

POST PRIVATIZATION ASSISTANCE IN THE AGRIBUSINESS SECTOR  
PILOT PROJECT TO FACILITATE THE COMMERCIAL VIABILITY OF A  
DEMONOPOLIZED WAREHOUSE SYSTEM IN PERM

A. Background

The Russian privatization program has been a very successful component of the overall economic reform in Russia, having focused primarily on small-scale privatization of retail trade, catering and service outlets that include food, milk and other consumable items, industrial enterprises and demonopolization of warehouse and distribution systems.

To date, over 50% of the previously municipally owned small-scale enterprises have been privatized by city authorities and some cities have nearly completed their programs; over 5,500 medium to large-scale enterprises have been sold at auction for shares to the public at large; and the first wholesale monopoly, a vegetable warehousing organization, was broken up and privatized in Perm. The Russian government plans on completing small-scale privatization by early 1994, completing voucher auctions of medium to large enterprises by July 1994 and rolling out demonopolization of wholesale, distribution and transportation systems throughout Russia over 1994.

Building on the reform momentum generated by the success at large of the Russia privatization program, the next logical step in the reform process is privatization of land and land titling. This undertaking, if successful, will create a system that closes the food chain loop from the farm gate to the agro processor to the retailer and consumer. For this system to operate properly, the commercial viability of selected enterprises throughout the food chain must be enhanced through post privatization initiatives that are private sector lead and managed with limited government regulatory oversight.

Hints of this privatization process moving forward are visible in the results of the pilot project in Perm. These themes are discussed in detail below.

ENTREPRENEURIAL SPIRIT. A real sense of entrepreneurial spirit has been created within the newly privatized enterprises. Most new entrepreneurs exhibit characteristics of:

- \* pride in having taken the initial risks of starting their own businesses;
- \* satisfaction in controlling their own destinies;
- \* emerging confidence in their abilities to identify and solve business problems; and
- \* pride of ownership.

These traits are juxtaposed with:

- \* fear about the inadequacy of their financial resources;
- \* uncertainty about developing and expanding their customer base;
- \* concerns over procuring goods in a timely fashion; and apprehension about fulfilling their business' appetite for the technical resources and inputs necessary to survive and grow.

These businesses are at a very crucial stage in their development. Their ability to succeed will depend on receiving additional technical assistance that is operational in orientation and geared to specific business functions.

SALES AND MARKETING. The current concept held by vegetable wholesalers in terms of the execution of sales and marketing is very unrefined. Historically, the better customers have been large state controlled and owned institutions. Little energy has been expended on identifying and segmenting the natural markets available to them. There has not been much effort to cultivate those market segments comprising the growing number of privately run kiosks or private retail establishments that are sprouting up throughout Perm.

In addition, a lack of understanding about promotion of product quality, service level, or any other related positive business attribute to the market is alien to wholesalers.

Sales execution exists in the form of taking a reactive rather than proactive stance to sales, relying on orders to be placed by the previous customer base. Aggressively making sales calls is a skill that is not understood and has not been mastered. Introduction of sales incentives and commission concepts would greatly enhance the capacity and quality of sales execution.

Several managers are beginning to understand the impact of increasing turnover and its relationship to decreasing the financing cost of working capital. However, further mastery of this concept is required.

Creating organizational units with responsibility for marketing, sales management and customer service activities represents significant opportunity to the wholesalers.

PROFIT AND LOSS AWARENESS. Of particular significance, given the fact that exposure to profit motive concepts has only occurred recently, is the acute awareness of profit and loss accountability developed by the entrepreneurs in Perm. This awareness is particularly pervasive with regard to working capital management and cost issues. The dramatically high cost

of financing and an extraordinary inflation rate have been the defining parameters of an 'on the job' short course in cost accounting that is unparalleled in entrepreneurial management regardless of culture, country or stage of market development.

COST CONTROL. Awareness of costs and the relationship of costs to profitability is illustrated by the following initiatives of the entrepreneurs:

- \* Procurement of lower cost produce from other regions in Russia and other countries;
- \* Offsetting warehouse costs by generating fee income for storing produce for farmers lacking 'on farm' storage;
- \* Using seasonal labor to control labor costs and issues.
- \* Purchasing computers to automate accounting and inventory systems.

