

The Center for International Private Enterprise

**Small and Medium-sized Enterprise
Policy Advocacy Program**

Russia

September 2002 – September 2011

Executive Summary and Advocacy Impact Description



Center for International Private Enterprise

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CIPE



The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy. Since 1983, CIPE has worked with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. CIPE's key program areas include anticorruption, advocacy, business associations, corporate governance, democratic governance, access to information, the informal sector and property rights, and women and youth.



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TIMELINE

Key Events, 2002-2011

- September 2002: Small and Medium-sized Enterprise (SME) Policy Advocacy project begins with a U.S. Agency for International Development (USAID) grant of \$2.2 million covering four years in an initial eight regions.
- February 2003: Russian Chamber of Commerce and Industry (RCCI) completes diagnostic surveys of business associations and entrepreneurs that lay the groundwork for project's direction.
- May 2004: Launch of the "Small Business 2004" national advocacy campaign.
- April 2004: International Institute for the Management of Business Associations is founded in Moscow by CIPE and RCCI.
- October 2005: Eight additional regional coalitions of business associations are included in the project bringing the total to 16.
- October 2006: USAID grants a three-year, \$500,000 extension to the project with an emphasis on using advocacy to decrease corruption and developing an anti-corruption methodology.
- September 2007: USAID grants a \$100,000 increase to the ongoing project in order to support SME associations in the North Caucasus region.
- October 2007: North Ossetia Coalition of business associations becomes the 17th to take part in the SME Policy Advocacy Program.
- June 2009: CIPE introduces the Saratov Anti-corruption Methodology to regional coalition leaders at a Moscow workshop.
- September 2009: USAID grants a \$300,000, one-year extension to support the application of the Saratov Anti-Corruption Methodology in at least seven regions.
- September 2010: Eight coalitions present the results of their implementation of the Saratov Methodology at a national meeting of CIPE partners.
- September 2010: USAID grants a \$300,000, one-year extension of funding to support the North Caucasus Coalition and the dissemination of the Saratov Methodology to Russia's 83 regions.
- May 2011: Business association executives from seven North Caucasus regions travel to the United States for a seven-day study tour.
- September 2011: U.S. Ambassador, USAID mission director and CIPE executive director take part in a final project conference in Moscow, "Closing Implementation Gaps Through Regional Advocacy".

Key Accomplishments, 2002-2011

- The project helped launch 17 regional coalitions that counted as members 225 business associations representing firms with an estimated 2.2 million employees.
- The regional coalitions conducted 222 advocacy efforts related to 138 legislative changes on the regional level.
- All the regional coalitions were functioning at the project's end with many still performing legal analysis and advocacy efforts on their own.
- The more than 200 business associations represented by the coalitions reported a 30 percent increase in membership over the life of the project.
- On the federal level, CIPE's national and regional partners conducted 89 advocacy efforts related to 25 federal legislative changes.
- One federal law connected to the project's advocacy efforts gave Russia's 173 local chambers of commerce the right to take part in the review of all business-related legislation proposed on the municipal and regional level.
- Over 5,000 firms were protected annually from government interference and rogue bureaucrats by CIPE partner business associations, which provided membership services ranging from legal consultations to telephone hotlines.
- The International Institute for the Management of Business Associations, self-sustaining by the project's end, had trained over 1,800 professionals, including over 700 business association leaders trained in management techniques.
- Publications capturing the project's best practices have been published by CIPE in Arabic and French.
- Anti-corruption and coalition-building techniques developed under the project have been applied by CIPE in Ukraine, Thailand and Lebanon.

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EXECUTIVE SUMMARY

Overview

The nine-year CIPE project funded by USAID was an effort to strengthen the role of small, private firms in Russia, both as forces within civil society and the free market. In the year of the project's beginning, 2002, the small- and medium-sized enterprise (SME) sector continued to grow in importance to the Russian economy as the influence of large, state-owned enterprises waned. However, the role of SMEs in the development of a healthy civil society had not kept pace with their growing economic clout, and, as a result, their development was not reaching its full potential.

While the Russian government took steps beginning in the late 1990s to encourage SME development through new policies and laws, SMEs themselves were often not prepared to demand implementation of new laws, or the reform of existing regional laws to bring them into line with the new federal versions. Frequently, the SME community had no input in drafting new policies and laws that affected it. The result was a legislative and regulatory framework often at odds with the requirements and needs of entrepreneurs, especially in the Russian regions. This reality gap between the laws and policies on paper and their actual administration could not be bridged without creating channels of communication between entrepreneurs and those who regulated them.

To help SMEs and the business associations that represent them to advocate for an improved business environment, CIPE worked with USAID to develop an initial four-year plan to train, to technically assist, to support policy reform and to mutually inform the entrepreneurial community in target regions. The project maintained this focus over the course of its implementation. It also grew to encompass other activities and priorities, including the creation of an institute for the training of business association leaders, the expansion of coalition work into Russia's restive North Caucasus region and the development of an analytical tool designed to flag laws and regulations with corruption potential. These adaptations sought to take advantage of developments in Russia's small and medium enterprise (SME) sector as well as the Russian government's evolving approach to economic development and corruption.

The life of the project coincided with a period of unprecedented economic growth in post-Soviet Russia that lasted until the 2008 world economic crisis. The growth was followed by a slow period of recovery that continued through to the project's end in September 2011. This ebb and flow of the Russian economy is reflected in the number of the business associations represented by CIPE's partner coalitions, as well as in their advocacy priorities as they sought tax relief during the recession. The project also spanned a period marked by a sharp increase in the perception of corruption in Russia. This trend was underway before the project began, as documented in a 2001 World Bank-funded academic analysis of the types of corruption extant in Russia from a sociological point of view.

Politically, the years spanned by the project were among the most stable of Russia's post-Communist history with president and prime minister Vladimir Putin effectively in control of the country's political elite. His successor as president, Dmitry Medvedev, launched modernization and anti-corruption campaigns that had a significant impact on the project's implementation, especially as related to advocacy performed by national groups representing SMEs, chambers of commerce and business associations. By the project's end in September 2011, Vladimir Putin had stated his intention to return to the country's top formal office, the presidency.

The combination of political stability and progressive policy promotion, however, did not have the expected dividends for SMEs in Russia's regions that it might have had in a more functional civil society. Because of the monopoly on power enjoyed by Putin's national political party, United Russia, and the 2004 cessation of direct elections for governors and mayors, regional power structures had less and less reason to be responsive to civil society, including coalitions of entrepreneurs. In this environment, the central goal of the project – to strengthen the voice of the SME sector – was all the more relevant.

The impact of the project is most readily qualified through measurements of the number of participant SME associations and coalitions, through an assessment of advocacy priorities and changes in the legal and regulatory environment and through an examination of new advocacy tools developed by project participants. The project also had impact in ways that are less measurable and more difficult to connect to the project's

goals. This type of impact was often connected to the capacity of CIPE partner organizations or changes in attitude. For example, the more than 200 organizations represented by the 17 regional coalitions reported a 30 percent increase in membership over the life of the program. This may be attributable, in part, to the organizations better representing their members' interests. In specific regions, such as Smolensk, CIPE partners credit the advocacy techniques emphasized by CIPE trainers as creating a more constructive and less adversarial working relationship between chambers of commerce, the region's executive branch and the regional ministry of justice.

The project started in 2002 with eight regional coalitions of business associations and chambers of commerce and grew to 17 by 2007. Collectively, the 17 coalitions represented 225 organizations which counted as members over 20,000 businesses. Those businesses employ an estimated 2.2 million employees. Since the inception of the project, the coalitions have conducted 222 regional advocacy efforts related to 138 regional legislative changes. Through legal consultations, telephone hotlines and representation, the coalitions protected more than 5,000 firms from government interference or rogue bureaucrats in the last full year of the project, according to CIPE estimates.

On the national level, over the life of the project, the Russian Chamber of Commerce and Industry (RCCI) and the Russian Union of Business Associations (OPORA) have worked with the coalitions on 89 national-level advocacy efforts related to 25 national legislative changes. One of the most significant legislative reforms came with a 2009 law that gives Russia's 173 chambers of commerce and industry the right to take part in the formal review of legislative and regulatory reforms under consideration by regional legislatures.

As the project evolved, so, too, did the approach to advocacy, growing more sophisticated as coalition staff specialists developed expertise in identifying the gaps between laws and their implementation and anticipating how such gaps lead to corrupt practices. This expertise, developed in the legal department of the Saratov Chamber of Commerce and Industry (CCI) that coordinates the Saratov Coalition, was fine-tuned in 2009 to become the Saratov Methodology and, by the end of the project, had been used by members of

all 17 of the coalitions as part of a project-supported anti-corruption effort. The Saratov Methodology later gained the support of RCCI, which recommended that all chambers in its network adopt the program.

This report summarizes the project in varying levels of detail, ranging from the chronological narrative and analysis provided in this section to a detailed project history that offers a distillation of the 18 reports submitted to USAID by CIPE on the project's progress every six months, from October 2002 to September 2011.

Impact

Over the nine-year span of the project CIPE encouraged partners to advocate for change that would benefit broad categories of businesses rather than specific economic sectors or geographic regions. Generally, the 17 regional coalitions maintained this focus, although some of the advocacy efforts had aims specific to individual SME members, such as outdoor advertising agencies in Volgograd in 2009. The project's advocacy impact is presented in this report in two categories, federal and regional but - as illustrated by the following example - as the project and networks between its participants grew, advocacy results often could be found in different sectors of the project.

