating small individual agricultural producers into an agricultural produce marketing system.

The Project also continued its monitoring and capacity development efforts among partner producer organizations' grant projects, including:

- The implementation of eight grant agreements with ASC "Krymekoproduct," Storozhynets ASC Union "Hospodar Pidhirya," ASC "Khayal-2009," ASC "Zakhidny," and ASC "Budzhak" (all in previous reporting periods), as well as those with ASC "Severyn," ASC "Ivankovetsky Svitanok", ASC "Umyut" (all signed during the reporting quarter);
- ASC "Budzhak" equipment procurement (for a dairy processing line) was funded;
- Grant agreements with five producer organizations (Lviv Oblast Cooperatives' Association "Rivnopravnist", ASC "Frukty Krymu", ASC "Lypivsky", ASC "Losyatynske Molochne Dzherelo", and ASC "Shyroke") have been developed and submitted to USAID for approval.

AgroInvest organized and conducted a training for representatives of the Union of Mushroom Producers of Ukraine. The training focused on the establishment and development of agricultural cooperation. During the training, mushroom producers and other key stakeholders interested in further improving the distribution system for produce of farms and individual agricultural households worked out concrete steps for organizing and establishing a joint marketing organization and agricultural service cooperative collective material procurement and product distribution.

Two additional study tours organized and conducted for representatives from action groups and agricultural service cooperatives. The first occurred on April 17, 2013 and took participants to ASC “Khayal-2009”, Saky raion and ASC “Rynok”, Nyzhniihirsky raion, AR Crimea); topics covered included the storage of strawberries, the cultivation of frigo seedlings, and the formation of commercial batches for distribution. The second study tour was conducted to the Lviv Oblast Agricultural Service Cooperatives’ Association “Rivnopravnist” on June 11 and 12, 2013. This tour focused on the organization of milk collecting, cooling, and processing.

In cooperation with the Ministry of Agricultural Policy and Food of AR Crimea, the Component 3 team participated in two round tables on agricultural cooperation. The first was held on April 03, 2013, on the topic of the development of producer organizations specialized in beekeeping (modeled after “Krymbdzholprodukt”). The second round table took place on April 05, 2013, and was focused on the development of producer organizations specialized in sheep breeding (modeled after ASC “Tokalchyuk”, Pervomaysky raion).

At the invitation of the Ministry of Agricultural Policy and Food of AR of Crimea, AgroInvest Project representatives took part in a meeting, held April 03, 2013, with AR Crimea’s Cabinet of Ministers on the procurement of milk from individuals and the establishment of a procurement price in the region. During the meeting, the Project made presented prospects for the development of an agrarian market infrastructure in Crimea as part of the USAID AgroInvest Project. As a result of this meeting, the heads of the raion state administrations were instructed to provide AgroInvest with assistance and organizational support as they make efforts to develop the agrarian market infrastructure.

On June 12, 2013, Project representatives participated in a meeting on the development of agricultural service cooperation in AR Crimea. During the meeting, the AgroInvest Project presented the details and extent of their cooperation with local authorities, rural communities, and market infrastructure facilities in the region. They also presented on the progress that has been made towards implementing the Resolution of the Cabinet of Ministers of AR Crimea dated April 23, 2013, #322-r on the development of agricultural service cooperatives in the AR Crimea.

Component 3, Task B: Developing Effective Market Infrastructure for Small and Medium-Sized Producers

The two main activities conducted per this task during the reporting quarter were (1) the development of design and feasibility studies for the construction of an agricultural wholesale market in Rivne oblast and (2) the completion of marketing studies and competitive selection of subcontractors to perform additional feasibility studies for the establishment of wholesale markets, retail markets, and logistic centers in AR Crimea and Kherson Oblast.

The AgroInvest team also selected a subcontractor to develop a pre-feasibility study for the National Project “Green Markets: the Creation of a Wholesale Food Markets’

Network,” in response to a request by the MAPF and the State Agency for Investments and National Projects of Ukraine. The development of the pre-feasibility study is included in the National Action Plan on the Implementation of Economic Reform Program for 2010-2014 “Prosperous Society, Competitive Economy, Effective State,” approved by the Decree of the President of Ukraine #128/2013 dated March 12, 2013. All oblast and local administrations, professional associations, and initiators of local projects for agrarian markets development have been involved these activities. The first stage of this study is expected conclude on July 12, 2013.

