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1994

**Agricultural Cooperative Development International (ACDI)
NIS Farmer to Farmer Program
Cooperative Agreement Number: FAO-0705-A-00-2093-00
Annual Workplan for October 1, 1994 - September 30, 1995**

I. Project Goal

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

To accomplish that goal, ACDI will continue to refine our strategy and approach to:

- provide technical assistance and training to foster an enabling environment in which credit can be commercially and profitably provided to the agricultural sector;
- directly facilitate concrete examples for replicable means by which credit and/or investment in private sector agriculture can be established under current conditions;
- foster the development of improved bank and financial intermediary management under the assumption that properly managed financial institutions will be better able to lend to the agricultural sector.

II. Lessons learned from the first two years of implementation

It is important to review the lessons learned in the first two years of project activities to plan the third year project activities. These lessons have been the driving force in the development of a new strategy which more closely fits a rapidly changing banking system and agricultural sector.

1. The AKKOR banks will not be a significant provider of agricultural credit in Russia. While great hopes had been pinned on the AKKOR system as the foundation for an agricultural credit system modeled, in part, after the U.S. Farm Credit System, economic conditions, the lack of a policy and regulatory framework upon which to base such a system are simply not in place. The one-time influx of capital to these banks has been used up. The surviving AKKOR banks have begun diversifying their portfolio away from solely serving agriculture.
2. Russia will not create a farm credit system in the short run. Rather, agricultural loans will be made on commercial terms or, on a decreasing scale, financed through directed credits from the Central Bank through the

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3. Agricultural producers will not be able to participate in a commercial credit system which must charge interest rates in excess of 170%. Alternative means and intermediary institutions must serve the credit needs of private farmers. Agricultural enterprises engaged in value-added processing, packaging and/or marketing will, if properly managed, have the capacity to utilize commercial credit. Agribusinesses extending credit to producers of their required raw product is one avenue to explore in providing credit services to private producers.
4. The banking industry in Russia has made dramatic, albeit uneven, progress in the development of essential services and support for their clients. In many cases, banks have been working out in front of developing rules and regulations in order to be prepared to work in a changing environment. Competition for attracting new capital is driving a rapid change and commercial orientation in the industry.

In addition, the policy and regulatory framework is rapidly developing in Russia. In 1995, we expect the passage of a revised civil code, and consideration of laws dealing with cooperatives, credit unions, banking law, enterprise development and land titling. In addition, work is already underway to create a central filing system for real estate.

5. We consistently receive positive feedback on our volunteer teams and what they are able to accomplish in a brief period.
6. The Moscow office is integrating its activities well with other U.S. government programs, other donor programs as well as the farmer-to-farmer implementors.
7. The effectiveness of FtF programs is significantly enhanced where ACDI is able to develop follow-on programs with the same client. **In 1993-94, 81% of ACDI's assignments were either follow-on activities, resulted in a follow-on request or both.**
8. Training activities must be focused on a few institutions that have the resources and capacity to utilize and transfer to their participants, the information provided by ACDI volunteers. For that reason, training activities will be limited to the Academy of National Economy and the Central Bank's network of training institutes.
9. Careful monitoring and evaluation of FtF programs is needed in order to identify and track project impact and refine future programming. ACDI has done well at collecting basic information and is currently developing more systematic approaches to project monitoring.

10. ACDI encourages the participation of women volunteers but find that they are difficult to attract into the program. However, when working in the banking industry, nearly two thirds of the direct beneficiaries of our programs are women. Women make up a substantial part of the banking industry's workforce and ACDI's teams frequently work in banks where the majority of senior managers are women.

III. Strategy for 1994-95

ACDI's FtF program will have a three-fold strategy in 1994-95. The strategy will guide us in determining the types of institutions to which we offer assistance. Our assistance will be results-oriented and client-driven. That is, once a client has been selected, we will develop volunteer assignments to achieve defined program goals and will work with each client on a sustained basis until those goals are achieved. Types of assistance will include:

- **technical assistance** to transfer skills and techniques to clients that can be directly adapted to their ongoing operations;
- **institutional development/capacity training** will be offered to specific training institutes and, upon request, to clients who have broad needs for staff development; and
- **policy studies** will be conducted at the request of Russian policy institutions or to further identify and refine new project activities and initiatives.

