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# AGROINVEST

## ANNUAL WORK PLAN – YEAR 2

OCTOBER 1, 2011 – SEPTEMBER 30, 2012

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**Contract No. AID-121-C-1100001**

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## ACRONYMS

AJLEP	Access to Justice and Legal Empowerment Project
APWM	Agricultural Products Wholesale Markets
AUCU	All-Ukrainian Association of Credit Unions
AMDI	Agrarian Markets Development Institute
COP	Chief of Party
COTR	Contracting Officer's Technical Representative
CPOM	Communications and Public Outreach Manager
CMU	Cabinet of Ministers of Ukraine
CU	Credit Union
DCOP	Deputy Chief of Party
EBRD	European Bank for Reconstruction and Development
FAO	Food and Agriculture Organization of the United Nations
FINREP	Financial Sector Development Project
GDP	Gross Domestic Product
GWHR	Grain Warehouse Receipts
GOU	Government of Ukraine
IFC	International Finance Corporation
LINC	Local Investment and National Competitiveness Project
MAPF	Ministry of Agrarian Policy and Food of Ukraine
UNASCU	Ukrainian National Association of Credit Unions
NBFI	Non-bank financial institution
NGO	Non-government organization
PO	Producer organization
PPD	Public-private dialogue
PMP	Performance Monitoring Plan
PPP	Public-private partnership
RFA	Request for Applications
RFP	Request for Proposals
SOW	Scope of Work
SMP	Small and medium-sized producer
UAH	Ukrainian hryvna
UCU	United Credit Union
VAT	Value-added tax

## **SECTION I**

### **Introduction to AgroInvest**

#### **A. Contract Background**

AgroInvest is a five-year project (2011-2016) funded by USAID/Ukraine. The purpose of the Project is to provide technical assistance to accelerate and broaden economic recovery in Ukraine through support to the agriculture sector and increase the country's contribution to global food security efforts. The contract is a Cost Plus Fixed Fee Term-type, Level-of-Effort contract with a ceiling of \$20,605,641.

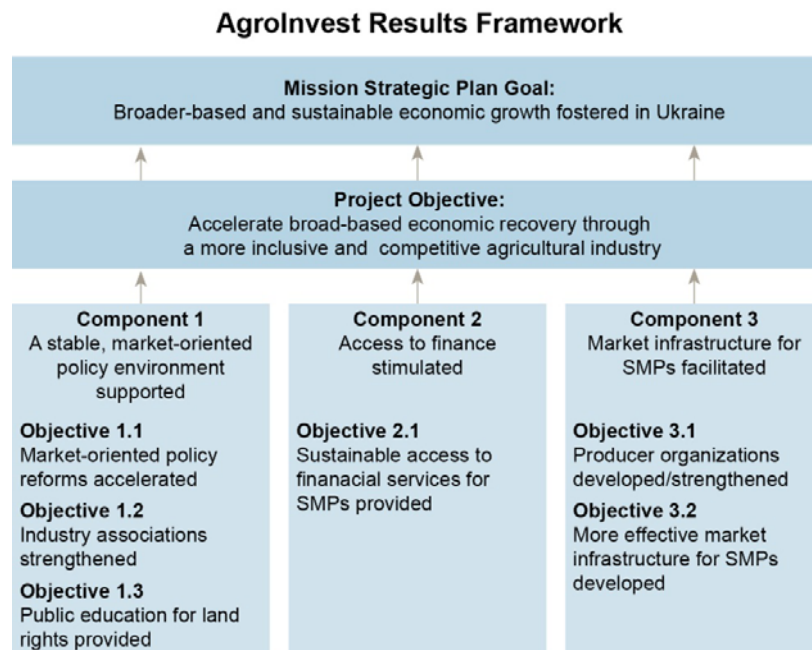
#### **B. Project Scope of Work**

AgroInvest will accelerate broad-based economic recovery through a more inclusive and competitive agricultural industry. AgroInvest is designed around three separate but interrelated component objectives, each supported by specific expected results under each component as illustrated below in the Results Framework.

Component 1 activities involve both a supply- and demand-side approach to supporting a stable, market-oriented policy environment. From the supply side, AgroInvest will promote the implementation of less volatile, more market-oriented policies that stimulate increased production and investments in the agricultural sector. On the demand side, Component 1 activities will strengthen the capacity of industry associations to shape agricultural policies and provide public education on land rights among rural landowners. Under Component 2, AgroInvest will stimulate access to finance by strengthening partnerships between financial service providers and value chain actors, including input suppliers and buyers, to facilitate sustainable access to financial services for small and medium producers (SMPs). Finally, Component 3 activities will create a more effective market infrastructure for SMPs and increase the profitability of farming through better access to markets, the development of wholesale and regional markets, and capacity building for producer organizations (POs).

### C. Project Results Framework

Attainment of component objectives will allow us to realize the Project's purpose of accelerating economic recovery in Ukraine through support to the agricultural sector. Ultimately, AgroInvest supports the U.S. Foreign Assistance Framework economic growth objective and four program areas: trade and investment, agriculture, private sector competitiveness, and economic opportunity. The Project's monitoring and evaluation (M&E) system, introduced in the Performance Monitoring Plan (PMP), is designed to measure and report on progress against these objectives and expected results using 37 indicators. These indicators and their associated annual and life-of-project targets are listed in the table shown in the Performance Monitoring Plan (PMP) chart (Annex A).



## **SECTION II**

### **Annual Work Plan – Year 2**

## **WORK PLAN**

This annual work plan covers the period from October 1, 2011 to September 30, 2012 and outlines planned activities and expected results for each Project component. This section represents AgroInvest's proposed work plan for Year 2 of the Project, organized by Project components and tasks. It is comprised of a narrative that elaborates on our approach and expected results for each component and task, followed by a Gantt chart detailing our planned activities over Year 2 of the Project. Year 2 is an extremely critical year for AgroInvest, as it is the year in which the Project will be implementing the various assessments and action plans completed as part of Year 1 Project activities. This year, AgroInvest management expects more tangible results in accordance with, and on occasion in excess of, the AgroInvest PMP.

### **A. Country Context**

During his first year in power President Yanukovich announced a set of reforms aimed at economic recovery and modernization of the country's economy. These reforms have been set forth in the Presidents program for 2010-2014 a "Prosperous Society, Competitive Economy, and Effective State". The reforms have been designed to facilitate building a modern, sustainable, open and globally competitive economy; the establishment of a professional and effective system of public administration and, eventually, the improvement of the wellbeing of the Ukrainian nation. However, implementation of these reforms has not led to better prioritization of government policies in the agricultural sector. Stated policy initiatives in the sector are not well coordinated and often lack realistic implementation strategies and timeframes. Policies put in place often lack the necessary funding to facilitate effective implementation. Government support programs in the agricultural sector remain tightly linked to the annual budget cycle and their implementation heavily depends on the availability of budget funding which is chronically scarce of money.

After a 14.8 percent GDP decline in 2009, the Ukrainian economy grew 4.2 percent in 2010, and posted 5.2 percent growth in the first quarter of 2011. Under current policy conditions, Ukraine's expected growth is expected to be between 4.5 - 5 percent in 2012-2013 (well below Ukraine's potential) as commercial bank lending to the economy recovers.<sup>1</sup>

According to the World Bank, many investors are waiting for a better policy framework to unlock Ukraine's opportunities before committing long-term resources; and short term policy reforms the GOU could undertake to encourage investment include: (i) eliminating existing (and avoiding planned) export restrictions and

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<sup>1</sup> The World Bank, *Ukraine Economic Update*, June 21, 2011

interventions in the agriculture sector, and (ii) resolving credibly the problem of VAT refunds delays and associated corruption.

## **B. Project Context**

The growth of the agricultural sector in Ukraine remains significantly constrained by unpredictable and inconsistent agricultural policies, lack of access to finance and underdeveloped markets and market infrastructure. Since independence, the Government of Ukraine has been trying to balance Ukrainian consumers' demand for stable and affordable food prices against the need of agricultural producers for clear and accurate market price signals to make the agricultural sector more productive and competitive. Growth and periodic spikes in world food prices over the last several years made this balancing act between consumers and producers even more difficult.

In addition, agricultural policies are also significantly impacted by short-term domestic political interests and distorted by excessive influence of specific industry groups/businesses for personal gain through their lobbying efforts.

A 2010 OECD study of the experience of the world's major emerging economies, including Ukraine, during the 2007-2008 spike in world food prices, concluded, for example, that "Despite successfully controlling export volumes, Ukraine was not able to limit price transmission [to food consumers] to any great degree."<sup>2</sup>

"The experience of the Ukraine cereal market serve[d] as a warning about the difficulties in using trade measures to control domestic prices. . . . In addition, frequent and sometimes opaque government interference in the markets may also have the effect of undermining the trust of participants in the proper functioning of markets,"<sup>3</sup> the report concluded.

The government under President Yanukovich has not put forth consulting with stakeholders as a key element in developing its economic policies. Consultative public-private dialogue (PPD) mechanisms have not been widely utilized by the government recently. The agriculture sector has not been an exception in this regard. For the most part, the GOU has refrained from engaging the private sector in discussions over design and implementation of key agricultural policies, which has led to a disconnect between the Government and agricultural business community.

One area where the GOU is paying significant attention to is land reform in the agricultural sector. With the approval of the Land Code in 2001, the government introduced a moratorium on the sale of agricultural land. With the moratorium on the sale of agricultural land in place, private farmers lack options other than renting their land to larger farming enterprises. The Government recently declared its intention to lift the moratorium on the sale of agricultural land and made progress in developing legislation which will allow for the moratorium to be lifted. In particular, the Law On State Land Cadastre has been approved by the Verkhovna Rada and signed by the President. It will become effective as of January 1, 2012. In addition, the government

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<sup>2</sup> Jones, D. and A. Kwiecinski, "Policy Responses in Emerging Economies and International Agricultural Price Surges," OECD Food, Agriculture and Fisheries Working Papers, No. 34, 2010, p. 4.

<sup>3</sup> Ibid.



has drafted the Law On Land Market, which was registered in the Verkhovna Rada in July 2011. If this law is approved, its provisions would have a major impact on the structure and pace of development of Ukraine's agricultural sector. Some provisions of this law as well as contradictory statements of the government on objectives of the proposed law have raised concerns of small and medium size farmers and experts alike.

## **C. Technical Activities**

### **C.1. Component 1 – Support a Stable, Market-Oriented Policy Environment**

There are a number of principal agricultural policy issues that have dominated Ukraine's agricultural sector in the last decade, and continue to shape the sector's uneven playing field today.

Each of these policies, regulations and programs provides a potential opportunity for the AgroInvest Team to engage with the Ministry of Agrarian Policy and Food (MAPF) and other government bodies, as well as with SMPs and a wide range of sector advocacy and policy analysis groups. AgroInvest's aim is to help develop more efficient approaches to achieving the basic sector growth and food security goals that the GOU must strive to achieve as cost-effectively as possible.

Based on the current policy conditions and opportunities in Ukraine, the following section below outlines the AgroInvest Project's market-oriented, WTO-compliant policy strategy for Year 2.

#### ***General Approach to Component 1***

One of the principal objectives of Component 1 activities of the AgroInvest Project is to promote agricultural policies that are more predictable and market-oriented, leading to increased investments and sustainable growth of the sector. Based on the strategic policy priorities for the Project developed during Year 1, AgroInvest will focus its policy activities on issues related to:

- land market reform and legislation related to lifting the moratorium on agricultural land sales;
- regulatory barriers to agricultural finance (including developing pre-harvest financing and fine-tuning the system of warehouse receipts);
- more investment friendly tax and subsidies regime as it affects the agricultural sector and value chain stakeholders;
- tariff and non-tariff trade barriers;
- monitoring of government policies on agricultural exports;
- domestic price control issues on food products;
- legislation and implementation mechanisms for domestic food security;
- legislation to facilitate further development of cooperatives in the agricultural sector; and
- further development of wholesale markets legislation.

Specific activities to be undertaken under each of these policy areas are specified in more detail below (activities for Task A of Component 1). These priority issues have been identified in consultations with the government and key Project stakeholders as those that are most important, have the greatest likelihood for implementation, contribute to AgroInvest goals and are in line with comparative advantages of the Project. AgroInvest will remain agile and flexible to engage in new policy issues as they emerge provided that they fit within the policy framework criteria developed by the Project.

Local capacity-building and development of PPD mechanisms will be key elements in improving the policy environment and undertaking policy activities. In order to address these priority elements, AgroInvest negotiated and expects to sign a grant agreement with the Agrarian Markets Development Institute (AMDI)<sup>4</sup>, a local NGO, to support a two-year program developed by AMDI in collaboration with AgroInvest during Year 1 of the Project. The grant SOW envisages that AMDI will be an important AgroInvest partner in revitalizing public-private advisory councils, providing limited analytical and secretarial-type assistance to these councils, and delivering technical assistance on several key agricultural policy reform issues. Specific policy reform issues where AMDI will play a key role are specified under each activity below. During implementation of this grant program, AgroInvest staff will liaise with AMDI to provide organizational support and ensure consistency of Project policy priorities and delivery of key policy messages.