One of the project's accomplishments that came in its final year, 2011, shows how an initial impact on the regional level was successful enough to be adopted by a national organization and resulted in a significant federal-level accomplishment that is likely to extend beyond the end of the project. Beginning in 2009, the Saratov CCI developed an approach to measuring the degree to which laws on the books were being implemented. The regional application of the approach was designed to capture a common problem in Russia - the disconnect between often well-written, thoughtfully drafted laws and their enforcement by mid- and low-level officials. To give their findings a practical application, the Saratov CCI concluded an agreement with the regional Ministry of Justice and Prosecutor's Office under which the two government bodies would work together to find remedies through better implementation. Their joint work led to legislative reform in the areas of taxation, business activity regulation and state agencies competing jurisdictions. The Saratov approach and results were posted on the SME Policy Advocacy

project's website, REACT, which serves as a clearing-house of partner information.

Eventually, under the Saratov CCI's new approach, nine other regions adopted the same methods, first identifying implementation problems and then advocating for their resolution, sometimes in cooperation with local government bodies and sometimes not. In May of 2011, Russian President Dmitry Medvedev signed a decree calling for "Monitoring of Legal Implementation." That summer, the government published instructions on how to implement the order. Meanwhile, the president of the Saratov CCI, Maksim Fateev, held a September 2011 briefing for the leadership of the RCCI in which he detailed how, on the regional level, the Saratov CCI and local authorities were working together to identify and rectify implementation gaps. In January 2012, the RCCI and Ministry of Justice signed a formal agreement outlining an annual review process of laws that apply to customs, government procurement, and the work of the police. Under the agreement, RCCI pledged to support its affiliates in all Russia's regions to implement the agreement with regional branches of the Ministry of Justice. Meanwhile, the International Institute for the Management of Business Associations (IIMBA), that had been created in 2004 under the SME Policy Advocacy Project, was developing a course in early 2012 on the subject for CCI leaders. IIMBA's involvement added another dimension of sustainability to the effort that had begun in Saratov but, due partly to an infrastructure developed under this project, found a national application.

On the national level, the SME Policy Advocacy project included two efforts designed to identify and pursue advocacy priorities: "Small Business 2004" and "Small and Medium Business 2008." In both efforts, CIPE and its regional partners worked closely with two national, Moscow-based organizations, RCCI and OPORA. The first effort was part of the 2002-2006 period of the project and is connected reducing SMEs barriers to doing business through legislative and regulatory initiatives. The second effort focused on anti-corruption, one the project's top priorities from 2006 to 2011. The national impact of this work is often difficult to gauge because the process by which legislation was drafted and promoted is often far from transparent on the national level, especially given the dominance of the United Russia party in the Russian State Duma

and ability to move legislation without compromising or debating with other political parties. That said, some examples of concrete legislative outcomes with a connection to national advocacy efforts include:

- Amendments adopted in 2005 to Federal Law 80, "On Licensing of Certain Business Activities," reduced the number of businesses required to obtain separate licenses and permits in order to do business. This change eliminated some overlapping licensing requirements that had been in place on the federal, regional and municipal levels, thus removing a barrier to doing business and an opportunity for corrupt practices.
- In 2005, Federal Law 45, "On Amendments to the Code of Administrative Delinquencies and to Other Laws of the Russian Federation," was enacted. Under the law, only a judge can decide to close a business and only then when clearly defined criteria are met. Previously, certain state agencies had the right to close a business without a judge's consent, thus giving officials substantial arbitrary power over entrepreneurs.
- In 2006, using federal budget allocations, 31 regional governments created SME development funds that supported 360 businesses with access to credit valued at 1.2 billion rubles.
- Federal Law 294, "On Protecting the Rights of SMEs and Individual Entrepreneurs During State and Municipal Inspections" was enacted in 2008. The law limited businesses' exposure to frequent and duplicate inspections by bribe-seeking officials by putting an annual cap on the number of hours that state agencies could devote to inspecting one business, by requiring that surprise inspections be coordinated with local prosecutors and by invalidating the results of inspections conducted illegally. Based on OPORA surveys conducted in 2009 and 2010, entrepreneurs reported that the number of inspections they experienced had dropped by half from one year to the next. The survey also found that 94 percent of businesses were aware of the new law.

- Two 2009 federal decrees, “On Approving a Methodology for the Expert Examination of Statutory Acts for Corruption Potential” and “On Approving Rules for the Expert Examination of Statutory Acts for Corruption Potential” created the basis for regional CCIs to review draft legislation for elements that might lead to corruption. To gain the right to review draft legislation, regional CCIs had to first become accredited with the Ministry of Justice. By the end of the project, 16 regional CCIs had such accreditation, half of them CIPE partners from the SME Policy Advocacy project.

On the regional level, there were measureable impacts from advocacy efforts in all 17 regions covered by the SME Policy Advocacy project. As detailed in the “Advocacy Impact” chapter of this report, results varied from region to region, often depending on the resources of the coordinating organization and the length of time – ranging from two to nine years – that the regional coalitions had received support from CIPE and USAID. Another major factor was the degree to which the coordinating organization enjoyed a constructive relationship with regional authorities.

In the case of the Saratov and Novorossiysk CCIs, a combination of resources and positive relationships with local government allowed them to be among the most innovative and productive of leaders of regional coalitions. As the project progressed, the legal and advocacy specialists at the Saratov and Novorossiysk CCIs shared their expertise with counterparts nationwide by presenting case studies on the REACT website and leading training sessions at the IIMBA. Partly as a result, the advocacy efforts of regional coalitions grew more sophisticated, progressing from narrower to broader issues, as reflected in the example given above involving partnerships between CCIs and the Ministry of Justice.

The legislative and policy results achieved by the 17 regional coalitions cover a wide range of economic sectors and reform priorities. They include:

- The Smolensk Coalition objected to a higher business income tax rate imposed by regional tax authorities attempting in 2008 to compensate for tax revenue lost as a result of the economic crisis. Following the Coalition’s advocacy for a simplified tax system for SMEs, the regional tax authorities lowered the rate from 15 percent to five percent. The change benefited 2,961 SMEs in Smolensk City and an additional 4,852 SMEs in Smolensk Region.
- The Primorsk Coalition revealed high levels of corruption during the privatization of municipal property in Vladivostok. As a result of unfair auctions more than 2,000 entrepreneurs lost their businesses. The Coalition raised the issue with the public and law enforcement. As a result of this, in 2007 the illegal privatization of 750 properties was stopped and 180 other improperly acquired properties were seized.
- The Kirov Coalition advocated against an arbitrary and non-transparent process governing the allocation of government-owned land for business use. Working with the Kirov City Prosecutor’s Office, the Coalition introduced amendments to existing regulations. The changes were adopted in 2009 and resulted in a transparent, uniform and timely process that allowed 900 kiosks employing an estimated 2,700 people to remain in operation.
- The Krasnodar Coalition advocated against a law adopted in 2009 that banned food stores from selling alcohol within 200 meters of many public institutions. The law was vaguely written, fostering corruption and threatening 90 percent of the region’s food outlets with closure. Due to the Coalition’s advocacy efforts, the law was amended later in 2009 in a way that in one regional city alone allowed 470 food stores to stay open that had employed an estimated 3,100 people.
- The Irkutsk Coalition advocated for the right of private bus companies in Irkutsk City to determine their own schedules and routes rather than an operating in accordance with mayoral decrees. The Coalition proposed amendments to relevant regional legislation. In 2005, the regional legislature approved an agreement by

which a new city agency and an association representing the bus companies coordinated routes, timetables and fees.

- The Volgograd Coalition advocated for changes in a local labor law that would reduce the legal obligations of SMEs hiring new employees. In 2003, the regional legislature adopted changes to the labor law that gave SMEs 12 days instead of three days to submit new employee's labor contract to authorities. The changes also reduced the number of official documents required of new employees from nine to three.
- The Perm Coalition launched a court challenge to the regional tax inspectorate which had been penalizing local vendors for not having licenses to do business. The Perm Coalition's lawyer argued that such matters were outside the jurisdiction of the tax inspectorate. In 2007, the regional arbitration court ruled in favor of the Perm Coalition and negated fines levied by the tax inspectorate against vendors.

Aside from advocacy work centered on legislative and policy change, the regional coalitions also performed the function of defending members' rights, both individually and collectively, from predatory bureaucrats and arbitrary enforcement. Some of the coalitions' attempts to fend off threats to member businesses later evolved into formal legislative reform. That was the case with the advocacy efforts referenced above in Kirov and Perm. In other cases, the regional coalitions defended entrepreneurs' rights in specific circumstances that did not have a resonance beyond the businesses themselves. This was the case in Novorossiysk in 2006 when a butcher appealed to the local coalition for assistance with the city's plans to embark on a lengthy renovation of the butcher shop that would have driven it out of business. Coalition lawyers appealed to municipal and regional authorities and won alternate space for the butcher shop.

A full list of regional advocacy impact can be found on page 21.

Sustainability

One other important dimension of the project's impact is substantially more difficult to gauge: the sustainability of the project's work through people and institutions that are likely to carry on its work without continued material support from a donor organization. As presented in more detail later in this report, CIPE's Moscow office remains in continuing contact with the network of coalitions, providing technical support as they continue the advocacy and anti-corruption work launched under this project. Of the 17 regional coalitions begun under the project, all remain open. Separately, members of the North Caucasus coalition are coordinating an ongoing, three-year USAID project that trains youth in the region in entrepreneurship and provides start-up capital for their business ideas. The youth entrepreneurship program relies, to a large extent, on the leadership and infrastructure established under the SME Policy Advocacy project.

