



CHEMONICS INTERNATIONAL INC.



**FARMS II FINAL REPORT
(September 1996 – May 1997)**

**Contract No. EPE-0014-I-00-5075-00
Task Order #3**

**Submitted to:
U.S. Agency for International Development**

**Submitted by:
Chemonics International Inc.**

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PREFACE

The FARMS project was executed by Chemonics International Inc. according to the terms of Task Order No. 3, Contract No. EPE-0014-I-00-5075-00, Farm Reorganization Assistance Program, under the Privatization and Economic Restructuring Program omnibus agreement known as PERPADVI, Activity C. FARMS I, a pilot reorganization project, started in November 1994 and ended in June 1995. FARMS II, the wide-scale application of the model developed under FARMS I, started in September 1995 and ended in July 1996. FARMS II-M, consisting primarily of monitoring activities but including a certificate program for reorganization specialists, started in September 1996 and ended in May 1997.

This final report is an accounting of the project's activities and accomplishments since July 1996, when FARMS II ended. Shortly after, the contract was amended, extending it until April 25, 1997. The amendment also changed the level of effort, increased the procurement of equipment and media activities, and amended the scope of work to include a series of monitoring and reporting activities. The task order was amended a third time to extend the date further, increase the level of effort, and add the certificate program. While the first amendment was a no-cost modification, the second amendment added \$36,000 to the task order to cover the cost of the certificate program.

At the conclusion of FARMS II, Chemonics submitted to USAID a report titled "Farm Reorganization Phase II Report," which was conceived as the final project report. The present report therefore builds on that earlier report, summarizing from it where necessary. To give a complete picture of the accomplishments of USAID-financed farm reorganization activities in Russia, some tables in this report present cumulative project numbers.

The authors and members of the FARMS II-M project staff are grateful to USAID, the Government of the Russian Federation—particularly the Ministry of Agriculture and Food and the State Property Management Committee—and the regional and local administrations in the 15 oblasts and 91 raions where we have worked since September 1995. We most want to thank all the members of the oblast and raion working groups and the institutes and their staffs, without whose support this project would not have achieved its objectives. Finally, we recognize the thousands of farm workers, specialists, managers, and their staffs who by going through farm reorganization have been reborn into the market-driven world. It takes enormous courage, hope, and faith to make this leap into the unknown.

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ACRONYMS

EBRD	European Bank for Reconstruction and Development
FARMS II	Task order #3, which was signed in late August 1995 and was implemented from September 1, 1995 – July 18, 1996.
FARMS II-M	The no-cost extension signed on July 15, 1996, which provided for additional equipment, media procurement, and the monitoring activities through May 16, 1997.
FARMS II-M (Certificate Program)	The final amendment, signed in May 1997, which added an additional \$36,000 to cover the costs of the Certificate Program and adjust the budget, level of effort, and several of the deliverables to eliminate inconsistencies.
GKI	State Property Management Committee
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
LOE	Level of effort
PERP	Privatization and Economic Restructuring Program
RF	Russian Federation
USAID	U.S. Agency for International Development

EXECUTIVE SUMMARY

All objectives set by the task order for Farm Reorganization Phase II (FARMS II) and its amendment, FARMS II-M (Monitoring Phase), were met.

The main results of the project were as follows:

- The FARMS II/FARMS II-M task order established oblast and raion working groups in 91 raions of 15 Russian Federation oblasts. The working groups, whose membership included representatives of local administrations, Departments of Agriculture, Land Reform Committees, and Committees for Municipal Property Management, promoted reorganization within their influence areas. The groups were trained to oversee farm reorganization, coordinate the efforts of various departments, and provide direct assistance to reorganizing farms.
- All 15 participating oblasts conducted practical farm reorganization work that established new, more efficient market-oriented farming entities. Of the 341 farms that started reorganization during the project period, 210 completed the process (50 farms under FARMS II and 160 under FARMS II-M). Other farms were in the final stage of reorganization when FARMS II-M ended and were expected to complete it soon.

The forms farm reorganization took varied widely. Some farms split into smaller units, some spun off several independent peasant farms, others were transformed into more efficient organizational and legal forms such as production and agricultural cooperatives. The transformed farms made deep changes in their production relationships based on the rights of land and property share owners. The 210 farms that reorganized during the task order formed 793 new agricultural entities. Various forms of cooperation between the newly established farms also emerged.

- FARMS II-M conducted selected monitoring of newly reorganized farms that confirmed the viability of the farms. Although most had only recently been reorganized, many improved upon the former farm's performance indicators and sometimes exceeded the raion average.
- Using one training institute in each of the 15 participating oblasts (mainly institutes under the Ministry of Agriculture and Food), the task order established a farm reorganization training network. Under the task order, training institute instructors and members of the oblast and raion working groups were trained. The training institutes will continue training farm managers, reorganization specialists, and representatives of raion administrations entering reorganization. From 1995 to the end of the task order, 5,118 people were trained by 132 seminars.
- With task order assistance, eight training institutes set up training and consulting centers, which operate in cooperation with oblast and raion working groups. The purpose of these

centers is to provide training and practical assistance to farms during and after reorganization.

- To increase the efficiency of raion working groups and provide training, the task order delivered equipment (fax machines, copy machines, computers, etc.) to all 15 oblast working groups, 45 raions, and 14 training centers. The eight training and consulting centers were given additional equipment.
- A public information campaign was an important part of the FARMS project. The campaign included 20 brochures distributed to the regions. A series of five videos about reorganization was shown on Russian TV. FARMS II-M also produced two training videos for use by the oblast training centers.
- FARMS II-M assisted in the creation of a certification program for farm reorganization specialists. Accomplishments in this area consisted of the following:
 - Updating of the four-volume Manual on Farm Reorganization Procedures to accommodate changes in legislation and reflect experience acquired during the project
 - Upgrading existing reorganization training materials and creating additional materials
 - Obtaining Ministry of Agriculture and Food approval of the farm reorganization training curriculum and qualification examinations

The success of FARMS II and FARMS II-M was largely attributable to the strategy of establishing oblast and raion working groups to promote and undertake farm reorganization. These wholly Russian structures worked closely with the oblast training institutes that had received corresponding training and had practical experience in farm reorganization. From September 1996, the program was 100 percent Russian and was only periodically visited by the Washington, D.C.-based project supervisor.

The working groups made it possible for a drastically reduced Chemonics team of specialists to carry out a large amount of work under FARMS II-M. During FARMS II-M, agreements were signed with 23 new raions and 47 additional farms started reorganization. All of those farms completed reorganization before the end of the project. The number of raions and farms willing to take part in reorganization increased significantly during FARMS II-M; 202 farms applied to Chemonics for reorganization assistance. Throughout the task order, the oblast and raion working groups gradually increased their share of current work on farm reorganization.

Chemonics specialists, working closely with the working groups, participated in choosing key work areas and coordinating work. The team's specialists provided consulting assistance not only to the oblast and raion working groups but also to farms. They also monitored farm activities and training in the oblast institutes. One of the most important functions of the monitoring team was inter-working group communication of experience and initiatives. For example, the team assisted in the sharing of lessons learned and innovative solutions to specific problems and in promoting the cooperation of agricultural producers and processing companies. The training materials prepared by the Moscow-based group generated considerable interest in the oblasts and promoted the distribution of experiences and the establishment of contacts between various raion and oblast working groups and institutes.

Part of the project's success also lies in the individual members of the working groups, the oblast and raion administration officials that were the project's participants. These people have become strong supporters of agrarian reform and are a foundation on which to build support for future reforms.

The regions that participated in FARMS are interested in continuing the work started by the project. This was confirmed at the final meeting of the FARMS II/FARMS II-M task order, which was attended by representatives of the Ministry of Agriculture and Food, State Property Management Committee, and oblast and raion working groups. Numerous letters from most of the participating oblasts also requested continuation and expansion of agrarian reform work. Among the areas of particular interest are the following:

- Farm reorganization
- Developing post-reorganization support
- Transforming the relationship between agricultural producers and processing companies
- Developing forms of cooperation
- Improving the credit system and investment policies

In our view, the enthusiasm for reform and support for additional work in the areas listed above are key results of the FARMS project. An important product of the FARMS project is a large group of active agrarian reform supporters in the oblasts and at the national level.

SECTION I
INTRODUCTION

SECTION I INTRODUCTION

Between November 1994 and June 1995, the United States Agency for International Development (USAID) commissioned Chemonics International to assist the State Property Management Committee (GKI) with reorganizing farms in four oblasts of the Russian Federation. The project aimed to develop and test farm reorganization procedures that could be applied to a broad selection of farms in many oblasts. A prototype reorganization model developed and tested by the International Finance Corporation (IFC) in Nizhniy Novgorod and other oblasts was the basis for FARMS I, as the project was named.

FARMS I reorganized 14 farms in Vologda, Kaluga, Pskov, and Saratov oblasts, attaining two key objectives in the process. First, the knowledge and experience derived from the project's farm reorganization activities, including the legal aspects, were compiled in a three-volume procedures manual on farm reorganization. Additionally, by the end of the project Chemonics had in place an experienced team of Russian farm reorganization specialists who could pass their knowledge on to other practitioners.

FARMS II, which began at the end of August 1995, continued and expanded upon the pilot program. The 11-month, \$6 million project took advantage of the farm reorganization procedures developed by FARMS I, expanding activities to more farms in 15 oblasts.¹

When FARMS II was scheduled to end (in July 1996), however, it still had approximately \$480,000 in unused funds. The surplus resulted from a slightly delayed startup, which reduced Russian labor costs; lower than planned social charges; adoption of lower than authorized per diem rates and fewer overnight trips, which reduced hotel and per diem payments; elimination of some tasks that were originally to be subcontracted to the Agrarian Institute; and procurement efficiencies that reduced equipment costs.

USAID decided at that time to use the remaining funds for additional work to monitor performance of the oblast and raion working groups created and fostered by the project and the training institutes that were to be the main vehicle for project sustainability. The additional work would continue to promote farm reorganization through another winter season while also attempting to measure the effects of reorganization on a select group of farms.

The no-cost amendment to the task order (FARMS II-M), which was signed on July 15, 1996, authorized a cumulative expatriate level of effort (LOE) of 1,662 person days and a cumulative Russian staff LOE of 14,581 person days. The project's deliverables and tasks consisted of the following:

- Deliver professional printing equipment to a training institute—selected by the GKI and Ministry of Agriculture—to print and distribute updated versions of the Farm Reorganization Procedures Manual (Task 2 of the original task order).

¹The interim final report, "Farm Reorganization Phase II Report," July 18, 1996, details the objectives and implementation of FARMS II through July 1996.

- Produce two training videos and distribute them to the oblast training institutes participating in the project (Task 4 of the original task order).
- Organize two meetings in June 1996 with officials from the training institutes, 15 oblasts, and 66 raions participating in the project to a) ensure a clear vision of the institutes' participation in future farm reorganization activities, and b) discuss and document lessons learned in farm reorganization and training for farm reorganization (Task 7 of the original task order).
- Procure and deliver additional computer equipment and software to eight agricultural training institutes (Task 9 of the original task order).
- Procure and deliver additional computer equipment and software for up to 45 raion working groups (Task 11 of the original task order).
- Establish a team to monitor and track activities of the oblast and raion working groups, the training institutes (including the performance of the institute selected to receive the special printing equipment), and the consulting centers with emphasis on the quality of reorganization services offered.
- Prepare a preliminary evaluation of the economic results of reorganized farms.
- Prepare periodic reports and a final report on the project's achievements, the impact of farm reorganization, and common constraints encountered and proposals on how to overcome them.

As work progressed throughout the fall of 1996, and it became apparent that funding for more intensive farm reorganization activities would not be available, USAID decided to amend the task order again, fine tuning the budget and making minor adjustments to the LOE. In addition, the project team was directed to institutionalize the experience and skills gained by working group members and Chemonics' staff by developing a Farm Reorganization Specialist Certificate Program. This program was intended to make farm reorganization a recognized profession and to facilitate the "licensing" of trained farm reorganization specialists by one of the institutes participating in the FARMS II program.

This final amendment added \$36,000 to cover the cost of developing the certificate program and added 48 work days of expatriate LOE and 774 days of Russian professional LOE (Annex G contains the final LOE (Table 1) and budget (Table 2) for FARMS II).

The deliverables listed in the final amendment were as follows:

- An updated Farm Reorganization Procedures Manual
- Updated and new training materials
- A standardized and approved course curriculum
- A standardized final examination to be administered by all training institutes offering farm reorganization training leading to the official certificate

- A standardized certificate
- Copies of letters from the Ministry of Agriculture to participating training institutes forwarding the approved curricula, the new and updated training materials and manual, copies of the first standardized final examination, and other course requirements
- Public information brochures and materials publicizing the official certificate program

The monitoring team consisted of a Moscow-based coordinator and deputy, specialists on economic and legal issues, and 12 regional specialists who continued their work in the FARMS II oblasts. The small size of the budget necessitated a part-time schedule for the project's Russian staff beginning in early September 1996 (Annex G, Table 3, lists the team members and their titles, assigned regions, and monthly hours). The main task of the team was to monitor the work of the working groups and the training institutes. But the team also provided oblast and raion working groups and reorganizing farms with assistance on reorganization issues. In addition, the team monitored farm reorganization activity and assessed the impact of reorganization in each oblast. In February 1997, the coordinator, deputy, and one specialist also began to develop and execute the certificate program.

Eight monthly general meetings of the project's regional specialists were held in Moscow during FARMS II-M. The meetings were vital to ensuring that information and successes were shared between oblasts, something quite unusual in Russia and unheard of as little as four or five years earlier. The meetings were used to:

- Submit reports covering the past period
- Prepare and coordinate work plans for the next month
- Discuss reorganization activities in the oblasts and share innovative ideas, practices, and ways of overcoming problems
- Provide field specialists with new training and information materials and recent legal documents, resolutions, and legislation, discussing them if necessary

The monitoring team held regular working meetings with officials of the Ministry of Agriculture and Food to keep the officials informed about project activities and to discuss impediments to reorganization and ways to resolve problems.

FARMS II-M held its final meeting on April 18, 1997. Present were representatives of the oblast and raion working groups and the training institutes. Also attending were the leaders of several new farms and representatives of the Ministry of Agriculture and Food, GKI, Agrarian Institute, Rosagrofund, IFC, and others.

SECTION II

**ESTABLISHING REORGANIZATION CAPABILITY IN
LOCAL ADMINISTRATIONS**

SECTION II

ESTABLISHING REORGANIZATION CAPABILITY IN LOCAL ADMINISTRATIONS

FARMS II demonstrated the importance of having a central focal point for farm reorganization activities within the Russian regional administration. By concentrating on creating and strengthening oblast and raion working groups, FARMS II created an institutional mechanism to support future farm reorganization.

The work of FARMS II (and FARMS I) was advanced by FARMS II-M, which ensured continued effective farm reorganization by establishing quality standards. Moreover, this final phase of the project saw local and raion administrations take greater command of the reorganization process, often doing so despite a lack of funding.

A. Summary of FARMS II

A key task of FARMS II was to promote within local administrations the development of practical farm reorganization activity and the establishment of institutional structures that could continue those activities after project completion. This primarily was done through supporting oblast and raion working groups.

Oblast working groups provide overall guidance to the reorganization process, acting as a focal point for efforts to develop a policy environment that promotes farm reorganization. Raion working groups lead reorganization at the local level and are the principal source of support for reorganizing farms, particularly through assisting intrafarm commissions of agricultural enterprises. Working groups generally consist of three to six members drawn from the local Department of Agriculture, local Committee for Management of State Property, Land Committee, training institutions participating in the project, and other agencies and organizations involved in farm reorganization.

FARMS II operated in 15 oblasts (71 raions) of the Russian Federation. Three of these oblasts, Kaluga, Saratov, and Vologda, had been included in FARMS I. These oblasts served as regional bases, or "hub" oblasts, from which Chemonics operations could expand into "satellite" oblasts. The Moscow hub was added under FARMS II. The selected oblasts are shown in Table II-1.¹ Satellite oblasts were assigned to particular hubs based on logistics and distance.

Table II-1. FARMS II Oblasts

Hub	Kaluga	Moscow	Saratov	Vologda
Satellite	Bryansk	Ivanovo	Lipetsk	Arkhangelsk
Satellite	Smolensk	Vladimir	Samara	Kostroma
Satellite	Tver		Voronezh	Leningrad

¹The interim final report, "Farm Reorganization Phase II Report," contains a detailed description of the selection process. The main criteria for oblast selection were: willingness to undertake farm reorganization, availability of resources to devote to farm reorganization, statements of interest from individual raions and farms in the oblast, administration pledges to provide post-reorganization assistance to farms, and the existence of an agricultural training institute in the oblast.

