

The Ministry of Privatization of
State Property Administration

The Ministry of Agriculture and
Food Industry

THE METHODOLOGY OF THE BREAK-UP OF COLLECTIVE FARMS IN MOLDOVA

Chisinau 1996

Funded by USAID

A

The manual was prepared by experts of the Center for Private Business Reform and Training Consulting Center "AGBIS":

Ph.D. in economics Ivan Cernioglo,

Ph.D. in biology Victor Podaru,

Ph.D. in agriculture Iuri Novosadiuk,

Ph.D. in agriculture Veceaslav Afanasiev,

Ph.D. in law Olga Ovchinnikova.

Sergiu Botezatu , Vadim Rusu, Angela Michicin, Aleksandr Slusar, Eduard Musteata, Aleksandr Surovtsev.

Edited by Ph.D. in economics Aleksandr Muravschi and Iuri Gatu, head of the Reform Department of the Ministry of Privatization and State Property Administration.

B

Contents

Preface	1
Introduction	2
I. Preparatory Stage	4
1. Conduct of the General Meeting	5
2. Formation of Privatization and Land Commissions	6
II. Preliminary Stage of Privatization	8
1. Land Privatization	9
1.1. Compilation of Equivalent Land Share Entitlement Lists	9
1.2. Land Inventory	10
1.3. Computation of Land Shares	12
1.4. Completion of Certificates Confirming Ownership Rights to Equivalent Land Share	16
2. Property Privatization.	18
2.1. Compilation of Property Share Entitlement Lists.	19
2.2. Examination of Balance Sheet Entries	19
2.3. Technical Inventory of Fixed Assets	20
2.4. Accounting Inventory of Property	21
2.5. Farm Property Appraisal	22
2.6. Compliation of the List of Social-Sphere Facilities to Be Transferred to the Local Self-Administrative Authorities	32
2.7. Compliation of the List and Appraisal of Fixed and Current Assets Left to the Legal Successor to Pay Debts	32
2.8. Appraisal of the Farm Privatization Fund	32
2.9. Determination of the Property Share to Be Distributed to Former Farm Employees and Social-Sphere Workers	33
2.10. General Meeting of Employees and Pensioners Devoted to Farm Privatization and Reorganization	35
2.11. Determination of the Property Shares for Every Entitled Person	37
III. Completion of Privatization, Reorganization and Creation of New Agricultural Enterprises	39
1. Division of Agricultural Land into Lots	40
1.1. Lot Formation Principles	41
1.2. Preparation and Announcement of the Land Plot Lists	41
1.2.1. Preparation of Lists	41
1.2.2. Announcement of Lists	43
2. Polling to Identify Leaders of Agricultural Enterprises.	44
3. Collection of Proxies from Holders of Equivalent Land Shares.	46
4. Preparing and conducting the Lot Distribution Tender	48
4.1. Submission of Applications	49
4.2. Preparation, Updating and Registration of Application	50
4.3. Training Tender Particants	50
4.4. Main Principles of Organizing and Conducting a Tender	51
4.5. Conduct of the Tender	51
4.5.1. Tender Stages	51
4.5.2. Tender Procedures	51
4.6. Signing the Necessary Documents upon Completion of the Tender	54
5. Formation of New Enterprises	58

C

6.	Preparation of Foundation Documents and Registration of New Agricultural Enterprises	60
7.	Transfer of Property to the Newly Created Enterprises	62
8.	Preparation of the Divisional Balance Sheet	64
IV.	Information Campaign	66
1.	Formation of the Information Center	69
2.	Activities Targeting Land and Property Share Holders	70
2.1.	Explanatory Discussions at the Workplace	70
2.2.	Individual Discussions	70
2.3.	Preparation of Bulletin Boards	71
2.4.	Use of Additional Information Means	71
2.5.	Dissemination of Informational Materials	72
3.	Activities Targeting Leaders	77
3.1.	Identification of Leaders	77
3.2.	Conduct of Seminars	78
3.3.	Individual Discussions	78
3.4.	Dissemination of Information Materials	78
	Legal Grounds for Farm Privatization and Reorganization	84

PREFACE

The process of farm privatization and reorganization represents the most important step of transition to the market economy in Moldova, a country in which the agro-industrial complex plays a primary role. The objective of this process is to create a large group of genuine land owners who will become a solid socio-economic foundation of an independent democratic state.

The complex character of this process is a result of the decades in which Moldova was dominated by state-run agricultural enterprises and collective farms. Today, it is important to change the attitude of people toward property, organization and management of production processes.

The privatization and reorganization model suggested in this manual is based on the current legislation and such key components of the market economy as equal opportunity, free choice and competition

The optimum schemes for farm reorganization based on the specialization and the technical base of each farm and orientated toward large-scale production are currently being developed in Moldova. One of these schemes is successfully being tested in the "Mayak" kolkhoz of the Nisporeni district and may be recommended for the reformation of other agricultural enterprises.

This undertaking would have been impossible without the support of the United States Government that has helped accelerate the transformations in Moldovan agriculture.

Vice Prime Minister
Valeriu Bulgari



INTRODUCTION

Agrarian reform is one of the most important components of the economic reform in the Republic of Moldova. It is aimed at changing the decades-long organizational, economic and legal relations in the village, establishing socio-economic freedom for farmers, increasing agricultural exports, improving living standards, work conditions and social protection for rural workers.

Soon after adopting the Declaration of Sovereignty and Proclamation of Independence, the Moldovan Parliament and Government began to create the legal basis for agrarian reform and to prepare for its implementation. The process of mass privatization of collective farms and formation of new types of enterprises is continuing in the Republic of Moldova. New types of enterprises include joint-stock companies, limited liability companies, peasant (farmer) enterprises and farmer associations.

In many situations, collective farm privatization has occurred only formally. In particular, joint-stock companies and production cooperatives still resemble collective farms in their cumbersome management systems, inefficient and redundant procurement practices and other expenditures and in workers' irresponsible employment attitudes. Although these farmers have documents evidencing their ownership rights, they do not feel themselves true owners. At the same time, private farmers find that the small sizes of their parcels, lack of technical and financial resources and immaturity of market infrastructures all impede efforts to improve farming efficiency. Additional impediments include the absence of a broad understanding of the privatization process among the rural population, procedural and mechanical deficiencies in the process of registering and transferring real estate titles and a host of petty bureaucratic obstacles.

In the light of experience, therefore, the process of land privatization in Moldova can be improved by taking practical steps to strengthen and expedite:

- the break-up of collective farms;
- the titling of land;
- the formation of several competing enterprises in one village;
- the development of the market infrastructure; and
- the creation of an effective mechanism for transfer of land and property use rights to the most efficient private farming enterprises.

In order to achieve these goals, privatization methodology must be guided by five main principles:

- land privatization must be conducted on voluntary basis;
- titles must be issued to evidence and protect land owners' constitutional rights to the private ownership of land;

- owners shall be free to dispose of their land at their discretion;
- the land privatization process must be, and be perceived to be, fair and transparent; and
- citizens must receive, and have continuing access to, detailed information about their ownership rights and the alternative forms of organization for productive units (and their respective advantages and disadvantages)..

The Governments of the United States and Moldova collaborated in a pilot project to test one method of collective farm break-up which adheres to the foregoing principles. Funded by the United States Agency for International Development (USAID) and carried out by the Center for Private Business Reform and AGBIS Training and Consulting Center, in association with the management and specialists of the Mayak collective farm in the Nisporeni district, the pilot produced the template for a nation-wide roll out of the privatization process which was developed and tested in that project.

This manual is designed to serve as a practical guide, showing the reader how to break up a collective farm within the legal and regulatory framework applicable in Moldova. The manual gives step-by-step instructions from the creation of the privatization and land commissions to registration of the new private entity as a legal enterprise.

The authors would like to acknowledge the support and assistance of the United States Government and United States Agency for International Development, which funded the pilot collective farm break-up project in the Nisporeni district, and helped prepare this manual. We would also like to thank Moldovan Vice Prime Minister Valeriu Bulgari, Minister of Privatization and State Property Administration Cislav Ciobanu and Minister of Agriculture and Food Industry Valeriu Gorincioi for their active support and encouragement.

I. PRELIMINARY STAGE

The following steps are required before conducting land and property privatization in farms subject to privatization and reorganization:

1. Preparation and organization of a general meeting of the farm employees and pensioners.
2. Formation of privatization and land commissions.

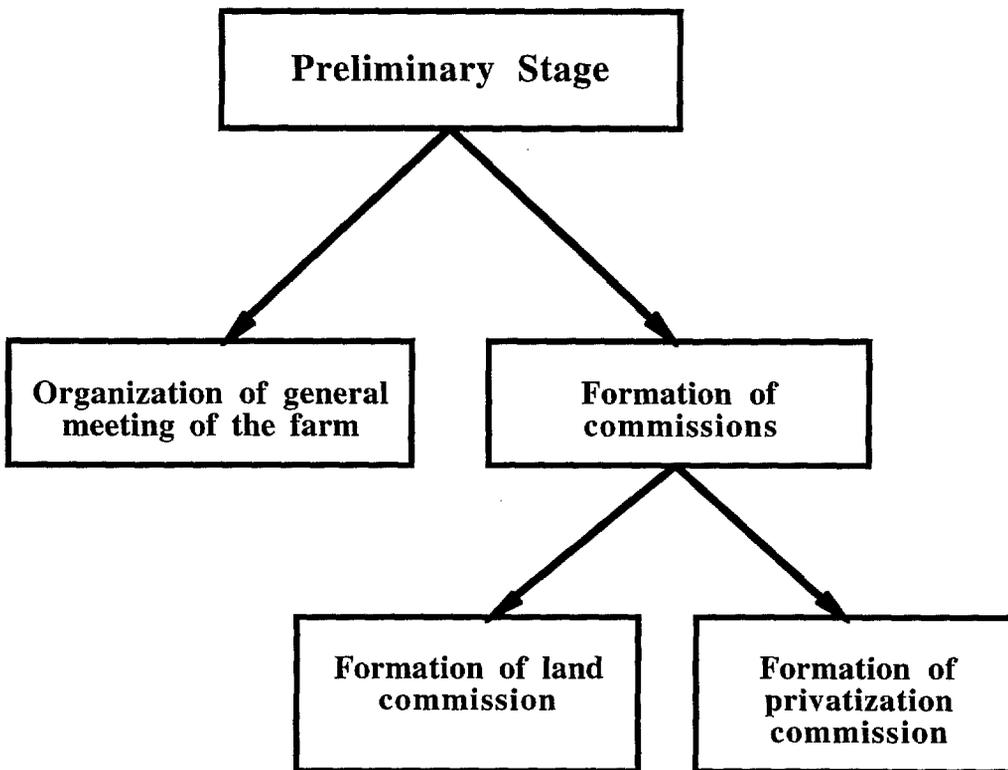


Chart 1. Preliminary Stage

1. Organization of the general meeting

The general meeting on the farm subject to privatization and reorganization presents for discussion issues on:

- a) analysis of the economic condition of the farm;
- b) privatization of the farm; and
- c) reorganization of the farm.

The resolution of the general meeting is included in a report and is executed in the required format shown below:

Example:

The report of the general meeting _____ Date _____

Participants¹ _____

Agenda:

- 1. analysis of the economic condition of the farm;
- 2. privatization of the farm;
- 3. reorganization of the farm.

1. The following took the floor:

The following resolution was adopted:

Voted: _____ for; _____ against; _____ abstained

2. The following took the floor:

The following resolution was adopted:

Voted: _____ for; _____ against; _____ abstained

....
Signatures:

Chairman of the meeting _____

Secretary of the meeting _____

¹ The resolutions of the meeting are effective if more than _____% of the total number of farm members are in attendance.

2. Formation of the Privatization and Land Commissions

The privatization and land commissions carry out the process of privatization and reorganization.

The land commission consists of:

- ◆ the mayor or deputy mayor (serving as commission chairman);
- ◆ specialist of the agrarian reform section dealing with land use, land arrangement and soil protection (serving as deputy commission chairman);
- ◆ office clerk (serving as commission secretary);
- ◆ 2-3 mayor's office councillors;
- ◆ farm lawyer;
- ◆ farm specialist in production technology, land reclamation and soil protection, village development and architecture; and
- ◆ specialists in accounting, economics, farm production planning.

Government Decision no. 130 of 02.03.92 On Approval of Regulation on Village, Town, City, District Land Commissions item 4.

The main tasks of the land commission are:

- determination of the surface area and location of land plots to be transferred to private ownership;
- receipt and registration of land applications;
- compilation of the land entitlement list and completion of documents necessary for land allocation;
- justification of the land plot size;
- submission to the mayor's office of final suggestions and documentation on land allocation;
- transfer of land plots to the ownership of citizens after the mayor's office approves the suggestions on land allocation;
- resolution of land disputes arising between land owners; and
- preparation of a work plan to be approved by administration authorities and district land commissions.

Government Decision no. 130 of 2.03.92 "On Approval of Regulations on Village, Town, City, District Land Commissions" item 9

The commission for privatization of farm property consists of 7-15 people depending on the volume and nature of work and must include representatives of:

Government Decision no.361 of 10.06.93 "On Approval of Regulations on Commission for Privatization of Farm Property"

- ◆ the Ministry of Privatization territorial agency;
- ◆ territorial agency of the Ministry of Agriculture and Food Industry;
- ◆ self-administration authorities;
- ◆ bank servicing the farm (with the assent of the bank management); and
- ◆ farm collective.

The main functions of the privatization commission are:

Government Decision no.361 of 10.06.93 "On Approval of Regulation On Commission For Privatization Of Farm Property"

- directs the information campaign;
- approves the technical and accounting inventory commission;
- compiles the list of people entitled to property;
- submits suggestions on the method for determining the property share of each participant in privatization;
- determines the size of the property share;
- designs the method of actual allocation of property shares;
- evaluates property;
- transfers the social sphere facilities to the local self-administration authorities;
- prepares documents for the issuance of certificates evidencing property shares;
- notifies creditors of reorganization; and
- issues titles.

The privatization commission coordinates its activity in close cooperation with the land commission.