Elsewhere, the Saratov Coalition is using the legal analysis and advocacy skills acquired in the SME Policy Advocacy project to implement an examination of the local property market under a CIPE-administered project funded by the National Endowment for Democracy (NED). In another project under development with anticipated support from NED, CIPE plans to work with four regional coalitions to train local experts who can use a 2009 federal law to gain the official standing to critique proposed laws and regulations for their corruption potential. This project would capitalize on the momentum and skill-base established under the SME Policy Advocacy project.

Two other significant sustainable dimensions of the project are the International Institute for the Management of Business Associations (IIMBA) and the REACT information-sharing project. The IIMBA is a self-sustaining educational institution based in Moscow that was co-founded by CIPE and RCCI in 2004 under the project. By the project's end, it had granted certificates in organizational management and a range of other subjects to 1,840 participants, including those who took part in webinars. For those students from business associations and chambers of commerce, the training sessions stressed using advocacy skills as a means of better representing the interests of small- and medium-sized businesses in the participants' home regions. This approach is aimed at building the capacity

of regional chambers and business associations to take an active role in Russia's democratic process. IIMBA's operating costs are covered by fees paid by participants or by the participants' organizations. Finally, the REACT website is being hosted and maintained, with no support from CIPE or any other donor, by the Saratov CCI. The site functions as a clearinghouse of information relevant to private sector and other NGOs pursuing legal reform, anti-corruption and property market analysis.

The project's impact extended beyond Russia to other former Soviet states, including CIPE programs in Kyrgyzstan, Ukraine, Armenia and Azerbaijan, where the project's model for chamber and association coalition building was adopted. Elsewhere, specifically in Iraq, Kenya and Nigeria, CIPE applied the regional business agenda model that was pioneered in Russia. In Thailand, CIPE worked with the Thai Institute of Directors to build a coalition of 50 Thai companies based on collective action experience in Russia. Translations into Arabic and French of publications generated by the SME Policy Advocacy project were used to assist CIPE partners around the world. One of the most popular such publications is "You've Got an Inspection," a heavily illustrated book written in comic-book style and designed as a guide to coping with inspectors and police. It was produced by the Novorossiysk Chamber of Commerce and Industry in 2006 and is used in Russia, Ukraine and Lebanon.

Diagnosics

To place the project's trajectory in context, it is helpful to understand the initial research that underpinned the project. Before work began in earnest on the project's activities, one of the project's first tasks in 2002 was to assess need in two areas: fundamental problems facing the SME community and the existing capacities of business associations and chambers of commerce. The assessments were conducted through detailed surveys administered by RCCI and produced results that guided the initial four-year term of the project. Because of the assessments importance in establishing a road-map for the project's direction, they are presented in the "Regional Development" chapter in detail.

A February 2003 survey of 68 business associations in the eight regions found that the majority of associations did not actively pursue advocacy agendas. Instead,

the majority of associations – 71 percent - fulfilled the more passive role of providing commentary on proposed legislation. These associations had prepared material for and taken part in regional legislative hearings on issues that included taxation, land use and transportation. One of the aims of the SME Policy Advocacy project was to give business associations a more active role by strengthening their ability to gauge the needs of their membership, formulate specific business agendas and pursue advocacy efforts based on those agendas.

The business association survey also sought to measure the priorities of SMEs in the regions. The top priority those SMEs cited was an increase in government financial assistance to SMEs. At the same time, respondents indicated the current and past government support for SMEs had been inadequate and poorly administered. Legislative reform emerged as the second most important priority for business association leaders, who said that reforms should be aimed at creating a level playing field for SMEs. The survey noted that, "About two thirds of the surveyed leaders are convinced that it is extremely important to develop the legislative and normative base in order to ensure stable functioning and high economic and social efficiency of small business. Respondents unanimously agree that the measures taken during the past two years to improve legislation regulating small business—specifically, the federal laws "On State Registration of Legal Entities," "The Protection of Right of Legal Entities and Individual Businessmen in Case of State Control," and "On the Licensing of Some Types of Economic Activity"—have contributed to some improvement in business development overall, but have not solved the big picture of specific problems facing the business community." This finding of overall satisfaction with the pace of legal reform but concern and frustration over implementation is a consistent theme in the life of the SME Policy Advocacy project.

Another survey, also released in February 2003 and conducted by RCCI in the eight regions, sought to measure the attitudes of individual SMEs, both those who were members of chambers and business associations and those who were not. The survey was designed to gauge perceptions of the effectiveness of business associations, as well as the needs of SMEs regarding collective representation. The results were intended for use in tailoring the assistance provided to the CIPE partner business associations in the initial eight regions.

The survey revealed that chambers of commerce and industry and other business associations had opportunities for increasing their membership bases, foremost among those businesses that have never been members of associations and unions. The majority of these entrepreneurs (55 percent) were familiar with the work of business associations and chambers of commerce. They reported that they had used services provided by such organizations, including the examination and certification of goods and services, exhibitions, business education, and dispute resolution. Aside from this familiarity with business associations' work, about a third of respondents overall stated that they viewed the impact and influence of business associations as growing. It is important to note, however, that there was a wide regional variation in the entrepreneurs' perception, with 86 percent of those surveyed in the Primorsky territory reporting that there had been an increase in influence and only 2 percent in the Krasnodar region.

The issues identified among individual entrepreneurs by the RCCI survey found that the SME community needed credible support organizations able to both address issues and provide necessary services. Viable business associations had to be able to competently provide a variety of services ranging from advocacy to training in writing business plans and devising marketing strategies. Business associations also had to fill the knowledge in the SME community by building capacities to serve as an information resource, including the development of databases and communication channels.

The findings of the two diagnostic surveys, in general, supported the initial direction of the project. Entrepreneurs had acute needs and an overall positive view of business associations. In order to fulfill the needs of entrepreneurs by effectively pursuing advocacy goals, business associations were in need of technical assistance and mutual support. Moreover, strengthening business associations would begin to break a cycle where the failure of the government to provide a stable legislative environment or remove burdensome inspection requirements forced businesses to disregard the laws. In this environment, a non-governmental organization such as a business association could simultaneously address the concerns of the business community and educate government officials on the SME community's needs.

Project Stages

What follows is a concise description of the main stages of the project. For more detail about each activity described here and its impacts, consult those sections of the report that present detailed accounts drawn from the reports filed by CIPE to USAID every six months.

2002-2006

The geographic focus of the project was to work with business associations in eight regions of Russia: Irkutsk, Khabarovsk, Krasnodar, Perm, Primorsky, Samara, Saratov, and Volgograd. At USAID's request, the chosen regions were spread across four of Russia's seven federal districts, which are administrative units that encompass many regions. In choosing the eight regions, CIPE consulted with RCCI staff in an effort to choose business associations that had the capacity or potential to coordinate the planned activities of regional coalitions of business associations. RCCI coordinates and represents member chambers of commerce and industry in 173 regions and municipalities across Russia. As such, RCCI was an important, if often informal, partner on the project in the provision of advice and dissemination of information.

Among the factors weighed in choosing the eight regions were the following:

- The percentage of SMEs that were members of chambers and associations;
- The extent to which regional chambers and associations supported pursuing democratic and market-oriented reforms;
- The extent to which regional legislative and executive authorities were ready to support policy reforms; and,
- The readiness of the local business communities to participate in the politics to protect the interests of small businesses.

Russia's chambers of commerce and industry, in the years following the 1991 collapse of the Soviet Union, operated in an environment made especially challenging by numerous administrative barriers and weak institutional support, both in civil society and government.

Like most of the former Soviet republics, Russia had no recent history of functioning markets and private sector activity. Those seeking to reform the SME environment confronted entrenched legal and institutional obstacles. The basic framework for this project emerged from discussions between CIPE and RCCI on how to address those needs.

CIPE brought to the new project association management techniques based on the U.S. Chamber of Commerce's experience and that of CIPE programs elsewhere in the world. CIPE staff also had experience drawing on the framework of new institutional economics, which aids in the identification of grassroots issues of importance to the SME community followed by an analysis of areas of potential reform. CIPE's expertise in administering small grants with a matching component offered the promise of simultaneously supporting and challenging potential Russian regional partners.

To help guide the project, CIPE set up a Moscow-based Project Advisory Board. The board functioned to advise CIPE program staff on advocacy strategies, reform issues, and the project structures. The board, which was consulted by CIPE Moscow staff throughout the project, consisted of the following members:

- Alexei Bogachev – Deputy Director, Membership Department, RCCI (Chairman of the Project Advisory Board)
- Vladimir Brezhnev – President, Primorsky Chamber of Commerce and Industry (Vladivostok)
- Viktor Fedotov – Director General, Saratov Chamber of Commerce and Industry
- Alexander Belitsky – President, Volgograd Chamber of Commerce and Industry
- Alexei Kalashnik – Director of International Projects, OPORA
- Igor Mikhalkin – Director, Information Center, Russian Ministry of Antimonopoly Policy and SME Support

- Yuri Iakutin – Editor-in-Chief, “Economika i Zhizn” newspaper
- Vladimir Isakov – Director, Legislation Department, RCCI
- Viktor Ermakov – Director, Association of SME Support Agencies

The initial four-year USAID program had four components supporting the goal of strengthening the role of SMEs:

1. **Training** – CIPE set out to train the leaders and managers of local business associations and chambers of commerce to conduct effective advocacy work and improve organizational sustainability. Building on its own experience working with Russian association managers to implement training programs and volunteer technical assistance and other resources, CIPE provided the skills needed to improve the ability of associations to develop advocacy programs and build membership. This part of the program included small grants to allow local associations to undertake their own advocacy- and organizational-strengthening projects.