The working relationship between Chemonics and the oblast administration was governed by an agreement specifying each party's obligations. On Chemonics' initiative, the head of the administration in an oblast with which an agreement had been signed issued a resolution establishing an oblast working group.

During FARMS II, oblast and raion working groups collaborated with Chemonics specialists to address difficult reorganization issues. Group members also took part in seminars organized by Chemonics and the training institutions participating in the task order. In this way, working group members at both the oblast and raion levels gained considerable practical experience in farm reorganization.

B. FARMS II-M Activities

Under FARMS II-M, cooperation between Chemonics and oblast and raion groups continued and even grew. Many new raions asked to help conduct farm reorganization, but only 23 signed agreements with Chemonics; these are listed in Table II-2.

Table II-2. Raions Added During FARMS II-M

Oblast	Raion	Signature Date
Moscow	Serebriano-Prudsky	21 October 1996
Ivanovo	Furmanovsky	25 October 1996
	Pestiakovsky	25 October 1996
	Yuzhsky	5 November 1996
	Vichugsky	1 December 1996
Vladimir	Kovrovsky	29 October 1996
	Suzdalsky	16 January 1997
Kaluga	Tarusky	11 October 1996
Bryansk	Starodubsky	30 October 1996
Smolensk	Monastyrshinsky	28 October 1996
	Krasninsky	25 November 1996
Voronezh	Ostrogozhsky	13 November 1996
	Ramonsky	12 November 1996
Leningrad	Luzhsky	20 November 1996
Samara	Borsky	30 November 1996
Arkhangelsk	Kargopolsky	22 October 1996
Kostroma	Chukhlomsky	17 October 1996
	Nerekhtsky	21 October 1996
	Kostromsky	20 October 1996
Saratov	Ozinsky	29 October 1996
Tver	Bezhetsky	14 October 1996
Lipetsk	Krasninsky	29 October 1996
Vologda	Sokolsky	1 September 1996

An important outcome of FARMS II-M was generally heightened interest in farm reorganization. Even more important, however, was that local and raion administrations clearly took a more active stance on reorganization, working in many innovative ways to establish themselves as centers of reform support in their oblasts.

In practical terms, oblast working groups cooperated with other raions and Chemonics specialists provided consulting services, training, and information materials. The following are some results achieved by the oblast working groups:

- The Departments of Agriculture of Kaluga, Bryansk, Vladimir, and Smolensk oblasts established Divisions for Agrarian Reform and Reorganization. In Lipetsk oblast, a group of five specialists was set up to promote reform in the agro-industrial complex.
- In some oblasts, reorganized farms were exempted from local taxes and registration fees or local administrations paid for land and property appraisals required for farm reorganization. In Shumyachesky and Demidovsky raions of Smolensk oblast, for example, the raion administration covered the cost of land surveys for reorganizing farms.
- In Bryansk oblast, the Committee for Agriculture set up a group to carry out fixed asset reappraisal. Reappraisal specialists cooperated with the oblast and raion working groups. They were adequately trained and received certificates, which considerably facilitated property inventorying during farm reorganization.
- In Vladimir oblast, the Department for Agriculture and Food issued the resolution "On Complying with Resolution # 420 of 12/20/95 'On Vladimir Oblast Participation in Farm Reorganization Project Implemented by Chemonics International Company'" issued by the head of the oblast administration.
- All oblasts oversaw implementation of the President's decree "On Constitutional Rights of Individuals to Land" # 337 of March 7, 1996. The administration head of Samara oblast issued the resolution "On Measures of Implementing Russian Federation President's Decree # 337 of March 7, 1996." The resolution aims to assess compliance with the President's decree through approved inspection measures and schedules. Voronezh oblast, among others, held seminars on this subject.
- The Department for Agriculture, Food, and Resources of the Voronezh oblast administration drafted a farm reorganization program.
- Bryansk oblast established a special commission to draft a peasant farm development program.
- The Deputy Minister of Agriculture of Leningrad oblast appealed to the Leningrad Oblast Registration Chamber for clarification of the registration procedure for peasant farms. The answer specified the registration procedure according to applicable legislation, which is binding for raion government bodies.
- The Tver oblast working group proposed to the administration of Tver oblast that it consider canceling a previously adopted resolution restricting the size of a land plot owned by an individual farmer.
- The Ivanovo oblast working group drafted investment business plans for reorganized farms (with fewer than 50 employees) to raise money from the Oblast Support Fund of Small Businesses.

- The governor of Saratov oblast issued Resolution # 110 of February 5, 1997, "On Taking Inventory of the State Register of Companies, Agencies, and Organizations," which dictated that legal entities bring their legal documents in line with the civil code by June 1, 1997. On the initiative of the oblast working group, independent experts started to inventory farms' properties.
- All oblasts drafted and are implementing business plans for 1997.

In all oblasts, a lack of funds limited financial support for reorganized farms. Still, some found ways to get around the lack of money.

- In Smolensk oblast funds were raised through a special tax imposed by the oblast дума. These funds will be deposited into a special account established by the head of administration. Thirty percent of the tax revenues have been allocated to support reorganized farms in the oblast. Each reorganized farm will be given 309 million rubles after it has registered and opened a bank account.
- In Leningrad oblast, the budget earmarked 5.4 billion rubles for farm reorganization, including targeted farms participating in the project: Luzhskoye Joint Stock Company and Sokol Sovkhoz received 300 and 100 million rubles, respectively.
- In Ivanovo oblast, the head of administration allocated a 100 million ruble lump sum to support reorganization of the Pitzovskoye (Komsomolvky raion), Voskresenskoye (Savinsky raion), and Vishnevskoye (Lukhsky raion) farms.

At project completion, farm reorganization was developing and becoming more purposeful. Many more farms were entering reorganization and the oblast and raion working groups were becoming more systematic in their approach to reform. For example, several oblasts had drafted program documents to conduct reorganization, among them:

- The Voronezh Oblast Department of Agriculture, Food, and Resources drafted a farm reorganization program.
- The Tver Oblast Department of Agriculture passed "The Main Guidelines of Farm Reorganization."
- The Smolensk oblast working group drafted the Targeted Program of Farm Reorganization, an integral part of which was tax reform. The program was approved by the oblast дума and is being carried out. FARMS II-M specialists used the document as the basis for additional proposals distributed in FARMS II-M participating regions. This initiative generated considerable interest in the oblasts. For example, a similar document was drafted in Arkhangelsk oblast.

While the commitment of working groups varied, all of them contributed to the success of the project. Among the most active of them was the working group in Pokhvistnevsky raion of Voronezh oblast. Here, as in many other raions, the administration passed a resolution to comply with President's Decree # 337. The working group ensured that the resolution was distributed to all volost (an administrative unit smaller than the raion) administrations and farms. Then the working group met with the volost administrations. Public outreach activities included meetings of each

raion farm's workers' collective, which were used to familiarize workers with the contents of Decree # 337. The working group also distributed materials complying with Decree # 337 to all land and property share owners and conducted a successful public information campaign using the local press and radio. Among the subjects covered in the campaign were enforcing the laws "On Agricultural Cooperation" and "On Joint Stock Companies," land use violations, procedures involved in applying laws, and property ownership issues.

Despite their financial straits, several raions provided funds to reorganized farms. Luzhsky raion, Leningrad oblast, for example, drafted an agribusiness reform program, and the raion budget allocated 800 million rubles for its implementation.

The FARMS project faced many constraints that were eventually overcome. For example, in fall 1996, administration elections were held in Bryansk, Tver, Kaluga, Ivanovo, Saratov, and Kostroma oblasts. In Kaluga and some other oblasts, all senior officials of the Departments of Agriculture and Food were replaced. The project team therefore had to establish contacts with new members, update lists of the oblast and raion working groups, and reassign responsibilities for some areas of work.

The final stage of the project was the transfer of farm reorganization information and skills. This transfer of knowledge and ability to the oblast and raion working groups was intended to make it possible for them to work efficiently on their own after the FARMS project ended.

The Moscow group of Chemonics specialists was critical to documenting successful activities and achievements in the regions, preparing materials and disseminating them to all oblast and raion working groups. It also kept the oblast and raion working groups moving forward toward their objectives. This work included identifying new laws, resolutions, and decrees passed or issued in Moscow or a specific region; studying and understanding the measure; preparing comments and related training materials; and disseminating those materials. In addition, the specialists serve as a repository of information and technical assistance to which farms and raion and oblast officials could turn for advice and counsel on unusual or difficult problems.

The oblast and raion working groups (through the Chemonics field specialists, who met in Moscow each month) shared experiences and introduced in their raions the most successful approaches tested in other oblasts. In Moscow, Chemonics specialists also analyzed farm reorganization in various oblasts and drafted training materials for distribution in the regions. This practice was viewed positively in the oblasts. Materials on the following topics were distributed in the regions:

- Financial support provided to farms entering reorganization (on the experience of Smolensk oblast)
- Transition to the simplified scheme of taxation, accounting, and reporting (for small businesses)
- Possible procedure of share transfer in a closed joint stock company
- Cooperation between agricultural and processing companies in Smolensk and Bryansk oblasts, including the documents founding the consumer cooperatives

- **Materials on intrafarm reorganization**
- **Appraisal of the property share fund and reappraisal of fixed assets during farm reorganization**
- **Liquidation of a legal entity and meeting creditors' claims**

Documenting experiences in one region and distributing them to all regions was an important part of work of the Moscow team and regional specialists. This work helped ensure information sharing and stable, efficient work in the regions and helped avoid many mistakes.

SECTION III

ACCOMPLISHMENTS

FARM REORGANIZATION ACTIVITIES

SECTION III ACCOMPLISHMENTS

All of the objectives set by the FARMS II-M amendment to the FARMS II task order were achieved. The work of the final phase of the FARMS project can be divided into the following areas:

- Assistance to farm reorganization, particularly aiding farms that had started reorganization during FARMS II but had not completed it before July 12, 1996
- Selective monitoring of farms that had completed reorganization during FARMS I and FARMS II
- Continual assistance to training institutes and support to the organization of consulting centers
- Development of a certification program for farm reorganization specialists
- Procuring equipment and conducting public information programs

Achievements in each of these areas are detailed in the following section.

FARM REORGANIZATION ACTIVITIES

A. Results of FARMS II

During FARMS II (September 1995 – July 1996), 294 farms started the reorganization process. On July 12, when the project ended, 50 farms had completed the process, creating 386 new farms. Most of those new farms were peasant farms and agricultural production cooperatives.

B. FARMS II-M Activities

The farm reorganization activities of FARMS II-M were dictated in large part by circumstances at the end of FARMS II. For example, the project inherited the considerable groundwork laid by FARMS II (regional teams, contacts with working groups, a selection of farms, etc.) and a sizeable backlog of farms that had started but not completed the reorganization process. The opportunities this situation offered were offset by a shortage of funds, which restricted the work of specialists in several regions to five days per month. Another challenge came from changes in the composition of some working groups; in some raions, all working group members were replaced.

The farm reorganization work of FARMS II-M covered two main areas. First, the project team assisted farms that had started reorganization during FARMS II but had not completed it before July 12, 1996. Second, the team provided oblast and raion working groups with methodological and consulting assistance to extend reorganization to new raions and farms.

During FARMS II-M, Departments of Agriculture and Food in all 15 oblasts requested Chemonics' assistance with reorganizing 202 farms. Based upon USAID criteria, Chemonics specialists and representatives of oblast and raion working groups selected 47 of the 202 farms to participate in the reorganization effort; these farms are listed in Table III-1. By the end of the project, all 47 farms had completed reorganization (Annex A briefly describes each farm).

Table III-1. Farms Selected for Reorganization under FARMS II-M

Oblast	Raion	Farm
Kaluga	Tarusky Tarusky Tarusky	Taruskoye Roschinskoye Bariatinskoye
Bryansk	Starodubsky Bryansky	Voronoksky Zhurinicheskoye
Smolensk	Krasninsky Yershichsky Yershichsky	Bagrationovskiy Voronitsa Yazovskoye
Tver	Vyshnevolotsky Torzhoksky Torzhoksky	Borky Rodina Pravda
Arkhangelsk	Konoshsky	Rotkovetz
Kostroma	Kostromskoy	Zhdanovskiy
Leningrad	Luzhskiy	Luzhskoye
Vologda	Ustiuzhensky Sokolsky	Dobrovolets Rus

Table III-1. Farms Selected for Reorganization under FARMS II-M

Oblast	Raion	Farm
Moscow	Serebriano-Prudsky Serebriano-Prudsky	Zemledelets Yuzhny
Ivanovo	Pestiakovsky Pestiakovsky Pestiakovsky Pestiakovsky Komsomolsky Vichugsky Yuzhsky Yuzhsky Yuzhsky Furmanovsky Furmanovsky Furmanovsky Furmanovsky Furmanovsky	Avangard Mir Alekhinsky Kommunar Kuleberievsky Parniat Ilyicha Kolkhoz im. * Frunze Kolkhoz im. Sverdlova Kolkhoz im. 22 Party Congress Rossiya Kolkhoz im. Frunze Put Lenina Vozrozhdeniye Kommunar
Vladimir	Kovrovsky Suzdalsky	Gigant Klementievo
Samara	Pokhvistnevsky Borsky	Podbelsky Pobeda
Voronezh	Rossoshansky	Yelenovskoye
Lipetsk	Krasninsky Krasninsky Krasninsky	Zaria Komsomolskoye TOO im. Krupskoy
Saratov	Ozinsky Ozinsky Ozinsky Ozinsky Ozinsky Ozinsky Ozinsky	Ozerskoye Pigarevskoye Komsomolskoye Ozinskoye Zavolzhskoye Novochernigovskoye Gorny

* im. = named after

One of the most complicated problems FARMS II-M faced was assisting farms that had started but not completed reorganization during FARMS II. Under FARMS II-M, Chemonics' specialists attempted to move the process along by increasing the level of effort of raion working groups that had such farms. This helped another 113 farms to complete reorganization. Some of the remaining 131 farms from FARMS II will reorganize in the near future and will be monitored by the raion working groups. The rest of the farms are not pursuing reorganization for the following reasons:

- Perhaps the most common reason is lack of a leader to which farm members can turn. Leadership vacuums of this sort sometimes lead general membership meetings to adopt a wait-and-see approach that postpones reorganization. This occurred in Vladimir, Saratov, Arkhangelsk, and Smolensk oblasts.
- In some cases farms have already reorganized but have been slow to take the final step, registration of the new enterprise. This most often occurs when farm members anticipate new legislation affecting reorganization. Expectations of this sort are understandable given the lack of a land code and existing contradictions in current legislative documents. In Sergiev-Posad raion (Moscow oblast), for example, most collective farms are now

joint stock companies. The reorganized farms are awaiting new documents explaining such features of agricultural joint stock companies as maximum number of members, land contribution, etc.

- Lack of clarity in peasant farm legislation is another obstacle to reorganization. According to the new civil code, a peasant farmer has the same status as an individual entrepreneur. Registration officials in some oblasts understand this to mean they should register only individual farmers and they refuse to register large multimember peasant farms. This effectively prevents people from exercising their land share rights and splitting off from the collective farm. It is particularly a problem for pensioners, whose age prevents them from becoming individual farmers and who are unlikely to become members of large peasant farms. This occurred in Volokolamsky raion (Moscow oblast) and in Tver oblast.
- Some farms are unable to finalize reorganization because they lack funds for a required land survey or appraisal of farm property. Financial problems also can impede the transfer of social services and property, causing delays in farm reorganization.

The oblast and raion working groups are trying to help farms solve these problems and complete their reorganizations.

C. Cumulative Results

The combined impact of the FARMS II and FARMS II-M task order was highly positive. The project deeply affected not only the participants but even those who indirectly promoted its success.

The project saw 341 farms in 91 raions, 15 oblasts, start reorganization. As of April 18, 1997, 210 farms had completed the process (as of July 12, 1996, only 50 had done so). Figure III-1 illustrates the reorganization successes of the project by region and oblast.

