



AGROINVEST

QUARTERLY REPORT
JANUARY 25, 2011- MARCH 31, 2011

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ACRONYMS

AMDI	Agrarian Markets Development Institute
CLIN	Contract Line Item Numbers
COP	Chief of Party
DCOP	Deputy Chief of Party
ENP	European Neighborhood Policy
EU	European Union
GOU	Government of Ukraine
LINC	Local Investment and National Competitiveness project
LOE	Level of Effort
MAP	Ministry of Agrarian Policy and Food
MOU	Memorandum of Understanding
PO	Producer Organizations
RFQ	Request for Quotations
SOW	Scope of Work
SMP	Small and Medium Producers
WTO	World Trade Organization

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 will achieve 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 US 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

The AgroInvest project was launched on January 25, 2011. The home office start-up team flew to Ukraine within three days of contract signing to facilitate technical, financial, logistical, and administrative mobilization. In February and March, the project team focused on technical and administrative start-up activities that included fielding expatriate staff, recruiting local staff, work planning, project registration, project introduction to local partners, selection of office space, and office equipment procurement. Key activities and accomplishments during this period included:

- Key personnel including Chief of Party (COP) Craig Bell and Deputy Chief of Party (DCOP) Oleksandr Kaliberda mobilized within two weeks of contract start date.
- Work planning workshop with participation of key partners, short-term experts, and USAID carried out.
- AgroInvest Year 1 Work Plan drafted, submitted, and approved by USAID.
- AgroInvest Performance Monitoring Plan drafted, submitted, and approved by USAID.
- AgroInvest staff presented project to U.S. Ambassador and Deputy Chief of Mission.

- A land market roundtable discussion co-organized in collaboration with the Local Investment and National Competitiveness (LINC) project in response to a request from the State Agency for Land Resources.
- Grain quotas brief provided to USAID.
- Scope of work (SOW) prepared for Agricultural Policy Environment and Food Security Assessment.
- Preparation initiated for Policy Environment and Food Security Assessment.
- Preparation initiated for Regulatory and Institutional Constraints to SMP Finance Assessment.
- Preparation initiated for Rapid Assessment of Legal and Institutional Framework for Industry Associations.
- Letter of intent signed with the Agrarian Markets Development Institute outlining anticipated areas of collaboration.
- Six long-term staff hired for project start-up with individuals identified to fill the majority of remaining vacancies in the Kyiv project office.
- Project registration process launched with the Ministry of Agrarian Policy and Food (MAP).
- AgroInvest project office identified that meets location, space, security, and cost requirements.
- Computer and office equipment procurement tender announced.

SECTION I: ACCOMPLISHMENTS AND PROGRESS TO DATE

Technical Implementation

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

Task A: Accelerate Market-Oriented Reforms

During this quarter, AgroInvest has had frequent meetings with the Agrarian Markets Development Institute (AMDI) senior management to discuss collaboration and strategies with their ongoing agricultural policy initiatives (e.g. pre-harvest finance, response to GOU grain quotas, and land market reform) and progress with the current Agricultural Policy Transition Support project the institute is undertaking to improve internal policies and procedures. Additionally, AgroInvest made a presentation on Land Markets at an American Chamber of Commerce meeting of the Agriculture Working Group.

On March 22, 2011 the AgroInvest and LINC projects, together with the Land Union Association, organized a roundtable discussion on “State Regulation of Agricultural Land” in relation to the draft law on Land Markets that would lift the moratorium on the sale of agricultural land. Deputy Head of the State Agency for Land Resources, Mr. Mykola Kalyuzhnyi, requested assistance from AgroInvest to organize the roundtable discussion in advance of a Parliamentary hearing on the draft Land Market legislation. More than 70 participants attended the roundtable, including state officials, agribusiness land holders, NGOs, scientific and research organizations, USAID and other donors, and members of the press.

The roundtable discussions addressed many issues related to the Land Market draft legislation, including: effective land use, establishment of and role of a new state agency for land markets (Government of Ukraine control of unclaimed land and the proposed agency's right of first refusal on all land sale/purchase agreements), land ownership requirements (Ukrainian physical persons only versus legal entities, foreign ownership), land accumulation



Leonid Kozachenko, Head of Entrepreneur Council under Cabinet of Ministers of Ukraine; Mykola Kalyuzhnyi, Deputy Director of State Agency for Land Resources; Andriy Martin, Board Member of Land Union Association; Andriy Koshel, President of Land Union Association; Oleksandr Kaliberda, DCOP AgroInvest

limits, and pricing. Following discussions, the Land Union Association agreed to accept and consolidate recommendations from the participants to propose improvements to the draft Land Market legislation. Mr. Kaluzhnyi advised that the law on Land Markets would become effective on January 1, 2012.

