



USAID | AgrolInvest Project

FROM THE AMERICAN PEOPLE

QUARTERLY REPORT JANUARY 1 - MARCH 31, 2012

April 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International.

AGROINVEST

**QUARTERLY REPORT
JANUARY 01, 2012 - MARCH 31, 2012**

Contract No. AID-121-C-11-00001

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

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ACRONYMS

AMDI	Agrarian Markets Development Institute
CLIN	Contract Line Item Number
COP	Chief of Party
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GOU	Government of Ukraine
IFC	International Finance Corporation
IFI	International Financial Institution
LGAF	Land Governance Assessment Framework
LINC	Local Investment and National Competitiveness project
LOE	Level of Effort
MAPF	Ministry of Agrarian Policy and Food
NGO	Non-governmental Organization
PO	Producer Organization
RFA	Request for Applications
RFP	Request for Proposals
SLA	State Land Agency
SMP	Small and Medium Producer
SRS	State Registration Service
SOW	Scope of Work
UFE	Ukrainian Futures Exchange
UNITER	Ukraine National Initiatives to Enhance Reforms Project
WTO	World Trade Organization

INTRODUCTION

Project Overview

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

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

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

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

QUARTERLY HIGHLIGHTS

In January, February, and March 2012, the AgroInvest project team continued technical implementation activities in the project focus areas and established a new project presence in Kherson, facilitating outreach across southern Ukraine. Key activities and accomplishments during this period included the following:

- The project put major effort into monitoring and responding to changes to the draft Law on Land Market. After the first reading of the law in the Verkhovna Rada in November 2011, AgroInvest succeeded in achieving two of its key advocacy positions, i.e. removing the exclusive right of the State Land Bank to issue mortgages for agricultural land and removing the 6-month limitation on commercial banks holding land on which they foreclose.

Nevertheless the continued unclear role that the State Land Bank would play in the new market, along with draconian limits imposed on land leasing, meant that AgroInvest also supported suspension of the law in its current form. This was effected in conjunction with project partners in February 2012.

- The second phase of the National Land Rights Media Campaign was conducted during this quarter, consisting of four media training sessions covering the remaining 10 oblasts of Ukraine and involving a total of 223 journalists. 131 pieces of press coverage on the issue of the pending land market and its implications for rural landowners and farmers were registered reaching an estimated 17 million Ukrainians.
- The World Bank/AgroInvest Land Governance Assessment Framework (LGAF) initiative was conducted intensively through the quarter, with seven Expert Panel Sessions, involving 30 Government of Ukraine (GOU), non-governmental organization (NGO) and independent professional experts gathering to evaluate Ukrainian land governance mechanisms, prior to presentations in to the World Bank in Washington and GOU in Kyiv in April and May 2012, respectively.
- AgroInvest responded to the Ministry of Agrarian Policy and Food's (MAPF) requests to support the development of a series of revised pieces of legislation governing agricultural cooperative organization and taxation. AgroInvest, also on the request of the Ministry, engaged the Union of Agricultural Cooperatives to develop model cooperative statutes for discussion, formal approval and dissemination for use, in conjunction with training across the country.
- AgroInvest signed a bridge subcontract with the Agrarian Markets Development Institute (AMDI) on January 31, 2012, enabling AMDI to engage in priority policy issues, including the provision of secretarial support to the new Public Council under MAPF, which began gathering approximately 40 industry associations on agricultural policy issues, using this as the primary vehicle for furthering its technical policy work refining the draft Law on Agrarian Receipts and refining the Law on Warehouse Receipts.
- Over 15 new agricultural small and medium producer (SMP) lending products were developed during the quarter for national and regional banks as well as credit unions, with a particular focus on Crimea and Kherson oblasts. Of these credit products, two have received formal approval by the boards of the relevant financial institutions, and all are undergoing fine-tuning and presentation to target audiences of SMPs. One, a new title deed registration product for credit unions, was finalized during the quarter.
- US Farm Credit System expert Vickie Cosentino conducted a review of the Ukrainian credit union system and lending practices, compared it to the US experience, developed recommendations, and delivered a successful training to over 58 representatives of the two project-supported national credit union association task forces.
- AgroInvest producer organization development specialists conducted the first round of the post-harvest handling and logistics grant program during the quarter. The Project received 11 applications from cooperatives and producer organizations. AgroInvest provided input to five applicants, requesting them to revise their submissions and reapply in the following round. Three applicants were selected for direct project financial support.

- Market infrastructure work focused on gaining MAPF recognition of status and developing feasibility studies for the regional wholesale market in Rivne. Support to a network of five raion markets/logistics platforms was also agreed in Kherson Oblast and implementation work initiated. In Crimea, the Project provided consultations on market organization and conducted initial work on feasibility study design for two local logistics centers.

SECTION I: ACCOMPLISHMENTS AND PROGRESS TO DATE

Technical Implementation

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

Task A: Accelerate Market-Oriented Reforms

Advocacy on Draft Law on Land Market

AgroInvest continued to closely monitor policy discussions on new legislation to lift the moratorium on sales of agricultural land. The Project coordinated its activities with key partners in this area, namely the USAID Local Investments and National Competitiveness (LINC) project, Access to Justice and Legal Empowerment project, Ukraine National Initiatives to Enhance Reforms project (UNITER), the World Bank, the European Bank for Reconstruction and Development (EBRD) and the International Finance Cooperation (IFC) as well as industry associations and think-tanks, such as the Association of Farmers and Landowners, Association of Agricultural Cooperatives, Women Farmers Association, Agrarian Confederation, Ukrainian Agribusiness Club, and American Chamber of Commerce.

Key relationships with GOU representative bodies, such as the Ministry of Agricultural Policy and Food, State Land Agency and Parliamentary Committee for Agriculture and Land were also a focus, with regular contact with project coordinators identified in each in order to monitor developments and respond with the priority advocacy positions developed by AgroInvest.

Intensive work with the aforementioned partners ensured regular updates to the changing text of the draft Law on Land Markets. Key breakthroughs for the project included success in removing the exclusive right of the State Land Bank to offer mortgage lending against agricultural land, thereby allowing commercial banks to engage in financing sale-purchase transactions. In addition, the six-month limit on commercial banks' holding of agricultural land on which they had foreclosed was also successfully removed from the draft law, as a direct result of AgroInvest advocacy work, which resulted in members of the Parliamentary Committee for Agriculture formally submitting this issue in their list of proposed amendments to the draft between readings by the Verkhovna Rada.

Although, given general opposition to the draft law text published at the end of January in the official *Holos Ukrainiy*, the second reading of the law was suspended, AgroInvest and its partners, particularly among Ukrainian and international industry associations, retain serious concerns relating to the potential role of the State Land Bank



AgroInvest DCOP speaking at the Land Expert Forum
February 14, 2012

and in relation to the draconian limits imposed in the draft on the maximum area of land that can be leased by a single entity. The proposed limit of 100,000 ha (or up to 10% of a single raion) could have a major impact on agricultural production and therefore exports, domestic prices and revenues.

As a result of the suspension of the Land Market Law, likely until after the parliamentary elections in October 2012, a series of other laws covering the conduct of auctions of state land and establishing limits on areas that can be leased by single entities were registered during March 2012, in an apparent attempt to push through some of the Land Market Law concepts under separate pieces of legislation. Such initiatives were monitored by AgroInvest and responses agreed with its partners.

Land Market Implementation Proposals

The Owner Finance (lease-purchase) and Owner Association concepts were further discussed with project partners at MAPF and in the Parliamentary Committee for Agriculture and refined during the quarter with support from AgroInvest short-term expertise. The Ministry and Committee both expressed some interest in the concepts, with discussion focusing on the legality of making owner associations mandatory.

In terms of the Owner Finance concept, both Raiffeisen Aval and Oschadbank, which had initially expressed strong interest in engaging on turning the concept into a bank product, retreated to maintaining holding positions during the quarter, as they saw the Land Market Law stalling. Nevertheless AgroInvest engaged legal expertise during the quarter to establish the extent to which the concept could be implemented, subject to the lifting of the moratorium under current Ukrainian legislation. The outcome of this analysis is expected in the coming quarter.

Land Governance Assessment Framework (LGAF)

During January – March 2012, AgroInvest continued its collaboration with the World Bank in implementing the Land Governance Assessment Framework (LGAF) initiative. As such, AgroInvest engaged four experts to conduct in-depth analysis of the seven core LGAF themes. After conducting preliminary research work, the experts, in coordination with World Bank specialists from the United States and Georgia, conducted a series of seven expert panel sessions at which preliminary findings were presented to relevant Ukrainian experts who then engaged in individual and group evaluation of Ukraine against a total of 98 indicators.



The following expert panel sessions were conducted during the reporting period, to which some 30 experts representing private sector, NGOs, government bodies and independent professional organizations in appropriate fields of expertise were engaged:

1. Land Tenure
2. Urban Land Use Planning and Development
3. Rural Land Use Planning and Development
4. Land Valuation and Taxation
5. Public Land Management
6. Public Provision of Land Information
7. Dispute Resolution

The final two expert panels on Large-scale Land Acquisition and Forestry are scheduled for early April, prior to AgroInvest's supporting a Ukrainian delegation and LGAF presentation at the 2012 World Bank Annual Conference on Land and Poverty and the conclusion of the LGAF development phase, with a Technical Validation Workshop and Public Policy Dialogue in late May.

Simultaneously with its work in implementing the LGAF methodology, AgroInvest initiated the search for national level champions to support buy-in to the land governance policy recommendations that LGAF will generate. To this end, strong working relations were established with the State Land Agency (SLA) and the State Registration Service (SRS), who will engage in the World Bank April conference at the level of SLA Head and SRS Deputy Head, respectively. At the level of the Cabinet of Ministers and Presidential Administration, potential champions were also identified and preliminary meetings held.