The Ivanovo oblast working group was particularly successful, helping to complete reorganization on all 30 oblast farms that started the process. Farms in all participating raions of the oblast held general meetings on reorganization, updated their lists of land and property share owners, inventoried farm property, organized the issuance of land and property share certificates, prepared separation balances, and registered the new farming entities created by reorganization. The reorganized farms signed lease contracts with all land share owners. At the time of this report, all the new farms had drafted business plans for the coming year.

The interim final report "Farm Reorganization Phase II Report" contains a complete discussion of the forms farm reorganization took under FARMS II. The same forms occurred under FARMS II-M, with most opting to establish peasant farms (sometimes as large as 50 employees, and usually of a family type) and production agricultural cooperatives. Often, the new farms split from the "mother" farm, which remained only on paper as an empty shell. This form of reorganization helped rid the new entities of the debt obligations of the original farm while still achieving a total breakup of the farm. Of the 210 farms that completed reorganization under the FARMS II/FARMS II-M task order, 123 broke up or split in the manner described above. The other 87 farms were transformed into various other forms.

**Figure III-1. Farm Reorganizations under
the FARMS II/Farms II-M Task Order**

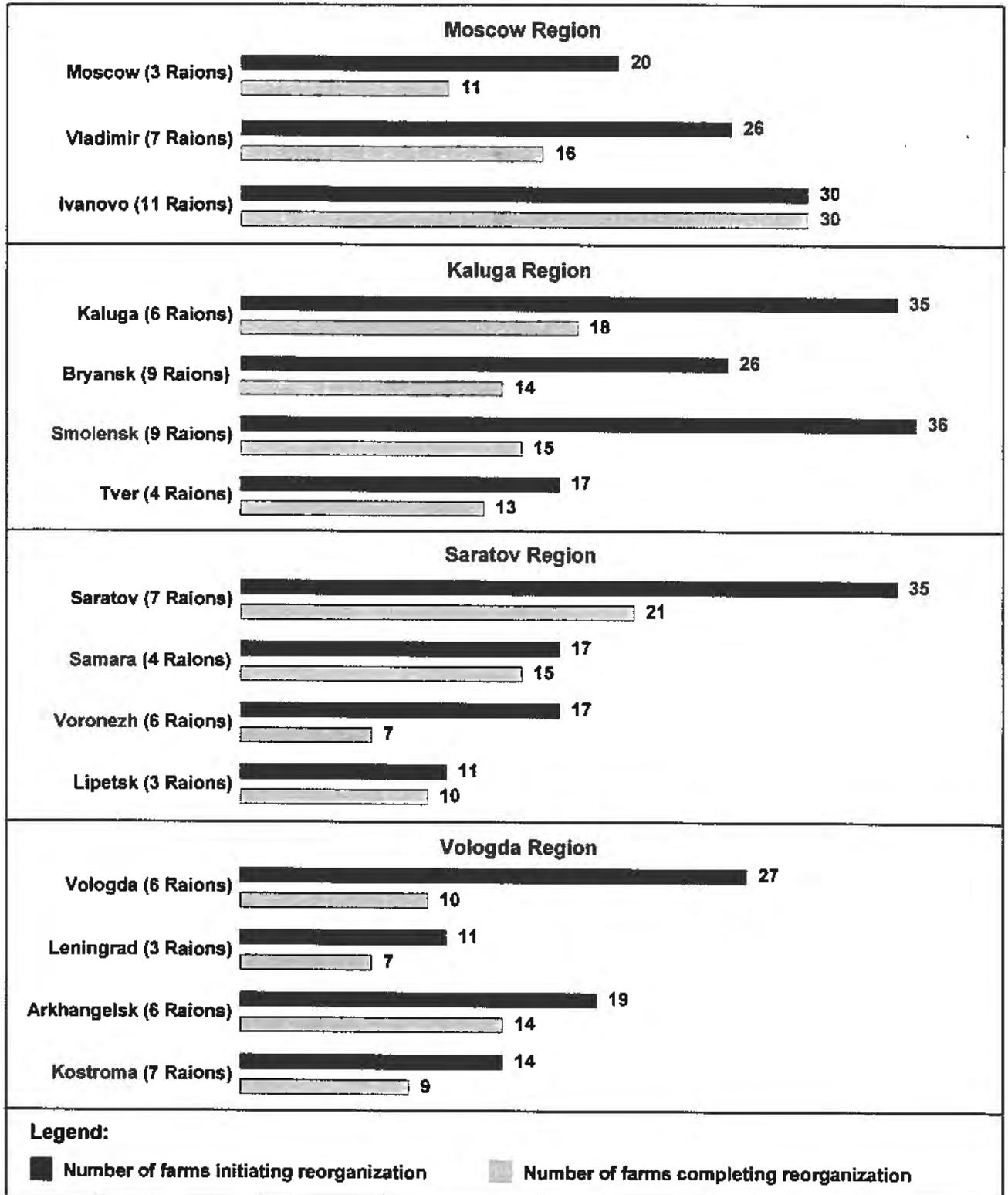
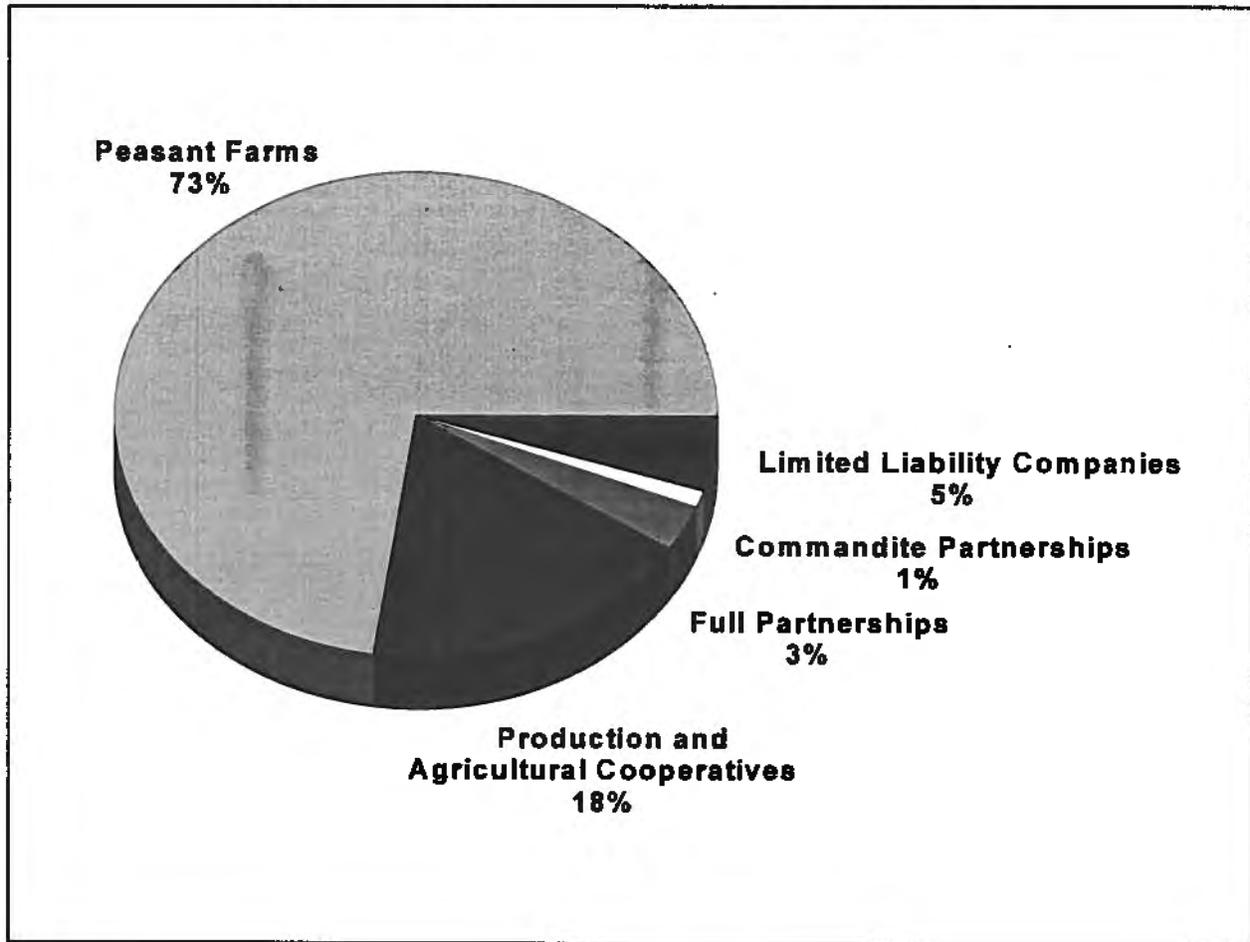


Figure III-2. Types of Farms Created by Reorganization

Farm reorganizations during the project established 793 new farming entities of various types. Figure III-2 shows the percentage of each type created.

The newly created farming entities have begun to seek new forms of cooperation under market conditions. At the end of the project, in Bryansk and Smolensk oblasts, several new farms had established cooperative agreements with processing companies (usually joint stock companies) and started consumer cooperatives.¹

¹Cooperative legislation in Russia does not sanction the Western concept of a service cooperative; consumer cooperatives overcome this impediment. Cooperative legislation is an area badly in need of reform.

RESULTS OF THE MONITORING ACTIVITY

RESULTS OF THE MONITORING ACTIVITY

One of the most important activities specified by Task # 12 was monitoring reorganized farms to evaluate the social and economic impact of reorganization. Under FARMS II-M, Chemonics specialists and oblast and raion working groups members monitored farms reorganized during FARMS I and FARMS II.

A. Farms Selected for Monitoring

When selecting farms to monitor, the FARMS II-M team considered several factors. First, the farms had to come from among those reorganized during FARMS I and FARMS II because those farms were further evolved. Second, the various forms of reorganization needed to be represented to allow analysis of their relative efficiency. Third, to analyze economic performance, farms of various organization and legal forms were required. Finally, the team considered the willingness of oblast and raion working groups to participate and help with data collection. The reorganized farms selected for monitoring using these criteria are listed in Table III-2.

Table III-2. Farms Selected for Monitoring

Oblast	Raion	Farm Name Before Reorganization	Initiated Reorganization	
			During FARMS I	During FARMS II
Kaluga	Kirovsky	Gavrilovskoye	X	
	Mosalsky	Gruzдовskoye		X
Smolensk	Demidovsky	Rassvet		X
	Yershitchsky	Budyanskoye		X
Tver	Kalininsky	Smena		X
	Kalininsky	Voskhod		X
Moscow	Volokolamsky	Tchashch		X
Samara	Yelkhovsky	Kondurcha		X
	Pokhvistnevsky	Kokholz im. * Frunze		X
	Yelkhovsky	Berezovskoye		X
Saratov	Sartovsky	Bratstvo		X
	Dergatchevsky	Prudovoye		X
	Engelsky	Vremia		X
	Dergatchevsky	Demiaszkoye		X
	Voskresensky	Komarovskoye		X
Bryansk	Komaritchsky	Iskra		X
	Mglinsky	Iput		X
	Pochepsky	Kokholz im. Lenin		X
Leningrad	Tikhvinsky	Kapshinskaya		X
Vologda	Vologodsky	Belovskoye	X	
	Ustyuzhensky	Rossiya	X	
	Gryazovetsky	Sidorovskoye	X	
	Kirillovsky	Organizator		X
Arkhangelsk	Konoshsky	Druzhba		X
	Konoshsky	Tavrengsky		X
Ivanovo	Lukhsky	Vishnevskoye		X
	Savinsky	Savinskoye		X
Vladimir	Gus-Khrustalny	Ilyinskoye		X
	Kirzhachsky	Vozrozhdeniye		X
	Gus-Khrustalny	Znamia Truda		X
Kostroma	Buisky	Bokovo		X
Voronezh	Rossoshansky	Rassvet		X

* im. = named after

B. Forms Developed for Monitoring

To evaluate farm reorganization impact, the Moscow staff, field specialists, and Agrarian Institute representatives developed monitoring forms. The forms were then tested on a sample of farms and revised. The final monitoring form had the following sections:

Analysis of economic impact of reorganization (Annex B):

- A data sheet (passport) for the new farm describing its fixed and current assets, land resources, and number of employees
- An economic analysis of the new farm consisting of a regular evaluation of the farm's financial indices and the dynamics of production and economic indicators
- A comparative analysis of activities of the new farm and those of the "mother" farm before reorganization
- Conclusions relating to reorganization results

Analysis of social impact of reorganization (Annex C):

- Changes in the number of employees and in labor rates
- Payments in kind to farm employees
- Employment of reorganized farm employees
- The movement of land and property shares during farm reorganization and after registration of the new companies
- The social structure of reorganized farms
- Transfer of social sector facilities and engineering infrastructure of reorganized farms

In addition, the group drafted questionnaires (Annex D) for farm managers and reorganization specialists; local administration representatives; and rank-and-file workers, social sector employees, and pensioners on reorganized farms.

Chemonics field specialists conducted the survey using a nonstandard interview. Data describing the sample of respondents are presented in Annex E. Eighty-one respondents were polled from 16 reorganized farms in four oblasts. The survey, while it did not use representative sampling, makes it possible to identify certain trends that may be clarified by subsequent polls.

The monitoring process compared the economic performance of the new farming entities with those of the "mother" farm before reorganization and with that of non-reorganized farms in the same raion.

C. Impact of Farm Reorganization

Monitoring the impact of farm reorganization had to take into account a number of circumstances, not least of which was that the farms being monitored had only recently completed the process. Those that had reorganized by the end of FARMS I had only about 18 months of experience, while those reorganized under FARMS II had several months to a year of experience. Measuring the performance of these relatively new farms was further complicated by a generally unfavorable economic situation, particularly for Russian agriculture. This made it difficult to single out the impacts of reorganization from those of the economic context in which the farms operate. Furthermore, most of the farms reorganized under FARMS I and during the early stages of

FARMS II were the weakest ones, some already on the brink of bankruptcy. This adversely affected the production potential of the reorganized farm.

In addition to the circumstances affecting the performance of the reorganized farms, other factors related to data gathering and data quality made the monitoring difficult. For example, many farms created by reorganization treated their performance information, particularly their data on production costs and profits, as a commercial secret. This made obtaining information for 1996 difficult and often resulted in underestimates of farms' economic indicators. This situation is typical of peasant farms, which are accustomed to submitting simplified reporting forms to official bodies. Sometimes the information required for the monitoring was obtained only through the authority of Chemonics specialists, who had developed strong personal relationships with farm managers while working with them on reorganization.

The farm monitoring results presented below, therefore, should be considered preliminary. They reflect general performance trends of the farms established by reorganization. These assessments may be updated and clarified by further farm monitoring. Over the next few years regular, systematic monitoring and evaluation of reorganized farms and wide publication of the comparative results will be extremely important. Every effort should be made to document success of the private sector in the agricultural industry—further reform may depend on it.

C1. Economic Impacts of Reorganization

Although the reorganized farms faced extremely unfavorable conditions from the start and continuing poor performance in Russia's agricultural sector, they still managed to survive. This alone should be considered an accomplishment. That they also managed to maintain production of agricultural commodities and increase their production potential is remarkable.

C1a. Changes in Agricultural Production

In 1996, most reorganized farms showed better economic performance than the collective farms of their raions. One example of this was Komarovskoye Farm, which had split from the Sinodskoye Limited Liability Partnership (Voskresenskoye raion, Saratov oblast). Table III-3 compares several indicators for the farm before and after reorganization. Production efficiency had clearly risen dramatically after reorganization.

Table III-3. Comparison of Indicators for a Representative Farm

Indicator	Komarovskoye Farm	Sinodskoye Limited Liability Partnership
Milk yield per cow (kg)	3,360	1,015
Average daily additional weight per head of the cattle (g)	425	125
Grain yield (tons/ha)	5	2
Land plowed in autumn for spring sowing (% of arable land)	75	8
Area sown with winter crops (% of arable land)	23	8

The positive effect of reorganization in the newly set up farms was particularly noticeable when milk yields were compared. Despite the generally poor state of the milk cattle transferred to new farms during reorganization, most farms experienced a dramatic rise in milk yield. This is

evident for Komarovskoye Farm in Table III-3 but it was also true for Nadezhda Limited Liability Company. Milk yields on this farm, which had split from the Vishnevskoye Joint Stock Company (Lukhsky raion, Ivanovo oblast) in May 1996, increased to seven liters per day from three to four liters (or even two liters) per day on the farm before reorganization. The Nadezhda farm has the best milk yields in its raion. The Chasch Agricultural Production Cooperative (Volokolamsk raion, Moscow oblast), established by former members of Teryaevskoye Joint Stock Company, also improved milk yields and cattle weight by 150 percent.

