

PD-ABF-868
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RUSSIAN MASS PRIVATIZATION PROGRAM

**PRIVATIZATION IMPLEMENTATION IN THE
WHOLESALE, TRANSPORT AND DISTRIBUTION SECTORS**

- **Workplan**

Contract No: CCN-0005-C-00-3067-00
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USAID - Moscow

by

The Boston Consulting Group

John Lindquist
Edward Kaufman
Martin Reeves

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PROJECT OBJECTIVES

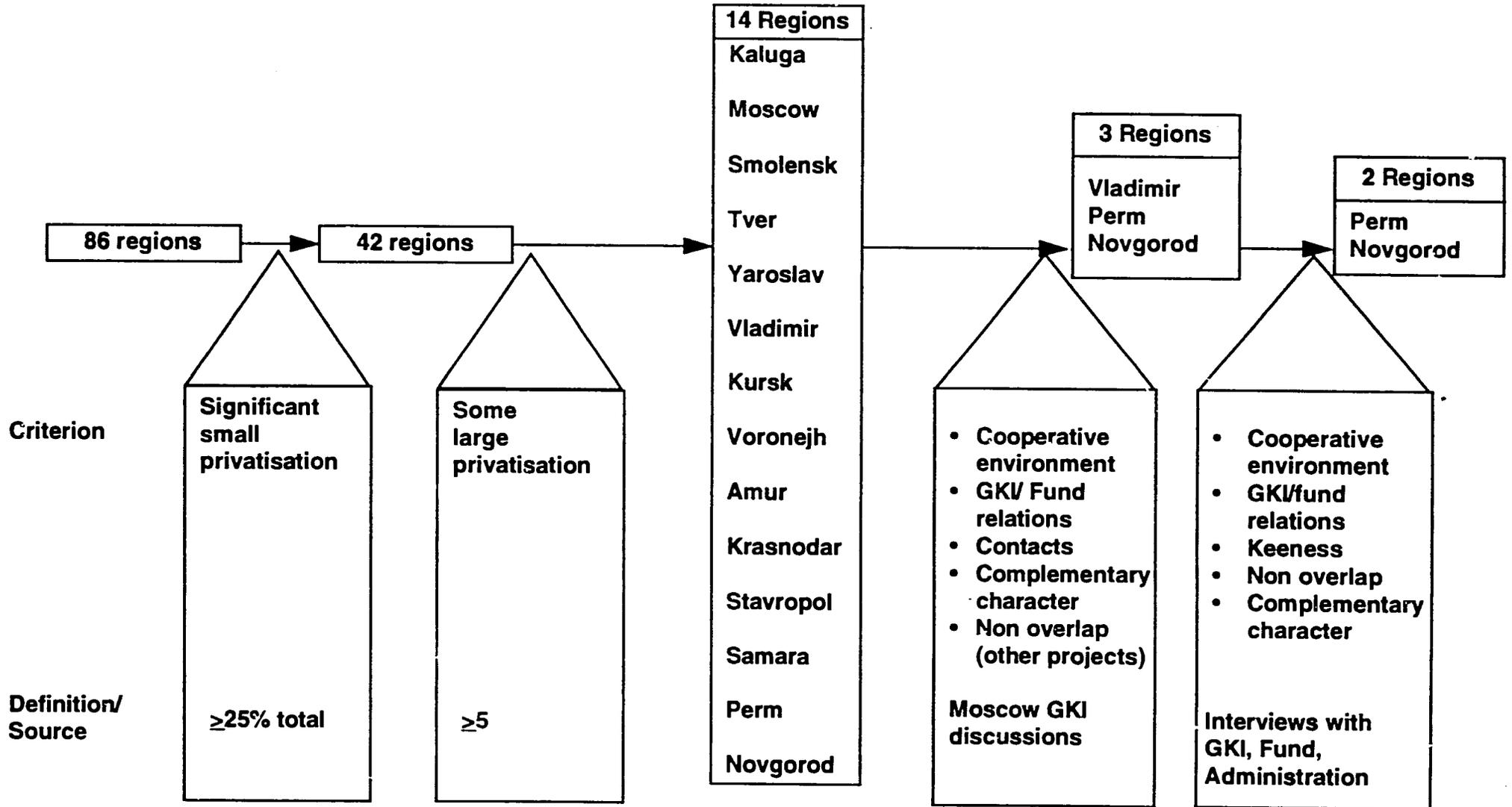
Identify bottlenecks in food distribution for 2 products in each of 2 regions

