

Consultancy Report  
*Quarterly Report July 1, 1993 - September 30, 1993*

*NIS Farmer-to-Farmer Program*  
**Contract Number: FAO-0705-A-00-2093-00**

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July 1 - September 30, 1993

ACDI Farmer-to-Farmer Program  
Cooperative Agreement No.: FAO-0705-A-00-2093-00  
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I. SUMMARY

The goal of ACDI's Farmer-to-Farmer (FtF) project is to assist in the development of a functioning agricultural credit system resulting in more opportunities for producers and agribusinesses which, in turn, will result in higher incomes from agriculture and greater investment in the sector.

Project activities began October 1, 1992; this report covers the quarter from July 1, 1993, to September 30, 1993. During the reporting period, ACDI's project accomplished substantially all of the targets established as presented in its first annual workplan. In Section II.E., ACDI responds to AID's request to provide details on activities planned for the October 1993 to January 1994 period.

II. COMPARISON OF ACTUAL ACCOMPLISHMENTS WITH PERIOD GOALS

Project Technical Assistance and Training Activities

A. Highlights of Project Impact

1. **Land Titling:** ACDI's ongoing work with the Committee for Land Resources and Land Surveying is important in the development of a mortgage lending system to improve access to non-directed credit. While Russian laws do not yet allow for the private ownership of farmland, ACDI has been working with the host organization to draft mortgage legislation and implement a system for registration of land ownership and lender liens.

ACDI arranged for three key people from the Land Committee to travel to the U.S.A. on an observational study in July to examine and analyze a well functioning land registration system benefiting private land owners. The United States Information Service coordinated this effort. ACDI and the Committee signed a Protocol of Intentions to cooperate in piloting a land registration system.

Two ACDI volunteers arrived in Moscow in early October to continue work with the Land Resources Committee. They provided input for a land decree prepared for the president's signature.

2. **Academy of National Economy:** One hundred and fifty agricultural bankers attended credit training in June,

learning credit analysis and how to provide credit resources to farmers. Two volunteers arrived in October to develop and present a seminar on auditing the credit function. In January, 1994, three volunteers will provide training for policy makers on agriculture and credit in a market economy.

Courses developed by ACDI and the Academy reach an audience from all over the Russian Federation. The attendees learn concepts that they can apply as Russia moves from a centrally planned to a market economy.

3. **Food System Diagnostic Study:** The recommendations of the team in Buryatia were well received by the Republic government. Leaders told the ACDI volunteers of an agricultural summit meeting scheduled for October at which many of the recommendations will be implemented. The study identifies specific needs for technical assistance and opportunities for cooperation with American agribusinesses for the improvement of the Russia food distribution system. However, the team listed policy and legal issues which must be resolved before the area is attractive to foreign investors.
4. **Loan Guarantees for Private Farmers:** Access to credit continues to be an obstacle to success for private farmers. This will be even more true as the government reduces the funds allocated for credit subsidies and AKKOR (Association of Russian Private Farmers) loan guarantees. Research by an ACDI volunteer team in the Smolensk Oblast indicated that a guarantee program similar to the Farmers Home Administration (FmHA) program in America can be successful in Russia, generating enough fee income to cover operating expenses and pay any loss claims.

ACDI has applied to the Russian Agency for International Cooperation and Development for one billion rubles to fund a pilot loan guarantee program for private farmers in the Smolensk Oblast. If the pilot is successful, the program may be expanded to other areas of Russia.

B. **Sub-Project Field Activity (As specified in the work plan and last quarterly report)**

1. **Higher School of Management and Agribusiness:** This three person team completed their month long project on July 22. They conducted a series of seminars for bankers on the American system of agricultural credit and lending to private agriculture. Participant evaluations were very positive and resulted in a similar seminar in the northern Caucasus and a repeat seminar at the Higher School of Management in November.
2. **Buryatia Rural Innovation Center:** This three person team traveled to Ulan Ude, the capital of Buryatia, near Lake

Baikal. The host organization trains farmers to find practical solutions to the problems of farming in a market economy. The group conducted workshops on cooperatives and agribusiness, farm financial analysis, and agricultural credit for farmers, bankers, instructors, and students. Upon completion of the training, the team refined course materials to develop a curriculum for use by the Rural Innovation Center. The team returned to the USA on July 20.