The monitoring often found that new farms had indicators higher than the raion average, even though many of them had previously been part of the weakest farms in the raion. One example of this was the Bratstvo Peasant Farm (Rtischev raion, Saratov oblast), where grain yields were 1.65 tons per hectare versus a raion average of 1.5 tons/ha. Sugar beet yield on the farm was nearly double the raion average, 14.5 tons/ha versus 7.9 tons/ha.

Another example of the sometimes considerable difference between reorganized farms' productivity indicators and the raion average was Timushev and K Commandite Partnership (Kirzhachsky raion, Vladimir oblast), which split from the Vozrozhdeniye Peasant Farm Association. Although the farm was only two years old, production indicators already showed a positive trend. For example, the volume of produce sold in 1996 increased by 152 percent over that of 1995. In 1996, the farm's potato yield was 220 percent higher than the raion average (16.1 tons/ha versus 7.2 tons/ha); its vegetable yield was 270 percent higher (34.7 tons/ha versus 13.0 tons/ha). Moreover, production cost for the potatoes was 420 percent lower (480 rubles/kilo versus 2,058 rubles/kilo) and the cost for the vegetables was 820 percent lower (294 rubles/kilo versus 2,643 rubles per kilo). The farm had an annual profit of 4.2 million rubles per worker, while the average for the raion was a loss of 7.3 million rubles.

Many other new farms are developing quickly. Table III-4 shows indicators for the Nadezhda Limited Liability Partnership of Volodga oblast, which was set up in June 1995.

Table III-4. Production Indicators for Nadezhda LLP

Indicator	1995	1996
Yield (tons/ha)	19	24
Gross production (tons)		
Milk	360	360
Grain	162	400
Hay	356	660
Silage	1,580	2,210

It should be noted that the success of a reorganized farm is not internally uniform. In many cases only part of the farm experiences stable development. In time, market forces will likely exercise Darwinian selection on the farms, and only those that have adapted to the market conditions will survive.

C1b. Other Findings

Attitude toward production resources. The monitoring team found that farmers on all reorganized farms tended to change their attitude toward production resources. Perhaps because of newfound pride of ownership, they stopped pilfering equipment, supplies, and crops; repaired

broken equipment; overhauled and heated cattle breeding areas; and manufactured nonstandard devices to mechanize their labor. These steps usually were taken without any additional investment by the farm. Unlike the non-reorganized farms, the new companies often used their profits to purchase new equipment and develop their farm's production base. The data in Table III-5 show the purchase of agricultural equipment in 1995/1996 in four of the 10 peasant farms established from the reorganization of Gavrilovskoye Farm (Kirov raion, Kaluga oblast). For comparison purposes, the table also shows purchases by all the raion's non-reorganized farms.

Table III-5. Agricultural Equipment Purchased by Four Peasant Farms in Kirov Raion

Farm	Tractors	Sowing Machines	Potato Digging and Planting Machines	Grain Harvester Combines and Mowing Machines	Plows, Trolleys, Loaders, etc.	Total All Units
Vesna	1					1
B-Zaboriye	1			1		2
Lida	1		1			2
Druzhba	1	1	2	1	5	10
Total	4	1	3	2	5	15
All non-reorganized farms			2			2

Adjustment to market conditions. The monitoring team found that most of the newly established companies, partnerships, and peasant farms were adjusting well to market conditions and were using non-traditional channels of sale. For example, on reorganized farms in Kaluga and Vologda oblasts, the number of dairy cows had declined (because of low milk yields), while the number of meat cattle had increased. By contrast, the number of cattle on non-reorganized farms in the two oblasts had dropped by as much as 54 percent. Many monitored farms, stimulated by a quick payout period, had also increased their pig production. Several farms had changed the structure of areas under crops. For example, the Slabnevo Agricultural Production Cooperative, established from the reorganization of Savinskoye Joint Stock Company (Ivanovo oblast), considerably increased the area it had under winter crops.

Small (family) peasant farms, the monitoring found, respond to demand more quickly than larger farms. The manager of Kim Peasant Farm (Tver oblast), for example, studied demand for agricultural produce and concluded that vegetables were the most profitable agricultural produce, particularly when they could be sold through non-traditional channels. His farm owned only 7.4 hectares of land, but he leased another 122 hectares from pensioners. To make up for the lack of equipment on his farm, he leased what he needed from neighboring farmers. For additional labor he hired 10 seasonal workers. When FARMS II-M ended he was negotiating leases for another 23 land shares from former members of the "mother" farm. The net effect of all this on the farm's profits is unknown; farmers are generally unwilling to talk about their incomes. Based on the farm's potato profits in 1996, 50 million rubles, the farm is undoubtedly successful.

Expansion of processing capabilities. The development and expansion of processing capabilities can be an important avenue of growth for newly created farms. The principal limitation on such growth for most farms is a lack of funds to purchase new equipment. Nonetheless, some monitored farms made progress in this area. For example, Vremia Farm (Engelsk raion, Saratovo oblast), which specializes in grain and sunflower production, established a macaroni production capability. The farm used production facilities obtained from the property division during reorganization and acquired the necessary equipment by purchasing it with profits or through

leasing by exchange or other mechanisms. By the end of FARMS II-M the farm had started grinding flour and producing macaroni. To supplement the sale of its own products (some through its own retail outlet), the farm also processes grain from other companies.

Land share demand and use. While the area of cultivated agricultural land was stagnant or decreasing on most non-reorganized farms, the FARMS II-M monitoring found that many recently reorganized farms were increasing their cultivated area. This was increasing demand for land adjacent to these farms. To expand their cultivated land, farms were leasing land shares from members of their "mother" farms (mainly from pensioners), offering them more profitable lease terms than the former farm could. Decree # 337 effectively increased transfers of land shares to the new farms because land share owners, in exercising their rights under the decree, see better opportunities in transferring their shares to the more efficient new farms. This practice, the monitoring found, has become increasingly widespread. In Moscow oblast, for example, the Chasch Agricultural Production Cooperative, which split from Teriayevskoye Farm, negotiated the transfer of 29 additional land shares from its former parent. The increasing popularity of such transfers is one of the best indicators of the efficiency of the reorganized farms.

C2. Reorganization Impacts on Management and the Production Organization

FARMS II-M found that farm reorganization resulted in more efficient management systems and improved production organization. Reorganization converts large, inefficient farms into smaller, more manageable farming units. As a rule, the companies split off from the old farm selected organizational and legal forms that accounted for the farm's social and economic conditions, workers' professions and their age, the number of pensioners, and other factors. The smaller, more efficient result allows managers to make decisions more quickly and enables farms to recast the way they work.

Reorganization, the monitoring found, is generally accompanied by a considerable reduction in the number of employees on a farm. After reorganization, for example, the Savinskoye Joint Stock Company saw 37 employees (20 percent) leave the farm: 19 registered with the labor exchange as unemployed, 7 retired, and 11 found jobs on other farms. The new farms usually had fewer than 60 employees, making it possible for them to use small business privileges, or fewer than 15 employees, giving them small business privileges plus a simplified system of taxation, accounting, and reporting. The monitoring team found that, even when a company was transformed without breaking up or splitting, the number of employees declined. Usually the poor performers left. As a result, farm discipline often increased after reorganization.

Most of the newly established farms had fewer people involved in managing the farm than was the case for the "mother" farm. For example, a 33-member farm split off from the Smena Joint Stock Company had only a single manager, while 20 percent of the "mother" farm's members were involved in management. Streamlining farm management in this way not only eases the process of making decisions but also produces better decisions. When farms transform into agricultural production cooperatives, as many FARMS I and FARMS II farms did, they gain two advantages. By including pensioners as associate members of the farm, the cooperatives get the use of pensioners' land shares but without having to include them in the management structure of the farm. Such simplified management schemes means the managers are more likely to focus on long-term farm development rather than on short-term profits.

While it remains difficult to find capable managers for newly established farms, FARMS II-M found success stories among the monitored farms. In several cases, reorganized collectives had installed as managers people who had proven their capability on farms previously split from the collective. In Ivanovo oblast, for example, the manager of Slabnevo Farm had been the chief mechanic operator of the Savinskoye Joint Stock Company before starting his own peasant farm. Because of his attitude toward labor, he gained the respect of farm employees, who selected him from among six candidates to manage the Slabnevo Agricultural Production Cooperative. In its first year the farm, with 37 full members and 47 associates (pensioners who leased their land shares to the farm), improved discipline, repaired equipment, and successfully conducted agricultural work. The monitoring team also found numerous women among the management ranks, most of them former economists or agronomists on collective farms. These women generally had good professional training and considerable experience, and they often exhibited more initiative and responsibility than the previous managers.

Practice shows that reorganization does not necessarily end with the registration of a new company. Often a company will continue looking for a form of management that is better suited to its specific features. Without farm reorganization assistance many owners of land and property shares that may want to split off are afraid to take such a drastic step. When farm reorganization services are provided and they can be guided through the process, however, their confidence increases and they find it easier to split off. For example, under FARMS I, after the breakup of Gavrilovskoye, six peasant farms registered. By the time FARMS II-M ended these had further subdivided into 10 farms and several more were intending to split off. Similar splitting of reorganized farms was found in Arkhangelsk and Vologda oblasts.

The monitoring team also observed a converse trend toward increased cooperation between farms and the establishment of consumer cooperatives in some oblasts, especially Smolensk and Bryansk. Such arrangements indicate companies' continued search for new ways to operate under market conditions.

Processing companies seemed to be particularly attractive to cooperative arrangements. In Bryansk oblast, three farms reorganized from Zhukovkamolprom established the Morachevo interfarm consumer cooperative. The cooperative purchases and processes milk from the three founding farms as well as from owners of individual household plots. In Demidovo raion (Smolensk oblast), 15 collective agricultural enterprises, eight peasant farms, and an entrepreneur established the Nadezhda agricultural consumer cooperative to process milk and sell milk and butter. The cooperative employs 15 people. This initiative for this project came from the raion working group and was supported by the oblast working group, both participants in FARMS II, and the cooperative included four peasant farms from the FARMS II reorganization of the Rassvet Limited Liability Partnership.

Processing companies were not the only cooperative efforts, however. The monitoring team also found agricultural services cooperatives growing out of reorganized farms. In Kirov raion (Kaluga oblast), for example, two such cooperatives had been established by the raion Agrostab (Agricultural Procurement) and an entrepreneur.

C3. Social Impacts of Reorganization

A principal objective of the FARMS II-M monitoring was to identify changes farm reorganization had induced in the lives of rural residents. This was done primarily through using

the questionnaire in Annex D. While the questionnaire covered a wide range of subjects, the discussion that follows focuses on the following:

- The initiators of reorganization
- What various social groups gained through reorganization
- The effect of reorganization on the status and behavior of workers
- The transfer of social services from collectives to municipal authorities

Reorganization initiators. The monitoring team found that three groups were key initiators of reorganization:

- Representatives of raion agroindustrial complex management bodies
- Farm managers and specialists
- Some rank-and-file workers

The representatives of raion management bodies had the most pervasive influence on initiating reorganization. They played a role in reorganizing virtually all the monitored farms.

Farm managers and specialists generally regarded reorganization as a way out of economic crisis for their farms and, on the more personal level, to exercise their management abilities and increase their personal incomes. Such individuals often headed the new farms established by reorganization. For example, the chief agronomist of Smena Joint Stock Company (Kalinin raion, Tver oblast) became the manager of Slavnoye Peasant Farm. His colleague, the former farm's chief livestock expert, now heads Vesna Peasant Farm. When asked who had initiated reorganization of the joint stock company, the manager of the Slavnoye peasant farm said, "Reorganization was initiated by a group of specialists supported by honest workers of our company and the raion department of agriculture. Frankly speaking, there was no other way to end the debts, hopelessness, pilfering, and parasitic attitude."

When workers initiated reorganization at all it was likely prompted by a desire to work in an efficient collective where the labor contribution of each worker was absolutely clear, and where there is a strict dependence between costs and labor payment. For example, the manager of the Slavnoye Peasant Farm said, "people who believe that labor is the meaning of their lives actively supported reorganization. No one had to be convinced of it, except our former party organizer. He suggested that a bad manager should just be replaced with a good one." The head of the Vesna Peasant Farm agreed: "Hard-working people actively supported reorganization regardless of their age or social group."

Rural residents, the monitoring team found, often do not understand the objectives and purpose of reorganization. Many treat it with indifference, considering it just another government campaign to push unwanted change on them. This was borne out by respondents' answers regarding who had initiated reorganization. "Most workers didn't understand the objectives and essence of reorganization," said an accountant of Tavrensky Sovkhoz (Konoshskiy raion, Arkhangelsk oblast). "That's why it had to be explained and why workers had to be convinced of its necessity." A specialist of Savinsky Agricultural and Production Cooperative (Savinsky raion, Ivanovo oblast) said, "The manager of the joint stock company favored reorganization, other workers were against it, they had to be convinced of its need." A team leader of the tractor brigade of Vishnevskoye Joint Stock Company (Lukhsky raion, Ivanovo oblast) said, "The initiator of

reorganization is a higher organization, specialists actively supported it, while workers had to be convinced of it."

What various social groups gained through reorganization. The initiators of reorganization often gained from the results, but others also profited. The chief accountant of Nadezhda Agricultural and Production Cooperative (Lukhsky raion, Ivanovo oblast) claimed that the workers on his farm had benefited most from reorganization. On the other hand, a Slavnoye Village (Kalining raion, Tver oblast) pensioner said, "Well, farm managers have won, of course. Some chief specialists have become *kulaks* [a derogatory term for wealthy peasant farmers]." Between these two extremes, the manager of Vesna Peasant Farm (Kalinin raion, Tver oblast) said, "Reorganization has given a chance to people willing to live in good conditions and depend only on the results of their labor, managers, specialists, and workers alike."

Many survey respondents said that no one had gained or lost from reorganization. This contradicts the evidence, however, which shows that practically every participant in reorganization has become a land or property share owner. What accounts for this apparent contradiction? The FARMS II-M monitoring identified several reasons.

First, most participants in reorganization are land and property owners only on paper. Their property does not generate any income for them because agricultural efficiency is so low and property disposal so inefficient.

Second, the total number of land and property share owners far exceeds the number of owners capable of using them efficiently. One reason for this is that 30 to 40 percent of the property share owners are pensioners. Another is that there are few effective farm managers and large numbers of agricultural workers accustomed to dependent labor. Consequently, farms have many people who are willing to lease land and property shares, but few who can capably assume responsibility for their management. Moreover, low agricultural production efficiency and a supply of offers to lease land and property shares that exceeds demand has driven lease prices down. Share transfers rarely involve cash payments. Instead, the party assuming responsibility may pay the share owner's tax on the land, provide the owner with services, or sometimes pay for the land and property lease in kind.

Third, reorganization has had little effect on the wages of privatized farm employees. Russia's generally poor financial situation and the lack of funds on most farms are the reason for this. Only five of the monitored farms (Slavnoye Peasant Farm, Vesna Peasant Farm, Nadezhda Agricultural Production Cooperative, Timushev and K Partnership, Palagin and K Commandite Partnership) had increased wages at the time of monitoring.

Under these circumstances, it is still too early for many rank-and-file workers to identify positive and negative effects of reorganization.

The effect of reorganization on the status and behavior of workers. Survey respondents identified as positive effects of reorganization improved production management (especially if a farm's size was reasonably reduced); increased labor discipline; and reduced drinking on the job, pilfering, and other antisocial behavior. Unfortunately, these sad facts of rural life remain quite common. A pensioner of Slavnoye Village (Kalinin raion, Tver oblast) said, "They drink as they used to drink, though now they are not as conspicuous—they do not overturn tractors."

Improving labor incentives remains a major problem on reorganized farms, especially those for hired workers.

Social stratification between rural residents is evident throughout the FARMS project oblasts. Divisions exist between full partners and hired workers of commandite partnerships, full and associate members of cooperatives, and many other social groups. Further social differentiation may result as transfers of land and property shares continue and a new class of owners emerges. The FARMS II-M survey found that movement in this direction has already begun. In the future, care should be taken to avoid social confrontation while also not establishing obstacles for capital accumulation by efficient owners. Social guarantees for all company members, pensioners, and employees are an increasing problem.