AgroInvest completed its work, via a subcontract, to develop a feasibility study on the establishment of an information and marketing agrarian center in Kherson Oblast. On June 7, 2013, the Project presented the results of this study to local authorities, village and town heads, managers of agricultural enterprises, and heads of farms and individual agricultural households in Kherson oblast. Overall, the idea of establishing such a center was well-received. The key objective of establishing this center is to improve SMPs access to up-to-date and objective information on supply/demand and pricing policies for agricultural products, thus allowing them to make timely managerial decisions.

AgroInvest also finished preparatory work and selected a subcontractor to design the construction of wholesale and retail agricultural markets in the village of Dobre in the Simferopol raion and in the urban settlement of Zuya of Bilohirsk raion, both located in AR Crimea.

The Project held a competition to select another subcontractor to conduct marketing studies and develop a feasibility study for the establishment of two wholesale and retail markets, also in AR Crimea. The first will be in the Krasnohvardiyske urban settlement in Krasnohvardiyske raion and the second in Kukushkine village in Rozdolne raion. The technological infrastructure and engineering specifications of these future markets will be determined according to the findings of the feasibility study.

The implementation of the first stage of the subcontract for the design of a wholesale and retail agricultural market in Hola Prystan was completed. Specifically, a schematic design, master plan, architectural and construction solutions, and aggregated estimated costs for construction of the market were developed. The total cost of this work, funded by AgroInvest, was USD 36,960. Unfortunately, the development and approval of the master plan for the site of this market by Hola Prystan raion authorities has been inexplicably delayed. Letters of inquiry have been sent from the Kherson Oblast State Administration (Letter dated June 12, 2013 and Protocol Resolution dated June 17, 2013), as well as from the Subcontractor, LLC UkrAgroPromProekt, (dated June 20, 2013 and June 26, 2013). The date of work completion stipulated under the Subcontract has been extended accordingly. In the meantime, seasonal trading locations and trading stalls were created and granted to the local producers to sell their products.

The team continued to provide technical assistance, via subcontracts, for the establishment of a meat processing plant and the retrofitting of a dairy processing plant belonging to the agricultural service cooperative Molochny Dnistr in the Belozerka raion

of Kherson oblast. The subcontractor is currently designing an environmental feasibility study. The findings of this study will be used to develop investment proposals and attract investment and/or borrowed funds to retrofit and construct these new facilities.

AgroInvest continued to provide technical assistance for the establishment of a wholesale agricultural market in the town of Shelen in Rivne oblast. In particular, the Project helped present Shelen's investment proposal and negotiate with potential investors. During the reporting period, the infrastructural facilities were established and foundations for the market facilities were laid.

This quarter, a subcontract to develop feasibility study for establishing the livestock wholesale market in the town of Charodiy in Cherkasy oblast completed its first stage activities, including: conducting marketing studies on livestock breeding and its distributing markets within the wholesale market catchment area; developing technological structures for the market; and preparing proposals for the design stage. This market will serve as a model for others, which will in turn lead to the development of similar markets throughout Ukraine's other regions of and in the Polissya zone primarily.

Participation in Public Events Devoted to Development SMPs and POs

The AgroInvest team actively participated in organizing and leading conferences, workshops, and trainings on developing POs and SMPs and on the establishment of a working system for wholesale and individual wholesale markets.

On May 08, 2013, the Project supported a research-and-application conference entitled "Agricultural Service Cooperation Development as a Condition for Preserving Ukrainian Villages." The Union of Members of Ukrainian Agricultural Service Cooperatives conducted this conference in order to disseminate best practices that have emerged from 20 years' of experience with agricultural service cooperatives' activities in Ukraine. AgroInvest representatives offered a presentation entitled "Legislative and Regulatory Provision of Cooperatives Creation and Activities Organization in Marketing and Value Added Formation for Agricultural Produce." Participants gained a better understanding of the benefits of cooperatives for increasing revenue from marketed produce.

On May 24, 2013, the Project supported a conference entitled "Vegetables, Fruits and Berries in Ukraine 2013. Experience of Professionals." The conference took place within the 25th International Agricultural Exhibition "AGRO-2013". At the conference, USAID AgroInvest made a presentation "Agricultural Service Cooperation as a Tool to Coordinate Efforts of Horticulture Producers."

On June 14-15, 2013, the USAID AgroInvest Project took part in the 1st Baltic-Black Sea Economic Forum held in the Lazurne urban settlement in Kherson oblast. During the forum, economic, investment and logistics clusters were presented, as were the investment project of AgroInvest partners.