Development of Price Risk Management Initiative for Agriculture

During the quarter, AgroInvest continued work with the Ukrainian Futures Exchange (UFE) and international futures market experts CME Group, in conducting an awareness-building campaign for officials and potential private sector users of the new Black Sea Grain Futures Contract developed by CME Group for Ukraine and the Black Sea basin. The campaign is scheduled to be launched in the following quarter.

After the CME Group completed a training in London for UFE representatives, AgroInvest agreed to support a series of seminars targeting regional and local officials as well as producers, traders and other interested parties on methods for mitigating financial risks that deal with changes in prices for agricultural produce, and ways to protect against price fluctuations and confidently plan for economic activities taking advantage of derivatives (futures and options). The first such event, for over 70 participants, took place in Kherson on March 29. A series of similar events will follow through the next quarter in the build-up to the launch of the new futures contract.

Producer Organization Development Policy Initiatives

On the written request of MAPF in November 2011, after conducting a competitive tender, AgroInvest engaged in a subcontract with the Union of Agricultural Cooperatives on February 3, 2012, to conduct a study of legislative and regulatory acts governing agricultural service cooperation and develop draft model charters for Ukrainian agricultural service cooperatives, cooperative associations, and cooperative enterprises. During the quarter these documents were developed and in April 2012, the research will be presented at the central level for public discussion to representatives of GOU and cooperative stakeholders, prior to finalization and approval by MAPF. The outputs will also be presented at practical seminars with cooperative leaders and extension workers at events organized in conjunction with European Commission (EC) cooperative experts in Rivne and Kherson, covering project-supported cooperative development initiatives in the west and south of Ukraine, respectively.

In response to planned and ad hoc requests from MAPF, project producer organization and market infrastructure specialists also engaged in the following policy development and implementation work at the national level:

- Contributed to the revised draft Law on Agricultural Cooperation, parliamentary approval of which was included in the presidential National Action Plan for 2012. AgroInvest specialists presented this to an inter-ministerial group on March 22, after which it was shared with representatives of the academic/research community for input, prior to submission to the Cabinet of Ministers;
- Contributed to the revised draft Law on Introduction of Amendments to Some Legislative Acts (Means of Cooperation Development);
- Coordinated the draft Law on Introduction of Amendments to the Tax Code (Stimulation of Agricultural Cooperation Development). AgroInvest provided input in particular on regulating double taxation of cooperative activities and taxation of owners of individual holdings;
- Amended the draft Resolution of the Cabinet of Ministers on Introducing Amendments to the Procedure for Using Funds Allocated in the State Budget for Supporting Agricultural Service Cooperatives and their Members;
- Contributed to the draft Law on Introducing Amendments to the Tax Code (Determining Trade Surcharge Premia) by Entities Subject to VAT;
- Introduced proposals on the procedure for using state funds to support producer organization development in the sphere of livestock breeding. AgroInvest proposals aim to engage state subsidies to support individual landholders, who are members of service cooperatives, in purchasing dairy and meat breeding stock.

Coordination on Producer Organization Development with Other Donor Initiatives

Given the strong interest in producer organization (particularly agricultural cooperative) development in Ukraine and the wider East-central European region by a variety of bi- and multilateral international donors, AgroInvest continues to play a major coordinator

and expert role in common policy platforms and exchanges of experience, as illustrated by the following activities during the reporting period:

- In March AgroInvest specialists participated in the EC/FAO supported conference on policy and support programs for small farmer organizations in Georgia, reviewing the experience of Georgia and other regional countries in this sphere;
- Provided ongoing coordination with the CIDA PRISM project Capacity Building for MAPF to Develop and Implement Agricultural Cooperation Policy in developing the concept of agricultural service cooperative development up to 2020;
- Coordinated with the Dutch project Harmonization of the Legislative System and Development of Agricultural Service Cooperatives in the developing joint training leading to the development of agricultural POs according to EU standards;
- Collaborated with the EC project on fulfilling Ukraine's commitments to membership in the WTO and on the European Neighborhood Policy in the rural sector of approaches to uniting small commodity producers into marketing groups in order to develop value-added chains of agricultural products;
- Coordinated with the USAID Parliamentary Development Program in support of the Council of Women-Farmers of Ukraine on the topic "Integration of the principle of equal rights and opportunities of women and men in development programs".

Task B: Strengthen Industry Associations

AgroInvest continued to coordinate with key partner industry associations, with a focus on engaging the Agrarian Confederation, Association of Farmers and Landowners, Agribusiness Club and Land Union, in the developing common advocacy positions and joint events focused on improving the text of the draft Law on Land Market. This coordination culminated in a series of discussions at the level of Minister of Agricultural Policy and Food and the Head of the Parliamentary Committee for Agriculture, chaired by the Coordination Council for Agrarian Reform during January and February 2012, at which a consistent position was presented by both Ukrainian and international industry associations, donors and International Finance Institutions (IFIs), ultimately leading to the shelving of the draft law in its current form.

Simultaneously AgroInvest developed a more direct approach to supporting the development of agricultural policy analysis and advocacy capacity within Ukrainian agribusiness associations by designing a grant program to supporting specific analysis and advocacy initiatives by partner associations. The request for applications (RFA) for this program will be launched in early April 2012 and repeated in the autumn, with a target of 10-15 of Ukraine's approximately 100 industry associations to receive support under the program. In connection with this initiative, AgroInvest coordinated closely with the NGO support program of USAID UNITER PACT, which can provide additional human development, accounting and audit capacity building support.

Engagement of Agrarian Markets Development Institute (AMDI)

After the decision by USAID in mid-December 2011 not to issue a grant to AMDI through the AgroInvest project, but rather to enter into a direct cooperative agreement between USAID and the grantee, AgroInvest executed a bridge subcontract with AMDI while USAID prepared its cooperative agreement. The bridge subcontract was fully executed on January 31.

Thereafter AMDI provided secretarial support to the new Public Council under MAPF, which began gathering some 40 industry associations on agricultural policy issues, using this as the primary vehicle for furthering its technical policy work refining the draft Law on Agrarian Receipts, developed previously in conjunction with EBRD and FAO and based on the Brazilian pre-harvest financing model. The subcontract also allowed AMDI to continue its work on refining the Law on Warehouse Receipts, as well as in supporting AgroInvest policy work in the sphere of agricultural cooperative development.

A parallel initiative supporting the development of public-private dialogue with which AgroInvest developed a draft support program during the quarter is the Coordination Council on Agrarian Reform, which brings together not only representatives of international donor programs, IFIs and business associations, but also GOU and Ukrainian industry associations. AgroInvest also held extensive discussions with Coordination Council management and drafted a scope of work, which it is planned to be finalized in conjunction with GOU representatives and launched as a competitive tender in the coming quarter.

Task C: Provide Public Education for Land Rights

In this reporting period, work on providing public education for land rights revolved around two major sets of activities: firstly the second phase of the National Media Campaign on Land Reform; and secondly pre-implementation activities for the Land Rights Public Education and Outreach Campaign and for the Program for Delivering Sustainable Legal Land Rights Services.

National Media Campaign on Land Reform

During January-March 2012, AgroInvest conducted the second phase of the National Media Campaign on Land Reform. The campaign aimed to introduce the project and particularly ongoing land reform initiatives to a wide circle of journalists with a special emphasis on rural areas of Ukraine.

The campaign consisted of a series of media-days to which journalists from 2-3 different oblasts were invited. Each media-day included the following modules:

- presentation of the project and its components,
- quiz for journalists on land legislation,

- training to help journalists identify specific topics under the broad theme of land reform,
- press conference/roundtable entitled Ukrainian Land Market Development after the Moratorium on Agricultural Land Sales.



At a press-conference in Kharkiv
January 18, 2012

Four events were organized in Kharkiv, Rivne, Ternopil, and Lviv and were attended by a total of 223 journalists from 10 oblasts across northern and western Ukraine. Preliminary media monitoring for the quarter revealed 131 media appearances in local press as a result of these events with a total readership of 17 million.

This initiative formed an integral part of the AgroInvest strategy to maximize public discussion of the draft Land Market Law, its positive features and shortcomings and to advocate removal of non-transparent and market distorting aspects of the law. At the same time the events allowed AgroInvest to complete its database of active and interested journalists, drawn from regional press clubs, which will be used to maintain contact and provide them with informed information on agricultural and land-oriented issues as part of the national awareness and education campaigns.

Pre-implementation Activities for Land Rights Public Education and Outreach Campaign and Program for Delivering Sustainable Legal Land Rights Services

AgroInvest conducted intensive preparations during this reporting period to launch the Land Rights Public Education and Outreach Campaign.

The project identified the winner of the competition for the Baseline Survey on Land Rights Awareness, which will gauge the level of awareness of rural communities. Apart from collecting baseline data, this survey will also provide important inputs for the Land Rights Public Education and Outreach Campaign through focus-group discussions on proposed campaign messages and by fine-tuning information channels identified as most suitable for particular target communications.

In response to a request by USAID, the survey will be national in scope and will collect data to address the two land market implementation concepts, i.e. owner financing (lease purchase) and owner associations. To this end, a subset of questions will be developed and included in the survey, aiming to test the concepts in terms of issues, demand and suitability. The subcontract agreement will be executed and the survey will be launched in April 2012.

