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Consultancy Report
Quarterly Report January 1, 1993 - March 31, 1993

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

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January 1 - March 31, 1993



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May 13, 1993

Audra Jones
Project Officer
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Dear Audra:

Please find enclosed the ACDI Farmer-to-Farmer Program Cooperative Agreement No. : FAO-0705-A-00-2093-00 Quarterly Report for January 1, 1993 to March 31, 1993.

During the reporting period, ACDI's project accomplished substantially all the targets established as presented in its first annual workplan.

Sincerely,

Michael J. Moran
Executive Director-NIS Programs

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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 January 1, 1993, to March 31, 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 has responded to AID's request to provide details on activities planned for the May to October 1993 period.

II. COMPARISON OF ACTUAL ACCOMPLISHMENTS WITH PERIOD GOALS

Project Technical Assistance and Training Activities

A. Some Highlights of Project Impact

1. The Land Titling Subproject has led to three short-run results:

Recommendations to the Committee for Land Resources and Land Surveying are leading to new awareness that a land titling system can meet both government interests and private investors interest. This awareness is expected to impact on draft legislation and regulations for land titling.

Three key people from the Land Committee have been nominated for observational study in the U.S. to see a well functioning land registration system benefiting private land owners. This was coordinated with USIA.

Recommendations made by Mr. Holl, the ACDI FTF volunteer, could lead to a revision in the requirement governing land plots surveying. Mr. Holl recommended that the law should not require such surveying for every plot or transaction. He recommended that to the extent surveys of private plots are considered necessary by the parties to a land transaction it should be a responsibility of the parties and not the government. The government taking on this responsibility would result in an impossible task at prohibitive cost. Representatives of the Land Committee stated that they were giving serious thought to including these provisions in upcoming legislation. There is a growing realization that land titling issues

are of critical importance to the private sector, and that both public and private sector interests can be simultaneously addressed. The impact would be significant savings in time and resources by the government if it adopts the recommended methods.

2. Academy of National Economy:

The volunteer team working with the Academy of National Economy developed training modules for agricultural credit professionals and agribusiness people. As a result of this work, Russian participants in future training programs will better understand agricultural credit operations and loan applications. The impact of this will be increased decision-making ability on the part of bankers and agribusiness practitioners. The Academy has stated that it will use the material the volunteer team left in future training programs, thereby promoting the sustainability of the volunteers efforts.

3. Tula Rosselkhozbank:

The Tula bank, which is expected to be privatized, is seriously considering the volunteers' recommendation to establish a loan guarantee pool. Under this system, AKKOR--the peasant farmers association, would guarantee a pool of private farmer loans, rather than individual loans. If this recommendation were implemented, the bank could expand the credit available to private farmers by five fold. A decision on establishing a loan guarantee pool is the next step.

4. The Tula bank has set up a training program based on the FTF volunteers recommendations. A second team of FTF volunteers will assist in the first training session and will develop materials for the bank to use in its new training program.

B. Sub-Project Field Activity (Including findings, as applicable)

This section reports on the Volunteer field activities specified in the work plan or last quarterly report.

1. Tula Phase I: This three person team arrived in Russia on February 15th. In Tula, they met with private farmers, AKKOR staff, Ministry of Agriculture staff and advisors, representatives of a cooperative receiving assistance from Land O'Lakes and other individuals involved in private farming. The team's mission was to evaluate the private agriculture portfolio held by the Tula Rosselkhosbank, and to develop recommendations to

improve the bank's servicing of this portfolio. The impact of this on private farmers and rural agribusinesses will be improved banking services.