Diagnose root causes of distribution failure

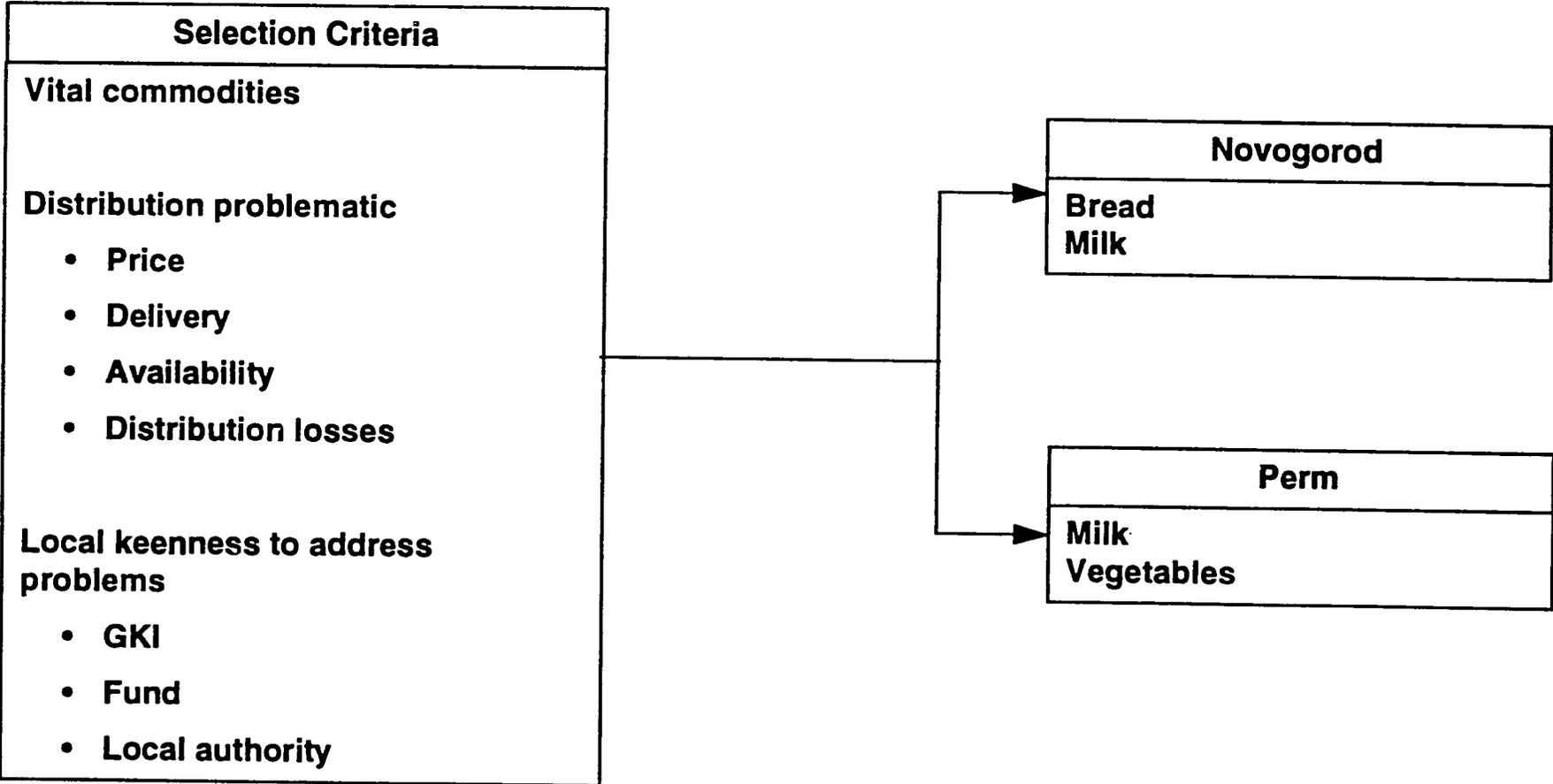
Propose policy measures at regional and federal level

