



Project Performance Report

Period under Review: June - August 2003

Project Number:	RUS/-03/003	Starting Date and Duration:	3 June 2003 – 3 years
Project Title:	“Russian Farm Entrepreneurs Development Program in Russian Federation”	Budget:	2003 – 142,671 USD
Project site(s):	Moscow, Kaluga, Belgorod, Voronezh region		
Executing Agency:	Ministry of Agriculture of Russian Federation, Department of Science and Technical progress		
Goal:	To foster the development of Russian agriculture and the transformation of rural communities based on the development of small and medium private farmers.	Strategic Area of Support:	Farmers and owners of small households
General Project Description:			
<p>The main objective of the current project is to foster the development of individual farm entrepreneurs in Russia at a time when land is to be fully privatized. Making use of the experience developed by Cercle Kondratieff, which initiated it, it will help private farmers to better structure their links with first quality buyers of agricultural commodities, thus allowing them to gain access to long term finance and technical assistance. Through well-designed coordination with credit cooperatives, it will generate the emergence of new entrepreneurs within often-depressed rural communities. Therefore, it will not only contribute to improving agriculture business in Russia, but also play a leading role in the positive transformation of civil society.</p>			
Project Objectives:			
<ul style="list-style-type: none"> - To offer a comprehensive approach on how to foster a real emergence of private agricultural entrepreneurs through top down research and policy advice on the one hand, and on the other hand the bottom up implementation of a model project linking closely rural credit cooperatives with groups of producers. - To analyze and consolidate already existing experience related to credit cooperative, micro-lending and other type of funding already developed in Russia in the agricultural sector and take advantage of past experience of development of credit cooperatives in Russia (before the Revolution), in other transition countries (Armenia, Moldova, etc.), in Western Europe and North America in view of making recommendations for policy action. - To analyze the links between credit cooperatives and state supported finance, both in Russia and abroad. To make policy recommendations in order to put small and medium farmers on the same playing field as large ones benefiting from subsidized credit from the State. 			

- To analyze and consolidate already existing experience related to cooperative of producers, and take advantage of past experience of development of cooperatives of producers in Western Europe and North America in view of making recommendations for policy action. The role of CUMAs (cooperatives of use of agricultural machinery), a partner in the project, will be of particular relevance.
- To define model development schemes with the aim to foster the emergence of private farm entrepreneurs via adequate funding, solid links with buyers of agricultural commodities, and coordination with fellow farmers.
- To implement model project schemes in at least one Russian region, with a view to ensure sustainability and replicability.
- To disseminate the output and outcome of the work achieved.

Expected Situation at the End of the Project:

Government officials will have policy recommendations for development of a national system linking networks of credit cooperatives, production cooperatives and targeted State support. The project will contribute to the development of vertical and horizontal co-operation of private farmers, as well as increase access to finance, market and information resources.

At the end of the project, a conference will be organized in the region, where the pilot project was conducted.

During this conference, the objective will be first to foster coordination between all stakeholders involved in the development of private farming in Russia. This task will have been prepared during the entire project by meetings in Moscow where research and policy advice outcomes would have been exposed, together, each time, with a presentation by these stakeholders of their achievements in the field.

The second aim of the conference will be to draw interim operational conclusions from the experience of the model project, and to see how it could best be sustained and replicated in a cost-effective way.

The third aim will be to provide for a comprehensive development plan of private farming in Russia, which could be proposed to institutional stakeholders such as the Russian government and IFIs as well as to potential foreign direct investors (big mutual credit banks in Europe and America). This plan will be largely based on the experience of the model project, but will substitute to donors (non replicable in essence in a sustainable project) a web of credit cooperatives based on the Western European model and a well targeted State support such as the one recommended by the World bank (decoupled income support).

Intended Output:

The project will help private farmers to better structure their links with first quality buyers of agricultural commodities through coordination with credit cooperatives. In this way, the project seeks to generate the emergence of new entrepreneurs in rural communities.