PURCHASING AND INPUTS' MANAGEMENT. The primary source of product is local farmers. Drawbacks of reliance on local farmers include:

- \* The agricultural region surrounding Perm does not appear to produce particularly high quality product. The region has a short growing season and the climate does not generate sufficient heat units to guarantee high agricultural yields. The produce currently in warehouses is of inferior size and quality in comparison to produce seen from southern growing regions.
- \* Farmers in the region have virtually no 'on farm' storage. The wholesalers represent the storage capacity for the producers and are, therefore, burdened with financing and managing huge inventories places a significant drag on turnover velocity.

As a solution to this problem, one wholesaler has adopted the policy of charging a fee for storing farmers' product. Several of the managers discussed programs for importing product from other growing regions and other countries.

WAREHOUSE MANAGEMENT. Warehouses are typically antiquated by Western standards with no modern warehouse technology, leaving them quite labor intensive. Warehouses, although possessing some order, were lacking in basic hygiene and rodent control programs. Climate control programs are rudimentary.

BARTERING SKILLS AND PRODUCT LINE INTEGRATION. Dependence has

existed on a barter system which has evolved over the years. However, skills have not been optimally applied. For example, given the asset deployment process that should be taking place in Perm, as the city's large military industrial complex contracts, items like warehouse pallet racks, fork lifts, trucks and other equipment that could increase efficiency and reduce shrink should be in excess supply. These items have not been prime barter targets for the warehouse wholesalers.

The notion of backward integration uses of the wholesaler's facilities and managers is a logical business extension of the barter mentality that has not been given much thought. Wholesalers are in a good position to procure, store and sell/broker agricultural input products like seed stock, farm supplies, fertilizers, and equipment to the farmers who sell them produce.

CREDIT. In previous years, wholesalers were funded by governmental organizations. The absence of government credit, unfamiliarity with sourcing financing from private sector organizations, disorganization in the private banking sector, abnormally high borrowing costs and abnormally high inflation have saddled privatized companies with an extraordinary set of operating risks and financial constraints.

B. Function; Perm Program to Enhance Commercial Viability of Warehousing.

The purpose of this activity is to enhance the commercial viability of selected horticultural warehousing operations and thereby effectively link producers to consumers in the food chain located in the Perm area. Two steps are envisaged in the program support. The first will entail a facilities, equipment and other assets review of the warehouses which have been monopolized. Further, the end-user marketplace will be analyzed through the rapid appraisal process. Local grower production capacity will also be assessed. The reviews will determine specific operational needs for converting at least four warehouse units into model or pilot operations. Critical attention will be placed on assessing requirements in: sales and marketing; cost control, purchasing and inputs management; warehouse management, product line development and credit requirements. This first stage activity will be carried out in a three to four month period. The objective is to involve a team of three core persons, highly experienced managers with knowledge of efficient and effective procedures in this business working in the U.S. and/or Western Europe. The core team would be complemented by short term expert advisors as needed when the team is directly involved in assessing and assisting the model enterprises. The key assignments to be carried out in the first stage of the

program will be developing a detailed implementation plan for converting the four warehousing units into viable operating enterprises. The implementation plan will include the on-the-job training of a cadre of 30 Russian technicians. These technicians will be recruited in the first stage. The purpose of their involvement in addition to the training of the existing Russian technicians and operators working with the model units will be to provide a team of knowledgeable Russians who will be able to transfer the skills and procedures learned in Perm to other areas. Disseminating improved practices and procedures will be the principal concern of the Russian team.

Based upon the initial intense, three months review of operations the core consulting team will layout the second stage for the four model units, it is envisaged that the activity would cover a six month period including growing and harvesting periods this year (April-October). The activity in the second stage would cover all the activities outlined in the background section above and lay the foundations for effective operating units.

### C. Objectives

The objectives of the Perm model unit support activity are outlined below for each of the two stages.

