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**THE MOSCOW LOW VOLTAGE EQUIPMENT PLANT:
A CASE STUDY OF A PRODUCTION COOPERATIVE***

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Introduction

Economic development and the production of consumer goods in the USSR under the socialist model of ownership and centralized planning has fallen short of government expectations and citizen demands. Reliance on this model has met mostly with negative results and has proven to be an insufficient means of strengthening the national economy. Given this lack of success and in recognition of the need for change, a number of recent policy reforms have been introduced in the USSR. These reforms represent a movement toward the reduction of centralized planning and management of industrial production enterprises and are intended to enhance industrial development and increase the production of consumer goods.

The industrial cooperative movement is among these reforms. The movement's impetus stems from the previous success in using agricultural cooperatives as a means of increasing agricultural production in the USSR. Presently, the cooperative, or collective membership form of economic activity, is the most widespread form of small business operation in the USSR. It has been a key means of increasing services and products to Soviet citizens. Hopefully, the principles and concepts applied to agriculture cooperatives and small businesses can be successfully carried over and applied to heavy industrial and large scale production enterprises.

The cooperative movement in the USSR is generating much interest in many circles, both positive and negative. The movement is regarded by many as one of the most encouraging prescriptions for improving industrial efficiency, reducing the burdensome numbers of state-owned enterprises, and generally enhancing economic development. Relatively little is known or documented, however, about the successes and failures of the cooperative movement.

Case studies have been undertaken of four USSR cooperatives in an effort to add to the body of information on the successes and failures of cooperatives. It is also the purpose of these studies to identify key issues, problems, and potential barriers to the future success of the cooperative movement as a solution to the economic problems and meeting the tasks of industrial development in the USSR.

The case study that follows outlines the details and summarizes the experiences of the Moscow Low Voltage Equipment Plant in its transition from State-owned Enterprise (operating under the auspices of the Ministry of Electro Technical Industries) to cooperative status.

It is important to mention here some of the limitations of this case study and resulting document. Since there were no English versions of the 1987 State Enterprise Law, Cooperative Law, or Charter of the Moscow Low Voltage Equipment Plant, the expert was required to rely solely on verbal translations. Although care was taken to verify titles, names, and other points and items, it is feared that some may have been misstated and/or misunderstood. Moreover, the absence of English versions of the subject documents precluded any in-depth review and analysis of the legal framework of the cooperative movement and developing recommendations for changes thereto. The expert's inability to communicate in the Russian language may also have given rise to other oversights or misinterpretations.

Background

The Moscow Low Voltage Equipment Plant (MLVEP) was established originally as a State enterprise under the Ministry of Electro Technical Industries to produce small electrical motors, relays, extension cords and other electrical equipment. Under State operation, the enterprise was successful and profitable. During its last year under State management, the plant realized a 17% profit to sales. The Plant has had a history of meeting its State-set production objectives and is known for its competent management team.

On July 20, 1988, the Moscow Low Voltage Equipment Plant was established as a production cooperative and registered with local authorities (the Moscow Municipality.) The cooperative was established under chartered contract between the Ministry of Electro Technical Industries and the Management and employees of the enterprise.

The MLVEP is located in the greater Moscow area. It occupies 3.2 hectares of land, has seven buildings on its main premises for a total of approximately 15,000 square meters, and employs 1,700 persons. In addition, there is a secondary plant location just outside the Moscow area. MLVEP has also acquired two other cooperatives: one in Poti, Georgia in 1988 and another in Serpekhov, (approximately 70 kilometers outside the City of Moscow) in June, 1989. With these two new acquisitions, MLEVP is believed to be the largest USSR cooperative, employing approximately 3,100 persons. The cooperative's combined revenues for 1988 were approximately 51 million roubles (\$ US 79 million)

Under the contract provisions covering the enterprise's transition to cooperative status, the State agreed to pass to the cooperative the enterprise's main assets at a cost of 6 million roubles including 6 percent interest per annum on the outstanding credit balance. The amount included the cost of fixed assets, equipment and materials. Payment for the assets was due and payable in full by 1995. The Cooperative, however, obtained a 4 percent interest bank loan for the total amount due, retired the Government credit, and saved 2 percent in the process.

