



USAID | AgrolInvest Project

FROM THE AMERICAN PEOPLE



FINAL REPORT

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ACRONYMS

ASC	agricultural service cooperative
AUCUA	All-Ukrainian Credit Union Association
CSO	civil society organization
DCA	Development Credit Authority
EC	European Commission
EMMP	Environmental Mitigation and Monitoring Plan
EU	European Union
Global G.A.P.	Global Good Agricultural Practice
GOU	Government of Ukraine
HACCP	Hazard Analysis and Critical Control Point
IBSER	Institute for Budgetary and Socio-Economic Research
IDP	internally displaced persons
IEE	Initial Environmental Examination
LPG	loan portfolio guarantee
MAPF	Ministry of Agrarian Policy and Food
M&E	monitoring and evaluation
MP	Member of Parliament
NGO	nongovernmental organization
PERSUAP	Pesticide Report and Safe Use Action Plan
PMP	Performance Management Plan
PO	producer organization
SMP	small and medium producer
UAH	Ukrainian hryvna
UNASCU	Ukrainian National Association of Savings and Credit Unions
USAID	U.S. Agency for International Development
USG	U.S. Government
VAT	value-added tax

EXECUTIVE SUMMARY

In this final report for the AgroInvest project, USAID’s flagship agriculture program in Ukraine from 2011-2016, we discuss the activities of AgroInvest in Ukraine. The project’s overall scope of work was developed in 2010 and 2011 to address the issue that Ukraine’s capacity for sustainable, broad-based growth was stalled by unpredictable and incomplete agricultural policies, limited financial services for agriculture, and a weak market infrastructure that led to low yields and made it hard for small and medium producers to become competitive. At a time when agriculture in Ukraine was performing at one-third of its production capability, AgroInvest, implemented by Chemonics International, was developed to assist Ukraine to tap its vast agricultural potential and diversify its sources of prosperity, leading to broader economic recovery and contributing to a more food-secure world.

Severe financial, political, and social crises continue to plague Ukraine. In late 2013, mass protests against the pro-Russian politics of former Ukrainian president Victor Yanukovich triggered his ouster, which, in turn, was followed by Russia’s illegal annexation of the Crimean peninsula and military conflict in the east of Ukraine. In response to separatists’ declarations of unrecognized “people’s republics” in Donetsk and Luhansk through illicit referenda in spring 2014, Ukraine’s newly formed pro-reform launched a full-scale military anti-terrorist operation (ATO) against them. President Petro Poroshenko, elected in May 2014, has steadily pushed for a solution to the crisis in the East. Since the conflict broke out in early 2014, the fighting has resulted in thousands of deaths and massive internal displacement of civilians. According to the United Nations Office for the Coordination of Humanitarian Affairs, the number of internally displaced persons (IDPs) in Ukraine has reached more than one million, the largest displacement of people in Europe since the Balkan wars. Most of these individuals live in eastern oblasts near the conflict areas, such as Kharkiv, Dnipropetrovsk, Zaporizhzhia, and Northern Donetsk. Numerous attempts to broker an end to the conflict have been unsuccessful as ceasefire agreements, commonly referred as Minsk I and II, have been largely ignored. The ongoing conflict has also triggered a financial crisis across the country that has seen the Ukrainian hryvna lose more than 50 percent of its value and has resulted in extensive decreases in domestic and international investment in Ukraine across all sectors.

The ongoing crisis presented unique challenges and opportunities that required rapid and innovative thinking to, in the words of the USAID Mission, “pivot” activities to address the rapidly changing situation in Ukraine. One such challenge was Russia’s illegal annexation of Crimea, where AgroInvest had numerous activities and partners. In mid-March of 2014, AgroInvest (and all USAID programming) had to cease all activities in Crimea. With this crisis came an opportunity; the leadership of the Ministry of Agrarian Policy and Food (MAPF) of Ukraine that came in when President Poroshenko took office was more progressive and open to collaborating with AgroInvest than any other MAPF management team with whom AgroInvest had historically worked.

Yet despite these crises, AgroInvest has achieved outstanding results. Over the life of the project, AgroInvest and its partners have been able to support the development of more

than 75 pieces of draft legislation, regulations, and administrative procedures through processes that ensured public and stakeholder consultation, facilitate more than \$80 million in critically needed agricultural finance, and strengthen the administrative and technical capacities of 20 agricultural service cooperatives and 32 agriculturally focused industry associations. These and other activities and highlights of AgroInvest's five eventful years of implementation are elaborated on throughout this document.

ABOUT AGROINVEST

The USAID AgroInvest Project (AgroInvest) was a five-year international technical assistance program, funded by the United States Agency for International Development (USAID) and implemented by Chemonics International Inc. It was launched in January 2011 to accelerate economic recovery in Ukraine through a more inclusive and competitive agricultural industry. The project focused on increasing productivity and investment in the sector by facilitating implementation of market-driven policies and strengthening linkages of small and medium-scale producers (SMPs) to financial and commodity markets. Through its support to the agricultural sector, AgroInvest contributed to improved rural livelihoods in Ukraine and enhanced global food security.

Buoyed by high global food prices, Ukraine's agriculture industry was one of only a few sectors to sustain growth during the several economic crises that hit Ukraine over the past several decades. Ukraine is the world's third-largest exporter of grain and its top exporter of sunflower oil; agriculture is a major source of employment and foreign exchange. SMPs' production levels have historically lagged far behind large agricultural holdings, however, which contributes to rural poverty. Significant challenges that have prevented SMPs from improving production include unpredictable and incomplete agricultural policies, limited financial services, and shallow market infrastructure.

AgroInvest followed a three-tiered approach to support Ukraine's agriculture sector to realize its true potential:

- **Supporting a stable, market-oriented policy environment.** AgroInvest worked closely with national and regional agricultural industry associations with sufficient capacity to advocate for key policy reforms. It strengthened the sustainability and capacity of such organizations to effectively influence the policy and regulatory environment during and beyond the life of the project. In addition, AgroInvest implemented a national legal awareness program to help citizens understand and protect their land rights.
- **Stimulating access to finance.** AgroInvest stimulated access to financial services for SMPs through analyzing, developing, and promoting various options to increase access to finance by working closely with financial institutions, input suppliers, processors, traders, and other value chain actors to support the development of an innovative range of agricultural financial products.
- **Improving market infrastructure for SMPs.** AgroInvest created and developed more effective agricultural marketing channels for SMPs, while strengthening producer organizations and cooperatives. The project also provided assistance to firms and non-profits to develop wholesale and/or regional markets and other forms of improved market logistics and infrastructure including cold storage, sorting, grading, and packing services and facilities.

The project's approach was grounded in three main areas developed to allow its activities to be flexible and responsive to the country's constantly changing needs:

- **Proactive approach.** AgroInvest was committed to systemically improving Ukraine's agriculture sector. To do this, it implemented a flexible, responsive approach that addressed new challenges as they presented themselves to achieve impact. This can be seen through the annual policy priority needs assessments that AgroInvest conducted to "ground truth" its planned and ongoing activities and ensure that resources and efforts were being used in the right direction. The project's legislative and regulatory environment monitoring initiatives enabled AgroInvest to keep track of the latest initiatives and changes affecting the agrarian sector and communicate them to its beneficiaries through roundtables and public discussions on topics such as land rights protection, food safety, access to finance, and development of market infrastructure.
- **Exercising neutrality and transparency.** Ukraine has a large agrarian sector, with many players of diverse sizes and vested interests. AgroInvest practiced transparency to the fullest extent and remained neutral on the myriad complex issues the project addressed. In all of its activities, AgroInvest relied on objective analytical studies and assessments to drive its activities and its team and consultants delivered unbiased expertise on a wide range of agrarian and land issues, making valuable contributions to numerous task forces and working groups devoted to developing policy and regulatory solutions for Ukraine's agrarian sector. In addition, outcomes of all initiatives with which AgroInvest was involved were discussed in depth by Ukraine's agricultural expert community, including in monthly meetings of the National Press Club on Agrarian and Land Matters, and study data were made available to government officials and the public through roundtables and public-private dialogue mechanisms as a basis for decision making.
- **Capacity building.** Local entities are the drivers of Ukraine's agrarian sector, but they often lack the capacity or resources to be influential players. To strengthen them, AgroInvest concentrated on building the capacity and sustainability of national and regional agricultural industry associations, producer organizations, financial institutions, and local authorities. With sustainability in mind, AgroInvest focused on developing existing organizations rather than creating new ones. Through its program for ensuring legal support of rural residents and the protection of their land rights, AgroInvest competitively selected local non-governmental organization grantees, all of whom committed to continuing to provide legal support on land matters to rural residents. AgroInvest gave these organizations methodological support and handouts prepared by the Land Rights Resource Center, thus increasing the level of professional service provided to their beneficiaries. The grants provided to these organizations helped them build their capacity, establish relations among themselves and with the Ministry of Justice and State Registration Service, and become a reputable source of legal advice on land issues. They are now willing and able to continue providing pro bono legal services to vulnerable landowners in the future.

USAID AgrolInvest Project's Regional Activities



AGROINVEST: ACTIVITIES AND LEGACY

Regulatory and Policy Reform

Strategic Thinking

To be competitive in the long run, Ukraine's agriculture sector needs to develop in a comprehensive manner with an environment that is conducive to the operation of farms of various sizes and diversified business operations. Development of this sort requires a development strategy, and consequently, since December 2014, at the request of the Ministry of Agrarian Policy and Food (MAPF) and in cooperation with the European Union (EU), AgroInvest supported the Government of Ukraine (GOU) in formulating its National Strategy and Action Plan for Agriculture and Rural Development in Ukraine for 2015-2020. This strategy provides an integrated, inclusive, equitable, and realistic strategic vision and policy framework for reform in the agriculture sector and rural areas with the overall objective of increasing agricultural competitiveness and food security and promoting rural development in a sustainable manner, in line with international standards. The strategy's 10 strategic priorities and their respective subsections were developed by eight working groups that included representatives from the GOU, civil society, academia, and donors. AgroInvest's grantees and other partners participated in all eight working groups, and experts on AgroInvest's staff were leading participants in six of them. AgroInvest's deputy chief of party, Aleksandr Kaliberda, even served as coordinator of the working group on rural development. After 11 months of development, which included an extensive consultation with the general public, the strategy and its detailed action plan were submitted to the National Reform Council, which approved it on November 7, 2015.

As one of the key developers of this strategy, AgroInvest was able to ensure that particular attention was paid to supporting SMPs, which produce more than a half of Ukraine's gross agricultural product and deliver the bulk of labor-intensive produce (mainly high-value horticulture crops). To this end, AgroInvest, in collaboration with its industry association partners, developed several measures to improve the conditions for SMPs, which were incorporated into the strategy:

- Improving access to financial services for small farmers through special lending and insurance support programs, including business diversification
- Supporting the creation of public pastures, including through the transfer of state-owned agricultural land into communal ownership of rural communities
- Promoting the creation of producer organizations (including cooperatives) to ensure better access of small farmers to markets and market infrastructure
- Supporting young farmers by developing and implementing special training programs, preferential access to agricultural land, and subsidized rates on loans from commercial banks and non-bank financial institutions

Although rural development has historically been a neglected issue in Ukraine, AgroInvest made it a priority, developing a set of measures to improve the quality of life and diversification of economic activities in rural areas. These issues are important to

villagers and are essential as a way to promote well-balanced environmental, social, and economic development in rural areas. AgroInvest and its partners' tireless work to ensure that these issues were addressed in the strategy will be a catalyst for continued protection and development of rural Ukraine and its inhabitants for years to come.

Land Issues

Preventing monopolization of the land market. AgroInvest supported an agricultural land market free from red tape, and an agriculture sector that is open to investments and capable of sustaining landowners who exercise their rights, including the right to sell their land if they so choose. One of the project's major successes was its role in stopping the Parliament from passing the draft law "On the Land Market." Through its informed and fact-based critique of the draft law's key provisions and an extensive information campaign focused on the public, experts, and GOU officials, AgroInvest helped ensure that the draft law, which would have given the state unprecedented preferences when purchasing privately owned agricultural land, made the process of selling land too burdensome, and required permits for the purchase and sale of agricultural land by private owners, was not approved. In 2013, when the State Land Agency of Ukraine developed the draft law "On Circulation of Agriculture Land," which reintroduced virtually all of the unacceptable provisions of the draft law "On the Land Market," AgroInvest and its partners again joined forces to advocate, successfully, against the passage of the draft law. The project analyzed the new draft law, especially its clauses related to precluding the normal operation of the agriculture land market, and concluded that it would lead to the same or similar negative effects on Ukraine's agriculture as the previous draft. AgroInvest and its partners held several roundtables and other informational events in Kyiv and the regions to discuss how harmful the draft law would be to the development of the agricultural land market. In consequence, the Government of Ukraine rejected the draft law and never sent it to the Parliament.

In 2013, the Cabinet of Ministers of Ukraine established the State Land Bank, whose primary task was to accumulate state- and privately owned agriculture land. AgroInvest specialists prepared a legal analysis of the State Land Bank's operations and held a broad discussion of the analysis to show that this initiative would have led to excessive monopolization of agriculture land by the state, thus negating the progress of land reform in Ukraine to date. As a result, the State Land Bank was liquidated through legislative decree in 2014.

Opening land information to the public.

AgroInvest specialists, together with the World Bank, conducted a large-scale study using the World Bank's Land Governance Assessment Framework (LGAF) methodology. LGAF is a diagnostic tool to evaluate the legal framework, policies, and practices regarding land and land use in a country, grounded in a comprehensive review of available conceptual and empirical material as well as expert consultations. Following LGAF guidelines, nine expert panel sessions were conducted to assess Ukraine's progress on the



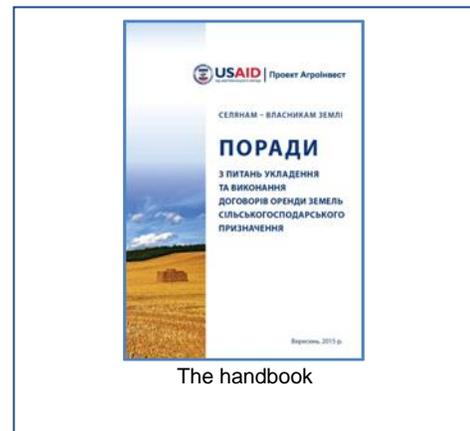
Presentation and discussion of findings of the LGAF study in Zhytomyr oblast

various LGAF dimensions. For this purpose, nearly 40 experts representing the private sector, NGOs, government bodies, and independent professionals with relevant expertise participated in panel sessions on land tenure, urban land use planning and development, rural land use planning and development, land valuation and taxation, public land management, public provision of land information, dispute resolution, large-scale acquisition of land, and forestry.

The LGAF analysis for Ukraine identified and structured the most important land-related policy issues that the country needs to address to improve the governance of its land resources. LGAF findings and proposals were posted on the World Bank’s website and sent to the GOU, for it to take into account when drafting relevant regulations. As a result, Ukrainian legislation was amended in 2015 and all data in the State Land Cadaster and State Register of Property Rights to Immovable Property became accessible to the public on October 6, 2015. In addition, the Cabinet of Ministers established an expedited procedure for obtaining data from the State Register of Property Rights to Immovable Property.

Balancing the interests of lessees and landowners.

In 2013, AgroInvest conducted a large-scale study of agriculture land lease agreements. The study showed that, in most cases, when rural landowners lease their land to agricultural companies, their rights are often violated through information asymmetry, because they are unaware of the land lease legislation and how leases are supposed to be executed. AgroInvest specialists developed a handbook (see textbox), *Hints on How to Execute and Perform Agricultural Land Leases*, that provides advice to rural residents on how to protect their interests when drafting land leases.



The handbook

As the demand for the handbook turned out to be higher than anticipated, the handbook was updated and reprinted in 2015.

Land rights awareness. One of AgroInvest’s key activities was to educate landowners on their land rights, how to protect them, and the benefits they stand to gain from the lifting of the current moratorium on sale of agricultural land (which is currently in place through January 1, 2017). This work was organized as part of the project’s Program for Ensuring Legal Support of Rural Residents and Protection of their Land Rights, using a two-tiered approach.



Landing Page of the Ukrainian Land Portal

At the national level, the Land Rights Resource Center (hereafter, the Resource Center) was established through a grant provided to the Ukrainian Land Union. The Resource Center analyzed typical land rights-related problems and addressed them by developing step-by-step instructions, templates, and guidelines, which were published in the form of posters, booklets, manuals and covered a

wide range of land related issues and topics. These materials were also posted on the Ukrainian Land Portal (zem.ua), which was developed by the Land Union under an AgroInvest grant and will continue to operate after the project concludes. Since its launch in 2012, 1.24 million individuals have visited the Ukrainian Land Portal for unbiased and up-to-date land rights information and resources.