Together with AMDI, AgroInvest will facilitate public-private dialogue through the Coordination Council on Agricultural Reforms under the MAPF which will receive secretarial and analytical support through AMDI. Should the government create new, or revitalize existing, public-private policy councils, the Project will consider providing targeted support to such councils as appropriate. AgroInvest will also be responsive to requests for assistance from the MAPF that align with Project objectives and goals.

The Project will strengthen the potential of other local organizations, in particular industry associations. For industry associations, the Project will provide competitive grants for capacity building and policy training to improve their ability to formulate and advocate policy recommendations.

In activities related to agricultural policy, AgroInvest will ensure close collaboration with relevant donors and their projects working on the same or similar policy issues. In particular, the Project plans to coordinate with:

- World Bank and its land titling and cadastre project on land reform and lifting the moratorium on land sales;
- IMF and the World Bank on subsidies, taxes and targeted fiscal transfer mechanisms for low-income consumers;
- IFC on agricultural finance and agricultural insurance development;

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<sup>4</sup> A Full Grant Application has been received from AMDI and submitted for the Mission's Contracting Officer's review and approval on October 13, 2011.

- USAID's Financial Sector Development Program (FINREP) on a futures market for agricultural commodities;
- EBRD on warehouse receipts and EBRD and FAO on pre-harvest financing;
- USAID's Access to Justice and Legal Empowerment Project (AJLEP) on public awareness for farmers;
- Agricultural logistics infrastructure and markets with USAID's LINC project in Crimea.

In its policy activities AgroInvest will involve short-term expatriate expertise as needed, sign subcontracts with local organizations that possess required expertise, allocate grants to industry associations and engage local short-term experts as appropriate in each specific situation.

### **Component 1, Task A: Accelerate Market-Oriented Reforms**

As noted in the AgroInvest "Strategic Policy Priorities" document, for a policy issue to get onto AgroInvest's "radar screen," it must:

- Play an important role in Ukraine's agricultural sector (i.e. have the potential to achieve measurable impact that can have a large-scale or strategically important beneficial impact on the development of the sector);
- Have a reasonable likelihood of implementation (because there would normally be little reason to invest in addressing a question that is politically or otherwise beyond the GOU's political will or means to implement);
- Contribute to AgroInvest goals (for example, a policy reform that either has a negative effect or is of little benefit to the SMPs or other key AgroInvest clients or partners, is unlikely to merit attention from the Project);
- Addresses AgroInvest's comparative advantage (that is, a problem or opportunity that AgroInvest can address successfully with the available level of effort or budget); and
- Is appropriate for AgroInvest to address (for example, a problem or challenge which is not already amply being addressed by another donor or project).

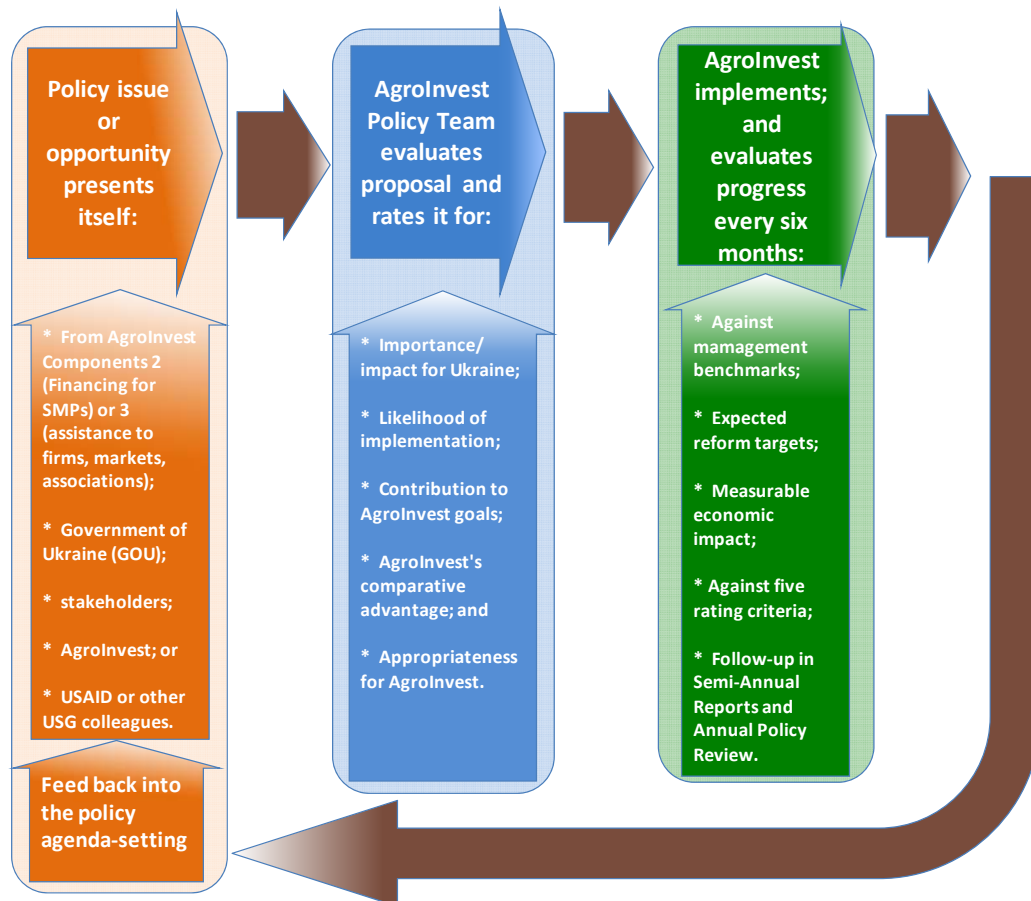
A vital feature of AgroInvest policy work is flexibility, so as the Project proceeds, the AgroInvest team will review and revise approaches constantly, ready to slow or stop work on reform efforts that encounter insurmountable political resistance, in order to concentrate on those initiatives that are experiencing greater success.

AgroInvest will constantly seek fresh opportunities to engage based on lessons learned while carrying out the existing program. Lessons learned will help to generate new policy analysis and reform proposals, which, in their turn, will undergo scrutiny under the five criteria outlined above.

Figure 1 below presents the AgroInvest Project Policy-Setting Criteria by which AgroInvest evaluates policy issues and determines which to address in the policy

framework. These criteria helped to determine the actions proposed in this strategy and will guide future decisions as other issues arise and compete for AgroInvest human and budgetary resources.

**Figure 1: AgroInvest Project - Policy Agenda-Setting Criteria**



### ***Activities to be undertaken during Year 2***

**Land market reform.** The government has declared its intention to pass legislation removing the moratorium on sale of agricultural land as of January 1, 2012 and has implemented steps in this direction. In particular, in June 2011, the Verkhovna Rada passed the law On State Land Cadastre which was signed by the President in August 2011. In addition, the Cabinet of Ministers has prepared and registered in the Verkhovna Rada a draft law On Land Market which envisages opening the market of agricultural land in January 2012. However, while the overall benefit of opening the market of farm land is obvious and clear, there is still a significant degree of uncertainty over the main objectives and key provisions of this draft law which may lead to inefficient and distorted markets for agricultural land. The draft law set forth by the government will benefit from further and more open discussions with a broad range of stakeholders before final approval by Parliament. AgroInvest will facilitate open public discussion of the proposed draft Law On Land Market, involving

agricultural businesses, small farmers, industry associations, GOU partners and experts so they can express their views and concerns to policy makers before this important legislation is finalized.

During Year 1, an analysis of the draft Law on Land Market was prepared by AgroInvest which identified likely gains and losses and winners and losers in lifting the moratorium on the sale of agricultural land. A new approach and report was developed titled Financing and Stabilizing Ukraine's Emerging Land Market, in which the land owners themselves would finance the sale of their land. The report was disseminated among key stakeholders to solicit their support and feedback, and presentations were made to facilitate discussion of the new approach. During Year 2 the Project will build on this paper and disseminate its conclusions and recommendations to key decision makers and experts in order to further improve legislation governing agricultural land in Ukraine. In addition, the Project will involve local legal expertise in order to analyze draft legislation as it develops in order to ensure that SMPs and individual land title holders are properly informed and protected. Results of this analysis will be shared with the government and other stakeholders and shall be discussed publicly.

Once the land market legislation is passed and effected, the Project will move its attention to assist the government in developing by-laws and regulations which facilitate an open, transparent and equitable market, and will roll-out a public awareness campaign on land rights for farmers and small land holders under Task C of this component (for more details please see Activities under Task C).

**Regulatory barriers to agricultural finance.** Activities in this policy area will be focused on allowing increased access to agricultural finance for all market participants, including SMPs in line with international practices. Several key activities, identified as priorities, are described below.

*Pre-Harvest Financing.* Other major agricultural producer countries (e.g., notably Brazil) have established specific legal definitions, protection and guarantees to encourage banks and other creditors (non-bank financial institutions and input suppliers) to lend to farmers to help them cover costs of planting and growing crops until harvest, when it can finally be sold. There is strong and growing support among farmers, seed, fertilizer and equipment suppliers, legislators and MAPF officials for developing this type of financing instrument in Ukraine. A group of Ukrainian experts and policy makers visited Brazil in early 2011 to learn more about the Brazilian pre-harvest financing system. Following this visit, MAPF established a working group to develop a concept and legislation to support pre-harvest financing in Ukraine.

AgroInvest will support this initiative for pre-harvest financing by providing resources for further work on the concept and a draft law On Agrarian Receipts. This work will adapt features from the Brazilian pre-harvest financing model to the Ukrainian context by developing necessary legislation and by-laws. Once the draft law is developed and submitted to the Verkhovna Rada, the Project will facilitate a lobbying campaign to get the new legislation passed.

In addition to the legislation, the Project will also assist with development of key elements of the pre-harvest finance system to facilitate its efficient implementation.

In particular, during Year 2 AgroInvest will design an electronic registry for agrarian receipts and start developing an enforcement mechanism for the system.

It is expected that AMDI will take the lead in activities on pre-harvest financing through grant resources provided by the Project. AgroInvest will also closely coordinate this activity with other donors who take significant interest in pre-harvest financing in Ukraine, particularly the EBRD and FAO.

Warehouse receipts. AgroInvest will engage in fine-tuning legislation and operations of the Ukrainian grain warehouse receipts system. Grain warehouse receipts are now in widespread use in Ukraine; however, in many cases banks are reluctant to lend to a farmer for a warehouse receipt as the receipt fails to fully guarantee lenders against the risk of corrupt or unethical practices by grain warehouse managers/owners. Addressing this issue requires a trusted and reliable indemnity fund for warehouse receipts. The Project will seek to develop a proper enabling environment for the this work by updating and improving the draft law On Indemnity Fund for Warehouse Receipts and facilitate its discussion with experts and government officials. Once the draft law is discussed, updated and finalized, the Project will promote its submission to the Verkhovna Rada and subsequent approval.

Other elements of the grain warehouse receipt system which require further improvement include the e-registry, the certification of warehouses and elevators and the warehouse receipt forms. The Project will assist the government in improving the registry system for grain warehouse receipts by introducing electronic forms of warehouse documentation that will simplify access to trade and financial resources for agricultural producers; complete the existing system of grain warehouse certification by introducing the notion of “category of grain warehouse”; and redesign and amend grain warehouse receipt blank forms.

It is expected that AMDI will take the lead in this work with grant resources provided by AgroInvest.

Crop Insurance. Crop insurance, an important element for improved access to agricultural financing has yet to become a widespread practice across all of Ukraine’s agro-industries. AgroInvest, in coordination with IFC and other key market participants and donors, will review the current situation with crop insurance and develop an action plan to address key constraints identified by the review. Once the plan is prepared and discussed with stakeholders, and vetted through the AgroInvest Project Policy-Setting Criteria, the Project together with key partners, will determine the best course of engagement in its implementation.

Credit Unions. Credit unions are important financial institutions which take interest in lending to SMP farmers in Ukraine. However, further expansion in credit unions’ lending to SMPs in the agricultural sector is constrained by their ability to lend only to physical persons and the limited number of sources of finance they can use. AgroInvest will assist with increasing access to SMP finance from credit unions by promoting legislation to enable them to lend to legal entities (in addition to physical person) and use more diversified set of sources of finance. This work will be undertaken in close collaboration with national associations of credit unions.

**Futures and Derivatives Markets Development.** Ukraine has declared its intention to develop a futures market for agricultural commodities, an important feature of agricultural finance and management. In spring 2011 the National Bank of Ukraine and Ukrainian Agricultural Confederation signed memoranda with the US-based CME Group to facilitate the development of agricultural futures markets. It is expected that this initiative will be further supported by a Law on Derivatives which is being developed with assistance from the USAID FINREP project. AgroInvest will help with the development of futures markets for agricultural commodities in Ukraine by facilitating an educational and information campaign for farmers in collaboration with the Ukrainian Agricultural Confederation.