3. **Committee for Land Resources Phase II:** A mortgage specialist and surveyor provided follow-up to Phase I. An attorney experienced in real estate mortgage law reviewed the proposed Russian mortgage law and recommended changes to make mortgage lending more attractive to lenders and improve access to credit for private agriculture. The surveyor reviewed the Russian system of land description and recommended modifications to efficiently survey and describe real estate as it is transferred to private ownership.
4. **Ivolginsk Commercial Bank:** A three person team worked with this independent agricultural bank in Buryatia, near Lake Baykal. The team assisted bank management with business planning, portfolio analysis, and credit training. Bank management was very enthusiastic about the results of the project.
5. **Smolensk Pilot Ag Loan Guarantee Program:** A team of four Americans spent four weeks working with private farmers and bankers in the Smolensk oblast to determine the feasibility of a loan guarantee program for private agriculture. Concluding that such a program can be successful, the team developed policies and procedures for implementation. The Russian Agency for International Cooperation and Development expressed interest in providing one billion rubles obtained from the monetization of USDA commodities to fund a pilot loan guarantee program for the Smolensk oblast. If successful, the program could be expanded to other oblasts in Russia. ACDI continues the application process with the Russian Agency while exploring alternative sources of funding.
6. **Buryatia Food System Diagnostic Study:** Three volunteers arrived on July 30 and spent a month in the Republic of Buryatia near Lake Baikal researching the existing system of processing and marketing agricultural production in three raions (regions). The team made specific recommendations for correcting deficiencies in the system, including low cost changes to regulations and standards. In addition, the team recommended potential investments for American agribusinesses.

7. **Zauralsky Business Bank:** A three person team worked with this financial institution in August. This independent commercial bank headquartered in Kurgan makes virtually all of the loans to private farmers in the oblast. The team provided assistance in business planning, portfolio analysis, and credit training. The bank was very enthusiastic about the work of the ACDI team. When the bank president travelled to the USA in September, he met with the ACDI volunteers in Minnesota and Wisconsin. (One of the team members is from Appleton, Wisconsin, a sister city to Kurgan.) The project team arranged for the bank president to meet the owner of a seed company in Minnesota. VOCA (Volunteers in Overseas Cooperative Assistance) will arrange for this American expert in seed production to travel to Kurgan to work with a seed company that is a customer and stockholder of the Zauralsky Business Bank.
8. **Samara AgroBank:** A three person team arrived on August 17 to assist the bank with business planning, policy development, portfolio analysis, and credit training. The bank is a former branch of the state agricultural bank that chose to become independent. AgroBank makes 95% of the loans to private agriculture in the Samara Oblast.
9. **Nal'chik Banking Seminar:** As a result of a successful banking seminar at the Higher School of Management and Agribusiness, ACDI was invited by a member of the audience to present a similar seminar in the capital of the Republic of Kabardino-Balkaria in the northern Caucasus. One of the three volunteers had been part of the project team at the Higher School. The audience in Nal'chik included bankers and students who learned about banking and agricultural lending in a market economy.
10. **ACDI Board Delegation:** A delegation organized by ACDI visited Russia and Kazakhstan in August. Members included representatives of the ACDI board, staff members of the US House of Representatives Agriculture Committee, and ACDI Washington office staff. While in Russia, the delegation visited Tula (where two ACDI projects have been completed) and Smolensk (site of the farm loan guarantee feasibility project). James Norris explained the operations and objectives of the US-AID mission in Moscow to the board delegation.
11. **Dmitrov Rural Innovation Center (RIC):** The ACDI Program Director met with a representative of the Dmitrov RIC, and they agreed to postpone the project until winter when farmers are not busy in the fields and would have time to attend training sessions.
12. **ARKOR Cooperative Forms:** This project has been postponed

until the legislation regulating cooperatives is enacted.