AgroInvest participated in a trip to the Zhytomyr region on March 29, 2011 organized by Leibniz-Institute of Agricultural Development in Central and Eastern Europe and the National Agroecological University of Zhytomyr in cooperation with the Zhytomyr oblast administration. The primary purpose of the visit was to discuss and assess current agricultural development trends, particularly land market issues in rural areas and gender issues related to agriculture. Small farmers met and interviewed on the trip indicated that they did not favor a lifting of the moratorium on the sale of agricultural land, as they feared an uncontrolled land grab by the large agri-holdings and speculators.

Ms. Yulia Malenka, the head of a 1,450 hectare private farm called "Grand" in the Zhytomyr region, suggested that the best government policy response to improve conditions for agricultural producers would be free markets with less government intervention, fair prices for agricultural outputs, and an elimination of inefficient subsidies.

According to Ms. Malenka, the situation for SMPs in general is not favorable, and "all farmers suffer from inadequate government policies, irrespective of gender."



Yulia Malenka, Head of private farm "Grand"

Task B: Strengthen Industry Associations

AgroInvest staff have already met with leading industry associations who are ready to cooperate within the framework of the Project, including the Ukrainian Agricultural Confederation, the Ukrainian Agribusiness Club, and the Ukrainian Grain Association.

Task C: Provide Public Education for Land Rights

In response to a request from the State Agency for Land Resources to increase awareness and solicit broader and more diverse and comprehensive feedback on the draft law on Land Markets to lift the moratorium on the sale of agricultural land, AgroInvest agreed to print 12,000 copies of the draft legislation for distribution among regional and administrative offices to encourage feedback, comments and views from outside of Kyiv.

COMPONENT 2: Stimulate Access to Finance

AgroInvest staff have had a number of early meetings and discussions with potential partners who have expressed interest in cooperation to increase access to finance for SMPs, including Agro Capital Management, Chumak, Crédit Agricole, European Bank for Reconstruction and Development, International Finance Corporation, and Raiffeisen/Aval Bank.

A draft SOW was prepared for a Regulatory and Institutional Assessment of Constraints for SMP Access to Finance to determine the key barriers and opportunities for increasing credit to SMPs.

COMPONENT 3: Facilitate Market Infrastructure for SMPs

Task A: Producer Organization Development

The Swedish-Ukrainian food processing company Chumak and AgroInvest met to discuss potential opportunities to support POs and SMPs in the Kherson oblast to improve their competitiveness and link the POs to improved market infrastructure and financing facilities. Chumak currently provides some growers with pre-harvest purchase contracts and trade credits for pre-planting costs.

The Mennonite Economic Development Associates project, which is supporting small horticulture farmers and POs in Kherson and Crimea oblasts, has shared with AgroInvest their lead-farmer approach to work with POs to improve member support services, adoption of modern technologies, and linkages to markets for improved production and competitiveness.

AgroInvest has discussed opportunities to cooperate and work with the LINC project and their network of producers and cooperatives in Crimea as well as with the European Union's (EU) Project for Implementation of Ukraine's commitments under World Trade Organization (WTO) and European Neighborhood Policy (ENP) Frameworks in the Rural Sector team focusing on development of POs, SMPs, and market infrastructure.

Task B: Develop Wholesale Markets and Other Market Infrastructure

The AgroInvest team met with representatives from the Fruit Inform Project and the EU's Project for Implementation of Ukraine's commitments under WTO and ENP Frameworks in the Rural Sector to discuss the current status and development of the five GOU accredited wholesale markets in Lviv, Kyiv, Donetsk, Kharkiv, and Zaporizha.

AgroInvest will conduct an assessment to better determine the absorptive capacity for additional wholesale markets, the role that AgroInvest could potentially play in the GOU accredited wholesale markets, and opportunities to support regional markets and agricultural market infrastructure.