Cooperation with Technical Assistance Projects which are funded by other International Donors

The Project continues to cooperate with other technical assistance projects who are introducing their programs and projects concerning state policy, agricultural producer cooperative organizations, and the development of market infrastructure in Ukraine.

The most promising collaboration efforts, of which the USAID AgroInvest Project is a part, include the following:

- Concept preparation for the development of agricultural service cooperatives before 2020, part of the PRISM Project Capacity Building of the Ministry of Agrarian Policy of Ukraine to Develop and Implement a Policy for Agriculture Service Cooperative in Ukraine under the financial support of Canada's CIDA;
- Joint trainings and study tours as part of the EU project "Reducing greenhouse gas emissions through recovery and sustainable management of peat bogs in Ukraine";
- Service provision for the management of two agricultural produce value added chains in Ukraine by the AgroLviv Project of Denmark;
- Joint trainings and study tours and the co-financing of a joint PO project with the Ukraine Grain Project, also supported by CIDA.

PROJECT COMMUNICATIONS

USAID AgroInvest leads a wide range of communication activities to reach its target audiences, such as a web site, Facebook page, publications, and numerous public events and outreach activities via local, regional, and national media outlets (for a detailed listing please see Annex 1).

Events and Presentations

During the reporting period, the AgroInvest team used every opportunity to communicate the Project's goals, disseminate information about its activities, and develop partnerships and coalitions with media representatives and stakeholders. The Project presented at round tables, seminars, and conferences organized by AgroInvest and partner organizations. The total number of public events organized, co-organized or supported by the Project reached 147 between April and June 2013. In these events information about USAID AgroInvest, its goals, and progress to-date were highlighted.

Of note are the following events:

- On April 8-11, 2013, USAID AgroInvest participated in the World Bank Annual Forum "Land and Poverty" that took place in Washington DC. WB Land Governance Assessment Framework (LGAF) studies, land registration systems and large scale land acquisition were among key topics for discussions during the event. USAID AgroInvest presented current status of LGAF Study in Ukraine and priority



recommendations for the near future. GOU delegation participated in the meeting. Mr. Tymchenko, Head of State Land Agency of Ukraine, made a presentation on recently introduced electronic land cadastre system in Ukraine.

- On May 22-25, USAID AgroInvest took active part in and supported the organization of the "Agro-2013". The event was organized by MAPF. The exhibition presented modern technology of organic produce, certified organic food manufacturers and institutions, organic meals. As part of the exhibition, an ORGANIC-2013 expo took place organized by the Project partners -- the Organic Federation of Ukraine and MAPF. On May 23, 2013, a round table discussion on "Organic agricultural production in Ukraine: experience and prospects" was held. On May 24, AgroInvest helped to organize and conduct the conference "Vegetables, Fruits, Berries 2013. Experience of Professionals." The event was organized by the Ministry of Agrarian Policy and Food of Ukraine, Association "Ukrainian Agribusiness Club" and "PromFinInvest-Group" LTD. with the support of AgroInvest. AgroInvest made speech entitled "Agricultural service cooperatives as an instrument of coordination horticultural producers." During the closing ceremony of the exhibition "Agro-2013," the AgroInvest Project received a letter from the Minister of Agriculture Policy and Food thanking the Project for its ongoing support to Ukrainian agriculture as well as the Ministry.
- On May 11 and June 1, 2013, AgroInvest participated in the presentation of its main areas of focus at "City Days" in Ivano-Frankivsk and Simferopol, respectively. A "USAID Village" presented the projects and organizations that cooperate with the USAID and its projects implemented in these localities and its surrounding communities. At AgroInvest's stand in the "USAID Village," AgroInvest partners from all three components were present: (1) Industry associations (Organic Federation and Green Tourism Association); (2) Sustainable Legal Land Rights Services Program (Land Rights Resource Center, First Agrarian Cluster, Committee of Voters); (3) Access to Finance (local credit unions); and (4) Cooperative Development Program (agricultural service cooperatives). Together with our partners, AgroInvest organized an interesting program where the public had the opportunity to receive free advice on land issues, learn how to use the land Cadastre Map, learn about agricultural service cooperatives and how their members benefit from cooperation, and learn how to become a member of a credit union and receive



Agro-2013 Closing Ceremony,
May 25, 2013



USAID Village in Simferopol,
June 1, 2013

deposit or credit services. Also, interesting quizzes and a drawing competition for children “Agrarian Ukraine through Children’s Eyes” were organized.