Transfer of social sector facilities to municipal authorities. The monitoring team found that the transfer of social infrastructure facilities from reorganized farms to local government bodies was slow, primarily due to lack of municipal funds to support the services.

The monitoring survey also found that some farms have retained housing facilities, mainly to be able to influence the behavior of farm employees and to attract new ones. Vishnevskoye Joint Stock Company (Lukhsy raion, Ivanovo oblast), for example, transferred its social infrastructure facilities to local government bodies, but the Vishnevsky and Nadezhda Agricultural and Production Cooperatives established from its reorganization kept their housing (after partial privatization). The manager of the Nadezhda Agricultural and Production Cooperative said that housing shortages have a negative impact on hiring of new specialists.

Drawing conclusions about the impact of reorganization on the social and economic development of farms is difficult. Most of the farms monitored were still too new to have made much progress toward what is expected to be a more stable future. The conclusions drawn here are tentative, out of necessity. Continued monitoring of reorganized farms (especially taking into account the agricultural results of 1997) would help obtain more information that could aid analysis and clarify the evaluations in this report.

LOCAL TRAINING INSTITUTION ACTIVITIES

LOCAL TRAINING INSTITUTION ACTIVITIES

A. Summary of FARMS II Activity

Training Russian specialists who could carry out future farm reorganization based on applicable legislation was a key component of FARMS II task order. The first step in accomplishing this was to select training institutions working under the Ministry of Agriculture and Food to conduct training in the oblasts. FARMS II signed agreements with 14 such institutes. Chemonics' specialists had trained the teachers of these institutes in the first FARMS II reorganization seminars. During subsequent stages, Chemonics' specialists oversaw the organization of seminars by the institutes.

Under FARMS II the institutes held 23 basic seminars on reorganization for teachers of the institutes and members of oblast and raion working groups. Chemonics specialists also participated in these seminars. The institutes also conducted 25 additional, usually shorter, seminars. The basic and additional seminars trained 1,436 people: 127 teachers, 106 members of oblast working groups and representatives of oblast organizations, 495 members of raion working groups and representatives of local administrations, and 708 farm managers and specialists.

B. FARMS II-M Training Activities

In 1996, the institutes completed training raion and farm specialists in farm reorganization basics in accordance with agreements they had signed under FARMS II. Nevertheless, all institutes (except the Arkhangelsk institute) included the farm reorganization course in their 1997 curricula. FARMS II-M signed an additional agreement with the Lipetsk institute. Thus, training institutes from all 15 oblasts taking part in the project signed agreements on cooperation. Table III-6 shows the number of seminars each institute held for the entire FARMS II/FARMS II-M task order.

Table III-6. Farm Reorganization Seminars and Their Participants

Training Center	Number of FARMS II Seminars		Number of FARMS II-M Seminars		Cumulative Seminars FARMS II and FARMS II-M		
	Basic	Additional	Basic	Additional	Basic	Additional	Total
Kaluga Oblast Training Center	3	1	-	3	3	4	7
Smolensk Affiliate of the Russian Engineering Academy for Management and Agribusiness	1	2	-	1	1	3	4
Tver Institute for Preparation and Higher Qualification of Agribusiness Complex Workers	1	1	1	7	2	8	10
Bryansk School of Management for the Agribusiness Complex	1	1	5	-	6	1	7
Moscow Institute for the Preparation of Rural Entrepreneurs (Balashikha)	2	2	4	1	6	3	9
Vladimir Oblast School for Management of the Agribusiness Complex	2	4	-	13	2	17	19

Table III-6. Farm Reorganization Seminars and Their Participants

Training Center	Number of FARMS II Seminars		Number of FARMS II-M Seminars		Cumulative Seminars FARMS II and FARMS II-M		
	Basic	Additional	Basic	Additional	Basic	Additional	Total
Ivanovo Institute for Preparation and Higher Qualification of Agribusiness Complex Workers	2	2	-	15	2	17	19
Academy of Management and Agribusiness for the Nechernozem Region of the Russian Federation (Saint Petersburg)	1	1	-	-	1	1	2
Kostroma Affiliate of the Academy of Agribusiness and Management of the Russian Federation	1	1	2	-	3	1	4
Arkhangelsk School for Higher Qualification of Agribusiness Complex Workers	1	3			1	3	4
Vologda Institute for Preparation and Higher Qualification of Agribusiness Complex Workers	3	3	1	-	4	3	7
Saratov Regional Institute for the Preparation and Higher Qualification of Agribusiness Complex Workers	3	1	-	8	3	9	12
Samara State Agricultural Academy	1	2	7	-	8	2	10
Voronezh School for Higher Qualification and Agribusiness	1	1	1	15	2	16	18
Total number of seminars	23	25	21	63	44	88	132
Total number of participants	714	722	698	2,984	1,412	3,706	5,118

From October 1996 to April 1997, the institutes held 21 five-day farm reorganization seminars training 698 participants. But the main training focus during this period was on holding many short-term seminars (63 seminars, 2,984 students), sometimes including field trips to raions. Many of these seminars were either abridged one- or two-day programs or components of larger seminars on agriculture management and economy. Following are some examples.

- The Voronezh institute's Training and Consulting Center held 13 two-week seminars for 599 managers and specialists of raion Departments of Agriculture and Farms. The seminars were devoted to the implementation of Decree # 337 and constitutional rights to land.
- At the request of farm managers, the Vologda Agricultural Committee organized training for agroindustrial complex specialists in November and December 1996. The section on farm reorganization took 20 curriculum hours. About 300 people, including oblast and raion working group members and training institute teachers attended four seminars.
- Chemonics specialists held one-day seminars/meetings in regions that showed an interest in reorganization. These seminars were usually held before agreements with the raions were signed or if reorganization issues common to farms in the raion needed highlighting. Seminars were held in Krasninsky raion, Lipetsk oblast (40 participants); Osinsky raion, Saratov oblast (13 participants); Torzhok raion (9 participants) and Bezhetsk raion (15

participants), Tver oblast; and Serebriano-Prudsky raion, Moscow oblast. In many raions, the specialists lectured on topical reorganization issues.

Manuals and documents on training techniques and methodology (handed over to the oblasts) and on farm reorganization were also used to train students at schools other than the participating institutes. For example, the Yelninsk Agricultural Vocational School in Smolensk oblast included in its 1997 curriculum a cycle of seminars on farm reorganization. Raion working group members also conducted classes, and teachers from other agricultural institutes are now using the manuals and training materials in their work.

At the conclusion of the task order, 5,118 students had attended 132 seminars and all participating oblasts had trained specialists capable of continuing training and reorganization. Continued technical and financial support from donors will help the institutes continue this important work.

C. Establishing Consulting Centers

The institutes that were most active in the FARMS II/FARMS II-M task order established training and consulting centers. These centers were designed to promote training and practical work on various aspects of farm reorganization and post-reorganization activities. The following oblasts' institutes established semi-autonomous (separate accounts) training and consulting centers: Vologda, Moscow, Ivanovo, Saratov, Smolensk, Kostroma, Voronezh, and Samara.

Chemonics specialists drafted a standard statute charter for training and consulting centers of farm reorganization. This was distributed to the institutes, who used it to draft the statutes for their training and consulting centers.

The goals of the training and consulting centers are as follows:

- Assist in training oblast, raion, and farm specialists in farm reorganization
- Advise and counsel managers, specialists, and farm employees in exercising their rights to land and property
- Assist farms in drawing up standard documents (charters, statutes, etc.)
- Analyze production and economic activities of farms during reorganization
- Oversee reform/farm reorganization and work out practical recommendations at the request of interested parties
- Advise managers and specialists of newly established farms on business planning, analysis and evaluation of investment projects, marketing, and other post-reorganization projects

Each center is a "profit center" within the parent institute and is in this sense semi-autonomous. For example, the center at the Voronezh institute holds seminars for a fee of 100,000 rubles per participant. The Samara State Academy charges 10 million rubles for a group of participants sponsored by a raion administration regardless of the number. While these fees may

not cover the entire cost of the training, they are a radical departure from past practices and a step toward self-sufficiency.

After FARMS II-M ended, Luzhsky raion of Leningrad signed a contract allowing the Vologda training and consulting center to continue farm reorganization self-sufficiently. Similar contracts are planned in Volodga, Samara, Voronezh, and Ivanovo oblasts.

During the project, the Vologda training and consulting center published an Information Bulletin on Legal Issues (a training manual for managers and specialists of farms and other agribusiness companies and agencies). Soon after the project ended, the center produced its second issue of 1,000 copies. The bulletin is distributed for a subscription fee.

The Kostroma training and consulting center drafted and published the following training materials: "Regulation of Intrafarm Production Relations in a Reorganized Farm," "Theory and Practice of Agrarian Reform," "Organization of Economic Interaction between Participants and Units of Present-day Farms," "The System of Organizational and Administrative Documents," "Training Materials Drafted for the Seminar of Personnel Service Employees on Reform and Contractual Relations in the Agroindustrial Complex," and many others. The center also drafted a package of programs (texts) to be used by teachers to check the knowledge of farm reorganization students.

All this inspires optimism and hope that the newly established training and consulting centers will eventually achieve commercial success. Continued assistance to further this process would be an important contribution to furthering agribusiness reform in Russia.

**DEVELOPING A FARM REORGANIZATION
SPECIALIST CERTIFICATE PROGRAM**

DEVELOPING A FARM REORGANIZATION SPECIALIST CERTIFICATE PROGRAM

In February 1997, the FARMS project started developing a certification program for farm reorganization specialists in accordance with the third task order amendment. Under the amendment, FARMS was required to draft a program establishing standards and procedures to guide training institutes in issuing certificates proving the professional qualifications of trainees. The steps followed to accomplish this were as follows:

1. Upgrade the Manual on Farm Reorganization in Russia prepared during FARMS I, in conformity with new legal regulations and the results of testing during FARMS I and FARMS II.
2. Update training materials based on the experience, needs, and desires of the training centers that had used them in previous training.
3. Work out procedures and terms of proficiency of farm reorganization specialists.

No uniform procedure for certifying farm reorganization specialists existed when FARMS II-M started. Many people had already been trained, not only under FARMS II but also by institutes that had conducted seminars on their own and by the International Financial Corporation; most of the people trained also had gained some practical experience in farm reorganization. Still, certification was haphazard at best. Some institutes issued references or homemade certificates at the conclusion of training, but these were sometimes certifications for other professions (such as economist) not corresponding to the qualifications for a farm reorganization specialist. Furthermore, without legislation establishing a licensing procedure, anyone could claim farm reorganization experience and market their skills to farms and raion officials. This could readily allow unscrupulous people to sell expertise they do not have.

Chemonics conducted its work on the FARMS II-M Certificate Program with full cooperation from the Personnel Policy and Training Department of the Ministry of Agriculture and Food. The department's officials, who oversee the training institutes that participated in FARMS II, had a strong interest in establishing the program.

The institutes that had been most active in FARMS II, that is, the eight institutes where training and consulting centers had been established (see Section V), were selected to implement the Certificate Program.

While preparing the Certificate Program, FARMS II-M personnel met with representatives of several Ivanovo and Vologda training institutes. Those who attended the meetings made proposals regarding the preparation and content of the program's certification tests. Meeting participants also discussed issues regarding the training process and materials and development of certification standards and procedures. Particular attention was given to establishing trainee certification categories based on the accumulated experience of the institutes.

Based on discussions at these meetings, the FARMS II-M team drafted a set of standards and procedures. This draft program was presented to the Personnel Policy and Training Department of the Ministry of Agriculture and Food, which was then responsible for developing instruction materials for the institutes that would issue certificates.

A. Procedure Manual and Training Materials

To provide the training course with appropriate materials, the project team adjusted the Farm Reorganization Procedure Manual drafted during FARMS I and updated at the beginning of FARMS II. The adjustments accommodated changes in Russian legislation since the last revision of the manual as well as practical farm reorganization experience under FARMS I, FARMS II, and FARMS II-M. Adjustments also addressed comments and proposals from the Agrarian Policy Department of the Ministry of Agriculture and Food.

The first volume of the manual describes reorganization theory, key principles of reorganization, and the legislative foundation of reorganization. It also makes practical recommendations on conducting each stage of reorganization. Amendments to this volume introduced intrafarm settlement, a potential preliminary step toward farm reorganization that could facilitate future breakups or splitting off of independent farms.

The manual's second volume includes standard forms and documents used in reorganization. This volume required the most updating by the FARMS II-M team. The revision added new standard foundation (charter) documents (changed to reflect experience gained during previous reorganization efforts and changes in the laws) and included other changes. One such change brought the land share lease contract forms in line with standard contracts recently approved by the Federation Land Committee.

Volume three contains information leaflets on various aspects of reorganization that can be used in farm-based information campaigns.

The last volume of the manual's contains copies of current farm reorganization legislation. To this volume were added documents published since the last revision, while outdated materials were removed.

Old training materials were upgraded and new ones were drafted to make them agree with the revised training manual. The materials prepared were:

- Training materials for farm reorganization lectures (visual materials, such as overheads, on each course topic)
- Lecture plans containing citations of recommended materials and a list of quiz questions on the topics covered by the lecture
- Materials and practicums on the following topics:
 - Drafting a farm reorganization
 - Determining a category of workers who are entitled to land and property shares
 - Inventorying farm property and calculating the share fund
 - Discussing legal issues relating to reorganization
 - Planning the meeting on the division of land and property (similar to the intrafarm auctions held during farm reorganization)
 - Drafting a separation balance
 - Guaranteeing employment and right to labor during reorganization

B. Course Curriculum

Training was offered in two basic seminar courses, one 36 hours long, the other 20 hours. The 36-hour (5-day) seminar presented extensive lectures describing all stages of farm reorganization and offered practicums on course topics. The course focused on discussions of the most complicated reorganization issues: the social sector of reorganized farms, selecting organizational and legal forms for new companies, and taxation issues of the newly established farms. The program targeted all those who were interested in reorganization but particularly representatives of the oblast and raion departments of agriculture, local administrations dealing with agrarian reform, managers, farm employees, and teachers at participating training institutes. The program can be also recommended to teachers and students at agricultural colleges and academies.

The 20-hour (3-day) seminar covered only the theory of farm reorganization, omitting the practicums. This program focused on basic reorganization topics, but complicated reorganization issues were sometimes discussed, depending on the participants. For example, a seminar for economic services employees focused on economic aspects of reorganization (taking inventory, appraising the property share fund, drafting business plans for new companies, etc.). A seminar for legal services employees addressed the selection of organizational and legal forms of companies and the legal rights of land and property share owners in new companies. The three-day seminar was intended for specialists and representatives of the oblast and raion working groups dealing with reform.

C. Standardized Final Examination

Drafting standard tests that would adequately reflect trainee knowledge was critical to the Certificate Program. The tests had to be suitable regardless of the training location and differences in training materials, programs, and participants' academic qualifications. The goal of the tests was not only to measure the transfer of basic farm reorganization knowledge but to do so in a way that would permit categorization of qualification.

An important part of this effort was coordinating the work of USAID/Chemonics and the International Financial Corporation (IFC). This was particularly vital in the Moscow, Samara, and Voronezh oblasts, where the IFC interacted with institutions participating in FARMS II. The groundwork for such coordination was established at a meeting between the parties on February 24, 1997. Chemonics and the IFC subsequently worked together to draft tests to be used in the Certificate Program.

D. Public Information Materials

The project team drafted information leaflets and a brochure for the Certificate Program. These clearly state the objectives and goals of the farm reorganization training course and describe the Farm Reorganization Procedures Manual and other training materials. The brochure advertises the Certificate Program and invites farms and individuals to seek advice from farm reorganization specialists who have been trained and obtained their certificates or from the consulting centers established at participating institutes.

EQUIPMENT PROCUREMENT AND PUBLIC INFORMATION ACTIVITIES

EQUIPMENT PROCUREMENT AND PUBLIC INFORMATION ACTIVITIES

A. Equipment Procurement and Distribution

A1. Oblast and Raion Working Group Equipment Procurement

One of the work requirements under the FARMS II task order was to procure and deliver computer hardware and software, office equipment, and expendable materials for the oblast and raion working groups that had been established. The aim of this activity was to improve the working groups' efficiency and quality with regard to automatic share calculation, shareholder lists, and certificate issuance. During August and September 1996, FARMS II-M completed Task 11 of the task order's deliverables by delivering and installing computers, printers, and software in the 45 raion Departments of Agriculture listed below.