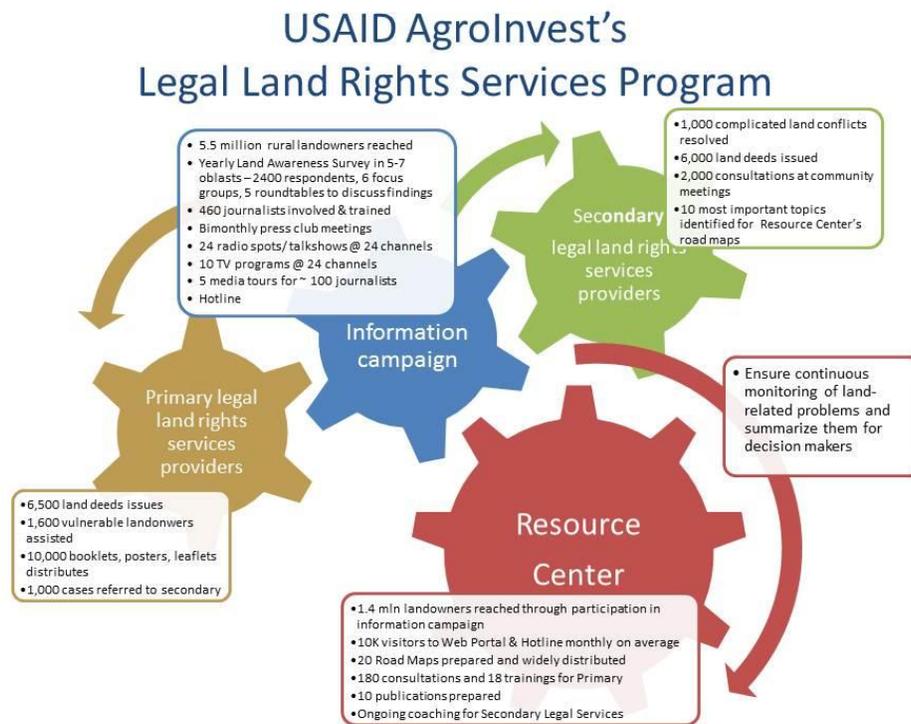
AgroInvest assessed applications from potential grantees for two grant programs and held a series of meetings to facilitate the selection of sound partners. These programs will

establish the Land Rights Resource Center and provide a web-portal and secondary legal land rights services to rural citizens and farmers.

In March, the Project received USAID approval to proceed with the Resource Center and negotiations were thereafter entered into with the selected grantee. It is expected that the grant agreement will be signed for the Resource Center by mid-April.

In addition, AgroInvest communications experts developed the scope of work for a subcontract to conduct the planned Land Rights Public Education and Outreach Campaign. The RFP for this subcontract is ready will be published in April-May 2012.

The graphic below illustrates anticipated results of these activities, as planned under AgroInvest Component 1C.



COMPONENT 2: Stimulate Access to Finance

During this reporting period AgroInvest Access to Finance specialists focused on: (i) identifying and developing action plans with partner banks; (ii) conducting a survey on current practices employed by credit unions and launching training sessions for partner credit unions on the U.S. Farm Credit System; (iii) developing new loan products for credit unions on land title registration and modern greenhouse production technologies; and (iv) establishing partnership with industry leaders (value chain actors) for joint activities to increase SMP access to finance.

Identifying and Developing Action Plans with Partner Banks

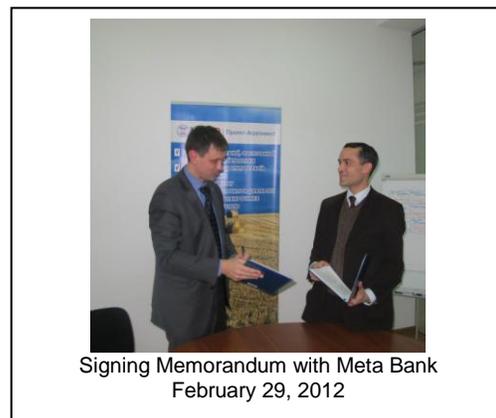
A potentially key partner in stimulating access to finance for SMPs emerged in discussions with EBRD in February 2012. It was agreed that the company International Project Consult GmbH (IPC), the technical consultant to the new EBRD Microlending Program, will inform AgroInvest of those Ukrainian banks approved by EBRD for engagement in the program, so that AgroInvest can engage in technical assistance provision alongside them in order to increase overall agrilending capacity and outreach.

Another key partner with whom discussion has been ongoing through the quarter is Credit Agricole, for whom short-term international expertise has been engaged in order to develop preliminarily agreed credit products focusing on credit to grain producers based on double warehouse receipts, credit to horticultural producers based on forward contracts with supermarkets and credit to dairy producers based on forward contracts to dairies.

Discussions regarding optimal forms of cooperation continued with established SMP lender ProCredit Bank during the quarter. A draft memorandum of understanding was agreed upon with the bank's managerial staff and lawyers and submitted for the consideration of the bank's CEO. The CEO's response is anticipated in April.

According to the Action Plan agreed with relative newcomer to agricultural SMP finance, Kredobank, the first step, analysis of the Ukrainian agri-SMP market, remained the focus of consideration and resulted in AgroInvest developing an agrilending market survey scope of work and tender. The market survey will enable both Kredobank and other less experienced financial institutions to develop pilot lending products in conjunction with AgroInvest experts targeting specific oblasts and production technologies based on analysis of trends, needs, risk and cash flow.

In this way the market analysis will also serve to inform regional partner banks, such as Metabank, with which AgroInvest signed a memorandum of understanding during the quarter and which is active in southern Ukraine, as well as those banks identified by EBRD to



implement its Ukraine Microlending Program. Additional potential products developed by AgroInvest specialists for consideration by Metabank and further development include credit provision to grain producers with double warehouse receipts, used to reduce lending risk, and products enabling producers to benefit from the supply of perennial seedlings and greenhouses through engagement with regional input suppliers. A copy of the Memorandum signed with Metabank is attached as Annex 1, hereto.

Similarly, new lending products were developed during the quarter for the Crimea-based Black Sea Bank for Reconstruction and Development. These were approved by the bank's board in March and envision the provision of 5-year credit to SMPs for the acquisition of peach, apple, cherry and pear seedlings from regional fruit leader Crimean Fruit Company (CFC), with credit risk averted by an agreement by CFC to provide technology transfer to its clients as well as to purchase produce after the harvest. A similar product was approved by the bank's board covering 2-3 year credit for the acquisition of modern greenhouse technology, again supported by agronomic advice from leading regional greenhouse suppliers. These products will be presented to potential clients in April-May 2012 and bank credit officers are provided with training to coincide with the initiation of the horticultural season.

Survey of Lending Practices by Credit Unions

During the quarter AgroInvest, with short-term Ukrainian expertise, completed the baseline survey on Credit Unions' Experience in Lending to Small and Medium-sized Agricultural Producers in Ukraine. The survey covered 13 credit unions in seven oblasts, selected from the members of the task forces formed by each of the two national credit union associations, VAKS and NAKSU, with which AgroInvest has partnered for development of agricultural SMP lending. Selection criteria included the total value of loans to small and medium-sized producers, availability of loan products and unique agrilending techniques applied.

The following core conclusions were drawn from analysis of survey data:

- Credit unions are effective lenders of credits and credit services to SMPs. In 2011 members of the two credit union association task forces lent approximately US\$ 7.2m to 5,500 SMPs.
- Over 20 years of lending to SMPs, credit unions have developed lending practices without any substantial collateral base and financial reporting. These practices are based on individual assessments and territorial proximity to customers. As such practices are developed by individual credit unions; experience sharing within task forces would be highly effective for expanding high performing agrilending techniques.
- Key barriers to increasing agrilending were identified as:
 - low SMP capacity, including lack of marketing infrastructure, low development of agro-technologies, lack of knowledge and access to information and absence of state support,

- undeveloped credit systems, including expensive funds, absence of cheap long-term refunds, outdated software and lack of marketing skills to promote financial services in rural areas.

These and other barriers observed through the results of the survey as well as recommendations to overcome them were developed both for the credit unions system as a whole and for individual credit unions.

Training for Credit Unions on US Farm Credit System Experience

From March 5-16, 2012, AgroInvest U.S. short-term expertise assessed the Ukrainian credit union agrilending environment and made practical recommendations to project-supported credit union association task forces on possible improvements based on the U.S. Farm Credit System (FCS) experience. To this end the expert studied existing information on the Ukrainian credit union system and



Farm Credit System specialist visiting credit unions
March 6, 2012

and visited credit unions in Chernihiv, Cherkasy and Kherson oblasts, prior to developing a series of two, two-day training events timed to coincide with the quarterly meetings of each national credit union association task force.

These quarterly meetings were held on March 13-14 by the VAKS/PZV association and March 15-16 by the NAKSU

association. A total of 58 credit union representatives attended the meetings which covered training on the U.S. FCS experience, introductions to the potential new products to finance land title issue, producer organization and market infrastructure development issues and agricultural insurance.



Training on US Farm Credit System
March 13, 2012

Risk Assessment through SMP Cash Flow Modeling

During the quarter evaluation models were developed for risk assessment of SMPs for use by banks, credit unions and value chain actors. These models were developed as Excel files for various categories of SMPs and were broken down by the size of the farming business and the credit value sought. The models allow the generation of realistic cash flow projections for farm businesses for a variety of crops. The models, including credit application templates and lists of supporting documentation required from applicants, were then issued to the members of credit union association task forces for

practical trials on clients lacking detailed cash flow projections and in cases where farm business plan feasibility is undertaken.

New Credit Union Loan Products on Land Title Registration and Greenhouse Production Technologies

In the process of conducting the survey on lending practices by credit unions, described above, AgroInvest identified a strong demand among credit unions for the development of a loan product financing the issue of land titles and the development of modern greenhouse production.