#### Stage I Objectives

- \* Develop a detailed action plan for converting four existing wholesale warehouse units to viable commercial operations.
- \* Recruit 30 Russian Technicians and assign them to the four model units for on the job training.
- \* Develop a program of hands on training for staff and recruits at each of the four model units.
- \* Elaborate a public relations program which will include a video tape (Russian and English languages) and other educational materials for instructing interested parties and other potential wholesale businesses on improvements needed.
- \* Arrange for appropriate US training for wholesale managers and Russian trainers in the U.S.

#### Stage II Objectives

- \* Complete on-site training and management advice to managers and employees of pilot units;
- \* Finalize preparation for Russian teams to assist in roll-out of activity to other areas;
- \* Create practical sets of operating procedures.

D. TASKS

To accomplish objectives of Stage I the following tasks will be carried out:

1. Establish Project Center This center will headquarter the project management as well as the administrative support staff (drivers, clerks, security, interpreters, etc.). Serves as the base for operation and communication.

Hire and deploy a contracted security trained facilitator to arrange for hotel, office space, telephone lines, fax lines, rented automobile, security, drivers, etc.

2. Select Pilot Sites

a. Visit sites

b. Assess needs to put warehouse into efficient operation

c. Review local privatization offices to determine on agreed upon program

d. Provide recommendation/execute immediately improvements where possible

e. Provide list of program improvements needed and training requirements

3. Growers Contracted

a. Assess product quality and quantity capability

b. Technical assistance needs for country production

c. To identify and plan for pilot testing opportunities

d. Confirm out-of-market procurement possibilities and related logistics.

4. Evaluate Consumer Demand

a. Interview institutional buyers

b. Interview related establishments

c. Other marketing possibilities

d. Interview consumers (one or more focus group)

5. Analysis of Logistic System

- a. Truck availability
- b. Rail
- c. Local delivery vs. pick-up at warehouse

6. Communication/Public Relations

- a. Conduct open workshop outlining plan for Stage II with local Russian Business Community
- b. Announce scope of plan through local newspaper ads, etc. or releases
- c. Arrange for public television interview to advise public of practical aspects of Perm project. Time and scope jointly with Russian manager.
- d. Press release to newspapers/magazines and news bureaus in other major Russian cities (news release in Russian language).

7. Recruit Trainees

- a. Advertise positions in Perm, St. Petersburg and Moscow newspapers plus possible recruiting agency (if such exists).
- b. Set up interview sites and schedules based on responses.
- c. Select final list of trainee candidates
- d. Make local arrangements to house thirty candidates in Perm with costs deductions from salary.
- e. Outline scope of OJT---6 months training program
- f. Hire candidates

For Stage II the tasks will be defined in a detailed implementation plan which will be a product of Stage I efforts. The Stage II activity tasks generally envisaged are outlined in

E. Staffing

1. **Key Personnel**

Qualifications of key personnel for Stage I activity are described as follows:

(a) Chief of Party (COP)

Minimum of 20-years broad-based senior management experience with one or more major diversified agribusiness firms in the United States, Canada or Europe. Profit and loss responsibility experience required. Specialized, practical experience in warehousing, distribution and/or post-harvest fresh vegetable processing is required. Strong interpersonal leadership and communications skills are required. Strong strategic and tactical planning skills are required. Must be results oriented. Recent experience in Russia working on agribusiness project is desirable and Russian language skills are highly desirable. Must be willing to locate on-site in Perm, Russia for a minimum six-month duration. Post graduate degree(s) in business management an/or marketing or equivalent training is required.

(b) Deputy Chief of Party (DCOP)

Similar qualifications to those of the COP position with the following differences. If the COP selected has "heavy" agribusiness experience in post harvest vegetable processing, the DCOP would ideally have balancing experience in warehousing and distribution. If the COP has major experience with large companies, the DCOP should have major experience with smaller companies an/or smaller divisions of larger companies.