Project component

Project component	Major events/activities	Outcomes	Comments
1. Research component			
1.1. Analysis of the credit system of small and medium agricultural firms in Russia.	<p>1.1.1. Terms of reference for Experts were prepared.</p> <p>1.1.2. An open competition for Experts vacancies was held on Internet.</p> <p>1.1.3. Interviews with candidates were carried out</p> <p>1.1.4. Contract documents were prepared.</p> <p>1.1.5. A contract was concluded with the Expert from 1 August 2003, for 3 months.</p>	V. K. Krutikov was selected as Expert in credit research. He is a Doctor in Economy, specialized in rural credit cooperative. He prepared an analytical report on rural credit granting in Russia and a bibliography on this theme.	The analytical report on rural credit granting in Russia (25 pages) and the bibliography are enclosed to the report.
1.2. Analysis of the activity of production cooperatives.	<p>1.2.1. Terms of reference for Experts in production cooperatives, legal Expert and Specialist in business planning were prepared.</p> <p>1.2.2. Discussions were held with ILO on the TOR to be fulfilled by Experts and on duration of their work.</p> <p>1.2.3. Meeting with ILO Experts were organized.</p>	<p>ILO finance Experts in production cooperative.</p> <p>ILO materials concerning cooperatives were given to the research team.</p> <p>The ILO Experts for the project are:</p> <ul style="list-style-type: none"> - Smoliansky S.V. for general questions; - Pitzin A.N. for cooperative organization and business-planning; - Gutman M.B. for legal questions. <p>ILO Experts prepared an analytical report on production cooperative and a bibliography on this theme.</p>	<p>ILO materials are at the office of the project.</p> <p>The analytical report on rural production cooperative in Russia (25 pages) and the bibliography are In ILO office</p>

<p>1.3. Analysis of the banking credit system for rural enterprises in Russia.</p>	<p>1.3.1 Terms of reference for Expert in social insurance and taxation were prepared. 1.3.2. An open competition for Experts vacancies was conducted on Internet. 1.3.3. Interviews were conducted with candidates. 1.3.4. Documents were prepared to conclude a contract with the Expert from 1 September 2003, for 2 months.</p>	<p>Elena Sharipova was selected as Expert in social insurance and taxation.</p>	
<p>1.4. Analysis of farmers' opinion concerning the organization and the activity of credit and production cooperatives.</p>	<p>1.4.1. A questionnaire was prepared for the organization of a survey among farmers on credit and production cooperatives. 1.4.2. A survey among farmers was organized at the exhibition-fair "AgroRuss" in Saint Petersburg. 1.4.3. The questionnaire was submitted to the Information and Advisory Service of the Ministry of Agriculture of RF for the conduct of this poll of farmers in regions.</p>	<p>Survey results on credit and production cooperatives have been obtained.</p>	<p>The questionnaire is enclosed. The survey among farmers on credit cooperatives was practically held for the first time. The formation of credit cooperatives is done without any consideration of farmers' situation. Funds give money for cooperatives development and dictate their conditions. The poll analysis will be done in September.</p>
<p>2. Pilot project implementation</p>			
<p>2.1. Preparation of the document related to the Russian Cattle Development Fund.</p>	<p>The initial proposal was developed by C. Cordonnier. The document was translated into Russian and forwarded to ILO Experts and to the farmers of the pilot cooperative.</p>	<p>It is impossible to create the Fund on UNDP basis. The document on the Fund needs to be worked out further and agreed.</p>	<p>The document on the Fund is enclosed.</p>

<p>2.2. Selection of the pilot region and rayon.</p>	<p>2.2.1. Negotiations were conducted with the administration of Kaluga region and with farmers of five potential rayons for the project realization.</p>	<p>Babyninsky rayon was selected for the implementation of the pilot cattle project.</p>	<p>Savinov, Director of the Agricultural and Food Department of Kaluga region, led the negotiations on behalf of Kaluga Administration. The veterinary Department, the information and advisory Department and the cattle-breeding Department took part to the negotiations. The pilot region was selected on the basis of the recommendations made by Cercle Kondratieff.</p> <p>Babyninsky rayon has a lot of advantages: there is already a rural credit cooperative (400 members-shareholders) and one of the best farms in Russia (“DIK”), specialized in beef meat production.</p> <p>The report on the results of the negotiations with the region and rayon administrations and of the visits of farms in Kaluga region is enclosed.</p> <p>Information on Babyninsky region and on the farm “DIK” is enclosed.</p>
--	---	--	---