**Legislation to facilitate further development of cooperatives in the agricultural sector.** Ukrainian legislation which governs activities of cooperatives does not allow full tax-free status to cooperatives which operate in the agricultural sector. There does not seem to be a clear and consistent picture on why some cooperatives and other producer groups enjoy tax-free treatment while others have to pay taxes levied on regular businesses in addition to taxes paid by individual members of these producer groups. AgroInvest will undertake to review the current legal situation related to taxation of cooperatives and clarify legal, economic and fiscal issues related to cases of double-taxation of cooperatives. Together with MAPF and the National Association of Cooperatives, the Project will draft and promote amendments to legislation which will grant all producer groups tax-free status to facilitate further development of cooperatives in the agricultural sector.

**More investment friendly tax and subsidies regime.** Many industry associations and sector experts assert that the lion's share of various agricultural subsidies wind-up in the hands of the largest and wealthiest enterprises with the least need for support. If this is indeed the case, then this practice is thwarting the subsidy programs' intended impact, and inhibiting more broad-based investment in productivity-enhancing technologies, training and infrastructure for the sector. Furthermore, these distortions are also likely to add to the already-generous incentives in Ukraine for agricultural enterprises to be large and vertically integrated, thus further restricting the industry's competition, cost-effectiveness and international competitiveness.

AgroInvest will engage in activities to make the tax and subsidy regime in the agricultural sector more transparent and investment friendly. In particular, the Project will review existing subsidy schemes for the agricultural sector and assess the benefits of various government support programs and their compliance with WTO rules. Based on the review, and subject to the AgroInvest Project Policy-Setting Criteria, the Project will prepare recommendations for the government to make government support programs more beneficial and transparent and improve targeting of these programs. In addition, the Project will prepare an options paper mapping out costs and benefits of a path to eliminate some subsidies and moving Ukrainian agricultural producers from single agricultural tax to a corporate income tax to support and promote more transparent and equitable tax regime.

**Tariff and non-tariff barriers which are not in compliance with WTO rules.** The Project will review the current status of agricultural sector compliance with WTO requirements and commitments and propose an action plan to address some of the

delays with implementation of WTO commitments, subject to the AgroInvest Project Policy-Setting Criteria

**Monitoring of government policies on export of key agricultural commodities.** In view of recent bans on grain exports and proposals to introduce other restrictions on trade in agricultural commodities which may have a negative impact on agricultural producers, the Project will closely monitor government policies and practices related to trade in agricultural commodities. If needed, the Project, subject to AgroInvest Project Policy-Setting Criteria will engage in reviewing proposals and assessing likely impacts of existing or proposed policy actions in order to assist the government in avoiding steps which have negative impacts on revenues of agricultural producers or investments in the sector.

**Domestic price control issues.** In an attempt to reduce inflation and allow the population access to affordable food, the government maintains price controls on some staple agricultural and food products. The Project will review the current status of these controls, their impact on food prices and investments in affected agro-industries and share the results of the review with the GOU and key partners/stakeholders. Based on the review, and subject to AgroInvest Project Policy-Setting Criteria, the Project will engage in policy dialogue to address price control issues.

**Legislation and implementation of mechanisms for domestic food security.** Agricultural associations and policy analysts have been proposing to introduce consumer food subsidies as a cost-effective tool to stabilize and lower food prices instead of government policy to resort to export quotas and other restrictive steps that discourage agricultural sector growth and prove counter-productive in the long run. However, despite these proposals the government has not yet engaged in a well-informed and participatory review and debate on Ukraine's most effective options for assuring domestic food security and stable, affordable food prices. AgroInvest will facilitate such a debate by preparing a position paper with analysis of the US Farm Bill and other relevant international experience for models of targeted fiscal transfer mechanisms for low-income consumers. Based on the paper, and subject to AgroInvest Project Policy-Setting Criteria, the Project plans to engage with the office of the Deputy Prime Minister and Minister of Social Policy and MAPF in analyses and the possible introduction of targeted fiscal transfer mechanisms for low-income consumers. If there is sufficient interest, the Project will propose to help host and generate papers and presenters for a national conference on food security policy. This will help the government to explore and develop alternative food security strategies and policies to avoid export quotas and margin-fixing which penalize agricultural producers and prevent stable and predictable policies in the sector.

**Further development of wholesale markets legislation.** The government has engaged in implementation of an ambitious state program to create wholesale markets for fresh agricultural produce around larger cities in Ukraine. This program is based on the law On Wholesale Markets which was approved in 2009. However, the implementation of the government program to build wholesale markets in 2010-2011 demonstrated the need to amend/fine-tune the law On Wholesale Markets to address possible disparities between public and private interests in developing wholesale markets. In addition, the practice has also shown a need to amend some of the by-



laws and regulations which govern the operation of individual wholesale markets. AgroInvest will engage in preparing amendments to this legislation and regulations and promote their approval.

**Update of Project policy priorities.** Based on policy developments in Year 2 and experience with implementation of its policy agenda, AgroInvest will review and update its Strategic Policy Priority Needs Paper three months before the end of Year 2. This update will inform the overall policy agenda for Year 3 of AgroInvest.

**Support to GOU public-private dialogue secretariat.** Activities for public-private policy dialogue (PPD) through public-private advisory councils will be implemented through a Project grant to AMDI. With the help of AgroInvest, AMDI will assess needs and organize a Secretariat for the Coordination Council for Agricultural Reforms under the Ministry of Agricultural Policy and Food. In particular, AMDI will assess organizational, financial and functional needs of the Secretariat, develop a Secretariat Organizational Chart and functions, determine resource needs and hire relevant staff. Based on this, the Secretariat will provide organizational support to the Coordination Council and its committees and will also extend analytical, drafting and informational support to the Secretariat.

**Supervision of AMDI.** AMDI will be an important partner for AgroInvest in delivering technical assistance on the agricultural policy reform agenda and in revitalizing PPD between the government and agribusiness representatives. Close collaboration with AMDI will also require that AgroInvest provide organizational support to AMDI and ensures on-going supervision of activities undertaken by AMDI under the grant. AgroInvest COP, DCOP and Component 1 specialist will stay in close contact on all technical issues related to AMDI activities for the Project.

**Other policy issues as needed.** AgroInvest will remain open and responsive to ad-hoc policy issues throughout the year providing the regulatory issues fall within the framework of AgroInvest goals and objectives. This may include analytical support to the MAPF on key issues with regard to agricultural markets, taxes, subsidies and price regulations. All requests to engage in new policy issues will be vetted against the policy framework criteria developed by the Project.

The timing for each of the activities and specific steps listed above is specified in the policy chart (Gantt chart) in Annex 1 to the Year 2 work plan.

***Assumptions for successful implementation of Component 1, Task A Activities in Year 2***

- Grant with AMDI signed in Year 1 and AMDI has completed mobilization for agreed grant activities
- AMDI proves to be a viable and efficient co-implementer which results in smooth implementation of agreed activities
- Improved land legislation passed and moratorium on agricultural land sale lifted, allowing sufficient time for public education and establishment of regulatory basis and institutional capacity prior to its coming into force

***Expected results/achievements during Year 2***

The following results and achievements are expected by the end of Year 2:

- The Project contributes to a clearer and stable policy environment that leads to increased agricultural investments;
- The Project supports formal public private dialogue mechanisms and helps to make them effective and sustainable;
- Legislation governing agricultural land is improved;
- Policies and instruments and legislation for greater access to agricultural finance are prepared and promoted;
- Legislation which allows all farmer cooperatives to legally operate without paying taxes above those required of the individual farmer drafted;
- Legislation and regulations on wholesale markets are fine-tuned and submitted for approval;
- Legislation on indemnity fund for warehouse receipts is drafted and submitted for approval;
- Review and Update Strategic Policy Priority Needs Paper.

#### **Component 1, Task B Activities: Strengthen Industry Associations**

##### ***Activities to be undertaken during Year 2***

Local capacity-building of industry associations is a key element to improvement of the policy environment on a sustainable basis. Through sub-awards, the Project will provide training for capacity building and policy development skills that will enable industry associations to lead on certain policy priorities and provide the analysis needed to formulate policy recommendations. Although grants under this task will be primarily focused on policy development and advocacy skills, in line with and/or complimenting AgroInvest policy priorities outlined in Component 1, Task A, so industry associations can exert greater influence in local and national-level agricultural policies, competitive grants may be provided to support associations' organizational and institutional development as well.

AgroInvest will facilitate public-private dialogue through formal and informal advisory councils and will and promote active participation of industry associations in meaningful dialogue with the GOU to facilitate market-oriented policy reforms.

In Year 2 AgroInvest will finalize the design of capacity building programs for agricultural industry associations which was initiated in Year 1. Early on during Year 2 the Project will issue competitive grants solicitation for industry associations to provide support for policy analysis and policy advocacy on issues which are included as priorities in AgroInvest policy work. Those industry associations which submit the best proposals will be awarded grants to develop their analytical capacity and policy advocacy skills.

Once the grants awarded during the first round of solicitations are well advanced in their implementation, the Project will announce the next competitive grants solicitation for industry associations. These grants will be also awarded and their implementation will commence in Year 2. Although grants under this task will be

primarily focused on policy, competitive grants may be provided for associations' organizational and capacity development as well. These cases will be reviewed and decided on a case-by-case basis.

The Project will also facilitate opportunities and avenues for selected industry associations to participate in public-policy councils and other PPD discussions.

***Expected results/achievements during Year 2***

- The Project contributes to a clearer and stable policy environment that leads to increased agricultural investments;
- The Project supports formal public private dialogue mechanisms and helps to make them effective and sustainable by promoting sector associations' participation in them;
- Selected partner industry associations are actively involved in public private dialogue discussion;
- A number of partner industry associations have been selected to undertake policy advocacy and analysis on policy priority issues;
- Capacity building programs for agricultural sector industry associations have designed;
- A number of partner industry associations have started capacity/competency strengthening.

***Resources needed for Component 1 Tasks A and B in Year 2***

- Local and expat short-term LOE for selected policy work (e.g. land);
- Grants will be needed to support capacity building of partner industry associations to advocate for market-oriented policy reforms;
- Subcontracts will be utilized for service providers to provide capacity building and policy development training;
- A large grant is expected to be provided to AMDI to lead specific tasks under Component 1.

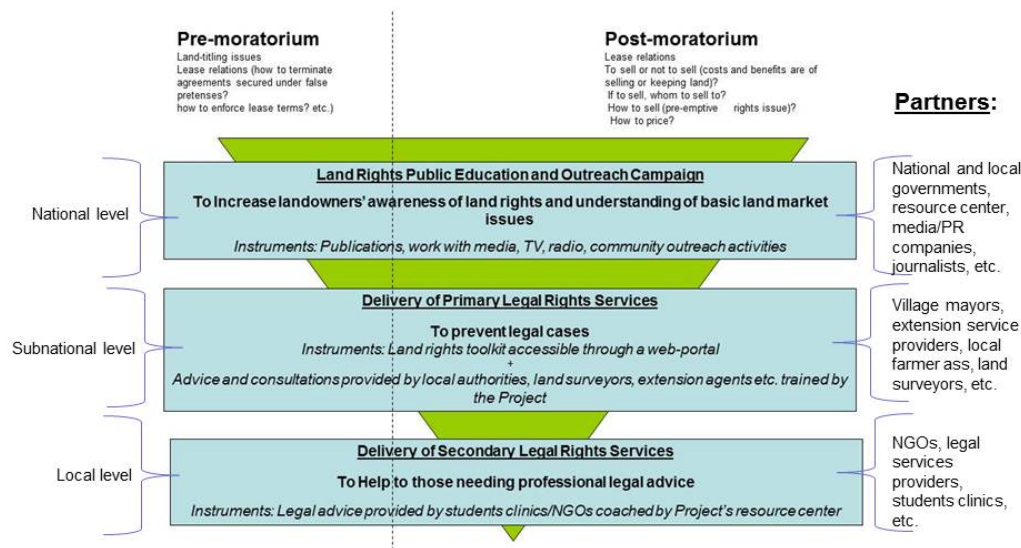
**Component 1, Task C Activities: Provide Public Education for Land Rights**

Most Ukrainian agricultural landowners do not fully understand the implications of lifting the current moratorium on agricultural land sales. Moreover, there are few outlets and support centers that landowners feel comfortable visiting to obtain information on land issues. To address this, AgroInvest will implement a public awareness campaign in partnership with local organizations to improve landowners' knowledge of their land rights. In parallel with this, the Project works to ensure that an accessible network of legal support exists for small land holders.

***General Approach to Component 1, Task C Activities***

In order to achieve the above mentioned goals, the AgroInvest team has developed an integrated approach described in two complementary documents approved by USAID in Year 1: "Land Rights Public Education and Outreach Campaign" and the "Strategy for Delivering Sustainable Legal Land Rights Services". The picture below shows

how these two sets of activities fit together, what issues will be addressed before and after the moratorium is lifted, with whom AgroInvest will partner, and what types of instruments or communications tools, will be used for each element. It should be noted that the “Land Rights Public Education and Outreach Campaign” document addresses the first level of the strategic approach and the “Strategy for Delivering Sustainable Legal Land Rights Services” document addresses the other two levels. The three levels comprise the Project’s overall approach.