The official reason given by the Government to explain its willingness to transfer a profitable enterprise to cooperative status was that it (the Government) wanted to further the cooperative/collective movement. Management pointed out, however, that the real reason probably stemmed from the Government's realization that central planning and State ownership serve as a hinderance to the development and expansion of enterprises because they "preclude unlimited planning and development as a result of limited funding allocations." Under this system, resources have to be spread among the various enterprises based on the "prioritization" of government budgetary allocations. In the case of the MLVEP, under state ownership the Government was unable to take measures to "re-tool" the aging enterprise; some of its machinery and equipment date back to 1906. Under cooperative ownership, such decisions are limited only to the financial means of the enterprise to acquire the needed machinery and equipment. The inability of the Soviet Government to provide this funding is believed to be the basic factor giving impetus to the establishment of MLVEP as a cooperative. Thus, it was mutually agreed by the Government, management and employees of MLVEP to transfer the enterprise to cooperative status.

After the cooperative was established, a general meeting of employees was held to elect the enterprise's management team. Those persons holding previous management positions were elected and retained their respective positions. All other employees were also retained in their respective positions and individual assignments. There were no staff terminations or substantive changes in organization structure; the enterprise remained basically in its original form.

Under the new arrangements, the cooperative's production performance output increased by approximately 50% and profitability also increased from 17% to 27%. Management reports a substantial improvement in employee morale and work attitudes as a by-product of the change. By comparison, under state ownership operations were described as methodical and labor intensive. Government policies were often counterproductive. For instance, bonuses were based on increased consumption of materials and supplies and increases in numbers of employees. Under state control, government subsidies and strict regulation of finances were the rule. There were no incentives to introduce measures to improve the efficiency and cost-effectiveness of the enterprise -- more production meant more profits to the State. However, such measures are now routinely introduced and monitored and are directly attributable to the increased efficiency and profitability experienced.

In November 1989, MLVEP began acquiring affiliate cooperatives. The first, a small electrical equipment plant located in Poti, Georgia, was bankrupt and fraught with labor problems. It was acquired by assuming a 3.5 million roubles debt and paying 175,000 roubles into the organization's social development fund. After acquisition, 200 employees were terminated as a consequence of non-productivity and political opposition to the change over. Currently, employment has been increased to its original, authorized level. The Poti plant serves essentially as a branch office and serves the main cooperative with raw materials, motors, and semi-finished products required to produce finished electrical equipment. Since its acquisition, cost reductions, and wage and bonus incentives have caused the Poti plant to become profitable, realizing a 5% profit for the first quarter of 1989.

The acquisition of the second affiliate, the Serpekhov Electrical Motor Plant, took place on June 1, 1989. The plant is located approximately 70 kilometers from Moscow and produces small electrical motors. Currently, negotiations are still underway with the Ministry of Electrical Technical Industry for lease and reorganization of the plant.

Additional acquisitions, international joint ventures, and other strategic means of expanding domestic and international markets are planned for the near future.

Legal Authority and Regulatory Provisions

The cooperative charter (agreement between the Ministry and the cooperative) is the legal, binding authority for the MLVEP's establishment and operation. The comprehensive charter sets forth the terms and conditions of the following:

- o Aims and tasks of the cooperative
- o Membership rights and obligations
- o Management and control
- o Production activities
- o Creation and use of assets
- o Organization, work schedules, conditions, labor
- o Welfare of membership
- o Approval and registration
- o Cessation of obligations (dissolution of the enterprise) and liquidation committee.

Several features of the agreement should be mentioned here. First, the terms and conditions of the agreement are in effect until the cessation of the cooperative. Second, termination or dissolution of the cooperative may only occur for the following reasons: violation of the terms of the agreement, violation of the law, or by a vote of the membership. Third, the membership has sole responsibility for and control of the corporate assets and may dispose of them in any manner they choose. Distribution of the proceeds resulting from the sale of assets is decided by vote of the membership. All assets, except for the land, belong to the cooperative.

Organization Structure

The organization structure of the MLVEP has evolved since its inception as a State enterprise. It appears that organizational needs have been met simply by adding operations and staff to existing structures rather than by systematically analyzing organizational arrangements in terms of current and future needs.

The current structure of the MLVEP, as described by management, appears as chart I. The chart portrays the organization structure as it reportedly existed in June, 1989. The chart has officially been adopted for use.

The MLVEP is governed by the 1,700 members (workers) of the cooperative. General oversight of the administration and management of the cooperative is provided by an Executive Committee. (These relationships and responsibilities are not reflected in the chart referenced above.) The Director has the day to day responsibility for the management and supervision of the affairs of the cooperative. Each organizational element and its respective functional responsibilities and relationships are described in chart I.