13. **Nizhny Novogorod Land Bank:** This project has been postponed until this start-up bank is able to raise the statutory requirement of 100 million rubles of capital. This bank has been given provisional rights to mortgage land in a rapidly privatizing region. ACDI in Moscow has been in contact with the bank to confirm their interest in working with a volunteer team.
14. **Stavropol Bank Project II:** The host organization asked ACDI to postpone this project until early 1994. A three person team will assist in the formation of a new bank after it raises the required minimum of 100 million rubles of capital. ACDI anticipates ownership to be solely in the hands of private farmers.
15. **Food Systems Diagnostic Study:** The study has been postponed until Project Year II.
16. **AKKOR Training:** ACDI continues to work with this organization of private farmers. However, AKKOR asked to postpone hosting volunteers until the legislation for cooperatives is more definite.
17. **Chelyabinsk Commercial Land Bank:** This project has been postponed. The bank has not responded to frequent recent contacts from ACDI in Moscow.
18. **Women Agricultural Entrepreneurs:** This project has been postponed.
19. **Academy of National Economy:** FtF volunteers will arrive in early October to design a training program for auditing the credit function in agricultural banks and a risk rating system for agricultural loans. The majority of the students would come from private banks and the Russian Bankers' Association.
20. **Two Banking Projects:** An ACDI project team will work with the Smolensk Farmers Bank beginning in late November.

#### C. Field-Office Support Activities

1. ACDI's Chief of Party and Program Director discussed services provided under the Farmer-to-Farmer program with the attendees of the banking seminar at the Higher School of Management and Agribusiness, resulting in a project in the Republic of Kabardino-Balkaria in the northern Caucasus. The Program Director travelled to Nal'chik to finalize arrangements.
2. ACDI's Program Director traveled to Smolensk, once to

finalize arrangements for the loan guarantee feasibility project and a second time to provide support at the mid-point of the project.

3. The ACDI Program Director coordinated with VOCA to provide a volunteer in seed production for the Kurgan Seed Company, a stockholder and borrower of the Zauralsky Business Bank, which makes virtually all of the loans to private farmers in the Kurgan Oblast.
4. The ACDI Director of Operations traveled to Kazakhstan in late September and made contact with potential host organizations for Farmer-to-Farmer assistance.
5. ACDI's Program Director travelled to the Krasnodar Krai in early October to arrange for volunteer work in January.
6. The ACDI Program Director met with AKKOR leadership to provide recommendations for cooperative banking legislation.

D. Washington Office Support Activity

1. Seventy Farmer-to-Farmer volunteers have been fielded from program start-up through the end of September on a total of twenty four assignments.

The following nine projects involving twenty seven volunteers were completed during the 4th quarter of the program, July 1 through September 30. The number in parentheses represents the number of volunteers recruited for the assignment.

Higher School of Management and Agribusiness (3)  
Buryatia Rural Innovation Center (3)  
Land Resources Committee - Phase 2 (2)  
Ivolginsk Commercial Bank (3)  
Zauralsky Business Bank (3)  
Buryatia Food System Diagnostic Study (3)  
Smolensk Loan Guarantee Feasibility Study (4)  
Samara AgroBank (3)  
Nal'chik Banking Seminar (3)

2. ACDI's refined Project Monitoring Matrix tracks volunteer project assignments, purpose of assignment, dates of assignments, positions required, potential recruits, volunteer team, initial orientation, debriefing, and action needed. This system intends to facilitate smooth coordination between the local participating organizations, ACDI/Washington and ACDI/Moscow. ACDI attempts to get the volunteers to the field as quickly as possible to maximize the time they spend working with

host country counterparts.

E. Upcoming Activities and New Recruiting Needs

a. October

1. **Academy of National Economy:** FtF volunteers will arrive in early October to design a training program for auditing the credit function in agricultural banks and a risk rating system for agricultural loans. The majority of the students would come from private banks and the Russian Bankers' Association.
2. **Land Resources III:** Two volunteers will arrive in early October. One is a returning specialist in land registration who will provide additional recommendations on the proposed Russian laws on land ownership, mortgages, and foreclosure. The second volunteer is an expert in computer imaging who will assist the Russians in selecting computer equipment and software for a pilot project of land registration.
3. **Smolensk Farmers Bank:** A three person team will arrive in late October to assist this farmer-owned and AKKOR affiliated bank in business planning, policy development, and credit training. This bank is a likely participant in the loan guarantee program for the Smolensk Oblast.