The three types of institutions we will work with include: 1) banks and financial intermediaries; 2) agribusinesses; and 3) private farmers and privatized collective farms.

Banks and financial intermediaries: The primary thrust of ACDI's program will be to continue to assist in the development of institutions with the capacity to make loans in the agricultural sector. The lack of financial resources continues to be a critical limiting factor for production, processing and marketing. It is crucial for agricultural reform that a well-managed, profitable banking industry is established in Russia.

ACDI programs will focus on bank management development. To that end, our teams will assist banks in preparing mission statements and strategic plans, establishing credit policies and loan administration procedures, credit risk analysis, problem loans, human resource management, mortgage finance and real estate appraisal, raising capital, bank marketing and international banking.

As we have begun in Central Asia, when ACDI begins to work with a bank, we will develop an overall program of activity which includes multiple volunteer assignments. The assignments will be designed to meet the perceived needs of the bank as it develops management procedures necessary for commercial operations.

Agribusinesses: A primary focus for this year's activities will be to assist commercial agricultural entrepreneurs in attracting either investment or credit to expand or improve existing operations. Capital is available for lending in Russia. However, the structure of the banking system and the inability of agricultural enterprises to provide business and financial plans which meet lenders or investors needs often conspire to prevent the provision of credit. ACDI's FtF consultants work with financial institutions that have access to lines of credit or funds available to the agricultural sector to develop lending procedures or design alternative financial intermediaries. As we work with agribusinesses, we will assist them in developing the plans and analyses necessary to access sources of capital.

As we work with particular businesses, we will take an activist role in matching promising entrepreneurs with known sources of credit.

Private farmers and privatized collective farms: Associations of farmers, cooperatives and joint-stock companies formed from privatized collective farms have particular difficulties in obtaining credit to finance costs of production. ACDI FtF specialists will assist these entities in the development of alternative financial mechanisms such as revolving funds, small credit unions, cooperative credit associations or other creative alternatives to meet production credit needs. The goal for these activities is to facilitate the development of effective financing mechanisms and then seek to replicate those mechanisms elsewhere.

IV. The ACDI Approach to Programming Resources

ACDI will carefully select its clients over the next year. Priority programs will be those which have a direct impact on the development of commercial agriculture in Russia. Since our focus is agricultural credit, we will work to ensure that financial resources, on commercial terms, are available to agricultural producers and entrepreneurs with reasonable chances for successful and profitable operations. Our approaches to planning and implementing operations over the next year are listed below:

- Select hosts that have already made significant effort towards the development of a commercially viable activity;
- Define clear objectives for ACDI assistance to each client;
- Commit appropriate resources to assist clients in achieving those objectives. This will normally result in multiple volunteer assignments with each client;
- Leverage ACDI activities with other programs working with a given client or assist clients in liaising with other programs or sources of credit or investment;

- Collaborate with other FtF implementors. ACDI has recently fielded volunteers as a joint activity with other implementors. Often, business planning and financial analysis require plans for improved technologies for use by ACDI clients. Where necessary, we will work with other implementors to include technical specialists on a team with ACDI's financial experts;
- Focus on results. The objective for many of our assignments will be to enhance client preparedness to attract credit or investment. ACDI will work closely with clients until they have been approved for credit or investments. If requested, ACDI will assist clients in establishing management procedures to successfully use and account for financial resources;
- ACDI will expand the duration of our assignments to get more effective working time from our specialists. Normally, volunteers have a steep learning curve when they enter the country to familiarize themselves with their client and ACDI's program. A longer assignment provides significantly greater time for effectively working with clients to deliver technical assistance;
- Establish an improved monitoring and evaluation system designed to track the results and impact of volunteer assignments; and
- Continue to focus on encouraging the participation of women as volunteers in our programs. In bank management programs, participation of women is extensive. However, ACDI will also seek to provide services to women in agribusiness and on private farms.

V. Project Plans for Technical Assistance

ACDI has developed several exciting initiatives to pursue over the next year. As of September 30, 1994, 120 of the 230 volunteers originally envisioned for the agricultural credit component had completed their assignments leaving 110 available volunteer slots. If resources permit, ACDI will also program additional volunteers until available resources are utilized. This plan calls for a total of 120 volunteers over the next 12 months.