Initiate pilot projects to address problems identified

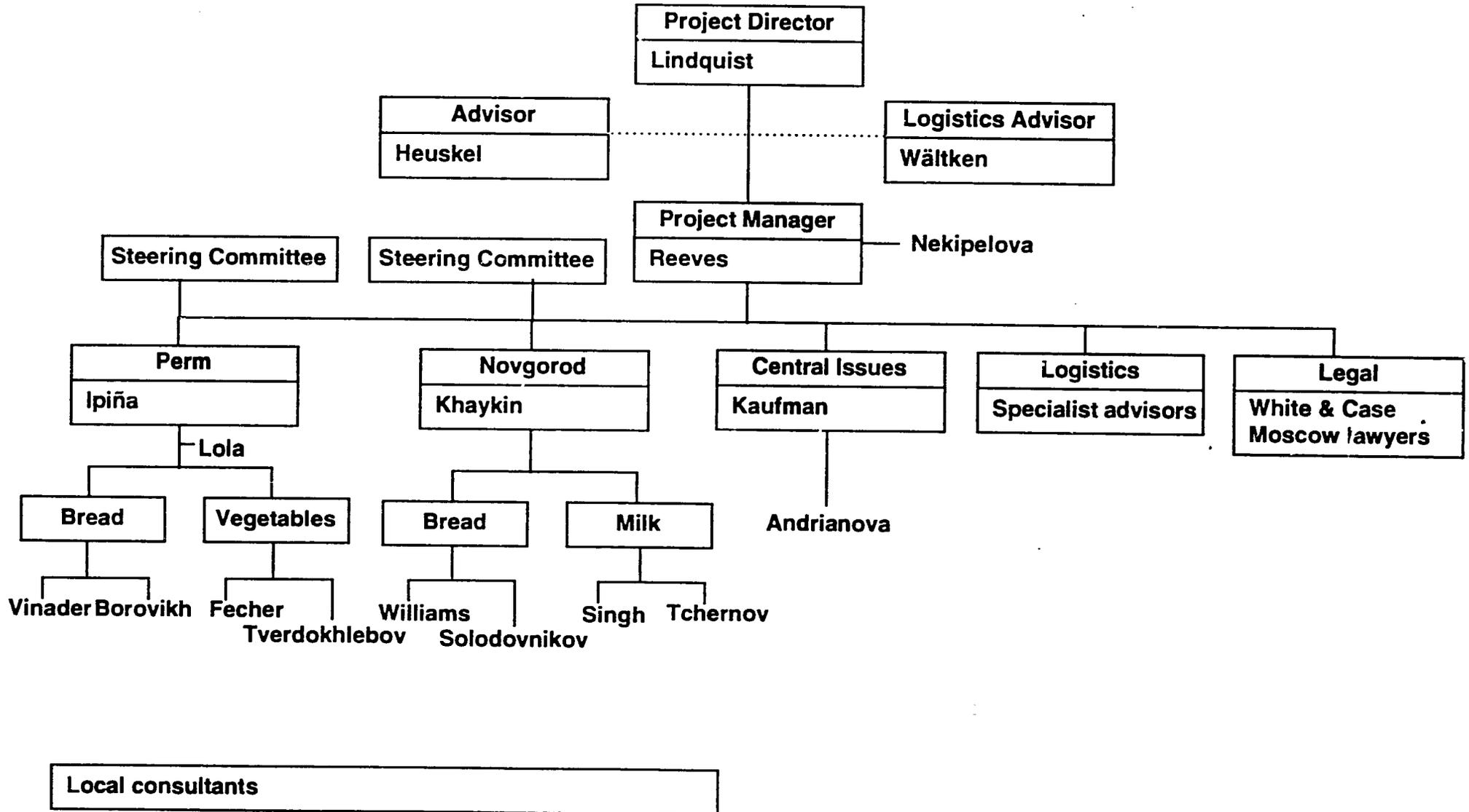
THE PROJECT WILL FOCUS ON PERM AND NOVGOROD



THE PROJECT WILL FOCUS ON BREAD, MILK AND VEGETABLE DISTRIBUTION



PROJECT TEAM STRUCTURE



PHASE 0: PROJECT PREPARATION

12/4 19/4 26/4 3/5 10/5 17/5 24/5 31/5 7/6 19/6 21/6 28/6 5/7 12/7 19/7

Activity	Preparation	Diagnosis and Policy	Pilots and Policies
Regional selection <ul style="list-style-type: none"> • Novgorod, Vladimir, Perm interviews • GKI discussions (Boiko, Vassilev) • Final selection 			
Workplan <ul style="list-style-type: none"> • Finalise detailed workplan 			
Diagnostic questionnaire <ul style="list-style-type: none"> • Draft questionnaire • Refine questionnaire • Pilot interviews 			
Central interviews <ul style="list-style-type: none"> • Anti-monopoly 			

PHASES I AND II (DIAGNOSIS AND POLICY)

12/4 19/4 26/4 3/5 10/5 17/5 24/5 31/5 7/6 19/6 21/6 28/6 5/7 12/7 19/7

Activity	Preparation	Diagnosis and Policy	Pilots and Policies
Regional survey/questionnaire <ul style="list-style-type: none"> • Roll out Perm • Roll out Novgorod 			
In-depth distribution interviews <ul style="list-style-type: none"> • With distribution experts 			
Vehicle-maker interviews			
Audit/lessons from other projects (Nizhny Novgorod, Moscow)			
Lessons from Poland (seminar)			
Central interviews <ul style="list-style-type: none"> • Ministry Transport, Agriculture • Central distribution organisations • Anti-monopoly, GKI, etc 			
Synthesis of results			
Pilot project preparation <ul style="list-style-type: none"> • Project definition • Agreement of key decision-makers 			

THE FIRST STEP WILL BE TO IDENTIFY SYMPTOMS OF DISTRIBUTION FAILURE

Goods unavailable in shops

Goods unavailable in remote areas

Goods not fresh or damaged

Mismatch between supply and demand

Limited choice of goods available

Few outlets