I. PRELIMINARY STAGE OF PRIVATIZATION

The preliminary stage of farm privatization includes (Chart 2):

- issuance of certificates confirming ownership rights to equivalent land shares
- issuance of private ownership certificates of property

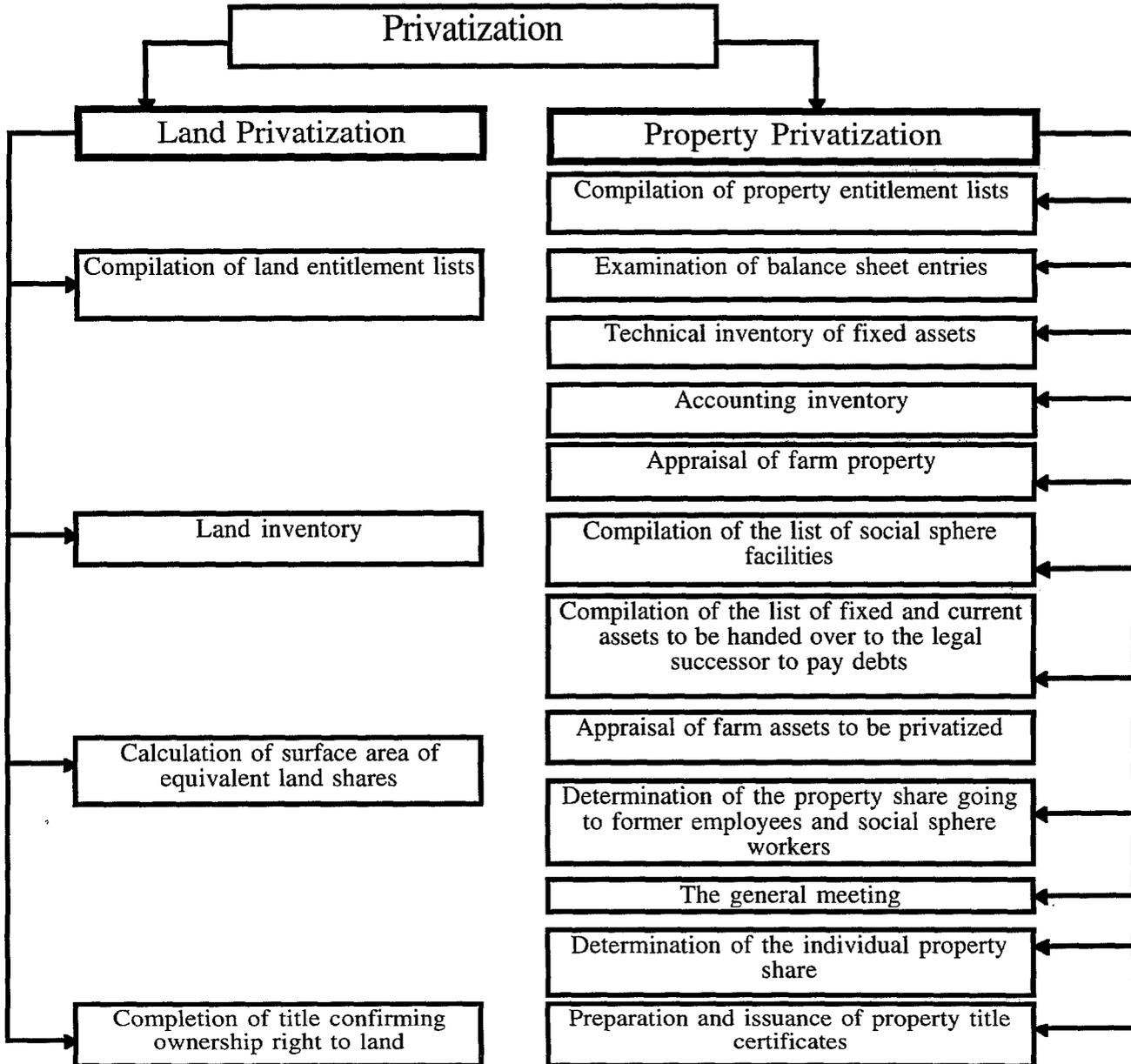


Chart 2. Stages of farm privatization

1. Land Privatization

The land privatization stage includes:

- compilation of lists of people entitled to equivalent land shares;
- land inventory;
- calculation of land shares; and
- completion of certificates confirming ownership rights to equivalent land shares and their transfer to the mayor's office.

Government Decision no.449
29.06.92 ä.

1.1. Compilation of land entitlement lists

The following persons may be included in the list of people entitled to equivalent land shares compiled by the land commission:

Art.12 of the Land Code of RM
amended on 10.02.95 section 4

1. members of kolkhoz¹, employees of sovkhov² or other agricultural enterprises, including pensioners thereof;
2. employees of organizations and enterprises who live in the rural area and are directly engaged in works of construction and exploitation of land reclamation systems and improvement of soil fertility in the respective locality including pensioners thereof;
3. residents of rural areas, who have transferred from agricultural enterprises to kolkhoz and inter-enterprise construction and transportation organizations, including pensioners thereof;
4. employees of inter-enterprise cattle-breeding farms, including pensioners thereof;
5. persons elected to an office or conscripted into the army, who prior to that worked in the agricultural enterprise;
6. people who have worked in the agricultural enterprise (of the respective locality): men - 25 years, women - 20;
7. World War II veterans, former internationalist soldiers, families of those who have died as a result of defending Moldova's territorial integrity and independence. All participants must live in rural areas; at the place of residence;
8. rural residents who have suffered under political oppression and have been subsequently rehabilitated;
9. persons who have transferred their land to collective farms, but who do not work therein, on condition they will settle down in the respective locality.

^{1,2} Kolkhoz and sovkhov in essence are the same type of collective farms. However, there are some legal implications which are not explicitly detailed in this manual.

Up to 50% of equivalent land shares calculated in a territorial-administrative entity are granted to:

- persons indicated in paragraphs 2-6 of the Moldovan Land Code, Art.12 who have worked in industrial enterprises and other non-agricultural businesses, organizations and institutions, but who have been employed in an agricultural company for less than five years;

- rural residents engaged in the social area with the appropriate length of service - men 25 years, women 20 - who have become disabled from working in their field of specialization due to age or illness and none of the family members have received equivalent land shares.

ALL OPERATIONS RELATED TO THE ALLOCATION OF EQUIVALENT LAND SHARES ARE PERFORMED ON THE BASIS OF THE JANUARY 1, 1992 SITUATION.

Art.12, Section 4 of the Land Code

1.2. Land inventory

The land surveyor (of the mayor's office or district), together with the land commission, performs a land inventory and determines the agricultural land subject to privatization.

Art.3 of the Law on Modification and Amendments to the Land Code of 13.03.95.

The land inventory includes:

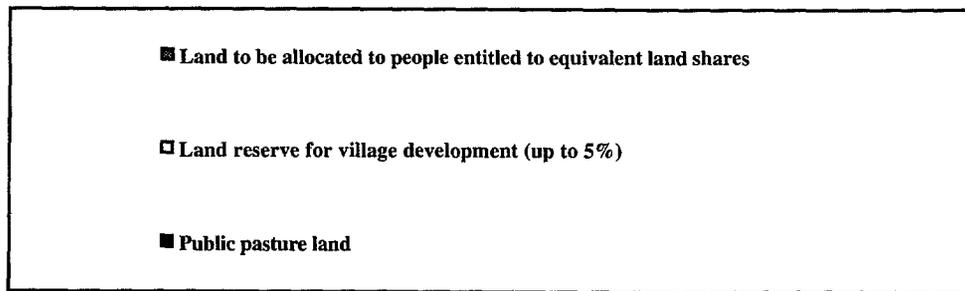
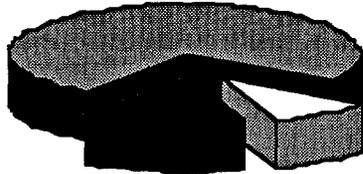
- determination of the total surface area of the land held by the corresponding territorial-administrative entity;
- determination of the total area of agricultural land;
- determination of the surface area of public pastures; and
- determination of the land reserve needed for the social development of the village (up to 5% of all land owned by the village).

The total surface area of land subject to privatization is computed by deducting the following categories of land from the total surface area of land owned by the territorial-administrative entity:

Art.11-12 of the Land Code of RM

- public pasture land;
- land reserved for village development (up to 5%).

Chart 3. Determination of land subject to privatization



On the basis of land fertility surveys, the total hectare-points are calculated by the following formula:

$$\sum P_{HA} = P_1 \times S_1 + P_2 \times S_2 \dots P_n \times S_n$$

$\sum P_{HA}$ = the total hectare-points;

$P_1, P_2 \dots P_n$ = weighted average of hectare points for plot #1, 2 ... n;

$S_1, S_2 \dots S_n$ = surface area of plot #1, 2 ... n.

Example:

The farm land consists of three land plots which have the following characteristics:

plot #	Surface area (S), ha	Average fertility points (D)
1	22.5	55.0
2	132.5	48.0
3	61.0	71.0

Required: Determine the total number of hectare-points for the farm land.

Solution:

$$\sum P_{ha} = 55 \times 22.5 + 48 \times 132.2 + 71 \times 61 = 1,237.5 + 6,345.6 + 4,331 = 11,914.1$$

So, 11,914.1 hectare-points have to be distributed.

1.3. Computation of land shares

The computation is made for two types of land shares:

- a) equivalent land shares;
- b) demarcated equivalent land shares;

The following formula is used to determine the equivalent land share in hectare-points:

$$S_{ls} = \frac{\sum P_{ha}}{N_1 + N_2}$$

S_{ls} = land share computed in hectare-points for persons entitled to full (100%) shares.

$\sum P_{ha}$ = total of hectare-points of agricultural land subject to privatization.

N_1 = number of persons entitled to full shares.

N_2 = number of full equivalent land shares to be distributed to persons entitled to partial shares.

N_2 is computed by the following formula:

$$N_2 = \frac{a_1 b_1 + a_2 b_2 + \dots + a_n b_n}{100\%}$$

$a_{1,2,\dots,n}$ = number of persons entitled to partial land shares (respectively $b_1\%$, $b_2\%$..., $b_n\%$ of the full share).

Example:

The land entitlement list includes:
1,200 persons entitled to full equivalent land shares;
20 persons entitled to 10% of the full equivalent share;
45 persons entitled to 15% of the full equivalent share;
30 persons entitled to 50% of the full equivalent share.
The total of hectare-points, $P_{ha} = 110,220$.

Required: Compute the land share in hectare-points.

Solution:

$$N_2 = \frac{(20\text{per.} \times 10) + (45\text{per.} \times 15) + (30\text{per.} \times 50)}{100} = \frac{2375}{100} = 23.7 \text{ full shares}$$

$$\text{Then } S_{sl} = \frac{\sum P_{ha}}{N_1 + N_2} = \frac{110,220}{1,200 + 23.7} = \frac{110,220}{1,223.7} = 90.1 \text{ points}$$

Thus, a full equivalent land share has 90.1 hectare-points.

Every person not entitled to a partial land share will get:

for 10% $(90.1 \times 10) : 100 = 9.00$ points;

for 15% $(90.1 \times 15) : 100 = 13.50$ points;

for 50% $(90.1 \times 50) : 100 = 45.05$ points.

This computation was made for the whole area of agricultural land subject to privatization.

A similar computation may be made for each type of agricultural land (arable land, orchard, vineyards, etc.)

Example:

The total surface area of land subject to privatization is 2,370 ha., of which arable land covers 1,470 ha. with an average of 76.0 hectare-points; vineyards 580 ha. rated 62.0 hectare-points and orchards 320 ha. rated 68.0 hectare-points. The total number of full shares is 1,352.

Required: Compute the hectare-points of a full equivalent share for different types of agricultural land.

Solution: The full equivalent land shares for different types of agricultural land are computed with the following formula:

$$S_{FA} = \frac{S_A \times P_A}{N}$$

$$\frac{1,470\text{ha} \times 76.0 \text{ p}}{1,352 \text{ shares}} = \frac{111,720 \text{ hectare-points}}{1,352 \text{ shares}} = 82.6 \text{ hectare-points}$$

$$S_{FV} = \frac{S_V \times P_V}{N}$$

$$\frac{580 \text{ hectares} \times 62.0 \text{ points}}{1,352 \text{ shares}} = \frac{35,960 \text{ hectare-points}}{1,352 \text{ shares}} = 26.6 \text{ hectare-points}$$

$$S_{FO} = \frac{S_O \times P_O}{N}$$

$$\frac{320\text{hectares} \times 68.0\text{points}}{1,352 \text{ shares}} = \frac{21,760 \text{ hectare-points}}{1,352 \text{ shares}} = 16.1 \text{ hectare-points}$$

of which:

- S_A = surface area of arable land;
- S_V = surface area of vineyards;
- S_O = surface area of orchards;
- P_A = weighted average of fertility points of arable land;
- P_V = weighted average of fertility points of vineyards;
- P_O = weighted average of fertility points of orchards;
- N = the number of full equivalent land shares;
- S_{FA} = the full equivalent share of arable land;
- S_{FV} = the full equivalent share of vineyards;
- S_{FO} = the full equivalent share of orchards;

The totals are computed as follows:

$$S_T = S_A + S_V + S_O = 1,470 \text{ ha.} + 580 \text{ ha.} + 320 \text{ ha.} = 3,270 \text{ ha.}$$

$$P_T = \frac{S_A \times P_A + S_V \times P_V + S_O \times P_O}{S_T}$$

$$\frac{111,720 \text{ hectare-points} + 35,960 \text{ hectare-points} + 21,760 \text{ hectare-points}}{2,370 \text{ hectares}} = 71.5 \text{ points}$$

$$S_{FT} = \frac{S_A \times P_A + S_V \times P_V + S_O \times P_O}{N}$$

$$\frac{111,720 \text{ hectare-points} + 35,960 \text{ hectare-points} + 21,760 \text{ hectare-points}}{1,352 \text{ shares}} = 125.3 \text{ hectare-points/share}$$

S_T = total surface area of all agricultural land to be privatized;

P_T = total fertility points of all agricultural land subject to privatization;

S_{FT} = full land share as calculated for all agricultural land subject to privatization;

Initial data and the computation is shown in Table 2.

Table 2

Type of land	Surface area (S), hectares	Weighted average of fertility points (P)	S x P	Full shares in hectare-points
Arable land	1,470	76.0	117,720	82.6
Vineyards	580	62.0	35,960	26.6
Orchards	320	68.0	21,760	16.1
Total	2,370	71.5	169,440	125.3

The local self-administrative authorities establish the ownership rights to equivalent land shares.

If there are individuals who have left the collective farm with their equivalent land shares, the land commission must take the following steps:

- determine the land privatization fund (hectares or hectare-points) remaining after the departure of such persons;
- update the land entitlement list in accordance with the Law on Modifications and Amendments to the Land Code no.369-XIII;
- recompute the equivalent land shares as shown above.

1.4. Completion of documents confirming ownership rights to an equivalent land share

In accordance with Moldovan legislation, persons entitled to land shares are granted a document in the following form:

Governmental Decision
no. 449 as amended on
29.06.92

Republica	Moldova
Республика	Молдова
T I T L U ce confirma dreptul de proprietate asupra cotei de teren echivalent	
А К Т подтверждающий право собственности на долевую площадь равноценной земли	
Приложение к Постановлению Правительства Республики Молдова №449 от 29.06.92	

TITLU nr. _____

Cetateanul _____
membru al colhozului _____
raionul _____, Republica Moldova
prin decizia Primariei _____

din

“ _____ ” 199__ nr. _____
i se confirma dreptul de proprietate asupra
cotei de teren echivalent in marime de
_____ ha cu bonitate de _____ grade

Primar _____

Semnatura _____

L. S. “ _____ ” 199__

Nota: In natura terenurile se distribuiesc reiesind din marimea
cotei corectate la momentul repartizarii

А К Т № _____

Гражданину(ке) _____
члену _____ колхоза _____
района _____ Республики Молдова
по решению Примэрии _____

от “ _____ ” _____ 199__ г. № _____
подтверждается право собственности на
долевою площадь равноценной земли
_____ га с бонитетом _____ баллов.

Примар _____

Подпись _____

М.П. “ _____ ” _____ 199__ г.

Примечание: в натуре земли отводятся исходя из величины квоты,
уточненной на момент их предоставления

2. Property privatization

Subject to privatization in farms is the property of former kolkhozes, sovkhoses, inter-farm enterprises and associations and other types of agricultural enterprises. The following assets undergo privatization:

The Law on Privatization of
04.07.91

- fixed assets (buildings, structures, transmission installations, machinery and equipment; computation equipment; measurement devices, transport means; production inventories; draft and meat cattle; perennial plantations; and other assets);

- current assets (production stock - fodder, seeds, lubricants, fuel, fertilizers; unfinished products; finished products; inventories; future expenses; consumables and objects of little value; and other assets);

- financial assets (cash in hand and on account, securities, investments, accounts receivable).

- unfinished production premises and equipment to be installed;

Stages of preparation for property privatization (Chart 4):

- compilation of property entitlement lists;
- examination of balance sheet entries;
- technical inventory of fixed assets (machinery and equipment, vehicles, production tools);
- accounting inventory of assets;
- appraisal of farm property;
- compilation of social-sphere facilities to be handed over to local self-administrative authorities;
- compilation of fixed and current assets to be handed over to the legal successor to pay debts;
- estimation of farm property subject to privatization;
- determination of the property shares that the former farm employees and social sphere workers will receive;
- general meeting of employees and pensioners;
- determination and computation of the property share size;
- preparation and distribution of private ownership certificates on property shares.

2.1. Compilation of lists of people entitled to individual property shares

Simultaneously with the property appraisal, the privatization commission prepares and updates the list of people entitled to property shares.