The strongest interest for the land title finance product was shown in southern Ukraine (Zaporizhya Oblast and Crimea). With an average loan size of UAH 7,000, customers are also in need of informational support in the procedures for the issue of land title documents. As part of their service to rural communities, credit unions therefore initiated development of a loan product, which would incorporate not only a loan but also informational support for SMPs on formalizing and protecting their rights to land. In support of this initiative, AgroInvest initiated preparation of a detailed guide as well as informational brochures on obtaining land title documents for use by credit unions and plans a series of regional training events in the new product during the following quarter.

Demand for the greenhouse technology finance product was strongest among credit unions in southern oblasts, as well as Ternopil and Luhansk. To meet this demand AgroInvest, along with partner credit unions has established cooperation with leading Kherson and Crimea-based greenhouse producers as well as seed and related input suppliers; conducted analysis of returns on loan-funded investments in greenhouse production technologies; and prepared presentation materials promote loans for this purpose. Regional and local seminars introducing these products to target SMP audiences and involving credit unions and input suppliers are scheduled for April-May 2012. Given the presence of AgroInvest access to credit expertise in southern Ukraine, particular focus was given to developing horticultural products in partnership with Kherson-based regional credit union Gromada. Medium-term lending products to support demand in a number of areas were developed in partnership with leading regional input suppliers and value chain actors, as follows:

- Pig feed supply product in conjunction with US hog breeding technology, provided by Freedom Farm Bacon, Kherson;
- Greenhouse equipment and horticultural technology transfer product in conjunction with Estem company, Kakhovka, Kherson Oblast;
- Table grape, strawberry and raspberry seedling and production technology product in conjunction with Pavlivskiy, Berislavskiy Raion, Kherson Oblast;
- Wild strawberry seedling, inputs and services product in conjunction with AMI, Trsyurupinskiy Raion, Kherson Oblast.

Similar credit products and packages are under development for AgroInvest partner credit unions in Southern regions, such as Yurt, Krymkreditsoyuz, Profi, Narodna Dovira and

Edinstvo.

Partnership with Value Chain Actors in Increasing SMP Access to Finance

In its work with partner agri-input distributors, AgroInvest conducted training for Agrobonus credit department specialists on credit management, credit rating, financial evaluation, liability monitoring and credit/sales department interaction during January 2012. In support of this capacity building, a sample corporate credit policy was developed based on Agrobonus business and priorities and presented to Agrobonus management. Additional distribution partners identified during the quarter for further work in the coming quarter were Agrimatco and Bizon-TEH.

Given strong AgroInvest expertise in the sphere of seed production and distribution, cooperation was developed with three leading international seed suppliers. With France-based Maisadour, project specialists worked to identify co-investors for a planned supplier-farmer irrigation development product. Among potential investors is the Nordic Environment Finance Corporation (NEFCO), with whom a joint finance concept was under development at the end of the reporting period.

During the quarter a cooperation proposal was also agreed with Monsanto Ukraine, covering trade credit, development of SMP clusters and seed grower financing. Thereafter Monsanto's interest in building supplier and client SMP credit and production capacity was discussed with partner banks, eliciting a strong positive response, as well as further with Monsanto marketing representatives.

In addition, a cooperation proposal was agreed with Syngenta Ukraine, covering optimization of trade credit systems and development of SMP client clusters. Syngenta further expressed interest in working with Kredobank, Megabank and particularly ProCredit Bank in establishing a similar model for cooperation as that successfully developed between Bayer and Aval. To this end, AgroInvest assisted developing a pilot financing approach with partner banks for selected Syngenta clients, with the intention to roll out the pilot experience with additional SMPs throughout the national Syngenta network, once it has been tested and refined.

COMPONENT 3: Facilitate Market Infrastructure for SMPs

Task A: Producer Organization Development

Activities under Task A "Producer Organization Development" in the reporting period were carried out in three priority areas, namely:

- Capacity building support to small and medium producer organizations;
- Grants program for post-harvest handling and logistics infrastructure development;
- Enhancing the legislative and regulatory frameworks for producer organization development.

Capacity Building Support to Small and Medium Producer Organizations

In the sphere of producer organization development, AgroInvest specialists conducted a series of producer organization capacity building events targeting key producer organization and market development regions, as well as focusing on gender issues relating to agriculture and producer organizations. The Project held the following core capacity building events this quarter:

- Formed Agricultural Marketing Groups, with practical exposure to the successful experience of agricultural service cooperative *Rynok* in the village of Sadove, for SMPs and producer organizations from Kherson Oblast and Crimea;
- Elaborated Business Plans for Agricultural Producer Organizations, for representatives of SMPs and POs in Rivne and Volyn oblasts.
- Integrated Equal Rights and Opportunities for both Women and Men, targeting over 100 regional representatives of the Council of Women Farmers of Ukraine.



At a training in Sadove
January 24, 2012

In addition, AgroInvest producer organization and market infrastructure specialists co-organized the round table discussion to elaborate a sheep breeding rehabilitation program entitled *Golden Fleece of Tavria*, including sheep breeders from Kherson Oblast and Crimea. This initiative is led by the Kherson Chamber of Commerce and supported by the Kherson Regional Center for Investment and

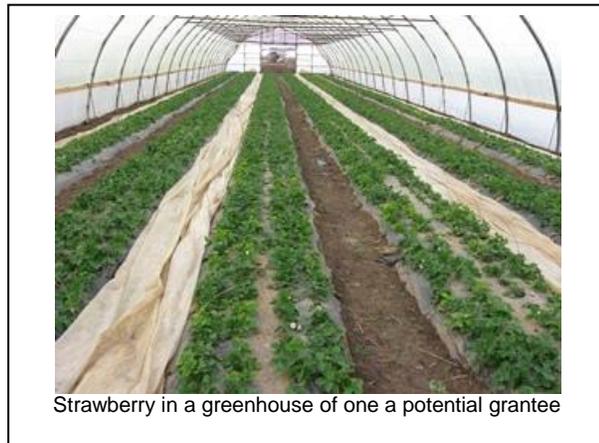


Round Table on the Golden Fleece of Tavia in Kherson
February 14, 2012

Development. The round table resulted in agreement on a series of initiatives for the partner organizations, oblast administration and small and medium sheep breeders in the region.

Grants program for Post-harvest Handling and Logistics Infrastructure Development

In support of these producer organization development initiatives as well as others initiated in previous reporting periods, AgroInvest launched the first round of the producer organization grant program. This program, open to any and all producer organizations in the country, encourages applications for small cost-sharing grant proposals, based on business plans aiming to develop post-harvest storage, processing and logistics facilities at the local level, which facilitate market integration of pooled and standardized SMP agri-food products. The project received 11 applications in response to the first RFA, of which it rejected three. AgroInvest provided feedback to five applicants on necessary improvements and inviting them to engage in the next round. The following three were selected for grant support:



Strawberry in a greenhouse of one a potential grantee

- Cooperative Ekoprodukt, Crimea. Develop straw brickette production to provide low-cost alternative energy sources for local uses, minimizing agricultural waste;
- Cooperative Union Hospodar Pidhiriya, Chernivtsi Oblast. Procure equipment and water heaters to support development of a producer organization milk collection point and dairy;
- Cooperative Budzhak, Odesa Oblast. Procure equipment for producer organization dairy processing facility, subject to completion by cooperative of repairs to the proposed facility and development of technical documentation for the equipment.



Georgina Perchek, member of the Cooperative Union Hospodar Pidhiriya, in a laboratory of the milk collection point

A second round of requests for grant applications will be launched before the end of April, 2012, with an additional two rounds planned in the course of 2012.

Legislative and Regulatory Frameworks for Producer Organization Development

Activities in this sphere, including the developing standard charters for agricultural service cooperatives and contribution to a series of legislative and regulatory updates and amendments in conjunction with GOU and relevant Ukrainian and international stakeholders are detailed under Component 1, Task A, Accelerating Market-oriented Reforms, above.

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

Core AgroInvest activities under the market infrastructure development task revolved around preparing for feasibility studies to construct the regional wholesale market in Rivne, northwest Ukraine, and local wholesale/retail markets and logistic centers in Kherson Oblast, where five local centers are planned as collection and feeder points for the regional market in Kherson city, and in Crimea, where a series of local markets are planned as part of the logistics network feeding cities and resorts on the peninsula.

Core Market and Logistics Center Development in Rivne and Kherson oblasts and Crimea

To this end, project specialists assisted Rivne Regional Wholesale Market Shelen in applying to MAPF for official recognition of its status of Agricultural Produce Wholesale Market, which it duly received on January 18, 2012. In response, on February 15 AgroInvest launched a tender to identify a subcontractor to conduct a feasibility study, including market research, feasibility, and technical specifications necessary to construct the wholesale market. The Project received two responses and a subcontract award will be given to the most competitive offeror in April, 2012. Simultaneously, AgroInvest developed a tri-partite Protocol of Intentions for signature with the Shelen market developers and Rivne Oblast Administration, laying out the obligations of each party for the successful development of the regional market.

In March, AgroInvest also received a request from the Rivne Oblast Administration to provide technical expertise in the developing an educational film documenting the development of producer organizations and their provision of services to SMPs, particularly relating to establishment of marketing channels. It is envisioned that this film will be made with the financial support of Rivne Regional State Administration and technical support from AgroInvest.

Following the agreement between AgroInvest, management of Kherson wholesale market developers Shelen and Kherson Oblast Administration in December 2011, AgroInvest and the Head of the Oblast Administration signed a Protocol of Intentions in February 2012, outlining joint plans to support the development of five horticultural logistics facilities based in the primary fruit and vegetable producing raions of northern and southern Kherson Oblast. The Protocol is attached as Annex 2, hereto.