Note: the legal assistance work will be organized on two levels, depending on the type of services provided, i.e. *primary* or *secondary* legal services;

- About 90 percent of land-rights related cases/issues are very similar in nature and, therefore, generic—**primary**—legal advice can be devised to help in such cases. Moreover, in many instances it is possible to prevent such cases before they arise by providing needed information and organizing workshops to equip landowners with knowledge that will help them take proactive measures in order not to endanger their land rights.
- To help those who still need specialized advice on their land rights and/or resolve land-related conflicts—i.e. **secondary** legal rights services—AgroInvest has developed a framework for sub-national and local level legal advisory. These organizations and professional lawyers will be coached by the Project and its partners so they provide high quality legal advice.

An important aspect of the development of these activities is to identify key partners that have existing outreach/legal advice programs and view providing legal land rights services to vulnerable population as an important part of their mandates. It is essential to work with such partners in order to achieve sustainability after the Project’s end. These key partner groups include agricultural extension programs, students’ clinics,

and NGOs that currently provide advisory services to farmers and landowners. The Project will also use every opportunity to partner with the central and local governments as they have an important stake in protection of land rights of rural citizens as part of rural development programs and activities to prevent depopulation of the countryside.

### ***Activities to be undertaken during Year 2***

As shown in the above chart, the Land Rights Public Education and Outreach Campaign will be national in scope to reach as many vulnerable landowners as possible and will be supplemented by more focused land-literacy activities in target communities. This aspect of the campaign is closely interlinked with the Program for Delivering Sustainable Legal Land Rights Services, which is aimed at providing landowners with a point of reference and support in meeting their land-related needs and resolving land-related conflicts. These activities will be organized in target communities but will be designed in such a way that fosters scaling up and replication in other communities, potentially throughout Ukraine.

Since the two sets of activities, i.e. the *Land Rights Public Education and Outreach Campaign* and the *Program for Delivering Sustainable Legal Land Rights Services*, are closely interlinked and have related goals, in the text below we will present activities to be undertaken on both of them as one list. Under each activity, we have identified several specific actions, and estimated for each a timeline, milestones, and primary responsible person, as shown in the Gantt chart.

After the first year of implementation, we will have identified lessons learned and best practices on a national and local levels that we will carry out for the following years. Under each annual work planning session, we will discuss which activities are having the most impact and determine the annual action plan accordingly.

**Pre-implementation activities.** At the beginning of Y2Q1, we will conduct focus groups in the selected communities<sup>5</sup> to check our messages and prioritize the communications channels.

To obtain baseline data about the level of awareness on land issues, a survey will be implemented in target communities, which will then be implemented on a yearly basis in order to monitor our progress on awareness building.

The findings of the survey will be published and discussed at the roundtables in the selected communities. It is expected that these roundtables will attract partners for the education campaign and contribute to identifying the most efficient approaches to achieve best possible increase in land literacy among these communities.

Finally, at the pre-implementation stage we will select partners for the *Program for Delivering Sustainable Legal Land Rights Services* and do the following preliminary

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<sup>5</sup> The target communities will have been defined by the end of Y1. They will be villages selected based on five key criteria, including: (1) willingness of village councils; (2) capacity of existing local partners; (3) co-existence with other project(s) and similar donor activities; (4) vulnerability of the population; and (5) community's characteristics in terms of needs for legal services representative of the country (i.e. challenges are not unique for this community).

work. For the delivery of primary legal land rights services, we will establish the resource center, analyze the most burning issues of landowners (typical cases) and develop the “roadmaps” and other guidance materials, which will be used for the web-portal and hotline (see below) during the implementation stage. For the secondary legal land rights services, we will develop a toolkit (training modules and take-away materials) which will be used by partnering service providers.

**Resource Center, Web-Portal, and Hotline establishment.** The Project will partner with one of the all-Ukrainian land-related industry associations, selected by a competitive process, to establish a resource center which will coordinate a dedicated web-portal used mainly for purposes of Delivering Sustainable Legal Land Rights Services, as well as a Hotline. The experts working in the resource center will also be engaged in training and coaching of the Project’s partners engaged in delivery of primary legal land rights services.

The resource center, web-portal and hotline will be coordinated by the all-Ukrainian organization with offices in Kyiv and in the regions, in strong coordination with the Project team. The relationship will be formalized through a grants agreement or subcontracts to hire short-term technical advisors to support the resource center, web-portal, and hotline activities.

The resource center will eventually be staffed by up to five legal experts, who are expected to organize their work in such a way that they will spend about 50% of their work time in the field delivering trainings, providing coaching to legal services providers, and working at the community meetings and similar events. Initially, they will spend more time developing materials and preparing roadmaps, later on, as the hot line becomes more popular and more requests will come, they will spend more time in the field, helping secondary legal services providers in solving conflicts and coaching them in their activities.

The resource center will be tasked to provide content to the dedicated web-portal. The web-portal will be used as a resource site mainly for the partners involved in the delivery of primary legal land rights services, i.e. local authorities, extension agents, and land surveyors, among others, which will be trained by the Project through a train the trainers’ sessions. The direct beneficiaries may also access the portal but this will be less likely, due to limited access to Internet in the countryside and villages. The web-portal will contain all relevant information, answers to frequently asked questions, and roadmaps (step-by-step algorithms for resolving typical situations) that can be downloaded, as well as links to vetted organizations who have agreed to provide assistance.

The web-portal will be well suited to support the providers of basic (primary) legal advice at the national level, including potential beneficiaries of the program located outside of the target communities thus creating a replicating effect of AgroInvest’s efforts in this domain. After the end of the Project, the web-portal will continue to have a host and future maintenance can potentially be supported by the host organization’s own funding and/or commercial advertisements, like several other examples of sustainable information resources driven by their user-base.

The local organization that hosts the resource center will hold all the land related materials developed by the Project. As part of its scope of work, this organization will work as a knowledge manager in which they will transfer the acquired knowledge and materials to their regional offices, and other land-related organizations. The Project will support this interaction, and help to empower other land organizations.

The hotline will use materials developed by the resource center to directly advise landowners and farmers on how to deal with current land policy and markets issues. AgroInvest is expecting to receive up to 1,000 calls per week at the hotline.

**Media relations.** The Project will create a “team” of journalists interested in land rights issues as well as other areas where the Project is active in order to partner with them for both the Land Rights Public Education and Outreach Campaign and other Project’s communications activities. As the first step towards establishing such a “team” the Project will offer journalists training to learn more about land issues and how their readership can better protect their land rights. It is planned to organize a series of such training events, one in Kyiv and two to three in the oblasts where the target communities for this campaign are located.

The relations established through these training events will be supported throughout the life of the Project. The journalists will be invited to all public outreach events organized by AgroInvest and receive materials prepared by experts from the resource center, which they will use for their publications.

We will also encourage the journalists to establish a (formal or informal) “Agriculture & Land Press Club” to meet regularly and discuss agriculture and land related issues with decision-makers and high-level speakers. This idea has been informally introduced by the Project to the journalist community and we hope that journalists will be willing to implement it after the media training conducted by the Project.

The Project will also engage a provider of communications services to help implement some aspects of the campaign, especially educational TV and radio programs as TV and radio are crucial channels to convey a controlled message to wide circles of rural citizens.

**Publications development and dissemination.** To support the Land Rights Public Education and Outreach Campaign, the Project will develop and distribute informational brochures and/or leaflets that explain, specifically to farmers and land owners, how lifting the moratorium will affect them, their rights and their options. These publications will also have information on legal consultation. They will be distributed to village administrations, libraries, post offices with a recommendation to post them on information boards.

Also, the Project will prepare and distribute an informational book that talks about land reform, lifting of the moratorium, legislation text, legal aspects and an extensive Q&A section. This book will be used as a reference book for the Project’s partners engaged in providing primary legal land rights services and distributed in partnership with national NGOs.

Newsletters including personal testimonials, Q&A, contact information for the legal consultations, and other program-related information will be produced and distributed among community centers, business and agricultural associations, business consultation centers, state and private legal centers which have signed up as part of our Strategy for Sustainable Delivering of Legal Land Right Services.

**Community engagement.** AgroInvest will engage with smaller land owners and farmers through meetings in the village council to give details of the implementation, ramifications, and benefits of new reforms (once the moratorium is lifted), and provide a forum for land owners to ask questions and voice their concerns regarding current issues. These meetings will provide farmers and landowners an opportunity to ask specific questions to qualified representatives and pass the information on to others in their communities. This will be achieved through partnerships between Land Union affiliates, AJLEP property rights network members, extension services, and have them co-host information-sharing events.

Also, a series of meetings will be organized for those interested in receiving land deeds for their subsidiary plots. This activity will be implemented in partnership with village-based land surveyors and village administrations to help the villages learn the procedure and accelerate its implementation. It is expected that, should this process be implemented at a community level rather than individually, there may be some economy of scale bringing down the cost of issuing land deeds.

These community meetings will be supported by posters and announcements located in highly visible areas (bus stops, post offices, market, etc.) to direct viewers to places where legal consultations are being offered and refer people to the web site portal, hotline, and social media pages. This will help to reinforce different messaging of the campaign. Fliers and local radio will be used to advertise events.

**Primary Legal Land Rights Services.** As an overall approach, for the Sustainable Delivery of Legal Land Rights Services, the Project will partner with relevant stakeholders whose mandate is fully or partially aligned with the objective of provision of land right services with a special focus on low-income and vulnerable landowners, and have potential to become a reliable and sustainable provider of legal land rights services. These partners will receive significant methodological help, guiding and coaching by Project/resource center experts (short-term legal advisors) as well as capacity building.

Before these organizations get involved in the program as well-informed and objective providers of consultations on land rights, their staff will be trained and equipped with resources developed by Project/resource center experts. They will also need to receive periodic training and orientations to new land issues, especially at such points in time when any new legislation is passed, and have ongoing access to information materials developed by the Project either through the web-portal or through direct e-mailing.



At the national level, the delivery of *primary* legal rights services will be supported by providing land-related resources through the dedicated web-portal described above. At the sub-national level, advice will be provided by the local authorities, extension agents, and land surveyors, among others, which will be trained by the Project through train-the-trainers' sessions. At the local level, the program will be implemented through educational activities in partnership with local authorities, extension agents, and land surveyors and other partners trained by the Project and supported by the resource center.

The following steps will be implemented to create a framework of sustainable delivery of primary legal land rights services:

Pre-implementation stage:

- Step 1. Identify partners for primary legal services through a competitive process and establish the resource center.
- Step 2. Analyze the most burning issues of landowners (typical cases).
- Step 3. Develop corresponding roadmaps and other guidance materials (this activity will be ongoing as new issues are identified).
- Step 4. Create a web-portal where reference materials can be downloaded (the portal will be updated on an ongoing basis).
- Step 5. Develop a toolkit (training modules and take-away materials) and demand-driven funding mechanisms for providers of primary legal rights services. The toolkit will be updated regularly as new issues are added and/or new legislation passed.

Implementation stage:

- Step 1. Conduct a round table discussion to identify interest in partnering with the Project and become providers of primary legal services.
- Step 2. Conduct a series of training events for local partners (village administrations, extension services, local farmer associations, land surveyors, etc.).
- Step 3. Support local partners (through the resource center) to use the materials and provide legal advice.
- Step 4. Provide periodic training, especially at times when new legislation is passed.

**Secondary Legal Land Rights Services.** Unlike primary legal land rights services, which can be provided by non-lawyers using materials provided by the resource center, the delivery of *secondary* land rights services program will entail legal advice on issues where much more profound investigation and more sophisticated advice is needed. Such legal services can only be provided by professional lawyers or, at the very least, law students (at law clinics) closely coached/supervised by professional lawyers.

For this type of legal land rights services, the Project will mainly partner with two types of organizations, non-government organizations – members of the AJLEP Property Rights Network and Student Law Clinics.

The USAID AJLEP Project works with national and local NGOs and other organizations who view provision of legal services to vulnerable citizens as important part of their mandate. Members of the AJLEP property rights network, may be a very promising partner for AgroInvest, particularly since they have recently agreed that land rights will be their main topic going forward. Preliminary consultations with some of the members of the Property Rights Network showed that they may play a very important role as providers of secondary legal lands rights services.

Student law clinics serve as a site for law students to practice providing legal advice. During this activity they are closely supervised by their mentors, with whom they can consult in case there are any uncertainties regarding legal advice. This system has been established in Ukraine and this activity is already included in the legal education curriculum. Law clinics can also serve as a starting point for those seeking legal advice on land rights. They may provide assistance on typical cases and reference materials (e.g. roadmaps on how to register land) downloaded from the web-portal as well as be a useful source for initial screening of cases which require in-depth and more sophisticated assistance from professional legal counselors. Even though most of such law clinics are affiliated with universities located in big cities, it may be possible to establish such clinics in more rural areas, e.g. affiliated with agricultural technical schools.