The following people are entitled to property shares:

- farm employees and pensioners;
- former farm employees, teachers, medical workers, social and cultural sphere employees, who live on the respective farm;

Art.14 of the Privatization Law

The property share of persons who have died after January 1, 1992, subject to the confirmation by the territorial agency of the Ministry of Privatization and State Property Administration, including cases when the deceased did not receive any document evidencing his or her ownership rights, is transferred to the heirs.

The Law on the Privatization Program for 1995-96, art.28

The Civil Code, chapter VII

The privatization commission delegates the responsibility for the accuracy of the property entitlement lists to one of its members representing the personnel department of the farm.

2.2. Examination of balance sheet entries.

The checking of the balance sheet requires the last financial report approved by the district financial inspection department as well as the general ledger and journals as of the date of the report. The figures of each account are verified with the entries in the balance sheet, ledgers and journals. The true amounts are determined for each entry in the balance sheet:

- fixed assets, unfinished construction and equipment and current assets are recorded with the person responsible therefor (balance sheet lines 010-180);
- financial assets (balance sheet lines 200-230);
- accounts receivable (balance sheet lines 240-340);
- accounts payable (balance sheet lines 550-720).

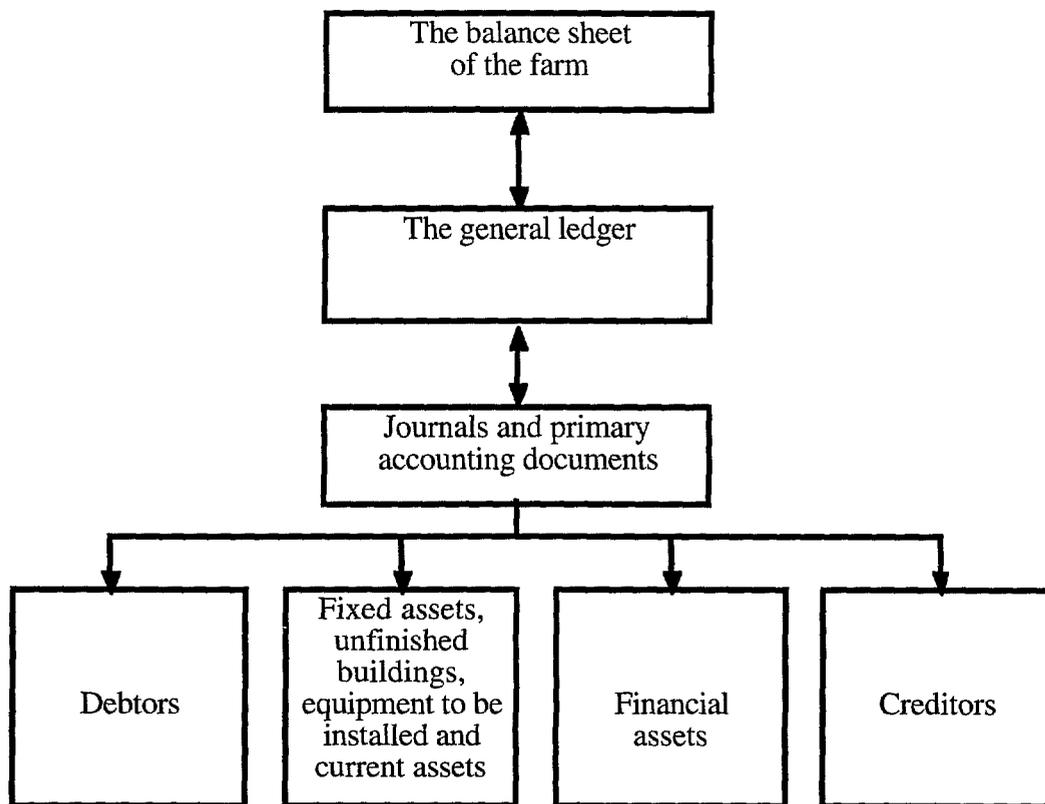


Chart 4. Examination of the balance-sheet entries.

2.3. Technical inventory of fixed assets

On the basis of fixed assets inventory reports for each production unit, technical inventories are conducted for machinery and equipment, vehicles, production and administration stocks.

The technical inventory commission is set up by the delegated authority of the farm president (director of the state agricultural enterprise). This commission consists of:

- ◆ the technical manager of the farm (in case of absence, the acting technical manager);
- ◆ the head of the unit in which the inventory is being conducted;
- ◆ persons responsible for the pieces of equipment;
- ◆ a member of the inventory commission;
- ◆ accountant of the tangible assets; and
- ◆ an independent expert.

The commission computes the estimated value of the equipment using the statement on the estimated value of equipment and technical maintenance journals on current and general repairs. The value is then entered on the 13th line of the aforementioned statement.

The appraisal of separate pieces of equipment must take into account:

- the cost of general repairs;
- current maintenance costs and expenses for engineering and technical equipment;
- the price of each part of equipment or entire piece of equipment as of the date of inventory, taking into account transportation and customs costs;
- hidden defects;
- the physical condition of the equipment.

The rights and duties of the commission

The commission has the rights:

- to request department heads of the enterprise to present relevant documents, statements, orders, etc.;
- to invite the support of specialists;
- to elect the chairman, deputy chairman and secretary of the commission;
- to revise and implement decisions for which complaints have been filed.

The commission must:

- do the work competently and meet the deadline;
- draw up a consolidated technical inventory report and sign it;
- notify the farm president of the inventory results.

2.4. Accounting inventory of property

The central inventory commission is either appointed or elected (depending on the type of farm). The farm management has to approve the commission by a corresponding resolution (the director of the state enterprise approves it by a decree). If necessary, the resolution (decree) will set up inventory subcommissions for separate production units and will indicate the period of inventory and date for submission of inventory reports to the central inventory commission. The commission must consist of no less than three persons. Two members of the commission shall be employees of the farm, one of whom shall be from the accounting department.

Upon receipt of the inventory papers for every production unit, the central commission drafts verification reports and calculates the inventory results. Inventory results are shown in the report of the inventory commission, signed by its members with the subsequent analysis and approval by the general meeting of employees and pensioners.

Inventory results are shown in the accounting report.

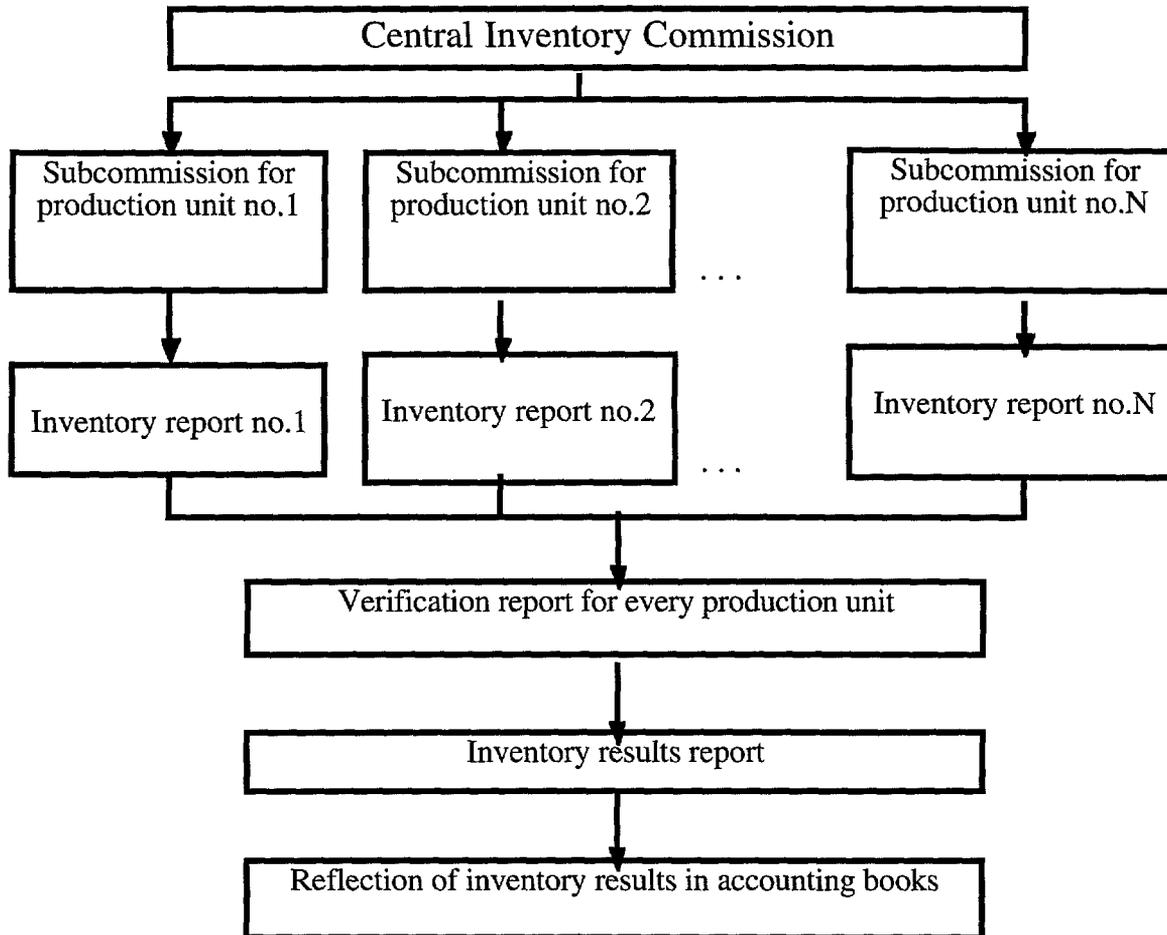


Chart no.5 Accounting inventory commission

2.5. Property appraisal

Property appraisal in collective farms is conducted in accordance with the Methodical Indications for the Appraisal of Assets in Enterprises and Organizations of Moldova approved by Government Decision no.293 of 30.04.1992, Government Decision no.118 of 05.05.1993 on Re-valuation of Fixed Assets and Compensation for the 1992 Inflation of the Property Subject to Privatization and Government Decision no.287 of 13.05.1994 on Acceleration of State Property Privatization.

The following assets are appraised:

- production orientated fixed assets (buildings, structures, transmission installations, machinery and equipment, transport means, draft and meat cattle, perennial plantations and other assets);

- non-production orientated fixed assets (housing and utilities, social facilities, etc.);

Government Decision no. 293 of 30.04.94 "Methodical Indications Concerning the Appraisal of Assets in Enterprises and Organizations of the Republic of Moldova"

- unfinished production premises and equipment to be installed;
- current assets (production stock - fodder, seeds, lubricants, fuel, fertilizers, unfinished products, finished products and other assets);
- financial assets (cash in hand and on account, securities, investments, accounts receivable).

The documents below are prepared on the basis of the depreciation adjustment of fixed assets, unfinished buildings and equipment to be installed as well as the technical inventory of fixed assets:

Government Decision no. 118 of 05.03.93 "On Re-Valuation of Fixed Assets and Compensation for the 1992 Inflation of the State Property Subject to Privatization."

- Statement of Determination of Estimated Value of Fixed Assets According to the Last Balance Sheet (table 3) which is used to draw up the **Statement on the Appraisal of Fixed Assets** (table 4);

To check the accuracy of the former statement the following step is taken: in the balance sheet, the amount shown on line 465 "Asset Depreciation Fund" on the Liabilities side is deducted from line 022 "(Indexed) Initial Book Cost" on the Assets side which equals the initial book cost (Total on line 6 of Table 3).

- Statement of the Appraisal of Unfinished Building and Equipment to Be Installed According to the Last Balance Sheet (table 5);

The verification is made in the following manner: unindexed data in table 5 is compared with line 030 "Equipment To Be Installed" and 040 "Unfinished Capital Investments" on the Assets side of the balance sheet.

Financial and current assets are appraised according to the indicated decisions and the balance sheet. Then, the following documents are completed:

Government Decision no. 287 of 13.05.94 on acceleration of state property privatization

- Statement of the Appraisal of Financial Assets (table 6);

The Assets side of the statement contains line 050 "Long-Term Financial Investments" and the total of the 3rd department of the Assets side of the balance sheet - line 340 "Financial Funds, Payments and Other Assets". The Liabilities side contains the total of the 3rd department of the Liabilities side of the balance sheet - line 720 "Payments and Other Liabilities" and line 420 "Special Purpose Fund" minus "Social Development and Stimulation Fund". The Assets side less the Liabilities side equals the total in the Statement on the Appraisal of Financial Assets.

Governmental Decision no.30 of 16.01.92 on reappraisal of fixed assets

- Statement of the Appraisal of Current Assets (table 7)

The verification is made in the following manner:

The total in Table 7 must equal the total of the 2nd department on the Assets side, line 180 "Inventories and Expenses".

All of the aforementioned documents are used to draw up a **Consolidated Statement of the Appraised Value of Assets** (table 8).

All the statements are prepared in three copies and are approved by the territorial agency of the Ministry of Privatization.

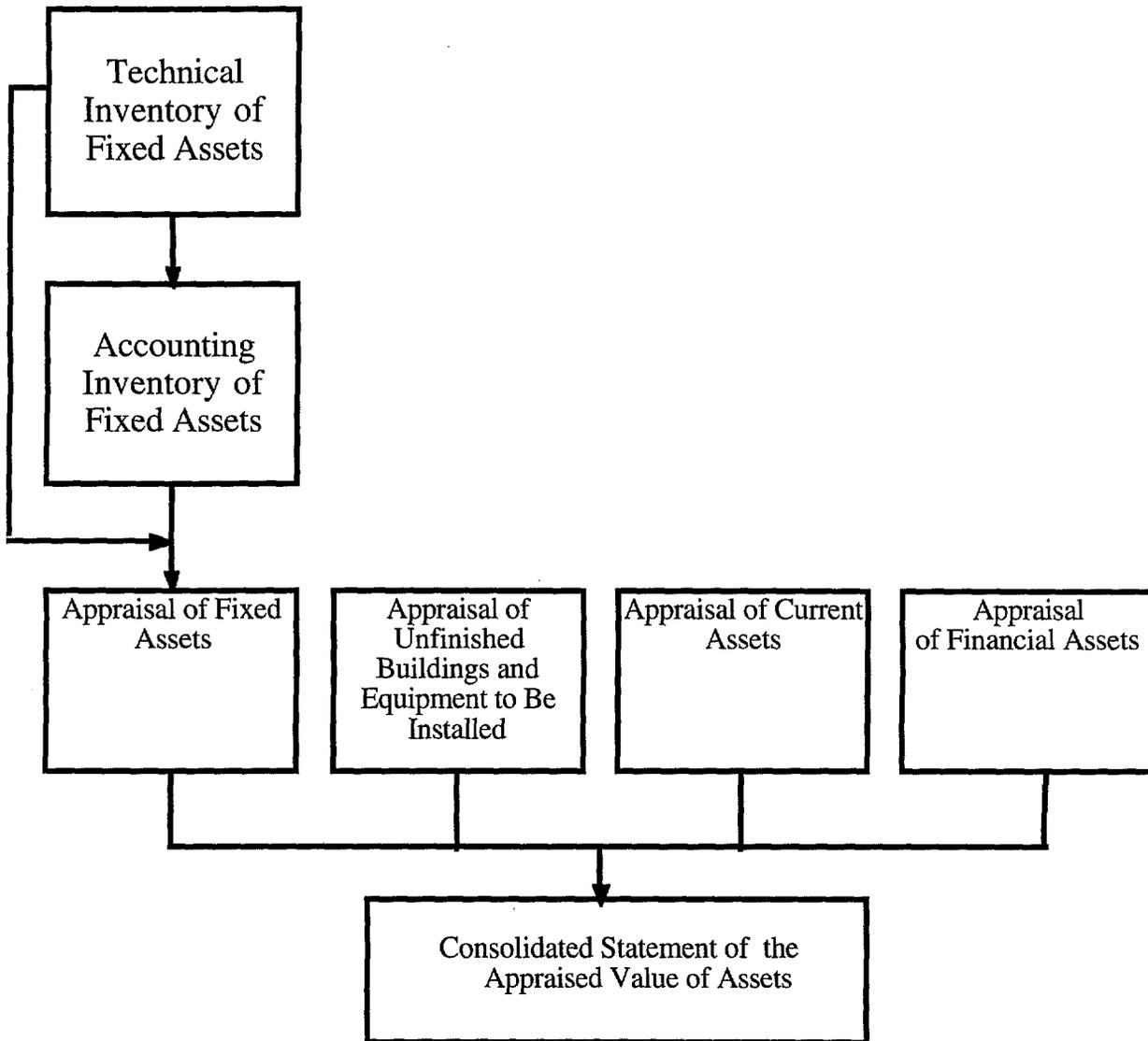
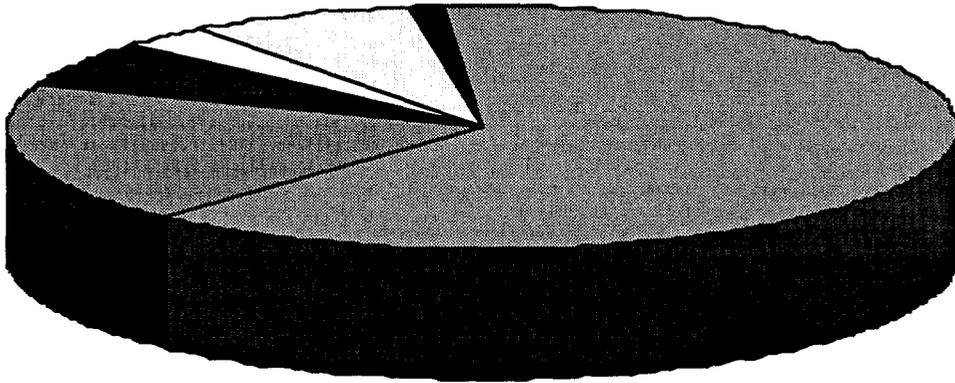