Minimum 10 years experience in the U.S., Canadian or European agribusiness sector with emphasis on international operation management. At least three years on-site outside of U.S. and experience working in or with NIS countries and/or former Comecom partnership (Eastern and Central Europe) is desirable. Specialized experience in budgeting, credit management, capital management, cost accounting, cash-flow analysis and familiarity with former Comecom banking and accounting practices is required. Familiarity with Russian legal constraints as compared to U.S. and European agribusiness practices is desirable.

(c) Operations Coordination Specialist (OCS)

Requires a minimum of 10 years experience in international business activities including practical operational and development assignments related to trade development, financial risk management, access to credit, to trade development, policy restraints, agribusiness, public and financial relations and human resources training and develop. Familiarity with Russian culture helpful. Must be fully competent in reading, writing, translating and speaking the Russian language. Will be responsible for training coordination, scheduling coordination,

team recording, the compilation of various status and summary reports on location. Will also be responsible for coordinating budget expenditures on location, with AMIS II COP and AMIS II Project Director in the United States. The OCS will serve as on-site controller and financial manager. A bachelor's degree from an accredited college or university is required and an advanced degree or equivalent experience in either the financial or social science sector is desirable.

## 2. Short Term Specialists

### (a) Grower/Source Management/ Procurement Specialist

Minimum of 10 years grower/source management and procurement with major U.S. or European agribusiness firm active in post-harvest food marketing to wholesalers, retailers and institutions. Specialized experience in working with vegetable farm sources, both locally and out-of-market is required. Responsible for source identification, quality/size standards and specifications, market demand assessment, on-site source inspection, and procurement. Coordinate and advise on sales, marketing and merchandising activities with other related functions within the system network. Organize and help train sales and marketing force in necessary rudimentary skills of expanding the marketplace. Help establish sales quotas, commissions and other relative incentives. Serve much as an "extension service" advisor as related to identifying marketable alternative crops, special equipment necessary and provision of appropriate information and data back to source (from the distribution system) and forward to distribution network (from source). The ability to work both independently and within a "team" structure is mandatory. Proven track record in category growth, cost savings, consistent contract performance, profit generation and skills development is required. Russian language skill is highly desirable. Prior experience in practical agribusiness projects, either in the NIS or other Comecom countries of Central and Eastern Europe is preferred. Must be willing to travel to Russia for a minimum of three to four week assignments. A knowledge of Russian bartering or "exchange in kind" practices (in lieu of credit) would be helpful.

### (b) Warehouse/Storage Management/Shrinkage Control Specialist (2)

Minimum of 10 years warehouse management experience with major agribusiness firm active in food distribution in the U.S. or Western Europe. Specialized experience in managing vegetable (produce) warehouses is mandatory. Ability to create operational structure within the warehouse is mandatory. Experience in the following specific areas is required: quality control, customer demand service level, efficient slotting/storage system, climate

control systems, refrigerated equipment, curing rooms, cross-docking procedures, non-seasonal space utilization, security, safety, and control, productivity enhancing incentive programs and coordination with other disciplines (grower management/procurement, sales/marketing, etc.) to achieve the most efficient and customer-friendly distribution system possible. Experience in developing alternative uses for warehouse space is desirable. Experience in handling and storing such product lines as health and beauty care items, dry grocery items, and other perishables that are channeled through the warehouse to retail and institutional customers is required. Russian language skills are highly desirable, as well as willingness to travel to Russia and serve a minimum of three to four weeks twice during the life of the NIS project (six months) is required.

(c) Technical Grower Support Specialist

A minimum of 10 years experience is required working with farm management in an extension service-type capacity. Thorough familiarity with soil testing, sampling, fertilizer use, suitable seed stock, applicable farm equipment, storage and processing of fresh vegetables. This person will gather information on surplus equipment availability, as well as storage capacity and will create a network capable of providing appropriate market data and specific crop growth and harvest expectation status. Will coordinate activities with other team specialists and report results to project coordinate (OCS). Russian language skills are desirable. Prior experience working with U.S. farm or agribusiness cooperatives would be helpful. A bachelor's degree in horticulture or equivalent experience is mandatory. Must be willing to travel to Russia and serve a minimum of three to four week tours, two times during a six month period.