2. Land Titling: The person carrying out this assignment worked at the Committee for Land Resources and Land Surveying of the Russian Federation where he reviewed and consulted regarding present laws and regulations and pending land reform legislation, including the Codex and Decrees which are the current law in the Russian Federation on land titling. The volunteer focused on recommending improvements to the system so that the interests of the government could be protected, while still encouraging private interests in land. The World Bank obtained a copy of the report and expressed interest in ACDI's work in the context of an upcoming project.
3. Food Systems Diagnostic Study, Russia: No volunteers were fielded during this quarter for this sub-project activity. It is now planned that a group will be fielded in August. See C. 1 for additional information.
4. Women in credit activities: No volunteers were fielded during this quarter for this sub-project activity. It is planned that a group will be fielded late in the next quarter. See C.4 for additional information.
5. AKKOR Phase II, Rostov/Stavropol: At the end of the quarter, a three person team was in the field. The focus of this sub-project is to provide practical start-up advice to two AKKOR affiliated banks in the Rostov and Stavropol areas.
6. Academy of National Economy Project: This five-person volunteer team arrived in Moscow on March 6th. The focus of this sub-project was to improve the training of agribusiness professionals by the Academy. Follow-up to this assignment is planned for June.
7. St. Petersburg/Kastroma: This sub-project activity has been postponed due to the St. Petersburg bank not having sufficient start up capital to meet Central Bank requirements.
8. Agro-Industrial Management Academy: This sub-project activity has been cancelled because it was not considered cost-effective.

9. Tula Phase II: This sub-project activity originally scheduled for February has been rescheduled for June.

C. Field-Office Support Activities

1. ACIDI's Chief-of-Party and Director of Operations met with several local groups in preparation for Food Systems Diagnostic Studies in Russia. The terms of reference for the study were shared with several research institutions and local governments in an effort to obtain base line information prior to the fielding of a full volunteer team. This work continues.
2. ACIDI's Chief-of-Party gave a lecture on ACIDI's Farmer-to-Farmer project and the opportunity for U.S. agribusinesses in Russia at the National Council of Farmer Cooperatives (NCFC) and Farm Credit Council (FCC) annual meetings in San Antonio.
3. ACIDI's Chief-of-Party and Office Director met with Guildia, a an organization promoting the integration of women into private enterprise in Russia to discuss a pilot program for Russian women interested in developing businesses. ACIDI's Chief-of-Party also met with representatives of the National Association of Women Business Owners (Minnesota Chapter), an American group interested in working with a Russian organization on a program to integrate women into private enterprise in Russia in order to increase their employment and income potential.

D. Washington Office Support Activity

1. Nineteen FtF volunteers have been fielded from program start-up through the end of March on a total of 6 assignments.

The following projects took place during the 2nd quarter, starting January 1 through March 31. The number in parenthesis represents the number of volunteers recruited for the assignment.

Land Titling Phase I (1)
Tula Bank Phase I (3)
Academy of National Economy (5)
AKKOR Banks Rostov-on-Don/Stavropol (3)

2. ACDI's recruiter attended the annual meetings of the National Council of Farmer Cooperatives and the Farm Credit Council in San Antonio to promote FtF and recruit for future assignments.
3. A Project Monitoring Matrix was developed for tracking volunteer project assignments, purpose of assignment, dates of assignments, positions required, potential recruits, volunteer team, initial orientation, debriefing, and action needed. This system is intended to facilitate smooth coordination between the local participating organizations, ACDI/Washington and ACDI/Moscow. The objective is to get the volunteers to the field as quickly as possible in order to maximize the time they spend working with host country counterparts.

E. Upcoming Activities and New Recruiting Needs

The following addressees AID's request for additional details for April to October volunteer field activities: to supplement the annual workplan.

April

Novosibirsk, AKKOR Bank: An application has been signed and a three person team is scheduled to arrive April 10th to begin their assignment.

Noema Phase I: An application has been signed and a three person team is scheduled to arrive April 20th. Noema is an educational institution working with the Ministry of Agriculture to train private farmers and Ministry staff in issues related to private agriculture in Russia. It is anticipated that sub-project activities will result in Noema staff being better prepared to train Russian farmers, and in Russian farmers receiving more timely instruction from Noema staff.

May

Vyksa Bank Project: An application has been signed and a two person team is planned to arrive May 8. This team will assist a start-up bank that will be owned by approximately 64 private farmers to begin operations and develop operational procedures and systems.

Pyatigorsk Bank Phase I: An application has been signed and a three person team is scheduled to arrive May 24. This team will develop credit policies and procedures for a bank owned by private farmers, agribusiness people and other entrepreneurs.

Zagorsk Russian College of Continuing Agricultural Education: An application has been signed and a three person team is scheduled to arrive May 22. This college is one of the first in Russia to begin teaching western bookkeeping to students and the volunteers will assist them in developing materials to teach farm accounting, a critical element of success for private farmers. The material prepared in this sub-project will be used, to the extent practicable, in other farm record-keeping training sub-projects.