Chart 6. Steps of property appraisal

Chart 7. Determination of the estimated value of fixed assets as of balance-sheet



- Buildings, structures and transmission installations
- Machinery and equipment
- Transportation means
- Draft and meat cattle
- Perennial plantations
- Other fixed assets

Table 3

Statement Of Determination Of The Appraised Value Of Fixed Assets
as of _____ 199__ (the last balance-sheet)

Inventory #	Description of every group of fixed assets	Date of installation	Quantity	Period of use (years)	Initial cost (lei)	Indexation quotient	Initial indexed cost (lei)	Depreciation percentage	Physical wear		Residual value lei		Indexation coefficient		Estimated cost lei
									%	lei	book value	adjusted value	1993	1994	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	<i>Groups:</i> 1. Buildings, structures, transmission installations 2. Machinery and equipment 3. Transportation means 4. Draft and meat cattle 5. Perennial plantations 6. Other fixed assets														
	Grand total														
	Total for section														
	Total including														
	Buildings, structures, transmission installations														
	Machinery and equipment														
	Vehicles														
	Draft and meat cattle														
	Perennial plants														
	Miscellaneous														

26

Table 4

Statement Of Appraisal Of Fixed Assets (In Lei)

#	Denomination of fixed assets	Initial (book) cost		After-indexation residual (corrected) cost		Estimated cost	
		as of the date of lease	as of the last balance sheet	as of the date of lease	as of the last balance sheet	as of the date of lease	as of the last balance sheet
1	2	3	4	5	6	7	8
1.	Buildings, structures, transmission installations						
2.	Equipment and machinery						
3.	Vehicles						
4.	Draft and meat cattle						
5.	Perennial plantations						
6.	Other fixed assets						
7.	Total of production orientated fixed assets						
8.	Non-production orientated fixed assets, including housing to be privatized						
9.	Total Fixed Assets						
10.	Including without housing to be privatized						

Remark: Amortization amount entered as production costs _____ lei

Commission chairman _____

Stamp

Commission members _____

Table 5.

Statement Of Appraisal Of Unfinished Buildings And Equipment To Be Installed, Lei

Denomination	Actual (book) cost		Depreciation coefficient			Estimated cost	
	as of the date of lease	as of the last balance sheet	before 1993	as of 1993	as of 1994	as of the date of lease	as of the last balance sheet
1	2	3	4	5	6	7	8
I. Unfinished constructions							
Actual costs: Total costs, including housing to be privatized							
before 1991							
in 1991							
in 1992							
in 1993							
1 st quarter.							
2 nd quarter							
3 rd quarter							
4 th quarter							
in 1994							
1 st quarter.							
2 nd quarter							
3 rd quarter							
4 th quarter							
II. Equipment to be installed							
Total including:							
before 1991							
in 1991							
in 1992							
in 1993							
1 st quarter.							
2 nd quarter							
3 rd quarter							
4 th quarter							
in 1994							
1 st quarter.							
2 nd quarter							
3 rd quarter							
4 th quarter							

Commission Chairman _____
Stamp
Commission members: _____

Table 6

Statement Of Appraisal Of Financial Assets

#	Denomination	Book value, lei	
		as of the date of lease	as of the last balance sheet
1	2	3	4
Assets			
1.	Long-term financial investments		
2.	Cash in bank accounts, including foreign currency accounts and other funds		
3.	Receivables for goods and services delivered, to the budget, employees, etc.		
4.	Pre-payments to suppliers,		
5.	Short-term financial investments		
6.	Other current assets		
Total			
Assets that do not belong to the enterprise			
7.	Long-term credits and other loans		
8.	Short-term credits and loans		
9.	Accounts payable for goods, services, payments to the budget, labor compensation, etc..		
10.	Other advance payments, loans and liabilities		
11.	Other payables		
12.	Special purpose funds (social development and material encouragement)		
Total:			
13.	Financial assets		

Remark: Sums of money on account in other organizations:

a) national currency _____ lei;

b) money in accounts abroad (as calculated in national currency _____ lei

Money received from the state budget as centralized subsidies
money - _____ lei

indexation sum - _____ lei.

Commission chairman _____

Stamp

Commission members: _____

Table 7

Statement Of Appraisal Of Non-Fixed Assets

#	Denomination	Book value, lei	
		as of the date of lease	as of the last balance sheet
1	2	3	4
1.	Inventory		
2.	Unfinished products		
3.	Cattle		
4.	Finished products		
5.	Merchandise		
6.	Future expenses		
7.	Other inventories and expenses		
Total			

Remark: The amount of appreciation for current assets recorded as production costs _____ lei.

Commission chairman _____

Stamp

Commission members _____

Table 8.

Consolidated Statement On Estimated Value Of Assets

#	Denomination	The value of assets, lei		
		as of the last balance sheet	as of the date of lease	appreciation for the lease period
1	2	3	4	5
1.	Total fixed assets, including production purpose assets non-production purpose assets including housing to be privatized			
2.	Unfinished constructions			
3.	Equipment to be installed			
4.	Non-fixed assets			
5.	Financial assets			
6.	Estimated value of assets including housing to be privatized			
7.	Redistribution of appreciation amounts by assets: à) current assets; b) financial and other assets: on the account of other organizations; received from the budget and centralized subsidies; ñ) depreciation	Property		
		state-owned	lease enterprise	
8.	Appraised value of property taking into account appreciation sums of financial and material assets			
9.	Amount of property included in the JSC statutory capital			

Stamp Commission chairman _____
Commission members _____

Approved _____
Stamp

2.6. Compilation of lists of social sphere facilities to be transferred to local self-administrative authorities

The social sphere includes the following facilities:

- Day care centers, schools and other educational institutions;
- Medical centers, out-patient clinics, drug stores;
- Libraries, clubs, other cultural institutions;
- Trade, public catering;
- Housing, intra-farm roads, power, water and gas supply systems, telephone lines and other utilities;
- Water purification systems, public baths, laundries, sewage systems, parks and other amenities.

In accordance with the Law on State Privatization Program for 1995-1996, Art.23, section 1, the general meeting of workers and pensioners may decide upon full or partial transfer of social sphere facilities and housing to the territorial-administrative entity on the balance sheet of the local mayor's office. The transferred property is then privatized by general privatization principles.

The privatization commission compiles the list of these social facilities, which has to be approved by the general meeting of workers and pensioners. The document must state the estimated value of each facility as well as the total value.

The privatization commission, together with the mayor's office, prepares a statement of transfer/receipt of social sphere facilities and engineering infrastructure to be transferred to the territorial-administrative entity on the balance sheet of the local Mayor's Office.

2.7. Compilation of a list of fixed and current assets and their value left to the legal successor to pay debts

This list includes:

- assets (mill, winery, oil refinery, refrigerators, bakery, etc.) used as collateral for loans (from banks or enterprises);
- fixed assets (meat cattle, agricultural processing facilities, tractors, cars, agricultural inventories and other assets); and
- finished products to be sold (wine and raw wine material, cattle, wheat, sun-flower seeds, etc.).

2.8. Determination of appraised value of farm property subject to privatization

After determining farm property, debts and value of social sphere facilities to be transferred to the Mayor's office, the farm privatization fund is computed. Debts and the value of social sphere facilities handed over to the Mayor's office are deducted from the total value of farm property.

2.9. Determination of property shares to be granted to former farm employees and social sphere workers

According to the Law on Privatization, Art.14 and the Law on State Privatization Program for 1995-1996, Art.23, section 4(a), the general meeting of employees and pensioners sets aside a percentage of property to be distributed among former farm employees and social sphere workers residing on the territory of the farm.

Prior to the general meeting, the privatization commission makes suggestions as to the percentage of property to be allotted to these categories of people.

The authors of this manual suggest setting aside 5-10% of all assets subject to privatization for this purpose. These figures are based on concrete calculations and experience in a number of Moldovan farms.

2.10. Conduct of the general meeting of employees and pensioners to address the issue of farm privatization and reorganization

A general meeting of farm employees and pensioners is held in the preparatory stage to resolve the following issues:

- ratification of inventory results;
- approval of the appraised value of farm property subject to privatization;
- approval of the list and appraised value of social-sphere facilities to be transferred to the territorial-administrative entity on the balance sheet of the local Mayor's office;
- approval of the list and value of assets left to the legal successor to cover debts;
- approval of the appraised value of farm assets subject to privatization;
- determination of the percentage of property going to farm employees and pensioners;
- determination of the percentage of property going to former employees and social employees resident on the territory of the farm;
- approval of the method of computation of property shares for employees and pensioners;
- approval of the method of actual distribution (division) of property;
- information on different legal types of farming provided for by Moldovan law;
- establishment of the reorganization period.

The Law on State Privatization Program for 1995-96, Art. 23 section 1

The Privatization Law, Art.14

Example:

General meeting report of the farm _____

Participants³ _____ Date _____

Agenda:

1. ratification of inventory results;
2. approval of the appraised value of farm property subject to privatization;
3. approval of the list and appraised value of social-sphere facilities to be transferred to the local territorial-administrative entity;
4. approval of the list and appraised value of assets left to the legal successor to cover debts;
5. approval of the appraised value of farm assets subject to privatization;
6. determination of the percentage of property going to farm employees and pensioners;
7. determination of the percentage of property going to former employees and social employees residing on the territory of the farm;
8. approval of the method of computation of property shares for employees and pensioners;
9. approval of the method of actual distribution (division) of property;
10. information on different legal types of farming provided for by Moldovan law;
11. establishment of the reorganization period.

The following resolution was adopted:

1. Approval of inventory results:

Votes cast: _____ for
 _____ against
 _____ abstained.

2. Approval of the appraised value of farm property:

fixed assets -
current assets -
unfinished buildings -
financial assets -
total -

Votes cast: _____ for
 _____ against
 _____ abstained.

Chairman of the meeting _____

Secretary of the meeting _____

Stamp _____ Date _____

³ The meeting is effective if more than _____% of the total of farm members were in attendance

2.11. Determination of the individual property share for every person entitled

A property share is defined as the share a farm employee holds in the total value of the agricultural enterprise, which is transferred into his ownership and determined in accordance with his contribution to this property.

The computation of individual property shares may be based on the cost of property per one year of length of service or man-year or one leu earned or a combination of all of the above. The general meeting may agree upon using other methods of computation of property shares.

The value of property equal to one year of service length or one man-day, or one leu earned is calculated by dividing the value of property subject to privatization by the total number of years of service length or total number of man-years or the total sum of money earned. The resulting figure is multiplied by the number of years or days worked by one person or by the sum of money earned, which will represent the **individual property share** (See appendix).

The property share of every former employee and social sphere employee, residing on the territory of the farm, is determined by the privatization commission from the share of assets specifically set aside for this category by the general meeting of employees and pensioners and in accordance with their length of service and money earned.

The method of property share determination is approved by the general meeting of employees and pensioners.

The shares thus calculated are included in Table 9 *Computation of property shares of people entitled to a property share by group of assets*.

The totals in every group of assets must correspond to the totals in the statements on property appraisal (tables 4-7).

The Law on State Privatization Program for 1995-1996, Art.22, section 6

Table 9

Computation of individual land shares to people entitled to one by groups of assets in the farm _____,
 as of _____ 199 _____

# of certi- ficate	Name, surname	Year of birth	Length of service on the farm	Sum of indexed salary	Property share, lei	Fixed assets by categories					Total fixed assets	Unfinished buildings	Equipment to be installed	Financial assets	Non-fixed assets	Total sum of estimated assets	
						buildings and structures	machinery and equipment	vehicles	perennial plantations	draft and beef cattle							other financial assets
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
The total amount of assets by groups																	

36

2.12. Preparation and issuance of property certificates

The last step in preparing property certificates is the submission of necessary documents to be signed by the director of the territorial agency of the Ministry of Privatization and State Property Administration. The following documents are submitted to the territorial agencies:

1. Excerpts from the reports of the general meeting concerning farm privatization (to which share computation methods and the actual allocation method are attached);

2. The balance sheet as of the day of privatization (approved by the district financial organ);

3. Statements on indexation and appraisal of property drawn up in compliance with Government Decision no.293 of April 30, 1992, no.118 of May 5, 1993, no. 287 of May 13, 1994.

4. Computation of individual property shares by asset groups.

5. Lists of people entitled to property shares.

The certificate model is as follows:

Aprobat prin ordinul Ministerului
Justitiei al Republicii Moldova
din "___" _____ 199__ nr. ___

REPUBLICA MOLDOVA

**CERTIFICAT
DE
PROPRIETATE PRIVATA**

1996

REPUBLICA MOLDOVA

**CERTIFICAT
de proprietate**

Nr. _____ Cod _____

Agentia teritoriala _____ a Departamentului de
Stat al Republicii Moldova pentru Privatizare autentifica dreptul de
proprietate asupra cotei patrimoniale in suma de _____

(in cifre si in litere)

din patrimoniul _____
aflat in _____
(denumirea gospodariei agricole)

(satul, orasclul, orasul, raionul)

care apartine _____
(numele de familie, prenumele proprietarului)

cu drept de proprietate privata.

Prezentul certificat este eliberat in baza deciziei Comisiei de
privatizare a bunurilor gospodariei agricole _____
(denumirea gospodariei)

Proces verbal nr. ___ din "___" _____ 199__.

Director al agentiei
teritoriale _____
L.S. _____ (semnatura) _____ (numele, prenumele)

"___" _____ 199__

Anexa la certificatul de proprietate nr. _____

1. In baza creerii din " _____ " _____ 199__ cetateanul _____
 (numele, prenumele)
 i s-a eliberat in contul cotei sale patrimoniale din patrimoniul _____
 (denumirea gospodariei)

Nr. crt.	Denumirea patrimoniului	Suma	Semnatura proprietarului
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
Total:			

Total in suma de _____
 (in cifre si in litere)
 cu drept de proprietate privata.