(d) Logistics/Transport/Distribution Specialist

Minimum of 10-years management experience in logistic/transport and distribution of vegetables and processed food products is required. Must be thoroughly familiar with traffic scheduling, organizational structure, damaged goods in process control (handling), coordinate a workable distribution system that meets customer needs and be able to manage either an owned or leased (or LTL) fleet of transport vehicles. Must be experienced in identifying cost saving (profit) opportunities in both backhaul and LTL. Must be able to establish inter-regional transport pool so as to have proper transport available as needed by diverse cooperating entities. Will be responsible for creating preventive maintenance programs and spare parts pool. Will be responsible for creating preventive maintenance programs and spare parts pool. Will be responsible for identifying and implementing low-cost climate control systems in delivery and

transport vehicles. This specialist will be responsible for identifying means of upgrading surplus assets (e.g., containers, reefers, trucks, lorries, etc.). Additionally, this person will establish a transport safety program and reefer maintenance and cleaning program standards. Must be willing to travel to Russia and serve a minimum of three to four weeks tours, two times during a six month period. Russian language skills are desirable.

(e) Quality/Standards/Packing/Grading Specialist

Minimum of 10 years experience is required in writing specifications, creating standards and practical experience in adhering to these specifications. Experience with a major agribusiness/food distribution company is required. This experience should be either in the retail or wholesale sector, in fresh fruits and vegetables that are selected for customer consumption either in food stores (shops and supermarkets), farmer-type (retail markets) outlets or food service and institutional (restaurant, hotel, prison, etc.) facilities. Should be thoroughly familiar with vegetable handling process from farm to table. Should have access to sorting/grading technology and equipment. In lieu of minimal government standards, this specialist will be responsible for developing specifications and standards that are consistent with upgrading quality of farm output and consumer demand. Prior experience in the NIS, former Comecom countries is desirable. Must be willing to travel to Russia and serve a minimum of three to four week tours, two times during a six month period. Russian language skills are desirable.

(f) Financial Planning/Cost Accounting/Cash Flow Specialist

A minimum of 5 years experience is required with either a major agribusiness company active in the product (fresh fruit and vegetable) sector, the warehousing and storage sector, or the wholesale/retail food distribution sector. Experience in break-even analysis, cash flow analysis, profit and loss statement preparation, exceptional accounting (what if analysis), accounts payable and accounts receivable, payroll and all other aspects of a control accounting function. Familiarity with former Comecom accounting and practices and procedures will be helpful. Must possess the ability to teach basic accounting practices as used in international trading as well as up-to-western standard domestic practice is required. Will create accounting staff and train accordingly. Will create appropriate reporting system to satisfy all regulatory reporting requirements; will create and set up basic cash management system; and will develop a fixed and variable asset accounting system. This specialist will coordinate appropriate activities with other team members and the OCS. Experience in the NIS is desirable. Russian language

skills are desirable, as well as a willingness to travel to Russia and serve a minimum of three to four week tours of duty during a six month period.

(g) Sales/Marketing Management Specialist (2)

A minimum of 20 years experience in successful sales/marketing management is required. Market assessment skills, customer development, promotional planning, marketing and merchandising experience are mandatory. Experience in training and supervising/directing/managing a sales force of at least 25 persons is also mandatory. Sales and marketing experience in both wholesale and retail food distribution sectors is highly desirable. Combined experience as both a sales management employee or a large food-processing, or vegetable packing company coupled with sales/marketing experience as an independent food broker is also desirable. Energy, patience, enthusiasm, dedication, commitment, ethical work habits, persuasiveness, conviction, self-starter are among the words that describe the demands of this position. This person will coordinate all activities with other team members and the OCS and will also serve as 'skills' trainer of a cadre of recruited trainees. Will establish sales incentives program, develop inter-regional sales network, create customer service department, and set up customer demand base. Russian language skills are desirable. Willingness to travel to Russia and serve a minimum of three to four week periods, on as many as three different occasions over a six-month period is required.