AgroInvest will identify, on a competitive basis, partners among the above described two types of organizations, provide them capacity building grants and support in developing sustainable approaches to providing secondary legal land rights services.

Once this approach is tested and lessons learned are drawn, the Project's partners may expand this approach to other communities, and once this activity matures into a full-fledged product, it will be easily added to the product mix of legal multiple services providers.

The following steps will be implemented to create a framework of sustainable delivery of secondary legal land rights services:

Pre-implementation stage:

- Identify pilot partner organizations through a competitive process and advice of other active projects as AJLEP.

Implementation stage:

- Step 1. Implement the first pilot capacity building project(s) with the local legal rights provider(s).
- Step 2. Provide ongoing support and coaching through the resource center.
- Step 3. Assess results of the first pilot project(s) and, based on lessons learned, expand this approach to other target communities.
- Step 2. Help the AJLEP Property Rights Network to implement this approach in other communities.
- Step 4. The new partners will leverage lessons learned and thus they will develop quicker.

- Step 5. Help the partners sustain this activity by introducing a fee scheme that allows for pro-bono services.

***Assumptions for successful implementation of Component 1, Task C Activities in Year 2***

- Journalists are willing to establish the Rural & Agricultural Press Club
- Partners are available who view provision of land rights services as an important part of their mandate and are willing to partner with the Project on these activities
- Improved land legislation passed and moratorium on agricultural land sale lifted, allowing sufficient time for public education and establishment of regulatory basis and institutional capacity prior to its coming into force

***Expected results/achievements during Year 2***

- Baseline data for the awareness campaign (PMP indicator “Awareness of land rights among target communities, as shown through surveys, %”) is available;
- Partners are identified;
- Resource center is established;
- Initial materials for the web-portal, hotline and toolkit are available.
- The web-portal is developed and materials are available for downloading;
- The hot-line is operational and provides advice to end-beneficiaries;
- A set of TV and radio programs are produced and aired;
- Team of journalists, who will convey the Project’s messages and serve on the outreach campaign, is established;
- Articles, reviews, interviews, and other materials are prepared by well-trained journalists, who understand land issues and Project’s approach to resolve these issues, are published on an ongoing basis;
- Publications are prepared and disseminated to both partners and end-beneficiaries;
- Villagers and landowners have opportunities to increase their awareness, ask specific questions, and receive assistance in obtaining land deeds;
- Villagers and landowners receive primary and legal land rights services on a wide range of land related issues;
- Due to primary legal land rights services, villagers are able to receive land deeds and resolve/prevent land conflicts;
- Due to secondary legal land rights services, villagers are able to receive land deeds and resolve/prevent land conflicts;
- The above mentioned results will contribute to reaching the PMP indicators “Number of rural landowners reached” – 2 million by the end of Year 2; “Awareness of land rights among target communities, as shown through surveys” – 25% by the end of Year 2; and “Number of state acts (land deeds issued) – 2,000 by the end of Year 2.

***Resources needed for Component 1, Task C Activities in Year 2***

- Subcontracting a survey company to do the focus groups and baseline survey;

- Resources to get the resource center up and running (initially, 1 lawyer; at later stages, when the hotline is in place and activities in the regions are started, up to 5 lawyers plus a content manager for the web-portal).
- Engagement of web-portal development and hotline provision services;
- 
- Resources to support the operation of the resource center and hotline and to organize events;
- Subcontracting a media trainer, editor;
- Subcontracting a provider of communications services.
- Resources to support the press club meetings;
- Resources will be needed to design, print, and disseminate the publications.
- Grants to support capacity building of partner organizations, i.e. advisory services organizations, local farmer associations, surveyor associations.

## **C.2. Component 2 – Stimulate Access to Finance**

There is huge unmet demand for finance in Ukraine's agricultural sector, and mechanisms to meet this demand are underdeveloped. According to one expert's estimate, "Investors say they could double investments in agribusiness if the environment was right. Bankers and investors say lending and investment is far below what is possible. Many are not willing to finance the planting of 2011 crops due to government policy."<sup>6</sup> The goal of Component 2, therefore, is to facilitate development of such funding/lending mechanisms to stimulate access to finance for Ukrainian SMPs to have necessary resources to become more competitive and profitable.

### ***General Approach to Component 2***

During Year 1 of the Project, a comprehensive assessment of the market for SMP financial services was conducted, which formed the basis and framework for the Action Plan/Strategy for Increased Access to Finance for SMPs and foundation to achieve Project objectives for Component 2.

Although the formal commercial banking sector currently prefers to finance agricultural corporations and large agricultural enterprises, there are some banks who are either financing SMPs (primarily, medium size farms with annual turnover in the range of UAH 1 million – 5 million) or interested in expanding their lending portfolios to include SMP financing. Many banks engaged in agricultural lending utilize specific financing instruments and qualified staff in partnership arrangements with agricultural input suppliers.

Bankers do not see strong competition in the SMP market and most acknowledge the large unmet demand for SMP<sup>7</sup> financing and little competition in the sector. Nonetheless, there is reluctance by many banks and bankers to more aggressively

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<sup>6</sup> *Kyiv Post*, April 14, 2011, "Agribusiness losses mount amid damaging 'Great Grain Robbery'", Morgan Williams.

<sup>7</sup> According to AgroInvest SMP Access to Finance Assessment, annual unmet demand for SMPs exceeds USD 7 billion

pursue agricultural sector lending. Little agricultural credit portfolio growth in many banks can be explained by:

- inability to accurately assess risk due to lack of understanding of the market, and lack of well-trained/qualified staff for SMP lending;
- lack of documented cash flow from SMPs;
- 3) low technological level of SMPs (except grain producers), unreliable sales and poor value chain integration with others.

ProCreditBank suggested that a pre-condition for most potential SMP borrowers would be capacity building and training so they better understand standard requirement and processes for accessing credit from formal financial institutions; even short-term financing. For the most part, credit unions (CU) are the only legally registered credit suppliers for small farmers (small size farms with annual turnover of up-to UAH 1 million). As banks are not interested in working with these smaller farms or producers, the Project will reach the smaller producers through credit unions and credit union associations.

Credit unions are presented by two large associations – the National Association of Credit Unions of Ukraine (NACU) and the All-Ukrainian Association of Credit Unions (AUCU). Each association, in turn, has the United Credit Union (UCU) attached to it, whose main goals are to bridge liquidity gaps and provide financing for their members.

The NACU has experience with financing of smaller agricultural borrowers (equipment/machinery purchases) through their member credit unions utilizing donor funds. The AUCU has experience in attracting external sources of commercial funding for on-lending to their members; creditors include OIKO Credit Ukraina and Folksbank.

The credit unions of the AUCU and NACU specializing in lending to the agricultural sector are sufficiently represented in most western oblasts of Ukraine, the oblasts of Luhansk, Kherson, Zaporizhia, Poltava, and Cherkassy, and in Crimea. Practically all of them were successfully involved in various technical assistance projects from which they received training for micro-crediting and now have advanced experience and skills in providing micro and small loans. In general, the quality of credit union's lending portfolio is much higher than in the majority of Ukrainian banks.

However, credit unions have many more constraints for further development and expansion of agricultural lending as compared to commercial banks due to the following:

- short-term and costly resources or funding base, which discourages the development of SMP medium-term crediting;
- seasonal nature of agribusiness also has an impact on cash/funding shortage in spring and surplus in autumn;
- insufficient technological level and poor marketing and market infrastructure of inhibit growth of agricultural lending by credit unions;
- restriction on lending only to physical persons and inability to lend to legal entities.

In addition to traditional lending from banks and NBFIs, the Project will assist in the development of lending mechanisms secured by warehouse receipts and the financing of sales orders of agricultural products (purchase guarantee) by input suppliers, processors, and other value chain participants.

### ***Component 2 Activities to be undertaken during Year 2***

The Project activities for component 2 will focus on the following:

- Promote and support increased use of short-term lending secured by warehouse receipts for SMPs;
- Develop and implement programs for pre-financing the orders/sales of agricultural inputs and products for SMPs by selected suppliers, processors, exporters, and other market chain actors;
- Create sustainable and viable mechanisms for attracting long-term external financial resources/funding for CUs and banks to develop medium-term lending to small farmers by developing new, innovative credit products;
- Provide training and capacity building for SMP borrowers, depending on SMP needs, may include improved documentation of cash flow and accounting methods, better understanding of the types of financing available and needed, risks and benefits of borrowing, preparation of loan documentation and business plans, marketing, and insurance, so they are better prepared to access credit through financial institutions and other providers of credit;
- Provide training and capacity building for banks and NBFIs so they will better understand SMPs needs, appropriate lending products, specifics of agricultural sector, and risk assessment for agricultural financing. In addition, the Project will consider hardware and software support to associations of credit unions, thereby allowing them to strengthen their analytical and institutional capacity to analyze market situation, develop new regulations, and provide better services to their members.
- Reinforce relationships with current partner financial institutions and providers of credit; and identify, evaluate and select additional partners for SMP financing in Crimea and selected regions.
- Develop new, innovative financing products and arrangements to increase access to finance for SMPs (in addition to pre- and post- harvest financing).
- Assist selected and interested partner financial institutions to search for external sources of lending capital, from both domestic and international sources (e.g. OIKO Credit Ukraine, EBRD).
- Facilitate the establishment of long-term partnership relations between the CUs, banks, processors, input suppliers, traders and other credit providers to increase access to finance for POs and SMPs.

### ***Assumptions for successful implementation of Component 2 in Year 2***

- Action Plan/Strategy for Increased Access to Finance for SMPs completed in Year 1
- Action Plan/Strategy for Increased Access to Finance for SMPs approved by COTR in Year 1
- MOUs signed with at least four providers of credit

- Grain warehouse systems improved, allowing increased use of warehouse receipts and agrarian receipts legislation passed and implementation initiated.

***Expected results/achievements during Year 2***

- By the end of Year 2, Project work in cooperation with partner financial institutions and providers of credit will result in the development of at least three new, innovative credit products. AgroInvest activities supporting partner financial organizations and providers of credit will provide at least 1000 new credit transactions to SMP borrowers for a total amount of US\$ 4 million.
- SMPs and POs will improve their organizational effectiveness and ability to access credit through Project-supported capacity building and training. Borrowers will understand the benefits and risks of borrowing, and how to better document cash flow of their operations for presentation to prospective lenders.

***Resources needed for Component 2 in Year 2***

- Technical assistance will be needed to support capacity building of partner financial institutions and providers of SMP credit;
- Subcontracts will be utilized for service providers to provide capacity building and policy development training for SMPs and providers of credit;
- GDA will be explored as a potential mechanism, allowing sustainable reduction in borrowing costs for SMPs through the credit union system.

**Component 3: Facilitate Market Infrastructure for SMPs**

SMPs continue to face many obstacles to increased competitiveness and profitability due to deficiencies in market infrastructure and lack of access to markets for their agricultural production. Existing infrastructure of agricultural market chains does not provide for direct access of SMPs and their POs towards organized wholesale, regional and retail markets; or access to market logistics centers, denying them an opportunity to more conveniently market their produce with increased volume, improved quality, and at more competitive prices.

Absence of effective market channels for agricultural production that are accessible to SMPs is considered a primary restrictive factor for them to increase production volume, increase profits, and access financial and material resources.

Based on Year 1 research conducted within the framework of the Project, core activities of Component 3 for Year 2 will be directed towards the implementation of capacity building tasks to coordinate and improve operations of agricultural producers organizations, development of wholesale, regional and local market systems; and creation of market logistics infrastructure based on SMPs, POs and market needs.

**Component 3, Task A: Producer organization development**

Development and support of producer organizations has seriously declined from 2009 to 2010. The primary reasons for this deterioration include a lack of consistent government policy in the sphere of POs development, complex legislation and taxation for POs, a general suspension of government support for POs, and cancellation in June 2011 of the state economic program of supporting development of agricultural servicing co-operatives.

As a result, the number of the registered POs totals 583, which represents only 5% of the total number of SMPs out of a total 4.5 million individual farm households and 42 thousand registered farms.

A considerable part of agricultural production for daily consumption - vegetables, fruit, milk and meat - is produced by SMPs, and as the majority of them lack organization or scalability through markets or market infrastructure channels (especially in the villages quite distant from urban areas), any surplus is simply fed to cattle or perishes. According to experts, 50% of fresh fruit-and-vegetable produce does not reach the consumer because of loss/spoilage. Typically, such produce reaches consumers only through unorganized intermediaries, or is on sale in the spontaneous markets and city streets outside of official markets.

Consequently, the absence of organized markets and market infrastructure for SMPs causes their agricultural production to flow through unorganized commercial channels with non-transparent conditions for purchase and sale resulting in considerable financial losses by SMPs and the industry as a whole.

With equal access to markets and market infrastructure for SMPs and capacity building support of POs, SMPs could compete with larger agricultural producers and become more active and responsive producers based on market demand and market pricing.