Conducator al gospodariei _____ Contabil-sef _____
 (denumirea gospodariei)
 L.S. _____

(semnatura) (numele, prenumele) (semnatura) (numele, prenumele)

Primarul comunei

 (denumirea contumei)
 L.S. _____

(semnatura) (numele, prenumele)
 _____ 199__

2. In baza subscrierii la actiunile societatii pe actiunii _____
 (denumirea societatii pe actiuni)
 In contul cotei sale patrimoniale din patrimoniul _____ cetateanul _____
 (denumirea gospodariei agricole) _____ i s-au eliberat _____
 (numele de familie, prenumele proprietarului) _____ de la
 nr. _____ pana la nr. _____ cu valoarea nominala a fiecarei _____ lei
 (in cifre si in litere)
 In suma totala de _____ lei.
 (in cifre si in litere)

Presedintele al S.A. _____ Contabil-sef _____
 (denumirea gospodariei)
 L.S. _____

(semnatura) (numele, prenumele) (semnatura) (numele, prenumele)

The commission hands the owner an appropriately filled out property ownership certificate, signed by the director of the territorial agency of the Ministry of Privatization and State Property Administration.

III. COMPLETION OF PRIVATIZATION, REORGANIZATION AND CREATION OF NEW AGRICULTURAL ENTERPRISES

Reorganization and creation of new agricultural enterprises has the following stages:

1. Division of agricultural land into lots.
2. Conducting of a poll to identify prospective leaders of new enterprises.
3. Collecting proxies from holders of equivalent land shares.
4. Preparation and conducting of a land allocation tender.
5. Creation of new agricultural farms.
6. Preparation of foundation documents and registration of newly-created agricultural enterprises.
7. Transfer of property to new enterprises.
8. Preparation of a divisional balance sheet.

1. Division of agricultural land into lots

Thorough preparatory work, preceding enterprise division, will help remove conflicts during land distribution to the extent that the distribution will be performed by agreement without the long and complicated tender procedures.

It is therefore important:

- to approach land inventory at the preparatory stage of the reorganization with a serious and honest attitude;
- to collect equivalent land shares under conditions of transparency. Each potential leader must announce the total number of land shares; and
- to allocate land plots in such integral production units, so that they appeal to the newly-created enterprises and function independently.

The land commission prepares and conducts the land allocation tender.

1.1 Criteria of Lot Formation

Land lots are plots of land proposed during farm privatization and reorganization for distribution among the newly created agricultural enterprises and individual owners. The Land and Privatization Commissions form lots taking into account the actual situation on each farm.

Irrespective of the land and property distribution method (lottery, tender or agreement), the following *basic criteria* must be applied to the formation of lot lists:

- formation of land lots starts with the determination of the surface area of land set aside for persons remaining on the farm;
- lot formation must be conducted on land subject to privatization;
- where possible, land allocation should be such that each land plot is the basis for, or an independent part of, an economic activity of some type;
- lot formation should be made so as to be appropriate for the planned structural division of the enterprise undergoing reorganization;
- the value of all land to be allocated should equal the sum of hectare-points held by all land share holders or newly-created enterprises;
- land plots should be grouped in compliance with the land arrangement surveys and formerly determined division of fields and tracts. It is desirable to avoid fragmentation into small plots as it can disrupt existing crop-rotation fields and cause inefficient land use;

- if a crop-rotation field consists of several plots, each plot may form a different lot;
- land plots separated by roads or other artificial or natural boundaries form different lots;
- Utilities (irrigation, drainage, etc.) located on a land plot must be purchased with his or her property share by the party who has purchased this plot.

The Land and Privatization Commissions are responsible for grouping land plots (lot formation).

1.2 Preparation and Announcement of Lists of Land Plots

1.2.1 Preparation of Lists

After lot formation, all land lots should be described and numbered in lists. If certain property is attached to land lots (as in the case with perennial plants, vineyards, etc.), this information must be specified in the list of land lots with corresponding numbers.

Each land plot (land lot) must have a description of its size in hectares, location, hectare-points, value of property located on this lot (according to tables 10-14).

Table 10

General Characteristics of Arable Land Fertility

Plot #	Surface area, ha	Average fertility degree	Hectare-points	Number of shares
1	2	3	4	5
Total				

Table 11

General Characteristics of Fertility of Orchards

Plot #	Surface area, ha	Average fertility degree	Hectare-points	Number of shares
1	2	3	4	5
Total				

Table 12

General Characteristics of Fertility of Vineyards

Plot #	Surface area, ha	Average fertility degree	Hectare-points	Number of shares
1	2	3	4	5
Total				

Table 13

General Characteristics of the Land to Be Distributed

Type of land	Plot #	Surface area, ha	Average fertility degree	Hectare-points
1	2	3	4	5
Arable land				
Total				
Land under orchards				
Total				
Land under vineyards				
Total				
Grand total				

Table 14

General Characteristic of Lots in Fertility Points and Estimated Cost of Fixed Assets, Located on These Plots

Lot #	Arable Land		Vineyards			Orchard			Total			
	surface area, ha	hectare-points	surface area, ha	hectare-points	sum, lei	surface area, ha	hectare-points	sum, lei	surface area, ha	hectare-points	number of shares	sum, lei
1	2	3	4	5	6	7	8	9	10	11	12	13

1.2.2. Announcement of Lists

The Commission is required to make the following information public:

- a list of land plots scheduled for distribution, including their description (table 14);
- a map that illustrates the boundaries of the land plots subject to distribution. The recommended scale is 1:10,000 or greater.

The Land and Privatization Commissions must disseminate the above information among all potential participants in the land distribution process at least three weeks prior to the deadline for submitting applications.

In addition, the Commission must inform land share holders of:

- the procedures for land distribution;
- scheduled dates of land distribution (including dates and rules of tender if such will be held);
- deadlines and procedures for submitting applications for land lots;

2. Conducting A Poll In Order To Identify Potential Leaders Of New Agricultural Enterprises

The identification of leaders laying claim to land lots is performed in the following stages:

- Preparation of a poll questionnaire (See example).
- Polling among land and property share holders.
- Finalizing of the poll results.
- Preparation and announcement of a list of leaders, that have gathered most of the votes in the poll.

Refer to Chapter IV for a detailed explanation of the above points.

Names, other than those printed, may be added to the list of suggested potential leaders.

Example

THE LIST, PROPOSED BY THE LAND COMMISSION village(town) _____

The Land Commission proposes the following list of candidates for leaders of the new private farms:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.

- Cross out the candidate you disapprove of.
- You may add your candidate.

The future depends upon your choice!

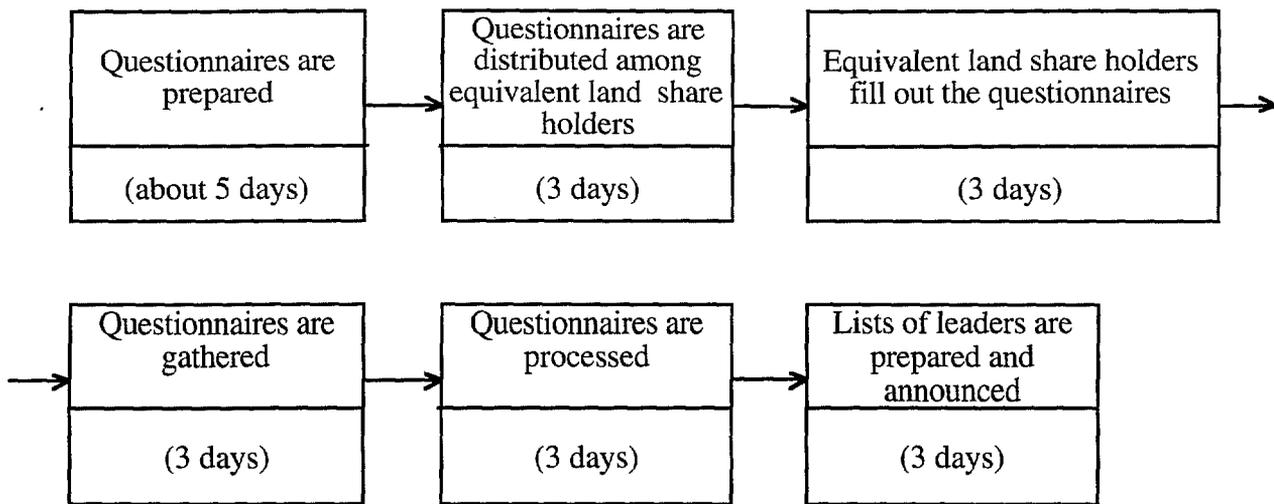


Chart 8. Identification of leaders who lay claims to land plots

3. Collecting Proxies From Equivalent Land Share Holders

The Land Commission holds a joint meeting with the leaders selected in the polling process to establish the plots claimed by each leader. Equivalent land share holders are notified of the leaders and claimed plots.

Holders of certificates confirming ownership rights to equivalent land shares may dispose of them as follows:

- 1) Engage in joint activity by setting up new agricultural enterprises. To do so:
 - they file applications for equivalent land shares in the land commission;
 - transfer the aforementioned certificates through a proxy registered by the Mayor's Office (model 1).
- 2) Set up a farmer (peasant) enterprise. To do so they have to file an application for actual allocation of the equivalent land share.
- 3) Stay in the successor enterprise.

The collection of the aforementioned certificates and proxies is completed 10 days prior to the day of the land tender.

PROXY

_____ 199__
(locality)

The undersigned _____, born in 19__ domestic
passport series _____ number _____, issued by _____
residing at _____, entrusts
_____ born in 19__ domestic passport series
_____ number _____, issued by _____ residing at
_____ the certificate confirming ownership
rights to equivalent land share in the agricultural land of the farm
_____ for participation in the land allocation tender.

Trustor _____

The application for allocation of the equivalent land share was submitted to the Mayor's
Office on _____ 199_.

Mayor _____

4. Preparing And Conducting The Land Distribution Tender

The main steps of preparing and conducting land distribution tenders are (Chart 9):

- Leaders submit applications for land lots.
- The Tender Commission prepares, updates and registers the applications.
- The Commission prepares the tender.
- The Commission organizes and conducts the lot distribution tender.
- The necessary documents are signed after the tender.

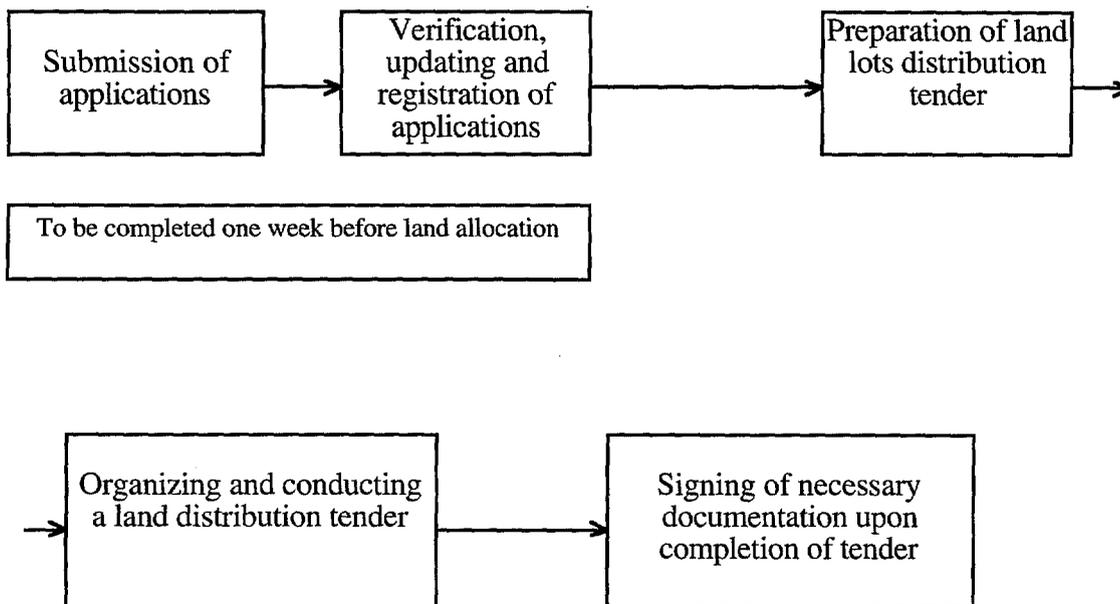


Chart 9. The steps of the lot distribution tender

4.1. Submission of applications

Before the distribution of lots, the leaders who decided to participate in the tender submit the following applications to the commission:

- an application for participation in lot distribution;
- an application for lots.

A leader has to make sure that persons who have entrusted him with ownership certificates on equivalent land shares have also submitted an application for land plots to the Mayor's Office.

The applications include the following information:

- the name of the leader;
- the number of land shares and hectare-points held by the leader; and
- the claimed lots, including the succession number in the announced list, area in hectares, hectare-point evaluation and the cost of the property share in lei.

The application form is approved by the Lot Distribution Commission. The recommended application form is given below.

Form no.2
APPLICATION for participation in distribution of lots
I, the undersigned _____, passport series _____ number _____, issued by _____, residing at _____, hereby request to be included in the list of participants in the lot distribution tender in the farm _____.
Attached to the application are:
1. Certificates confirming the ownership right to equivalent land share to the total number of _____ and total value of _____.
2. The corresponding proxies from share holders.
Based on these sums I hereby claim the following lot(s) no. _____.
Date _____ 199__ signature _____

4.2. Preparation, updating and registration of applications

- applications for lots are prepared in strict compliance with the already formed and announced list of lots;
- the applicant must apply for whole lots that are equal to the hectare-points he holds;
- the land commission has to make sure that the applicant holds all documents confirming his rights of participation in the tender (certificates and proxies); and
- the commission makes sure the applications are correct and accurate; the applicant may not claim for more than the total of the gathered hectare-points.

The Commission conducts the receipt and consideration of applications a week prior to land distribution. All applicants have a right to look into each other's applications in order to make the necessary changes.

Immediately prior to the tender, each participant receives official notification that his or her application has been accepted. The notification also states the venue and time of the tender, tender rules and list of tender participants and their hectare-points.

4.3. Training of tender participants

Because tender rules are rather complicated, training of participants is important in order to organize and hold a tender.

For this purpose, a mock tender is held to explain tender rules and discuss possible situations and options. During such a tender, participants can analyze all the documents prepared for the tender, learn to correctly fill in applications, tender protocol and post-tender applications.

An educational campaign in the form of a mock tender helps each participant to correctly distribute his lei of property shares and hectare-points, and to avoid possible conflicts during the actual tender.

It is advisable to prepare two copies of applications - one for each participant, and a whole set for the Chairman of the Commission. All participants and leaders of new enterprises should have protocol forms which will be filled in during the mock auction.

Special attention should be paid to rules and procedures that are difficult to understand.

Prior to the tender, the land commission will make the following classification of people entitled to equivalent land shares:

- people who have entrusted their ownership certificates of equivalent land shares to the leaders;
- people who have not submitted applications for land plots (who will stay in the successor-enterprise); and
- people who wish to set up farmer (peasant) enterprises.

4.4. The Main Principles of Organizing and Conducting the Tender

The tender is an effective mechanism for open distribution of land lots and settlement of disputes.

The Land Commission organizes and conducts the tender.

The main principles of organizing and conducting a land allocation tender:

- the lots may be put up for tender in order to create new legal forms of farming (production cooperatives, full partnership, limited liability company, joint-stock company, individual enterprise, farms);
- holders of equivalent land shares or their representatives may participate in a tender;
- the leader has to submit an application to participate in a tender; and
- the claimed hectare-points cannot exceed the total hectare-points held by the bidder.

4.5. Conducting the Tender

4.5.1. Tender Stages

At *the first stage* lots, which have been claimed only by one participant, are put up for tender.

At *the second stage* - lots with more than one claimant. The winner is the applicant whose arguments meet tender requirements approved by the commission prior to the tender. The requirements are included in an agreement or memorandum, which is signed by all applicants and the Commission Chairman.