At the regional level, nongovernmental organizations (specifically, the First Agrarian Cluster [Chernivtsi, Ivano-Frankivsk, and Ternopil oblasts], the Kherson and Odesa Regional Organizations of the Ukrainian Electors Committee, the Mykolaiv Urban Development Fund, Kakhovka Consumer Organization [Kherson oblast], Public Platform for Implementing the Land Reform in Dnipropetrovsk oblast, the Union of Ukrainian Rural Women [Poltava oblast], Ternopil Regional Landowners Union, and the Transitional Societies Institute [Zhytomyr oblast]) in 10 oblasts established permanent and traveling Law Centers, organized 430 public events, in which lawyers from the partner organizations provided advice and information to help Ukrainian citizens prepare applications and motions to various authorities on land rights issues and supported them in pre-trial and court proceedings so that they could protect their land rights. Of note, approximately 25 percent of the events (including webinars) were organized as training-of-trainers sessions to train village mayors and village-level land surveyors to provide consultations to villagers on their own to ensure even broader coverage.



A villager from Mykolaiv Oblast learns how to receive a land deed using an AgroInvest developed “road map” in a local village hall

In addition, in 2013, when the GOU established the State Registration Service, tasked to register land rights and land lease agreements, the Land Union, supported by AgroInvest in cooperation with the Ministry of Justice, held an extensive training program for state registrars and notaries. Through this program, more than 3,000 state registrars from 19 oblasts received in-depth training on land laws, so they could better assist landowners in registering and protecting their land rights.



Training for state registrars conducted by the Land Rights Resource Center in Chernihiv, December 6, 2013

Also, through cooperation with the Ministry of Justice of Ukraine and the State Registration Service, posters with step-by-step instructions on registration of land rights were placed in the regional offices of the Ministry of Justice and the State Registration Service. This greatly expanded the number of farmers able to access the information at the service centers they used.

The Legal Land Rights Service Program was accompanied by an national awareness campaign, called “My Land, My Rights,” which included monthly meetings of the National Land and Agrarian Press Club, and resulted in more than 2,000 articles in mass media and other publications, 85 weekly radio programs on the First National Radio Channel, and 12 TV programs and infomercials on a wide variety of land related topics.



Monthly meeting of the National Land & Agrarian Press Club in Kyiv

Overall, during the entire program for ensuring legal support of rural residents and protection of their land rights, AgroInvest and its partners organized 546 roundtables, workshops, community meetings, and group consultations attended by 11,200 participants, provided 17,000 consultations, helped 55,000 rural citizens obtain land deeds, resolved 885 land conflicts, and distributed 39,000 copies of reference materials, including posters. More than 35 million Ukrainians received land-related information through the awareness campaign.

Eliminating excessive bureaucracy in the land sphere. As a component of AgroInvest’s Program for Ensuring Legal Support to Rural Residents and Protection of Their Land Rights, AgroInvest provided comprehensive support to rural residents and farmers in protection of their land rights. Legal advisors from participating organizations revealed numerous problems, many of which were caused by excessive bureaucratic burden imposed by various land-related procedures. They collected relevant information and sent it to the Land Rights Resources Center, which analyzed the information and used it to develop step-by-step instructions (or “road maps”) to help landowners through various processes, on the one hand, and draft laws and regulations intended to streamline these processes, on the other. One such law, passed in July 2013, was the Law “On Amending Selected Acts of Ukrainian Land Legislation with Regard to Streamlining the Land Allocation Procedure,” which greatly simplified the process by which individuals could acquire land and protected them from abuses of power by executive authorities and local government.



An infomercial informing villagers of the ability to use local libraries to access the Ukrainian Land Portal and learn how to protect their land rights

Contribution to overcoming corruption in the land sphere. In 2013, specialists from the Land Rights Resource Center issued a document, titled “Ten Steps Toward Overcoming Corruption in Land Relationships,” that listed 10 legislative actions (passage of new laws or amendment of existing legislation) that would reduce the bureaucratic burden on land relationships, the dependence of land development on government officials, and corruption in the land sphere. AgroInvest held a series of public information events to promote this document and educate the public, government officials, and members of parliament on these proposals.

Four of the 10 steps have already been addressed by legislation developed, considered, or passed by parliament, specifically:



Oleksij Pavlenko, Minister of Agrarian Policy and Food of Ukraine:

“In 2015, the Ministry of Agrarian Policy and Food canceled more than 20 permits, veterinary certificates, and certificates of quality and introduced more than 50 other changes that foster deregulation. In particular, the compulsory quarantine certificate was abolished, saving \$1-1.5 billion per year. The number of regulatory procedures in the industry was reduced by half, which made it significantly easier to conduct business.”

Due to deregulation-related initiatives, Ukraine achieved record exports for grain in all the years of independence - 34.8 million tons; producers have saved \$5 billion, and the logistics chain was reduced by a week and a half.

- Decentralization (Draft Law No. 1159 “On Some Measures to Enhance the Role of Territorial Communities in Management of Land Resources”)
- Opening the State Land Cadastre and making it user-friendly (Draft Law No. 597-VIII “On Amendments to Some Legislative Acts of Ukraine regarding Increasing Transparency in Property Relations with the View of Prevention of Corruption”)
- Standardization of land management documents (Draft Law No. 497-VII “On Amendments to Some Legislative Acts of Ukraine regarding Definition of Contents and Procedure for Approval of Land Management Documentation”)
- Abolition of corruption schemes in property appraisal for taxation purposes (Cabinet Resolution No. 358 dated 21 August, 2014, “On Appraisal of Property for Taxation Purposes and Mandatory Fees Charged in Accordance with the Law”).

Deregulation in the Agricultural Sector

AgroInvest successfully promoted the deregulation process in agriculture and agribusiness, which resulted in simplified business procedures and decreased costs. One example of that work is the law on deregulation (No. 191-VIII) that came into force on April 4, 2015, which eliminated the requirement that farmers comply with complicated and costly crop-rotation schemes. In Ukraine, regulations have historically required all farming enterprises to develop and register mandatory crop rotation plans, which had to be certified by state-approved land survey companies and approved by state authorities, before any farming could take place. In addition to being costly and opening the door for corrupt practices, these regulations hindered the development of better agricultural technologies by mandating that farmers use pre-approved crop-rotation schemes. Agricultural producers and industry associations had increasingly been raising concerns over the complexity and high costs associated with adhering to these requirements and the topic was even gaining momentum in international media.

AgroInvest conducted a legal analysis of all obligatory crop-rotation regulations in Ukraine, conducted a study on world practices in this area, and held several public discussions on the issue. In addition, the project raised this issue on radio programs and prepared articles to stress the importance of eliminating these regulations. Finally, AgroInvest developed recommendations to simplify and reduce the cost of such crop rotation requirements when addressing concerns of soil quality and potential degradation

due to inappropriate farming practices, and submitted them to the GOU. The coordinated efforts of the project and partner industry associations, including the Agrarian Union of Ukraine, Private Farmer Association and others, resulted in the GOU and the Parliament supporting the initiative and taking subsequent legislative action. According to expert estimates, abolition of these regulations will save agribusinesses \$100 million across the sector.

Abolition of obligatory inspection of agricultural machinery. AgroInvest and its partner, the Agrarian Union of Ukraine, took the lead in promoting the abolition of the excessive and inefficient requirement for state-controlled inspection of agricultural machinery. According to agricultural producers and other market players, obligatory state inspection did little to ensure the quality of machinery. Instead, it became a source of corruption and increased the cost of agricultural production. AgroInvest supported broad discussion of the issue at the grassroots level, and, with the involvement of state authorities and other industry associations, new legislation to abolish the obligatory inspection of agricultural machinery was developed and passed in June 2014 (Law No. 1303-VII, “On Amendments to Some Laws of Ukraine to Ensure the Safe Operation of Agricultural Machinery”). Experts estimate that the abolition of this regulation will save farmers \$10 million.

Monetary Impact of AgroInvest Partner Industry Associations’ Efforts to Improve the Regulatory Environment:

No.	Regulatory Acts Abolished	Monetary benefits for businesses*
1	Abolition of requirement to certify of grain silos	\$300,000
2	Abolition of certification of grain quality	\$15 million
3	Abolition of obligatory inspection of agricultural machinery	\$10 million
4	Abolition of expensive and obligatory land survey plans, including crop-rotation plans prepared by certified land surveyors for farmers	\$100 million

* According to International Finance Corporation and Ukrainian Agribusiness Club estimates

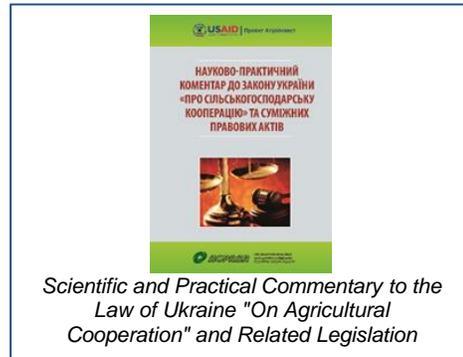
Shifting the Focus from Large to Small and Medium-Sized Producers

SMPs produce approximately 85 percent of Ukraine’s fruit and vegetables, 80 percent of its milk, 75 percent of its red meat, and 65 percent of its pork. Nevertheless, SMPs work under extremely poor conditions, and the government has historically done little to create a favorable environment for their development and has failed to develop favorable legislative and regulatory frameworks and state-supported programs. Although there were attempts to develop such programs in the past, they were either never implemented, or if implemented, improperly operated. As a result of insufficient state support, SMPs were unable to develop properly and, instead, struggled to adapt to the realities they found themselves in, often resorting to the grey market and sacrificing food safety and quality standards.

AgroInvest identified four major areas where legislative changes could support the development of SMPs. This includes laws on cooperation, family farms, state support of the agriculture sector, and local agriculture-and-food markets.

Law on Cooperation. Agriculture servicing cooperatives (ASCs) are an important tool to foster development of small and medium-sized agriculture producers. Ukraine has a long-lasting tradition of cooperation. However, the legislative framework regulating cooperatives' operations did not meet their needs and applied tax requirements that inhibited their ability to grow. To address this situation, with AgroInvest assistance, Law of Ukraine #11221 "On Amending the Law of Ukraine 'On Agriculture Cooperation'" was

developed and passed by Parliament on November 20, 2012 and took effect on January 19, 2013. This law addresses several constraints to cooperatives' development, in particular, those related to their taxpayer status. In addition, at the formal request of the MAPF, AgroInvest developed and published a systematic, 196-page *Scientific and Practical Commentary to the Law of Ukraine "On Agricultural Cooperation" and Related Legislation*. This guide, approved and recommended for publication by the Academic Council of Odesa National University and the "National Science Institute of Agrarian Economy," was designed for SMPs who have created, or want to create, agricultural cooperatives, as well as for local governments, local authorities, lecturers, students of agricultural schools, employees of state registration bodies, and anyone else interested in the development of cooperatives in the agricultural sector. The commentary was used as a handbook during a training campaign implemented by AgroInvest, in cooperation with the MAPF and its local departments, to train nearly 2,000 local consultants, specialists of agricultural advisory services, directors of agricultural cooperatives, and employees of central and local executive authorities in practical aspects of implementing the new Cooperative Law.



Law of Family Farms. In Ukraine, small holdings not only produce most of the country's labor-intensive agricultural products; more broadly, they ensure national food security. Under current legislation, however, they do not have the status of agriculture producers. This hinders their development, imposes a disproportionate tax burden on them, and precludes them from being full-fledged members of agricultural cooperatives. As a result of microproducers' being virtually excluded from formal or official market operations, a considerable amount of food is produced without due attention to safety, and far below the actual capacity in terms of volume.

Another important problem is that the term "farms," as defined in the current law, may include anything from a small producer farming on 100 hectares to a large agricultural enterprise farming on thousands of hectares, managed by a hired employee (who is only formally "head of the farm") and employing dozens of hired workers. All of these "farms" receive the same state support, regardless of size, even though it is much harder for a small farmer to survive than a large agricultural enterprise. The situation calls for a clear definition of a family farm eligible for state support, in line with international experience. A family farm can use hired labor, but the law should regulate the number of hired employees. If this approach were applied in Ukraine, it would help "separate the wheat from the chaff." It would be a more efficient use of state support. Those who are



Vadym Ivchenko MP:

"Ukraine has approximately 4.7 million household farmers, but they vary greatly in size. Whereas an old woman may have just one cow, a young family may have from three to six cows and a greenhouse and sell produce to urban buyers interested in cheese, milk, eggs, early vegetables. These people can hardly be classified as a 'household farm' in the traditional sense; they have outgrown these arrangements. But without official registration, these farms cannot enter the organized market and therefore, cannot sell their produce to processors or procurement enterprises. Yet they don't qualify as 'legal entities' either, and they don't want and don't care about charters, complicated accounting, and tax reporting. They need to be allowed to be registered as 'family farms' and receive state support for Ukraine to unleash its agricultural potential."

currently ineligible ("household farms") would become eligible. This would help them to develop and perform better. As a result, Ukraine would not only ensure food security for the country but be able to feed many people in other countries.

To address these problems, AgroInvest, in collaboration with experts in the field, initiated and drafted Law #1599 "On Amending the Law of Ukraine 'On Farms' with Regard to Stimulating Development of Family Farms." This draft law would amend the current legislation to stimulate the establishment and operation of family farms. The Parliament passed the draft law in its first reading in March 2015, and chances are good that it will be passed into law in the near future.

The draft law provides that "household farms" that are already *de facto* family farms will acquire the status of family farms, and that the state will support this category of producers. To make this possible, the law "On Farms" should be amended to distinguish between family farms and other categories of farms. This is necessary to create favorable legislative conditions for the development of family farms, to enable them to receive state support, investment support, and introduce a simplified mechanism of registration, accounting, reporting, taxation, and pensions.

Law on State Support in the Agriculture Sector. AgroInvest assisted the MAPF with updating the Law of Ukraine "On State Support of the Agriculture Sector" to focus on supporting young farmers and family farms, implementing a regional School Milk program, and implementing differentiated tax rates for small, medium-sized, and large producers. In addition, the new law provides for improved transparency and dissemination of information on state-supported agricultural programs. As of the close of the AgroInvest project, this legislation was with the Cabinet of Ministers for review and approval.

Law on Local Agriculture-and-Food Markets. AgroInvest provided expert support to the MAPF in drafting the Law "On Local Agriculture-and-Food Markets." Together with legal advisors of the State Regulatory Service and veterinary doctors from the State Veterinary and Phytosanitary Service and State Food Safety and Consumer Protection Service, AgroInvest worked on enhancing this law with respect to registration of producers supplying produce to local agriculture-and-food markets, compliance with the Law of Ukraine # 1602-VII dated July 22, 2014 "On Amending Selected Acts of the Ukrainian Food Legislation," and the mechanism for providing state support to producers

supplying produce to local agriculture-and-food markets. From the very beginning, AgroInvest experts issued comments and proposals on the concept of the draft law and its essential provisions. In particular, they proposed definitions of “Producers of Local Market Produce” and “Local Market Produce Points of Sale” and prepared an explanatory note on the draft law. AgroInvest experts participated in discussions on the specific wording of certain clauses, based on comments received from agriculture industry associations and other stakeholders. Once these amendments are ultimately passed, small holdings and farms will be able to sell their produce directly to end consumers, provided that (i) they are registered as producers (i.e., suppliers of local agriculture-and-food markets), and (ii) the procedure for issuing a permit for setting a local point of sale will be simplified. This will make it easier for small agricultural producers to access markets, while ensuring consumers will have access to high-quality produce.

Ensuring gender inclusion in the policy development and reform processes. Throughout AgroInvest’s lifespan, the project has actively sought to include women in its activities, both in areas where women can make an active contribution in decision-making processes and in project activities specifically designed to engage and empower rural women and community leaders. AgroInvest’s gender integration activities were based on the findings of an assessment that the project conducted on “Gender Analysis: Opportunities to Strengthen Small and Medium-Sized Agricultural Producers and the Agrarian Sector of Ukraine.” Project staff and external experts analyzed the gender aspects of family farm development and small agricultural producers as well as community-based leadership structures.