Since it was not the intent of this assignment to perform an in-depth assessment of the organization and management of the enterprise, no attempt was made to identify and fully document the extent of the chart's appropriateness, attributes, and organization deficiencies. It is important to note, however, that while the organization structure does not preclude the enterprise from successfully accomplishing its mission and goals, it exhibits many of the deficiencies common to organizations which have not systematically and routinely applied modern principles of organization. Some of the more obvious problems are as follows:

- o Lines of authority and responsibility are unclear. Specific roles and relationships of major organizational elements are not well established.
- o Interrelationships among organizational elements are inadequately defined.
- o Similar functions need to be consolidated under a single organization unit in order to eliminate overlapping and duplication.
- o Need for comprehensive review and update (restructuring) of the organization based on current and future organizational needs and universally recognized principles of organization.

These and other related problems would, however, be the subject of a more detailed review and assessment.

Staffing

The MLVEP currently engages 1,700 employees at its Moscow plant, 700 at the Poti plant, and an additional 700 at the Serpekhov plant i.e. a total of 3,100 employees. These staffing levels make MLVEP one of the largest, if not the largest, cooperatives in the Soviet Union.

Staff allocations for the Moscow Plant are as follows (a breakdown of staffing for other plants was not immediately available):

Administration	6 (includes top Management)
Capital Construction	30
Design	45
Dispatch	6
Financial	10
Legal	3
Maintenance	100
Personnel	3
Planning/Economics	8
Production/related shops	1,250
Sale/Supplies	12
Technology	70
Testing Laboratory	20
Tool Shop	120
Transport	17
Total	1,700

Existing staffing patterns appear to be adequate for current operations. Additional human resources may be required if there is any substantial increase in the cooperative's operational programs, expansion in product line, or establishment of joint venture projects. Management, supervisory, worker relationships appeared to be satisfactory and appropriate. There was no evidence of the organization being "top heavy."

Compensation and Employee Benefits

MLVEP provides its employees with a base salary of 310-320 roubles per month. By comparison, the national average for employees of state enterprises is about 220-230 roubles per month. In addition to the basic wage, there are bonus plans which serve effectively as production and work performance incentives.

As an example, for the common production worker who exceeds a pre-determined production standard established by vote of the membership, a bonus rate is paid for all production in excess of the standard. For instance, the established rate of pay is set at 8 roubles for every 10 pieces of item X produced up to production level quantity Y. Workers receive additional compensation at a rate of 7 roubles for every 10 pieces of item X produced above the standard. Based on current performance levels, most MLVEP workers are receiving a combined average wage and bonus of approximately 750 roubles per month. The wage/bonus ratio of workers is approximately 55%/45%. If an employee fails to meet production standards, he or she receives the base salary, which in most cases still exceeds that of state enterprises.

Management and supervisory staff compensation depends on the performance of subordinate workers. If workers fulfill the production plan and meet or exceed established production levels, the following rates of compensation apply:

Director	2.5 x worker avg. monthly wages
Chief Engineer	2.4 x worker avg. monthly wages
Other Managers	2.35 x worker avg. monthly wages
Shop Heads	1.5 - 1.8 x worker avg. monthly wages
Foremen	1.2 - 1.3 x worker avg. monthly wages

If subordinate workers fail to meet production standards, managers and supervisors receive .35 x the monthly wage. The difference in compensation between State enterprise and MLVEP managers is that the State imposes a ceiling of 700 roubles a month for managers/supervisors; whereas, the above rates apply for MLVEP managers and no ceiling is imposed.

Wages and bonuses are paid monthly. The cooperative deposits moneys into two separate funds with a State Bank which is housed in the Moscow plant facility. Cash transfers are then made into individual workers accounts, from which they may withdraw at will. The bank pays 6% interest per annum on all account balances.

In addition to wages and bonuses, 25% of the cooperative's profits are applied to a social development fund. This fund provides both workers and members of the cooperative with various social benefits. These include: paid vacations, pensions (same as provided by State enterprises), pioneer clubs for worker's children, weekend tourist excursions, sport halls (gymnasiums) and exercise facilities, medical services (facilities are maintained at each plant), a fund for purchasing/building flats or cottages, and an accident insurance fund. The social benefits package is developed in association with the various trade unions represented at the plants.

Management Practices and Systems

Basic management practices and systems are employed by the MLVEP. Generally, these practices and systems have been carried over from the days of state ownership and have been modified to meet current operational situations and institutional needs. Those systems reviewed, however, appeared dated and in need of a comprehensive review and assessment. The successful management of the organization's resources has been accomplished in spite of these systems; and, as such, is directly attributed to its competent, senior level management and the drive of the membership to make the Cooperative a successful endeavor.