For example, the following criteria may be used during the distribution of land plots:

1. the accumulated hectare-points must equal the evaluation of the land lot claimed;
2. percentage of land share holders working on the disputed lot;
3. location of the lot in relation to the residence of most land share holders;
4. the expediency of territorial consolidation of adjacent plots for effective farming (recommended for arable land).

If the criteria (requirements) cannot resolve conflicts among claimants, the winner is then decided by lottery. Leaders who are unsuccessful claimants at the second stage may participate in the distribution of remaining lots by submitting new applications.

4.5.2. Tender Procedures

- The tender is held publicly and is attended by the following persons:

◆ members of the Land Commission;

◆ members of the Commission on Privatization of Farm Property;

◆ a local authority representative;

◆ tender participants and their representatives;

◆ those who were invited;

◆ people with a vested interest.

- the tender begins when the Chairman of the Commission announces the tender rules;
- for any lot, the Chairman of the Commission gives a quantitative and qualitative description and announces the claimants;
- the distribution of lots is registered; and
- tender minutes are drawn up during the tender and then signed by the Chairman of the Land Commission and each tender participant.

Example

**Minutes no. _____
of the Meeting of the Land Commission**

_____, 199____
(Locality)

The meeting was attended by:

The land commission consisting of:

Leaders:

Agenda

1. Information on lots, put up for tender, and tender participation applications.
2. Information on conditions of tender and lot distribution among leaders.

The Chairman of the Commission, Mr. _____, took the floor, concerning the first item on the agenda. He informed the audience of the quantitative and qualitative characteristics of the land lots and property attached to some (cost of perennial plants), and announced the list of claimants to land lots in accordance with the submitted applications.

The following resolution was adopted:

To make a note of the report of the Chairman of the Commission, and to allow the following leaders to attend the tender for lots and property, attached to some (cost of perennial plants):

1. _____
2. _____

...

the Chairman of the Commission, Mr. _____, informed the audience of the procedures and conditions of land lot distribution among leaders. He noted that lots are distributed on a tender basis.

The following conditions will be applied in case of more than one claimants for the same land lot:

- _____
- _____
- _____

Distribution will be carried out in two rounds.

The first will involve lots with only one claim (no. _____).

The second will involve lots unclaimed in the first round and lots with more than one claim.

It has been resolved:

- 1) To approve tender regulations and ratify criteria for land lot distribution.
- 2) Based on tender results, the following leaders have won the lots:

Tender results
 (a lot characteristic is attached)

#	Name & surname	Lot #	Lot characteristic			Signature of the leader
			hectare-points	hectare	cost of property	

Chairman of the Land Commission _____

Secretary _____

The Land Commission examines any conflict or claim, that has arisen in the course of or after the tender. It is important to establish a period, during which the commission may receive and examine claims - for instance no more than two weeks after the tender.

4.6. Signing of Documents after the Tender

In the course of the tender the distribution of each lot is entered in the minutes of the Land Commission. After the tender, a leader signs the minutes and receives an excerpt from them (See example).

Example

<p>Excerpt no. _____ from minutes no. ____ of the meeting of the Land Commission</p>	
<p>_____ <small>(locality)</small></p>	<p>_____ 199__</p>
<p>1. Based on the results of lot allocation tender _____ 199__ lot no. _____ is deemed allocated.</p>	
<p>2. The estimated lot value is _____ hectare-points.</p>	
<p>3. Lot no. _____ will be held by _____</p>	
<p>_____ <small>(name, surname)</small></p>	
<p>Passport series _____ no. _____ issued by _____</p>	
<p>Chairman of the Land Commission</p>	<p>_____ <small>(signature)</small> _____ <small>(name surname)</small></p>
<p>Leader</p>	<p>_____ <small>(signature)</small> _____ <small>(name surname)</small></p>

After the tender, leaders submit the following documents to the Mayor's Office:

- copies of excerpts from the minutes of the tender;
- list of persons who entrusted leaders with their equivalent land shares, including their passport data and the size of their shares (in hectares and hectare points).

The privatization stage ends with the actual allocation of land plots, conducted in compliance with the earlier submitted applications. Land share holders receive title certificates in the following format:

Government Decision no.449 On Approval of Unique Forms of Documents Certifying the Right to Holding and Using Land (with annexes) of 29.06.199 as amended and modified on 10.08.199

Republica Moldova

TITLU

**DE AUTENTIFICARE
A DREPTULUI DETINATORULUI
DE TEREN**

Nr _____

1. Titlu de autentificare a dreptului asupra pamantului este eliberat detinatorului _____
(persoanei fizice sau juridice)

2. Prin decizia primariei _____
(comuna, orasul)

Nr ___ din __. __. 199_ detinatorului i s-a repartizat in _____
(proprietate, posesiune, folosinta)

pamant cu o suprafata totala de _____ ha in hotarele indicate in plan.

3. Scopul repartizarii terenului _____

4. Trecut in Registrul cadastral al detinatorilor de terenuri la nr. ___ din __. __. 199_

5. Eliberat _____
(data eliberarii, cu cifre si litere)

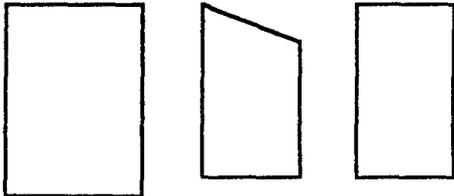
L.S. Primarul

 Secretarul

Inginerul pentru
 reglementarea regimului
 proprietatii funciare

Intocmit in doua exemplare: primul se inmaneaza detinatorului, al doilea se depune spre pastrare la organul autoadministrarii locale care a eliberat titlu.

**Planul
sectorului (sectoarelor) repartizate**



Scara 1:2500 (1cm - 25m)

Enumerarea adiacentilor

Anexa nr.

**Planul
sectorului (sectoarelor) repartizate**

La numarul titlului de autentificare

**Planul
sectorului (sectoarelor) repartizate**

La numarul titlului de autentificare

Nr.

semnatura

Primarul

Secretarul

Inginerul pentru
reglementarea
regimului proprietatii
funciare

5. Creation Of New Agricultural Enterprises

According to "The Law on Entrepreneurship and Enterprises", issued on January 3, 1992 and "the Law on Peasant (Farmer) Enterprises", issued on January 3, 1992, the following forms of commercial farming organizations are possible:

Peasant (farmer) enterprise

A peasant (farmer) enterprise is a form of free enterprise, based on principles of economic gains. Members of this enterprise are family members. It is a legal entity.

Individual enterprise

It belongs to a citizen as private ownership or family members as common ownership. The individual enterprise is not a legal entity and acts as a physical person in legal relations. The owner is held liable for all obligations with all his or her property.

Full partnership

This is an enterprise, owned by two or more legal entities or individuals, that have joined their property for joint commercial activity under the same name, on the basis of a statutory agreement. It is not a legal entity, and acts as a physical person in legal relations. All participants bear unlimited responsibility for all obligations.

Limited partnership

This is an enterprise, owned by two or more legal entities or physical persons, who have joined their property for joint commercial activity on the basis of a statutory agreement. The partnership has at least one full partner and at least one limited partner. It is not a legal entity. Full partners are liable for the obligations of the partnership with all of their property, while limited partners are liable only within the limits of their investment.

Limited responsibility society

It can be founded by one or several persons who have made property contributions to the statutory capital. The participants are not personally liable for the obligations of the society and bear the risk of losses connected with the activity of the society within the limits of their investments. This is a legal entity.

Production cooperative

This is a voluntary association of citizens that behaves as a legal entity. The specific feature of a production cooperative is that members take part in the economic activity of the cooperative and the share contributions are unified.

Joint-stock society

The statutory capital is divided into a specific number of shares that are distributed among shareholders. They do not bear responsibility for the obligations of the society and bear risk only to the extent of the value of their shares. The joint-stock company is a legal entity. If shares are distributed only among the collective, then it is called a closed-end joint-stock company. If participants can sell stock without the consent of other participants, it is an open-end joint-stock company.

6. Preparation of Foundation Documents and Registration of New Agricultural Enterprises

The creation of new agricultural enterprises is associated with the following documents:

1. decision of creation (individual enterprise);
Art.14, Section 4 of the Law on Entrepreneurship and Enterprises of 03.01.1992 and Annex no.3 to the Regulations on State Registration of Enterprises approved by the Government Decision of 29.01.1992
2. foundation agreement (full and limited partnership);
Section 40, 69 of the Regulations on Economic Societies approved by Government Decision no.500 of 10.09.91
3. charter and minutes of the foundation meeting (production cooperative);
The Law on Cooperatives of 16.01.92
4. charter and foundation agreement (limited liability company and joint-stock company);
Art.70, 72 of the Law on Economic Societies approved by Government Decision no.500 of 10.09.91 and Art. 18, 19 of the Law on Joint-Stock Companies of 03.01.91
5. decision of foundation and title certificate on the ownership right to the plot of land (peasant (farmer) enterprise).

The new enterprise may open a temporary bank account on the basis of the foundation documents certified by a public notary. Such an account is mandatory for the registration of a limited partnership, limited liability company and joint-stock company.

In case of a limited partnership, limited partners have to deposit no less than 40% of their investment into this account. In case of limited liability company, no less than 40% of the statutory fund has to be deposited into the account. In case of joint-stock companies, no less than 40% of the value of all subscribed shares must be deposited. All of the above financial operations must be supported by corresponding banking documents.

The registration of an enterprise in a territorial registration agency requires the submission of the following documents:

- an application for registration;
- foundation documents certified by a public notary;
- copies of the minutes of the foundation meeting (limited liability companies, production cooperative and joint-stock company);
- copies of banking documents (limited partnership, limited liability company and joint-stock company);
- documents, confirming payment of the government registration fee, the amount of which depends on the legal type.

The following documents have to be submitted to a territorial government registration agency to register a farmer (peasant) enterprise:

- the decision to set up the enterprise;
- an application for registration, signed by the founder and the Mayor;
- a copy of the title certificate for the land plot.

The Republican Terminology Center checks whether the name of an enterprise is spelled in compliance with the official language rules, while the Registration Chamber within the Ministry of Justice makes sure the name is not in use by other entities.

During the registration procedure, the enterprise receives registration papers on the basis of which the State Statistics Section within the Department of Statistics assigns a state statistical registration code to the enterprise.

The registration is completed within 15 days after the submission of all required documents and ends with the issuance of a registration certificate.

After state registration, the new enterprise has to be assigned a fiscal code from fiscal authorities and has to open a continuing bank account.

7. Transfer of Property to the Newly Created Enterprises

The newly created enterprises may start their activity only after property has been actually transferred to them as a result of privatization and reorganization.

Actual property transfer must begin as soon as possible for the following reasons:

- new enterprises must begin operations as quickly as possible. This is particularly important for farming, since delays in certain activities (sowing, cultivation, harvesting, feeding and milking of cattle, etc.) may reduce operating results dramatically;
- a swift transfer of property will help maintain asset safety. It is no secret that when a collective owner is no longer interested in controlling the property, while the new owner has not come into possession of all official documents, disputes may arise about the transfer, condition, integrity and safety of assets. Of course, new and old owners may take joint steps to safeguard the assets, but very often this is difficult to accomplish.

According to the rules, property must be transferred within one week after property distribution through a *Transfer/Receipt Statement*. It is recommended that such statements be drawn up for some property items, especially movable property, as soon as possible - even immediately after the conclusion of the distribution agreement.

The transfer is considered complete after the *Transfer/Receipt Statement* is drawn up and signed. In some cases, it may be necessary to prepare additional documents and register them with the appropriate government bodies. The new owner may be at ease and insure his property only after the registration of such documents.

The Privatization Commission monitors the property transfer. It is also responsible for the safety of assets up to the moment of their transfer. Personal responsibility rests with the person in charge of the materials.

The property recipient may demand compensation for any property lost or damaged, i.e. when the property transferred does not correspond to the entry in the property lot sheet. This only underscores the necessity for a comprehensive preliminary property inventory and close control of property during the property distribution period.

Experience shows that in cases where individuals or enterprises acquire non-fixed assets in storage at facilities belonging to other persons, it is advisable that these assets be removed and stored at the new owner's storage facilities as soon as possible, or that a bailment agreement be concluded with the storage owners.

Transfer/Receipt Statement

The base for the actual transfer of property is the *Transfer/Receipt Statement* for each property item. The statement is a standard accounting document containing information on:

- examination of the item and the date of such;

- location of the item;
- description of the property being transferred, its compliance with technical specifications and accompanying technical documentation;
- serial number of technical documentation;
- book value, calculated depreciation; estimated value;
- signature of the new owner or his representative; and
- other data.

The Transfer/Receipt Statement also contains entries from the account of the transferring party to the account of the accepting party. This point should be carefully considered during the preparation of the transfer statement and divisional balance sheet.

To transfer tractors and agricultural machinery, a Transfer Statement is needed, accompanied by the technical and accounting documentation for these machines. In addition, the transfer must be registered with the District Agency on Technical Condition of Equipment.

Besides the Transfer Statement, technical and accounting documentation, the transfer of motor vehicles requires their registration with the Traffic Police.

To transfer buildings and other structures, one must use a transfer/receipt statement, the technical and accounting documentation, design plans and specifications.

Agricultural equipment is transferred on the basis of the transfer statement and accounting documents.

To transfer livestock and current assets, only a transfer statement is needed. If current assets remain in storage facilities belonging to other persons, it is necessary to conclude a storage agreement.

Design plans and specifications as well as technical and accounting documentation must be prepared by the Commission at the stage of inventory and evaluation of property. The Privatization Commission can invite representatives of the District Road Police Department to register new vehicle owners and representatives of the District Agency for the Technical Control of Equipment to register new owners of combines and tractors.

The transfer statements for all property items are the basis for drawing up a divisional balance sheet.

8. Preparation of the Divisional Balance Sheet

A divisional balance-sheet is drawn up in case a legal entity undergoes division into smaller entities or one or several entities secede from this entity.

The divisional balance sheet must contain provisions concerning legal succession with regard to all liabilities of the reorganized legal entity and to all creditors and debtors thereof, including disputed liabilities. Failure to submit the divisional balance sheets with their accompanying documentation, or the absence of provisions governing the assumption of obligations of the reorganized legal entities, will result in the state's refusal to register the newly emerged legal entities.

At present the procedures for drawing up divisional balance sheets under farm reorganization have not been fully developed. Some methods of forming entries both for assets and liabilities vary from farm to farm. However, some problems may be avoided early on, thus facilitating the preparation of divisional balance sheets.

These are first of all **administrative issues**:

- The newly created enterprises must have their own accounts before beginning the preparation of the divisional balance sheet. However, a bank can rightfully refuse to open accounts for new entities without a divisional balance sheet. This problem may be solved through local authorities by a special agreement with the bank to open bank accounts before the divisional balance sheets are submitted. This should be done well beforehand, since opening a bank account is a time-consuming operation.
- Transfer of liabilities to emerging farms and drawing up new documents will require additional time and money.

There are accounting problems with distribution of property and liabilities among the newly formed farms. These issues are still resolved through local authorities, using experience of economists and accountants of the farm. The main difficulties with accounting entries may arise in the distribution of liabilities among new enterprises.

Honest and diligent work during the preliminary stage (especially in inventorying property), facilitates drawing up of the divisional balance sheets following property distribution.

Dividing the Balance Sheet

Division of the balance sheet is carried out under the supervision of the chief accountant of the reorganizing farm. Every new balance sheet comprises different parts of the former farm's balance sheet. Every entry in the new balance sheet is derived from the original total in the reorganizing farm's balance sheet.(Table 15).

Table 15.

The methodology of drawing up the divisional balance sheet

Denomination of new enterprises	Amount of property shares collected by leaders	Assets					Liabilities				
		010	011	012	...	Total 390	400	410	...	Total 730	
1.											
Total value of the divisional balance sheet											
2.											
Total											
3.											
Total balance sheet of the reorganized enterprise											

Both assets and inventories acquired by an emerging farm are entered as assets into the divisional balance sheet of the new farm in accordance with the Transfer Statement.