This analysis identified the following key points that confirm the importance of women and their leading role in the Ukrainian agrarian sector: (1) Women make up 53 percent of Ukraine’s rural population, one-third of its registered farmers, and 60 percent of its landowners; (2) Women are extremely important partners for their husbands in providing farm support; and (3) Family farming may disappear if young men and women have no reason to remain in rural areas and work within the agrarian sphere, which can endanger the existence of the Ukrainian village.

Based in part on the findings of this analysis, the project developed and introduced two country-wide training programs, in cooperation with the Ukrainian Women’s Fund, on gender integration and decentralization issues. A total of 780 individuals attended these courses, representing men and women from village councils, formal and informal rural community leaders, and private entrepreneurs. As a result of these training programs, effectiveness and capacity in community mobilization issues of formal and informal leaders (both males and females) increased. This will ultimately contribute to their increased effectiveness and ability to be active participants in decentralization reform and sustainable rural development in Ukraine.





Roman Korinets, President of the National Association of Advisory Services:

“For 20 years, we have been talking about agricultural cooperation, and no one got around to creating the proper legal framework for their development, but AgroInvest has done it.”

This training also resulted in the participants better understanding how to apply gender-sensitive approaches to community budgeting, the development and support of partnerships, advocacy efforts, and coordination to ensure that women’s empowerment and that specific needs of rural men and women are accounted for in the process of reforms to avoid possible socioeconomic losses as outlined in the Uniform Comprehensive Strategy for Agricultural and Rural Development for 2015-2020, developed by the MAPF and international donors.

Supporting Industry Associations and Non-Government Organizations in the Agriculture Sector

Industry Association Capacity Building Program. In Ukraine, agricultural industry associations and NGOs are fragmented and demonstrate varying levels of capacity and sustainability. To address this and support the development of such entities, AgroInvest awarded grants and provided technical assistance to build their analytical and organizational capacities and enhance their sustainability. Overall, 16 national and regional agricultural industry associations received grants from AgroInvest.

These grants helped the associations prepare dozens of policy reports, analyze more than 60 draft laws, and develop recommendations to advocate interests of their members. The associations set up more than 40 new task forces, engaging market participants, government officials, and experts in professional discussion to develop common positions on agriculture policy matters. Most associations increased their membership during the grant program implementation period. The largest increase in membership occurred within the Ukrainian Pig Producers Association, which increased its membership by 65 percent. Today, approximately 37 percent of Ukraine's commercial pork producers are members.

Analytical and coordination platform for agriculture sector industry associations. In February 2015, AgroInvest launched an analytical and coordination platform to provide continued support to Ukrainian agricultural industry associations in building their analytical capacity for policy work, better coordinate their activities on agriculture policy issues, and develop common positions on important agricultural issues. In 2015, more than 30 national-level agriculture industry associations took active part in this work and benefited from the activities of the platform; 15 of these organizations sat on the platform's steering committee and actively developed and defined its activities. As a result, more than 10 legal and regulatory documents were prepared and presented for public discussion at the request of industry associations on issues related to land, self-regulation of business operations, livestock operations, and taxation and exports in the agricultural sphere. The platform also prepared analytical reports and presentations on the most important sector policy issues, such as taxation and exports. It also regularly monitored and screened legislation and regulatory documents in the agricultural sector and disseminated this information to the associations free of charge. One of the key

AgroInvest Agrarian Industry Association Grant Recipients

- Union of Rural Women of Ukraine
- All-Ukrainian Association of Village and Settlement Councils
- Agrarian Union of Ukraine
- Association of Ukrainian Pig-Breeders
- Organic Federation of Ukraine
- Interregional Union of Poultry Breeders and Fodder Producers of Ukraine
- Association of the Rural Development of the Poltava Region
- Ukrainian Agrarian Confederation
- Ukrainian Grain Association
- Ukrainian Agribusiness Club
- National Association of Agricultural Advisory Services of Ukraine
- Association of Rural Products and Cuisine of Ukraine
- Ternopil Oblast Union of Land Owners
- Union for Promotion of Rural Green Tourism
- Association of Farmers and Private Landowners of Ukraine
- Ukrainian Association of Agricultural Servicing Cooperative Members

features of the platform's work was ensuring transparent, objective, and well-organized discussions of complicated agricultural policy issues by involving several associations with differing interests and priorities. The platform's local implementer, the OMP Law Firm, has committed to continue development and dissemination of the legislative monitoring bulletins after AgroInvest and will provide limited pro-bono support to platform members.

Dedicated capacity training workshops for industry associations. AgroInvest conducted a series of formal classroom training courses from May through October of 2014. The content of the courses was driven by a thorough organizational capacity needs assessment of the participating organizations in early 2014 and focused on legal status, mobilization of external funding, project management, and selected aspects of taxation and bookkeeping for not-for-profit organizations, as well as strategic planning and good governance in organizations, personnel management, public relations and promotion, economic policy analysis, legislative drafting, advocacy skills, and presentation skills.

Twenty-five participants attended the courses, representing 22 national and regional agricultural industry associations. Approximately 40 percent of the participants came from organizations that had not worked with AgroInvest before, allowing the project to expand its capacity development activities to a wider group of industry associations. In addition, regional representation of the industry associations was significant: approximately 35 percent of all participants came from outside of Kyiv, in particular from Kharkiv, Dnipropetrovsk, Zaporizhzhia, Poltava, Lviv, and Chernivtsi.

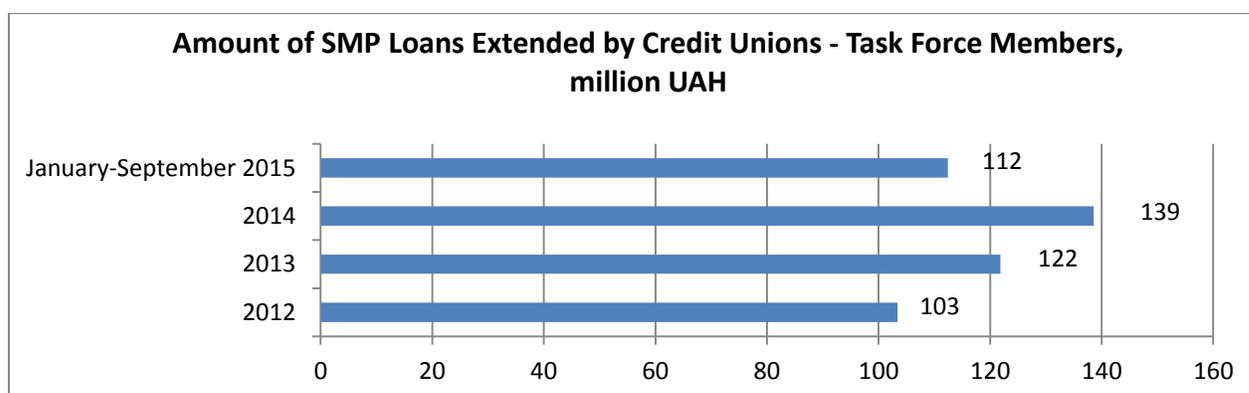
Supporting Access to Finance for Small and Medium-Sized Agricultural Producers

AgroInvest established partnerships with financial services providers and other actors in the value chain, such as input suppliers and buyers, to stimulate access to financial services for SMPs. Due to the lack of financial institutions committed to expanding agricultural lending at the beginning of AgroInvest, the project focused on activities to catalyze the development and growth of credit unions' and expand banks' agricultural lending portfolios and commitment in a sustainable manner.



A harvester purchased by a farmer from Cherkasy oblast using a loan provided by CreditSoyuz credit union – participant of the AUACU Task Force

AgroInvest initiatives supported overall growth in the agricultural financing issued by partner financial institutions. From the first quarter of 2012 through the third quarter of 2015, AgroInvest partner financial institutions issued 28,022 loans to SMPs in the amount of 828 million UAH (159 loans, totaling 352 million UAH, from banks and 27,863 loans, totaling 476 million UAH, from credit unions).



Helping Banks “to See” Small and Medium-Sized Producers

Lack of finance is one of the major obstacles to development of agricultural businesses in Ukraine, especially for SMPs. One reason is that banks are not interested in SMPs, because it is much easier to issue a single large loan to a large agricultural holding than a hundred smaller loans to farmers for the same amount. In addition, most Ukrainian banks are unaware of the specifics of SMP business operations. Recognizing this, AgroInvest conducted an assessment, *The Current Status of Lending to Small and Medium-Sized Agriculture Producers*, which was used to shape project activities in this area. The study involved collecting information on loan products available to SMPs, specific farm lending technologies, seasonal specifics of agriculture production, and farming technologies with seasonal cost breakdown.

The assessment identified the need for a training program for banks and their staff on the nuances of SMP lending. Upon establishing partnerships with those Ukrainian banks which were strategically committed to expand their farm lending programs for SMPs,



Viktoria Volkovska, President of the All-Ukrainian Association of Credit Unions (AUACU):

“Over our four years of cooperation with AgroInvest, 650 representatives of credit unions participated in workshops and training sessions organized by the project. Nearly 50 new credit products appeared and agricultural lending received a new impetus; from 2012 to 2015, the percentage of AUACU members involved in agricultural lending has doubled.”

AgroInvest developed and implemented a comprehensive long-term program of training loan officers from partner banks so that they could better assess credit risks and understand the agrotechnological aspects of growing various crops that affect producers’ cash flows. AgroInvest developed eight training modules on the most important agricultural crops and animal production, including a special training module on cold chain logistics and storage. On completing this training, credit officers gained specific agricultural sector knowledge and an understanding of the components of production costs and became better positioned to offer targeted, structured lending to SMPs. These training modules were adjusted to cater to oblast-specific farming practices and crops where the loan officers work. Overall, the project conducted 20 training events for four banks, which were attended by more than 100 credit officers.

Assisting Credit Unions to Become Experts in Farm Lending

Training credit union specialists in the specifics of lending to small and medium-sized agriculture producers program. Although credit unions are virtually the only source of funding for SMPs, before AgroInvest’s intervention, most of them lacked a systematic approach to agricultural lending, which resulted in undertrained staff and suboptimal credit procedures.

In cooperation with the All-Ukrainian Association of Credit Unions (AUACU) and the National Association of Credit Unions of Ukraine (UNASCU), AgroInvest created two Agri-Lending Task Forces. The task forces are made up of individual credit unions from each association and are composed of only those credit unions that have demonstrated the ability to (and a commitment to) expand their agricultural lending portfolios. In total, 64 credit unions, representing about 25 percent of the membership of these associations, became members of these task forces. The task forces conducted surveys of current SMP lending practices among their members to identify training needs. This information was used as the basis for a training campaign for 700 credit officers.

Agricultural Financing in Rural Areas

The majority of small farms that cultivate 80% of Ukrainian agricultural land do not have access to modern technology, equipment and implements, which impedes their productivity growth. Lack of liquid collateral and limited ability to generate adequately documented cash flow makes small farmers unattractive borrowers for banks. As banks are not lending to small farmers, and since microfinance institutions do not exist in Ukraine, credit unions are currently one of the only de facto sources of financing for small farmers.

Themes of the training included lending to small and medium farmers, specifics of SMP credit assessment, developing and introducing new credit products for SMPs, efficient

marketing of financial services in rural areas, effective communications for loan officers working with SMPs, and international best practices in agricultural lending. In total, AgroInvest facilitated 35 training sessions and on-site knowledge sharing events. The training program gave the credit unions a better understanding of SMP needs, led to the development and introduction of new and specialized credit products for farmers, and improved internal procedures to assess the creditworthiness of SMP borrowers. New or improved lending and loan portfolio management procedures were introduced, resulting in an overall decrease in loan portfolio default rate of partner financial institutions from 10 percent in 2012 to 4.5 percent at the end of the project.



A training for farmers – members of AgroInvest partner credit unions, Kherson oblast

Development and implementation of practical tools to help strengthen credit unions' agricultural loan portfolios. Lending to small and medium-sized farmers has traditionally been considered risky in Ukraine. For this reason, AgroInvest developed practical tools and training to help ensure that credit unions make smart lending decisions to minimize loan portfolio exposure. This included the development of a detailed assessment tool to calculate the creditworthiness of a borrower and a financial and mathematical model for calculating loan interest rates.

To this end, AgroInvest also worked closely with the credit union task forces and the respective associations to develop a stronger, more agriculturally specific internal audit program within the credit union system. Through this activity, 40 on-site audits of select credit unions' financial, legal, and administrative activities were executed as a means of identifying, preventing, and/or resolving problems and issues as a means of strengthening the individual credit unions as well as the credit union system as a whole. In addition, nine training events were conducted specifically to develop a cadre of internal auditors to continue the auditing work after AgroInvest ends.

New credit products for SMPs. AgroInvest developed nine customized credit products that contain a package of templates for credit unions to use. These products were developed with both the borrowers and the credit union in mind and contain clear loan terms and conditions that both parties can understand. Credit conditions for these products were adapted to the respective types of business and take into account seasonality aspects, timing of cash flows, and collateral options. Included with these loan products are supporting materials to help assess the creditworthiness of potential loan recipients, product promotion materials, templates for cooperation agreements with equipment



Examples of posters promoting new credit products

manufacturers, and reference materials on relevant types of agricultural production. Application of such products standardizes and expedites the lending process and makes it more transparent. After training the credit unions on how to use and apply the products, AgroInvest conducted regional and local seminars to introduce these products to target SMP audiences. Examples of these products are presented below:

- *“Greenhouse Technology.”* To develop this loan product, AgroInvest, along with partner credit unions established cooperation with leading Kherson and Crimea-based greenhouse producers and input suppliers, conducted analysis of return on loan-funded investments for greenhouse production technologies, and prepared presentation materials to promote these loans. This product has been especially popular in credit unions in southern oblasts and in the Ternopil and Luhansk oblasts.
- *“Beekeeping Development.”* This credit product was designed to provide financing for the purchase of hives and beekeeping and honey production equipment. The product allows for a customized repayment schedule based on cash-flow analysis and the seasonality of beekeeping activities and allows for bees (bee families or breeding bee families) or honey products (honey, beeswax, bee pollen, bee glue, royal jelly, bee venom, etc.) to be used as collateral.
- *“Establishing Family Rabbit Farms.”* This credit product was designed to provide financing for the purchase of rabbit hutches, rabbits, and corresponding supplies for establishing a small rabbit farm from scratch. This product was supplemented with a rabbit breeding training program that consisted of 15 workshops across the country. This product has been popular with IDPs as a way to establish a new source of income and food that requires little start-up capital and land requirements.



Promoting agricultural lending within the framework of USAID's Development Credit Authority (DCA) Program. On September 30, 2014, USAID Ukraine signed an eight-year, \$6 million DCA loan portfolio guarantee (LPG) program with five of USAID AgroInvest's credit union partners (one in Kharkiv, two in Kherson, and two in L'viv). The signing of this LPG was the culmination of a six-month due diligence exercise conducted by USAID DCA, USAID Ukraine, and the AgroInvest project to identify the strongest credit unions, out of a pool of more than 40, with the most potential to develop or increase their agricultural lending portfolios to SMPs. As credit unions are virtually the only funding source for SMPs, their activities are critical in ensuring agricultural lending



in rural areas. Before and since the execution of the LPG agreements, AgroInvest worked actively to develop the capacity of these credit unions to ensure maximum usage of the DCA mechanism. As of the end of AgroInvest, credit unions had put more than 2,000,000 UAH under the DCA mechanism, with none of these loans entering into default. Capacity building activities AgroInvest undertook to support this LPG program included the following:

- Working with each of the five credit unions individually to help them develop their first comprehensive multiyear strategic plans.
- Establishing quarterly meetings with the leadership of the credit unions to share best practices, including best practices in using DCA guarantees.
- In coordination with the Mission Environmental Officer and Bureau Environmental officer, developing *The Environmental Protection and Human Health Manual for USAID Development Credit Authority Loan Portfolio Partner Credit Unions* and training credit union staff on its application.
- Training for the credit union staff and members on USAID Ukraine’s *Pesticide Report and Safe Use Action Plan* (PERSUAP).
- In partnership with the International Finance Corporation (IFC), training all DCA partner credit unions on practical aspects of using the IFC’s credit risk assessment software (CLARA). This software is designed to calculate and forecast farmer’s cash flows and is applied by banks, other financial organizations, and suppliers of agricultural inputs when offering financial and commodity loans to agricultural producers.
- In partnership with Pioneer/Dupont, conducting a financial literacy and modern agricultural technologies training program by establishing three demonstration fields (one each in Kharkiv, Kherson, and L’viv). This program brought together farmers to a model farm during the planting, growing, and harvesting cycles. Partner credit unions were included in this training, to give their loan officers an understanding of the agriculture sector and the needs and ability of the farmers in their oblasts. The training also included financial literacy seminars for farmers to make them aware of the available financing options and to teach them to keep more detailed records of their agrarian finances.