(h) Training Specialist (2)

A minimum of 10 years experience in the field of training is required and the successful candidate must be capable of supervising technical specialists and training them to serve as OJT trainers of Russian personnel in on-the-job situations, as well as serving as trainers of as many as 30 specially recruited, highly educated, Russian MBAs who will ultimately serve as a cadre of 'experts' to help upgrade the entire Russian food distribution system. The training specialist will develop an OJT program and a work schedule that is tied in with the in and out travel plans of the short-term technical specialists. The training specialist will develop an OJT program and a work schedule that is tied in with the in and out travel plans of the short-term technical specialists. The training specialist will work with the OCS and engage his support and experience in developing the agenda. Russian language skills are a must. Experience in working in the NIS is highly desirable. Must be willing to travel to Russia and serve a minimum of three to four week tours of duty within a six month period.  
Annex 2 to this PIO/T.

F. Level of Effort

The activities and services under Stage I of the Perm model program is expected to require a total staff effort of 19.5 person months. Of this amount 17.0 months will be for the staff of core professionals supplemented by short-term assistance working on site. Additionally, another 2.5 person months of off site support will be required.

G. Results

At the completion of Stage I, the following results will have been achieved:

1. A detail implementation for converting four chosen warehouse units into viable operating commercial concerns.
2. A plan for training the staff of the model units will have been developed.
3. Approximately 30 Russians will have been recruited to serve as the core for mobile teams to provide roll out assistance to other areas.
4. A public education and information program will be designed and a series of meetings held to explain the pilot program.

#### H. Skills Required

Technical advisors with specific operations oriented business backgrounds are required with specific "hands-on" skill sets in functional areas that include purchasing, grower relations, sales management, warehouse operations, distribution, and accounting.

Illustrative examples include a background in:

- \* sales management
- \* commodity purchasing and grower relations management
- \* warehouse management
- \* distribution and transportation management
- \* managerial and cost accounting

Individuals should have:

- \* 5 to 10 years of technical experience in these functional specialties
- \* experience in small to medium size companies where consultants possessed various responsibilities
- \* college degrees or equivalent training in their functional specialties
- \* appropriate language skills

Consultants should operate as a team and have tours of duty that correspond logically to appropriate stages of crop cycles and annual business cycles.

#### I. Reporting Requirements

1. After each pilot project is identified and approved by the Government of Russia and USAID/Moscow, the contractor will prepare an individual work plan tailored for the characteristics of that selected privatization initiative. This work plan will also be approved by the Government of Russia (specific entity to be confirmed, but probably the GKI), USAID/Moscow and USAID/ENI/TF/PSI prior to implementation. Short action plans will be prepared for each short term advisor. These plans will be approved by within one week after the arrival of the experts.

2. At the end of each month the Contractor will submit brief status reports to the Russian Government counterpart and USAID (through Moscow) on the implementation and achievements plus any proposed changes or refinements to the work plan. They will provide weekly verbal status reports and other feedback as required.

3. At the completion of the Period of Performance, the contractor will prepare a summary report for the Russian

Government counterpart and USAID which details the planned actions and accomplishments made toward each action. Lessons learned and replication opportunities should be stressed.

4. The Contractor will provide a monthly Budget Status Report which shows total funds expended under each line item (level of effort, subcontracting and equipment purchase), generally using the following format:

Total Budget	Allocated Per	Current Expenditures	Cumulative	
<u>Line Item</u>		<u>this reporting period</u>	<u>Expenditures</u>	<u>Balance</u>

5. Consultants will provide USAID/Moscow and USAID/ENU/TF/PSI with copies of all documents, forms, methodologies, discussion papers, and correspondence produced in the course of work that are directly relevant to the content of the work.

#### J. Project Management

The day to day management and implementation of this work plan will be carried out by USAID/Moscow in close collaboration with the Russian Government counterpart, in conjunction with consultants, sub-contractors and other service providers. Periodic consultations regarding implementation will take place with USAID Representatives from Moscow and Washington.

The A.I.D. technical offices responsible for monitoring work plan implementation are USAID/Moscow and USAID/ENU/TF/PSI.