Goods excessively expensive

ROOT CAUSES OF DISTRIBUTION FAILURE WILL BE IDENTIFIED

- **Initial hypotheses: Producers**

Farms

- **Storage facilities**
- **Conflict of planned and market systems for agriculture**
- **Fragmentation of collectives**
- **Price regulation/subsidy**
- **Finance**
- **Uncertainty**

Food processors (bread and milk factories)

- **Warehouse management**
- **Packaging**
- **Monopolistic behaviour**
- **Price regulation/subsidy**
- **Interregional grain supply**

Source: Pilot interviews

ROOT CAUSES OF DISTRIBUTION FAILURE WILL BE IDENTIFIED

- **Initial hypotheses: Wholesalers**

Wholesalers

- **Monopolistic behaviour**
- **Indivisible assets**
- **Real estate laws and regulations**
- **Warehouse management**
- **Availability of transport services**
- **Availability of trucks**
- **Inadequate security measures**
- **Finance**
- **Marketing**
- **Inter regional supply**
- **Insufficient number of wholesalers, given retail fragmentation**

Source: Pilot Interviews

ROOT CAUSES OF DISTRIBUTION FAILURE WILL BE IDENTIFIED

- **Initial hypotheses: Transport**

Transport companies

- **Underutilised assets**
- **Cross subsidy freight and passenger**
- **Monopolistic structures and behaviour**
- **Vehicle mix**
- **Mobilisation reserve requirements**
- **Unavailability of parts and service**

Transport services (parts, service, fuel, vehicle sales)

- **Low coverage of distribution networks**
- **Enterprise services not freely available to outsiders**
- **No market for second hand trucks**

Source: Pilot interviews

ROOT CAUSES OF DISTRIBUTION FAILURE WILL BE IDENTIFIED

- **Initial hypotheses: Retailers**

Retailers

- **Finance**
- **Conditions of privatisation**
- **Diversification away from commodities**
- **Price controls**
- **Information on wholesalers**
- **No control over transport services**

Source: Pilot Interviews