Financial Literacy for Small and Medium Sized Borrowers

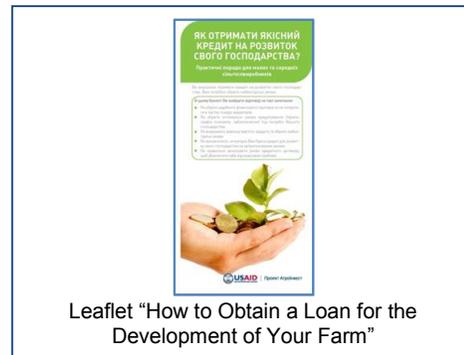
Financial education for small and medium-sized agricultural producers. To improve the financial literacy of SMPs, AgroInvest developed a set of manuals and conducted an outreach campaign. The project disseminated its manual, “*How to Improve Accounting for Small and Medium-Sized Producers: The Importance of Reliable Accounting Data*” among 500 SMPs who are current and potential clients of partner banks. This manual is the first of its kind developed specifically for SMP accountants to improve the quality of their loan applications and overall management of their operations.



An agri-technology training on tomato growing, Kherson oblast

The project also developed and widely disseminated a “*Farmer’s Notebook*” to help SMPs record and analyze their agricultural production and cash flows in an illustrative and user-friendly format. The notebook enables farmers to record their daily revenues and costs to provide data that would assist a credit union’s loan officer in preparing a cash flow statement. When applying for a loan, farmers can submit their “Farmer’s Notebook” and the package of applicable supporting documentation to a credit officer, who can use them to conduct a thorough risk assessment. This approach is more efficient, cost-effective, and faster than the method of questioning credit unions traditionally used.

AgroInvest also developed and distributed 15,000 copies of the leaflet, “*How to Obtain a Loan for the Development of Your Farm.*” This leaflet covers how to select a reliable financial partner and avoid becoming a victim of “predatory” lenders, how to select optimal lending terms (time period, loan repayment schedule, security, and the like) to meet the farm’s needs, how to calculate the actual cost of a loan, and how to determine whether it is cost-efficient to use a loan for farm development purposes based on the financial institution’s proposed terms and conditions.



In cooperation with Ukraine Agricultural Advisory Services, AgroInvest specialists conducted a series of training sessions, titled “*Practical Tips on Obtaining Loans and Fundamentals of Financial Security for Small and Medium-Sized Agricultural Producers,*” attended by 150 participants. The training materials were given to partner credit unions, which continue to use them to deliver their own training and for use during information meetings with SMPs to discuss access to funding, identify problems, help improve SMPs’ financial literacy, promote ideas of cooperation, and implement modern technologies.

Agricultural technology training campaign. The quantity and quality of a farm’s produce is an important prerequisite for both securing and repaying a loan. To improve their overall production, farmers must implement better technologies and apply modern methods of farming. With this in mind, AgroInvest developed a systematic and comprehensive set of training courses for farmers focused on field-based crops that covered a wide range of topics, such as modern production technologies, post-harvest handling, and marketing of agricultural products.



An innovative feature of this training was that it was developed in partnership with leading technology companies, such as Rijk Zwaan Ukraine, Agro-Optima, and Prime-Fruit, as well as with local credit unions, so that SMPs were offered a comprehensive

program that included hands-on training with agricultural technology, information on sources of inputs, and financing options that allow them to bring that technology to their own farms.

This training campaign was instrumental in providing SMPs with affordable “turn-key” financial offers from partner credit unions. It introduced innovations that made credit union services significantly more accessible to SMPs. The knowledge gained and the best practices learned at the training increased SMPs’ economic efficiency, and, consequently, their creditworthiness. Due to the new technologies implemented as a result of the training, SMPs noted up to a 40 percent increase in yields of cucumbers and other high-value horticultural crops.

Overall, the project conducted 75 training sessions that were attended by approximately 1,000 current and potential credit union members. Credit officers from partner credit unions attended each training. This helped them fully understand the life cycle and production season of specific crops (cucumbers, potatoes, peppers, etc.). Special attention was paid to the role of credit unions as lenders and promoters of modern technologies.

Strengthening the Capacity of Producer Organizations

Successful producer organizations leverage the assets of a collection of individuals, to give them a stronger voice in the marketplace. To be successful, these organizations must meet the needs of their members, have investment and buy-in from these members, and apply democratic organizational decision-making practices. AgroInvest activities supported the strengthening of producer organizations and cooperatives and the establishment and development of effective agricultural marketing channels for their produce.

Legislative Framework

AgroInvest efforts supported the creation of an enabling legislative framework for the development of producer organizations. The project developed two sub-laws to complement the Law “On Amendments to the Law of Ukraine ‘On Agricultural Cooperation’”:

- “Reference By-laws of an Agricultural Service Cooperative,” and
- “Model Internal Economic Rules for an Agricultural Service Cooperative.”

With project support, these sub-laws were successfully adopted by decrees of the MAPF, officially communicated to all local authorities, and are now in effect.

AgroInvest specialists also prepared methodological guidelines on the accounting in agricultural service cooperatives, which were printed by the Union of Agricultural Service Cooperatives and distributed among its members:

- “Organization of Service Providing by an Agricultural Service Cooperative from Raw Milk Procurement, Cooling and Processing through Finished Produce Distributing: Accounting, Taxation and Certain Legal Aspects”;
- “Organization of Procurement and Distribution Services by Agricultural Service Cooperatives: Accounting, Taxation and Certain Legal Aspects”.



These methodological guidelines give agricultural service cooperatives the information to help them better organize accounting at the farm level (for the cooperative members) and at the cooperative level (for the cooperative as an entity organized by its members).

Agriculture Service Cooperative Capacity Building Program

Creating a favorable legislative and regulatory framework is an important prerequisite for the development of producer organizations and cooperatives, but in practice, active steps by the producers and support from local authorities are also required. Therefore, the AgroInvest project launched a program to conduct diverse training and support activities to build the capacity of producer organizations. This program was complemented by a

program that awarded 20 competitively selected grants to agricultural service cooperatives across the country. The recipients of these grants are highlighted below.

Name	Location	Activities supported
ASC "Start- M"	Crimea, Pervomaisky raion, village of Krestyanivka	Installation of technological equipment for sorting potatoes
ASC "Dzhylek"	Crimea, Pervomaisky raion, village Novaya Derevnnya	Installation of cold storage unit to store berries, vegetables, and fruits
ASC "Frukty Krymu"	Saki Crimea raion, village of Chervone	Installation of technological equipment for sorting and packaging of fruits and vegetables
ASC "Umyut"	Crimea, Bilogorsky raion, village of Petrovo	Installation of processing equipment for drying herbs
ASC "Hayal 2009"	Crimea, Saki raion, village of Chervone	Installation of cold storage unit to store strawberries and frigo seedlings
ASC "Budzhak"	Odesa oblast, Saratsky raion, village of Starosillya	Installation of technological equipment for processing milk and dairy products
ASC "Zakhidny"	Rivne oblast, Rivne raion, village of Obariv	Installation of technological equipment for processing grain and oilseeds to produce animal fodder
ASC "Ivankovetsky Svitanok"	Kirovohrad oblast, Znamyansky raion, village of Yuhymove	Installation of technological equipment for processing milk and dairy products
ASC "Severin"	Vinnytsia obalst, Zhmerinskiy raion, village of Severynivka	Installation of cold storage unit to store raspberries, fruits, and vegetables
ASC "Shyroke"	Kherson oblast, Skadovsk raion, village of Shyroke	Installation of cold storage unit to store melons, fruits, and vegetables
L'viv Regional Union of ASCs "Rivnopravnist"	L'viv oblast, Drohobych and Brody raions	Installation of equipment for pasture-based milking and collection
ASC "Lypivsky"	Yves-Frankivsk oblast, Rohatyn raion, village of Lypivske	Installation of technological equipment for packaging of potatoes, cereals, dry fruits, and vegetables
ASC "Losyatynske Molochne Dzherelo"	Ternopil oblast, Kremenets raion, village of Losyatyn	Installation of cold storage unit to store strawberries
ASC "Molochni Riky"	Rivne oblast, Goshchansky raion, village of Posyahva,	Installation of technological equipment for processing grain and oilseeds to produce animal feed
ASC "Snovyanka"	Chernihiv oblast, Horodyansky raion, village of Makyshyn,	Installation of technological equipment for processing organic grain and oilseeds to produce organic animal feed
ASC "Chysta Flora"	Ivano-Frankivsk oblast, Kolomyia raion, village of Spas	Installation of cold storage unit to store berries and mushrooms
Storozhynets association of ASCs "Hospodar Pidgir'ya"	Chernivtsi oblast, Storozhynets raion, village of Panka	Installation of equipment for processing milk and dairy products
ASC "Zolota Bdzhilka"	Ivano-Frankivsk oblast, Kalush town	Installation of technological equipment for packaging honey
ASC "Kurgan"	Odesa oblast, Tatarbunary raion, village of Strumok	Installation of technological equipment for processing grapes to make grape juice concentrate
ASC "Bukovy Horishok"	Chernivtsi oblast, Storozhynets raion, village of Banyliv-Podgirny	Installation of technological equipment for drying and processing herbs

The capacity building program for cooperatives and producer organizations not only helped strengthen the organizations but also established a set of demonstration sites for continued learning. Over the life of the project, these demonstration sites (i.e., model

cooperatives) served as “live” classrooms, in which farmers and other cooperatives and their members from across Ukraine came together to learn best practices and gain first-hand experience in the process of establishing cooperatives and improving their operations. Below are examples of several of these model cooperatives.

Strawberry cultivation. The “Hayal 2009” cooperative was registered in 2009 to provide pre-sale strawberry cooling and storage for frigo seedlings in the winter. AgroInvest helped the cooperative finance and install a cooling chamber, helping cooperative members diversify their activities by giving them the ability to cultivate, store, and sell frigo strawberry seedlings. As a result, members received additional income and improved the financial status of their families.

Milk production. One of the most promising areas of development of small-scale dairy farming is pasture-based milking which allows for a higher quality of milk to be produced, thus increasing the value and subsequent purchase price for such milk. This capacity building project was implemented in cooperation with the L’viv Regional Union of Agricultural Service Cooperatives “Rinopravnist.” Thanks to special equipment for pasture-based milking, procured through a grant from AgroInvest, the cooperative organized the process of grazing on specially allocated pastures, where dairy cows can remain 24 hours a day from spring to autumn.

High-quality animal feed. Without state support, it is extremely difficult for individual “household farms” to survive under the current economic conditions. It is critically important for them to have access to high-quality feed for the animals they keep. In western Ukraine, “household farms” established the cooperative “Molochni Riky” which showed that effective cooperation can be established among grains and oilseed producers to process crops into quality fodder and feed mixtures. Thanks to the project’s capacity building program, the cooperative can now produce 40 tons of animal feed a year. Now able to access higher quality feed, members of the cooperative have also improved their milk and meat production. Furthermore, due to the reduced cost of animal feed for cooperative members because it is now being produced locally, employment and incomes both increased; a survey among active cooperative members



Frigo seedlings of strawberry produced by ASC “Hayal,” Crimea



Cows milked in an open-air unit, Regional Union of Agricultural Service Cooperatives “Rinopravnist,” L’viv oblast



Grant opening of ASC Ivankovetsky Svitanok’s dairy processing facility in Kirovohrad oblast



Launch of an animal feed production facility at ASC Molochni Riky, Rivne oblast

shows that their income increased by 10 to 15 percent. This helped the cooperative increase its membership by 50 percent, from 24 to 36.

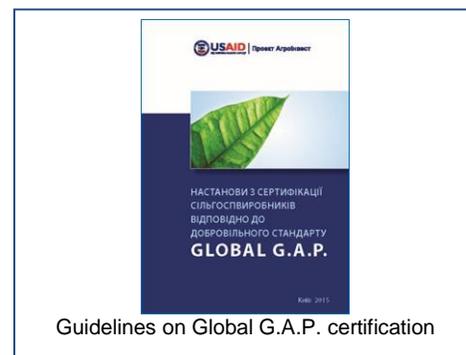
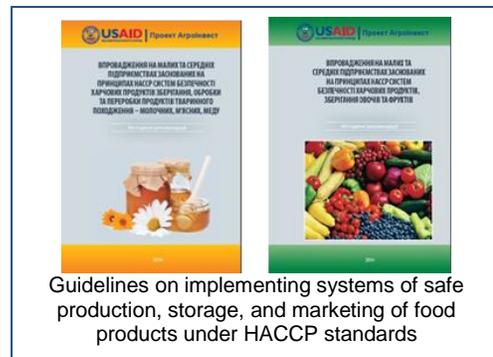
Wild herb and berry collection and processing. For many residents of Ukrainian's mountainous regions (the Crimea, Carpathian, and Trans-Carpathian zones), collection of wild herbs and berries is practically their only source of income and livelihood. Therefore, ASC "Chysta Flora" joined forces with local residents to organize a processing facility for medicinal herbs, wild berries, and fruits for making herbal teas. Due to equipment provided via an AgroInvest grant, the cooperative was able to procure and install a cold storage unit, making it possible to freeze berries and mushrooms, and thus, to significantly extend the time period during which they can be processed and packaged. With the cold storage unit, the cooperative can now process and store 10 tons of raspberries, 15 tons of blueberries, five tons of huckleberries, and three tons of plums. Losses in production were minimized and sales of berries and products increased. Cooperative members' profits increased by 30 percent. In addition, 20 residents of Spas village, where the cooperative is located, having witnessed the profitability of this business, joined the cooperative.



Safety Systems as a Key for Entry into New Markets

In view of the importance and significance of implementing international food safety standards in Ukraine and to prepare SMPs to ultimately comply with the Law of Ukraine # 1602 dated July 22, 2014 "On Major Principles and Requirements to Food Safety and Quality," which came into effect September 20, 2015, in the second half of the project, AgroInvest increasingly focused on developing materials and conducting practical training sessions to prepare SMPs for the new requirements of production and the pre-sale handling of food products and help them access new markets. More specifically, AgroInvest:

- Developed a specialized training program for 24 advisors, who will provide SMPs and agricultural service cooperatives (ASCs) across Ukraine with informational and practical support in updating their internal food safety standards and processes and in developing the documentation required for Hazard Analysis Critical Control Point (HACCP) and Global GAP certification.



- Developed three manuals with guidelines on implementing systems of safe production, storage, and marketing of food products under HACCP and Global GAP standards for SMPs and ASCs.
- Designed and initiated 10 pilot projects in six oblasts (Rivne, Ternopil, Odesa, Kherson, Kirovohrad, and Cherkasy) to test the practices of implementing international food traceability systems in ASCs and extend the practical experience attained to other regions. To implement these pilot projects, action plans and documentation for implementing HACCP-based food production systems and Global GAP-based crop production were developed. The pilot cooperatives were able to implement the above standards and, as a result, accessed new markets.

Additionally, in light of specific safety requirements for animal products that are produced and marketed by SMPs, AgroInvest helped prepare feasibility studies for the renovation of two slaughter houses in Cherkasy and Kherson oblasts and helped the slaughterhouses develop HACCP- and Global GAP-compliant policies and operating protocols. This effort resulted in the formation of the first agriculture service cooperative slaughterhouses in Ukraine. This is important, as new legislation in Ukraine requires that any meat that will be sold at market must be slaughtered in a certified facility. This is a drastic change from the common practice of households slaughtering their meat, often in uncontrolled and unsanitary conditions, and taking it to market to sell. The formation of the Mayak (Lighthouse) slaughter house in Muzykivka, Kherson oblast, has led to the creation of proper conditions for onsite pre-slaughter animal preparation (i.e., proper feeding and humane conditions), veterinary checks before slaughtering, slaughtering under internationally recognized rules and standards, pre-sale handling (dozing, packing, cooling) and the organized marketing of animal products.

Market Infrastructure Development

Three-Level System of Agricultural Markets

AgroInvest provided comprehensive assistance to the GOU in developing the concept of a three-level system of markets. Project experts performed large-scale studies on the status of agrarian market infrastructure development, which confirmed the virtual absence of adequate infrastructure in Ukraine for storage, pre-sales, and marketing of fruits and vegetables. Only 10 percent of storage facilities meet modern requirements. Each year, more than 5 million tons (30 percent) of fruits and vegetables are lost as a result. In addition, there is no systematic approach for the development of wholesale markets, no plan or vision for linking smaller markets (farmers' markets) to larger markets, and appropriate services needed to form wholesale lots of produce.