Financial assets, not examined during the distribution, and debts pass pro rata to the legal successors according to their shares (this is coupled with the redrawing of credit contracts).

An important point is the principle of proportional distribution of liabilities according to shares in the general property fund. If the distribution takes place by an agreement, the cost of property is not changed and there is no problem concerning division of liabilities.

Even with the benefit of a thorough preparatory stage, experience shows that drawing up a divisional balance sheet takes no less than 2-3 weeks after distribution.

IV. Information Campaign

Throughout the entire privatization and agricultural reorganization process, an important factor is the information campaign. The privatization commission directs the information campaign. The commission names the individuals who are responsible for conducting the information campaign.

The main goal of the information campaign is to create a favorable atmosphere among the members of the agricultural enterprise subject to privatization and reorganization.

Following are the tasks of the information campaign (see Chart 10):

a) The information will cover all participants in the privatization and reorganization of agricultural enterprises.

The experts who will conduct the information campaign will provide information to all privatization and reorganization participants. For this they will:

- participate in the general meetings of employees and pensioners of agricultural enterprises;
- have discussions with employees;
- arrange meetings with pensioners residing on specific farms;
- consult the population in the information centers.

b) Provide detailed information to privatization and reorganization participants.

As a result of the information campaign the privatization and reorganization participants will be informed about:

- the main privatization and reorganization stages and their characteristic features;
- the main privatization and reorganization methods;
- the rights and obligations of each holder of equivalent land share and property share;
- other points of privatization and reorganization.

c) The creation and support of a dialogue between privatization and reorganization initiators and individuals whose interests are related to these processes.

When privatizing and reorganizing it is important to keep privatization and reorganization participants updated on any changes. The experts who conduct the information campaign therefore must know about all the decisions taken by the privatization and land commissions, so that they can provide clear and prompt information to other participants. At the same time, the experts must know and be sensitive to the attitude of participants in privatization and reorganization. Otherwise, an inadequate understanding of the situation may undermine implemented changes.

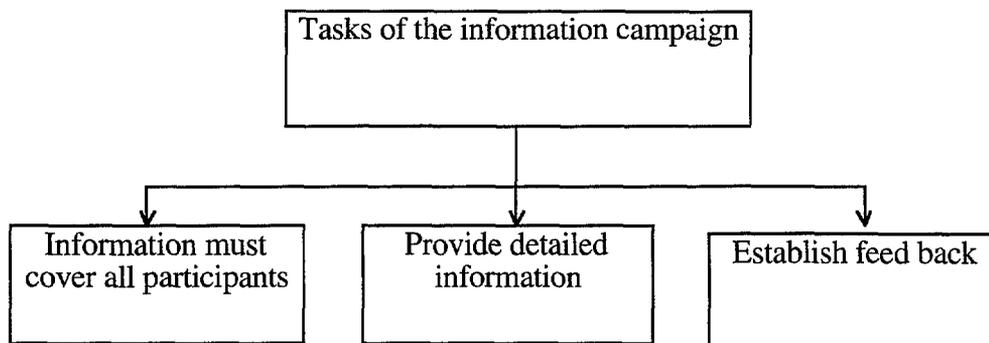


Chart 10. Tasks of the information campaign

The information campaign must be based on the following principles (Chart 11);

- Free access to information.

The experts who conduct the information campaign must provide any information to any individual who seeks consultations on the changes which have occurred in the enterprise. Unless impossible (for objective reasons) to provide comprehensive information, experts must indicate the day and time when such information will be available.

- Exchange of information.

Exchange of information is the essential basis for meaningful dialogue between experts and participants. Organizers of privatization and reorganization must exchange information with those who have a vested interest in these processes. The experts who conduct the information campaign are intermediaries in the exchange of information.

- Accuracy of information.

Experts in charge of the information campaign may not release unverified information. If experts have some doubts, they should postpone the consultation and consult with the relevant specialists or direct participants to these particular specialists.

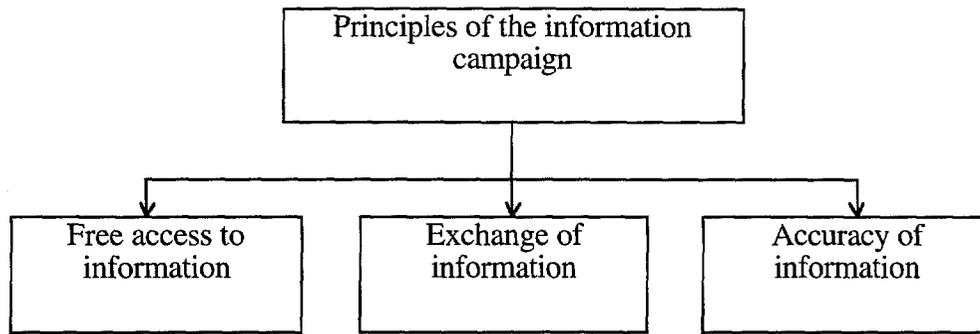


Chart 11. Principles of the Information Campaign

The main steps of the information campaign are:

- Formation of the information center.
- Work with all equivalent land share holders.
- Work with leaders.

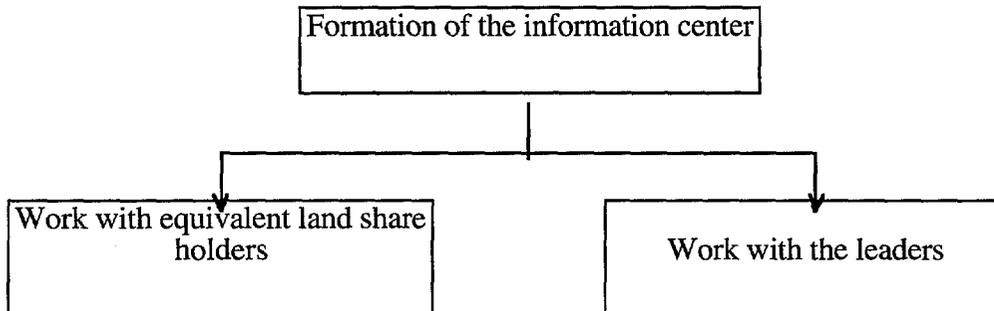


Chart 12. Steps of the Information Campaign

1. Formation of the Information Center

An information center is set up on the reorganizing farm in a mandatory manner. Appointed people will be providing consultancy during the privatization and reorganization process. The Center must be equipped with a phone, computer, necessary furniture (tables, chairs, safes, cupboards) and consumable supplies. It is advisable to open at least two information centers - one in the farm management building and the other in the Mayor's Office building.

Each center must have the following materials available:

- Legislation on privatization and reorganization;
- A farm privatization and reorganization plan with a schedule of the main stages;
- Informational material (brochures, leaflets, etc.) on privatization and reorganization;
- All materials and documents designed in the course of privatization and reorganization by the land and privatization commissions;
- Means of visual promotion (T-shirts, calendars, etc.)

2. Activities Targeting Land and Property Share Holders

The following activities have to target land and property share holders:

- general explanatory discussions;
- individual discussions;
- preparation of bulletin boards;
- use of additional information means;
- dissemination of information materials (Chart 15).

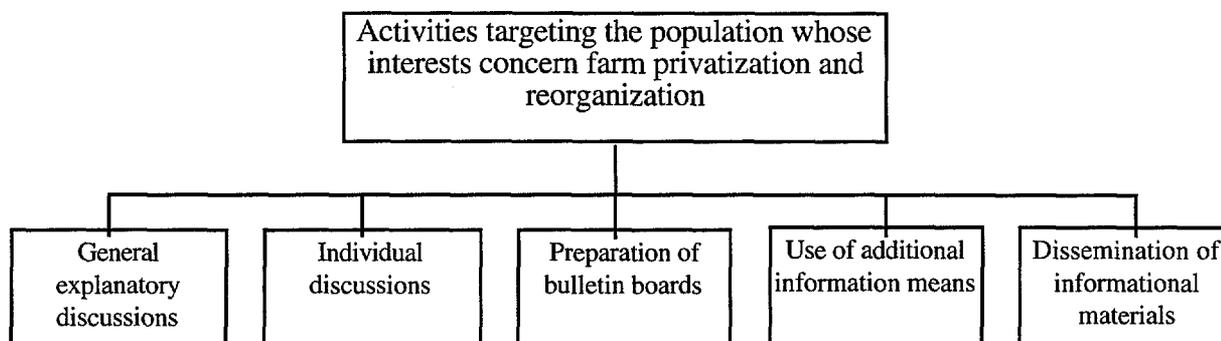


Chart 13. Activities targeting participants in farm privatization and reorganization

2.1. Information Campaign in Labor Collectives

Explanatory discussions should be conducted in labor collectives. It is much easier to get across the information with a few people present. Such discussions should not be more than 30-40 minutes and should be held before work or during a break.

2.2. Individual Discussions

Individual discussions are usually carried out by experts in charge of the information campaign. This will involve discussions with pensioners, employees and other persons whose interests are touched by privatization and reorganization.

A positive side, like in the approach with the leaders, is that individual discussions can be tailored to the characteristics of the individuals and are a means to check whether the information was understood.

A negative aspect of the individual discussion is that it is labor-consuming, usually taking between 20 to 60 or even 120 minutes.

Nevertheless, this work should be carried out throughout the information campaign.

Individual discussions become especially important at the final stage of reorganization, in the period prior to submission of applications for the disposal of land and property shares. Questions and the need for advice arise when the campaign switches from providing general information to discussing specific questions, when share owners face choices.

Special attention in the process of organizing individual discussions should be paid to leaders of new peasant farms and to pensioners, the most passive group of the population.

2.3. Setting Up Bulletin Boards

These boards can be installed in the Mayor's Office building or farm management office, often near the place where the Commission works. Responsible for this work is the person in charge of the information campaign.

At the beginning of reorganization, information bulletins provide general information on farm privatization and reorganization in the form of announcements, fact-sheets and charts. As reorganization proceeds, more attention should be paid to operational information, and more space on the board should be devoted to materials explaining farm reorganization, the sequence of activities, extracts from relevant legislation.

Commission members should regularly check the condition of the bulletin boards and when necessary update information.

In general, bulletin boards are used to support other activities and to fulfill such reorganization tasks as updating lists of share holders, forming land and property lots, etc.

2.4. Use of additional information means

The following are referred to as additional information means:

- *Hot line.* The privatization commission may decide to set up a hot line through which any participant in privatization and reorganization can obtain current information (people could get information about their rights and duties as land and property share holders);
- *Local radio,* used to solve current problems within the established period (for instance, information on issuance of certificates);
- vehicles fitted with loudspeakers or other audio equipment for prompt information of the population (for example, announcement of the upcoming general meeting).

2.5 Disseminating information

The following leaflets should be employed for disseminating information to farmers:

- ◆ What a land and property share holder must know
- ◆ Who is entitled to a property share
- ◆ Who is entitled to an equivalent land share
- ◆ What to do with certificates confirming ownership rights to equivalent land share and property share

The model leaflets are given below.

What The Holder Of Land And Property Shares Should Know

Now you are a holder of land and property shares.

- **Land share** is part of the land of the farm a member of which you are in accordance with Art.12, Section 4 of the Moldovan Land Code. It belongs to you personally. The land share gives you the right to become the owner of a specific land plot transferred to the farm's common property.
- **Property share** is your share in the common property of the farm. The property share gives you the right to claim equipment, machinery, buildings, or any other property equal to your property share value. The property share is determined by the contribution of the worker to the creation of the common share fund of the farm and is established on the basis of the length of service and average annual salary.

You must get all the documents confirming your right to the land and property shares:

The land commission issues a certificate confirming the ownership right to equivalent land share in a form established by law. The certificate will specify the size of the land share in hectares and in hectare-points, which characterize soil quality.

Property share certificates are issued by the farm. They shall specify the share value in leu terms.

Having become owners of land and property shares you may dispose of them at your discretion in compliance with the Moldovan legislation.

Who Is Entitled To A Property Share

Under Article 14 of the Law on Privatization, the following are entitled to property shares:

- a) employees of the enterprise undergoing privatization;
- b) pensioners who retired from the respective enterprise;
- c) former employees who worked on the farm no less than 10 years;
- d) employees of socio-cultural facilities connected to the respective enterprise;

The percentage share of a) and b) categories depends on the computation method of each share.

As for categories c) and d), the general meeting decides the percentage of the property share going to them.

In addition, under Article 21 of the Law on State Privatization Program for 1995-1996, the property share of citizens who died after 01.01.92 certified by the Privatization Ministry Territorial Agency is passed on to heirs as established by law, even if the deceased has not received his ownership certificate.

Who Is Entitled To An Equivalent Land Share

Under the Land Code, Art.12, paragraph 4, the land commissions determine the equivalent land shares that are distributed in private ownership to:

1. members of kolkhozes, employees of sovkhoses or other agricultural enterprises, including pensioners thereof.

2. employees of organizations and enterprises, resident of the rural area and directly engaged in works of construction and exploitation of soil amelioration systems in the respective locality, including pensioners thereof.

3. persons, residents of the rural area, who transferred from agricultural enterprises to kolkhoz and inter-enterprise construction and hauling organizations, including pensioners thereof.

4. employees of inter-enterprise animal-breeding enterprises, including pensioners thereof.

5. persons elected to an office or conscripted into the army, formerly employed in agricultural enterprises.

6. persons who worked in the respective agricultural enterprise: men 25 years, women 20 years.

7. veterans of World War II, former internationalist soldiers, families of those who died as a result of participation in combats for the protection of the territorial integrity and independence of the Republic of Moldova - all residents of the rural area - at the place of their residence.

8. persons who underwent political repression and were later rehabilitated - resident of the rural area - at the place of their residence.

9. persons who transferred their land to associated farms, but do not work with them on condition they settle in the respective locality.

Up to 50% of equivalent land as calculated by the territorial-administrative entity is distributed to:

- persons mentioned in 1-5, who earlier worked in industrial enterprises and other non-agricultural enterprises, institutions and organizations, with a length of service less than 5 years.

- rural residents engaged in the social sphere with a length of service - men 25 years and women 20 years who lost their capacity to work in their field of specialization due to age or illness, unless none of the family members received an equivalent land share.

All operations associated with allocation of equivalent land shares are carried out in accordance with the situation as of January 1, 1992.

**What To Do With Certificates Confirming Ownership Rights
To The Equivalent Land Share And Property Share**

You have received certificates confirming ownership rights to an equivalent land share and property share and have the following options:

1. Embark on a joint activity by setting up new agricultural enterprises. To do that you have to:

- file an application at the land commission for the allocation of the equivalent land share;
- transfer the certificates to the leader through a proxy registered at the Mayor's Office.

2. Set up peasant (farmer) enterprise. You need to file an application for the actual allocation of the land share.

3. Remain in the successor enterprise.

Think!!!

The future depends on your choice

3. Activities Targeting Leaders

In the process of farm privatization and reorganization, persons in charge of the information campaign must intensify activities aimed at the leaders of the new enterprises for several reasons.

Firstly, leaders are most active in finding information. Their vested interest and personal financial and moral risk cause them to seek information.

Secondly, in pursuit of their objective of obtaining the land and property shares of their fellow villagers, agricultural workers and pensioners, in order to enlarge their future enterprise to a size allowing independent farming, leaders will play an important role in disseminating information among villagers and enlightening them as to the privatization process.

The following activities have to be conducted (Chart 14):

- identification of future leaders;
- conduct seminars involving specialists;
- conduct individual discussions;
- dissemination of informational material.