According to Project experts, the largest needs of POs and SMPs irrespective of their regional location includes assistance in creating local co-operatives and individual vegetable storage with capacity of 5-10 thousand tons, washing, sorting and packaging for fruit and vegetable production lines, equipment including vehicles for facilitation of "cold" chains, service centers for butchering livestock, freezing, transportation and realization of meat products, centers for collection, cooling, sale and-or creation of co-operative enterprises for initial processing of milk, and manufacturing of whole milk products and soft cheeses.

### ***General Approach to Component 3, Task A***

AgroInvest will begin operating with POs in the Autonomous Republic of Crimea as well as Dnipropetrovsk and Vynnytsya oblasts (preliminarily identified as the target regions for this task during year 1)<sup>8</sup> during Year 2. Component 3 activities will be endorsed by the Crimean authorities after concluding a Memorandum of

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<sup>8</sup> AgroInvest Component 2 representation/activities began in Crimea in Year 1. While Dnipropetrovsk and Vynnytsya oblasts were preliminarily selected in Year 1 as additional regions of focus, particularly for Component 3, Component 2 work will be based from AgroInvest's Kyiv and Simferopol offices and work with those regions where the most active partners are identified.



Understanding with them which will clearly define responsibilities and obligations of the parties with regard to development of POs/SMPs and post-harvest infrastructure on the Crimean peninsula.

Primary attention and the most important activities under Component 3 of the Project will be directed towards the regions selected in Year 1 and those which have regional programs ready to render organizational and financial support to the development of POs/SMPs. The Project will remain open to supporting SMPs/POs in various sectors, including vegetable growing, fruit and vegetable production, potatoes, meat and milk cattle, and other areas showing high potential for POs and SMPs.

### ***Activities to be undertaken during Y2***

AgroInvest will provide capacity building programs to improve POs and SMPs business management skills, including accounting and cash flow management, opportunity costs and risks, demand versus supply based perspectives, value chain concepts, long and short-term business planning, land issues and rights, member benefits, commercial relationships, legal and contractual aspects of borrowing (from financial institutions and other value chain providers of credit), and developing a business plan for accessing finance. In conjunction with Component 2 activities, AgroInvest will also facilitate dialogue between POs, SMPs, input suppliers, buyers, and processors to introduce innovative products and new financing arrangements for SMPs. Additional sector and commodity specific trainings will be provided on topics such as improved production practices, pre- and post-harvest handling and storage, and quality issues.

AgroInvest will either organize and conduct a study tour or bring external experts to provide training for POs/SMPs representatives and local authorities to better understand the purpose, rationale and benefits of public-private partnerships (PPP) when establishing agricultural market infrastructure and logistics centers. AgroInvest will coordinate with the USAID Public-Private-Partnership development project (P3DP) and utilize opportunities as they become available to promote PPPs and improved understanding of PPPs by market participants.

The Project will also provide grants to partner POs on a competitive basis in amounts up to \$25,000 for capital improvements including the introduction of innovative technological practices in sorting, packaging and cold storage of agricultural produce. Within the framework of SMPs and POs capacity building component, the Project will award the grants on competitive basis in accordance with the objective criteria of the transparent assessment and selection process.

### ***Expected results/achievements during Year 2***

- At least 13 POs are selected for Project assistance;
- Trainings for POs and SMPs (marketing, chains of the added value, technology, management, finance, land issues, legal matters) are carried out;
- At least one study tour or in-country training on PPP with SMPs/POs and government partners is organized and completed;

- Investment forums/round tables, presentations of business plans, investment proposals of POs and SMPs are conducted in the regions of Crimea, Dnipropetrovsk and Vynnytsya;
- At least \$450,000 in credit/investment for POs/SMPs is facilitated by AgroInvest;
- Farmers in targeted POs increase their output (tonnage) by at least 10%;
- Grants are provided to not less than 10 POs, awarded on a competitive basis for supporting implementation of SMP /PO initiated projects;
- Three round tables/seminars about dissemination of the best practices of implementation of POs and SMPs capacity building program are completed for more than 125 PO participants.

### **Component 3, Task B: Develop wholesale markets and other market infrastructure**

The current development and functions of Agricultural products wholesale markets (APWM) are not accompanied by the corresponding development of regional market networks or local market infrastructure capable of feeding into APWDs; and do not support agricultural produce purchases from POs or SMPs. Without localized market infrastructure logistics, SMPs will have no access to such APWMs.

Creation of a market pricing information system which could be accessible in real time for SMPs and POs, also lags behind APWM establishment and hampers better access of producers to markets.

As of June 1, 2011, the MAPF presented a plan of the first stage of the wholesale markets development, which consists of seven wholesale markets; construction will require total investments of UAH 5.7 billion:

- APWM Kyiv - the area of 100 hectares
- APWM Kharkiv - the area of 100 hectares
- APWM Donetsk - the area of 50 hectares
- APWM Lviv - the area of 50 hectares
- APWM Odessa - the area of 50 hectares
- APWM Zaporizhya - the area of 20 hectares
- APWM Kherson - the area of 20 hectares

The specified wholesale markets are exclusively privately owned institutions, and as of today there is no information suggesting participation of SMPs and POs. However, AgroInvest will continue to look for opportunities to improve SMPs and POs access to and participation in the existing accredited wholesale markets.

### ***General Approach to implementation of Component 3, Task B***

AgroInvest will begin work in the Autonomous Republic of Crimea and two other regions initially selected in Year 1 of the Project to identify opportunities to assist with the development of wholesale and/or regional markets and/or local market infrastructure logistics centers. Development of regional markets and the rural logistics centers, with the participation of POs, will provide long-term storage

opportunities for POs so they can maintain the quality and freshness of their produce, increasing opportunities for distribution to larger markets, reducing spoilage and increasing their competitiveness and profits.

For the purpose of acceleration and better preparation of regional programs, the Project will render technical assistance to organizers of the markets / logistical centers and to local governments in drafting sound business plans and selection of financing strategies for such projects.

The technical assistance may also include allocation of funding for feasibility reports for wholesale markets, regional markets, and market infrastructure logistic centers.

AgroInvest will look for opportunities to coordinate with other USAID activities, for example LINC initiatives to increase competitiveness in the Volyn region.

### ***Activities to be undertaken during Y2***

Year 2 efforts will concentrate on the development of markets and market infrastructure for POs/SMPs, including:

- Training to SMPs and POs to increase access to wholesale markets and regional markets;
- Developing or creating wholesale or regional markets, logistical centers and other market infrastructure logistics, inter alia through support to development of feasibility studies and related project documentation;
- Attracting investment and credit resources for the development of markets and market infrastructure;
- Providing trainings for the personnel of the markets/logistical centers concerning the effective organization of their activity;
- Organizing and carrying out of a study tour for potential stakeholders to better understand PPPs in relation to agricultural markets.

### ***Expected results/achievements during Year 2***

- At least four regional/local markets and/or market infrastructure objects are formed with Project assistance;
- At least 500 SMPs have better access to markets due to improve market infrastructure from Project assistance;
- More than 100 SMPs are linked to larger-scale firms as a result of improved value chains;
- At least \$400,000 in investment/credit for markets or market infrastructure are facilitated.

### ***Assumptions for successful implementation of Component 3 in Year 2***

- AgroInvest focus region(s), Dnipropetrovsk and Vynnytsya oblasts, in addition to Crimea, have been preliminarily selected
- PO Survey and Implementation Strategy has been developed

### ***Resources needed for Component 3, Task A and B in Year 2***

- Grants will be needed to support capacity building of partner producer organizations and for supporting small infrastructure development by such organizations;
- Subcontracts will be utilized for service providers to provide training for POs and SMPs and for development of market infrastructure-related project documentation;
- Private and/or public funding for the development of wholesale and regional markets, and other market infrastructure logistics and centers.

## **D. Project Communications**

### ***General Approach to Project Communications***

The USAID AgroInvest Project will consistently deliver its messages specified in the Communications Strategy to all target audiences. The CPOM will support all components in terms of communications and help the Project create visibility of its progress towards attaining the goal of accelerating and broadening economic recovery in Ukraine through support to the agriculture sector and increase the country's contribution to global food security vis-à-vis USAID, other donors, Government of Ukraine, other stakeholders and partners, and wide public. In particular the Project will coordinate closely with other USAID programs active in the sphere of communications and public awareness and working on relevant thematic issues alongside AgroInvest, in order to ensure maximal consistency and dissemination of messages. Specific activities to support this are listed below, grouped under wider headings.

### ***Activities to be undertaken during Year 2***

**Media relations.** The USAID AgroInvest Project will establish and nourish *good working relations* with selected industry and mainstream media. In order to establish these relations and to help journalists, especially region-based, improve their skills and understanding of some specific issues of the Project's interest, a series of *media training events* will be organized and conducted.

These events will be instrumental to raise interest in USAID AgroInvest and its role as a catalyst for an inclusive and competitive Ukrainian agricultural sector and provide information on current land legislation and developments in this and other related areas.

The media training will help us create a "*team of journalists*", which will be provided with first-hand materials and invited to all Project media events. They will also be encouraged to establish a formal or informal "*Agriculture and Land Press Club*" (using the press club supported by FinRep as a model) to meet periodically and discuss issues dealing with recent developments in agriculture and land relations.

We will also prepare *articles* for industry press and Internet- media on best practices, interviews with beneficiaries, etc., which will be distributed among interested printed and online media with a special emphasis on our “team of journalists”.

**Web-Site.** To share the latest Project news, reference material, and grant opportunities, an easy to maintain content management system for a bilingual *Project web site* will be developed. The USAID AgroInvest Project will develop the scope of work and procure the services of a web company for designing a content-management system (includes registering a domain name and hosting the site). So that visitors can disseminate interesting articles to their social sites, the Project site will have the ability to link viewers to their preferred social media sites or send the link via the emails, thereby increasing the distribution of site contents to a wider audience. The CPOM will maintain and monitor web site and implement a strategy to promote the web-site among stakeholders.

**Events.** The Project will organize events, i.e., Project launch events in the selected regions, press conferences, briefings, public hearings, etc. to discuss legislative gaps, effects of the lack of access to finance and underdeveloped market infrastructure and the Project’s approaches to remove these constraints and on other issues as deemed appropriate.

**Publications.** The Project will prepare and disseminate the *Weekly Highlights* covering all important and/or newsworthy developments that happened over the course of the week. This publication will be submitted to the USAID mission on a weekly basis.

The Project team will develop a potential *success story* plan and conduct success story and report writing training for the Project staff in order to make sure that important Project successes are properly reported and presented to the target audiences to encourage further successes.

The Project will revise and publish its *one-pager* presenting the Project’s overview of goals and activities and prepare *one-pagers for each component* in order to help stakeholders and potential partners better understand the goals of the components and opportunities for cooperation with the Project in their specific areas.

A series of “*issue briefs*” will be prepared on technical topics, e.g. implications of land market law and cadastral law once passed, tips on accessing finance, etc. will help position USAID AgroInvest as the “go-to” resource for information on sustainable land market development and expansion of the agricultural sector. The Project will keep track of the publications dealing with the activities under the Project and prepare *media clips* in order to be aware of the efficiency of communications efforts.

### ***Expected results/achievements during Year 2***

- Team of journalists is established; they convey the Project's messages and, at the same time, serve on the outreach campaign;
- The web-site informing the Project's stakeholders and a wider public on the Project's goals and progress is established;
- The web-site also is instrumental to advertise grants and subcontracts programs and tenders in order to solicit applications from a wide range of potentially good applicants;
- A forum is established to discuss burning issues with participation of decision-makers and wide circles of small and medium producers, landowners, etc. and to find appropriate approaches to address them;
- Publications on the topics related to the Project's area of interest and/or describing the Project's activities and thus promoting the Project's goals are published on an ongoing basis;
- Publications on burning issues and approaches to address them are available to decision makers and a wider public;
- Publications on the topics related to the Project's area of interest and/or describing the Project's activities and thus promoting the Project's goals published on an ongoing basis.

***Resources needed to support Project Communications***

- Subcontracting copywriters/editors as needed;
- Subcontracting a media trainer;
- Subcontracting a good professional facilitator to facilitate events as needed;
- Resources to print the publications;
- Resources to support the press club meetings.
- Subcontracting a web company for designing a content-management system;
- Resources to maintain the web-site.
- Resources to organize the events.