The following briefly describes some of the initiatives we have planned for 1995:

I. Central Asia Bank Management. ACDI is cooperating closely with USAID/Almaty to develop a bank management program for banks serving the agricultural sector in Kazakhstan and Kyrgyzstan. FtF resources are being linked with the USAID Financial Reform Program as well as World Bank, EBRD, and EC TACIS activities in the financial sector. Five banks have been selected for participation in the program: Turanbank, Kazagroindustrialbank and Altyndenbank in Kazakhstan; and Dyikenbank and Kyrgyzagroprombank in Kyrgyzstan. For each bank a workplan describing a series of assignments designed to upgrade bank management capacity are being developed and must be approved by USAID/Almaty, the

Central Bank, the client bank and ACDI. A total of 50 volunteers have been allocated for this initiative, 45 of which will be fielded in FY 94-95.

2. Agricultural Finance in Krasnodar Krai. Krasnodar Krai is one of the most productive agricultural centers in Russia. Much of Russia's sunflower and other oilseeds, corn, vegetables and fruits are produced in this area. Thus, the development of commercial production, processing and marketing facilities in this region are crucial to enhanced food security and the development of commercial agribusiness in Russia. ACDI will employ all three elements of our strategy in this area:

- ACDI has already initiated a bank management program with Bank Sochi. Assistance to this bank will include improved management of the credit and investment departments of the bank to finance the developing agricultural areas around Sochi to serve the tourist industry in the area. ACDI also plans to approach both Kubanbank and Kubinbank in Krasnodar to assist in the development of agricultural and agribusiness portfolios in those banks. Kubanbank will be audited in early 1995 in preparation for receipt of a EBRD line of credit to finance small and medium sized agribusinesses in Krasnodar. ACDI and EBRD have held discussions to outline a program of assistance to both Kubanbank and their potential clients.

The Sochi municipal government will likely manage a large grant from the Russian federal government for infrastructure and regional development in the Sochi area. ACDI is prepared to offer assistance to local businesses for preparing business plans and financial documentation to attract investments, credits or grants associated with this program.

- ACDI has also begun assisting agribusinesses in Krasnodar Krai. ACDI and VOCA teamed together to provide a group of volunteers to the ASSOY Association to enhance their capacity to finance aggressive development plans in the soybean and sunflower oil processing industries. ASSOY has already requested further assistance from ACDI.
- ASSOY Association contracts with local privatized collective farms to supply them with raw product for their operations. ACDI will propose to develop a credit mechanism for oilseed producers who supply ASSOY and other oilseed processors with raw product.

Because of its importance in the agricultural sector and the strong interest in ACDI's programs, 25 volunteer slots have been tentatively allocated to Krasnodar Krai.

3. Support to the Academy of National Economy. The Academy of National Economy has been a long-term client of ACDI's FtF program. We have supplied 5 teams totalling 13 volunteers to their programs over the past two years. Interest from ANE continues to be

3. Support to the Academy of National Economy. The Academy of National Economy has been a long-term client of ACIDI's FtF program. We have supplied 5 teams totalling 13 volunteers to their programs over the past two years. Interest from ANE continues to be strong with requests from both the agribusiness and investment promotion programs coming in. In the agribusiness program, ANE plans to focus its curriculum on agricultural finance. All future programs with the agribusiness program will be designed to initiate this shift in curriculum. It is envisioned that, should ACIDI's FtF program be refunded, a major FtF effort to redesign the curriculum will be included in our plans.

The investment promotion program is interested in ACIDI assistance in investment workshops which facilitate program participant's access to U.S.D.A. and Department of Commerce investment promotion programs and directly advises them in accessing those services.

A total of six additional volunteers are planned to support ANE's programs.

4. Russian Academy of Agricultural Sciences (RAAS). Wide ranging discussions have been held with RAAS to identify areas of cooperation between RAAS and ACIDI. Initially, we have agreed to focus our efforts on the development of cooperative credit associations to serve private farmers and joint-stock companies. Initial discussions have included Vladivostok, Krasnodar, Pskov, Ryazan, Tver and Kaliningrad as possible sites. Resources will not permit activities in each of these locations and decisions on priorities must be made. If additional funding becomes available, ACIDI will develop a far broader program of assistance to cooperative credit associations with RAAS.