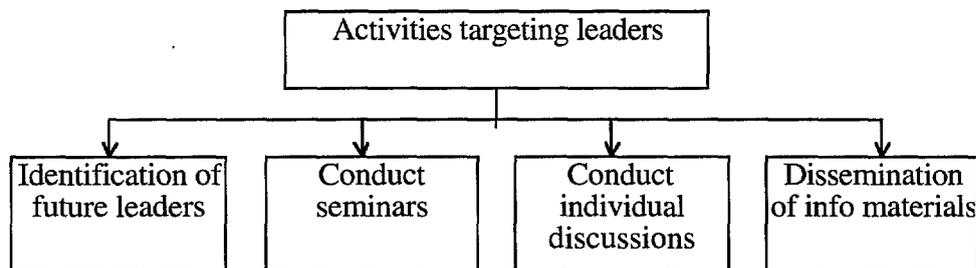


Chart 14. Activities targeting leaders

3.1. Identification of Leaders

Leaders are identified through a poll conducted among the labor collective and farm retirees. At first, 100-120 people are randomly chosen to name several persons. Based on their answers, a list of potential leaders is compiled and handed out to employees and pensioners who may add new names.

Poll results are not obligatory, but serve as a starting point for the people who want to head private enterprises.

Should the need arise, leaders may be questioned about their future activity as private enterprise managers.

3.2. Conduct of seminars involving specialists

At all privatization and reorganization stages, experts in charge of the information campaign may organize seminars for leaders, involving:

- ◆ lawyers;
- ◆ economists;
- ◆ accountants;
- ◆ soil specialist and land surveyor;
- ◆ other specialists.

During the seminars, specialists must provide detailed information about the problems to date in the process of privatization and reorganization and discuss the next steps in privatization and reorganization.

3.3. Individual discussions

Individual discussions are the most important in the activities targeting leaders.

These discussions may help determine leaders' attitudes toward issues of principle. At the same time, the discussion will familiarize the leader with the details and nuances of all privatization and reorganization processes and help him form a position on related issues.

Individual discussions may be held both in information centers and in places of residence.

3.4. Dissemination of informational material

The following leaflets and charts should be used in the activities targeting leaders:

- Recommendations to the future leader
- Formation of new agricultural enterprises
- What a beginning enterprise manager should know
- What points should the beginning enterprise manager consider in his business plan
- Choosing the legal form during the organization of new agricultural enterprises.

Model leaflets are given below.

Recommendations For The Future Leader

If you want to become a manager of a private enterprise which is being formed after the reorganization of your farm, it is necessary that you:

- Be sure of the support of the people. Without it you are a leader of only yourself.
- Know exactly which farming activity you want to pursue.
- Choose a specific sector from the ones in which the enterprise was divided by the principle of economic efficiency. This sector may be a land plot, processing enterprise, agricultural service enterprise, etc.
- Know the value of your share in hectare-points and the property located on it in lei.
- Collect land and property shares from people who trust you, making sure that their total in hectare-points and lei are no lower than the value of the sector you want to work with.
- Try to solve all controversial issues before land distribution.
- Participate in land distribution with a sufficient number of collected land shares.
- Choose the legal form of the new enterprise.

Formation Of New Agricultural Enterprises

The process of setting up new agricultural enterprises during farm reorganization consists of the following main stages:

- *Formation of an initiative group* to carry out preparatory work. This group is formed by the persons who want to set up a new enterprise.
- *Determination of the main types of activity* and specialization of the new enterprise.
- *Determine the need* for agricultural land, property, equipment and machinery on the basis of the types of activity and planned volume of production.

New organizations may include:

- Agricultural production enterprises. The basis for these enterprises is the existing production structure - existing units, crop growing teams, cattle breeding farms etc.;
- Agricultural processing enterprises (bakeries, smoke houses, fruit and vegetable processing, milk processing, etc.);
- Service enterprises, specializing in sales and input supply. The base for these enterprises can be mechanized threshing units, grain, chemicals, fuel storage etc.;
- Repair and maintenance enterprises specializing in repair and maintenance of agricultural machinery, transportation services, etc.. These enterprises can be set up on the basis of garages, repair shops etc.;
- Support enterprises (construction, craftsmanship, etc.).

What A Beginning Agricultural Enterprise Manager Must Know

1. Where, whom and on what terms will the products be sold? (identification of customers, organization of shipments and probable retail trade).
2. How to organize production processes? (equipment, machinery, seeds, fertilizers, feeds and others necessary for your enterprise; where and how much to get?)
3. What people to hire and how to work with them? Remember you will be faced with such difficult problems as sacking and differentiated salaries.
4. How to organize bookkeeping, settle financial accounts and fulfill liabilities to tax authorities and creditors. To solve these problems, you must have expertise or skill or find consultants or hire full-time workers.

What Points the Beginning Enterprise Manager Should Consider In His Business Plan

To draw up a plan of the future activities of the new farm, you must:

1. Determine the list of crops or livestock you would like to produce.
2. Consider the possible ways of selling your products. You can assess your market possibilities as low, medium, or high. You must have answers to the following questions:
 - Do you have or can you establish direct links with the processors? Are these links reliable? What will the terms be?
 - Will you have to use the services of middlemen?
 - Do you have possibilities of establishing links with retail shops or deliver products directly through agreements to customers?
 - With whom can you cooperate in order to jointly realize or process your products? How much will shipment cost?
3. You should give consideration with regard to:
 - Buildings and premises (not only for production purposes but also for storage).
 - Equipment (your own or leased).
 - Current assets (where to get them, how much it might cost).

Choosing the Legal Form Of The New Enterprise

In accordance with the Moldovan Law on Entrepreneurship and Enterprises of January 3, 1992 the following legal forms are possible:

A peasant (farmer) enterprise is a form of free enterprise based on principles of economic gain. Members of a peasant enterprise are family members. The enterprise is a legal entity.

Individual enterprises are set up by one citizen or family members to conduct entrepreneurial activity. The owner or owners are held liable for all obligations with all his or their properties. An individual enterprise is not a legal entity.

Full partnership: Participants are engaged in entrepreneurial activity in the name of the partnership and bear responsibility for all obligations with all their property. This is not a legal entity.

Limited partnership: Full partners carry out entrepreneurial activity in the name of the partnership and are liable for the obligations of the partnership with all of their property; contributors bear the risk of losses connected with the activity of the partnership within the limits of the amount of contributions and shall not take part in the entrepreneurial activity of the partnership. It is not a legal entity.

Limited responsibility company: Can be founded by one or several persons who have made contributions to the statutory capital. The participants are not personally liable for the obligations of the society and bear the risk of losses connected with the activity of the company within the limits of their contributions. This is a legal entity.

Production cooperative: This is a voluntary association of citizens as a legal entity for the purpose of joint production or other economic activity. The specific feature of a production cooperative is that members take part in the economic activity of the cooperative and the share contributions of the members are united.

Joint-stock company: The statutory capital is divided into a specific number of stocks. Stockholders are liable within the limits of the value of their stocks. The joint-stock company is a legal entity. If stocks are distributed only among the founders or other previously specified group of persons, the enterprise is called closed joint-stock company. If stockholders can sell stock without the consent of other participants, it is called an open joint-stock company.

The legal grounds for privatization and reorganization

Farm privatization and reorganization are regulated by several legal acts adopted in 1991-1996.

1. The Constitution of Moldova adopted on July 29, 1994. (*Monitorul Oficial* no.1 of 1994). Article 46 says that private ownership right is guaranteed by the state. No one can be deprived of his or her property, unless otherwise provided by law.

2. The Law on Property of January 22, 1991 (*Monitorul Oficial* no.3,4,5,6 of 1991) establishes property types and forms, procedures of property creation and the subjects of ownership rights. It also establishes the legal status of the farmer enterprise and individual auxiliary activity.

3. The Law on Privatization of July 4, 1991 (*Moldova Suverana* of July 7, 1991) **as amended and modified on September 20, 1995** (*Monitorul Oficial* no.1,5 of 1994; no.4 of 1994; no.65-66 of 1995) establishes that collective farm members, including pensioners, are entitled to a share in the farm property. The farm collective establishes the percentage of property to be distributed to employees of social sphere facilities located on the farm.

4. Government Decision no.500 on Approval of Regulations on Economic Entities in the Republic of Moldova of September 10, 1991 (*Monitorul Oficial* no.2 of 1992) establishes the procedure of creation of economic entities, the legal status of its members, organizational structure and principles of governance and foundation. It also establishes the reorganization and liquidation procedure of the economic entities.

5. The Land Code of December 25, 1995 (*Nezavisimaya Moldova* of February 5, 1992) **as amended and modified** (*Monitorul Oficial* no.3 of 1993; no.5 of 1995; no.10 of 1996) establishes government, private and collective land ownership and the procedure of issuance of documents certifying ownership rights to land.

6. The Law on Peasant (Farmer) Enterprise of January 3, 1992 (*Monitorul Oficial* no.1 of 1992) establishes the economic, social and juridical grounds of peasant (farmer) enterprises and their association on the territory of Moldova.

7. The Law on Joint-Stock Companies of January 3, 1992 (*Monitorul Oficial* no.1 of 1992) establishes the procedure of foundation of joint-stock companies, their organizational structure, legal status of their participants, management principles, manner of their reorganization and liquidation.

8. The Law on Entrepreneurship and Enterprises of January 3, 1992 (*Monitorul Oficial* no.2 of 1994) **as amended and modified** (*Monitorul Oficial* no.6 of 1994; no.7, 33 of 1995; no.20-21 of 1996) offers farmers the opportunity to choose a legal form for the new enterprise. This can be an individual private enterprise, full or limited partnership, limited liability company, cooperative, closed or open joint-stock company or lease enterprises.

9. The Law on Rent of January 14, 1992 (*Monitorul Oficial* no.1 of 1992) **as amended and modified** (*Monitorul Oficial* no.33, 70 of 1995) establishes the procedures and definitions of rent relations, determines the area and objects of rent as well as the procedures of land rent.

10. The Law On Cooperatives of January 16, 1992 (*Monitorul Oficial* no.1 of 1992) enumerates the types of cooperatives in Moldova and establishes the legal status of each type of cooperatives (production, consumer or mixed).

11. The Law on Employment of Able-Bodied Population of January 21, 1992 as amended and modified (*Monitorul Oficial* no.3 of 1994) establishes the legal, economic and organizational grounds of the social security system in order to implement the governmental employment policy.

12. The Regulations on Registration of Moldovan Enterprises with annexes approved by Government Decision no.50 of January 29, 1992 (*Monitorul Oficial* no.2 of 1992) establishes the documents necessary for enterprise registration and registration procedure.

13. The Law On Limitation of Monopolistic Activity and Development of Competition of January 29, 1992 (*Monitorul Oficial* no.2 of 1992) establishes the organizational and legal grounds for development of competition, prevention and curtailing of monopoly.

14. The Government Decision on the Approval of Regulations on Village, Town, City and District Land Commissions of March 3, 1992 (*Monitorul Oficial* no.3 of 1992) establishes the procedure of land commission organization, their rights, area and manner of activity.

15. The Law on Foreign Investments of April 1, 1992 (*Monitorul Oficial* no.4 of 1992) as amended and modified (*Monitorul Oficial* no.7 of 1994; no.28 of 1996) establishes the types of foreign investments, procedures of creation and registration of enterprises with foreign investment. It gives the enterprise the [preemption] priority purchase right to the land plot on which plant, warehouses and enterprise management are located; provides customs and tax incentives as well as government guarantees to investors.

16. Government Decision no.449 On Unique Forms of Documents Certifying the Right on Ownership, Possession and Use of Land (with annexes) of June 29, 1992 (*Monitorul Oficial* no.6 of 1992) as amended and modified on August 10, 1993 (*Monitorul Oficial* no.8 of 1993) establishes the unique forms of documents for people who have ownership right for land as well as the right to possession and use of land.

17. Methodical recommendations on property appraisal in Moldovan organizations and enterprises approved by Government Decision no.293 of April 30, 1992. (*Monitorul Oficial* no.4 of 1992).

18. Government Decision no.118 On Reappraisal of Fixed Assets and Adjustment of the State Property Value to the 1992 Inflation of March 5, 1993. (*Monitorul Oficial* no.3 of 1993).

19. Government Decision no.287 On Acceleration of State Property Privatization of May 13, 1994 (*Monitorul Oficial* no.6 of 1994).

The three government decisions established the procedure of property appraisal at Moldovan enterprises and adjustment of the appraisal to the 1992-1996 inflation.

20. The Law on the Fiscal System of November 17, 1992 (*Monitorul Oficial* no.11 of 1992) **as amended and modified** (*Monitorul Oficial* no.45-46 of 1995) establishes the procedure and period of registration of the enterprise at the tax authorities, taxpayers' duties and responsibility for violating the tax legislation.

21. The Law on Protection of Consumer Rights of May 25, 1993 (*Monitorul Oficial* no.10 of 1993) establishes the broad rights of consumers of goods and services and the responsibility of enterprises for the quality of their products and services; establishes moral damage for consumers of products and services.

22. Government Decision no.297 On the Procedure of Transfer of Fixed Assets of May 26, 1993 (*Monitorul Oficial* no.5 of 1993) establishes the manner of transfer and appraisal of fixed assets in the event of changing the boundaries of a locality.

23. Government Decision no.361 on Approval of Regulations on Commission for Privatization of Enterprise Property of June 10, 1993 (*Monitorul Oficial* no.6 of 1993) establishes the procedure of organization of the commissions for privatization of farm property, their composition, powers and procedures of meeting.

24. Order no.5 of the Justice Ministry of January 19, 1994 established the unique form of documents certifying the private ownership on property shares.

25. Government Decision no.761 on Approval of Decision on Rehabilitation, Reorganization and Liquidation of Insolvent Enterprises of October 13, 1994 (*Monitorul Oficial* no.13 of 1994) established the procedure of determining insolvency and the proceedings of enterprise redress, reorganization and liquidation.

26. The Law on Administrative-Territorial Organization of the Republic of Moldova of December 7, 1994 (*Monitorul Oficial* no.3-4 of 1995) established the administrative-territorial division of Moldova. It defines village, commune, resident village, town, city.

27. The Law on Local Public Administration of December 7, 1994 (*Monitorul Oficial* no.6 of 1995) defined local public administration, local public administration authorities, the procedure of their formation and their powers.

28. The Law on Normative Land Price of December 2, 1994 (*Monitorul Oficial* no.6 of 1995) establishes normative land prices for cases of land withdrawal from agricultural processing and the procedures of land expropriation, land sale and purchase and land lease.

29. The Law on Accounting Practices of April 4, 1995 (*Monitorul Oficial* no.24 of 1995) established the unique accounting methods and financial statements, the procedure of drawing up and submitting financial statements.

30. The Law on State Privatization Program for 1995-1996 of May 5, 1995 (*Monitorul Oficial* no.24 of 1995) established the legal grounds for privatization, manner of calculation of property shares, legal forms of farming during farm reorganization and special privatization conditions for separate enterprises.

31. Government Decision on Approval of Provisory Decision on Sale-Purchase of Land Plots of June 6, 1995 (*Monitorul Oficial* no.36-37 of 1995) **as amended and modified** (*Monitorul Oficial* no.of 1996) regulates the sale-purchase procedures for plots held by orchard associations; equivalent land shares; city, town and village development land.

32. Methodical recommendations on procedures of determining the founders' property shares in inter-farm enterprises (associations) of the Agro-Industrial Complex, approved by the Government Decision no.561 of August 10, 1995 (*Monitorul Oficial* no.48-49 of 1995) established the manner of allocation of property shares of founders of inter-farm enterprises (associations) during their reorganization in joint-stock companies.

33. The Law on State Budget for 1996 of December 29, 1995 (*Monitorul Oficial* no.2-3 of 1996) established land tax rates on different types of land, period for tax payment and the category of people and enterprises exempted from land tax (Appendix no.7).

34. The Law on Leasing of February 15, 1996 (*Monitorul Oficial* no.49-50 of 1996) defines leasing and leasing relations; area of application; objects and subjects of leasing; manner of conclusion of leasing agreements; rights and duties of the parties.

35. The Law on Bankruptcy of March 26, 1992 (*Monitorul Oficial* no.58 of 1996) establishes the grounds and procedures of recognition of enterprise bankruptcy.