Administrative Start-up

Staff mobilization. Within two weeks of contract signing, Chemonics mobilized AgroInvest key personnel including COP Craig Bell and DCOP Oleksandr Kaliberda. Chemonics also informed all local candidates originally included in the proposal regarding planned mobilization. Unfortunately, more than half of the local long-term staff were no longer available due to other job opportunities that came to fruition between the time the proposal was submitted and the contract awarded. Responding to the need to round out the project team, Chemonics posted employment advertisements in the English language newspaper "Kyiv Post" and through online sites such as www.rabota.ru. To expand the pool of highly-qualified candidates, the project team also networked with partner organizations to identify top local specialists in agricultural policy, agricultural finance, and market infrastructure development as well as project and grants management. More than 250 applicants submitted their CVs in response to these recruiting efforts. The AgroInvest senior management team interviewed and short-listed candidates giving priority to the three component leader positions to ensure that the skills of other hires are complimentary to those of the core team. By the end of the quarter, top candidates were identified for all three component leader positions.

In addition to recruiting for proposed positions, Chemonics added two new positions to the staffing chart in consultation with USAID to strengthen capacity and compliance for the \$7.5 million strategic activities fund. In addition to the grants/subcontracts manager, Chemonics is also planning to hire a grants/subcontracts coordinator and a grants/subcontracts accountant to support the project team. Top candidates for each position have already been identified. Although AgroInvest will conduct project activities in Crimea, Chemonics and USAID agreed to postpone hiring four staff members from the proposal slated to represent AgroInvest on the peninsula until the project is able to make a determination on the best location for utilizing AgroInvest's resources for a second office.

Work Planning Workshop. The AgroInvest start-up and project team collaborated with other donor-funded projects, key stakeholders, potential partners, and USAID during the work planning workshop held at the LINC project office February 15 – 17, 2011 to develop a realistic first annual work plan. The home office start-up team organized and facilitated the three-day workshop, and attendees included the COP, DCOP, and two home office directors. Short-term technical expatriates Robert Homans and Conrad

Fritsch also attended to provide technical input to inform activities under components 2 and 3 respectively. In addition, the AgroInvest team invited several other donor-funded projects, key stakeholders, potential partners, and USAID to inform the discussion and gain a better understanding of other on-going initiatives and areas for collaboration with AgroInvest. The majority of the workshop focused on conducting an in-depth discussion of the technical proposal and the contract scope of work and the numerous economic and political changes that have taken place in Ukraine since the time the original scope of work was developed. These meetings served the purpose of validating and/or updating key assumptions for all three components and developed the foundation for determining specific activities feasible for achieving the expected project results.

Project Office. During the months of February and March 2011, the AgroInvest start-up and project team operated out of the LINC project office while looking for a permanent project office at the same time. The search criteria for the permanent office included: space for approximately 20 staff members, conference room facilities for meetings and trainings, location serviced by public transport, parking for project cars, building with sufficient security for project staff and U.S. Government property, and a reasonable price per square meter based on market research. The start-up and project team engaged real estate agents to assist in identifying adequate office space throughout Kyiv. Over two months, the start-up and project team viewed more than 100 properties in various areas throughout Kyiv. The primary challenge encountered during the search included the limited availability of office space in suitable condition. Many offices required several additional months of construction before completion or significant office make ready renovations to become operable. Considering the urgent nature of securing suitable and cost-effective office space for implementation, the start-up and project team actively continued the search throughout the quarter. By the end of the quarter, the project team identified a suitable office space at 101 Volodymyrska and began lease negotiations.

To equip the anticipated project office, AgroInvest issued two Requests for Quotations (RFQs) on the website www.tender.ua. The first RFQ included computer equipment and generated three qualified offers in response. The second RFQ included office equipment such as Xerox machines and received two quotations from offerors. The project formed a selection panel to evaluate the technical specifications and proposed prices of each offer. At the end of the quarter, the panel was awaiting answers to questions posed to the potential offerors and checking vendor past performance references prior to making a final determination.

Project Registration. The home office start-up specialists began preparations for project registration immediately upon arrival to Ukraine. The start-up team met with the USAID/Ukraine Contractors Support Unit representative to identify the requirements and gain insight into applying for project registration under local law. The start-up and project team initiated collecting and translating the required documentation such as the contract, scope of work, procurement plan, and power of attorney. At the same time, the project team worked to clarify anticipated project recipients including but not limited to the AMDI. The AgroInvest initiated preliminary discussions with AMDI, resulting in a signed letter of intent outlining the areas of anticipated collaboration by the end of the quarter. Under the leadership of USAID, the project team also held discussions with

MAP, the project beneficiary. AgroInvest COP and DCOP presented an overview of the project to ministry officials and discussed initial parameters for collaboration to feed into a formal memorandum of understanding (MOU).