Thereafter, AgroInvest market infrastructure specialists visited the selected raions of Bilozirya, Hola Prystan, Kakhovka, Skadovsk and Tsyurupinsk, to assess potential supply, producer organization and proposed logistics facility sites. For each raion,

priority initiatives were developed and joint action plans agreed with developers, producers and raion administrations. The most advanced raion initiative is located in Hola Prystan, where a wholesale-retail market with logistics infrastructure is planned for an initial opening in early May, 2012.

In Crimea, AgroInvest also provided input on organizing and preparing materials required to develop two local market/logistics facilities in Dobroye, Simferopol Raion and in Zuya, Bilohirsk Raion. For these initiatives the Project prepared technical tender documentation for market research and feasibility study work for further site development. Support is also planned on organizational structures, ensuring the integration of the activity of the facilities with local producer organization suppliers. Tenders for the market research and feasibility works are planned for April 2012.

Additional Market and Logistics Center Development in Cherkasy and Luhansk oblasts

In response to a request from the Livestock Department at MAPF, AgroInvest also initiated coordination to develop feasibility studies to further develop and expand Ukraine's only dedicated livestock market, Charodiy in Zhashkiv, Cherkasy Oblast. To this end, the project established a task force to develop an agricultural service cooperative of livestock breeding SMPs to act as suppliers and buyers for the expanded market.

In March, project specialists also met the first deputy head of Luhansk Oblast Administration to discuss possible cooperation in implementation of the regional AgroTown initiative on a 125 ha land plot, on which 41 investment projects are planned, including construction of a wholesale market. The oblast representatives were keen to engage AgroInvest to support development of a strategy and structure for the planned wholesales market as well as for a network of horticultural and dairy producer organization and logistics center development in the agricultural raions in the north of the oblast (Starobilsk, Svatove, Troyitske and other raions).

Engagement in Producer Organization and Market Infrastructure Support Initiatives

AgroInvest specialists were also actively engaged conducting a series of conferences and seminars related to the developing producer organizations and agri-food market infrastructure, as follows:

- Presentation of producer organization impact on socio-economic development of rural areas at a series of regional fora on the invitation and with the participation of the Minister of Agrarian Policy and Food, as follows:
 - forum of over 400 village heads, representatives of farmer and public associations and regional and local authorities, focused on the development of agricultural service cooperation in Rivne. January 2012.
 - forum of Kyiv Oblast Administration for over 500 participants on prospects for developing agricultural production and developing village territories. February 2012.

- forum on prospects of agricultural production and development of rural areas in Zhytomyr region for over 950 heads of village councils, representatives of farmers and public associations and regional and local authorities, focused on the development of agricultural service cooperation in Zhytomyr region. February 2012.
- Kherson Research and Practice Conference on new possibilities for selling agricultural products and infrastructural development and aim of supporting the development of regional supply and marketing networks for horticultural produce. AgroInvest presentation on the prospects for creation and development of local logistic centres of horticultural products in Kherson region. February 2012.
- Committee of Entrepreneurs of the Agroindustrial Complex session on approaches to the elaboration of new legislation controlling food quality and safety, in conjunction with IFC and State Veterinary and Phytosanitary Service. February, 2012.
- Second International Conference AgroResursi on development prospects for marketing groups based on agricultural service cooperatives and possibilities of development of Ukrainian export potential. February 2012.
- Fourth International Conference Potatoes and Vegetables of Ukraine, held in conjunction with MAPF and including a visit to the Kyiv wholesale market Stolychniyi and logistics complex of company Olvita. February 2012.
- Post-harvest Processing Technologies, initiated by the EC SWAP Rural project. AgroInvest presentation on uniting small producers into marketing groups and agricultural servicing cooperatives to develop value-added produce chains. March, 2012.

Administrative Implementation

Staff mobilization. On January 10, 2012, long-term administrative support staff member Ruslana Piura joined the AgroInvest Kyiv team as the Events Coordinator and Program Assistant. On April 1, long-term technical specialist Pavlo Kulinich also joined the AgroInvest Kyiv team as the Senior Legal Adviser (Land). This latter position will be phased into the project between April and September 2012 as Mr. Kulinich completes ongoing assignments under the USAID LINC project.

Southern Ukraine Project Office. In February 2012, AgroInvest requested and in March received USAID clearance to relocate its southern Ukraine representative office from Simferopol, Crimea, to Kherson. This decision was taken based on an assessment of the relative potential for SMP development in the two regions, as well as the superior transport logistics facilitating outreach across southern Ukraine, as well as Crimea, from Kherson. Beginning on April 1, 2012, AgroInvest will therefore enter into a lease agreement for office space located at 56/7 Vulitsya Chervonoflotska, Kherson 73025 and long-term administrative support staff member Lyudmila Podakova will join the southern Ukraine project team as Administrative Assistant.

Component 2 southern Ukraine coordinator Oleg Stoyanov will also begin operating from the Kherson office and recently approved Component 3 Coordinator, Anatoliy Maksymyuk, will be deployed in the course of April. Like Mr. Kulinich, Mr. Maksymyuk will gradually transition from the USAID LINC project to AgroInvest between April and September 2012.

Strategic Activities Fund (Grants/Subcontracts)

In January the three-month bridge subcontract with AMDI to provide interim support on time-sensitive Ukrainian agricultural policy issues was drafted, reviewed by USAID, agreed and signed (on January 31) with AMDI. The subcontract was amended in March to allow a more flexible approach to the phased delivery and payment of subcontract deliverables.

On February 3 a three-month subcontract was also concluded with the Union of Agricultural Cooperatives to research and develop model charters for agricultural service cooperatives.

During February AgroInvest invited shortlisted offerors for the Resource Center and Secondary Legal Land Rights Services grants to interview and established clear candidates for the grant award. Also during February, shortlisted offerors for conducting the Baseline Survey were invited to revise their offers account for the oblasts covered by the shortlisted secondary legal land rights service providers. On March 12 AgroInvest, which had been waiting for clearance on the legal land rights service grants prior to completion of the baseline survey subcontract, was informed by USAID that the baseline survey should be nationwide and not focused on legal land rights service grant oblasts, as initially planned. On March 16 AgroInvest received clearance from USAID to proceed with the grant award. By the end of the reporting period, clearance had not been received for the Secondary Legal Land Rights Services grants.

Also under project Component 1 during March, RFPs were prepared for legal analysis of the Owner Finance (lease-purchase) concept and for the conduct of the Land Rights Media Campaign; an RFA was prepared for capacity building of industry associations; and a SOW was prepared for secretariat support to the Coordination Council for Agricultural Policy, all for finalization and publication during April.

Under Component 2, AgroInvest published RFPs evaluated proposals submitted to train agrilending and micro-finance credit unions and to develop and implement bespoke tools for members of the two national credit associations. In addition, the Project prepared an RFP to conduct a market survey on the current status of lending to SMPS, for publication in April.

Under Component 3, the RFA for producer organization development was released and three candidates were selected for grant award. In addition an RFP was released and evaluations were conducted for the provision of feasibility services for the regional

wholesale market in Rivne and smaller RFPs were developed for feasibility services for local markets in Kherson Oblast and Crimea, for launch in April and May, respectively.

Monitoring and Evaluation

During the reporting period AgroInvest progressed well in achieving the targets established in its Performance Monitoring Plan (PMP). Highlights by component, are outlined below.

Under Component 1, Project Objective 1.1, progress has been made in addressing indicator 1.1.2 Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance, particularly as a result of the active policy engagements in support of agricultural cooperatives. Component 1 indicators achieved during the quarter included the following:

- 5 policies/regulations/administrative procedures analyzed, drafted and presented for public/stakeholder consultation as a result of USG assistance;
- Over 2 million rural landowners (47% female) reached under provision of public education for land rights.

Under Component 2 a number of trainings were successfully conducted, contributing to indicator 2.1.5 Number of agriculture-related firms benefitting directly from USG supported interventions, and also significant progress was made with respect to indicator 2.1.4 Number of innovative financial products developed and introduced into the market as result of project assistance. Component 2 indicators achieved during the quarter included the following:

- An estimated \$1.7 million in agricultural finance facilitated through 860 transactions (16% to female borrowers). These figures will be corroborated after finalization of first quarter 2012 results by partner institutions;
- One innovative financial product developed and introduced into the market as a result of project assistance.

Under Component 3, Project Objective 3.1, progress was made in relation to indicator 3.1.6 Number of participants in USG supported trade and investment capacity building trainings, with 103 persons attending project-organized trainings, including a very high 45% of female participation (as against 23% at the end of the previous quarter), thanks to a concerted drive in this direction by project Component 3 and Gender specialists during the quarter. Additional Component 3 indicators achieved during the quarter included the following:

- Seven producer organizations, associations and community-based organizations received USG assistance;
- 75 micro-enterprises were linked to larger scale firms as a result of USG assistance to the value chain.

Gender issues

During the reporting period AgroInvest participated in a number of events related to gender in agriculture and rural development in Ukraine. Firstly, the project Gender Specialist participated in the regional FAO Working Group on Women and the Family in Rural Development in February, which included 32 representatives from 24 countries. The group worked to produce a series of recommendations for agriculture-related Ministries in the participant countries, including the following:

- Importance of gender statistics awareness raising and capacity building, especially in ministries of agriculture;
- Importance of gender planning in agricultural censuses (i.e. inclusion of specific questions and a gender-sensitive tabulation plan);
- Importance of clear definitions of the terminology and methodologies for gathering gender-based data.