- On May 30-31, 2013, at the invitation of the Ministry of Economic Development and Trade of the Autonomous Republic of Crimea, AgroInvest participated in the 2nd Annual Forum of Donors of International Technical Assistance. The purpose of the Forum was to create a platform for dialog amongst representatives from the donor community, authorities, and society on the implementation of projects and programs in the territory of the AR Crimea. The Forum was attended by heads of diplomatic missions, development agencies, international foundations, projects and programs, government agencies and local self-governing bodies, NGOs from Ukraine and the AR Crimea.



AgroInvest at the AR Crimea Donor's Coordination Meeting, May 31, Simferopol

During the Forum, USAID AgroInvest’s activities in the AR Crimea were presented and discussed at the “Investment Stock Exchange”. AgroInvest provided answers to the questions and requests of representatives of local governments, agricultural producers and their associations. Particularly active and interested in working with project were representatives of Dzhankoy, Nyzhnyohirsk and Chornomorsk raions, who expressed requests to hold special round tables in these raions on the issues dealing with the development of effective marketing channels of agricultural products.

National Agrarian & Land Press Club

The National Agrarian & Land Press Club organized three public events in the reporting period. For details, please refer to Annex 3. In addition, the Press Club prepared twelve articles/stories disseminated for free reprinting among media outlets. These materials cover all major subject matters in focus for AgroInvest. The table below shows the number of re-prints for each item. Due to massive coverage and very well thought through messages, these publications are an important tool that helps attract attention of decision makers to issues AgroInvest aims to resolve.

| Title | Number of reprints |
|---|--------------------|
| 1. <u>Price of cheap loans for rural areas</u> – an article providing analysis of the current financial sector and loan opportunities for small and medium producers by Nataliya Lishchytovych, Agriculture Finance Component | 46 |
| 2. <u>Tax Revolution in agriculture: saving on benefits to farmers, may destroy Ukrainian countryside</u> – an article based on the conference supported by USAID AgroInvest | 39 |

| Title | Number of reprints |
|--|--------------------|
| 3. <i><u>Portrait of a Ukrainian landowner and farmer against the background of sociology, or why one third of owners of shares has never seen their land plots</u></i> – an article about the Baseline Survey performed by USAID AgroInvest | 44 |
| 4. <i><u>Importance of information on land increases</u></i> – an interview with Maryna Zarytska, Public Outreach & Communications Manager of USAID AgroInvest | 33 |
| 5. <i><u>Land Moratorium: what advocates of the introduction of the land market anticipate and what those who are in favor of maintaining the status quo are concerned about?</u></i> – an article reflecting views of experts of USAID AgroInvest and Land Union of Ukraine | 38 |
| 6. <i><u>Renting of agricultural land - is there a place for a balance of interests?</u></i> – an interview with Oleksandr Muliar, USAID AgroInvest Agricultural Policy Specialist | 32 |
| 7. <i><u>What awaits us in 2015: quality Ukrainian meat and dairy products or empty store shelves</u></i> – an interview with Mykola Hrytsenko, Market Infrastructure Component Leader of the USAID AgroInvest Project | 81 |
| 8. <i><u>Organic farming vector in Ukraine has enhanced</u></i> – an article based on the Round Table “Organic Production in Ukraine” supported by USAID AgroInvest Project | 42 |
| 9. <i><u>Why do we cook Ukrainian borsch with Egyptian potato?</u></i> – an article based on a conference conducted as part of the International Exhibition “AgroExpo-2013” supported by USAID AgroInvest | 47 |
| 10. <i><u>Rural service cooperatives received a legal platform for the development</u></i> – an interview with Vladyslav Karpenko, Producer Organizations Specialist of USAID AgroInvest Project, about the Elaboration of Scientific and Practical Commentaries to the Legislation on Cooperation | 12 |
| 11. <i><u>Will Ukrainian cows survive in 2015</u></i> – an article about the Law of Ukraine “On Safety and Quality of Food Products” that enters into force in 2015 | 51 |
| 12. <i><u>Rural cooperatives are waiting for loyal taxes</u></i> – an interview with Mykola Hrytsenko, Market Infrastructure Component Leader of USAID AgroInvest | 35 |

Project Web-site

AgroInvest continued to develop and maintain its bilingual web-site: www.agroinvest.org.ua to share the latest Project news, reference materials, and grant and subcontract opportunities. The site’s content is regularly updated in terms of learning and training opportunities, cooperation, agro-sector news and information materials.