Saratov Economics Institute: An application has been signed and a three person team is scheduled to arrive May 14. This team will assist in improving the ability of instructors and the institute to train bankers in private agricultural credit.

Committee for Land Resources Phase II: A mortgage specialist will provide follow-up to Phase I. This specialist will look into current mortgage law and proposed mortgage law and assist in the establishment of a land titling and mortgage system that serves private agriculture.

Bolotov Foundation: The Foundation provides ecological and environmental education to farmers in the area of sustainable agriculture. This FTF project supplements their efforts by providing financial education to farmers permitting them to obtain credits. Phase I of this project will begin May 15.

June

Chelyabinsk Commercial Land Bank: A three person team is scheduled to provide start up assistance to the bank in late June. This 22 branch commercial bank that has lent 95 percent of its loan portfolio to private farmers. This bank will receive assistance in business planning, portfolio analysis and credit training.

Committee for Land Resources: An application has been signed for 2 additional volunteers (an expert in mortgage law and another in surveying). These specialists will look into mortgage and land surveying practices as they relate to land titling and registration as part of an effort to assist in the establishment of a land titling and mortgage system that serves private agriculture. These assignments are the result of Phase I work with the committee.

Academy of National Economy Phase II: A two person team will conduct an agricultural lending training program for bankers attending the Academy. These participants come from banking institutions located throughout Russia.

Rural Innovation Centers (RICs): Two Rural Innovation Centers to serve as partners for upcoming FtF sub-projects have been identified in Dmitrov and Ulan-Ude. The Dmitrov sub-project is planned to teach private farmers record-keeping; the sub-project in Ulan-Ude is planned to begin with a two-person team providing assistance to a start-up farmers' bank, followed by training for bankers at a local economics institute.

July

Nizhny Novogorod Land Bank: A three person team is scheduled to assist the bank with start up if the 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.

Stavropol Bank Project II: A three person team will assist in the formation of a new bank. Bank ownership is anticipated to be solely in the hands of private farmers.

Food Systems Diagnostic Study: The study originally planned to be conducted in a third country has been postponed until Project Year II. Two Russian Food Systems Diagnostic Study are planned for Russia during Year I. One study will be in Pyatigorsk or Stavropol depending on the mid-June volunteer assignment findings. The other will take place in the Buryatia Republic near Lake Baykal.

Identification of regions to undertake Food Systems Diagnostic Studies in Kazakhstan and Russia continue.

Loan Guarantee Program: Under this program, an area will be selected and plans prepared to field a three- to five-person team to determine the feasibility of establishing a pilot loan guaranty program. Loan decisions under this program would be made based on sound credit analysis rather than merely the presence of the guaranty. In an attempt to ensure sustainability, the program would be designed in such a way that fees generated from the loan guarantee fund would cover administrative costs.

AKKOR Training: Follow-up evaluation of prior work with AKKOR and AKKOR-affiliated banks and training will be conducted. The emphasis of this assignment will be to continue work previously begun on establishing an Apex. Leaders of several AKKOR affiliated banks supported by the FTF program have taken lead roles in discussing a national-level cooperative farm credit system.

August

Noema: A continuing lecture series at 2 agricultural academies or institutes affiliated with Noema is planned.

International Finance Academy: This Academy deals only with training for bankers. Volunteers are expected to design a Loan Administration training program for 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.

September

Women Agricultural Entrepreneurs: In association with Russian and American groups, four seminars will be targeted on supporting the agricultural and agribusiness credit needs of women farmers and agribusiness practitioners. The intent of these seminars is to establish a framework to integrate women farmers and agribusiness practitioners into project activities, as well as to train female agribusiness practitioners in the use of borrowed funds, the business planning process and keeping necessary financial records.

October

Farm records training: Four separate sub-project activities will be conducted to train private farmers in on-farm record-keeping. This sub-project activity will make use of previously prepared record-keeping material and account for changes in legislation and practices made in the Russian Federation with regard to accounting and bookkeeping practices.

Women agricultural entrepreneurs: The specific focus and team composition for four more seminars will be based on the needs identified by the September assignment.

Project Management Activities

A. Staff

ACDI's new Deputy Project Director arrived in Moscow in late March to assist the Chief of Party. His duties will include managing the logistics of volunteer assignments, developing new assignments and ensuring that ACDI Farmer-to-Farmer activities are implemented in coordination with the goals of AID and with other Farmer-to-Farmer projects.