Assuming that better statistical data could be made available through the use of core gender indicators in agricultural surveys, it would be useful to supplement data with the following additional research:

- Household budget surveys better to record income and expenditures based on type of head-of-household;
- Market and credit research better to delineate access to and use of markets and credit by female and male heads of household;
- Time use studies to achieve a better understanding of the real labor expenditure of women, men and, indeed, children in maintaining rural households;
- Improved and expanded quality of life surveys, as well as selected qualitative household surveys, in rural areas to help more carefully delineate the triple female burden and population sub-sets that are in the most need of help.

The final report for the session, with policy recommendations for participating countries is under review by the Board of Working Party for Women (WPW) and will be disseminated as consultation paper after final approval.

FAO provided AgroInvest with a number of copies of the FAO report on “State for Food and Agriculture: Closing the Gender Gap for Development” as a consultation material for further activities and dissemination on gender-specific training, as conducted by AgroInvest and USAID-funded Parliamentary Development Project II on March 13, 2012. As a result and as borne out by the gender-related indicators detailed in



Female Farmers after the training
March 13, 2012

the foregoing section, significant progress has been made on reaching project gender targets.

Project Communications

Events and Presentations

During the reporting period, the AgroInvest team used every opportunity to disseminate information on the USAID project, its goals and activities and to develop partnerships and coalitions with media representatives and other project partners. A listing of the resulting media coverage is attached as Annex 3, hereto.

Project Web-site

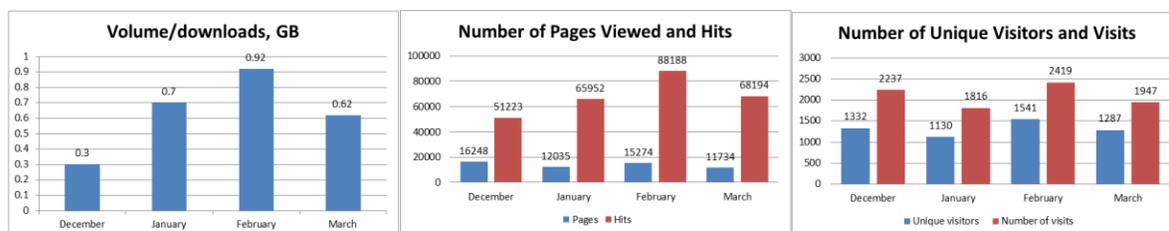
AgroInvest continued to develop and maintain its bilingual web-site: www.agroinvest.org.ua to share the latest Project news, reference material, and grant opportunities, etc. The web-site has an easy to maintain content management system.

The web-site contains project news, information about project components, partners, outreach activities, and grants and subcontracts opportunities. During the reporting period, project communications specialists added such features as the Calendar of Events and an automatically updated Agricultural Sector News Column (in Ukrainian).



As the AgroInvest team develops various useful information, such as issue briefs, best practices, methodological materials, these will be added to the web-site. In addition, it will contain materials about the Land Rights Public Education and Outreach Campaign, as well as all relevant legislation and regulations.

The charts below show statistics of the usage of USAID AgroInvest's web-site over the period between December 31, 2011 and March 31, 2012.



Also during the reporting period, AgroInvest continued to develop its [Facebook Page](#). It contains information about the project, 84 links to publications about the project, and

numerous pictures from events organized by the project. Over the reporting period, the page was visited by 2,367 unique visitors and the total number of impressions of posts on USAID AgroInvest's Facebook Page was 8,863.

The USAID AgroInvest page proved to be instrumental in spreading word about AgroInvest. Also, journalists, who attend training events, in the regions tend to use the projects' Facebook Page to share their views about events and download pictures for their publications.

Publications

During the reporting period, AgroInvest launched its monthly electronic publication (in Ukrainian). The target audience of this publication is wide, ranging from institutional partners to media and from central government to interested farmers. The first issue was distributed in March and was well received by the readership.

AgroInvest also prepared a booklet "USAID AgroInvest Supports Efficient and Transparent Land Reform in Ukraine, which is attached as Annex 4, hereto.

SECTION II: DELIVERABLES

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

Deliverables	Date Submitted	Approved
Approval Request to Execute a Non-competed Sub-contract with the Agrarian Markets Development Institute	January 19	January 27
Draft RFA for Development of Agricultural Producer Organization Capacities	January 18	January 25
Protocol of Intentions between Chemonics International Inc. and Kherson Oblast State Administration	February 22	N/A
Memorandum of Understanding between Chemonics International Inc. and Metabank	April	N/A

SECTION III: SCHEDULES

During the reporting period, AgroInvest agreed in principle to move its southern Ukraine presence from the USAID/LINC Simferopol premises (shared) to new premises in Kherson. Given an earlier agreement to accept used USAID/Municipal Heating Reform (MHR) furniture and equipment on closer of the USAID/MHR office in Simferopol at the end February 2012, AgroInvest rented the USAID/MHR office in Simferopol during March, prior to receiving clearance from USAID for its own relocation to Kherson and then transferred the furniture and equipment to Kherson. Barring one technical position in southern Ukraine (pending USAID approval at the end of the reporting period) and one support position, the project is now fully staffed.

The following are delays to Component 1 deliverables as against the revised Year 2 Project Workplan and Performance Monitoring Plan approved by USAID on 1 November 2012:

- Failure to award the planned grant to AMDI and uncertainty about the timing of its direct award by USAID;
- Removal of support to be provided to the Coordination Council on Agrarian Reform under MAPF from the AMDI grant and bridging subcontract;
- Delay to the issue of the industry association grant program, due to almost exclusive emphasis in Component 1 on land reform issues until March 2012.

SECTION IV: CHALLENGES AND PLANS TO OVERCOME THEM

- While the immediate passing of the new Law On Land Market appears to have been shelved, likely until the parliamentary elections in late October 2012, considerable uncertainty still remains as to whether the moratorium on agricultural land sale-purchase will indeed be lifted in January 2013 and if so, what legislation will frame the new market.

Furthermore, a series of new laws were registered in March, showing attempts by interested parties to push through certain reforms envisioned in the Land Market Law, such as the conduct of auctions of state land and the imposition of limitations of agricultural lease holdings. These initiatives will require constant monitoring and responses to those considered to threaten market efficiency and/or transparency.

- An additional area for concern is Ukraine's fragile recovery from economic crisis and potential devaluation of the Ukrainian Hryvnia. To overcome at least some negative impacts of this state of affairs on AgroInvest agricultural SMP finance activities, project specialists are focusing on increased risk management methodologies and practice in its training provided to partner financial institutions and SMPs as well as more intensive involvement of agro-insurance mechanisms in lending products.
- Although concern initiated in December 2011 relating to the continued availability the project's Strategic Activities Fund (SAF), comprising its ability to engage in planned support activities through the issue of grants and subcontracts to project partners and service providers. The first change to project plans in relation to the Strategic Activities Fund came with the removal of the AMDI policy support and capacity building grant from the fund. During the reporting period, project management was informed that there was no current threat of SAF diminution.
- Additional concern relates to the project's ability to create additional and needed LOE within the overall project budget ceiling. Additional LOE-consuming tasks, such as the World Bank LGAF initiative at the request of USAID has required the Project to utilize its limited LOE in unplanned/anticipated ways. This issue will be discussed in more detail with USAID, after provision of a detailed analysis of LOE usage to date.

SECTION V: PLANNED ACTIVITIES FOR NEXT QUARTER

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

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

- Continue providing recommendations to the GOU on improvements to the draft Law on Land Market and related pieces of legislation
- Continue monitoring of policy work covered by Agrarian Markets Development Institute sub-contract
- Establish mechanism for support to policy development and PPD dialogue through Coordination Council for Agricultural Reform and Community Council under MAPF
- Complete Land Governance Assessment Framework, including attendant World Bank conference and technical and governmental review fora
- Engage partners for provision of secondary legal land rights services and begin implementation of grant program
- Conduct baseline awareness building and land rights literacy survey and focus groups for land market outreach campaign
- Issue grant for development of Resource Center for sustainable legal land rights services
- Issue RFA for AgroInvest support to capacity building of advocacy capability in agricultural industry associations
- Design capacity building and policy development grants for competitively selected industry associations
- Determine establishment of an "Ag&Land Press Club"
- Initiate Land Rights Awareness & Education Campaign

Component 2, Stimulate Access to Finance

- Continue developing and implementing capacity building programs for partner financial institutions and for SMP borrowers of Pro-Credit Bank, Kredobank, Metabank
- Continue implementation of capacity building programs for credit unions through established Task Forces, including:
 - conduct of agrilending methodology and practices training for credit unions
 - conduct of training on new credit product for land rights registration
 - develop manuals on risk evaluation models for cash flow projections

- Increase access to finance for SMPs through credit unions through new products, including:
 - land title registration
 - implementation of new credit products for financing modern technologies in greenhouse production, fruit & vegetables and berries
 - presentation of new credit products on greenhouse production, fruit & vegetables and berries production to target SMPs
 - provision of support to initial new product applicants and credit staff
- Finalize three types of risk evaluation models after feedback is received from testing credit union partners, including:
 - development of manuals and other support documentation for model implementation
 - conduct of training for credit unions staff on application of the models
- Facilitate financial policy reform discussions/forums to support innovative lending practices and products
- Accomplish regular activities to update information on regulatory and legal obstacles for access to lending
- Develop legal basis for Owner-Financing (lease-purchase) Land Market Concept
- Develop special lending approaches with seed companies-growers, equipment suppliers and partner financial institutions