2. **Promoting Policy Reform** – To pursue this goal, CIPE used a Regional Business Agenda (RBA) approach that is modeled after the U.S. Chamber of Commerce's National Business Agenda. In the target regions, CIPE worked to develop eight RBAs, which brought together elements of the business communities in each region (both associations and leading individuals) to develop an advocacy program for improved private sector growth.

3. **Building Information Networks** – CIPE provided local chambers with advocacy information and useful contacts through the REACT network hosted by the RCCI. The online network provides participants with internet-based access to information on reforms, policy proposals and other advocacy efforts around the country. CIPE and RCCI provided existing relevant materials to REACT and oversaw the development of new content for the information clearinghouse.

4. **Providing Technical Assistance** – Based on CIPE's experience with coalitions of business associations in Central European countries including Bulgaria and Romania, CIPE developed business association advo-

cacy coalitions in the eight Russian regions. The CIPE approach placed an emphasis on the process of building strong business coalitions, developing sound policy and working effectively with local government. Romanian and U.S. experts worked in the Russian regions to develop skills related to issue identification, policy development and advocacy.

2006-2009

In 2006, USAID extended the project for a three-year second phase, "Anti-corruption Advocacy Program." In its proposal for the second phase, CIPE laid out a plan to continue the work of the initial, four-year program - with what had grown to 16 regional coalitions - while adding a strong anti-corruption component and establishing a permanent training institution in Moscow for associations and chambers. By 2006, it had become clear that the high level of corruption in Russia was one of the main obstacles to SME development. However, the business community did not have enough knowledge and experience in combating corruption, and more specifically in evaluating legislation and regulations for corruption capacity, developing and advocating for effective mechanisms of opposing corruption, and protecting entrepreneurs' rights against administrative arbitrariness.

As studies by INDEM, the Moscow-based think tank and CIPE partner, have shown from 2001 on, Russian entrepreneurs viewed corruption as a clearly negative phenomenon but subconsciously approached it as something omnipresent and invincible. INDEM experts estimated that entrepreneurs in Russia spend a minimum of \$500 monthly on bribes to various officials. These payments were passed on to customers and clients of SMEs. In addition, corruption degraded the political system by widening the gap between government's stated social policy and reality, thus potentially leading to instability. These observations, along with practical advice for SMEs on resisting corruption, were published in a 2007 project-related booklet "Business Without Corruption: An Action Guide."

Under this phase of the project, CIPE's anti-corruption strategy focused on business associations and civil communities in the 16 regions where CIPE has already strengthened local business community leadership through its work with coalitions and associations. In addition, to the eight regions included in the initial

stage of the project, the other eight regions were Altai, Astrakhan, Kamchatka, Kirov, Nizhny Novgorod, North Ossetia, Rostov-on-Don, Sakha/Yakutia and Smolensk.

The primary activities for the project included:

- Training business association leaders in advocacy and corruption-fighting skills
- Information sharing with an anti-corruption focus through further development of the REACT website
- Supporting coalitions of business associations through grants to finance small projects designed to increase business associations' anti-corruption capacity
- Advocating for federal-level policy and legal changes through partnerships with RCCI, OPORA and INDEM under a national business agenda effort, "Small and Medium Business 2008"
- Developing tools for regional coalitions to use in analyzing the corruption potential of legislation and regulations.

2009-2010

In 2009, USAID funded a one-year extension of the project, which by this time had expanded to cover 17 regional coalitions, including one in the Republic of North Ossetia located in Russia's most volatile and corrupt region, the North Caucasus. Under the extension, CIPE expanded the project's reach into other regions of the North Caucasus, using the expertise of the North Ossetia coalition to conduct training for up to 20 leaders of local business associations. Trainees were drawn from Chechnya, Ingushetia, Dagestan, Kabardino-Balkaria, Adygea and Cherkessia, all areas where SME development faced severe challenges. Ultimately, those business association leaders who completed the training were stronger members of a broad North Caucasus coalition anchored by the North Ossetia CCI.

Aside from the geographic expansion of the project, this 2009-2010 stage of the project disseminated the Saratov Methodology, a methodical, anti-corruption

approach developed in pilot form under the project's previous stage. Taking advantage of President Dmitry Medvedev's launch of an anti-corruption campaign that resulted in the passage of a host of new legislation at the federal level designed to counter corruption, CIPE planned the new approach that, based on previous monitoring work, predicted the corruption potential of proposed legislation.

2010-2011

In 2010, USAID approved a final, one-year extension of the project, which continued its focus on anti-corruption efforts throughout the network of 17 regional coalitions, strengthening the advocacy capacities of the North Caucasus Coalition including through a study tour to the United States. Topics included in the study tour to the Washington D.C. area consisted of association management, communications skills, membership development and conducting advocacy efforts. In addition, the final project year included funding for small grants to support the rollout of advocacy efforts developed by the North Caucasus Coalition.

In a new effort in the last year of the project, CIPE planned to work through its network of regional and federal partners to disseminate and encourage use of the Saratov Methodology. To do this, CIPE set out to gather up results from those coalitions that had applied the Saratov Methodology and, in cooperation with RCCI and OPORA, encourage other regional chambers and associations to study and implement the approach.

Lessons Learned

As the nine-year SME Policy Advocacy project came to a close, CIPE program staff examined the project's results with an eye towards extracting best practices and seeking to build upon some elements of the program. As detailed further in this report, some aspects of the program, such as the educational work of the IIMBA or information sharing of the REACT site, are already independent, self-sustaining and likely to continue functioning as they did under the project. The future of the 17 coalitions, however, is more difficult to predict. This was the subject of CIPE's internal review conducted in Moscow in the summer of 2010.

That review, combined with observations of CIPE program staff in Moscow and Washington, led to the following conclusions about the building and operating of coalitions of business associations in Russia. First, the number and longevity of staff at the coalition's coordinating business association is an important factor in their effectiveness. An experienced staff of a coalition's coordinating association accumulates experience over time, and this collective experience is crucial to building relationships with both business leaders and government officials. In the course of the project, those regions with weak business associations leading the coalition had the poorest advocacy results. One example is in Nizhny Novgorod, where the coalition was led by a weak Union of Stores business association that was succeeded in leading the coalition by a series of relatively even weaker business associations. In another region, Sakha/Yakutia, the coalition's northern Siberian territory was too sparsely populated to produce strong business associations that could ably lead the coalition's work. Elsewhere, the Krasnodar coalition's strength and advocacy effectiveness grew when the Sochi CCI yielded its position as coalition coordinator to the Novorossiysk CCI, which had a larger, more experienced staff.

Second, a coalition's organizational structure and financing are key factors in determining effectiveness. Establishing clear lines of authority and project priorities helps assure efficient use of coalition staff, even when duties are divided between different coalition member organizations. CIPE research found that in coalitions with steady funding and rational organization, the coalitions were better able to weather leadership changes. For example, in Samara, the coalition worked effectively and achieved considerable authority in business and government circles as long as an effective leader and expert on advocacy remained in charge. When she departed, however, the coalition went through considerable tumult as it struggled organizationally to fill the gap, eventually with a local chamber of commerce.

Authoritative leadership was another crucial element in coalitions success, especially in the later years of the SME Policy Advocacy Project when, because of changing federal legislation, coalitions had more opportunities to take part in advisory bodies to regional governments and legislatures. The coalitions most successful in resisting corruption were the ones that built effective relationships with government and elected officials. In

Krasnodar region, for example, one of the coalition's coordinators sat on the public advisory council to the mayor of Novorossiysk. When a local businessman faced prohibitively expensive and arbitrarily imposed demands from a local water company to open a business, the coalition coordinator used his relationship with the mayor to have the demands withdrawn. This sort of achievement enhances the authority of the coalition and makes it more attractive for prospective members. With enough trust from members and in the community, a strong leader can enhance an association's power and represent members' views without constant consultation. Constant changes in leadership or the loss of a charismatic leader reduce the effectiveness of the coalition and impede the cultivation of all-important personal relationships with officials.

Regardless of the staffing, funding or leadership of a coalition, coalition coordinators seeking lasting advocacy results must build the coalition's reputation as an expert representing small and medium business owners, with a footing equal to that of local civil society leaders and government. Too often, the business community is overlooked in the policy creation process. A coalition of business associations can change this perception. In Russia, CIPE observed that once coalitions began having an impact on policymaking, the business community in each region became more proactive about legislation. When businesspeople noted the results of advocacy, they were motivated to participate.

Over the course of the project, both in advocacy efforts and in training programs, CIPE staff were repeatedly reminded of the importance of coalitions focusing on the causes of corruption and not the practitioners. By targeting practitioners, the process becomes personal and it is possible to lose sight of problematic, systemic issues. As the Saratov Methodology demonstrated in this project, the drafting of well-conceived legislation and enforcement mechanisms is the most effective means of eliminating corruption.

Conclusion

Over the nine-year life of the SME Policy Advocacy project, Russia simultaneously experienced a roll-back of democratic freedoms and an increase in the level of corruption experienced by the populace. The government systematically eliminated voters' ability to choose their regional and municipal leaders and promoted

the overwhelming dominance of one political party throughout the country. At the same time, participants in nearly every sector of economic and social activity, from health care and education to commerce, reported an increase in the everyday role of corruption.