The table below shows statistics of the usage of AgroInvest's website during the reporting period.

| Month | Unique visitors | Number of visits | Pages | Hits | Volume/downloads, GB |
|--------------|-----------------|------------------|----------------|----------------|----------------------|
| March 2013 | 3,383 | 4,813 | 113,232 | 222,279 | 3.10 |
| April 2013 | 2,852 | 3,960 | 19,026 | 106,404 | 2.02 |
| May 2013 | 2,730 | 3,927 | 18,737 | 105,970 | 2.10 |
| Total | 8,965 | 12,700 | 150,995 | 434,653 | 7.22 |

Notably, over March-May 2013, the Project's web site was visited by more than 9,000 unique visitors who made half a million hits and downloaded seven gigabytes of information. The number of visitors increased three times in the current year in comparison to last year.

The integration of social media tools, such as Facebook is an increasingly important component of AgroInvest communications. AgroInvest continued to develop its [Facebook Page](#). The page contains information about the Project, its activities, success stories and numerous pictures from events organized by AgroInvest. Over the reporting period, 384 new posts were added to the page. In the reporting period, the number of engaged users of USAID AgroInvest in Facebook totaled 28,368 that is 60% higher than the previous reporting period.

Publications

During the reporting period, AgroInvest continued to issue its electronic [USAID AgroInvest Newsletter](#) (in Ukrainian). The target audience of this publication is wide, ranging from institutional partners to media and from central government to interested farmers. The newsletter is issued on a monthly basis and is well received by the readership. The Project is frequently contacted by interested parties with enquiries about additional details, especially regarding the planned events, which is evidence that the publication meets its purpose.

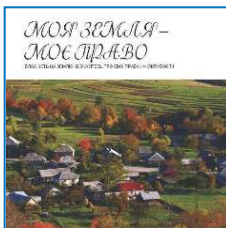


Component 1

In connection with changes in land legislation, AgroInvest published a new edition of the Manual on Forming Land Plots and Registering Rights to Them prepared by Pavlo Kulynych, AgroInvest Chief Legal Advisor.

Also, the Land Rights Resource Center published two new posters on land issues. Of note, the posters were endorsed by the Ministry of Justice of Ukraine, which makes them an even more valuable source of information for rural landowners.

In order to promote the Land Rights Information Campaign as an integrated endeavor, AgroInvest published a special booklet that describes all elements of the information campaign and additionally promotes the Land Rights Web-Portal.



All these materials are being disseminated during public events, including the “USAID Village” days, for wide public audiences. The posters were sent to providers of secondary legal land rights services and disseminated through village halls, libraries, and other places where villagers can see them. Also, posters were provided to the Ministry of Justice for dissemination among local offices of the State Registration Service.

Component 2

With the intention to ensure awareness about a series of new loan products developed by ABC-Center with support from AgroInvest has published posters named “Loans to Small and Medium-sized Agricultural Producers.” The poster contains detailed information about loan terms and conditions, benefits and requirements for those who would like to secure a loan from the credit union. The poster has a special field where the credit union can insert its contact information. The posters will be disseminated among credit unions and posted in their offices and in places where farmers can see them.



In order to help farmers improve their financial analysis and thus be able to secure loans based on reliable information for cash flow analysis, AgroInvest published 1000 copies of “Farmers Notebooks”. In the Notebooks, farmers will record their receipts and expenses on a weekly basis. The Project disseminated this publication to credit unions for their members and potential members.

Also in the reporting period, AgroInvest published a special leaflet promoting the cooperative nature of credit unions and their role in providing access to finance for farmers, and disseminated it to credit unions. It will be further disseminated among small producers to help them better understand the lending process and requirements to the borrowers.

Component 3

The Project published a leaflet containing basic information about the newly adopted law regulating agricultural cooperatives. Among other things, it explains the difference between full and associated members. The leaflet was designed to promote cooperative principles and ideas and to raise awareness of the benefits of cooperation as a way to improve access to marketing channels and create value-added among small and medium-sized producers. It is expected to help SMPs better understand how cooperatives work and how to establish a cooperative. This publication is being distributed among small producers.