Component 3, Producer Organization and Wholesale Market Development

- Provide assistance in preparing SMP and PO proposals for the RFA for Development of Agricultural Producer Organization Capacities
- Issue of first round grants to POs
- Conduct second round of tender for RFA and initiate grant program for POs
- Conduct training for SMPs and POs in order to building capacity, expanding services provided to members, increase access to markets and member productivity
- Organize and conduct specialized trainings on technological specifics of production, processing, promotion and marketing of agricultural products
- Organize public discussion of draft charters, agree the model charters with stakeholders and prepare formal documentation for MAPF approval of the charters
- Develop action plans for AgroInvest engagement in development of market infrastructure facilities in the Crimea, Rivne and Kherson oblasts

- Supervise design and feasibility studies for development of the wholesale market in Rivne Oblast
- Conduct preliminary studies for developing local markets in the villages of Zuya and Dobroye in Crimea
- Implement cooperation plans with key partners in development of agricultural market infrastructure facilities in Crimea and Rivne and Kherson oblasts
- Prepare programs and support development of logistic centers in Bilozirsky, Gola Prystan, Skadovsk, Kahovka, and Zurupinsk raions to intergrate them into the Kherson Agricultural Market supply chain
- Provide technical support in preparing the feasibility study for development of TorchynAgroPark innovative incubator in Volyn oblast
- Prepare and present investment projects in developing local wholesale markets
- Support development of regional program for revising sheep farming in Crimea and Kherson Oblast
- Engage in MAPF and partner initiatives in support of producer organization and market infrastructure development
- Select new sites and potential facilities for development of additional market logistics and wholesale capacity

Project Communications

- Prepare mission Weekly Highlights and submit to USAID
- Prepare monthly highlights for broad audience of project partners
- Prepare tender for Agriculture & Land Press Club
- Prepare publications on current project issues, including success stories

Strategic Activities Fund

- Finalize activities under AMDI and model cooperative charter sub-awards
- Subcontract service provider for conduct of baseline survey on legal land rights
- Award Resource Center and three Secondary Legal Service Provision grants
- Conclude and subcontract service provider for provision of legal review of Owner Finance concept
- Conduct first and second round evaluation of Industry Association grants and proceed to award
- Conclude grant agreements with three first round producer organizations
- Launch second round producer organization development RFA
- Finalize Coordination Council support RFP, publish and proceed to subcontract

- Finalize and publish media campaign and agriland press club RFPs
- Conclude sub-awards for three credit union capacity building RFPs
- Publish and proceed to sub-contracting of service provider for market survey of agrilending to SMPs
- Proceed to contracting of feasibility service provider for Rivne regional market
- Launch and proceed to contract of service providers for Kherson Oblast and Crimean local markets
- Develop RFP for logistics center assessment and technical producer training services

Project Administration

- Hire additional Kyiv-based Project support staff (driver)
- Manage set up of standalone AgroInvest project office in Kherson
- Facilitate transfer of two USAID/LINC staff transferring to AgroInvest by September 2012

SECTION VI: LEVEL OF EFFORT REPORT

LOE Matrix as of March 31, 2012

Labor Category	Total (work days)	Total in Current Invoice (work days)	Total Invoiced to Date (work days)	Total Remaining (work days)
LT Technical Assistance (Key Personnel)	1,270	22	286	984
LT Technical Assistance (Expatriate)	111	0	81	30
LT Technical Assistance (CCN)	14,405	242	2143	12,263
ST Technical Assistance (Expatriate)	755	1	145	610
ST Technical Assistance (CCN)	420	18	231	189
HO Support	199	0	146	53
Total	17,160	303	3031	14,129

Listing of Press Coverage of USAID AgroInvest Activities, January-March, 2012

-  [Українців ознайомлять із "підводними каменями" земельної реформи](#)
-  [По краплі набігає гонка. Напередодні земельної реформи фермери прагнуть до об'єднання](#)
-  [Щоб сляни могли впливати на ціну овочів і фруктів, їм треба об'єднуватись у групи](#)
-  [Хто і як думає про село](#)
-  [Агроінвест допомагатиме українським аграріям](#)
-  [Ринок земель: різні погляди однієї реформи](#)
-  [Американці хочуть давати гроші буковинським селянам](#)
-  [Що відбуватиметься після набуття дії Закону «Про ринок земель»?](#)
-  [Земля. Продавати чи ні: ціна питання](#)
-  [Кіровоград 06.04.12 Семінар "Управління цінними ризиками у сільськогосподарському виробництві"](#)
-  [Що станеться із землею після прийняття Закону "Про ринок земель"?](#)
-  [Оновлені примірники статутів сільськогосподарських кооперативів](#)
-  [Прийняття Закону «Про ринок земель» - ризики та переваги](#)
-  [Зустріч Першого заступника Голови Державної реєстраційної служби України І.І. Завальної з керівником Проекту Агентства США з міжнародного розвитку Агроінвест](#)
-  [10-20 % українців готові продати свої землі одразу після зняття мораторію](#)
-  [Продажа землі сільськогосподарського призначення пока подождет](#)
-  [Як розвиватиметься земельна реформа](#)
-  [У Херсоні стартує всеукраїнська навчальна програма для сільгоспвиробників з управління цінними ризиками](#)
-  [60 % українських овочів псуються](#)
-  [Проект USAID «АгроІнвест» провів виїзне засідання робочої групи ВАКС/ПЗВ з агрокредитування](#)
-  [Дводенне виїзне засідання Робочої групи Національної асоціації кредитних спілок України з агрокредитування](#)
-  [В області створена Асоціація овочеводов. Тепер возьмуться за овочню біржу](#)
-  [Ринок землі в Україні: перспективи і сьогодення](#)
-  [В Україну прийшов "АГРОІНВЕСТ"](#)
-  [Проект "АГРОІНВЕСТ" служить селянам](#)
-  [Земельна перспектива](#)

-  [Проект технічної допомоги USAID АгроІнвест: Перш ніж Закон України "Про ринок землі" стане чинним, варто змінювати ситуацію в багатьох напрямках. Яких?..](#)
-  [Продам землю?.. Навчитися користуватися власністю](#)
-  [Проект АгроІнвест - на допомогу українському селянству](#)
-  [Не ті часи, не ті отари...](#)
-  [Коли помре останній гречкосій...](#)
-  [У Львові розповіли, яку користь країні принесе продаж землі](#)
-  [Скільки коштуватиме земля на Прикарпатті після відкриття ринку земель?](#)
-  [USAID Агроінвест и Костяк подписали протокол](#)
-  [Журналісти Закарпаття, Івано-Франківщини та Львівщини дослідили перспективи розвитку ринку земель в Україні](#)
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-  [Небезпеки ринку землі](#)
-  [Ринок земель залишається предметом торгу](#)
-  [Вчора, 6 березня, у Львові, журналісти з Закарпаття, Івано-Франківська та Львівщини дослідили перспективи розвитку ринку земель в Україні](#)
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-  Американське агентство дасть грошей рівненським фермерам
-  Харківські чиновники не знають, для чого потрібна земельна реформа
-  Як не опинитися «за бортом» після прийняття Закону «Про ринок земель»
-  Чи не доведеться Україні вкотре переглядати концепцію побудови оптових ринків?
-  Чи бути в Ковелі оптовому ринку сільськогосподарської продукції
-  Перш ніж продавати, вивчимо правила



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FROM THE AMERICAN PEOPLE

USAID AgroInvest Support to Transparent Land Market Reform in Ukraine





What is USAID AgrolInvest?

USAID AgrolInvest is a five-year project (2011-2016) funded by USAID/Ukraine and implemented by Chemonics International Inc, that provides technical assistance aiming to accelerate and broaden economic recovery in Ukraine and to increase the country's contribution to global food security through support to the agriculture sector.

One of the principal objectives of the AgrolInvest project is to promote agricultural policies that are more predictable and market-oriented, leading to increased investments and sustainable growth of the sector. Land reform is a key objective in meeting this goal.

In addition, USAID AgrolInvest is engaged in the development of market-oriented, WTO-compliant policy reform strategies and as such assists the Government of Ukraine (GOU) and civil society organizations in strategy development and implementation; supports access to finance for small and medium producers; and develops market infrastructure and producer organizations.

Why Land Reform is important for Ukraine?

Land reform, which is very high on Ukraine's policy agenda today, has a long history in this country. The legal document that marked the beginning of land reform was adopted by Ukrainian parliament on December 19, 1990. Today, more than 20 years later, the main principles of land reform are still debated, but the draft Land Market Law, which embodies the next phase of land reform, primarily through the lifting of the long-standing moratorium on sale-purchase of agricultural land, has passed first reading in parliament and is expected to be signed into law towards the end of 2012.

Land, which was operated during the Soviet era by large collectively or state-owned enterprises, was divided among former enterprise employees into small (3-4 hectare, or about 10 acre) plots in the mid-1990s. Until now, many of these people still have not received properly registered land deeds because this rural and mostly elderly group does not have access to advice on how to overcome bureaucratic obstacles to full registration.

While these people own land, many of them cannot work it due to their age, the absence of finance and only a rudimentary understanding of agribusiness management. Such landowners therefore lease their land to small and medium farmers or to the huge enterprises that operate up to 500,000 hectares (over 1.2 million acres), leased from tens of thousands of rural landowners. They receive paltry sums in rent and are often cheated by their lessors. Many would like to sell their land plots to have money to pay for medical care or for education for their children, but cannot do this due to the moratorium on sale-purchase imposed by the government some 10 years ago.

On the other hand, most farmers and agricultural companies do not own the land they work. After years of the moratorium being in force, they have found a way to operate on rented land, acquired the required equipment and many of them, especially small farmers, who do not have money to buy the land they use, are against lifting the moratorium because landowners may choose to sell it to other, better-off companies, who can offer a better price.