b. November

1. **Higher School of Management and Agribusiness Phase II:** A three person team will arrive in early November to present a seminar on banking and agricultural credit in a market economy.

c. December

With holidays in both America and Russia, ACDI does not anticipate any volunteers arriving in December. The staff will continue to evaluate the impact of earlier projects, follow-up with host organizations on volunteer recommendations, and investigate additional potential host organizations.

d. January, 1994

1. **Academy of National Economy Phase IV:** Three volunteers will develop and conduct seminars on agricultural finance, cooperatives, and economics to an audience of forty five to sixty agribusiness leaders and policy makers.
2. **Krasnodar:** Three volunteers will conduct two week-long

seminars to farmers, bankers, and agribusiness people. The Krasnodar Krai (region) has more private farmers than any other region in Russia. The productive soils and long growing season make this the breadbasket of Russia.

3. **Dmitrov:** Two volunteers will work with farmers and bankers to develop and present workshops on farm financial management and the effective use of agricultural credit.
4. **Leasing:** Two volunteers will follow-up on recommendations from previous volunteer teams to assist the Siberian Farmers Bank in Novosibirsk and the Zauralsky Business Bank in Kurgan to develop a leasing program in order to make machinery available to farmers for seasonal needs.
5. **Central Bank:** A team will work with the training department of the Central Bank of Russia to develop materials and present a training module on agricultural credit.
6. **Computerized Farm Records:** A two person team will work with AKKOR, bankers, and the Ministry of Agriculture computer center to investigate the possibility of using technology to analyze farmers' financial information to provide the information needed for decision making and to support credit requests.

#### F. Project Management Activities

##### 1. Staff

ACDI did not hire new local staff during the reporting period. The Moscow office decided to postpone the hiring of an Administrative Assistant/Accountant.

The Chief of Party completed his one year commitment on October 15. ACDI has not yet selected a replacement.

##### 2. Office

ACDI moved to permanent offices at the end of June. The office space has improved communications, support for volunteers, and staff morale and productivity.

##### 3. Contractual Documentation ?????

ACDI continues to hire a local driver who provides his car rather than purchase a vehicle.

##### 4. Volunteer Database

Work proceeds. The database assists in recruiting experienced volunteers who have expressed an interest in a NIS Farmer-to-Farmer assignment.

5. Volunteer Recruiting.

Work proceeds as planned. See individual sections for details.

6. Involvement of Women.

Three of the volunteers during this quarter were women, and three of the volunteers already recruited for the following quarter are women.

Many members of the host organizations are women, including the president of the Ivolginsk Commercial Bank. The majority of the attendees at the banking seminars at the Higher School of Management and Nal'chik were women.

G. Coordination with AID and other organizations

ACDI Moscow staff meets regularly with AID Moscow and AID FtF cooperative agreement recipients. These meetings seek to improve coordination of volunteer assignments. The US-AID mission director met with the ACDI board delegation in Moscow in August.

The ACDI volunteer team working in Samara met with the Peace Corps representatives there for continuing support to the host organization.

ACDI participated in a Farmer-to-Farmer and agricultural PVO meeting on September 20.

The ACDI Program Director will co-chair a breakout session on agricultural credit at a Peace Corps banking seminar in Rostov-on-Don in October.

ACDI plans to host a workshop with other donors involved in land titling in November to discuss the programs and develop mutually beneficial projects.

Coordination between ACDI and VOCA will bring a volunteer seed specialist to Kurgan to work with a seed company that is a stockholder and borrower of the Zauralsky Business Bank.

Information and planning meetings have been held with several non-AID funded development organizations. ACDI staff has also been in contact with the World Bank (especially on land titling issues) and the European Bank for Reconstruction and Development agricultural staff to

discuss common issues. Representatives have been approached to determine if ACIDI sub-project activities can fit into their overall projects, or if components of their overall projects can fit into Farmer-to-Farmer activities.

#### H. Coordination with ACIDI's Food System Restructuring Project

The Farmer-to-Farmer Project continues to play an important role in the implementation of ACIDI's Food System Restructuring Project in the NIS. As part of the FtF Project, ACIDI recently sent a group of volunteers to conduct a Food System Diagnostic Study. That team evaluated the farm credit system and agribusinesses in the Buryatia area.