In this constrained environment, the SME Policy Advocacy project sought to engage issues of both democracy and corruption by strengthening entrepreneurs' role in civil society. By taking a methodical and institutional approach, CIPE's partners at the regional and federal level achieved significant traction by empowering business associations to take action, by pushing for laws that provided the legal framework for change. Just as importantly, the project fostered a mentality among SME leaders that collective action could yield lasting benefits for all entrepreneurs. The project created institutions, such as the IIMBA for training and REACT for information sharing, that promise to strengthen the bulwark that entrepreneurs maintain against corruption.

By the project's end, powerful elements in the Russian government recognized the dire threat to the economy that corruption posed. New laws provided a promising foundation for the reduction of corruption. Policymakers also came to understand the benefits of promoting the kind of public-private cooperation fostered by the project. In the project's final year, new government initiatives laid the groundwork for an agreement between the RCCI and the Ministry of Justice that marked new levels of cooperation on monitoring legal implementation and corruption. That agreement was a direct outgrowth of this project's groundbreaking efforts. CIPE flourished

During a period when democracy and entrepreneurship were in retreat, CIPE succeeded through this project in achieving direct impact, creating sustainable institutions and energizing a once passive element of Russian society.

ADVOCACY IMPACT

The main goal of the SME Policy Advocacy project was to strengthen the role of SMEs in Russian civil society by giving them the tools to advocate collectively. To that end, CIPE worked to bolster the ability of business associations, chambers of commerce and the coalitions representing them to identify issues of importance to the SME community and then engage various branches of federal and regional government to push for legislative and judicial change. CIPE encouraged partners to advocate for change that would benefit broad categories of businesses rather than specific economic sectors or geographic regions. The impact of these efforts over the nine-year span of the project is the subject of this section.

The project's impact is presented in two sections, both focusing on measureable legislative accomplishments. The regional section is broken down into subsections that correspond to the 17 regional coalitions that took part in the program. The federal section focuses on national legislation that was related to the regional coalitions' advocacy agenda, was supported by RCCI or OPORA, or served as the basis for subsequent achievements in the regions.

It is worth noting, however, that the project had impact in other ways that are less measurable and less easy to connect to the project's goals. This type of impact was often connected to the capacity of CIPE partner organizations or changes in attitude. For example, the 236 organizations represented by the 17 regional coalitions reported a 30 percent increase in membership over the life of the program. This may be attributable, in part, to the organizations better representing their members' interests. In specific regions, such as Smolensk, CIPE partners credit the advocacy techniques emphasized by CIPE trainers as creating a more constructive and less adversarial working relationship between chambers of commerce, the region's executive branch and the regional ministry of justice.

I. Federal Impact

Over the course of the SME Policy Advocacy project, CIPE and its regional partners worked closely with two national, Moscow-based organizations, RCCI and OPORA, to identify advocacy priorities and efforts. As compared to efforts made by the regional coalitions, the impact of this work is somewhat more difficult to measure because a far higher number of factors influence the Russian executive and legislative branches than influence their counterparts in the Russian regions. In addition, the process by which legislation was drafted and promoted was often less transparent on the national level, especially in those years of the project where the United Russia party controlled the Russian State Duma and had no need to compromise or debate with other political parties.

The national-level advocacy impact presented here can be divided into two stages. The first corresponds to the initial 2002-2006 stage of the project and is connected to legislative impact that reduced barriers to doing business for SMEs. The second reflects the latter half of the project's anti-corruption emphasis and is related to legislative reforms designed to reduce the level of corruption encountered by SMEs.

Some of the federal advocacy impact presented below falls neatly within one category, as is the case with the 2009 federal law, "On Approving a Methodology for the Expert Examination of Statutory Acts for Corruption Potential." Other federal laws fall into both categories, such as 2008's "On Changes in the Russian Federation Code on Administrative Delinquencies," which took away the power of police to enforce a wide range of health-, tax- and banking-related laws and regulations. To avoid confusion, the impact presented here is categorized according to the stage of the project to which it is most closely related. So, the series of legislative and regulatory reforms on the federal level are organized by key objectives, first the results of "Small Business 2004," and "Small and Medium Business 2008."

National Level Advocacy

Small Business 2004

Key Results of the Program

1. *An improved framework for state support of small business.*

- The Federal Law of July 24, 2007 #209-FL "On the Development of SMEs in the Russian Federation" was adopted;
- The subsection "Development of Small Entrepreneurship" was included in the Program of Social and Economic Development of the Russian Federation in 2006 – 2008. These efforts were aimed at improving the framework for state support of small business. The law "On the Development of SMEs in the Russian Federation" defines "small business," "medium business," "microbusiness," and defines the kinds of state support of SMEs.
- The proposal of OPORA and RCCI on the need to adopt a federal law "On Basic Principles of State Regulation of Trade in the Russian Federation." The concept of the law was developed, and the special Interdepartmental Working Group, in which business associations are represented, considered it. The law was issued in December 2009. It clarifies the definitions of different kinds of trade to include retail trade, wholesale trade, distribution networks for trade, trade space, stationary trade, non-stationary trade facility and others. The law also demarcates the powers of federal, regional, and municipal bodies to regulate business trade. The issuance of this law made it clear what entities can obtain state support, what kind of state support, and what state agencies regulate trade business.

2. *The reduction of administrative barriers in entrepreneurial activity.*

- The list of licensed business activities was considerably reduced, the force of the law "On Protection of Entrepreneur's Rights at

Inspections” was extended to license control (Federal Law #80-FL “On Introduction of Amendments to the Federal Law “On Licensing of Certain Business Activities”, Federal Law “On Protection of Rights of Legal Entities and Individual Entrepreneurs at State Inspections”, and Code of the Russian Federation on Administrative Delinquency of July 2, 2005).

- Removing of perfume and cosmetic alcohol-containing produce from the force of the Federal Law #171-FL “On State Regulation of Production and Circulation of Ethyl Alcohol and Alcohol-containing Produce” of November 22, 1995. Launching of the State United Automatic Information System was suspended. The business community acknowledged that perfume and other cosmetics contain spirits, but they are not alcoholic. As a result, the State United Automatic Information System was created to make on-line reporting of alcohol and alcohol-containing companies possible. However, the system was imperfect and had defective software, creating difficulties for businesses to report appropriately and on time. In 2009, the State United Automatic Information System was updated under a new body to ensure a simple procedure.
- The draft law that will abolish payment for technical connection to electrical networks was submitted to the State Duma for consideration. In June 2008, Prime Minister Vladimir Putin said that payments for technical connections to electrical networks were halting economic growth. He announced that regional governments would abolish or decrease the payments required of small business. In August 2008, the federal government adopted measures that reduced the payments required of small business and farmers.
- The results of the July 5, 2007 meeting of the Council for Competitiveness and Entrepreneurship of the Russian Government attracted the attention of state bodies to a number of other important problems for SMEs,

and federal executive bodies were assigned to develop proposals on the:

- Delegation of the right of NGOs to participate in judicial proceedings in the interests of an undefined group of individuals;
 - Specification of the regulations for suspending banking operations under entrepreneurs’ accounts by taxation bodies;
 - Introduction of the voluntary use of cash registers by SMEs that pay imposed income tax. In July 2009, the Federal Law #162FZ was issued. It allows SMEs that pay imposed income tax to choose whether or not to use cash registers.
 - The Federal Law #135-FL “On Protection of Competition” was adopted on July 26, 2006 and amendments to the Code of the Russian Federation on Administrative Delinquency aimed at higher responsibility for violation of antimonopoly laws were adopted;
 - Amendments to Federal Law “On Basic Principles of Tourist Business in the Russian Federation” #12-FL from May 5, 2007 were introduced. Due to efforts of OPORA and the Russian Tourist Industry Union, the rate of financial guarantees was reduced.
- 3. *Improving the system of taxation for small business***
- A compromise was achieved regarding the size of the rate for fixed income taxpayers in 2007 (Letter of the Ministry of Finance of May 29, 2007). This document orders, as of January 1, 2007, the use of a lower rate;
 - In dialogue with the Ministry for Economic Development and Trade and the Federal Tax Service, OPORA and RCCI substantially improved the Federal Law draft “On Amendments to the Law On State Registration of Legal Entities and Individual Entrepreneurs” and other laws. As a result, several proposals that did not comply with SME interests were excluded (access of tax officers to living spaces

without a court order, long and non-transparent procedures for the suspension of registration);

4. *Giving SMEs access to property and land, and providing access to economic information for tenders and government procurement*

- The Federal Law #94-FL “On Placement of State and Municipal Orders for Supply of Goods, Execution of Work, and Rendering of Services” of July 21, 2007 fixed a 10 to 20 percent quota for SMEs;
- The Federal Law draft “On Specifics of SME Participation in Privatization of State and Municipal Property” was adopted in July 2008. It gives SMEs the right of first refusal for the privatizing of rental space of state and municipal property.

5. *Developing effective loan mechanisms for small business.*

- The requirements for commercial banks’ minimum collateral for issuing credit to SMEs were eased in summer 2007, making available bank’s reserve funds for the use by SMEs seeking favorable credit.
- There was an increase in the amount of state-guaranteed loans available to SMEs for business development in summer 2007. State-guaranteed funds can now provide up to 70% of needed collateral for loans to SMEs.
- With federal financial support, SME development funds were created in 31 regions and by April 1, 2006, more than 360 businesses had taken part with a total volume of credit and leasing at 1.2 billion rubles.