The moratorium is expected to be lifted in January 2013 by the Land Market Law, which is currently awaiting parliamentary approval. However, the current wording of the law has many shortcomings that might hinder proper development of a transparent and efficient land market and even jeopardize the development of business because legal entities are not only prevented from buying land but also may lose their lease holdings due to very strict maximum areas of land that can be leased. This puts at stake their IPOs and the very existence of their businesses.

USAID AgrolInvest's approach

USAID AgrolInvest has implemented a comprehensive strategy to help Ukraine implement better land reform by providing help to:

- Parliament and land reform stakeholders – in order to:
 - improve the law to make it more supportive of business initiative and minimizing market distortions;
 - build a policy dialogue between the parliament and interested NGOs representing various groups of producers in terms of size and specialization;
 - facilitate public discussion and build awareness;
 - propose new concepts to support the functioning of the market for agricultural land, particularly once the moratorium is lifted;
- Government agencies – in order to:
 - assess and improve land management policy, and
 - develop needed by-laws and regulatory acts.
- Vulnerable land owners – in order to:
 - ensure access to information and legal aid (through establishment of a resource center, outreach activities and legal services) to protect land rights and make informed decisions on selling or leasing land.

Main areas for improvement of the Land Market Law

USAID AgrolInvest is conducting ongoing analysis of the draft Land Market Law and related laws through discussions in parliamentary committees and in the course of preparation for parliamentary readings. USAID AgrolInvest has developed positions on the following priority issues:

- Grace period for institutional development and public awareness between passing of law and lifting of moratorium
- Governmental pre-emptive purchase rights
- Establishment of monopolistic entities with exclusive rights to provide mortgages
- Maximum land areas that can be owned or leased by a single entity
- Restrictions on financial institutions from holding land in the event of foreclosures
- Tax to encourage holding land for several years (preventing land speculation)
- Preclusion of legal entities from agricultural land ownership

While there are other market distorting provisions in the current text, including exclusion of foreigners from owning land, an absence of adequate provisions supporting buy-out of land parcels by current tenants and complicated proposals for land plot consolidation, it is considered that the issues listed above are of priority concern and should remain the focus of advocacy work with the government of Ukraine. Textual recommendations to the current draft have been made for each of these priority issues, and provided to relevant government representatives, along with supporting argumentation.

Public Discussion & Awareness Building

USAID AgrolInvest organizes and participates in roundtable discussions and public hearings to facilitate broad-based discussion of topical issues dealing with land reform at the central and local levels. These round tables provide a forum for farmers and agricultural producers of various sizes and specialties to have their voices and concerns heard by policy-makers and the public through the media.

As part of this work, USAID AgrolInvest is developing its ongoing engagement with national, regional and local media in order to increase journalists' capacity to structure and present land market-related information and to maximize coverage of key issues in order to generate discussion and awareness of the draft land law and its implications for landowners, tenant farmers and the Ukrainian population generally.

Over the last 6 months, nine Media Days focusing on land reform issues were organized for journalists from all over Ukraine. The events included media training and a press conference with participation of local government officials, farmers associations, and business. Overall, 520 journalists received training; media coverage of Ukrainian citizens from these events exceeds 25 million.

New ideas to facilitate the agricultural land market

Within USAID AgrolInvest, two concepts have been developed to support the functioning of the market for agricultural land, particularly once the moratorium is lifted.

For the sales market, owner-financed sales, using a modified lease-purchase agreement, is proposed to bridge the gap until private sector financial institutions are willing to provide credit and to introduce those institutions to agricultural land markets.

For the rental market, a mechanism is proposed potentially to improve the ability of small landowners to negotiate lease rates. This mechanism could also lower transactions costs for both lessors and lessees and in doing so enhance the attractiveness of agricultural land as a long term investment.

Implementation of these concepts is expected to help attain important economic goals and mitigate some of the social consequences of land reform. The concepts have been widely discussed in Ukraine and with international donors and related stakeholders and will likely be further refined prior to piloting in the Ukrainian regions.

USAID AgrolInvest also will test the response of a broader section of the rural community, including private landowners and tenant farmers, to the proposals outlined in the concepts to ascertain the current demand for them, their likely reception and other factors to be considered in their continued refinement. A nationwide survey of rural landowners and tenant farmers will be undertaken, which includes specific questions relating to the two concepts.



The World Bank Land Governance Assessment Framework (LGAF) supporting governmental improvement to land governance

What is LGAF?

Since late 2011, the USAID AgrolInvest project, in partnership with the World Bank and relevant government agencies, has been undertaking a study to assess land governance in Ukraine. This assessment applies the Land Governance Assessment Framework (LGAF) developed by the World Bank and implemented in selected countries across the world.

LGAF is a diagnostic tool for the evaluation of the legal framework, policies and practices relating to land and land use, based on a comprehensive review of available conceptual and empirical materials relating to the experience of land governance in selected key spheres.

The engagement of Government of Ukraine and related institutional partners is crucial for the successful implementation of the LGAF study, as is their partnership in further development of the Ukrainian land governance system. Key partners identified to date include the State Land Agency of Ukraine and the State Registration Service of Ukraine.

LGAF research coverage

In Ukraine, LGAF research focuses on the following spheres of land governance:

1. Legal and Institutional Framework
2. Land Use Planning, Management and Taxation
3. Management of Public Land
4. Public Provision of Land Information
5. Dispute Resolution and Conflict Management.
6. Large-Scale Acquisition of Land
7. Forestry

LGAF Methodology

Within each sphere, the World Bank has developed a series of indicators with specific dimensions that define areas for investigation, quantitative measurement or qualitative assessment. Through the assessment of these indicators, the LGAF highlights areas for legal, policy or procedural reform, where necessary to improve governance in land administration over time and as a basis for global and intra-regional comparisons.

In the case of Ukraine, 98 dimensions are to be assessed.

Selected expert investigators have to date conducted individual studies in all seven spheres, reviewing the legal framework, analyzing statistical data and expert

surveys, and assessing existing land governance practice.

Following the LGAF methodology, nine expert panel sessions have also been conducted to assess LGAF dimensions in groups comprising relevant experts. For this purpose approximately 40 experts representing private sector, NGOs, government bodies and independent professional organizations in appropriate fields of expertise have been engaged.

The following panel sessions have been held:

1. Land Tenure
2. Urban Land Use Planning and Development
3. Rural Land Use Planning and Development
4. Land Valuation and Taxation
5. Public Land Management
6. Public Provision of Land Information
7. Dispute Resolution
8. Large-Scale Acquisition of Land (optional)
9. Forestry

Finalization through Presentation, Technical Validation and Policy Dialogue

In April 2012, a LGAF Ukraine team including representatives of the State Land Resource Agency, State Registration Service and USAID AgrolInvest project are presenting the Ukrainian approach to LGAF and progress to date at the World Bank Annual Conference On Land and Poverty in Washington DC. At the conference they will receive feedback from World Bank experts and exchange notes on best practice with LGAF teams from other countries.

Following this, in May 2012, the LGAF Technical Validation Workshop will be held in Kiev. At this event the participants from all panel sessions will review the land governance subject issues covered and discuss the findings of LGAF research as well as general and specific recommendations for improving governance in Ukrainian land administration.

Following the Technical Validation Workshop, an LGAF Policy Dialogue will be arranged as the final stage of the research. At this forum World Bank representatives and Government of Ukraine officials will discuss the final LGAF conclusions and recommendations and agree steps to implement them with relevant policy actions.

Legal aid to vulnerable landowners to protect their rights

Given the imminent lifting of Ukraine's land sale moratorium, which may become effective as early as January 1, 2013, it is commonly agreed that considerable efforts will be needed to help millions of Ukrainians better understand and protect their land rights.

To address this need, USAID AgroInvest is providing Public Education for Land Rights, which consists of two closely interlinked sets of activities, the Land Rights Public Education and Outreach Campaign and the Sustainable Legal Land Rights Services Program in order to help citizens better to understand and protect their land rights.

The Land Rights Public Education and Outreach Campaign has been designed as a series of TV and radio programs, media publications, and a telephone hot line. The campaign aims to disseminate information about land reform and its implications for rural landowners, underlining the choices they have, their rights and where to turn to protect these rights.

In parallel with this, the Sustainable Legal Land Rights Services Program has been organized to facilitate provision of legal land rights services to those most vulnerable, who need assistance in protecting their land rights, e.g. to officially register their land title or resolve a land conflict or lease-or sale-related problems. The Program consists of the following four components:

- 1) establishing a Resource Center tasked with analyzing the issues arising during land interactions and developing materials to help landowners and farmers protect their rights, including a specialized web-portal containing roadmaps and templates of documents instrumental in resolving such issues;
- 2) supporting of the specialized telephone hotline and information/awareness building campaign;
- 3) providing primary legal aid to vulnerable landowners; i.e.
 - providing legal information;
 - consultation and clarification of legal issues;
 - drafting applications, complaints and other legal documents;
 - assisting in ensuring individuals' access to secondary legal aid and mediation;
- 4) providing secondary legal aid to vulnerable landowners; i.e.
 - protection from prosecution;
 - representation of interests of persons entitled to free legal aid in courts, other state bodies, local authorities;
 - compilation of procedural documents.



This publication has been made possible by the support of the American People through the United States Agency for International Development (USAID) under the terms of AgroInvest in Ukraine Project.

USAID AgroInvest is implemented by Chemonics International Inc.

The contents of this publication are the sole responsibility of authors and do not necessarily reflect the views of USAID or the United States Government.



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