As a result of thorough and comprehensive research, AgroInvest developed a feasibility study for the National Project “Green Markets – Establishing a Network of Wholesale Food Markets.” This study recommended the creation of a three-level, vertically and horizontally integrated Ukrainian market infrastructure. The first level would consist of 11 national wholesale markets of agricultural products; the second level would be composed of six regional wholesale markets of agricultural products; and the third level would encompass 73 local logistical platforms to function as farm-level wholesale and retail markets. The system, once implemented, has the potential to create more than 17,000 new jobs. The project was approved by an intergovernmental working group and resolution of the Cabinet of Ministers of Ukraine.

Even though the project has not yet been implemented due to the ongoing crisis in Ukraine, it is a notable accomplishment that, for the first time, a comprehensive framework has been developed based on thorough market research and analysis. This lays the groundwork for a new regulatory environment which, when implemented, will reduce post-harvest losses of Ukrainian fruits and vegetables by approximately 50 percent, will provide Ukrainian consumers with higher quality produce at a reasonable price, will increase the nation's export capacity, will stimulate the growth of agricultural production and regional development, will promote food safety across the country, ultimately strengthening Ukraine's position in international agricultural markets.



To ensure that the legislative groundwork is in place for the implementation of the proposed National Project, AgroInvest supported the development of a draft law “On Amendments to the Law of Ukraine ‘On Wholesale Agricultural Markets.’” The proposed amendments assure, at the legislative level, equal conditions for the activities of regional and farmers’ markets and establish governmental support for these equal conditions and for attracting investment. The draft law will develop a network of local wholesale agricultural markets, expand the market activities of agricultural producers, and increase the commitment of local authorities and self-governments in the sphere.

Establishing a Model Wholesale Market and 15 Other Market Infrastructure Projects

AgroInvest’s support to develop agrarian market infrastructure included financial and technical assistance in the development of feasibility studies and design estimates to establish the “Shelen” wholesale and retail agricultural market (Rivne oblast) and 15 other market infrastructure facilities: farmers’ markets, fruit and vegetable storehouses, dairy plants, and slaughterhouses.

Based on the technical documentation developed with the project’s assistance and with private investment, development of the “Shelen” wholesale and retail agricultural market (Rivne oblast), the “Novyi” and “Chornyanka” farmers’ markets (Kherson oblast), and the renovation of the “Charodiy” wholesale livestock market (Cherkasy oblast) commenced.

In addition, AgroInvest’s flexible approach to assisting SMPs was demonstrated in the establishment of a servicing slaughterhouse at the “Mayak” agricultural service cooperative in Muzykivka village in Kherson oblast. Implementation of this activity created the proper conditions for pre-slaughter keeping of livestock, pre-slaughter veterinary inspection, slaughtering livestock under safe, sanitary safe conditions in line with the internationally accepted rules and standards, appropriate pre-sale handling (cutting-up, packing, cooling), and organized marketing of livestock products. Moreover, commissioning of the slaughterhouse provided an opportunity to stop the unsanitary practice of slaughtering livestock in villagers’ yards, establish proper conditions for the disposal of slaughter waste, and improve the environmental conditions in the village.

Feasibility Study for the Establishment of a Model Marketing and Information System

Ukrainian agricultural producers, especially small and medium-sized producers, face difficulties in planning their marketing strategies and have to sell their produce at reduced rates because they lack reliable, timely market information and recommendations on deliveries, prices, market trends, and more. To address the issue, AgroInvest undertook a feasibility study and developed a model for an information-and marketing agrarian center in Kherson oblast, at the request of local farmers and oblast authorities.



Opening of the “Novyi” farmers’ market, Kherson oblast

Creating an objective, operating market-oriented information system will help wholesale and farmers' markets operate more effectively and lead to more agricultural producers offering their produce at the organized markets. By improving the effectiveness and inclusiveness of the markets, producers will have the chance to increase their revenues and use them to expand their agricultural production. The Kherson oblast administration plans to implement the marketing information system in early 2016.

DISCUSSION OF INDICATORS

Throughout the project, AgroInvest maintained a Performance Management Plan (PMP) consisting of 29 indicators. Although “success,” for a development program, is often defined as “achieving all of its indicators,” the five years of AgroInvest’s life have been marked with challenges and opportunities that required rapid and innovative thinking to “pivot” its activities to address the rapidly changing situation in Ukraine. “Pivoting,” in some cases, meant diverging from the project’s originally planned activities to address unexpected needs and opportunities. One example of this is AgroInvest’s activities in support of European Union integration. In the project’s initial years, such activities were left to projects, many of which were funded directly by the EU, that specifically focused on this topic. In light of the crisis and the loss of the Russian market as a buyer of Ukrainian agriculture products, USAID saw an increased need to support Ukrainian producers in accessing new markets, with a focus on EU and Middle Eastern markets.

One impediment to this was that, because Ukrainian producers had relied on Russian markets with low (and in many cases, no) food safety standards or requirements for so long, they were not ready or able to start selling their produce on these new global markets, which have very high food safety and quality standards. In response, AgroInvest ramped up its activities in developing materials and conducting training focused on internationally recognized food safety and tractability standards.

Other realities complicated AgroInvest’s efforts to meet certain PMP targets. For example, the project was unable to secure the levels of investment required to bring many of the market infrastructure projects to fruition. The project had to limit itself to conducting feasibility studies for such projects and was unable to use project funding to actually execute the projects due to the lack of committed investors. In the first half of the project, AgroInvest made good progress in facilitating external domestic and international financing for the construction of these facilities through investment promotion and attraction activities, but beginning in late 2013, in reaction to the crisis in Ukraine, investors became increasingly apprehensive of finance such activities in Ukraine, due to the political and economic instability.

The table below lists the indicators defined in AgroInvest’s PMP. For indicators that were not met, an explanation is provided.

PERFORMANCE INDICATOR			Notes and Explanations
	Project Actual Result	LOP Target	
Project Objective 1.1: Market-Oriented Policy Reforms Accelerated			
Indicator			
1.1.1. Number of policies/regulations/administrative procedures analyzed as a result of USG assistance	73	41	
1.1.2. Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance	76	21	
1.1.3. Number of policies rejected/vetoed/removed that are inconsistent with agricultural market-friendly/investment-friendly procedures	5	9	AgroInvest and its partners did not seek to advocate for the withdrawal of draft legislation as that often requires getting caught up in a complex political game of vested interests; rather, it focused its efforts on developing new, reform-oriented regulations, administrative procedures, and policy initiatives. When an opportunity presented itself to support the rejection/veto/or removal of bad policy initiatives, we capitalized on it.
1.1.4. Number of policies, regulations and administrative procedures passed	12	10	
1.1.5. Number of public-private dialogue mechanisms utilized as a result of USG assistance	24	32	In the beginning of the project, the GOU in general and the MAPF in particular were not receptive to cooperating with civil society organizations and the private sector. This culminated in the GOU's passing legislation in January 2014 that restricted CSOs and such public-private dialogue mechanisms from being openly formed and used. With the change of the government in 2014, there was renewed interest in using such mechanisms across the public and private sector, and in the latter half of the project there was a drastic uptick in their usage. Without this turn of events, the number of such mechanisms may have been much lower than the 24 achieved through AgroInvest initiatives and support.
Project Objective 1.2: Industry Associations Strengthened			
Indicator			
1.2.1. Number of regional-level working groups engaged by partner industry associations	18	20	
1.2.2. Number of institutions/organization undertaking capacity/competency strengthening as a result of USG assistance	32	20	
1.2.3. Aggregated increase in self-financing for target industry associations	38.2%	26%	

PERFORMANCE INDICATOR	Project Actual Result	LOP Target	Notes and Explanations
1.2.4. Number of new members in partner industry associations	466	35	
Project Objective 1.3: Public Education for Land Rights Provided			
Indicator			
1.3.1. Number of media appearances on land issues	1,429	500	
1.3.2. Awareness of land rights among target communities	20.32%	55%	We envisioned measuring this indicator via a comparison of the information obtained during baseline survey (which was conducted and demonstrated that the awareness of land rights among target communities is 20.32%) and a final survey conducted at the end of the project. Given the change in MAPF management and its request for us to conduct a survey on Ukrainians' views on the lifting of the moratorium on the sale of agricultural land (which, at the time, was set to be lifted in January 2016, but since has been extended to January 2017), and after discussions with the USAID Mission, we agreed to conduct the requested national survey in lieu of the initially programmed final land rights survey. Given, the change in scope and different questions posed, AgroInvest was unable to comparably measure the change in awareness of land rights among Ukrainians in target communities
1.3.2a. Share of female rural citizens in target communities	50%	50%	
1.3.3. Number of land deeds issued in target communities	48,044	12,500	
1.3.4. Number of land conflicts resolved as a result of project assistance	1,032	1,000	Legal centers, supported by the Project, that provided population with legal services pro bono facilitated resolution of 899 (of the 1,032 total) conflicts.
1.3.5. Percentage of legal aid service cost covered by non-project sources	31.99%	100%	In AgroInvest's initial capacity building strategy for CSO partners providing legal aid services for land rights issues, it was envisioned that a fee for service systems would be developed with the CSOs given the large demand for such services identified early in the project. Despite early progress in developing such programs with the CSOs, the crisis in Ukraine resulted in drastic reductions in Ukrainians' disposal income impacting the demand for such services. As a result, many CSOs had to abandon such programs and instead provide solely pro-bono services to those in need. It is noted that the ATO conflict in the east resulted in large numbers of IDPs seeking such legal aid services without any ability to pay for such services.

PERFORMANCE INDICATOR	Project Actual Result	LOP Target	Notes and Explanations
Project Objective 2.1: Sustainable Access to Financial Services for SMPs Provided			
Indicator			
2.1.1. Value of agriculture finance facilitated	\$81.1M	\$60M	
2.1.2. Number of credit transactions facilitated	28,022	10,000	
2.1.3. New loan portfolio at risk at 90 days	4.5%	10%	
2.1.4. Number of innovative financial products developed and introduced into the market as result of project assistance	9	6	
Project Objective 3.1: Producer Organizations Developed/Strengthened			
Indicator			
3.1.1. Number of producer organizations identified, assessed and selected for assistance	20	20	
3.1.2. Value of investment (in kind or otherwise) facilitated through producer group projects	\$1,461,834	\$2,225,000	Due to significant negative changes in the economic conditions in Ukraine, investment facilitated for producer group projects did not materialize at the level anticipated at the outset of AgroInvest. This was due, in large part, to the exchange rate continuously increasing, from 8.15UAH/\$1USD in mid-2013 to 24 UAH/\$1USD in January 2016. Although the level of investment in USD ultimately came to \$1,461,834 for the life of the project, the value in investment in UAH did increase to compensate for the fluctuating exchange rate.
3.1.3. Perceived improvement in the quality of services provided to members by producer organizations	48%	35%	
3.1.3a. Share of female members reported improvement of services provided by producer organizations	46%	18%	
3.1.4. Number of producer organizations, water users associations, trade and business associations and community-based organizations receiving USG assistance	285	160	
3.1.5. Number of participants in USG supported trade and investment capacity building trainings	1,913	1,175	
3.1.5a. Share of female training participants	41%	50%	
Project Objective 3.2: More Effective Market Infrastructure for SMPs Developed			
Indicator			
3.2.1. Number of wholesale markets formed (through at least Stage 4 which is defined as construction works started)	1	2	Given the deteriorating political, social, and economic situation in Ukraine, we were unable to attract the external investment required to finance the construction work of these large, multimillion dollar wholesale markets. Domestic and

PERFORMANCE INDICATOR	Project Actual Result	LOP Target	Notes and Explanations
			international investors either stopped making new commitments or stopped their current commitments. For example, with the wholesale market in Rivne; Slovenian investors had pledged several million USD, but when the conflict began in late 2013, all investments were put on hold until the situation in Ukraine improved, stalling the construction of this particular market. In light of this example, the USAID Mission allowed AgrolInvest not to pursue the execution of the feasibility study for the second wholesale market and instead, agreed to reallocate that funding to more promising activities under the project.
3.2.2. Number of local/regional markets of market infrastructure (e.g. storage/cold storage, packing/processing/sorting facilities) formed with project assistance	15	14	
3.2.3. Number of trading/market places established	501	5,000	The number of trading and market places established was based, in large part, on the opening of the wholesale markets. The setbacks described in indicators 3.2.1 directly impacted AgrolInvest's ability to achieve the results under this indicator.
3.2.4. Number of microenterprises linked to larger firms as a result of USG assistance to the value chain	1,130	1,000	
3.2.4a. Share of female-owned micro enterprise	56%	18%	
3.2.5. Value of investment facilitated in market infrastructure	\$6,945,952	\$21.25M	The value of investment facilitated for market infrastructure development was heavily contingent on investment from sources external to AgrolInvest, because the project was not able to use project funds for physical construction work. When the conflict started in late 2013, such investment from domestic and international investors slowed, and in many cases stopped completely. With the conflict still ongoing as of the close of the AgrolInvest project, the investment environment remains uncertain, and investors remain slow to return to Ukraine or make any new financing commitments.

PERFORMANCE INDICATOR	Project Actual Result	LOP Target	Notes and Explanations
Crosscutting Indicator			
Proportion of females who report increased self-efficacy at the conclusion of USG supported training/programming	94%	60%	

LESSONS LEARNED AND RECOMMENDATIONS

The project concentrated its efforts in three main areas: 1) policy development support, 2) increasing access to credit for agricultural producers, and 3) supporting agricultural cooperative development and market infrastructure in Ukraine. No development project can succeed unless it leads to a great deal of reflection and learning. Five years of implementation in the complex Ukrainian environment has taught us valuable lessons that can and should be taken into account in future agricultural development projects. Some of these are highlighted and discussed below.

Policy development support. AgroInvest's policy development work was grounded in working closely with local civil society organizations (CSOs), mainly agricultural associations, as the drivers of change. During the first half of the project, this seemed to be a thankless job, as the Parliament and the MAPF leadership at the time paid little attention to CSOs unless their objectives matched the vested interests of these entities. Despite this, AgroInvest continued to focus its energy and resources on building the capacity of such agricultural industry associations. The groundwork laid in the first half of the project proved to be invaluable in the second half, when, just after the Revolution of Dignity, the new MAPF leadership and many members of the Parliament placed a premium on involving CSOs in the reform process. Rather than being caught off guard, the associations with whom AgroInvest had been working were immediately ready to jump in and participate in the reform process. This was clearly evident in their inclusion in the development of the MAPF's 2015-2020 agrarian strategy. The overall lesson here was that CSOs are a critical element of a democratic society and are key drivers for sustainable change, and their contribution in all social and political processes cannot be underestimated. For that reason, they should always be included in development programming, whatever the program's focus.

In terms of future policy development support, AgroInvest recognizes the need for future agricultural programs to work more closely with the Ukrainian Parliament, and specifically, its Committee on Agriculture and Land Relations. Given the increase in agriculture-related draft legislation moving through the Ukrainian political process, providing analytical support to that committee could greatly expedite the reform process in the agrarian sector. In the final year of the project, the committee approached AgroInvest with a request for analytical and legal support of the same sort provided to the MAPF. Unfortunately, in its final months, the project lacked the resources to provide such support. This demonstrates that the will for continued positive change is there and it is recommended to explore this opportunity in the future and on future agrarian sector focused development projects.

Land tenure. Land tenure is one of most discussed and controversial topics, if not the most controversial topic, in the Ukrainian agrarian sector. Ongoing public discussions on the future of agricultural land reform in Ukraine continue to demonstrate the lack of coordinated government efforts to prepare for lifting the moratorium on the sale of agricultural land, as shown by the GOU's decision in November 2015 to postpone the lifting of the moratorium from January 1, 2016 to January 1, 2017. In light of this extension, policy makers, CSOs, and other stakeholders need to continue advocating to lift the land moratorium in January 2017, rather than continuing to defer that decision indefinitely. In cooperation with partners who support the opening of the land market, AgroInvest has regularly advocated for a better understanding of the benefits of permitting the sale of agricultural land. A roadmap for other aspects of land reform in Ukraine, including clear and transparent land lease requirements and options, was developed by a working group on land as a part of drafting the Comprehensive Strategy for Agriculture and Rural Development in Ukraine for 2015-2020. Implementation of the land-related aspects this strategy will allow for a coordinated effort to ensure the creation of a full-fledged agricultural land market, improve the land lease market, encourage the open and transparent lease of state and municipal lands, and enhance the cadastral and registration system.