6. *Fighting corruption and giving legal protection to small business.*

- The order of the General Prosecutor’s Office #29 “On the Introduction of Prosecutor’s Control Over Enforcement of Laws on Protection of Entrepreneurs’ Rights” was issued. It is used by business associations to protect members’ rights;

- As a result of the dialogue with the business community, the Ministry of Economic Development and Trade developed and coordinated amendments to the Russian Code of Administrative Delinquencies with the Ministry of Internal Affairs. These changes deprived internal affairs bodies of control over compliance with sanitary regulations;
- Proposals of OPORA were taken into account in an examination of draft laws by draft of regulations and methods of anticorruption Experts. examination of draft laws;
- Information provided by OPORA, RCCI and other business associations was used by the Ministry of Economic Development and Trade for the development of measures for opposing corruption;
- The business community contributed to the development for the Russian State Duma of a draft law, “On Regulation of Procedures for the Seizure of Property Declared as Material Evidence.”
- As a result of joint advocacy efforts of the business community, Federal Law #45-FL “On Amendments to the RF Code of Administrative Delinquencies and to Other Laws of the Russian Federation” was adopted on May 09, 2005. Under the law, only a judge can decide to suspend business activity in clearly defined cases resulting in the abolishment of extrajudicial procedures for the suspension of business activity.

Small and Medium Enterprise 2008

Key Advocacy Results at the Federal Level

An important element of conducting systematic anti-corruption work is obtaining the input of the business community. This is especially the case when creating a comprehensive public policy that is aimed at eliminating the root causes of corruption, rather than fighting isolated instances of corruption after the fact.

In 2008, the Chamber of Commerce and Industry of the Russian Federation (RCCI) and the Union of Business Associations of Russia (OPORA) united their advocacy efforts under the SME 2008 agenda that included six priorities for lowering the level of business corruption:

1. To assist in the creation of a state system of anti-corruption measures.
2. To ensure control over the implementation of an anticorruption policy.
3. To ensure more transparency and fairness in public procurement and other processes which provide SMEs with access to facilities and state and municipal contracts, as well as access to the purchases and contracts emanating from state-owned enterprises.
4. To provide non-discriminatory access to state infrastructure and networks.
5. To simplify administrative procedures (administrative regulations, standards for the provision of state services, issuance of permits), and to provide feedback on the performance of law enforcement in monitoring state administration.
6. To improve and broaden the mechanisms for the protection of entrepreneurs' rights during state inspections.

1. Assisting in the creation of a state system of anti-corruption measures.

A Federal Law, "On Countering Corruption" #273-FL, was passed on December 25, 2008. The law, for the first time, defined countering corruption as the work of all citizens and NGOs, as well as a government priority. It defined the principles of countering corruption and required cooperation with international initiatives.

The Russian Federation President's Decree #460 of April 13, 2010 introduced the National Strategy for Opposing Corruption and the National Anticorruption Plan for 2010 – 2011. The plan included:

- introducing a procedure for starting a business;
- optimizing state services for businesses;
- improving procedures for starting, operating and closing down a business.

2. Ensuring control over the implementation of an anticorruption policy.

The Federal Law, "On Opposing Corruption" #273-FL, was supported by:

- Federal Decree #196, "On Approving a Methodology for the Expert Examination of Statutory Acts for Corruption Potential," was issued on May 3, 2009.
- Federal Decree #195, "On Approving Rules for Expert Examination of Statutory Acts for Corruption Potential," was also issued on May 3, 2009.

In compliance with the decrees, the drafts of statutory acts must be placed on official websites to ensure an independent anticorruption examination by experts.

Impact: In January 2012, based on Federal Law #273, the Russian Ministry of Justice and RCCI signed an agreement launching a national program to identify implementation gaps between existing laws and regulations and their actual application. The program calls for a formal annual review process of laws that apply to customs, government procurement, and the work of the police. The 2012 agreement was preceded by a 2011 presentation to RCCI leadership by Maxim Fateev, the president of the Saratov CCI, where the methodology for identifying implementation gaps had been developed under the SME Policy Advocacy project.

3. Ensuring more transparency and fairness in public procurement and other processes which provide SMEs with access to facilities, state and municipal contracts, as well as purchases and contracts emanating from state-owned enterprises.

In 2009 – 2010, the state and municipal procurement systems were redesigned to be based on open electronic auctions conducted on the following websites:

- www.roseltorg.ru;
- www.etp-micex.ru;
- www.zakazrf.ru;
- www.sberbank-ast.ru;
- www.rts-tender.ru

On November 3, 2010, a Federal Law on state and municipal procurement procedures was passed. Under the law, the size of the guarantee deposit required for small businesses to take part in auctions was reduced from 5 percent of the maximum bid to 2 percent of the maximum bid.

4. Providing non-discriminatory access to state infrastructure and networks.

In 2009 – 2010, based on the input of the business community, a number of state initiatives were implemented to ensure the transparency of pricing, as well as the simplification of contracting procedures by providing equal access to information networks. As a result of this private sector input, key initiatives included:

- Providing reduced-cost connections to electronic networks and interest-free payments by installment (Federal Decrees #118, 119 and 334 in February and April 2009);
- Imposing liability for network owners for the violation of information disclosure standards (Federal Law #160-FL of June 17, 2009 “On Changes in the Federal Code on Administrative Infractions and Other Federal Laws”);
- Simplifying the requirements for applications for connection to electronic networks (Federal Decree #759 of September 24, 2010, “On Improving Procedures for Technological Connection of Consumers to Electronic Networks”);
- Expanding and detailing the information that is mandatory for disclosure by electronic network providers, including fees for connection to electronic networks (Federal Decree #609

of September 8, 2010, “On Changes in Information Disclosure Standards for Electronic Networks”);

- Introducing standard contracts for SMEs for connection to electronic networks (Federal Decree #129 of March 1, 2011, “On Changes in Regulations for Technological Connection to Electric Networks”).

Federal Law #159-FL of July 22, 2008, “On the Disposal of State and Municipal Real Estate Leased by SMEs,” introduced preferences for SMEs on the privatization of state and municipal real estate, including the right to purchase property without an auction and the ability to make payments in installments. Federal Law #149-FL of July 17, 2009 reduced the required lease term of such real estate from three to two years. With that legislation, SMEs with rental debts have one month to pay off the debt without losing the right to purchase the leased premises. These changes had a retroactive effect requiring state entities to revise previous refusals to allow SMEs to make such purchases.

Impact: In 2009, the federal authorities registered 16,373 purchases of premises by SMEs. In 2010 this number rose by more than 2.5 times, indicating a high demand among SMEs. Furthermore, official information shows that SMEs frequently choose to pay by installment.

5. Simplifying administrative procedures (administrative regulations, standards for the provision of state services, issuance of permits), and providing feedback on the performance of law enforcement in monitoring state administration.

Federal Law #294-FL of December 26, 2008, “On Protecting the Right of SMEs and Individual Entrepreneurs During State and Municipal Inspections,” introduced a notification procedure which was aimed at reducing unjustified administrative limitations on business startups and the resultant instances of corruption. The new notification procedure limited the number of supporting documentation required, made registration of new businesses free of charge, and ensured that the possibility to register is open to all entrepreneurs.

Impact: This notification procedure proved to be effective. Based on an OPORA survey of 375 entrepreneurs

from 10 regions (conducted in October 2010), 87.5% of entrepreneurs knew about the new procedure, and 66.8% considered it simple. Federal Law #210-FL of July 2010 “On Providing State and Municipal Services to Businesses” included provisions that:

- Prohibited the reclaiming of documents from databases of state and municipal bodies;
- Allowed state and municipal bodies to receive documents electronically;
- Introduced services based on the “one-stop shopping” principle;
- Ensured that state officials were not allowed to take payments for services that were not listed in official documents.

Federal Decree #336 of May 15, 2010, “On Changes in Certain Statutory Acts of the Russian Federal Government,” mandated the expert examination of draft laws to evaluate their expected effect on business. The purpose of this decree was to identify and eliminate excessive administrative limitations that can cause unjustified expenses both for businesses and for state budgets. The decree was also aimed at encouraging the business community to take an active role in the expert examination of laws.

6. Improving and broadening the mechanisms for the protection of entrepreneurs’ rights during state inspections.

Federal Law #294-FL of December 26, 2008 “On Protecting the Rights of SMEs and Individual Entrepreneurs during State and Municipal Inspections,” introduced additional guarantees for SMEs during state inspections, including the:

- Limit of unplanned inspections of SMEs, which can be executed only by agreement with the Office of the Prosecutor;
- Placement of an annual limit on the number of hours that most state agencies can devote to inspecting either a small business (up to 50 hours) or those run by individual entrepreneurs (15 hours);

- Invalidation of inspection results in cases where the inspectors themselves violated guidelines for conducting inspections;
- Prohibition of different state agencies with the same requirements for a business duplicating inspections.

Also, Federal Law #239-FL of July 27, 2010, “On Changes in the Federal Code on Administrative Delinquencies,” introduced administrative fines for specific violations during inspections executed by state officials.

Impact: OPORA surveys conducted from 2009 to 2010 showed that twice as many entrepreneurs reported a drop in the number of inspections over the previous year. During this period, the number of businesses reporting that they did not make informal payments increased from 40 to 60 percent. The surveys found that the majority of businesses were aware of the new law (94.3%) and had noted relevant improvements (63.4 %).

Federal Law #293-FL of December 28, 2008, “On Changes in Certain Statutory Acts that Eliminate Non-Procedural Rights of Internal Affairs Bodies during Inspections,” eliminated certain police powers. Thus, police can execute their duties only in the framework of the Code of Criminal Procedure and the Federal Law #144-FL “On Investigation Procedures.”

Federal Law #380-FL of December 28, 2008, “On Changes in the Russian Federation Code on Administrative Delinquencies,” took away the authority of police to draw up reports on administrative delinquencies in 70 areas, including sanitation and epidemiological, ecological, tax, banking control, technical regulation, and the registration of real estate ownership.