The MLVEP is also fortunate in that it has very good relationships with and support of its "parent" ministry. In addition, MLVEP has good external relationships with and receives cooperation from such entities as suppliers and vendors. The latter also contributes significantly to the successful operations and management of the cooperative.

Management systems employed by MLVEP include accounting, payroll and financial management controls; operational policies and procedures, including descriptions of the duties and responsibilities of each major organizational element and position; MIS database and reporting; project tracking and status reporting; technical specifications, instructions and documentation for the operation of testing equipment; production monitoring and quality control. While management systems and practices are considered rudimentary by Western standards, they are employed effectively and have permitted the MLVEP to achieve successfully its organizational goals and objectives.

Operations

Currently, MLVEP has four operational departments (line functions) in its organizational arrangements: Engineering, Automatic Systems for Managing Production, Production, and Quality Control. These major functional areas incorporate, to a greater or lesser extent, all of the activities necessary to meet the production objectives adopted by the Cooperative.

Operations are organized by the separate geographical locations, with work shifts organized by day of the week and by time of day. While the Cooperative's basic operational hours comprise a single shift, five days a week; some production team operations require two or three shifts and operate seven days a week. Since production is based on a piece rate system, work scheduling is flexible and left primarily to the decision of supervisors and members of production teams.

In Moscow, there are two plant facilities which comprise the MLVEP. In addition, there are two affiliate cooperatives (Poti, Georgia and Serpekhov) which feed semi-completed products, raw materials, and supplies into the mainstream production of electrical equipment (small electrical motors, extension cords, circuit boards, relays, and the like) at MLVEP. These plants are reported to have organization structures similar to those of MLVEP and operate in same manner. All plant facilities are reportedly in need of expansion and modernization. Some buildings and equipment date back to the early 1900s. Production, testing and computer equipment is severely outmoded. For example, MLVEP's computer is an EC 7320, first generation Minicomputer, a tape driven system with 4 MB of RAM and 8-10 terminals. This equipment possesses less speed and computing power than the original IBM PC. Computing is extremely slow and cumbersome.

Future Planned Operations

Future operational plans include the construction of new buildings on current and future plant sites. The latter depends, however, on the approval and allocation of land to the cooperative by the Government.

MLVEP is also planning to purchase a number of new IBM, 16 mhz AT compatible systems in the next several months. The cost of this is expected to exceed one million roubles. MLVEP currently has its technical staff testing and evaluating the subject equipment. The addition of this new equipment should do much to upgrade the cooperative's automated processes (testing, design modeling, accounting and financial control.)

In addition, the cooperative is exploring the feasibility of introducing new product lines. Its commitment to date includes research, testing and hiring an individual to conduct a marketing survey and develop marketing strategies for current and future products. The cooperative is hopeful that it will be able not only to expand its Soviet market but also to extend its operations to other parts of the world through joint ventures with the United States of America and other western nations.

Financial aspects

The financial position, operations and systems of MLVEP were reviewed briefly. In general, they were found to be simplistic, but adequate. Financial data was reviewed for 1988 and the first quarter of 1989. These data were minimal because of translation limitations. However, the data reviewed indicated that the cooperative's financial position was fairly strong.

Cooperative revenues for 1988 were 40 million roubles, with a net income of 11.269 million roubles. As of March 31, 1989, the combined revenues for MLVEP and POTI, were recorded at 11.988 million roubles, with an estimated net income of 3.373 million roubles. If current revenue trends continue throughout 1989, projected revenues will total approximately 47.9 million roubles, with net income of about 14.92 million roubles. This income level will represent a 3% growth rate for the year.

The estimated net worth of the MLVEP is 41.560 million roubles. This figure includes the following:

Fixed assets	9.688 (in million roubles)
Materials, inventory	8.039
Unfinished products	0.599
Finished products, warehouse	0.846
Other inventory	10.497
Cash	1.239
Other Bank accounts/credits	7.454
Goods Shipped	1.319
Other receivables	1.879
Total	41.560

Further substantiating the cooperative's strong financial position is its ratio of assets to liabilities. Current assets are 41.56 million roubles versus approximately 12.77 million roubles in liabilities (3.25:1.) Another indicator of financial strength is the level of warehoused finished merchandise versus sales, 40 million versus 846,000 roubles. The latter represents a little more than 25% of one month's average sales. 1989 projected revenues indicate an even better financial position.