<p>2.3. Establishment of a team of farmers, producing beef meat.</p>	<p>2.3.1. An organisational seminar was prepared and conducted on the establishment of the first team of farmers for the pilot cooperative.</p>	<p>The first team of farmers for the cooperative of beef meat production and the work team for the organization and the preparation of cooperative documents for the registration were established.</p>	<p>The program of the seminar, the list of participants and the report on the seminar conduct are enclosed. The region and rayon administration, UNDP and Cercle Kondratieff participated to the preparation and conduct of the seminar.</p> <p>ILO Experts N.M. Kharitonov and A.N. Ptizin prepared a presentation of production cooperatives, V.K. Krutikov, Doctor in Economy and director of the rayon administration made a report on credit cooperative.</p>
<p>2.4. Selection of an Expert-leader for the pilot production cooperative.</p>	<p>2.4.1. Terms of reference for the Expert-(leader of the pilot cooperative) were prepared. 2.4.2. An open competition was open on Internet for the expert's vacancy. 2.4.3. Interviews were organized with applicants 2.4.4. Documents required for the contract with the Expert from 1 August 2003 were prepared.</p>	<p>Farmer A. A. Davydov was selected as the Expert-leader of the pilot production cooperative of beef meat production.</p> <p>A contract was concluded with Expert A. A. Davydov from 1 August 2003.</p>	<p>The Expert report is enclosed.</p>

<p>2.5. Organization of marketing research and determination of buyers of cooperative products.</p>	<p>2.5.1. Preparation of the questionnaire for marketing research. 2.5.2. Discussion on the survey with the Expert of the pilot cooperative 2.5.3. Organization of marketing research on the market of “marbled” beef meat in Moscow and Moscow region.</p>	<p>Marketing research results (with conclusions, suggestions and contact information of beef meat buyers) were forwarded to the cooperative.</p>	<p>The questionnaire and reports on marketing results with conclusions and suggestions are enclosed.</p>
---	---	--	--

2.6. Registration of the pilot cooperative

2.6.1. ILO Expert A. N. Ptizin and Lawyer M.B.Gutman prepared the documents for the registration of the production cooperative and discussed the plan of actions with the farmers of the working group.

The registration documents were prepared in consideration of the last changing in the legislation concerning cooperatives.

ILO Experts report on the work achieved with the farmers of the working group and annexes on cooperative registration are enclosed.

3. Fund-raising

<p>3.1. Information supplying on the project.</p>	<p>3.1.1. A summary of the project in Russian and English was prepared.</p> <p>3.1.2. The Head of research prepared a presentation of the project.</p> <p>3.1.3. Information about the seminar in Babyninsky rayon on the organization of the production cooperative was prepared.</p> <p>3.1.4. An information sheet was prepared and distributed to the farmers at the exhibition-fair "AgroRuss" in Saint-Petersburg.</p>	<p>A summary of the project in Russian and English was put on UNDP website.</p> <p>The presentation was held at the seminars at the Moscow representative office of European Union and at the European Business Club.</p> <p>Information about the seminar in Babyninsky rayon on the organization of the production cooperative was put on the UNDP website. Articles were published in the rayon and region administration, a broadcast was prepared for the region television.</p> <p>A proposition of work on the project realization was received from farmers and Vologda administration, Kirov and Voronej regions.</p>	<p>Information texts and the presentation of C. Cordonnier are enclosed.</p> <p>The presentation of C. Cordonnier aroused a great interest for the project and allowed to establish business contacts with companies and organizations, which could be potential donors of the project (Cargill, Bonduelle, German project Transform, etc...).</p> <p>Information on the seminar in Babyninsky rayon was discussed at the meeting in the region administration, farmers of other rayons got to know about the pilot project.</p> <p>Articles of region and rayon newspapers are enclosed.</p> <p>Associations of farmers will conduct a poll of farmers on the basis of the project questionnaire.</p>
---	--	--	--