#### K. Special Instructions

1. In the course of implementation, the consultants will produce documentation and guidelines which may be used for replication by other institutions. These should be instructive, streamlined and adaptable to various environments in different regions of Russia and will not require extensive foreign expertise but utilize local expertise for implementation.

2. Equipment to be purchased is for the purpose of jumpstarting the program. This procurement will be a pilot effort and will demonstrate efficiency and cost effectiveness. Under further activities, including the development of new institutions, these institutions will be required to bear the cost of further equipment procurement. The procurement must demonstrate efficiency, cost effectiveness and conform with USAID procurement regulations.

3. Consultants will make a firm commitment to stay on site for

the duration of the project. Consultant travel off site should be limited to essential trips related to the project or be approved by the Government of Russia counterpart and USAID.

Consultants shall make their documentation and research services available and they shall become the property of the Government of Russia counterpart and USAID.

4. During the course of the work, many institutions and foreign consultants will simultaneously undertake selected initiatives. To ensure the overall success of the effort, unusual coordination and team work will be required in order to get the job done quickly, efficiently and effectively. Unnecessary duplication of past efforts should be avoided and, instead, consultants should work in a collaborative spirit, sharing information and lessons learned.

5. The Contractor shall obtain the approval of the Government of Russia counterpart and USAID before making any changes in personnel assigned to the Project. In addition, the Contractor shall obtain the approval of the Government of Russia counterpart and USAID if personnel assigned to this Project shall be out of Russia or working on other projects in the NIS or another country at any time during the Project being implemented under this Task Order.

6. The Contractor shall make a firm effort to recruit and train Russian staff for operating roles that the role of foreign contractors can be diminished.

7. Prior to having interviews with foreign or local press, releasing press releases, holding news conferences, or other communications with the news media regarding activities under this Task Order, the Contractor will consult with appropriate officials of the host country entity receiving assistance as well as USAID personnel concerning any such proposed communications. The Contractor agrees to coordinate such communications with the host country entity and USAID as necessary to ensure that the role of the host country entity is accurately explained and described.

8. This represents USAID's best estimate of technical support requirements. Work under this contract may lead to additional requirements not foreseen at this time, calling for an amendment during the course of the project. The "amendment" in this case will be pro-forma and not require the usual investigation into the technical support line-up, and should not stop the flow of work.

## Annex #1

Estimated Budget: First Stage of Post Privatization Warehouse  
Systems Project, Perm, Russia

(Twelve Weeks)

Salaries	\$136,000
Post Differential (After 43rd day)	2,500
Multiplier @ 2.2 (O'hd/normal fringe benefits)	163,000
Travel (incl local transport/per diem)	155,000
<b>Other Direct Costs:</b>	<b>300,000</b>

Med insurance (Medex-Airvac)  
 Workmens Comp  
 Communication  
 Office Rental  
 Security  
 Visas  
 Innoculations  
 Recruitment/Advertisement  
 Interpreters  
 Video Production  
 Education Materials

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 TOTAL

\$756,500

## ANNEX #2

## Tasks to be undertaken in Stage II

1. Training and Management Advice Training should be on-the-job rather than formal and academic in approach. Teams will act as a 'shadow management organization' and advise wholesalers in the following illustrative areas:

- a. Sales
  - (1) Perform market segmentation analysis
  - (2) Create and organize sales departments and programs
  - (3) Develop a sales training program that teaches sales people:
    - (a) customer prospecting
    - (b) sales call technique and protocol
    - (c) customer needs analysis
    - (d) customer services requirements
  - (4) Establish a sales incentive or commission program
  - (5) Develop an inter and intra region sales program
  - (6) Define, develop and introduce new products
  - (7) Create customer service departments
- b. Grower management and purchasing
  - (1) Create grower management and purchasing department
  - (2) Establish product quality specifications and tasting programs.
  - (3) Identify alternative crops for farmers and supply appropriate inputs including:
    - (a) seed stock
    - (b) fertilizers and chemicals
    - (c) specialty equipment
  - (4) Establish fee based technical support programs for growers including:
    - (a) soil sampling and testing
    - (b) plant and product tissue analysis services
    - (c) agricultural chemical and fertilizer consulting services
  - (5) Identify opportunities to broker or sell equipment to farmers including:
    - (a) tractors, planters, harvesters
    - (b) testing equipment
    - (c) storage equipment
    - (d) distribution equipment
    - (e) farm supplies
  - (6) Create a purchasing system