The cooperative's tax rate is specified by its charter agreement with the Ministry. Current tax rate is set at 28% VAT. This rate is the same as it was under state ownership and is fixed until the end of the current five-year plan (1990.) Taxes paid in 1988 totaled a little over 3.6 million roubles. Taxes for 1989 are projected at 4.2 million roubles.

A new taxation law will take effect July 1, 1989. Under the new tax law, rate limits will be set and administered by the Republics or by local municipal governments. At this point, the specific rates have not been set, but are rumored to be in the neighborhood of 20% to 60%. Most likely rates will probably be set around 30%.

Issues, Problems and Concerns

This section identifies and discusses those issues, problems, and concerns reported or observed during this study that may impede the development of the MLVEP cooperative or have a negative impact on the cooperative movement in general. The cooperative movement was characterized by one person interviewed as going through "a period of childhood illnesses." It was suggested that the cooperative movement will have to develop much in the same manner as a child "grows out" of its childhood illnesses.

The specific issues cited by cooperative managers and as observed by the expert are discussed in the following paragraphs.

1. Taxes

Taxes and taxation policies were cited as the single most critical issue confronting the cooperative movement. Given the shift in responsibility for administering the tax law to the local government level, it is felt by many that "confiscatory" tax levels may be imposed in those areas where there may be strong opposition to the cooperative movement.

Further, tax policies are not administered uniformly and are subject to broad interpretation. This creates a general feeling of uncertainty among those persons responsible for managing cooperatives and severely limits their ability to plan effectively for the long-term development of their respective cooperatives. Cooperative leadership would like to see the establishment of "a level playing field" so that cooperatives are dealt with equally and fairly in terms of geographic administration and competition with state enterprises.

2. Laws Affecting Cooperatives

Current laws governing cooperatives have been developed ad hoc to deal with specific problems as they may arise. Consequently, the legal framework is unclear and lacks comprehensive treatment of the various aspects of establishing cooperatives and cooperative development.

Laws affecting cooperatives should be consolidated into a comprehensive law and should possibly be administered uniformly by a single governmental entity. In a broader context, the Soviet legal system should be reviewed to ensure its capability of dealing effectively with the kinds of legal issues surrounding entrepreneurial activity that are likely to arise now and in the future.

3. Property Ownership

Property ownership is another key issue. There are currently numerous ownership arrangements for cooperative assets. However, in no instances is the ownership of land permitted. Long-term lease agreements do exist on occasion which diminish for some the problem of ownership as a barrier to cooperative development. Nevertheless, from a practical point of view, the establishment and development of cooperatives would be greater facilitated if cooperatives had the capability of acquiring and disposing of assets required to plan and operate business activities.

The significance of the problem of property ownership varies with the type of cooperative and kind of agreement used. In the case of MLVEP, its agreement is directly with the previous "parent Ministry." The terms and conditions of this agreement supersede many of the local laws and thereby provide a greater degree of stability to this cooperative. For example, the land occupied by the plant has in effect been "deeded" to the cooperative for as long as the cooperative is in business or until the land is needed by the Central Government for some "greater purpose." Contrastingly, some cooperatives have one-year lease agreements or of shorter duration, or for no committed period at all. The uncertainty of future arrangements precludes so affected cooperatives from any long-term planning and even some routine operational decision-making.

Although this is a highly controversial subject, as evidenced by the discussions in the recent Congress of People's Deputies, the Soviet Government ought to explore the feasibility of developing a law that will expand the forms of private ownership of assets.

4. Currency Conversion and Foreign Exchange

If the Soviet Union, in general, and the cooperatives, specifically, are going to do business with the West, there must be uniform economic laws and policies and the cessation of "forceful interference" in economic transactions. Soviet enterprises (state owned and cooperatives) must be able to move freely in world markets. In order to do so, a "convertible currency" is needed as well as the reduction or elimination of highly restrictive currency controls.

This is a serious problem for MLVEP. In its current efforts to "re-tool" its plants, it has found itself limited in terms of being able to purchase high quality technical equipment requiring foreign exchange. The problem is not lacking the financial means for acquiring the equipment, but one of not being able to obtain necessary government approvals for currency conversions.

5. Availability of Raw Materials

There are reportedly always shortages of key raw materials (i.e., cement, steel, and other construction materials.) Absent a free market, the Central Government should provide assistance to cooperatives in securing the raw materials needed for both production and development purposes. This is critical if emphasis is going to be placed on increasing the level of production of consumer goods to the Soviet society.