GENDER INTEGRATION

The Project worked with the Ukrainian Women's Fund on the following tasks:

- Forming the backbone of the team to work on the gender focused capacity building and training program for Ukrainian agricultural organizations;
- Completing preparatory work for the project, including an analysis of the current legal situation framing the current prospects for gender integration in Ukraine as well as an analysis of relevant USAID documents and the identification of basic needs for trainings and/or potential audiences for such trainings.

The Project's gender team has been conducting further analysis of the Ukrainian legal framework and related USAID documents that address the issue of gender. The final analysis is expected to be complete during the next quarter. Information about the

AgroInvest gender capacity building program has been posted on the Ukrainian Women's Fund web-site (http://www.uwf.kiev.ua/Agroinvest_USAID.htm).

The UWF web-portal has been viewed 1809 times over a period of one month. The site provides basic information about UWF's objectives and expected outcomes. It will soon add information on the progress of its activities, a schedule of trainings, and other related information. Under its grant agreement with AgroInvest, OWF has been analyzing the needs of the Project's partners in gender capacity building and will training developing modules based on this information.

In June, AgroInvest released a scope of work for a short-term assignment for an expert team (one local Ukrainian expert and one international) to conduct gender analysis in agriculture development. The main purpose of the assignment will be to identify, examine, and describe gender differences in the Ukrainian agriculture sector and rural economy, and the impact of gender inequalities on this sector at the country level. The analysis will be based around the Six Domains Framework (Access to assets; Knowledge, beliefs, and perceptions; Practices and participation; Time and space; Legal rights and status; and Balance of power and decision making), and will include field research of at least five rural communities in the different parts of Ukraine. Expected results of the analysis will be used to shape not only AgroInvest activities, but will also inform gender components of GoU policy initiatives. AgroInvest has been asked by MAPF to support the development of the Ministry's Sustainable Rural Development Plan and particular sections of the analysis paper will be integrated into this plan. Respective recommendations will be developed and presented to and disseminated amongst policy makers to aid in the development of gender sensitive legislation, laws, and regulations that can realistically address the inequalities and disparities identified. In the upcoming quarter the key expert team to perform the analysis will be identified. The draft document is expected to be ready at the end of August, 2013.

On June 20th AgroInvest conducted a training on "Women in Agriculture" for Kherson oblast organization of the Council of Women-farmers. The main topics covered during the training included women's empowerment and upcoming AgroInvest gender activities, and ways for women-farmers to obtain investments for business. Seminar participants were informed about 2013 novelties in land regulation by the legal service of the Kherson Voters Committee (secondary legal rights service provider under Component 1 grant program). Participants of the training also had the opportunity to examine innovative cold storage facilities available in Velyki Kopani village, as many of them are producing fruits and vegetables that experience been reported as extremely interesting and important for participants.



Participants of the June 20th training "Women in Agriculture" learn about cold storage to prolong the life of produce.

After the training, the Project received a request for a similar training from Zaporizhzhya oblast organization Council of Women-Farmers, which is planned to take place in the upcoming quarter.

SECTION II: DELIVERABLES

The following deliverable was completed and submitted during the reporting period:

| Deliverables | Date Submitted |
|--|-----------------------|
| January 1- March 31, 2012 Quarterly Report | April 30, 2013 |

SECTION III: CHALLENGES AND PLANS TO OVERCOME THEM

The following main challenges for efficient implementation of Component 1 have been identified:

1. Fragmentation of legislative proposals dealing with land issues continues to be one of the main challenges for legislative activities of AgroInvest on land issues. As a result of this fragmentation many legislative proposals on land either address narrow issues with small potential impact or suggest competing (and often contradictory) solutions to the same issues. In order to deal with this challenge AgroInvest plans to continue monitoring legislative proposals on a regular basis, ensure good communication with partners, and disseminate its comments and analysis to a broad audience of policy makers in order to facilitate development of an open, transparent and equitable market for agricultural land.
2. AgroInvest has been exploring ways to address the imbalance of interests between agricultural producers and millions of small land owners through the establishment of Owners Associations as the means to alleviate this potential conflict of interest and to lower transactions costs. Legal analysis of the Concept of Owners Associations had demonstrated multiple legal impediments to implementation of the Concept. AgroInvest will need to find and develop alternative approaches to address this issue which are consistent with the legislation.