Moscow Oblast	Volokolamsky Sergievo-Posadsky	Saratov Oblast	Dergachevsky Krasnoarmeysky Voskresensky Saratovskiy Rtischevsky
Vladimir Oblast	Muromsky Gus-Khrustalny Kirzhachsky	Samara Oblast	Sergievsky Pokhvistnevsky Yelkhovskiy
Ivanovo Oblast	Savinsky Lukhsky Komsomolsky Gavrilovo-Posadsky	Voronezh Oblast	Rossoshansky Kashirsky Novousmanskoy
Kaluga Oblast	Ferzikovsky Dzerzhinsky	Volgograd Oblast	Griazovetsky Kirillovsky Belozersky Ust-Kubinsky Ustuzhensky
Smolensk Oblast	Yelninsky Yershichinsky Velizhsky Shumiachensky	Arkhangelsk Oblast	Konoshsky Velsky Vilegodsky
Tver Oblast	Kalininsky	Kostroma Oblast	Buysky Susaninsky Sudislavsky
Bryansk Oblast	Pochepsky Zhiriatskiy Trubchevsky Komarichsky Mglinisky	Leningrad Oblast	Vyborsky Tikhvinsky

Raion working groups used the supplied computers and software (see Annex F, Table 1) to draft documents for the reorganization of raion farms. Each computer was connected to a modem to aid communication with the oblast Department of Agriculture.

A2. Training Institute Equipment Procurement

To improve the training process, Chemonics procured and delivered equipment to the 14 training institutes participating in the FARMS II task order. Between February and April 1996, the institutes received computer hardware and software, printers, fax machines, projectors, screens, and expendable materials.

In August and September 1996, FARMS II-M procured and delivered additional computer hardware, software, and laser printers to the eight institutes listed below (Task #9).

- Moscow Institute for the Preparation of Rural Entrepreneurs (Balashikha)
- Smolensk Affiliate of the Russian Engineering Academy for Management and Agro-Business
- Saratov Regional Institute for the Preparation and Higher Qualification of Agribusiness Complex Workers
- Samara State Agricultural Academy
- Voronezh School for Higher Qualification and Agribusiness
- Vologda Institute for Preparation and Higher Qualification of Agribusiness Complex Workers
- Kostroma Affiliate of the Academy of Agribusiness and Management of the Russian Federation
- Ivanovo Institute for Preparation and Higher Qualification of Agribusiness Complex Workers

The equipment provided reinforced the technical capabilities of the institutes' training centers and enhanced the reorganization process. The centers used the equipment to prepare training and information materials, draft founding documents for reorganized farms, and make calculations, such as those for land and property shares. The computers contributed to post-privatization activities such as evaluating the costs associated with the transfer of social sector services, establishing a database of sales markets and land produce prices, and drafting business plans for newly established companies.

To accomplish FARMS II-M Task # 2 (reproduction and distribution of the Farm Reorganization Procedures Manual), Chemonics collaborated with the Ministry of Agriculture and Food and the State Property Committee of Russia to supply the Vologda institute with equipment worth \$14,690. This consisted of a high-speed copy machine with a computer interface and binding equipment (see Annex F, Table 3). Expendable materials such as paper, plastic binders, and plastic folders brought the total value of this procurement to \$25,000. The Vologda institute used the equipment to produce 2,000 additional copies of the manual from a set of diskettes Chemonics provided. These manuals were distributed in the raions, to oblast and raion Departments of Agriculture, and to training institutions.

All equipment and software delivered to the training centers and raion working groups was installed by Chemonics computer specialists.

The oblast and raion working groups and training institutions were also given diskettes containing electronic versions of the documents required for farm reorganization. These included legal documents, standard founding documents for companies of various organizational and legal forms, standard contracts with owners of land and property shares, and other materials.

B. Production of Training Videos

FARMS II-M produced two videos for use during farm reorganization training conducted by the training institutes. These videos were sent to the 14 institutes that participated in the FARMS project.

The first video, "Field without Miracles" (54 minutes), is a collection of the most forceful clips from five previous five films the FARMS project produced for television in various oblasts (Kaluga, Kostroma, Volgograd, Kursk). The film's objectives are to raise public awareness of the need for reorganization and shape public opinion in its favor. The film explains why reorganization is needed and shows some early results of reorganization on newly established farms. Among other things, it shows how peasants' attitudes toward work change with feelings of ownership and how pensioners' problems are being solved.

The second video, "Man on Land" (18 minutes), is devoted to the methods of farm reorganization. The film explains various ways of reorganization and splitting farm. The film uses Bokovo Farm of Kostroma oblast to show the basic reorganization stages: holding the general meeting, setting up new enterprises, distributing land and property, signing contracts with owners of land and property shares, etc.

SECTION IV
CONCLUSIONS

SECTION IV CONCLUSIONS

The following conclusions can be drawn from FARMS project experience.

1. The project's strategy of establishing and working through oblast and raion working groups enabled it to operate on a large scale. By working with these groups of decision-making officials, the project attained a high level of effectiveness. Moreover, as the project progressed, the working groups assumed increasing responsibility for farm reorganization efforts and, at the conclusion of FARMS, were ready and able to continue those efforts.

2. The interaction and proper balance between training and practical reorganization work ensured project success. Project implementation in the oblasts started by training people involved in reorganization, including oblast and raion administration officials. The early training of these officials facilitated the execution of information campaigns on reorganization's objectives, goals, and methods and the training of oblast and raion working groups.

3. The work of FARMS II and FARMS II-M was most successful in oblasts where oblast and raion working groups worked closely with the training centers established by the project. This grew out of a reciprocating relationship between training and practice: experienced working group members were sometimes invited to teach, while teachers were given farm reorganization opportunities that enabled them to acquire practical experience and improve the quality of reorganization training.

4. The FARMS project imposed no single form of reorganization to the exclusion of others. Instead, farms were offered a variety of options from which to choose. This permitted reorganizing farms to consider specific features of their social and economic situation, the presence of leaders, and other issues when selecting a form of reorganization. This helped force the administrations, oblast and raion working groups, and reorganization participants to rely on their own initiative and creative potential.

5. The Farms Reorganization Procedures Manual had a large impact on reorganization. The four-volume manual was prepared under FARMS I and was continually updated to reflect changes in legislation and the accumulated experience of the project. The importance of the manual, which was distributed to all participating regions, was frequently commented upon. Oblast and raion specialists and farm managers often said that if such materials had been available in 1992, they would have avoided many mistakes. Brochures and other training and information materials distributed in the regions were also in high demand throughout the project period. All these materials were reprinted several times to meet the requests of the oblasts, raions, and farms.

6. Through close cooperation with working groups and institutes, even the small group of consultants and specialists who worked on FARMS II-M was able to accomplish a large volume of work. An important function of the FARMS II-M group was to push the process forward. It did so by coordinating various parties' efforts; promoting the distribution of methodological approaches, lessons learned, and initiatives; and providing consulting services to members of the oblast and raion working groups and companies, especially in difficult situations. In the early stages of FARMS II, the need for consulting services was underestimated in several oblasts. By the end of

the project, many oblast groups had expressed interest in establishing oblast and even federal reorganization centers to which they could turn for solutions to problems.

7. Sharing information was vital to moving this project forward. FARMS II and FARMS II-M accomplished this in part by holding monthly meetings of key individuals. These meetings ensured communication between raion, oblast, and Ministry of Agriculture and Food representatives. Such communication was vital to quickly adopting best practices, solving difficult problems, maintaining motivation and *esprit de corps* among the personnel and institutions involved in farm reorganization, and sustaining the reform process. Meetings like those held during this project are particularly important in societies where no incentives for information sharing exist and where, in the past, information was released only on a need-to-know basis.

8. Implementing economic reform and restructuring programs using mostly Russian specialists with minimum foreign presence is possible and practicable. Russians listen to Russians more readily than they do to Western foreigners. Projects promoting economic reform should therefore concentrate on training from the very beginning and reducing the number of expatriate consultants as quickly as possible. In addition, foreign consultants should be assigned Russian counterparts throughout their assignments so local expertise and support for reform can be built and multiplied.

SECTION V

RECOMMENDATIONS

SECTION V RECOMMENDATIONS

Based on the experience gained implementing FARMS II and FARMS II-M the following recommendations for additional effort are made.

1. To evaluate the impact reorganization has on farms, monitoring should continue. Many farms reorganized during the project are less than a year old and have not had a chance to show their potential. The materials FARMS II-M collected can serve as a starting point to evaluate the operation of newly established farms.

Verification of the FARMS II-M evaluations could be accomplished by surveying the same farms in autumn, after the harvest is complete. A representative survey like the experts' poll conducted by FARMS II-M would make it possible to adjust the trends in this report.

2. Processing companies and their relationships with agricultural producers need to be restructured in parallel with farm reorganization. Such companies are often monopolies, which allows them to dictate prices and terms to consumers. Moreover, they frequently delay payment for products delivered, negatively affecting the operation and development of newly established farms. During FARMS II-M several oblasts had already started to look for new forms of cooperation. They had also expressed interest in additional post-reorganization activities, particularly in credit and investment policy.

3. The key conclusion to be drawn from two years of reform is that real changes in social and national and oblast economic policy are needed. Only a systematic approach that treats reorganization as a component of agrarian policy may lead to success. No clear government policy currently aims to achieve agribusiness reform. Land reform is slow; it has not been thought out, finance is lacking, and social features of peasant life and mentality are not taken into account. A state ideology regarding Russian farmers, a clear mechanism implementing laws, and the responsibility of specific officials for reforms are missing.

A well-grounded national and oblast program is necessary to make reform efficient.

New projects in agrarian reform should capitalize on the experience and skills of the working groups established by FARMS II and FARMS II-M. These groups included oblast and national decision makers who, because they understood the necessity for reform, could help carry it out. Local administration initiatives during FARMS II and FARMS II-M confirm that such groups can influence agrarian reform progress. The FARMS project, a joint effort between the project team and the working groups, overcame many obstacles to reorganization and established strong contacts with the working groups. It would be an unpardonable mistake not to use them to further agrarian reform.

These conclusions were confirmed during final FARMS II and FARMS II-M meetings with the oblast and raion working groups.

4. The training institutes' consulting centers have only just begun their activities. To consolidate and strengthen them, and establish new ones at other institutes, additional assistance is highly recommended. Such assistance might include some or all of the following:

- Help the centers organize their accounting and finances to establish appropriate overhead and fee rates and structures.
- Help the centers market their services within their "trading area" and seek consulting opportunities in other projects, for example with the International Bank for Reconstruction and Development (IBRD), European Bank for Reconstruction and Development (EBRD), and TACIS.
- Help the centers identify specialists able and willing to work as consultants, collect (and improve) resumes, and build consulting rosters/databases so they can offer a variety of expert services to public and private clients.
- Provide technical assistance, coupled with small grants or concessionaire loans, that would enable the centers to appoint managers and hire accounting staff, as well as prepare marketing materials, advertising, and business proposals; build rosters; and perform other vital tasks.

5. Some progressive oblasts have taken an active interest promoting foreign investments within their territory. This service could become an activity of some consulting centers on contract with the oblast administration and as part of investment promotion programs supported by donor governments. As part of this investment promotion service, center consultants could work to identify farms, agroindustries, and sectors within the oblast interested in partnering with foreign investors. Many of these enterprises will require "upgrading" to make them more attractive to prospective foreign investors. This upgrading technical assistance and training would likely include the following:

- Improvements in accounting and finance (such as a double-entry computerized accounting system with monthly financial statements and audited year-end financial statements)
- Proper corporate governance structures and operations (for example, a functioning board of directors elected by eligible shareholders in transparent elections, a general manager or CEO appointed by the board and delegated appropriate authority and responsibility for managing the day-to-day activities of the corporation, regular board meetings documented by accurate minutes, etc.)
- Disposition of unproductive assets
- Ensuring that all selected firms are current with their loan repayments and not delinquent with local or regional authorities

6. The consulting centers could assist in the collection and presentation of statistical and promotional data and information on the oblast and why foreign investors may wish to consider locating their investments in a particular oblast. Information likely to be of interest to potential foreign entrepreneurs and firms might include:

- Lists and profiles of companies seeking joint venture partners
- Wage rates and social costs associated with employing different specialists, managers, laborers, clerical persons, service workers, etc.

- Office space facilities available within the oblast and raion centers including likely lease conditions and costs, utilities costs, availability of phones and email services, security services costs, etc.
- Manufacturing and warehouse space facilities available within the oblast and raion centers including likely lease conditions, etc.
- Transportation linkages and facilities available with cargo shipping costs to various logical destinations (Moscow, Saint Petersburg, Kiev, Berlin, Warsaw, etc.) and air/rail/bus ticket costs for individuals with approximate schedules (for example, twice daily flights to Moscow on Transaereo @ US\$62/RT ticket for foreigners and \$47 for Russian nationals)
- Tax or other incentives available to foreign investors and how to access them
- Background and history of the oblast and any predominant capability or noted comparative advantage to be gained by locating in the oblast
- Climatic information showing average monthly maximum and minimum temperatures with rainfall for several years
- Descriptions and lists of major foreign and domestic firms doing business in the oblast
- Descriptions of medical and dental facilities and practitioners available to firms and persons doing business in the oblast
- Housing availability and realistic costs a foreign entrepreneur or firm might expect to incur for staff (foreign and Russian) relocated to the oblast
- Hotels, restaurants, points of interest, etc.

7. Consulting center and training institute staff need to have continuing opportunities to keep abreast of the latest developments in tax and legal issues relating to economic, farm restructuring, and business topics. By having opportunities to receive additional training, institute and consulting center personnel will be able to offer more current consulting services. Most institute and consulting center staff members have very limited financial resources, so even if they know of training opportunities they may not be able to take advantage of them. Likewise, institute and center staff have few opportunities to increase and improve their knowledge and understanding of Western business practices, particularly as they apply to the agricultural sectors. Therefore, to upgrade institute and center staff continually, they should have opportunities for in-country and international training, including study visits to Western agricultural, agribusiness and related associations, cooperatives, etc.

8. One topic discussed in the context of increasing the FARMS II budget was the formation of an association of training institutes and centers with a Moscow presence. This is an excellent idea and should be pursued with donor resources. Such an association would be able to help with many important functions, among them:

- Identifying and obtaining financing for training opportunities

- Keeping up to date on national legislation and disseminating copies and interpretations
- Standardizing center accounting and financial management
- Helping to establish appropriate overhead and fee rates and structures
- Helping centers to market their services by seeking consulting opportunities within projects financed by IBRD, EBRD, and TACIS
- Building consulting rosters/databases
- Managing the provision of technical assistance coupled with small grants or concessionaire loans so the centers can appoint a manager and other staff and begin to take on a sense of permanence
- Serving as the principal contact point for investment promotion activities at the Moscow level if the various centers were to assume this activity

9. The four-volume Farm Reorganization Manual is one of the most important documents relating to economic restructuring produced by USAID assistance to Russia. While the Vologda institute has been equipped to produce professional publications, this operation needs to be monitored and assisted in several ways:

- National-level specialists need to prepare updated material continually as relevant legislation, rules, etc., change. This work is the same as that done by the Moscow-based FARMS II-M staff as the first step in the certificate program. It includes revising sections of the manual by producing the text and graphics necessary to update the document and sending it to Vologda to be printed and returned to Moscow. To carry out such work, the group (like the FARMS II-M group) could include Russian specialists, who do the work and write the manuals, and representatives of the Ministry of Agriculture and Food.
- Adopting a system based on loose-leaf manuals would make modification easier, allowing owners to substitute or add pages as necessary to update the manual as opposed to issuing periodic reprints of the whole manual. Instructing each manual owner to "Remove and destroy pages 6-9 in Chapter II and Annex 7 in Volume II and substitute the attached pages in their place" is much easier than reprinting the entire manual. While the printing may be subcontracted to the Vologda institute, the change order forwarding the new pages and providing instructions on which pages should be removed and destroyed should only be issued by the Ministry of Agriculture and Food.
- For this revision system to work, owners of farm reorganization manuals should be registered in a database so updates can be sent only to registered owners.

10. While the certificate program has been implemented in accordance with the task order, additional work is required regarding the establishment of legislation requiring that any farm restructuring/reorganization must be carried out under the supervision of a person "licensed to practice farm reorganization." The legislation (or the rules accompanying the law) should specify that only professional reorganization specialists graduated from courses offered by an institute duly accredited by the Ministry of Agriculture and Food to teach farm reorganization and possessing a

license issued by an oblast department of agriculture, can assist farms wishing to reorganize. Institutes would issue training certificates and oblast Departments of Agriculture would issue the licenses. Provision would have to be made to incorporate new oblast training institutes into the list of accredited institutes so that reorganization services could spread to oblasts outside the 15 that worked with the FARMS project.