Continued support to the credit union system. From the outset, AgroInvest envisioned that it would work closely with all types of financial institutions (banks, credit unions, input suppliers, and the like) active in agricultural lending to increase financing opportunities for SMPs. This proved to be overly optimistic, as early assessments, both formal and informal, showed that banks generally see lending to the SMP demographic as involving too much of an administrative burden to be profitable. AgroInvest therefore turned its attention to credit unions, because they were, and remain, one of the only sources of lending for rural SMPs. The project therefore developed a holistic program that included training and capacity building, focused on both sides of agricultural financing relationship. We continuously trained farmers and POs increased their ability to obtain financing, and by including financial institutions in same training, increased trust was built; financial institutions were able to see the capacity, and therefore, the creditworthiness, of SMPs and POs. Continued support to the credit union system at the local and national level will continue to be essential, as outdated legislation and ineffective structures of credit cooperation hinder their operations and, together with the financial crisis, lead to a noticeable continued lack of external financing options for credit unions. There is now a need for implementing a comprehensive and strategic plan for the development of the Ukrainian credit union system as a means of increasing lending to SMPs. Together with its GOU and credit union system partners, USAID AgroInvest developed a draft roadmap that outlines a step-by-step plan and relevant mechanisms to develop an efficient lending environment with credit unions as drivers of SMP development; this also serves as a precondition for the very existence of the rural infrastructure in Ukraine.

Environmental compliance. AgroInvest has always complied with USAID environmental regulations, namely the project's IEE and the PERSUAP that was developed in Year 4 of the project. Moreover, environmental screening and compliance was a standard element of each agreement that AgroInvest signed with its grantees and subcontractors. AgroInvest's technical staff worked hand-in-hand with partners to ensure that their Environmental Mitigation and Monitoring Plans (EMMPs), when required, were developed accurately and monitored compliance with recommended mitigation measures. For most POs with which AgroInvest worked, EMMPs and overall environmental compliance were sometimes difficult, as it was the first time that these organizations had ever encountered such stringent requirements. We recommend that, in the future, a user-friendly environmental compliance handbook be developed in the very beginning of a project that can be disseminated to potential partners and the general public alike, articulating the environmental compliance requirements to which they will be expected to adhere. This will allow for a better understanding on behalf of the POs from the outset and will help them to better determine whether they have the capacity to meet environmental compliance requirements at the time of submitting a grant application.

The value of competitive selection. AgroInvest has always adhered to a stringent competition process in selecting its grantees and subcontractors. This has often been met with complaints from local organizations that our processes and required paperwork were too complex and time-consuming. Although our processes were complex, they were always transparent and complied with all USG and GOU requirements, and we regularly included USAID and MAPF representatives as non-voting members on our selection committees. In fact, other donors and donor projects asked us to share our best practices with them and to train them in AgroInvest's selection methodology. Continuing in this vein will further strengthen local appreciation for an open and transparent selection process while mitigating any potential misperceptions and conflicts of interest.

ANNEXES



USAID
FROM THE AMERICAN PEOPLE

SUCCESS STORY

LAND RIGHTS PROGRAM PROVIDES VILLAGE WITH RELIEF

USAID AgrolInvest's Legal Land Rights Services Program helps landowners protect their land rights



Photo: SERGIY LAZAREV

Lawyers from the Law Centers frequently visit remote villages to explain to rural landowners how to protect their land rights. They provide advice during workshops in village halls or libraries, and even during spontaneous meetings on the street.

U.S. Agency for International Development
www.usaid.gov

Villagers from Korchuvate in Odesa Oblast, Ukraine, had leased their individual land plots to an agricultural investor believing that the rent payments would provide them guaranteed income. But that person had not made a lease payment in two years. The villagers could not terminate the lease because no such clause had been written into the agreement, neither did they have the money to hire a lawyer to bring a court case.

Some Korchuvate villagers had heard of the Legal Land Rights Program that USAID's AgrolInvest project had organized to help Ukrainian land owners understand their legal rights and responsibilities. The Program is part of a larger USAID AgrolInvest effort to accelerate and broaden economic recovery in Ukraine through support to the agriculture sector. AgrolInvest is promoting the implementation of reforms that stimulate investments and increase and stabilize production in the agricultural sector. The project also works to strengthen the capacity of industry associations to shape agricultural policies as well as to provide public education on land rights among rural landowners.

The Legal Land Rights Program partners with local NGOs to provide free legal assistance to rural landowners through its Land Rights Resource Center in Kyiv, the capital and dozens of Law Centers in the regions. The Resource Center analyzes the cases it receives, classifies them, and develops "roadmaps" – step-by-step instructions on how to address various land issues. The roadmaps are published as posters or booklets and are available from the Resource Center's Land Web-Portal (www.zem.ua).

Between June 2012 and June 2013, Law Centers in eight oblasts of Ukraine organized 160 public events attended by 5,500 rural landowners and local officials. In addition, 5,200 rural landowners received oral or written consultations, and 250 land conflicts have been resolved.

The Law Centers interact directly with the landowners through regular meetings to discuss problems, analyze documents, and provide information, consultations, and legal advice on a wide range of land-related issue. The Centers also prepare claims and represent landowners on a pro bono basis in the courts, if needed, and through mediation, if possible. These activities are promoted through an AgrolInvest national media information campaign to help landowners understand their rights, which has developed 528 TV/ radio spots and media publications, reaching an audience of 28 million. Korchuvate villagers discovered the Center in this way.

Korchuvate residents eventually consulted with lawyers from the local Law Center on how to remedy the fact that they were not receiving payments from the person leasing their lands. Lawyers showed the villagers how to use the Land Web Portal and helped them prepare all the necessary court documents. In the end, the court satisfied their lawful claims and canceled the lease agreement. The lawyers also advised the villagers on the terms that should be included in any new lease agreement to prevent similar situations in the future. This case is now used by hundreds of other landowners as an example of how to protect their land rights.



SUCCESS STORY

LEGAL LAND RIGHTS PROGRAM HELPS COMBAT CORRUPTION

USAID AgrolInvest's Legal Land Rights Services Program not only helps landowners but also paves the road to combat corruption



Photo: RUSLANA PYIRA

Presentation of the Program “10 Steps to Combat Corruption in Land Relations” at a press club meeting as part of AgrolInvest’s national information campaign My Land, My Right.

The USAID AgrolInvest Project is designed to provide technical assistance to accelerate and broaden economic recovery in Ukraine through support to the agriculture sector and increase the country’s contribution to global food security. The project also implements a legal land rights program to help citizens understand and protect their land rights.

Ivan Gladij is the head of “Kalyna” farm in Kliuvintsi village in the western Ukrainian oblast of Ternopil. In October 2012, state agriculture inspectors from the Ternopil region inspected his farm and issued an Act stating Mr. Gladij was illegally using 19 hectares of village council’s land. Because his land was contested, Mr. Gladij was unable to harvest wheat that year, and has seen his revenues decrease quite a bit.

After learning about the *Legal Land Rights Services Program* implemented by the USAID AgrolInvest Project through informational materials posted in the community, Mr. Gladij applied for legal aid at a legal center established by the “First Agrarian Cluster,” which is one of the AgrolInvest grantees. The Cluster lawyers examined the case, and determined it is a rather straightforward case. Mr. Gladij had a lease agreement with the village council for 30 acres, which included 19 disputed hectares. An easy case to prove in the court; yet the case took two years. Why? Because Mr. Gladij refused to pay bribe to the inspectors.

To help farmers such as Mr. Gladij protect their land-related rights in Ukraine, the USAID AgrolInvest Project implements the *Legal Land Rights Program*. Through this program, and in partnership with local NGOs, AgrolInvest provides free legal assistance to rural landowners and farmers. The *Program* comprises three interlinked elements: the *National Land Rights Resource Center*, *Law Centers* in eight oblasts of Ukraine, and the national information campaign *My Land, My Right*.

The “brain” of the entire program is the *Land Rights Resource Center*. The Center analyzes the cases collected by local NGOs, such as Mr. Gladij’s, classifies them, and develops “roadmaps” – step-by-step instructions on how to solve various land issues. The roadmaps are published as posters or booklets, and are available from the Resource Center’s [Land Web-Portal](#), together with document templates. Based on information collected through the Program, Center’s experts developed the *10 Steps to Combat Corruption in Land Relations*. In addition to identifying typical problems of rural landowners, the Center has also developed legislative initiatives to solve these problems. Two of these draft laws are awaiting parliamentary approval.

The lawyers of the “First Agrarian Cluster” helped Mr. Gladij protect his lawful right to farm the land he had sown with winter wheat. To truly combat corruption, it is not sufficient to merely instruct people not to pay bribes. The solution must be more systemic, and that means help establish a system in which officials will be discouraged from seeking bribes.



SUCCESS STORY

Developing Value Chains Based on Dairy Cooperatives

USAID AgrolInvest support enables producer organizations to increase milk production and improve household incomes



photo: Iryna Pavlyuk

Molochnyi Krai produces quality, natural dairy products at below market prices

Improving milk collection and processing systems is an important aspect of enhancing the quality of dairy products and further developing the overall Ukrainian agrarian sector. Eighty percent of milk in Ukraine is produced by small-scale producers that, in most cases, are not united and are thus unable to produce large quantities of high quality milk. The USAID AgrolInvest Project has therefore been providing technical assistance to agricultural service cooperatives (ASCs) through grants, which have enabled them to improve their processing systems.

Hospodar Pidhir'ya, a union of three ASCs comprised of 1,033 members in Storozhynets raion of Chernivtsi oblast, was the first to receive a USAID AgrolInvest capacity building grant. With this support, supplemented by cost shares from the local government and Heifer International, Hospodar Pidhir'ya was able to launch the Molochnyi Krai (Milk Land) dairy plant owned by the cooperative's members and purchase and install state of the art processing equipment. The plant can now produce up to 12 tons of milk per shift and it has created 17 new jobs.

Due to its cooperative nature, Molochnyi Krai managed to cut out the "middlemen" between the producers and consumers and thus reduce the overall production costs. As a result, the cooperative is able to pay a higher purchase price for raw milk to its members, enabling rural households to increase their incomes. Additionally, the reduced production cost enables the cooperative enterprise to sell milk to consumers at a lower price. Due to this, Molochnyi Krai has won a tender to supply its dairy products to local schools and hospitals that are financed by the local government. This guarantees 50% of its current dairy product sales and simultaneously reduces government spending. The remaining 50% is supplied to a local supermarket chain.

Cooperative members also host study tours at the facility to demonstrate raw milk quality control systems and cheese making processes for counterparts from other areas and regions. With USAID AgrolInvest's help, Molochnyi Krai has also become a learning center for rural communities from all over Ukraine who plan to construct their own small-scale dairy plants.



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FROM THE AMERICAN PEOPLE

SUCCESS STORY

Bringing Farmers and Financial Officers Together in the Field to Increase Access to Finance

USAID AgrolInvest is helping small vegetable producers increase their knowledge thus increasing their opportunities to access credit from local financial institutions.



photo: Oleg Stoyanov

Farmers and Hromada Credit Union members participating in a hands-on training pertaining to proper cucumber cultivation.

The equation is simple, farmers who use advanced production techniques and methods tend to produce larger yields of higher quality produce. In Kherson Oblast, USAID AgrolInvest is working closely with its partner credit unions to provide access to practical hands-on learning and training opportunities for local farmers.

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Kherson Oblast is known for the vegetables and fruits produced on its fertile soil. Despite this, there are two main deficiencies that plague the ability of small farmers to develop: 1) Lack of access to finance; and 2) Lack of access to trainings focused on modern agriculture methods and practices specifically designed for small farmers. USAID AgrolInvest, along with Hromada Credit Union, are addressing both of these through an innovative approach that brings partner financial institutions together with their client farmers in the field.

Even when farmers do have the ability to access financing, it is often the case that they are not able to pay back the loan on time. For example, more than 50% of the farmers – clients of AgrolInvest's partner credit union Hromada – who applied for financing to grow cucumbers in 2013 could not repay their loans on time. USAID AgrolInvest and Hromada analyzed the reasons of the poor loan performance of the farmers and found that the problem which had led to the non-performing loans was based on the low yield and quality of cucumbers the farmers were producing. These low yields and less than ideal quality cucumbers could not be marketed and sold at the prices required to pay back the loans, let alone turn a profit for the farmers. It was quickly identified that through utilizing modern technologies and methods, noticeable increases in yields and quality could be realized. As such AgrolInvest developed an innovative approach that brings partner financial institutions together with their client farmers and experienced agronomists and crop experts in the field.

In the specific case of this approach with Hromada in Kherson, AgrolInvest worked with partner input suppliers – leaders in the seed industry – to identify a cucumber expert to begin conducting practical trainings in the field for 20 farmers. Through the series of eight day-long training sessions, the farmers rotate through each of the participants farms every two weeks. This way, each phase of the plants growing cycle is analyzed as a group in the farmers' greenhouses and fields with an expert agronomist onsite. The participants are provided with detailed recommendations on soil preparation, irrigation, fertilization, plant protection methods, harvesting, and post-harvest processing. Upon completion of the training series, the farmers have the skills and know how to serve as demo sites for other area farmers.

Those that participate in the training series are given preferential treatment for subsequent loans because the riskiness is alleviated as the credit union can be more confident that the farmers in question have increased their agricultural acumen. AgrolInvest and Hromada plan to expand the training program for farmers of other vegetable crops in Kherson, and AgrolInvest is working with its other financial institution partners to replicate the program in other parts Ukraine.



SUCCESS STORY

Fellow Villagers Unite Efforts to Become Key Players in Fruit and Vegetable Sector

USAID AgrolInvest helps small vegetable producers establish cooperatives and make breakthroughs in both production and marketing.



photo: Vladyslav Karpenko

Shyroke Cooperative Head, Valery Fedorenko, displays newly harvested honey dew melons.

Due to wide-scale training and coaching from USAID AgrolInvest, small vegetable producers united their efforts and not only increased production but also pre-processed, packed and placed it on pallets in storage facilities. This has greatly improved the process of forming commercial lots of produce and has enabled them to reach more markets.

Production of early season vegetables such as potatoes, and fruits such as watermelons and honeydew melons, are a traditional and often the only source of income for local villagers in Skadovsk raion. Early fruit and vegetables have a short shelf life once harvested, and intermediaries use this situation to purchase the produce from unorganized local producers for prices well below their actual value. To counteract this, a group of active producers reached an agreement to form a joint commercial lot of early honeydew melons for a local retail chain. This was the beginning of the informal cooperation by Shyroke residents.

In November 2011, when AgrolInvest launched its activities in Southern Ukraine, this informal marketing group in Shyroke included only eight local producers. Their number rose to 29 after just one year of cooperation with AgrolInvest. The marketing group and its members received training in business planning, resource management, record keeping, modern technologies for producing and marketing fruit and vegetables, food safety, and production standardization. AgrolInvest helped the Shyroke marketing group to establish contacts with seed suppliers, plant protection means, and production equipment, as well as with wholesalers and traders.

Shyroke marketing group's main achievement in 2012 was reaching 847 tons in honeydew melon sales thanks to contracts with two wholesalers and the development of logistic facilities in the raion, which enabled the marketing group members to deliver their produce in prepared packages and place them on pallets in storage facilities. This greatly improved the process of forming commercial produce lots.

In preparation for next season, the Shyroke marketing group developed a joint production strategy, procured seeds and fertilizers for its members, and secured a \$4,500 commodity loan from an international company to purchase a drip irrigation system, agri-fiber, and film to produce super-early vegetables.

Having seen the benefits of cooperation and planning their business operations as a legal entity, the local producers have officially registered themselves as the Shyroke agriculture servicing cooperative in March 2013. With AgrolInvest's help, the Shyroke cooperative is becoming a major player in the rapidly growing market of Ukrainian early fruits and vegetables.



SUCCESS STORY

First Loan Brings Local Farmer Promising Results

Credit unions, with the help of USAID AgrolInvest, support local farmers by bringing new blood into their business



Farmer Valery Vasilevych and his wife are happy to harvest the first cucumbers in their new greenhouse

Access-to-Finance training to farmers in Kherson oblast organized by USAID AgrolInvest in partnership with Gromada Credit Union helped farmers not only learn about new technologies in greenhouse horticulture but also secure loans to purchase and install new greenhouses.