3.2. Negotiations with potential donors and partners.	3.2.1. Rayfaysing Bank.	A cost-sharing contract of \$11,300 was concluded for the realization of the project.	Documents are in the project file at UNDP.
	3.2.2. Moscow Academy of Agriculture K. A. Timiriazev.	The Academy offered room for the project office and will do repairs at its expense.	After the repairs, the project will have a permanent office.
	3.2.3. Cargill company.	A cost-sharing contract of \$10,000 was concluded for the project launch in Voronej region.	Documents are in the project file at UNDP.
	3.2.4. Swiss embassy.	Information on possible credit granting for women-entrepreneurs and credit cooperatives was received.	Negotiations will continue.
	3.2.5. Transform project on credit cooperative.	N. Drude, project Expert, will participate to the research work.	The presentation of N. Drude on credit cooperative at the European business club seminar is enclosed.
	3.2.6. Negotiations of Cercle Kondratieff in France and Russia.	C. Cordonnier conducted the negotiations. Subsidies of 50,000 euros were received for the purchase of cattle Charolais from Yonne and Burgundy regions.	The letters of C. Cordonnier are enclosed.
	3.2.7. Bonduelle, Louis Dreyfus East and Revaro companies, Embassies of Denmark, Netherlands, Taiwan and others.		Brief reports on negotiations are enclosed. Negotiations will continue in September-November.

4. Project management			
	4.1. Project launch at the French embassy in June 3 2003.	The project was launched.	Participants were UNDP, ILO, Cercle Kondratieff, Ministry of Agriculture of RF, guests from the European business club, State Duma Deputies and others. The list of participants is enclosed.
	4.2. Two meetings of the Steering committee were conducted.	The strategic and current plans for the project realization were established.	Meetings minutes are enclosed.
	4.3. Nomination of the National Director of the project.	A letter was received from the Ministry of Agriculture on the appointment of M. S. Bunin as project National Director.	A copy of the letter is enclosed. The Steering committee keeps its rights and obligations. The appointment of the National Director allows establishing project documents according to UNDP procedures.
	4.4. Budget audits.	Budget audits were conducted according to UNDP procedures.	The documents are in the project file at UNDP office.
	4.5. Nearly all project documents were translated into English.		
	4.6. Establishment of plans of action of the project.	Monthly plans.	Work plan of August is enclosed.
Major events in the next quarter	<p><i>Research component</i></p> <p>Preparation and conduct of a seminar on credit cooperatives in Moscow (24 September). Coordination of Experts work on the preparation of analytical reports. Analytical reports review. Preparation and conduct of a seminar on production cooperatives in Moscow (25 October).</p> <p><i>Pilot project implementation</i></p> <p>Continuation of marketing research.</p>		

Preparation of a realization scheme of the leasing plan of cows Charolais from France for the farmers of the pilot cooperative.

Negotiations with cattle-breeding and veterinary Departments of the Ministry of Agriculture of RF and Kaluga region about the purchase of pedigree cattle from France (3-4 September).

Preparation and conduct of a study tour in France at the Festival of Charolais in Burgundy (16-19 September).

Study of the possible organization of a pilot farmers cooperative of field crops cultivation in Voronej region (26-27 September).

Preparation and conduct of an open competition for the participation to the project of 3 rayons of Voronej region (proposition of Cargill company) (10-15 October).

Organization of an international conference

Organization of a conference on the project is included in the conferences and seminars plan of the Ministry of Agriculture of RF for 2004 with the determination of the financing volume (1-10 November).

Conduct of a tender on the publication of the “White Book” (15-20 November).

Determination of the location of the international conference and to prepare an approximate estimate (20-25 November).

Project management

Conclusion of contracts with the Head of research and the Expert in social insurance and taxation (September).

Conduct of a tender and conclusion of a contract for the purchase of equipment for the office (October).

Organization and conduct of a meeting of the Steering committee (September).

Main problems

Main problems associated with the project implementation:

- The absence of training on UNDP procedures takes time, documents preparation is often delayed.

Specific problems

- Lack of development of the realization scheme of animal (and machinery) leasing for the pilot cooperative at the project preparation stage (the planned Fund can't be organized on UNDP basis).

1 September 2003

Natalya Andreeva

Project Manager