## **ANNEX A**

### **PMP Chart**

	Unit measure	Data Source	Baseline	Yr1 Target	Yr2 Target	Yr3 Target	Yr4 Target	Yr5 Target	LOP Target
<b>Project Objective 1.1: Market-oriented policy reforms accelerated</b>									
Indicator									
Number of policies/regulations/administrative procedures analyzed as a result of USG assistance	#	Partners, GOU documents	0	5	10	10	10	6	41
Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance	#	Partners, GOU documents	0	2	5	5	6	3	21
Number of policies rejected/vetoed/removed that are inconsistent with WTO, or inconsistent with agricultural market-friendly/investment-friendly procedures	#	Partners, GOU documents	0	0	3	3	2	1	9
Number of policies, regulations, and administrative procedures passed	#	Partners, GOU documents	0	0	3	3	3	1	10
Number of public-private dialogue mechanisms utilized as a result of USG assistance	#	Partners, project data	0	4	8	8	8	4	32
<b>Project Objective 1.2: Industry associations strengthened</b>									
Indicator									
Number of national/regional-level working groups engaged by partner industry associations	#	Partners, project data	0	2	5	5	5	3	20
Number of institutions/organizations undertaking capacity/competency strengthening as a result of USG assistance	#	Partners, project data	0	0	8	8	4	0	20
Aggregated increase in self-financing for targeted industry associations	%	Partners, project data	0	0	3	6	8	9	26
Number of new members in partner industry associations	#	Partners, project data	0	0	5	10	10	10	35
<b>Project Objective 1.3: Public education for land rights provided</b>									
Indicator									
Number of rural landowners reached	#	Partners, project data	0	10,000	2,000,000	2,000,000	1,250,000	250,000	5,510,000
<i>Share of female landowners reached</i>	%	Partners, project data	0	50%	50%	50%	50%	50%	50%
Awareness of land rights among target communities	%	Survey results, project data	0	25%	30%	35%	45%	55%	55%



<i>Share of female rural citizens in target communities - awareness of land rights</i>	%	Partners, project data	0	50%	50%	50%	50%	50%	50%
Number of land deeds issued in target communities	#	GOU documents	0	0	2,000	6,000	3,000	1,500	12,500
Number of land conflicts resolved as a result of project assistance	#	Partners, GOU documents	0	0	150	350	300	200	1,000
Percentage of legal aid service costs covered by non-project sources	%	Survey results, partners, project data	0	0	5%	40%	75%	100%	100%
<b>Project Objective 2.1: Sustainable access to financial services for SMPs provided</b>									
Indicator									
Value of agriculture finance facilitated	\$	Partners, project data	0	\$0	\$4 M	\$7 M	\$15 M	\$34 M	\$60 M
Number of new borrowers and loans	#	Partners, project data	0	0	1,000	2,000	3,000	4,000	10,000
<i>Share of women-owned SMP's in whole number of new borrowers</i>	%	Partners, project data	0	0	16%	16%	17%	18%	18%
New Loan portfolio at risk at 90 days	%	Partners, project data	0	0	10%	10%	10%	10%	10%
Number of innovative financial products developed and introduced into the market as result of project assistance	#	Partners, project data	0	0	3	2	1	0	6
Number of agriculture-related firms benefitting directly from USG supported interventions	#	Partners, project data	0	0	1,000	1,000	1,500	2,000	5,500
<b>Project Objective 3.1: Producer organizations developed/strengthened</b>									
Indicator									
Number of producer organizations identified, assessed, and selected for assistance	#	Partners, project data	0	5	8	7	0	0	20
Value of investment (in kind or otherwise) facilitated through producer group projects	\$	Partners, project data	0	0	\$ 450,000	\$ 500,000	\$ 625,000	\$ 650,000	\$ 2,225,000
Increase in sales (tonnage) of farmers in targeted producer organizations	%	Partners, project data	0	0	10%	20%	25%	25%	>100%
Perceived improvement in the quality of services provided to members by producer organizations	%	Partners, project data	0	0	5%	10%	10%	10%	35%
<i>Share of female members reported improvement of services provided by producer organizations</i>	%	Partners, project data	0	0	16%	16%	17%	18%	18%
Number of producer organizations, water users associations, trade and business associations, and community-based organizations receiving USG assistance	#	Partners, project data	0	5	40	35	40	40	160

Number of participants in USG supported trade and investment capacity building trainings	#	Partners, project data	0	125	400	350	150	150	1,175
<i>Share of female training participants in capacity building trainings</i>	%	Partners, project data	0	50%	50%	50%	50%	50%	50%
<b>Project Objective 3.2: More effective market infrastructure for SMPs developed</b>									
Indicator									
Number of wholesale markets formed (through at least Stage 4)	#	Partners, project data	0	0	0	1	1	0	2
Number of local/regional markets or market infrastructure (e.g. storage/cold storage, packing/ processing/sorting facilities) formed with project assistance	#	Partners, project data	0	0	4	6	4	0	14
Number of SMPs that have better access to markets due to improved market infrastructure (wholesale and/or regional markets, storage/cold storage, packing/processing/sorting facilities) from project assistance	#	Partners, project data	0	0	500	1,000	2,000	1,500	5,000
<i>Share of female-managed SMP's reported better access to improved market infrastructure</i>	%	Partners, project data	0	0	16%	16%	17%	18%	18%
Number of micro enterprises linked to larger-scale firms as a result of USG assistance to the value chain	#	Partners, project data	0	0	100	200	400	300	1000
<i>Share of female-owned micro enterprise linked to larger scale firms from USG assistance</i>	%	Partners, project data	0	0	16%	16%	17%	18%	18%
Value of investment facilitated in market infrastructure	\$	Partners, project data	0	\$0	\$400,000	\$10.6 M	\$10.25 M	\$0	\$21.25 M

## **ANNEX B**

### **Detailed Implementation Plan**

Work Plan Activities	2011 Y2Q1			2012 Y2Q2			2012 Y2Q3			2012 Y2Q4			Milestone	Responsible		
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep				
COMPONENT 1. Support a stable, market-oriented policy environment																
TASK A: ACCELERATE MARKET-ORIENTED REFORMS																
LOP result 1: A clearer and more stable policy environment that has led to increased agricultural investment																
LOP result 2: Formal sustainable and transparent public private dialogue mechanisms established and engaged in promoting investment and the advancement of agricultural industry in line with WTO rules																
LOP result 3: Private-public dialogue is more effective and regular																
LOP result 4: Many of the laws, regulations and policies outlined in the agriculture policy strategy adopted and implemented																
1. Land market reform															Component 1 Leader, Sub- contract TA	
Facilitate public discussion of draft Law on Land Market															Series of public discussions held	Component 1 Leader, Sub- contract TA
Hire local legal expertise to analyze Draft Law On Land Market as it moves through Verkhovna Rada															Draft law analyzed and recommendations shared with policy makers	Component 1 Leader, Sub- contract TA
Assist the government in developing by-laws and regulations which facilitate open and transparent market*															By-laws drafted and discussed with GoU	Component 1 Leader, Sub- contract TA
2. Improved policy/regulations for SMP access to finance																AMD, I, Component 1 leader
2.1. Pre-Harvest Financing																AMD, I, Component 1 leader

[illegible]

[illegible]

[illegible]

[illegible]



[illegible]

\* activity extends beyond YR 2 Work Plan

COMPONENT 1. Support a stable, market-oriented policy environment																			
TASK B: STRENGTHEN INDUSTRY ASSOCIATIONS																			
LOP result 1: A clearer and more stable policy environment that has led to increased agricultural investment LOP result 2: Private-public dialogue is more effective and regular LOP result 3: Partner industry organizations are well established and engaged in promoting investment, trade, and other priorities under the aforementioned agriculture policy strategy LOP result 4: Partner industry organizations demonstrating enhanced sustainability and effectiveness LOP result 5: Capacities of industry associations are built, leading to sustainable improvements in policy																			
<b>1. Solicit proposals from industry associations for capacity building/policy analysis grants</b>  <b>2. Design capacity building programs for Ag industry associations</b>  <b>3. Implement capacity building programs for Ag industry associations*</b>  <b>4. Facilitate associations participation in at least 5 policy dialogue discussions</b>																		Proposals received	Component 1 leader and Grants Manager
																		Program developed	Component 1 leader
																		Program being implemented	Component 1 leader and Grants Manager
																		Associations actively involved in discussions	Component 1 leader and AMDI

\* activity extends beyond YR 2 Work Plan

Work Plan Activities	2011 Y2Q1			2012 Y2Q2			2012 Y2Q3			2012 Y2Q4			Milestone	Responsible	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep			
COMPONENT 1. Support a stable, market-oriented policy environment															
TASK C: Public education for land rights provided															
LOP result 1: Baseline data for the awareness campaign available LOP result 2: Partners are identified. LOP result 3: Initial materials for the web-portal, hotline and toolkit are available. LOP result 4: The web-portal is developed and materials are available for downloading. LOP result 5: The hot-line is operational and provides advice to end-beneficiaries.															
I. Awareness building and outreach campaign														Awareness building campaign conducted	CPOM, DCOP
1. Pre-implementation activities														Baseline data available	CPOM
1.1. Subcontracting a survey company for baseline awareness building survey														Subcontract signed	CPOM, Grants/Subcontracts Manager
1.2. Conducting focus groups in target communities to check the messages and communications channels														Focus groups conducted	CPOM, Survey company
1.3. Conducting a survey to obtain baseline data on land rights literacy														Survey conducted	CPOM, Survey company
1.4. Publishing the findings of the survey, including recommendations on what should be done to increase land rights literacy														Report published	CPOM
1.5. Organizing roundtables in the selected oblasts to present the survey findings and recommendations and attracting future partners for the Education Campaign														Roundtables conducted	CPOM, DCOP
2. Resource Center, including web-portal and hotline														Resource Center, web-portal and hotline operational	CPOM, partners

2.1. Organize the resource center															Resource center organized	CPOM, DCOP, partners
2.1.1. Develop the design for the resource center															Design developed	CPOM, DCOP, partners
2.1.2. Provide a capacity building grant for the organization which will host the resource center															Grant signed	CPOM, Grants/Subcontracts Manager
2.2. Organize work of the resource center															Resource center supports the public education campaign and legal land rights services program	CPOM, DCOP, partners
2.2.1. Analyzing the most burning issues of landowners (typical cases) and develop corresponding roadmaps and other guidance materials (this activity will be ongoing as new issues are identified)*															Guidance materials prepared	CPOM, resource center
2.2.2. Develop a toolkit (training modules and take-away materials) and demand-driven funding mechanisms for providers of primary legal rights services. The toolkit will be updated once new issues are added and/or new legislation passed*															Toolkit developed	CPOM, resource center
2.3. Establishing a hotline where landowners can receive land rights information and some basic advice on land rights related issues															Hotline established and operates	Resource center
2.4. Organizing an awareness campaign to inform wide public on the hotline and services available from the resource center*															Awareness campaign conducted	CPOM, partners
<b>3. Media relations</b>															Media relations established	CPOM
3.1. Building a team of journalists																
3.1.1. Conducting media training on land rights															Media training conducted	CPOM

3.1.2. Establishing relations with the trained journalists to make sure they will use materials developed by the USAID AgroInvest and partners for their publications															Database of journalists created and updated regularly	CPOM
3.1.3. Distributing materials prepared by the experts from the resource center to the trained journalists															Materials distributed on a regular basis	CPOM
3.1.4. Establishing the "Ag&Land Press Club" (through Grant-provided that this initiative is supported by the journalist community)															Press Club organized	CPOM, partners
3.1.5. Work of the "Ag&Land Press Club"															Press Club operational	CPOM
3.2. Organizing a series of TV and/or radio programs on a national and/or oblast level, including technical support of hotline															Programs organized	CPOM, partners
3.2.1. Subcontract for information campaign (TV, radio)															Subcontract signed	CPOM, Grants/Subcontracts Manager
3.2.2. Conducting information campaign (TV, radio)															Programs organized	CPOM, partners
<b>4. Publications</b>															Publications produced	CPOM, technical advisors
4.1. Identify most pressing issues*															Topics identified	CPOM, resource center
4.2. Publish a series of handy leaflets covering these issues*															Leaflets published	CPOM, resource center
4.3. Distribute the leaflets to village administrations, libraries, post offices with a recommendation to post them on information boards*															Materials distributed	CPOM
4.4. Prepare and publish more comprehensive manuals which may be used by trainers for education purposes*															Manuals published	CPOM, resource center
<b>5. Community engagement</b>															Community engagement work organized	CPOM, resource center, partners

5.1. Community meetings provide a forum for land owners to ask questions and voice their concerns regarding land rights*														Community meetings organized	CPOM, resource center, partners
5.2. Partnering with local authorities, extension services, local NGOs to organize community meetings for information-sharing events*														Partners identified and events conducted	CPOM, resource center, partners
5.3. Using local radio, advertisements on bus stops to inform about upcoming meetings*														Information is available	CPOM, resource center
<b>II. Sustainable delivery of legal land rights services program</b>														Framework for sustainable legal land rights services available	CPOM, partners
<b>6. Establish a framework for sustainable provision of primary legal land rights services</b>														Framework for primary legal land rights services available	CPOM, partners
<i>6.1. Pre-implementation activities</i>														Pre-implementation work done	CPOM
6.1.1. Identify future partners for primary legal services.														Partners identified	CPOM, DCOP, partners
6.1.2. Partner with extension services, land surveyors, and village administration as providers of primary legal land rights services.														Relations established	CPOM, DCOP, grants team
6.1.3 Providing capacity building grants for primary legal land rights services														Grants signed	CPOM, Grants/Subcontracts Manager
<i>6.2. Implementation</i>															
6.2.1. Develop materials and launch the web-portal where reference materials can be downloaded.														Web-portal launched	CPOM, resource center, partners
6.2.2. Organize Train-the-Trainer sessions for extension services and support/oversee training campaigns.														Train the Trainers sessions conducted	CPOM, resource center
6.2.2.1. Organize training for village administrations and support them with materials and coaching*														Training conducted	CPOM, resource center