ANNEX A

BRIEF DESCRIPTIONS OF FARMS REORGANIZED DURING FARMS II-M

ANNEX A
BRIEF DESCRIPTIONS OF FARMS REORGANIZED DURING FARMS II-M

Roschinskoye Joint-Stock Company (Closed Type), Tarussa Raion, Kaluga Oblast. Reorganization transformed Roschinskoye JSC into an agricultural cooperative. Seven employees split from the JSC and set up peasant farms.

Taruskoye KSP (collective joint production), Tarussa Raion, Kaluga Oblast. Reorganization transformed this farm into an agricultural production cooperative. The proximity of a city, where surplus produce can be sold in markets, helped encourage the development of individual household plots on this farm. Seventy employees exercised their land share rights to enlarge their individual household plots.

Bariatinskoye KSP (collective joint production), Tarussa Raion, Kaluga Oblast. Reorganization transformed this farm into the Bariatino agricultural production cooperative. One hundred farm members enlarged their household plots by adding land shares.

Borki PSK (production agricultural cooperative), Vyshnevolotsky Raion, Tver Oblast. This farm broke into 13 peasant farms to which 56 pensioners leased their land and property shares. After reorganization, 37 land and property shares were unallocated and were given to peasant farms on a use-rights basis.

Rodina Kolkhoz, Torzhok Raion, Tver Oblast. Thirty-five pensioners of Rodina Kolkhoz leased their land and property shares to a more efficient Kuzhlevo Limited Liability Company (LLC-OOO) founded by three individuals. At the conclusion of the FARMS project, a lease contract to transfer 500 hectares of land from Rodina Kolkhoz to Kuzhlevo LLC was being drafted.

Pradva Kolkhoz, Trozhok Raion, Tver Oblast. As a result of reorganization, 50 kolkhoz employees split from the farm to start a peasant farm. The raion administration was examining the agreement establishing the peasant farm at the end of the FARMS project. Upon completion of the examination, the farm's registration documents will be delivered to the Department of Registration of Private Businesses. The oblast and raion working groups are monitoring the completion of registration of the peasant farm.

Bagrationovsy Sovkhoz, Krasninsky Raion, Smolensk Oblast. Reorganization split this farm into three peasant farms with 15, 16, and 12 employees. The remaining farm members, who had not joined in the reorganization, leased 103 land shares and 95 property shares to the new farms. After registration, the managers of the peasant farms intend to set up a cooperative to provide technical services to the peasant farms and individuals with household plots.

Yazovskoye KSP (collective agricultural production), Yershichsky Raion, Smolensk Oblast. On this farm, 18 employees split off and set up a peasant farm to which 30 pensioners leased land and property shares. Reorganization of Yazovskoye was continuing at the end of the FARMS project. Two more farm employees had expressed willingness to set up a peasant farm and had filed applications with the intrafarm commission.

Voronitsa TOO (Limited Liability Partnership - LLP), Yerschichsky Raion, Smolensk Oblast. Reorganization completely broke up this farm, establishing two peasant farms with 34 and 43 employees. Fifty-six pensioners leased their land and property shares to the peasant farms.

Avangard Sovkhoz, Pestiakovsky Raion, Ivanovo Oblast. Reorganization of this farm established three agricultural production cooperatives: Rassvet (165 founders), Nikulensky (79 founders), and Zaria (63 founders). Land and property was divided according to an agreement, and lots were cast to distribute some equipment and cattle. At project's end, the raion working group was considering financial assistance for the cooperatives from the Oblast Fund of Small Business Support to drafting investment business plans for flax growing and cattle breeding.

Kommunar Kolkhoz, Pestiakovsky Raion, Ivanovo Oblast. Reorganization transformed this kolkhoz into the Kommunar agricultural production cooperative (200 founders). The reorganized farm has 2,411 hectares of land and specializes in milk, meat, and flax production. All founders leased their land shares to the charter capital.

Kuleberievsky Sovkhoz, Komsomolsky Raion, Ivanovo Oblast. At this farm, 155 members founded the Kuleberievsky agricultural production cooperative. The cooperative, which has 2,443 hectares of land and 279 cattle, specializes in milk and meat production. The farm is well furnished with agricultural equipment and has 93 employees (78 of them founders).

Mir Kolkhoz, Pestiakovsky Raion, Ivanovo Oblast. Reorganization transformed this farm into the Mir agricultural production cooperative, a farm specializing in milk and meat production. The farm has 4,639 hectares of agricultural land, 1,137 cattle, and 148 employees (100 of them founders). The farm's 319 founders leased their land shares to the cooperative.

Alekhinsky Kolkhoz, Pestiakovsky Raion, Ivanovo Oblast. The Alekhinsky agricultural production cooperative, the result of this farm's reorganization, specializes in milk, meat, and flax production. The farm has 3,290 hectares of agricultural land, 879 cattle, and 141 employees (99 of them founders). All 240 cooperative founders leased their land shares to the cooperative. In addition, 93 pensioners who are not cooperative members leased land shares to the farm.

Kolkhoz im. (named after) Frunze, Yuzhsky Raion, Ivanovo Oblast. The agricultural production cooperative established with this farm's reorganization, specializes in milk and meat production. The farm has 3,254 hectares of agricultural land, 573 cattle, and 119 employees (93 of them founders). The farm had 3,690 founders. All land share owners leased their land to the cooperative. The farm has some financial difficulties and is less well supplied with material resources than the average raion farm.

Kolkhoz im. 22 Party Congress, Yuzhsky Raion, Ivanovo Oblast. Reorganization of this farm created the Kolos agricultural and production cooperative. The farm, which specializes in milk and meat production, has 1,334 hectares of agricultural land and 355 cattle. Of the 228 founders, 74 are employees. The farm employs 13 additional people. A total of 232 land share owners lease their land to the cooperative. The farm has severe financial and economic problems.

Kolkhoz im. Sverdlov, Yuzhsky Raion, Ivanovo Oblast. The agricultural and production cooperative that resulted from this farm's reorganization was founded by 165 farm members. All 103 of the farm's employees are founding members. Land is leased to the cooperative by 204 land

share owners. The farm has a difficult financial position, but its meat and milk yields are higher than the raion average.

Kommunar Kolkhoz, Furmanovsky Raion, Ivanovo Oblast. Reorganization of this farm established the Kommunar agricultural and production cooperative, which specializes in milk and meat production. The farm has 2,531 hectares of agricultural land, 1,241 cattle, and 258 employees, including 146 of the 304 founders. The farm leases 327 land shares. Its production indicators are among the best in the raion.

Vozrozhdeniye KSHP (cooperative agricultural production), Furmanov Raion, Ivanovo Oblast. Before reorganization this farm specialized in breeding young calves supplied by other farms. The Duliapinsky cooperative agricultural production created by reorganization now holds the farm's cattle herd and is developing subsidiary farms. The farm has 5,684 hectares of agricultural land and 518 cattle. The farm has 324 founders: 107 full members and 217 associate members. All founders lease their land shares to the cooperative as do 86 other non-founding farm members.

Rossiya Kolkhoz, Furmanovsky Raion, Ivanovo Oblast. The Voskhod agricultural and production cooperative established through reorganization of this farm specializes in milk and meat production. The farm has 2,591 hectares of agricultural land and 724 head of cattle. Of the farm's 183 employees, 114 are from among the 236 founders. Land shares from 273 owners are leased by the cooperative.

Kolkhoz im. Frunze, Furmanovsky Raion, Ivanovo Oblast. The Frunze agricultural and production cooperative specializes in milk and meat production. It has 3,287 hectares of agricultural land and 677 cattle. Of the farm's 275 founders, 98 are employed by the farm, which also employs 37 other people. Participants in the cooperative lease their land shares to the cooperative as do 72 other land share owners who were not founders, giving the farm control of 347 land shares. Although the farm is in dire financial straits, its milk yield is higher than the raion average.

Put Lenina Kolkhoz, Furmanovsky Raion, Ivanovo Oblast. Reorganization transformed this farm into the Kolos agricultural production cooperative. The farm, which specializes in milk and meat production, has 4,639 hectares of agricultural land and 1,137 cattle. It was founded by 175 members and employs 75 people (62 of them founders). The cooperative leases land shares from 195 owners. The farm has scant resources and low production potential.

Pamiat Ilyicha Kolkhoz, Vichugsky Raion, Ivanovo Oblast. The reorganization of this farm established the Shokhna agricultural and production cooperative, which specializes in milk and meat production. The cooperative has 2,119 hectares of agricultural land, 775 cattle, and 1,195 employees, including 112 of the 251 founders. The 235 land shares controlled by the cooperative are leased from their owners. The farm has a stable financial and economic position and is higher than the raion average in grain, milk, and meat yields and labor productivity.

Voronoksky Sovkhoz, Starodubsky Raion, Bryansk Oblast. Reorganization broke Voronoksky Sovkhoz into two farms. The Luzhki production cooperative, specializing in meat and milk production, has 107 employees. The Voronok production cooperative, specializing in grain production, has 103 employees.

Zhurinichskoye KSHP, Briansk Raion, Briansk Oblast. A peasant farm specializing in grain production split from this farm as a result of reorganization. The new farm has 20 employees.

Pobeda Kolkhoz, Borsky Raion, Samara Oblast. Reorganization of this farm split off two peasant farms. Zenit has 4 employees and 44 hectares of land. Doyna has 3 employees and 33.1 hectares of land.

Yelenovskoye STOO (Limited Liability Partnership), Rossoshansky Raion, Voronezh Oblast. Three farms split off from Yelenovskoye STOO. The farms, which have 6, 7, and 3 employees, control 128 land shares. The partnership itself transformed into the Yelenovskoye Limited Liability Company. The new company has 2,896 hectares of agricultural land, 410 cattle, and 108 employees, including 93 of the 220 founders.

Rotkovetz AOZT (Joint-Stock Company, Closed Type), Konoshsky Raion, Arkhangelsk Oblast. Two peasant farms were set up by reorganization: Ritm (45 employees) and Nadezhda (47 employees). Two other peasant farms were being established at the end of the FARMS project. The Rotkovetz Joint-Stock Company will eventually be liquidated.

Luzhskoye AOZT (Joint-Stock Company, Closed Type), Luzhsky Raion, Leningrad Oblast. Reorganization split from this farm a new company, the Sheremetievo Joint-Stock Company. Nine employees founded the new farm. The farm manager has 51 percent of votes, in accordance with his share of the charter capital. After the new farm was registered, members of Luzhskoye AOZT (not founders of Sheremetievo), were invited to work on the new farm. In 1997, the oblast budget allocated 300 million rubles for Luzhskoye farm reorganization.

Dobrovoletz TOO (Limited Liability Partnership), Ustiuzhensky Raion, Vologda Oblast. Reorganization of this farm resulted in establishing a new peasant farm. After registration of the peasant farm, another 34 farm members transferred land and property shares to the control of the peasant farm. At the conclusion of the FARMS project, the farm employed seven people. The peasant farm controls 32.5 percent of the former farm's property. All owners of the property shares signed contracts with the farm: lease contracts for land, and use contracts for property shares.

ANNEX B

**ANALYSIS FORMS
ECONOMIC IMPACT OF REORGANIZATION**

ANNEX B
ANALYSIS FORMS: ECONOMIC IMPACT OF REORGANIZATION

1. PASSPORT OF A NEW FARM

Oblast:

Raion:

Name of the new farm:

Organizational and legal form of the new farm:

Date of registration of the new farm:

Name of the farm before reorganization:

Organizational and legal form of the farm before reorganization:

Distance from the oblast, raion center (km):

Address:

Name of the manager of the new farm:

Tel:

Name of the leader of the raion Work Group:

Tel/fax:

1.1 Fixed and Current Assets (as of registration date)

1.1.1 Production Facilities

	Indivisible Fund	Property	Lease (from outside)
1. Storage facilities (m ²)			
2. Cattle-breeding facilities (m ²)			
3. Repair shops (m ²)			
4. Other			

1.1.2 Agricultural Equipment

	Property	Lease
5. Tractors (models), units		
6. Cars (models), units		
7. Agricultural machines (types)		
8. Other		

1.1.3 Livestock

9. Cattle (including cars)	
10. Other	

1.1.4 Current Assets

11. Seeds, centers (total)	
12. Feed	
13. Mineral fertilizers	
14. Other	

1.2 Typical Features of Land Resources (hectares)

	In Ownership	In Lease	In Use
Total			
Agricultural land			
arable land			
pastures			
hayfields			
perennial plantations			
fallow land			
Forests			
Other			

1.3 Number of Farm Members

	Number of Persons	Percent
Founders, as of registration date:		
including employed in: production management pensioners		
Hired workers:		

2. Economic Analysis of the Reorganized Farm

2.1 Dynamics of Production Indicators

Indicators	At Registration Date	As of 10/01/96	As of 01/01/97	As of 03/01/97	As of 05/01/97	At Project Completion
<p>1. Land fund</p> <p>Total agricultural land* (ha), including in:</p> <ul style="list-style-type: none"> • ownership • lease • use <p>*To indicate by a fraction: what land the farm has (in numerator), and what land has been cultivated (in denominator)</p>						
<p>2. Number of founders (individuals):</p> <p>All employees, including employed in:</p> <ul style="list-style-type: none"> • production • management <p>Proportion of managers to employees (%):</p> <ul style="list-style-type: none"> • on reorganized farm • on farm before reorganization 						
<p>3. Total number of land and property shares**</p> <p>**To indicate by a fraction: land shares (in numerator), property shares (in denominator)</p>						
<p>4. Livestock, including cattle</p> <ul style="list-style-type: none"> • including cows • others 						
<p>5. Agricultural equipment</p> <p>Acquired:</p> <ul style="list-style-type: none"> • tractors (models), units • cars (models), units • agricultural machines (types) • other <p>Written off (or sold):</p> <ul style="list-style-type: none"> • tractors (models), units • cars (models), units • agricultural machines (types) • other 						

Indicators	At Registration Date	As of 10/01/96	As of 01/01/97	As of 03/01/97	As of 05/01/97	At Project Completion
<p>6. Mineral fertilizers (centner/ha) bought/put on the balance (indicated by a fraction)</p> <ul style="list-style-type: none"> • in this farm • in the farm before reorganization • in the raion, average 						
<p>7. Land ploughed in fall for spring sowing</p> <p><u>in this farm:</u></p> <ul style="list-style-type: none"> • total (ha) • % of arable land <p><u>in the farm before reorganization</u></p> <ul style="list-style-type: none"> • total (ha) • % of arable land <p><u>in the raion:</u></p> <ul style="list-style-type: none"> • % of arable land 						
<p>8. Winter crops, total (ha):</p> <ul style="list-style-type: none"> • in this farm • in the farm before reorganization <p><u>% of arable land:</u></p> <ul style="list-style-type: none"> • in this farm. • in the farm before reorganization • in the raion (average) 						
<p>9. Yield (centner/ha) (according to branches):</p> <p><u>this farm:</u></p> <ul style="list-style-type: none"> • _____ • _____ • _____ <p><u>the farm before reorganization</u></p> <ul style="list-style-type: none"> • _____ • _____ • _____ <p><u>the raion (average)</u></p> <ul style="list-style-type: none"> • _____ • _____ • _____ 						

2.2 Dynamics of Financial And Economic Indicators

Indicators	At Registration Date	As of 10/01/96	As of 01/01/97	As of 03/01/97	As of 05/01/97	At Project Completion
1. Milk yield (kg) per cow in: <ul style="list-style-type: none"> • the reorganized farm • the farm before reorganization • the raion (average) 						
2. Additional weight of cattle (per head) in: <ul style="list-style-type: none"> • the reorganized farm • farm before reorganization • the raion (average) 						
3. Marketable value of the produced products (%): <ul style="list-style-type: none"> • the reorganized farm • the farm before reorganization 						
4. Average monthly wage (rubles) in: <ul style="list-style-type: none"> • the reorganized farm • the farm before reorganization • the raion (average) 						
5. How regularly wages are paid (to indicate the last month when the wage was paid) in: <ul style="list-style-type: none"> • the reorganized farm • the farm before reorganization • the best collective farm of the raion 						
6. Production costs (wages excluded; rubles/centner)						
7. Accounts receivable, total, including the budget <ul style="list-style-type: none"> • _____ • _____ • _____ 						
8. Accounts payable, total, including the budget <ul style="list-style-type: none"> • _____ • _____ • _____ • _____ • _____ 						