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photo: Oleg Stoyanov

The estimated annual unmet demand for credit for Ukrainian small and medium producers (SMPs) is approximately \$7 billion. A very promising business for farmers in South Ukraine – growing greatly demanded and highly profitable rathe-ripes – still remains difficult to attain. This business requires considerable investments in modern greenhouse constructions and new technologies as well as strong ability of SMP's to generate documented cash flows sufficient to repay loans.

The USAID AgrolInvest Project helped Gromada Credit Union to develop a credit program for SMPs and supported its implementation with an Access-to-Finance Training Program for farmers to increase their technological literacy and implement new technologies for the sake of attaining planned financial results. The goal of the program is to increase the farmers' creditworthiness through improved production technologies and marketing channels.

As a result of this partnership, the first loan in the amount of UAH 279,000 was issued in June 2012 to Valery Vasilevych, a farmer from Kherson oblast. He used the loan to build two new greenhouses. which serve as worthy replacements to his old wooden greenhouses, which did not allow him to use modern technologies and resulted in low productivity and rathe-ripe yields.

The first cucumber seeds were planted in July 2012, and the first yield was harvested in August. Due to modern greenhouse construction, the yield grew remarkably well, the season became much longer, and the farmer was able to make more money. Notably, Mr. Vasilevych has already grown cabbage seedlings to plant after cucumbers in the new greenhouses. He plans to harvest the cabbages during the New Year season.

Currently Mr. Vasilevych is repaying his loan according to schedule and expects to repay it within two years.

The new Gromada credit program is working well, and more farmers are securing loans from the credit union every week.



SUCCESS STORY

HELPING AGRICULTURE COOPERATIVES SURVIVE IN A TIME OF CRISIS



Photo: ERIC BLEICH

A collection of different varieties of honey produced by the “Little Golden Bee” agriculture service cooperative.

Many of USAID AgrolInvest’s Agriculture Service Cooperative partners are facing new and unique challenges as a result of the ongoing political and economic turmoil in Ukraine, as such, the Project is making it priority to help them navigate through these troubling times

The Golden Bee agricultural service cooperative was founded in 2008 to unite local households engaged in beekeeping of the Pervomayske region of the Autonomous Republic of Crimea. Since its founding, the cooperative has experienced slow, but steady growth, and its future was looking bright. In 2013, the cooperative collected and processed over 100 tons of honey, and has grown to 31 members. In the autumn of 2013, USAID AgrolInvest began working with the cooperative to strengthen its internal administrative processes and procedures, as well to modernize Golden Bee’s processing and packaging line.

When AgrolInvest conducted a site visit to Golden Bee this past October, the members of the cooperative were excited about the European Union Association Agreement and its corresponding Deep and Comprehensive Free Trade Agreement (DCFTA) that the Government of Ukraine was to sign in late November. The cooperative members saw DCFTA as a way of opening new trade opportunities and access to the EU honey market. However, on November 21, 2013, the government in Ukraine announced it was suspending signing of the agreement with the EU, setting in motion chain of events – including Russia’s illegal annexation of Crimea – marked by long term instability in Ukraine and the region.

A month later, USAID AgrolInvest terminated its grant to Golden Bee. However, the cooperative soon requested AgrolInvest’s help to reestablish a new Golden Bee elsewhere in Ukraine. The best location identified was the village of Sivka-Kaluska in Ivano-Frankivsk oblast. AgrolInvest worked closely with Golden Bee and Ivano-Frankivsk authorities to streamline the registration process for the renamed cooperative, now called Little Golden Bee, and to locate an ideal facility for its operation. AgrolInvest was soon able to reissue a new grant award to the Little Golden Bee with the same activity plan and anticipated results.

All members of the Golden Bee cooperative in Crimea remain members of the Little Golden Bee based out of Ivano-Frankivsk. Raw honey collected by the Crimean members in Pervomayske, Crimea will be transported to Sivka-Kaluska in Ivano-Frankivsk for processing and packaging. The Little Golden Bee will maintain approximately 60 percent of its honey market in western Ukraine, and in fact, this relocation brings honey producers closer to their consumer base, and potentially cuts production costs. Moreover, new honey producers are joining the Little Golden Bee cooperative, bringing varieties of raw honey based on geographical and vegetation differences between the Crimean and the Ivano-Frankivsk regions – a value-add due to diversification of the Little Golden Bee’s product line.



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SUCCESS STORY

Improved legislation strengthens agricultural cooperatives

New laws on cooperatives developed with the assistance of USAID AgrolInvest will help small producers boost their business



Crimean farmers established the Khayal Cooperative to combine their efforts to produce strawberries.

Due to new legislation, Khayal and other agricultural cooperatives all over Ukraine will not be double taxed. This legislative environment will allow them to expand their business. With USAID AgrolInvest's help they will sell their produce through modern marketing channels.

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photo: Vladislav Karpenko

Until recently, Ukrainian tax legislation was formulated in such a way that tax was assessed in the amount of 35-37% of the total receipts from the sales of agricultural products rather than from the income of the producer who cultivated and sold these products. This created unfavorable conditions for agricultural producers. As a result, farmers were forced to illegally sell their produce. In order to evade this prohibitive tax, they sold their produce directly at the field or through spontaneous markets.

In order to address this problem, USAID AgrolInvest cooperated with the deputies of the Verkhovna Rada (Parliament) of Ukraine and the Ministry of Agrarian Policy and Food of Ukraine to develop and advocate for the adoption of two important laws by the Verkhovna Rada of Ukraine:

-The Law of Ukraine "On Amendments to the Tax Code of Ukraine (Regarding stimulation of the development of agricultural cooperation)" #10068, which was adopted by the Verkhovna Rada in the second reading on October 2, 2012 and has been signed by the President. This law repeals provisions from the Tax Code of Ukraine which adversely affect the rural population engaged in producing agricultural produce and discouraged them from participation in agricultural cooperatives. In addition, this new law creates a legal environment for the transparent and effective sale of agricultural products from the producer to end user.

-The Law of Ukraine "On Amendments to the Law of Ukraine "On Agricultural Cooperation" #11121, which was approved by the Verkhovna Rada on October 16, 2012 in the first reading and has been signed into law by the President. This law governs the tax status of cooperatives and will significantly improve the legal, tax, financial and credit, and economic environment for agricultural cooperatives and their members by (i) establishing a not-for-profit status of agricultural cooperatives and (ii) eliminating the existing double taxation of agricultural service cooperatives and their members who sell the produce through the cooperative. The law will have a positive effect on pricing in the food market and create conditions for the transparent storage and marketing of agricultural produce. It is expected that this will result in an increase in the amount of agricultural produce thus contributing to food security of the country.

MODEL BYLAWS
of an agricultural service cooperative

SECTION I. GENERAL PROVISIONS

1. Name. Location. Duration

1.1. The Agricultural Service Cooperative

(name)

(hereinafter referred to as the Cooperative) is established by its founders on a voluntary basis in compliance with the current legislation, under the resolution of the General Meeting (Protocol #_____ dated _____).

1.2. The Cooperative bears the official name:

- Full name of the Cooperative in Ukrainian

-
- Short name of the Cooperative in Ukrainian

-
- Full name of the Cooperative in English

-
- Short name of the Cooperative in English

1.3. Location of the Cooperative:

1.4. The Cooperative is established for an indefinite duration/ or for the period

2. Legal status of the Cooperative. List of the founders

2.1. The Cooperative shall be established and conduct its activities subject to the Laws of Ukraine on Cooperation, on Agricultural Cooperation, other legal acts of Ukraine, as well as this Bylaws.

2.2. The Cooperative is a legal entity. The Cooperative shall obtain a legal entity status pursuant to the procedure established by the Law of Ukraine on State registration of Legal Entities and Individuals Entrepreneurs.

2.3. The Cooperative serves its members – agricultural producers without purposes of profit and it is a non-profitable organization.

2.4. The Cooperative has its own balance sheet, current accounts in banking institutions, seal with its name, as well as investment (deposit) accounts in banking institutions.

The Cooperative may have stamps with its name, letterheads, as well as mark for commodities and services, emblem registered in compliance with the applicable legislation of Ukraine.

2.5. The Cooperative may enter into agreements, acquire property and non-property rights, bear obligations, be a plaintiff or defendant in court of law, economic and arbitration courts in compliance with the applicable legislation and herewith.

2.6. Founders of the Cooperative:

1. *Example for an individual: printed name, citizen of Ukraine of foreigner passport data (for stateless individuals – residents of Ukraine data of an equivalent identity document). The individual data shall be certified with his/her personal signature;*
2. *Example for an entity: printed name of authorized representative of the entity, document supporting his/her authority. The entity data shall be certified by its authorized representative signature.*
3. _____
4. _____

2.7. The founders of the Cooperative shall obtain the status of members after its state registration.

3. Purpose and types of activities of the Cooperative

3.1. The Cooperative shall be formed through an association of individuals and/or legal entities that are agricultural producers to organize a servicing aimed at the reducing costs and/or increasing incomes of members of this cooperative during their agricultural activity conduction and at the protecting their economic interests.

3.2. The Cooperative types of activities (*exhaustive list under the Classification of Economic Activities (KVED)*):

4. Rights and obligations of the Cooperative

4.1. The Cooperative shall be entitled to:

- Conduct economic activities to serve its members; independently determine the strategy and key directions of its development pursuant to the economic situation;

- In compliance with the legislation of Ukraine, to purchase, alienate, lease or take a lease of movable and immovable property required for its activities;
- Undertake credit and loan obligations and guarantee their repayment with property or other assets of the Cooperative;
- Provide services at prices and rates set under the Rules of internal activities;
- Unite with other cooperatives to undertake jointly any activities, other than prohibited by the law, on an industry or territorial basis under the decision of the General Meeting of the Cooperative members;
- Found enterprises, branches, offices and other separated subunits entitled to open the current accounts;
- Acquire and dispose securities;
- Conduct foreign trade to serve its members;

(Other rights not contravening the legislation)

4.2. The Cooperative shall be obliged to:

- Provide services to its members under their orders in accordance with the types of the Cooperative activities;
- Create the appropriate conditions for high productive and secure labor of the Cooperative staff, to ensure compliance with the labor legislation, rules and regulations for personnel health and safety, and social insurance;
- Comply with rules and requirements of environmental protection, natural resource management and environmental safety;
- Provide education and training to its members and staff, to support social development of the community that includes members of the Cooperative;

(Other obligations not contravening the legislation)

4.3. The Cooperative shall maintain accounting, managerial accounting and statistic reporting in compliance with the applicable legislation and the Rules of internal activities.

Head of the Cooperative (Executive Director), chief accountant shall be personally responsible for observance of the procedures for maintenance and accuracy of the accounting and statistic reporting.

Section II. COOPERATIVE MEMBERSHIP

5. Procedure for acquisition and termination of membership in the Cooperative

5.1. Agricultural producers, entities and/or individuals, may be members of the Cooperative, if they have paid a subscription fee and made a share contribution specified by the General Meeting of the Cooperative, acknowledge and meet the requirements of the bylaws, are entitled to full voting status and participate in economic activities of the Cooperative.

Individuals may be members of the Cooperative upon reaching sixteen years of age and having expressed their will to participate in the Cooperative activities.

5.2. Subject to the decision of the General Meeting, associated members may be admitted to the Cooperative membership.

Associated members may be individuals reached sixteen years of age or entities acknowledge these Bylaws and have made a share contribution to develop the Cooperative in the amount as envisaged hereby.

5.3. The entry to the Cooperative shall be performed for an individual upon written application and for an entity upon written request. Applicant shall make a subscription fee and share contribution in the amount as envisaged hereby.

Decision of the Board (Head) of the Cooperative to admit to the Cooperative membership shall be subject to the General Meeting approval. From the decision of the Board (Head) of the Cooperative till the approval of the decision by the General Meeting of the Cooperative, the Applicant shall have the same rights and obligations as the other Cooperative members.

5.4. The Cooperative shall maintain a register of members and associated members as prescribed by the Rules of internal activities.

5.5. Membership in the Cooperative shall be terminated:

- Voluntarily by secession of a member upon written notice;
- If the Cooperative member loose the agricultural producer status;
- If exclusion from the Cooperative membership by the resolution of the General Meeting;
- If non-payment of the contributions as provided for by the Cooperative Bylaws;
- If non-approval by the General Meeting of the admission decision of the Board (Head) of the Cooperative;
- In case of death of an individual member of the Cooperative or in case of liquidation of corporate member of the Cooperative;
- If reorganization or liquidation of the Cooperative.

The procedure for termination of the Cooperative membership shall be set forth by the Rules of internal activities.

5.6. The General Meeting resolution on exclusion from the Cooperative membership may be contested in the courts.

6. Rights and obligations of members and associated members of the Cooperative

6.1. Members of the Cooperative shall be entitled to:

- Participate in management of the Cooperative through voting at the General Meeting of the Cooperative members under the principle: one Cooperative member – one vote, to elect or be elected in the Cooperative managing bodies. For the corporate Cooperative members the rights are executed by their authorized representatives;
- Vote at the General Meetings;
- Use services of the Cooperative to conduct their economic activities;
- Receive the Cooperative payments pro rata to the extent of their participation in activities of the Cooperative;
- Receive payments on a share (within the part of profit determined by the legislation);
- Receive a part of the Cooperative property under the procedure prescribed hereby in case of secession, exclusion from the Cooperative or liquidation of the Cooperative;
- Obtain complete information on the Cooperative activities pursuant to the Rules of internal activities;

(Other rights not contravening the legislation)

6.2. Members of the Cooperative shall be obliged to:

- Participate in economic activities of the Cooperatives to the extent determined by the Rules of internal activities;
- Observe the Bylaws and keep the Rules of internal activities of the Cooperative;
- Pay a share contribution depending on the obligations to participate in the Cooperative activities;
- Observe the Bylaws of the Cooperative;
- Execute resolutions of the General Meeting and the Board of the Cooperative;

(Other obligations not contravening the legislation)

6.3. Associated members of the Cooperative shall be entitled to:

- Advisory vote;
- Receive a part of profit on a share in compliance with the current legislation;
- Receive primarily his/her/its shares and relevant part of profit on them in case of the Cooperative liquidation;
- Obtain complete information on the Cooperative activities.

6.4. Upon an appropriate application, the Cooperative members may renew their membership for associated one subject to the decision of the Cooperative Board to be approved by the General Meeting.

SECTION III. SUBSCRIPTION FEES AND SHARE CONTRIBUTIONS. PROPERTY FUNDS OF THE COOPERATIVE

7. Subscription fees

7.1. When entering the Cooperative to provide organizationally its activities, each individual and entity shall pay a subscription fee in monetary from in the amount of _____ UAH.

7.2. The subscription fee is a binding condition for the Cooperative membership.

7.3. The subscription fee shall be accrued to the indivisible fund and in case of the secession from the Cooperative is not a subject of the repayment.

7.4. Associated members shall not pay the subscription fee.

8. Share and share contributions

8.1. A share contribution of member of the Cooperative shall be formed from her/his/its share and additional shares.

8.2. Amount of the share contribution of each members of the Cooperative shall be determined proportionally to his/her/its participation in the Cooperative economic activities pursuant to the planned scope and costs of services provided by the Cooperative.

The amount of the minimum share of the Cooperative member is equal to ___ UAH.

8.3. The Cooperative members have a right to contribute additional share to be paid by them voluntarily to the share fund of the Cooperative.

The amount of the minimum additional share of the Cooperative member is equal to ___ UAH.

8.4. The amount of the share of the Cooperative associated member shall not be less than ___ UAH.

8.5. The amount of the additional share of the Cooperative associated member shall not be less than ___ UAH.

8.6. The shares may be contributed with property, property rights and/or in monetary form. ___ percent of the share contributions shall be paid with money after the Board decision on admission to the membership and the rest of the share shall be paid pursuant to the Rules of internal activities.

8.7. The fact of contribution of property by the Cooperative members of associated members in consideration of their share or additional share shall be confirmed with a Certificate of acceptance (hereinafter referred to as the Certificate) upon the state registration of the Cooperative. The Certificate shall contain description of property, its monetary value, date of the property contribution to the Cooperative, signature of the Cooperative member having contributed this property, signature of Head of the Cooperative and seal of the Cooperative.

The certificated shall be executed in two original copies, one for the Cooperative member having contributed the share with property and other for the Cooperative files.

8.8. Property rights of members of the Cooperative are introduced to the Cooperative property pursuant to the procedure established by the Law.