Implementation concerns for Component 2 are as follows:

3. An area for concern continues to be Ukraine's continuing economic crisis which could be characterized by the decline of industrial outputs, decrease of the National Bank of Ukraine hard reserves etc. Potential devaluation of the Ukrainian Hryvnia is a constant concern as well. To overcome at least some of the

negative impacts of this state of affairs Project specialists are constantly focusing on increased risk management methodologies and practices of quality loan portfolio management in the training and instruments it provides to partner financial institutions and SMPs as well as promotion and involvement of agro-insurance mechanisms in lending products when applicable.

4. New legislation developments are scheduled for implementation in Ukraine in the near future that would force mandatory formation of cooperative banks out of credit unions. As the majority of Ukrainian credit unions are not likely to comply with mandatory requirements for such bank formations, and may terminate their activities. To overcome this risk, Project specialists are working to share the best international practices on cooperative bank development (demonstrating international experiences at the best successful examples, request on expert advice on the matter), and will contribute to the legislative adjustments and recommendations for new legislative innovations.

As for Component 3, the following major factors and challenges are hampering development of agrarian market infrastructure in Ukraine:

1. Lack of a national strategy/concept and harmonized legislation which would ensure a comprehensive development of agrarian market infrastructure facilities at various level, such as local marketing organizations (producer organizations); local (farmers) agriculture markets and logistic centers; regional wholesale agriculture markets and both vertical and horizontal integration of their operations. The key directions of market infrastructure are expected to be developed and approved as a part of the development of the pre-feasibility study for the National Project “Green Markets” - Creation of Wholesale Food Markets’ Network” that will be completed on July 12, 2013
2. Listed below are hindrances to development of market infrastructure facilities (regional wholesale and local agriculture markets and logistic centers):
 - Complex and burdensome processes of making decisions on allocation of land plot for the purpose of development of such facilities including complex tendering procedures;
 - Complex and time consuming (up to one year and more) process of preparing land allocation documentations;
 - Complex and time consuming land re-zoning process (wholesale agriculture markets which have already obtained the relevant status are the only exception); large compensations for land re-zoning.

Example: in AR Crimea, the process of land allocation to create a farmers’ market with an area of 3.5 ha in Dobre village lasted from November 2011 through July 2013. For Zuya village, the activities on the land plot allocation and market creation, being started on November 2013, have not yet been completed. In Kherson oblast, the activities on development of a construction design for the wholesale-and-retail market in Hola Prystan raion have been

temporary suspended due to the unforeseen problems related to the land plot allocated for construction.

In general, the restraint of active development of markets happens due to lack of a comprehensive legislative regulation for issues of development and organizational activities of markets of different levels. In order to address the stated issues and at the initiative of the Ministry of Agrarian Policy and Food, a relevant Draft Law of Ukraine is under development with AgroInvest's input. The Draft Law is expected to be finalized by October 2013.

3. Development of agricultural service cooperatives and their effective business activities are constrained through imposing value added tax on agricultural produce of individual producers who are agricultural service cooperative members and market their produce through such cooperative (such situation leads to unequal economic conditions for individuals distributing their agricultural produce through cooperatives and for entities being subject to a preferential taxation). AgroInvest is completing the development of an analytical study on formation of the said tax within value added chain; and, as a result of the study, the appropriate recommendations will be prepared amendments to the current legislation.

SECTION IV: PLANNED ACTIVITIES FOR NEXT QUARTER

The following presents USAID/AgroInvest's major events and activities for the coming quarter:

Component 1, Support to a Stable, Market-oriented Policy Environment

- Publish report on the findings of the baseline awareness building and land rights literacy survey;
- Continue and scale up the Legal Land Rights Services Program in 8 oblasts of Ukraine;
- Conduct a series of seminars for state registrars in cooperation with the Ministry of Justice of Ukraine;
- Continue the Land Rights Awareness & Education Campaign, including radio programs, TV and radio talk shows, producing video and radio spots on topical issues, and work with media through the National Agrarian & Land Press Club.
- Support a media competition on agrarian and land issues as part of the information campaign.