6.2.2.2. Organize a training for land surveyors and support them with materials and coach.															Training conducted	CPOM, resource center
6.2.2.3. Organize a training for local farmers associations and support them with materials and coach.															Training conducted	CPOM, resource center
6.3. Support local partners (through the resource center) in using the materials and providing legal advice*															Support available	CPOM, resource center
6.4. Provide periodic training, especially at times when new legislation is passed*															Refresher training organized	CPOM, resource center
<b>7. Establish a framework for sustainable provision of secondary legal land rights services*</b>															Framework for secondary legal land rights services available	CPOM, partners
<i>7.1. Pre-implementation activities</i>																
7.1.1. Identify future partners for secondary legal services (in collaboration with AJLEP).															Partners identified	CPOM, DCOP, partners
7.1.2. Partner with members of the AJLEP Property Rights Network and students clinics as providers of secondary legal rights services.															Partner relations established	CPOM, partners
7.1.3. Provide capacity building grants for secondary legal land rights services															Agreements signed	CPOM, DCOP, grants team
<i>7.2. Implementation activities</i>															Pre-implementation work done	CPOM
7.2.1. Develop a toolkit (training modules and take-away materials) and demand-driven funding mechanisms for providers of primary legal rights services.															Toolkit developed	CPOM, resource center
7.2.2. Implement the first pilot capacity building project(s) with the local legal rights provider(s).															Pilot capacity building program implemented	CPOM, resource center, partners
7.2.3. Provide ongoing support and coaching through the resource center*															Support is available	CPOM, resource center, partners

7.2.4. Assess results of the first pilot project(s) and, utilizing lessons learned, expand this approach to other target communities*																		Lessons learned and the approach is modified	CPOM, resource center, partners
7.2.5. Help the AJLEP Property Rights Network to implement this approach in other communities*																		Support is available	CPOM, resource center, partners
7.2.6. Help the partners sustain this activity*																		Approaches to sustain identified and support provided	CPOM, DCOP, resource center, partners

\* activity extends beyond YR 2 Work Plan

Note: many Component 1, Task 3 activities on awareness and land rights are dependent on the timing of lifting the land moratorium



Work Plan Activities	2011 Y2Q1			2012 Y2Q2			2012 Y2Q3			2012 Y2Q4			Milestone	Responsible
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
COMPONENT 2. Stimulate Access to Finance														
LOP result 1: By year five, 10,000 new agricultural loans issued through USAID partner organizations LOP result 2: Portfolio at risk for average agriculture lending is no more than 10% at 90 days for partner financial institutions LOP result 3: A well functioning, warehouse receipts system that is more widely used LOP result 4: New financial products operating in the market providing greater access to credit for SMPs														
1. Evaluate, identify and select partnerships with banks, non-banks and value chain actors for increasing access to finance for SMPs:														
1.1 Credit unions + financial institutions													Credit unions selected	Component 2 Leader
1.2 Suppliers of agricultural inputs													Suppliers selected	Component 2 Leader
1.3 Buyers (e.g. processors, traders, retail outlets...)													Buyers selected	Component 2 Leader
2. Complete the signing of MOUs with at least 4 providers of credit (from YR 1)													MOUs signed	Component 2 Leader
3. Continue developing and implementation of capacity building programs for partner financial institutions to provide finance for SMPs*														
3.1 Concept development													Conception memo developed	Component 2 Leader
3.2 Concept implementation*													STTA; programs in execution	Component 2 Leader
4. Develop and facilitate capacity building programs for SMP borrowers														

4.1 Capacity building program for SMPs (including Component 3 beneficiaries)*														Capacity building programs developed	Components 2, 3 Leaders
4.2 Consulting partners identified through competitive process														Consulting partners identified	Component 2 Leader
4.2.1 Subcontracts developed and signed														Subcontracts signed	Grant Manager, Component 2 Leader
4.2.2 Consulting /training delivered*														Targets identified and delivered, updated	Component 2 Leader
<b>5. Develop and facilitate capacity building programs for credit unions</b>															
5.1 Capacity building program for credit unions*														Capacity building programs developed	Component 2 Leader
5.2 Consulting partners identification														Consulting partners identified	Component 2 Leader
5.2.1 Conduct competitive subcontract selection process for training credit unions														Subcontracts signed	Grant Manager, Component 2 Leader
5.3 Training/Capacity building														Targets identified and delivered, updated	Component 2 Leader
<b>6. Facilitate financial policy reform discussions/forums to support innovative lending practices and products*</b>														Forums facilitated	Component 2 Leader
<b>7. Summarize regulatory and legal obstacles for access to lending that should be addressed</b>														Memo on issues to be addressed developed	Components 1. 2 Leaders
<b>8. Special lending approach development (seed growers shared financing/development)</b>														MOUs with seed suppliers signed	Component 2 Leader
<b>9. Facilitate engagement between lenders and borrowers to develop new/innovative products*</b>														New dialogue between value chain actors	Component 2 Leader

10. Develop baseline data for partner financial institutions and value chain lenders																		Baseline benchmark data developed and filed	Component 2 Leader, Cross-Cutting manager
11. Increase access to finance for SMPs in Crimea and selected regions*																		SMP finance increased in selected regions	Component 2 Leader, Field office Component 2 staff

Work Plan Activities	2011 Y2Q1			2012 Y2Q2			2012 Y2Q3			2012 Y2Q4			Milestone	Responsible
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
COMPONENT 3. Facilitate Market Infrastructure for SMPs														
TASK A: Producer organization development														
LOP result 1: Local projects implemented that increase member services, market access, and productivity														
LOP result 2: Investment facilitated through producer group projects														
LOP result 3: Strengthened capacity of farmer organizations to provide better services to their members														
LOP result 4: Increased productivity of farms in targeted producer organizations														
LOP result 5: An average of a 100% increase in sales at targeted producer organizations														
LOP result 6: Increased profitability of farming in targeted producer organizations														
1. Continue (From Yr 1) survey of POs and SMPs.													Conducted Survey	Component 3 Leader, PO Specialist
2. Identify and assess POs and SMPs with high potential based on the results of the Survey (cont. from YR 1).													Assessment conducted	Component 3 Leader, PO Specialist
3. Capacity building program strategy for agriculture POs approved by USAID**													Strategy approved	USAID COTR
4. Select 10-15 high-potential Pos and sign MOU with selected POs (cont. from YR 1)													Partner POs selected	Component 3 Leader, PO Specialist
5. Prepare and conduct trainings on marketing, capacity building program development for selected POs and SMPs													Prepared and conducted capacity building trainings	Component 3 Leader, PO Specialist
6. Organization of PPP study tour or in-country training														Component 3 Leader
7. Design capacity building programs for partner POs and SMPs (cont from YR 1)													Programs developed	Component 3 Leader, PO Specialist
8. Implement capacity building programs for partner POs and SMPs*													Program implementation started	Component 3 Leader, Grants/Subcontracts Manager
8.1. Develop business plans for attraction of financial and material resources													BPs developed	Component 3 Leader, service providers
8.2 Conduct roundtable discussions to present business plans to potential financial organizations													Roundtable discussions held	Component 3 Leader
8.3. Conduct competitions for capital improvement grant support for SMPs and POs													Tender announced and proposals	Component 3 Leader, PO Specialist

																received	
8.4. Carry out trainings for POs and SMPs (marketing, added value channels, technologies, management, finance, land rights)*																Trainings carried out	Component 3 Leader, PO Specialist
9. Collect baseline data for partner POs or SMPs																Baseline data developed	M&E Specialist, PO Specialist
<b>TASK B: Develop wholesale markets</b>																	
LOP result 1: At least two wholesale and five local/regional markets are established which provide greater access to markets for SMPs																	
LOP result 2: SMPs have better access to services such as cold storage, grading and storage, and other market infrastructure that enhances their ability to market their produce																	
LOP result 3: Private sector financing leveraged for the establishment of wholesale markets																	
1. Agriproduce Market infrastructure strategy/plan approved by USAID COTR**																Strategy approved	USAID COTR
2. Conduct roundtables on market infrastructure strategy/plan implementation in pilot regions/																Roundtable discussions held	Component 3 Leader
3. Conduct research of prospective market locations																Research carried out	Component 3 Leader, service providers
4. Select at least four market infrastructure development locations																Markets sites under consideration	Component 3 Leader
5. Initiate local work groups to support market infrastructure strategy/plan implementation (four locations)																Local WGs created	Component 3 Leader
6. Identify potential private and public sector participants for market infrastructure development																Potential participants short-listed	Component 3 Leader
7. Develop plans for four market infrastructure locations development, sign MoUs																MOUs being negotiated	Component 3 Leader
8. Pre-feasibility studies and initiation of feasibility study of prospective market infrastructure locations (four),																Feasibility studies started on selected sites	Component 3 Leader, Grants/Subcontracts Manger, Subcontractor
9. Presentation of investment projects on development of four prospective market infrastructure locations																Investment Projects presented	Component 3 Leader
10. Provide support to development of plans for market infrastructure development investment projects																Tender announced and proposals received	Component 3 Leader, Grants/Subcontracts Manager
11. Drafting of the operational policies for organization of market infrastructure locations functioning, regulations on the market committees, other issues*																	Component 3 Leader
12. Conduct trainings for market management and market operators																Trainings conducted	Component 3 Leader

13. Organization of educational trips for market management for studying the best practices of market functioning organization																		Component 3 Leader	
14.Consultation, monitoring, support of four prospective market infrastructure locations development*																		Infrastructure facilities supported	Component 3 Leader, service providers
15. Increase SMPs/POs access to markets and market infrastructure in Crimea and selected regions*																		SMP/PO market and market infrastructure access improved	Component 3 Leader

**\*\* Program/strategy submitted for approval in September 2011**

## Project Communications Plan

Work Plan Activities [1]	2011 Y1Q4		2012 Y2Q1				2012 Y2Q2				2012 Y2Q3				2012 Y2Q4				Milestone	Responsible
	Jul	Sep		Oct	Nov	Dec		Jan	Feb	Mar		Apr	May	Jun		Jul	Aug	Sep		
1. Prepare mission <i>Weekly Highlights</i> and submit to the USAID on a weekly basis																			Weekly Highlights delivered on a regular basis	COP/DCOP, Component Leaders, with CPOM
2. Revise Project one-pager, overview of goals and activities																			Project one-pager available	Technical Team Leaders, CPOM
3. Prepare one-pagers for each component																			Component one-pagers available	Technical Team Leaders, CPOM
4. Develop scope of work and procure services of a web company for designing a content-management system (includes registering a domain name and hosting the site).																			Web site developed	CPOM Manager with assistance from IT administrator
5. Organize overall Project media events																			Events conducted in the regions	COP/DCOP with CPOM
6. Organize and conduct a series of media training events (for media) to raise interest in USAID AgroInvest and its role as a catalyst for an inclusive and competitive Ukrainian agricultural sector and provide information on current land legislation																			Media training conducted	CPOM Office Manager and DCOP
7. Launch the Project web-site.																			Web site launched	CPOM
8. Promote the web-site among stakeholders																			Web site promoted	CPOM
9. Prepare articles for industry press and Internet- media on best practices, interviews with beneficiaries, etc.																			Articles etc. prepared and disseminated	COP/DCOP with CPOM

[illegible]



## Project Administration Plan

Work Plan Activities	2011 Y2Q1			2012 Y2Q2			2012 Y2Q3			2012 Y2Q4			Milestone	Responsible
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
<b>1. Regional Office Start-up</b>														
1.1. Office space location and lease agreement													Agreement signed	Admin/Fin Dir
1.2. Procurement of office furniture													Received office furniture	Admin/Fin Dir
1.3. Procurement of computer and IT equipment													Received computer equipment	Admin/Fin Dir
1.4. Procurement of telecommunication services													Agreements with providers signed	Admin/Fin Dir
1.5. Procurement of city phone line services													Agreement signed, service is in place	Admin/Fin Dir
1.6. Procurement of office supplies													Supply providers (taxi, water, office supplies, etc.) selected, agreements signed	Admin/Fin Dir
1.6. Organization of appropriate transport in selected regions														
<b>2. Staff resources</b>														
2.1. Crimea Component 3 staff (in addition to Comp 2 staff started in YR 1)													Employee is hired	COP, DCOP, Admin/Fin Dir
2.2. Other field office Components 2 and 3 staff													Employees hired	COP, DCOP, Admin/Fin Dir
2.3. Other field office support staff													Employee is hired	COP, DCOP, Admin/Fin Dir

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