A total of 5 volunteer slots are planned to initiate activities with RAAS this year.

5. The Central Bank Training Institutes. The Central Bank training institutes are the primary bank training schools in Russia. ACIDI has commitments to provide specialists to conduct training of trainer activities at 4 of these schools in St. Petersburg, Petrozavodsk, Oryol and Tomsk.

Eight volunteers are committed to these assignments.

6. Agroprombank. ACIDI has worked with 5 branch offices of the agroprom system and will likely conduct follow-on activities with some of these institutions. The head office of Agroprombank has suggested that ACIDI's FtF program develop a bank policy discussion program with their senior managers and branch management personnel. The discussions would focus on topics arising from the World Bank's evaluation team currently conducting a review of bank management practices. The orientation of these workshops will be practical, problem solving activities designed to result in reformulation of bank policies and practices. Four volunteers will be assigned to Agroprombank assignments.

7. Agricultural Development Planning. Both the Bolotov Foundation and a charitable organization called Intellect have approached ACIDI to assist them for support in their

planning activities for agricultural development at the raion or oblast level. ACDI will assist these organizations in the development of agricultural finance mechanisms as a significant part of the planning process. Bolotov and Intellect will be preparing studies in Pskov, Tver and Krasnodar oblasts. A total of six volunteer slots will be utilized for planning activities.

8. Agricultural Finance Study in the Russian Far East. This study will be conducted as a Food Systems Diagnostic Study to develop financing mechanisms in that region. The study will be conducted with the cooperation of the Russian-American Enterprise Fund and a vertically integrated agribusiness joint venture operating in Vladivostok. The study will identify appropriate agricultural financing mechanisms and potential clients in need of support. Six volunteers will participate in this program.

9. Bank Management Programs. In Russia, ACDI has recently developed contacts with Sberbank and several other banks with an interest in making hard currency loans in the agricultural sector, largely for equipment and raw material purchases from Europe or the U.S. ACDI will provide bank management services to these banks and will facilitate contacts between banks interested in lending with our other clients developing business and financial plans. All credit decisions will be solely those of the banks. However, both banks and agribusinesses enthusiastically support ACDI's mediation and technical assistance to support both sides in bringing quality proposals to one another. In addition to the banking volunteers included in other initiatives, 10 volunteers will be allocated to this program.

10. Ukraine Initiative. Recent events have suggested that an agricultural credit program may now be viable in Ukraine. President Kuchma has appointed a reform-minded cabinet and new legislation on land privatization is being contemplated. We believe that, resources permitting, the second quarter of 1995 will be an appropriate time to initiate activities in Ukraine. If these assignments were promising, ACDI would propose to expand those activities in 1995-96. Five volunteers will be assigned to a Ukraine program initiative.

Summary of Planned Volunteer Activities

Volunteer Assignment	Number
Central Asia Initiative	45
Agricultural Finance in Krasnodar Krai	25
Academy of National Economy	6
Russian Academy of Agricultural Sciences	5
Central Bank Training Institutes	8
Agroprombank	4
Agricultural Development Planning	6
Russian Far East	6
Bank Management Programs	10
Ukraine Initiative	5
TOTAL VOLUNTEERS	120

VI. Field Office Support Activities

1. Continue to provide logistical and management support to ACDI volunteers in the field.
2. Work closely with ACDI FtF clients to clearly define goals and objectives for volunteer assignments and track institutional progress towards objectives.
3. Finalize an improved monitoring and evaluation system for the ACDI project.
4. Liaise with USAID/Almaty, USAID/Moscow and other donor organizations and projects with similar interests in agricultural finance.
5. Field a six month volunteer in Almaty to supervise, manage and provide logistical support to the Central Asia initiative.
6. Seek mechanisms by which ACDI clients are brought into contact with sources of credit or investment and support clients receiving funds.
7. Prepare required reports and documentation required under the ACDI FtF cooperative agreement.