Component 2, Stimulate Access to Finance

- Support development of template training modules for six agro technological lines by the subcontractor, and start first trainings on modern agro technologies for financial specialists of partner financial institutions;

- Finalize development of pilot credit products of partner banks for a pilot project with selected VCA;
- Start a public dialogue related to the development of legislation on transforming a rural credit cooperation system in Ukraine;
- Conduct an Agrilending Task Forces regular knowledge sharing meeting (about new credit products and the study tour to the Netherlands results and opportunities);
- Assist partner financial institutions in informing agriculture producers on actual lending opportunities, enhanced by developed credit products, presented on web-sites, media and in printed materials;
- Conduct a survey of the Task Forces credit union members awareness about the credit services offered by credit unions;
- Organize internal study tour of credit unions and their members for Component 3 grantees to obtain knowledge on developed agro technologies, marketing solutions and funding opportunities in strawberry and raspberry production;
- Develop SOWs for the financial literacy education and consulting programs for banks' and credit unions' clients;
- Conduct a study based on the results of the internal audit of credit unions - members of the AUCUA/DPP Agrilending Task Force, to analyze their current practices and areas for improvement; develop corresponding training module;
- Develop and publish manuals on efficient feeding of poultry and pigs in households based on the best practices; to pass the manuals for farmers - credit unions borrowers' use;
- Deliver at least 3 agro technological trainings supported by funding offers for small and medium agricultural producers in the southern regions on the following issues: production of corn with drip irrigation, modern peaches assortment and production techniques, rabbits production, and others;
- Develop a model on co-financing of prospective agro projects, under which banks and financial companies will lend to small farmers for investment purposes, and credit unions - for working capital, and structure pilot projects on co-financing of small farmers for greenhouse production and corn production with drip irrigation.

Component 3, Facilitate Market Infrastructure for SMPs

- Follow-up implementation of 13 producer organizations' projects on value added chains development.
- Conduct the Evaluation Committee to assess bids from producer organizations within the fourth grant competition for POs; signing grant agreements with POs and starting implementation of the grant projects on value added chains development.

- Conduct trainings in the pilot regions for potential SMPs and POs on development of projects for strengthening capacity for each separate producer organizations that will be aimed at expanding services, improving access to markets and enhancing productivities for organizations' members.
- Hold internal study tours to spread best practices on value added chains' development on the basis of POs implementing the grant programs provided by the AgroInvest Project.
- Follow-up and technical assistance in construction of the wholesale agricultural market "Shelen" in Rivne Oblast, supporting investment attraction for its construction.
- Organize and control / monitoring of the work performance on development of the pre-feasibility study for the National Project "Green Markets" - Creation of Wholesale Food Markets' Network".
- Organization and control / monitor work performance on development of the design and feasibility studies for:
 - Construction of four wholesale and retail agricultural markets in AR Crimea (Dobre and Kukushkine villages, and Zuya and Krasnohvardiyske urban settlements);
 - Construction of the wholesale and retail agricultural market in Hola Prystan, Kherson oblast;
 - Establishment of the meat processing facility and retrofitting of the dairy processing plant of the agricultural service cooperative "Molochny Dnistr" in Kherson oblast;
 - Establishment of the information and marketing agrarian center in Kherson oblast.
 - Development of the livestock wholesale market "Charodiy" in Cherkasy oblast.
- Organize and conduct competition to select a subcontractor to develop the feasibility study for:
 - Establishment of the wholesale agricultural market "Hektar" in Odesa Oblast;
 - Construction and retrofitting 3 logistics facilities in Kherson oblast ("Navihator-Agro", Ltd., ASC "Ovochivnyk Plus", ASC "Beryslav Agro").

Project Communications

- Prepare mission Weekly Highlights and submit to USAID
- Prepare monthly highlights for broad audience of project partners
- Maintain the project web-site and Facebook page
- Support USAID Field Days in Vinnytsya and Zaporizhya;
- Prepare publications on current project issues, including success stories.

Cross-cutting issues/Gender:

- Conduct a training “Women in Agriculture” for Zaporizhzhya oblast organization of the Council of Women-Farmers;
- Finalize first draft of the report Gender Analysis in Agriculture Development;
- Complete identification of the basic needs for trainings of potential training audiences and development of modules and selection of trainers.

SECTION V: LEVEL OF EFFORT REPORT**LOE Matrix as of June 30, 2013**

| Labor Category | Total Work Days | Total Work Days Utilized To Date | Total Remaining Work Days |
|---|------------------------|---|----------------------------------|
| LT Technical Assistance (Key Personnel) | 1,270 | 569 | 701 |
| LT Technical Assistance (Expatriate) | 111 | 81 | 30 |
| LT Technical Assistance (CCN) | 14,405 | 6,375 | 8,030 |
| ST Technical Assistance (Expatriate) | 755 | 225 | 530 |
| ST Technical Assistance (CCN) | 420 | 364 | 56 |
| HO Support | 199 | 186 | 13 |
| Total | 17,160 | 7,800 | 9,360 |