- (7) Create grower systems that monitor farmer performance by:
  - (a) equipment and capacity type
  - (b) on farm storage capacity and trucking capabilities
  - (c) soil types and acreage
  - (d) crop variety and yields
  - (e) product prices and inbound freight costs
  - (f) credit status
- (8) create a truck and transportation service
- (9) develop grower credit advisory services

c. Warehouse management

- (1) Create a warehouse management organization
- (2) Establish service quality control program
- (3) Create appropriate systems (in conjunction with accounting, customer service, and distribution groups)
- (4) Identify low cost warehouse productivity improvement programs including:
  - (a) pallet and container build or re-build programs
  - (b) warehouse segmentation programs
  - (c) storage climate improvement programs
  - (d) product security programs
  - (e) rodent control programs
  - (f) warehouse expansion programs
  - (g) space leasing programs based on cyclical capacity utilization
  - (h) hygiene programs
- (5) Establish equipment repair and maintenance programs
- (6) Procure and install racking systems
- (7) Identify profitable alternative uses for warehouse capacity including:
  - (a) refrigerated products such as dairy or red meat
  - (b) agricultural inputs like fertilizers, seed stock, fruit tree seedlings and plants
  - (c) value added product conversion and manufacturing
- (8) Sell unutilized assets
- (9) Install automated grading and processing equipment

d. Distribution and transportation management

- (1) Create appropriate organizational structures and staff accordingly
- (2) Establish service quality control program
- (3) Create distribution systems (in conjunction

- with accounting, warehouse and customer service groups)
- (4) Identify other profit opportunities with trucking assets including:
    - (a) Backhaul opportunities with trucks
    - (b) LTL (less than truckload) opportunities with products and other company's products
  - (5) Create preventive maintenance and spare parts programs
  - (6) Identify and implement low cost climate control systems in trucks and vans
  - (7) Identify means to upgrade equipment through sales of surplus assets
  - (8) Establish appropriate truck and van hygiene programs
- e. Managerial and Cost Accounting
- (1) Create appropriate organization
  - (2) Develop appropriate reporting system that satisfies all regulatory reporting requirements
  - (3) Create basic cash management systems
  - (4) Create a basic standard cost oriented management information system with appropriate linkages to variable cost structures of operating activities and revenues of the businesses.
  - (5) Create a fixed asset system.

2. Train Russian Technical Advisors Train an appropriate cadre of Russians chosen to serve as apprentices to the consultants who can assist in the implementation of a roll-out of initiatives without the extensive involvement of foreign consultants or other donors.

3. Create standard operating procedures During implementation of each task as cited above, the consultants will document approaches, practices and results that may be organized into a standardized format applicable to many types of enterprises throughout Russia. This information will be used to compile procedure manuals to :

- a. Represent a through set of stand operating procedures that the Russian wholesaler management teams can rely on without input from expatriate professionals;
- b. Function as "how to" manuals for other newly privatized enterprises.

Manuals should be straightforward, simple, easy to use and easy

to interpret and assisted enterprises to accomplish self business development.

4. Train Wholesaler managers and apprentices in the U.S.  
During the implementation of each task, the consultant should evaluate the strengths and weaknesses of Wholesaler managers and Russian apprentices to structure appropriate training programs in the U.S. Illustrative examples of programs include:

- a. Programs at academic institutions or corporate training programs that are hand-on in nature;
- b. Tours of appropriate U.S. businesses including multi-faceted agribusinesses enterprises.

To insure that this is not a study tour and is very much action oriented, consultants will prepare a brief training plan for approval of USAID and GKI prior to departure of any trainees to the U.S.