No new local staff were hired during the reporting period. It was decided to postpone the hiring of an Administrative Assistant/Accountant until after moving into permanent offices.

B. Office

Temporary space is being sub-let from VOCA. Permanent space has been located and it is being renovated. An early June entry is expected.

C. Contractual Documentation

No written response to the waiver submitted to AID for the purchase of non-U.S. source and origin vehicles has been received. However, an oral heads-up was received indicating the waiver would not be approved. Guidelines were also provided for sourcing U.S. vehicles overseas.

D. Volunteer Database

Work is proceeding as planned. The database is being used to assist in recruiting experienced volunteers who have expressed an interest in a NIS Farmer-to-Farmer assignment.

E. Volunteer Recruiting.

Work is proceeding as planned. See individual sections for details.

F. Coordination with AID and other organizations

Regular meetings are being held with AID and AID FtF cooperative agreement recipients. The purpose of the meetings is to improve coordination of volunteer assignments. As a result, ACDI volunteers going to the Tula Bank met with Land O'Lakes volunteers, to discuss ways of collaboration in the same region. Also, the Rosselkhozembank staff were subsequently informed of Land O'Lakes activity in the region. ACDI's Director of Operations travelled to Saratov and discussed ACDI's Farmer-to-Farmer project with Peace Corps Volunteers. It was agreed that ACDI will inform Peace Corps Volunteers of ACDI activities in their regions. An ACDI proposal to link short-term ACDI volunteers and long-term Peace Corps efforts in the Rostov and Saratov areas was discussed. ACDI plans on hosting a coordination meeting for FtF recipients in June.

These meeting also provide an opportunity to improved project planning and to receive reaction to upcoming projects. In February and March, ACDI staff attended workshops presented by AID/Moscow to discuss common issues. At the beginning of ACDI's new Program Director's tour, he was introduced to AID, Farmer-to-Farmer and USDA staff; a meeting is scheduled with the Peace Corps' Moscow representative after his return to Moscow. ACDI intends to participate in a VOCA

organized private farmers meeting in Saratov in late May, 1993, as well as hosting a Farmer-to-Farmer and agricultural PVO workshop after moving in to permanent space in June.

Information and planning meetings have been held with several non-AID funded development organizations. ACDI staff have also been in contact with World Bank and European Bank for Reconstruction and Development agricultural staff to discuss common issues. Other donor representatives--Canada and Holland--have been approached to determine if ACDI sub-project activities can fit into their overall projects, or if components of their overall projects can fit into Farmer-to-Farmer activities.

G. Monitoring and Evaluation

Work is on-going. Indicators for confirmed sub-project volunteer activities are being developed. Project assistance applications will include indicators to measure results and outline an on-going means of monitoring sub-project impact.

III. OTHER PERTINENT INFORMATION

Substantially all goals for the quarter were met.

The project team continues to attempt 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 Central Bank of Russia has raised the minimum capital requirement for all banks to 100 million rubles as of July 1, 1993. This will greatly reduce the number of banks operating in Russia, will affect on the ability of private agriculture to obtain credit.

Meetings have been held with government, AID and USDA staff, and other FtF project representatives concerning those issues. Moscow AID staff organized a very useful meeting with all of the FtF grant recipients and other interested parties in early 1993 in which these issues were discussed; ACDI intends to host a second meeting in June, with a set topic, agricultural credit or land titling issues, with discussion papers on the topic prepared prior to the meeting.

Recruiting efforts are filling planned assignments, but the reports in the American press is beginning to create some concern among potential volunteers.

All volunteer project teams have 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 ACIDI volunteers have been requested to submit the names and positions of people who would benefit if such a program begins in the future.

The lack of a stable ruble and lack of availability of credit to farmers remain major constraints in the development of private farming. ACIDI's Farmer-to-Farmer project is attempting to improve access to existing credit resources. The overall availability issue is being discussed with Ministry of Agriculture and Ministry of Finance officials when teams 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. The reasons for this are due primarily to slightly fewer volunteers than planned, a later than planned permanent office move-in, ACIDI not having to pay for office renovations prior to moving in, and lower than planned equipment procurement costs. Volunteer field costs have also been slightly less than expected.