8.9. The shares contributed in monetary and other forms shall be registered in account books of the Cooperative on the date of their receipt by the Cooperative. The contributions by the Cooperative members in form of intangible assets shall be deemed to be made on the date set by resolution of the General Meeting of the Cooperative members. Transfer of the land use rights by the Cooperative members shall be executed in compliance with the land and other legislation, Bylaws, Rules of internal activities and resolutions of the General Meeting of the Cooperative.

9. Ownership right to the share in property of the Cooperative

9.1. In case of secession or exclusion from the Cooperative membership, as well as its liquidation, members of the Cooperative shall be entitled to obtain an equity of the Cooperative property pro rata their share contribution and pursuant to the procedure and in the time limits specified hereby and the Rules of internal activities. Members of the Cooperative that has contributed their property share in the form of land plot shall receive their property share exclusively in the form of land plot, i.e. in kind (in situ). The deadline to receive the share may not exceed two years from the 1st day of

January of the year following the year of the secession (exclusion) from the Cooperative.

9.2. The right of individual members of the Cooperative to receive a share of the Cooperative property is a succession right.

9.3. Any dispute on the receiving a share of the Cooperative property by its member shall be resolved in compliance with the applicable legislation of Ukraine.

10. Funds of the Cooperative

10.1. To enable its statutory activities, the Cooperative shall form share, reserve, indivisible and special funds pursuant to the procedure envisaged hereby.

10.2. The share fund shall be formed from the shares (including additional ones) from members and associated members of the Cooperative.

10.3. The indivisible fund of the Cooperative shall be created mandatorily and formed from the subscription fees and deductions from the Cooperative incomes. The indivisible fund may not be distributed among members of the Cooperative except as set forth by the legislation. The procedure for deductions from of incomes to the indivisible fund shall be subject hereto.

10.4. The Cooperative may determine and form its other funds (including reserve and special funds). Their amount, procedure for forming and use shall be approved by resolution of the General Meeting of the Cooperative.

10.5. The reserve fund of the Cooperative shall be created with deductions from the Cooperative incomes, redistribution of the indivisible fund, donations, non-repayable financial assistance and with other lawful revenues to cover contingent damages (losses).

10.6. The special fund of the Cooperative shall be formed with targeted contributions of the Cooperative members and other lawful revenues to enable its statutory activities and shall be used pursuant to the decision of the Cooperative managing bodies.

10.7. The amount of payments to the Cooperative funds shall be determined by the General Meeting of the Cooperative subject hereto.

10.8. The Cooperative shall keep records of the funds specifying share and targeted contributions of each of its member.

11. Financial liability

11.1. The Cooperative shall be liable for its obligations with all its property.

11.2. Member of the Cooperative shall be liable for the Cooperative obligations only within the share contribution.

In case of liquidation of the Cooperative unrelated to its bankruptcy, the Cooperative members shall be jointly liable for reimbursement of pecuniary obligations or tax indebtedness of the Cooperative under the procedure envisaged by the current legislation and the Rules of internal activities of the Cooperative.

11.3. The cooperative shall not be liable for any obligations of its members.

11.4. The Cooperative may insure its property and property rights. Insurance shall be provided voluntarily pursuant to the resolution of the General Meeting unless otherwise is provided for by the laws of Ukraine.

SECTION IV. MANAGING BODIES OF THE COOPERATIVE

12. Structure of managing bodies

12.1. The Cooperative shall be managed on the principles of self-governance, transparency, and participation of its members in solving matters of the Cooperative activities.

12.2. The General Meeting of the Cooperative members shall be a supreme managing body of the Cooperative. The Cooperative managing bodies also include the Board of the Cooperative. The Cooperative may hire an executive director and form a supervisory board.

12.3. To review particular issues and develop opinions, proposals and draft resolutions thereon, the General Meeting, and for the period between their sessions, the Board of the Cooperative or Supervisory board may establish special committees consisting of the Cooperative members involving non-member experts as consultants.

13. General Meeting

13.1. The General Meeting shall:

- Amend and add the Bylaws, adopt regulations of the Cooperative;
- Elect via secret voting Head and members of the Cooperative Board, of auditing committee, and supervisory board and reserve. The reserve shall be elected subject to the procedure set forth in the Rules of internal activities;
- Hear and approve activity reports of the Cooperative managing bodies;
- Determine types and amounts of the Cooperative funds and procedures for their formation and use;

- Approve:

- Rules of internal activities of the Cooperative;
 - Annual report and balance sheet of the Cooperative;
 - Procedure for forming and distribution of the Cooperative incomes;
 - Decision of the Board to admit new members or associated members and to terminate the membership;
- Make resolution on issues regarding:
- Entering the Cooperative to cooperative unions; founding, branches, offices and other separated subunits entitled to open the current accounts and approving their regulations; establishing or participating in establishment of enterprises;
 - Reorganizing or liquidation of the Cooperative.

The General Meeting shall be entitled to adopt any resolutions related to the statutory activities of the Cooperative.

13.2. The General Meeting shall be held annually after the end of fiscal year. It may be convened extraordinarily subject to the Board decision or upon the initiative of no less than one third of the Cooperative members.

The General Meeting at the request of one third of the members shall be convened no later than two weeks after the request. The Cooperative members shall be notified about the convention (holding) of the General Meeting no later than ten days prior the holding. The Rules of internal activities shall determine the procedure for notification of the Cooperative members on venue and date of the General Meeting.

If the General Meeting is impossible to be held due to organizational reasons (i.e. territorial location or large number of the members), the proxies meeting of the Cooperative may be convened. Number of the members entitled to delegate proxies and the procedure to delegate for the proxies meeting shall be envisaged by the Rules of internal activities of the Cooperative.

13.3. The General Meeting of the Cooperative members shall be eligible if it is attended by more than a half of the members and the proxies meeting is eligible if there are no less than two third of the proxies presented.

Each member or proxy of the Cooperative shall have one vote and the right may not be transferred to other person.

Resolution of the General Meeting of members (proxies meeting) of the Cooperative to admit to membership, amend the Bylaws, join or exit a cooperative union and to reorganize or liquidate the Cooperative shall be deemed to be adopted if it is affirmatively voted by at least 75 percent of the Cooperative members present at the General Meeting. Other issues resolutions require an affirmation by the simple majority of votes of the members (proxies) present at the General Meeting of the Cooperative.

13.4. Resolutions of the General Meeting of members (proxies) of the Cooperative shall be adopted subject to its Bylaws by open or secret

voting. In case of equality of votes, the Cooperative Head shall have a decisive vote.

13.5. The General Meeting resolutions shall be binding for all members and associated members of the Cooperative. The resolutions shall be recorded in protocols to be maintained subject to the Rule of internal activities of the Cooperative.

14. Board of the Cooperative

14.1. The Board of the Cooperative shall be elected for the term not exceeding three years.

14.2 The Board shall:

- Manage day-to-day economic activities of the Cooperative for the period between the General Meetings;
- Develop and submit development directions for the Cooperative to approval by the General Meeting;
- Adopt decision to convene the General Meeting;
- Convene the General Meeting and monitor its resolutions implementation;
- Solve economic activity issues hereunder;
- Submit for the General Meeting of the Cooperative members approval decisions to admit new members and associated members and to terminate the membership, as well as to renew a simple membership into associated one;
- Enter into employment agreements (contracts) in case of hiring the Executive Directorate and evaluate its operations;
- Delegate the right to adopt day-to-day decisions to the Executive Directorate;
- Ensure safety of the Cooperative property;
- Organize independent audits if needed;
- Develop Internal code of labor conduct;
- Set form and procedure to maintain the register of members and associated members of the Cooperative;
- Decide on trainings of the Cooperative members, interaction with domestic and foreign organizations.

14.3. The Board of the Cooperative shall be elected comprised of ____ members.

14.4. Members of the Cooperative Board shall elect among them Head, Deputy Head and Secretary of the Cooperative.

14.5. The Board members work mainly on a voluntary basis.

14.6. The Board members shall cease to fulfill their duties in case of termination of the term of their power, death of individual member or liquidation of corporate members of the Cooperative which authorized representative is elected to be the Board member, as well as early termination by the General Meeting.

14.7. Frequency of the meeting of the Cooperative Board shall be not less than once in _____. Decisions are adopted by a majority of votes if at least two thirty of the Cooperative Board members are present. In case of equality of votes, the Cooperative Head shall have a decisive vote.

15. Head of the Cooperative

15.1. The Head of the Cooperative chairs the Board and shall be selected by the General Meeting (Cooperative Board) for the term not exceeding three years.

15.2. The Head of the Cooperative shall:

- Ensure implementation of decisions of the Cooperative Board;
- During the absence of the Executive Director fulfill his/her duties:
- Represent the Cooperative to third parties and in courts of justice;
- Be responsible to the Cooperative for shortcoming in work committed by him/her in the performance of his/her duties;

(Other obligations to be determined if necessary)

16. Executive Director of the Cooperative

16.1. The Executive Director shall be hired to and dismissed from the position by the Board of the Cooperative.

16.2. The Executive Director shall conduct his/her activities under the terms and conditions of agreement to be concluded with the Board of the Cooperative.

16.3. The Executive Director shall:

- Not be a members of the Cooperative;
- Propose candidates to the Executive Directorate subject to approval by the Cooperative Board;
- Ensure organization of economic activities of the Cooperative;
- Conduct operative management of the Cooperative, hire and dismiss staff employees in accordance with the Rules of internal activities of the Cooperative;

- Report on his/her activities at the meetings of the Cooperative Board;

- Fulfill other functions delegated by the Cooperative Board.

16.4. The Executive Director shall report to the Board of the Cooperative.

17. Supervisory Board of the Cooperative

17.1. The Supervisory Board shall be elected by the General Meeting to control the activity of the executive body of the Cooperative.

Prior the formation of the Supervisory Board all its authorities specified herein shall pertain to the competence of the General Meeting. Members of the Board and Auditing Committee of the Cooperative shall not be elected to the Supervisory Board of the Cooperative.

17.2. Member of the Supervisory Board shall not be a member of the Board or the Auditing Committee of the Cooperative.

17.3. The Supervisory board consists of _____ members and shall be elected for the period no longer than three years.

17.4. Under its exclusive competence the Supervisory Board shall:

- Agree the decision of the Board to call to property liability members of the Board and other officials of the Cooperative;

- Pre-consider items of the agenda for the General Meeting and approve recommendations for resolutions thereon for the General Meeting;

- Adopt decisions on other matters within the competence of the Supervisory Board subject to the Rules of internal activities of the Cooperative;

- Solving other issues that periodically may be agreed by the General Meeting as those requiring the Supervisory Board approval.

17.5. The procedure for the Supervisory Board formation, conducting its meetings shall be determined by the Regulations on Supervisory Board subject to adoption by the General Meeting.

17.6. The Supervisory Board members shall fulfill their duties on a voluntary basis.

18. Auditing Committee (Auditor)

18.1. To control financial and economic activities of the Cooperative, the General Meeting shall elect an auditing committee (auditor). The Auditing Committee (Auditor) shall be elected from the Cooperatives members for the period of three years. The Auditing Committee shall include no less than three members. Members of the Board, as well as of the Supervisory Board shall not be members of the Auditing Committee (Auditor).

18.2. The Auditing Committee (Auditor) reports to the General Meeting of the Cooperative.

18.3. The Auditing Committee (Auditor) shall draw the opinions on annual reports and balances of the Cooperative otherwise the General Meeting is not entitled to approve them.

18.4. In case detecting threat of interests of the Cooperative or abuses by its members, the Auditing Committee (Auditor) shall immediately bring the matter to notice of the Supervisory Board and raise a question to convene an extraordinary General Meeting.

SECTION V. FINANCIAL ACTIVITIES

19. Formation and distribution of financial results from economic activities of the Cooperative

19.1. Income of the Cooperative shall be formed from:

- Revenues from its members in the form of payment for the services provided in the process of production, procuring, processing, supplying agricultural products;
- Funds or property received in the form of the passive incomes;
- Subsidies (grants) received from the state and/or local budgets to support agricultural service cooperatives, from state targeted funds or within technical or charitable, as well as humanitarian assistance;
- Other revenues not prohibited by the law.

19.2. Revenues received by the Cooperative from distribution (selling) agricultural products on behalf of members of this Cooperative shall not be deemed as its incomes.

19.3. Financial results from economic activities (net income) of the Cooperative shall be a margin between revenues of the Cooperative from its economic activities and costs for conducting such activities.

Upon fulfillment of the obligations by the Cooperative and reimbursement of losses of past periods, the remaining financial results from economic activities shall be distributed by the General Meeting in the form of contributions into the cooperative funds, cooperative payments to its members and accruals on shares of members and associated members the Cooperative.

19.4. By resolution of the General Meeting, up to 20 percent of the Cooperative income may be allocated to the accruals and payments of part of the income on share. The General Meeting resolution may allow various

percent of income part on the shares for members and associated members of the Cooperative.

19.5. Cooperative payments shall be made in accordance to the extent of participation of the Cooperative members in its economic activities.

The Cooperative payments shall not be made if the Cooperative activities are unprofitable and if the losses for the previous years remained unreimbursed.

19.6. Should the Cooperative member so wish, his/her/its part in the Cooperative income may be used to increase the amount of an additional share of this member of the Cooperative.

20. Labor relations in the Cooperative

20.1. Labor relations in the Cooperative shall be governed by the legislation of Ukraine, these Bylaws and Rules of internal activities of the Cooperative.

20.2. For the statutory tasks and objectives the Cooperative may employ based on employment agreements individuals who are non-members of the Cooperative. Subject to the parties consent, the employment agreement may be concluded in the form of a contract.

20.3. The Cooperative at own discretion shall specify form and system of labor compensation based on the provisions and guaranties set forth by the legislation of Ukraine, Master and Industry Agreements.

The minimum wage of the Cooperative employee may not be less than the minimum wage amount envisaged by the legislation of Ukraine.

20.4. The Cooperative shall maintain the mandatory state insurance of its contracted employees and pay the relevant contributions into the Insurance and Pension Funds of Ukraine subject to the current legislation of Ukraine.

Section VII. REORGANIZATION AND LIQUIDATION OF THE COOPERATIVE

21. Reorganization of the Cooperative

21.1. The Cooperative, under resolution of the General Meeting, may be reorganized into another business patter enterprise in compliance with the legislation of Ukraine. The Cooperative shall terminate its activities since the reorganization.

In case of the Cooperative reorganization, all its property, and rights and obligations shall be transferred to its successor.

The procedure for the reorganization shall be established by the General Meeting of the Cooperative members.

22. Liquidation of the Cooperative

22.1. The Cooperative shall be liquidated:

- By resolution of the General Meeting of the Cooperative members;
- If number of the Cooperative members is less than three;
- By the court decision.

22.2. The Cooperative liquidation shall be conducted by a liquidation committee nominated by the General Meeting and in case of the liquidation by the court decision the Committee shall be appointed by the court.

The Liquidation Committee shall assume all the powers to manage the Cooperative since the day of its appointment. The Liquidation Committee within three days after its appointment shall publish the information of the Cooperative liquidation in one of the official print media indicating the deadline to submit the claims from the creditors. The Liquidation Committee conducts appropriate preparatory and organizational work, draws up a liquidating balance sheet and submits it to the body having made a decision on the Cooperative liquidation. Completeness and accuracy of the liquidating balance sheet shall be confirmed by auditors.

22.3. The Cooperative property, remained after satisfaction of the claims its creditors, payments the shares and accruals on thereon to the Cooperative members, the cooperative payments, labor compensation, settlements with the cooperative union the Cooperative belongs to, shall be distributed between the Cooperative members under the procedure specified by the Bylaws and Rules of internal activities of the Cooperative.

Property from the indivisible fund shall not be distributed between members of the Cooperative and, by decision of the Liquidation Committee, shall be transferred to other cooperative organization (organizations) or accrued to the budget revenues. If this occurs the decision shall specify the directions of the said property use.

22.4. The liquidation shall be deemed as completed and the Cooperative as one terminated its activities from the date of entry of its liquidation in the state register.

SECTION VIII. FINAL PROVISIONS

23. Amendments and additions

Amendments and additions hereto shall be made by resolution of the General Meeting of the Cooperative members. The made amendments and additions the Cooperative Bylaws shall be executed as a separate annex hereto or by new wording hereof. The amendments hereto are subject to the state registration.

Amendments and additions hereto shall constitute an integral part of the Cooperative Bylaws.

The notification on amendments and additions to the Bylaws shall be send to the authority registered the Cooperative within a week after they were made

The Bylaws shall enter into force from the date of the state registration of the Cooperative. The Bylaws shall become void from the date of its exclusion from the state register.

Head of the Cooperative

(Signature)

(Printed Name)