6. Capitalization

The MLVEP currently needs approximately 51 million roubles for future investment purposes. This level of development funding is not readily available to the cooperative. It was suggested that a special organization should be established under one of the Ministries to assist cooperatives to secure development capital. In conjunction with this effort, consideration should be given to establishing a national industrial cooperative development bank.

This special Ministry unit could also assist cooperatives in maintaining linkages with the Council of Ministers, provide support to research efforts, and monitor the cooperative movement. The unit is envisioned as being an advocate body.

7. Foreign Markets and Joint Ventures

MLVEP is currently certified to conduct business internationally and to engage in joint ventures with international firms. At some point in the not too distant future, MLVEP plans to take advantage of its certification and will actively pursue expanding into foreign markets and seeking international joint ventures. Some efforts have already been undertaken, but its current emphasis is directed at capturing a larger Soviet market. When the time comes for pursuing international markets, MLVEP will require information and assistance in a number of areas including selling foreign markets, establishing legal arrangements, and the like. (Other cooperatives will undoubtedly require the same kind of assistance.) It is feared that current government practices of not including cooperatives in its policy plans will preclude access to the kinds of assistance and technical information required.

The Government should review its policies and ensure that they do not have a negative affect on the efforts of cooperatives in accessing information and obtaining technical assistance in pursuit of international markets and establishing joint venture arrangements.

8. Technology and Skills Transfer

As mentioned above, cooperatives will require improved technology and skills improvement at all levels if they are going to trade with and compete effectively in international markets. Provisions must be made to allow cooperatives to secure the needed technology and technical assistance from the international market place. The Soviet Government must insure that current policies do not restrict or impede cooperatives from securing this technology and technical assistance.

Special attention should be given to technology needs in the area of computers, data processing and automation. High priority should be placed on eliminating any barriers that may exist in securing equipment and technical assistance for these purposes.

Summary of Actions Recommended for Improving the Cooperative Movement

1. Current laws governing cooperatives are vague and unclear. The Government needs to review the current legal framework and enact new, stronger, and comprehensive legislation covering cooperatives. Particular attention should be given to the topics of property ownership, leasing of assets, taxes, currency conversion and foreign exchange. Laws should be clear, uniform and "reliable."

2. A ministerial level government unit should be established to serve as an advocate of the cooperative movement. It should monitor and solve such problems as racketeering and protection schemes, assist cooperatives secure development funding, research major issues related to cooperative development and expansion, serve as a linkage between cooperatives and Council of Ministers.
3. The Soviet Government should take steps to establish a balanced environment that provides a "level playing field" for both state owned enterprises and cooperatives. The Government should also clarify how Soviet entrepreneurs are to operate in international markets under its socialistic economic system. A more progressive economic system based on uniform economic policy and laws, world markets, and a convertible currency is recommended.
4. Alternative means of raising development and venture capital must be developed. Such things as authorizing the sale of shares and establishing financial markets should be given serious consideration.
5. The Government needs to clearly define the role of cooperatives in meeting its (Government's) objective of providing the Soviet society with more consumer goods. Also, that role definition should extend to explaining how cooperatives can or will help the Government achieve its goal of becoming a producer of goods instead of a producer of raw materials.

Lessons Learned

One of the many lessons learned from this study effort is that central planning has failed to provide the requisite stimulus for successful economic development. Central planning by its nature precludes effective planning because of the funding limitations placed on economic development. The economic systems currently in place in the Soviet Union related to enterprises are viewed by many as being "old systems, with old thoughts, and not in step with modern day needs."

Another lesson learned is that the cooperative system can work in the Soviet Union if given a chance to do so. Using MLVEP as an example, it is clear that by converting state enterprises to cooperatives the Government can in fact reduce its financial and budgetary burdens while still meeting state-set production targets or quotas. Moreover, in the process, worker productivity, morale, and financial benefits can be improved. Every effort should be made to expand and improve the Soviet cooperative movement.

MLVEP has also shown that it is beneficial to the State to "pass over" profitable enterprises to cooperatives. Under its cooperative arrangements, net income was increased by an additional 10 percent, while it paid the same taxes and successfully serviced an increased level of debt. It makes one wonder what MLVEP could do under a system where no restrictions or barriers are present.

MANAGEMENT STRUCTURE OF THE COOPERATIVE ENTERPRISE
 "MOSCOW LOW VOLTAGE EQUIPMENT PLANT"
 (Compiled by Chief of Personnel and Wage Department)