Impact: OPORA’s monitoring of the implementation of this law in November 2010 demonstrated that the majority of businesses (57.9%) noted a reduction of administrative pressure, with an even more significant reduction among companies that owned real estate. Respondents stated that police pressure on business had decreased.

As a result of all these systemic efforts initiated and advocated for by the business community, the number of instances of corruption reported by respondents has fallen significantly. Based on OPORA’s research pre-

sented in "OPORA Index 2010-1011," the portion of business profits dedicated to the payment of bribes has fallen by half and does exceed 5 percent.

II. Regional Impact

The regional impact in the following subsection presents a detailed inventory of advocacy efforts in the 17 regions and the results that are related to those efforts. Some coalitions, such as those lead by the Saratov and Novorossiysk CCIs, achieved greater results than other regional coalitions. This is typically a function of both the amount of resources devoted by the coordinating CCIs and their relationship with the local government and judiciary. Other disparities are the result of the length of time that regional coalitions began receiving support from CIPE, some as early as 2002 and others as recently as 2009.

CIPE supported the regional coalitions beginning in 2002 through technical assistance, focusing on technical assistance and capacity building. Later, after a collective grassroots decision was made by the coalition participants to focus on anti-corruption work, the project shifted in 2006 in that direction. The coalitions used an anti-corruption methodology to monitor regional-level implementation and the effectiveness of national legislation regulating business activities.

Advocacy for policy changes to improve the business environment had a measurable impact in all 17 of the regions represented by SME Policy Advocacy coalitions. These regional coalitions united as collective voices for reform and contributed to a better business climate and stronger economies on the local level. Additionally, the coalitions strengthened democratic governance by learning how to build effective public-private dialogue and ensure that the private sector and business support organizations have a voice in the policy-making process.

Since the inception of the project, the coalitions have conducted 222 regional advocacy efforts and submitted 222 regional policy recommendations, leading to the adoption of 138 regional legislative changes. Through legal consultations, telephone hotlines, and representation, these coalitions protected more than 5,000 firms from arbitrary and potentially damaging bureaucratic action by the project's final full year of operation, according to CIPE estimates. As documented in the federal section, the coalitions were instrumental in

supporting national organizations, OPORA and RCCI, in advocacy efforts that lead to 25 national legislative changes.

Below is a summary list of the regional impacts organized by region (in alphabetical order):

Altai

- The Altai Coalition advocated for the introduction of the following amendments to the regional draft law "On SME Support in the Altai Region": (1) administrative and disciplinary liability for officials for illegal actions (or failures to act) that create obstacles for the business activities of SMEs or cause losses to SMEs; (2) creation of and assistance to business support organizations; and (3) creation of an interdepartmental commission to eliminate administrative barriers and monitor the implementation of state policy on the support of SMEs. The Coalition's recommendations were included in the draft law, which passed in its second hearing in the regional legislative assembly in December 2008. As a result, the number of small businesses receiving government support rose from 27,628 in 2009 to 124,070 in 2011.
- The Coalition advocated against corrupt provisions in a 2006 decision of the Barnaul City Duma "On Temporary Regulations for City Development," which: (1) allowed officials excess discretion; and (2) did not ensure equal access to information on municipal development. The City Duma approved the Coalition's recommendations, and abolished this statutory act in April 2009.
- The Coalition advocated for the elimination of contradictions between two regional statutory acts regulating control over forests. In October 2008, the regional prosecutor issued a decree eliminating these contradictions. In May 2009, a government decree that removed these contradictions was issued, thus reducing opportunities for corrupt forest inspectors.

Astrakhan

- The Coalition advocated for the introduction of a Regional State Program for Opposing Corruption in Regional Executive Bodies. The Program was adopted on June 29, 2006 by regional government decree #213-P. The important impact of this is that the regional authorities admitted that corruption impedes economic development of the region. This raises the status of the business community in the process of development of public anticorruption policy. According to the Anti-corruption Program, the Regional Government places a high emphasis on the transparency of activities of executive authority. The role of Astrakhan business associations is: to examine laws and regulations for corruption potential; to inform the business community and civil society on corruption cases; to popularize intolerance of corrupt behaviour and unethical conduct; and, to develop information resources to provide equal access to economic and legal information.
 - The Coalition represented interests of SMEs that need micro-credits but that do not have collateral to get these credits. Coalition experts identified three problems that hinder SME access to bank credits: high bank rate; lack of assets, complicated procedure. The coalition considered credit consumers' co-operative as alternative credit source. The Coalition took part in development of the Regional Program "Development of credit consumers' co-operation in Astrakhan Region." As a result, the Coalitions' agreed to abolish collateral as a requirement for issuing micro credits. Also, in September 2006, the Regional Program, "Development of Credit Consumers' Cooperation in Astrakhan Region" was adopted. Now nine credit consumers' cooperatives exist in the region. Coalition experts managed to develop a study program for cooperative specialists.
 - The Coalition advocated against the decision of the Astrakhan City Council on procedures for municipal property rental which contradicted the antimonopoly legislation and the Civil Code.
- The 2006 decision did not envisage the right of lessees to recoup renovation expenditures, imposed insurance obligations, and allowed the city to increase rental costs without economic justification. The Coalition took this decision to court. In 2011, the court abolished the decision because it contradicted the antimonopoly legislation and the Civil Code provisions.
- The Coalition advocated for changes to the procedure for the privatization of premises rented by SMEs. In May 2008, the procedure for privatizing municipal premises rented by SMEs was suspended until the end of 2009. Under the old system, SMEs faced unreasonably high rental costs that led to bankruptcies. This measure boosted SMEs' financial viability and gave the Coalition time to develop and advocate for permanent changes to improve relevant privatization rules, thereby making such rules more transparent and less likely to be abused in corrupt privatizations. Based on the Coalition's recommendations, the three-year installment plan was included in the law.
 - In August 2008, a Federal Law came into force giving SMEs preferences in the privatization of state and municipal premises that they rent. This law allowed the regions to establish the maximum size of premises targeted for privatization, as well as the installment period for such privatization. The regional administration offered up to 500 square meters for up to three years. As a result of the Coalition's advocacy, these terms were changed to 2,000 square meters and an installment period of three years (rather than up to three years). As a result, 650 businesses won the right to privatize the premises they rented. These changes were introduced by a regional law adopted in September 2008, and as of January 1, 2009, over 1,000 firms won the right to buy out their rented premises. Firms not able to buy out premises were able to rent as before.
 - The Coalition advocated for improving the official procedure for obtaining permits to use bodies of water in the region. The Coalition's

experts analyzed the procedure and identified legal gaps. They recommended that relevant authorities provide free information on the procedure on official websites and develop official regulations regarding time constraints for issuing refusals and approvals. The recommendations were forwarded to authorities in the legislative and executive branches of the regional government in late 2011.

Irkutsk

- The Irkutsk coalition took an active part in developing and advocating the “Program of Support and Development of Small Business in the Irkutsk Region (2003-2005).” The Legislative Assembly of the Irkutsk Region adopted the Program in September 2003. The program regulates regional SME support policy and gives the business community a chance to participate in policy processes in the region.
- The Coalition advocated for simpler and shorter licensing procedures for alcohol retail trade and developed amendments to licensing regulations. Contradictions between regional and federal regulations caused abuse of authority by regional officials – they forced businesses to pass paid training sessions in labor protection regulations. These amendments were forwarded to the Irkutsk regional administration for consideration. In March 2004, the list of documents envisaged by the regional regulators was adjusted in accordance with the list of documents required by federal legislation.
- The Coalition advocated for the rights of Irkutsk City passenger traffic companies to independently determine routes and itineraries for minibuses, whereas existing procedures were regulated by Mayoral Decree, which authorized the City Administration to impose changes of routes and itineraries. The Coalition therefore developed amendments to the “Regulations on Passenger Traffic in Irkutsk.” The amendments were forwarded to the City Administration of Irkutsk and to the regional legislative assembly for consideration. In 2005, the Mayor established the City Dispatcher Service, and traffic companies created an Association of Public Carriers. These two bodies coordinated routes, timetables and tariffs, and thus the conflict between authorities and businesses was settled.
- The Coalition advocated for improvement of regional legislation related to the protection of entrepreneurs’ rights and transparency of legislation and executive authorities. The Coalition has developed a Concept of Entrepreneurial Security that was forwarded to the Governor’s Council on Entrepreneurship for consideration. It was submitted to the relevant Regional Duma committees in autumn 2005.
- The Coalition advocated for repeal of compulsory paid training sessions of entrepreneurs in preventive fire measures, a known source of local corruption. The coalition developed amendments to the Irkutsk regional law “On Preventive Fire Measures.” These amendments on the repeal of compulsory training sessions were forwarded to the legislative assembly and administration of the Irkutsk region for consideration. At the fall 2005 session, the assembly declined the amendments. The Coalition created a hotline to monitor complaints of SMEs in regards to the fire measures training sessions and planned to present the results of the monitoring to the public and the assembly early in 2006. In 2009, changes were made to the Irkutsk regional law, “On Preventative Fire Measures.” One of the changes ensures that training sessions in preventative fire measures are only required in accordance with federal law.
- The Coalition advocated for more transparent procedures for SMEs to participate in municipal contract tenders. In April 2008, related amendments were introduced into the municipal regulation of the city of Bratsk “On Procedures for Developing, Placing, Executing, and Monitoring Municipal Tenders.” These amendments helped ensure that SMEs have equal access to state and municipal contracts

in Bratsk and served as a model for other municipalities in the region.