Project management systems. Throughout the quarter, the home office team worked with local administrative and management staff to introduce administrative, financial, personnel, procurement, and security systems and develop forms, templates, and other materials useful to the project to facilitate specific activities such as budget monitoring, personnel processing, and purchase of goods and services. Additionally, on March 29, 2011 Chemonics and USAID executed a modification to the contract to combine three contract line item numbers (CLINs) into one CLIN, which will significantly streamline project accounting as well as budget and Level of Effort (LOE) monitoring.

SECTION II: DELIVERABLES

The following deliverables and reports have been completed and submitted during this reporting period:

Deliverable	Date Submitted	Date Approved
Annual Work Plan – Year 1	February 25, 2011	March 1, 2011
Performance Monitoring Plan	February 25, 2011	March 31, 2011

SECTION III: SCHEDULES

AgroInvest activities are being carried-out and implemented in accordance with the approved Year 1 Work Plan.

SECTION IV: CHALLENGES AND PLANS TO OVERCOME THEM

AgroInvest's ability to operate as a legal entity in Ukraine, including opening a bank account, hiring local staff, issuing subawards and obtaining value added tax exemption is dependent on obtaining project registration through two GOU ministries. The primary GOU beneficiary of the AgroInvest project is the MAP and AgroInvest must first receive a support letter from the MAP to submit along with the package of registration documents to the Ministry of Economic Development and Trade for formal project registration.

During the quarter, key MAP staff who were initially participating in the dialogue and process of providing a support letter for the AgroInvest project left the MAP, including the Head of the International Department and a Deputy Minister. These individuals have not been replaced and other MAP staff have been reluctant to move forward before the vacancies are filled. Therefore, the process of obtaining a letter of support from the Ministry is taking longer than expected. AgroInvest has translated and shared both the project Year 1 Work Plan and five-year Performance Monitoring Plan with the MAP and

negotiated the text of a requested MOU. Staff at the MAP have recently agreed to move the MOU and support letter up to the First Deputy Minister for approval and signature and not wait for new supervisors to be named and take their respective positions within the MAP. In the meantime, AgroInvest has been cooperating with the LINC project, implemented by Chemonics, to effect payments for goods, services, and local staff salaries in full compliance with local legislation and USAID and Chemonics requirements.

SECTION V: PLANNED ACTIVITIES FOR NEXT QUARTER

- Complete Policy Environment and Food Security Assessment.
- Complete Regulatory and Institutional Constraints to SMP Finance Assessment.
- Complete Rapid Assessment of Legal and Institutional Framework for Industry Associations.
- Identify and evaluate agriculture-related industry associations.
- Conduct Assessment of Producer Organizations (PO) and develop selection criteria for partner POs.
- Prepare Land Rights/Media Outreach strategy.
- Prepare AgroInvest project communications plan.
- Begin Wholesale Market Infrastructure Assessment.
- Begin Strategic Policy Priority Assessment.
- Evaluate AMDI policies and procedures for a sub-award.
- Obtain approval for Grants Manual to USAID.
- Distribute 12,000 copies of the draft legislation on Land Markets to increase awareness and solicit more extensive and comprehensive feedback and recommendations for improvement to the draft law.
- Sign MOU with MAP and receive MAP support letter for project registration.
- Send AgroInvest project registration documents to the Ministry of Economic Development and Trade and receive official registration and accreditation with GOU.
- Sign lease agreement with the owner of office space at 101 Volodymyrska and move into new office space.
- Complete procurement of computer equipment and office equipment.
- Complete AgroInvest staff recruitment and hiring.

SECTION VI: LEVEL OF EFFORT REPORT

The LOE matrix below includes the person days delivered for the quarter as well as the total LOE delivered to-date in the labor categories as per Section F.4 of the contract.

Labor Category	Total Days (work days)	Total Days in Quarter (work days)	Total Days Delivered to Date (invoiced)
Long-Term Technical Assistance (Key personnel)	1,270.00	35.00	35.00
Long-Term Technical Assistance (Expatriate)	111.00	0.00	0.00
Long-Term Technical Assistance (CCN)	14,405.00	16.00	16.00
Short-Term Technical Assistance (Expatriate)	755.00	10.00	10.00
Short-Term Technical Assistance (CCN)	420.00	0.00	0.00
Home Office Support	199.00	57.00	57.00
Total	17,160.00	118.00	118.00