Indicators	At Registration Date	As of 10/01/96	As of 01/01/97	As of 03/01/97	As of 06/01/97	At Project Completion
9. Sales (total; millions of rubles), including <ul style="list-style-type: none"> • milk* • meat* • grain* • other * to indicate by a fraction: centners in the numerator, millions of rubles in the denominator						
10. Assistance to the farm (the financial one included) rendered by: <ul style="list-style-type: none"> • the local administration • the raion administration • the oblast administration • by other sponsors and investors 						

3. Comparative Data Related to All Farms Set up on The Territory of The Reorganized Farm (The Farm Before Reorganization) (Based on 1995 and 1996 Data)

Indicators	1 Farm	n Farm	As a Whole on the Territory	The Farm Before Reorganization
1. Grain					
area (ha)					
gross output (tons)					
yield (centners/ha)					
profitability (%)					
production cost of one centner (thousand rubles)					
average sale price of one centner (thousand rubles)					
2. Potatoes					
area (ha)					
gross output (tons)					
yield (centners/ha)					
profitability (%)					
production cost of one centner (thousand rubles)					
average sale price of one centner (thousand rubles)					
3. Vegetables					
area (ha)					
gross output (tons)					

Indicators	1 Farm	n Farm	As a Whole on the Territory	The Farm Before Reorganization
yield (centners/ha)				
profitability (%)				
production cost of one centner (thousand rubles)				
average sale price of one centner (thousand rubles)				
4. Ploughed land (% of arable land)				
5. Winter crops (ha)				
6. Milk production				
livestock				
gross milk yield				
milk yield per cow				
7. Meat production				
livestock				
additional weight of cattle (total)				
per animal				
8. Accounts payable (rubles/100 ha of agricultural land)				
9. Accounts receivable (rubles/100 ha of agricultural land)				
10. Average monthly wage				
11. Wage arrears as of the year end				
12. Channeled to the budget and extrabudgetary funds per worker				
13. Subsidy per worker				
14. Payment terms and size of lease (use) of land and property shares				
15. Farm specialization (% of commodities):				
• the key area				
• auxiliary industries				
• subsidiary productions				
• processing				
16. Farm specialization (% of sold products):				
• the key area				
• auxiliary industries				
• subsidiary productions				
• processing				

4. Conclusions on Reorganization Results

4.1 Positive Trends (for example, a simplified system of accounting, reporting, and taxation has been adopted) _____

4.2 Negative Trends

4.3 Adaptation to the Market (new sales market, reorientation at competitive products, which are in demand on the market, etc.) _____

4.4 Conclusions Made During Reorganization and in the Post-reorganization Period Relevant to Other Farms _____

4.5 Problems to be solved:

a) at the national level _____

b) at the oblast level _____

c) at the level of raion administrations and local self-governance bodies _____

B-10

ANNEX C

**ANALYSIS FORMS
SOCIAL IMPACT OF REORGANIZATION**

ANNEX C
ANALYSIS FORMS: SOCIAL IMPACT OF REORGANIZATION

Table 1. Changes in the Number of Employees and Wages (FORM # 5: APK OKUD)

	Maternal Companies Before Reorganization			New Companies								
	Number of Employees (annual average)	Wage Fund (000 rubles)		Number of Employees (annual average)	Wage Fund (000 rubles)		Number of Employees (annual average)	Wage Fund (000 rubles)		Number of Employees (annual average)	Wage Fund (000 rubles)	
		Total	Per Employee (annual average)		Total	Per Employee (annual average)		Total	Per Employee (annual average)		Total	Per Employee (annual average)
Agricultural employees												
permanent workers												
seasonal and temporary workers												
managers												
specialists												
Employees of other enterprises, companies, organizations invited for agricultural work												
Employees engaged in subsidiary industrial companies												
Employees of utilities and recreational facilities												
Employees of trade and public catering companies												
Construction companies employees												
Employees of childcare and education centers												
Employees engaged in other types of activities												

Table 2. Sale of Land Produce and its Distribution to Farm Employees as Wage Payment (information from the accounting report)

Types of Products	Maternal Companies			New Companies									
	Sold to Farm Employees		In Kind Wage Payment (000 rubles)	1			2			3			
	In Kind (centners)	Proceeds (000 rubles)		In Kind (centners)	Proceeds (000 rubles)	In Kind Wage Payment (000 rubles)	In Kind (centners)	Proceeds (000 rubles)	In Kind Wage Payment (000 rubles)	In Kind (centners)	Proceeds (000 rubles)	In Kind Wage Payment (000 rubles)	
Grain													
Sunflower													
Potatoes													
Vegetables													
Fruits and berries													
Meat and fat													
Vegetable oil													
Milk													
Butter													
Wool													
Honey													

Table 3. Employment of Reorganized Farms' Workers

Number of employees at time of reorganization (annual average)	
Number who found jobs with companies established on the basis of a reorganized farm	
Number who retired	
Number who found jobs with other companies, enterprises, organizations	
Number who set up individual farms	
Number who became unemployed (registered or unregistered)	
Other	

Table 4. Social Structure of Reorganized Farms (it is drafted for each enterprise)

	Number	
	At Registration	At Survey Date
Company founders*		
Company shareholders: leasers of land and property shares		
Hired employees		

*Includes partners in full partnerships and commandite partnerships, members of limited liability companies, shareholders in joint-stock companies, active members of production cooperatives, etc.

Table 5. Movement of Land and Property Shares During Farm Reorganization and after Registration of New Companies

	Land Shares, Units	Property Shares, Units
1. At time of reorganization (before registration)		
2. During reorganization		
invested in the charter fund		
leased to the company		
leased to private owners or neighboring companies		
sold to other owners		
passed on as inheritance or gift		
used to set up an individual (peasant) farm		
other		
3. Number of share owners at registration		
4. After registration		
withdrawn from the farm and leased to other company or private owner		
sold to other owners inside the farm		
sold to other owners outside the farm		
passed on as inheritance or gift		
used to set up an individual (peasant) farm		
used to expand an individual household plot		
other		
5. Number of owners: company members who bought shares		

Table 6. Transformation of Social and Engineering Infrastructure Facilities of the Reorganized Farm (for each reorganized farm)

Social Infrastructure Facilities	Present on Farm Balance Sheet Before Reorganization	Sold (privatized)		Completely or Partially Leased		Transferred to Balance Sheet of		In Joint Use of		Remained on Farm Balance Sheet after Reorganization
		Completely	Partially	With Change of Use	Without Change of Use	Rural Admin.	Raion Admin.	Farm and Rural Admin.	Farm and Raion Admin.	
Housing										
Schools										
Childcare centers										
Hospitals and outpatient clinics										
Clubs and recreational facilities										
Paved roads										
Heating network										
Sewage network										
Water mains										
Gas network										
Other										

ANNEX D

INTERVIEW QUESTIONNAIRES

ANNEX D
INTERVIEW QUESTIONNAIRES

Questions for Experts: Managers and Specialists of Reorganized Farms

Farm name and address _____

Expert's position at the moment of reorganization _____

Expert's position as of the date of survey _____

Questions:

Who initiated your farm reorganization (a higher organization, the farm administration acting in compliance with government resolutions, a farm manager, a group of farm managers and specialists, rank-and-file workers, etc.)?

What groups of agricultural employees and rural residents were the most active supporters of reorganization and who needed to be convinced of its necessity?

What did reorganization give to various social groups: to farm managers and specialists, rank-and-file workers, pensioners, social sector employees?

Which social groups benefited most of all, and which lost?

What was the reorganization impact on:

wages of various groups of employees?

the status of household plots?

What was reorganization impact on worker's behavior, labor discipline and its intensity, drinking at work, etc.?

Did reorganization boost material incentives for workers?

How did reorganization affect your farm's worker's collective: did you manage to get rid of lazy workers, or did you lose the most skilled ones?

What are the benefits obtained by owners of land shares from their lease to a farm?

Did reorganization improve a farm manageability?

Did complicated problems and conflicts arise in the course of reorganization? What were they and how were they solved?

How did reorganization affect the rural social sector?

Name three most complicated current social problems of your farm.

How do you assess the prospects of your farm?

Questions for Experts: Representatives of the Rural Administration

Name of the rural administration _____

Expert's position at the moment of reorganization _____

Expert's position as of the date of the survey _____

Questions:

How did representatives of agricultural administrations participate in reorganization of farms located on its territory?

Which groups of agricultural employees and rural residents were the most active supporters of reorganization and who needed to get convinced of its necessity?

How did reorganization affect various social groups: farm managers and specialists, rank-and-file workers, pensioners, social sector employees?

Which social groups benefited most of all as a result of reorganization and which of them lost?

How did reorganization affect a social and psychological environment in farms and farm villages?

What does the agricultural administration do to support the most needy individuals (families), including those who have lost their jobs?

Did complicated problems and conflicts arise in the course of reorganization? What were they and how were they resolved?

Did the administration take over the social sector and engineering infrastructure facilities (on its balance sheet) from the reorganized farm? What problems did arise in the course of it and what were their solutions?

How did reorganization affect the rural social sector (its operation and the status)?

Please name three crucial problems typical of your municipal territory?

How do you assess the development prospects of your municipal entity?

Questions for Experts: Rank-and-file Workers of Reorganized Farms, Social Sector Workers, Pensioners

Farm name _____

Employment (position) at the moment of reorganization _____

Employment (position) as of the date of the survey _____

Questions:

How did you personally benefit from reorganization?

Which groups benefited most of all from reorganization: farm managers and specialists, rank-and-file workers, pensioners, social sector workers? Which of them lost?

How did reorganization affect:

wages of various groups of employees?

the status of household plots?

How did reorganization affect labor behavior: labor discipline, its intensity, drinking at work, etc.?

Did reorganization promote material incentives, the employees' interest in the results of their labor?

What do you get from your land shares' lease?

Did any complicated problems and conflicts arise in the course of reorganization?

Do you or your family get any assistance from the rural and raion administration?

Please, name three crucial social problems which your farm is facing today?

What do you think of the development prospects of your enterprise (or of the territory where you live)?

ANNEX E

EXPERT POLL SAMPLE

ANNEX E
DESCRIPTION OF SAMPLE FOR EXPERT POLL

Oblast, Raion, Enterprise	Poll Participants (number of people)				
	Managers and Specialists	Rank-and-file Workers	Pensioners	Social Sector Employees	Rural Admin. Representatives
IVANOVO OBLAST					
Lukhsky Raion					
<i>Vishnevskoye JSC</i>					
Vishnevsky APC	6	2	2	0	0
Nadezhda APC	5	4	1	1	1
Savinsky Raion					
<i>Savinskoye JSC</i>					
Sllabvnevo APC	1	2	0	0	0
Savinsky APC	3	4	1	0	0
Voskresenskoye					
Voskresenskoye JSC	3	4	1	0	1
Mikhalevsky APC	3	5	0	0	0
ARHANGELSK OBLAST					
Konoshsky Raion					
<i>Tavrensky Sovkhoz</i>	1	0	0	0	0
Zavelie Coopkhoz	1	0	0	0	0
Fedulovsky Coopkhoz	1	0	0	0	0
Borovskoye Farm	1	0	0	0	0
TYVER OBLAST					
Kalinin Raion					
<i>Smena JSC</i>	1	0	0	1	0
Slavnoye Farm	1	1	2	0	1
Vesna Farm	1	1	0	0	0
<i>Voskhod Kolkhoz</i>	1	0	0	0	0
Peasant Farm	1	0	0	0	0
VLADIMIR OBLAST					
Kirzhachsky Raion					
<i>Vorrozhdniye, Association of Peasant Farms</i>					
Timushev and K Commandite Partnership	2	2	0	0	0
Gus-Khrustalny Raion					
<i>Iliyinskoy LLP</i>					
Palagin and K Commandite Partnership	2	2	1	0	1
Znamia Truda					
Perskovsky APC	3	1	1	0	1
TOTAL	37	28	9	2	5

ANNEX F

PROCUREMENTS

**ANNEX F
PROCUREMENTS**

Table 1

Equipment	Price	Units	Amount
Vist Pentium-100/120 Computer	737.00	1	737.00
Samsung Monitor	365.00	1	365.00
US Robotics Fax-Modem	99.00	1	99.00
HP LaserJet 5L Printer	562.69	1	562.69
Printer Cartridge	71.37	1	71.37
Windows 95	109.27	1	109.27
MS Office - Win95	219.38	1	219.38
TOTAL			2,163.71

Table 2

Equipment	Price	Units	Amount
Vist Pentium-100/120 Computer	737.00	2	1,474.00
Samsung Monitor	365.00	2	730.00
US Robotics Fax-Modem	99.00	1	99.00
HP LaserJet 5J Printer	562.69	2	1,125.38
Printer Cartridge	71.37	2	142.74
Windows 95	109.27	2	218.54
MS Office - Win95	219.38	2	438.76
Page Maker 6	281.99	1	281.99
TOTAL			4,510.41

Table 3

Equipment	Price	Units	Amount
Duplicator ALCATEL SP-9440	6,943.00	1	6,943.00
Table for copying machine	299.00	1	299.00
SP-9440 cylinder	613.00	3	1,839.00
SP-9400	69.00	10	690.00
Black ink	9.00	50	450.00
Colored ink	13.00	21	273.00
Computer interface	4,196.00	1	4,196.00
TOTAL			14,690.00

ANNEX G

LOE, BUDGET, AND STAFFING DOCUMENTATION

ANNEX G
LOE, BUDGET, AND STAFFING DOCUMENTATION

Table 1. Final Level of Effort

Labor Category	Level of Effort
Professional Expatriate	1,710 work days
Russian National Professional	15,355 work days
Total Professional Work Days	17,065 work days

Table 2. Final Budget

Line Item	Budget Amount
I. Labor Cost	\$3,274,351
Fixed Daily Rates Expatriates	\$1,138,654
Third Country Nationals	\$21,697
Russian Nationals	\$2,114,001
II. Travel/Hotel/Per Diem	\$1,077,201
Travel & Transportation	\$495,687
Hotel Accomodation	\$284,235
Per Diem	\$297,279
III. Other Direct Costs	\$964,925
IV. Subcontracts (inc. 8% handling charge)	\$7,932
V. Commodities (inc. 4% handling charge)	\$554,511
VI. Media (inc. 8% handling charge)	\$157,080
VII. TOTAL	\$6,036,000

Table 3. Staff Distribution, Assigned Region, and Work Schedules

Name	Position	Assigned Region	Days/Month
Natalia Vandysheva	Project Coordinator	15 oblasts	10*
Mikhail Prokopiev	Deputy Coordinator	15 oblasts	10*
Nikolai Kokorev	Economist	15 oblasts	10
Elena Leonova	Administration/Assistant	Moscow office	10*
Serguei Tcherenkov	Sr. Computer Specialist	15 oblasts	15
Olga Zhukova	Reorganization Specialist	Moscow, 15 oblasts	10*
Tatiana Pletniova	Reorganization Specialist	Vladimir	6
Maria Gagarina	Reorganization Specialist	Ivanovo	6
Nikolai Kurbatski	Reorganization Specialist	Kaluga	10
Nikolai Timchenkov	Reorganization Specialist	Smolensk	5
Vladimir Gorodetski	Reorganization Specialist	Tver	10
Anatoli Baranov	Reorganization Specialist	Bryansk	5
Viktor Dolmatov	Reorganization Specialist	Saratov, Lipetsk	10
Evgeny Trofimov	Reorganization Specialist	Samara, Voronezh	10
Vladimir Nutrikhin	Reorganization Specialist	Leningrad, Vologda	10

Name	Position	Assigned Region	Days/Month
Nikolai Babkin	Reorganization Specialist	Arkhangelsk	10
Tamara Anisimova	Reorganization Specialist	Kostroma	10**
Yuri Filippov	Reorganization Specialist	Kostroma	10**
Mikhail Maximov	Driver	Moscow office	10***
Alexander Makarov	Driver	Moscow office	10*

*Switched to full-time February 1, 1997, for Certificate Program.

**Tamara Anisimova completed work in February 1997. Yuri Filippov replaced her for one week each in March and April.

***Switched to full-time for April 1997.