The findings of the diagnostic team will be used as a solid starting point for the restructuring project. It will help to identify agribusiness opportunities and credit constraints within a specific region. The diagnostic study will also help the restructuring project by looking at clients of the credit system, evaluating managed credit, loan applications, credit risks, etc.

Observations from the restructuring project will be shared with future volunteers under the FtF Program as well. The mutual cooperation between the two projects will enable ACIDI to provide better technical assistance in both programs.

#### I. Monitoring and Evaluation

Updated monitoring and recent evaluations continue. ACIDI develops indicators for confirmed sub-project volunteer activities. Project assistance applications include indicators to measure results and outline an ongoing means of monitoring sub-project impact.

**LARRY PLANNED TO PREPARE AN EVALUATION OF PROJECTS TO DATE THE LAST TIME I TALKED WITH HIM IN MOSCOW. I SUGGEST THAT YOU CONTACT HIM FOR MORE INFO.**

#### III. OTHER PERTINENT INFORMATION

The FtF Project met substantially all goals for the quarter.

The project team continues attempting to impact imponderables in Russia, such as the development of bankruptcy laws and a land titling system, new laws on

land-based mortgages and land sales, and the continuation of financial support by the government to private agriculture. The conflict between the president and parliament has been an obstacle to progress. The new legislative elections scheduled for December will be a major factor in future direction.

The Central Bank has gradually increased interest rates as part of an agreement with the International Monetary Fund to bring inflation (currently about 20% per month) under control. The current interest rate is 180 percent.

After long delays in obtaining interest subsidies from the government, many banks are charging farmers the full market rate of interest so the farmer bears the risk of receiving the government subsidy. The government is struggling to reduce the budget deficit, and there are reports that there will be no government interest rate subsidies to agriculture in 1994. While the move to market rates of interest for agriculture is a positive long term development, it will present short term difficulties for farmers.

Farmers are facing profitability problems as prices for inputs increase faster than prices for agricultural production. This not only makes it more difficult for farmers to project repayment ability for credit, but also makes it more difficult for farmers to capitalize additional AKKOR affiliated banks.

ACDI has met with government, AID and USDA staff, and other FTF project representatives regarding those issues.

The positive experiences of Farmer-to-Farmer volunteers has been helpful in recruiting volunteers for future projects. However, the recent violence and bloodshed at the Russian White House understandably raises concerns for potential volunteers and their families.

All volunteer project teams remarked that observational or study tours to the U.S. by Russian bankers, private farmers, agro-entrepreneurs and others involved with private farming would be very beneficial. Their observation, in general, is that the opportunity to see a solid example in the U.S. would have great value in illustrating what the volunteers are talking about. All ACDI volunteers have been requested to submit the names and positions of people who would benefit most if such a program begins in the future. Many of those people were interviewed by the USDA for participation in the Cochran Fellowship Program. Nine Russians traveled to the USA in two focus groups on Agricultural Credit/Policy and Ag Credit/Bank Operations. Another six Russians traveled to the USA in September on an AID/Moscow funded pilot

Reverse Farmer-to-Farmer program. Two participants will be agricultural bankers.

The lack of a stable ruble and lack of availability of credit to farmers remain major constraints on the development of private farming. ACIDI's Farmer-to-Farmer project attempts to improve access to existing credit resources. ACIDI discusses the overall availability issue with Ministry of Agriculture and Ministry of Finance officials as teams prepare reports and debrief in Moscow at the end of their field assignments.

IV. STATUS OF FINANCES AND EXPENDITURES

Project expenditures for the reporting period were less than planned, due primarily to a later than planned permanent office move-in, lower than planned equipment procurement costs, and volunteer field costs slightly less than expected.

MY REPORTS INDICATE WE ARE STILL BELOW BUDGET. HOWEVER, I NOTICE THAT THE PROJECT MATRIX LISTS "PROCESS EXPENSES" AS ACTION NEEDED FOR SEVERAL PROJECTS AS LONG AGO AS MARCH. IS THERE A SIGNIFICANT BACKLOG OF EXPENSES THAT HAVE NOT YET BEEN ENTERED?