- The Coalition advocated for clearer criteria to be applied to business support organizations participating in regional development programs. The Coalition's amendments were included in the Irkutsk "Regional SME Support Program," which was adopted in April 2008. Business organizations in the region now have access to information about the funding, implementation, and monitoring of regional development programs. This increased transparency and reduced the likelihood of corruption in such programs.
- The Coalition advocated for clearer regional budgeting procedures. The regional law "On the Administrative Liability of Officials for Violations of Budget Legislation" was adopted in April 2008. This law has helped prevent the misallocation of regional budget funds and the illegal provision of preferences for crony businesses through corrupt mechanisms.
- The Coalition advocated for the introduction of liability for officials found in violation of regional legislation on budgetary issues. The regional law "On Administrative Liability for Violation of Budget Legislation" was adopted and came into effect on January 1, 2009, closing important loopholes that could be a source of corruption.
- The Coalition advocated for the introduction of liability for officials found in violation of regional legislation on budgetary issues. The regional law "On Administrative Liability for Violation of Budget Legislation" was adopted and came into effect on January 1, 2009, closing important loopholes that could be a source of corruption.
- The Coalition opposed an uncompetitive tender to build dwellings for people living in dilapidated housing. The region's First Deputy Governor awarded the contract before the tender to a construction company that did not meet the mandatory requirements of the tender. As a result of the Coalition's efforts, the tender results were canceled in 2009 by a decision of the regional Antimonopoly Ministry, and a new tender with the consolidated participation of several construction companies was ordered.
- The Coalition advocated for more transparent procedures for participation of SMEs in municipal contract tenders. In April 2008, the related amendments were introduced into the Municipal Regulation for the Bratsk City "On Procedures for Developing, Placement, Execution and Control of Municipal Tenders."
- The Coalition advocated for clear criteria applied to business support organizations participating in regional development programs. The Coalition's amendments were included in the Irkutsk Regional SME Support Program adopted by the regional law in April 2008.
- The Coalition advocated for clear budgeting procedures in the region. The regional law "On Administrative Liability of Officials for Violation of Budget Legislation" was adopted in April 2008.
- The Coalition advocated for introducing criteria for the definition of SME support infrastructural organizations to the Regional Law on SME Development. In June 2008, the amendments to the law were adopted by the Legislative Assembly of the Irkutsk Region.
- The Coalition advocated to ensure that officials would be held liable if found to be in violation of budget legislation in the region. The regional law "On Administrative Liability for Violation of the Budget Legislation" was adopted and came into effect as of January 1, 2009.
- The Coalition developed a program for opposing corruption in business. This program became the Regional Anticorruption Program for 2008-2009. The mandatory anticorruption expert examination of statutory acts became the most important provision of the program. As of

September 2011, the Irkutsk Government and business community started working on regional implementation of the anti-corruption package of laws of the Russian Federation.

- The Coalition opposed an unfair tender for building dwellings for people living in dilapidated housing. The First Deputy Governor of the region had distributed the contract beforehand, and the tender was won by a construction company that failed to meet the mandatory requirements of the tender. As a result of the Coalitions' efforts in April 2009, the tender results were abolished by a decision of the regional Antimonopoly Ministry. A new tender was held with the participation of several construction companies.

Kamchatka

- The Kamchatka Coalition advocated for the creation of a unified information system on issuing permits for entrepreneurial activities in Petropavlovsk-Kamchatski City. The Coalition, in cooperation with the Mayor's office, developed a proposal on the establishment of an information service and forwarded it to the City Administration in late 2011.
- The Coalition advocated for better regulation of fishing activities in the region and for the creation of equal opportunities for all fishing businesses. The Coalition developed a draft law "On Fishing and Biological Resources in Kamchatka Region" and submitted it to the Regional Legislative Assembly. The Assembly adopted the law in December 2006. The law was adopted to replace an outdated law first implemented by Soviet authorities, who did not regard fishing as a business. The new law established the rules governing the business of fishing, thus reducing the potential for corruption.

Khabarovsk

- The Khabarovsk Coalition developed recommendations for the introduction of a

"single window" procedure for small business registration. The Khabarovsk mayor signed a decree introducing the "single window" procedure on November 30, 2003, which considerably reduced administrative barriers and simplified the paperwork process for small businesses.

- The Coalition developed recommendations for the reduction of a transportation tax. Amendments and addenda have been introduced into the "Law on the Transportation Tax in Khabarovsk Region" in Fall 2004. Tax rates for transport organizations providing services for pensioners and disabled persons have been reduced.
- The Coalition led an advocacy campaign to amend the regional income tax rate. Amendments have been introduced into the Khabarovsk Region Law "On The Taxation System Based on the Single Tax On Imputed Earnings," which resulted in reducing the tax. As one example, the tax rate on retail trade of the medical products was reduced by 10% in October 2003.
- The Coalition developed mechanisms that provide SMEs with access to credits for business development. On July 30, 2004, these recommendations were included into the "Decree on Crediting Policy for Small Businesses" and "Decree on Microfinancing of Small Businesses." As a result, in July – September 2004, businesses received credits in the amount of 9.7 million roubles (\$346,000).
- In connection with the consideration by the State Duma of the Federal Law draft "On Self-Regulated Organizations" the Khabarovsk Coalition in June 2004 held a regional conference to discuss problems that may emerge with delegation of some state rights and authority to business community. The Coalition developed recommendations to the draft law on definition of legal status for self-regulated organizations. This included development of codes for such organizations, legal mechanisms

for solving disputes, standards of business practice and monitoring of their enforcement. As a result of the activity of regional business communities including Khabarovsk, a decision was made on the federal level to develop a Federal Law on self-regulating organizations. On December 1, 2007, this law was signed by President Vladimir Putin.

- The Coalition advocated for improvements to the official procedure for obtaining construction permits in the region. The Coalitions' experts analyzed the existing procedure, identified legal gaps in it, and issued recommendations on what information should be made available on the website of the Khabarovsk Regional Ministry of Construction and elsewhere. They also recommended giving developers the right to submit supporting documentation from non-governmental experts and establishing specific requirements regulating actions of officials. The recommendations were forwarded to the regional legislative and executive authorities in late 2011.
- The Coalition advocated for improvements to the official procedure for issuing permits to set up markets in the city of Khabarovsk. The Coalitions' experts analyzed the existing procedure and identified legal gaps in it. The experts issued recommendations to establish time constraints for considering applications and issuing permits; to abolish obligatory notarizing of application documents; and to eliminate conflicts between regional and federal laws on the issue. By late 2011, the recommendations had been forwarded to the legislative and executive branches of the regional government.

Kirov

- The Kirov Coalition advocated for the simplification of application procedures for SME participation in state and municipal contract tenders. The Coalition developed amendments to regional regulations and forwarded them to the Regional Administration. Since late 2011, local working groups had been discussing

ways in which to adopt these amendments in accordance with federal law.

- The Coalition advocated against the existing procedures for compensation of renovation expenditures during payments of rental of municipal property. According to these procedures, officials could make arbitrary decisions about compensation. In February 2008, as a result of the Coalition's advocacy efforts, the Kirov City Duma established the criteria for determination of compensation costs.
- The Coalition advocated for the protection of small businesses that cannot compete with big companies in privatization of municipal property. This was leading to a rapid increase in rental costs after buildings were privatized, thereby putting small entrepreneurs out of business. On June 27, 2007 the Kirov City Duma made a decision not to privatize municipal property being leased by small businesses.
- The Coalition advocated against existing privatization practices that did not provide free access to the database of the facilities that were subject to privatization. The Regional Interdepartmental Commission for Opposing Corruption approved of the Coalitions' recommendations in December 2008 and forwarded them to the Kirov City Duma recommending that it introduce mandatory publishing of the list of real estate facilities subject to privatization. As of 2009, this registry of property to be privatized is now publicly available.
- The Coalition advocated against the existing tender procedures for allocation of city routes to private passenger transportation companies that didn't provide free access to the official tender database. The Regional Interdepartmental Commission for Opposing Corruption approved of the Coalitions' recommendations in December 2008 and forwarded them to the Head of the Kirov City Administration

recommending that it introduce mandatory public discussions on the tender terms for private companies.

- The Coalition advocated against the existing arbitrary procedures for compensation of renovation expenditures incurred during the rental of municipal property. In February 2008, as a result of the Coalition's advocacy efforts, the Kirov City Duma established specific criteria for determining tenant compensation.
- During the economic crisis, the Coalition advocated for an increase of the period for SMEs to purchase rented municipal premises from three to five years. On November 9, 2009, these recommendations were introduced as amendments in Kirov Regional Law #309. Entrepreneurs who decide to buy out rented municipal premises won additional time to make the necessary payments.
- The Coalition advocated for transparency and greater access for SMEs to state contracts. In December 2009, a special Commission under the Regional Administration was set up to develop technical requirements for awarding state contracts. Coalition members became part of this Commission, which will help ensure greater public control over the transparency of contracting procedures.
- The Coalition advocated against merging auction lots when distributing passengers traffic routes for private transport companies in the city of Kirov, which could have blocked many small firms from the market. In October 2009, the Kirov City Administration adopted the Coalition's recommendations and lot sizes remained unchanged, while the number of traffic routes was not reduced.
- The Coalition advocated for the protection of businesses that rent land for temporary structures, such as retail trade kiosks. Land was offered on a competitive basis, and the local administration planned to announce a new tender, although firms had already paid for marketing expenses. In January 2010, the Administration issued a decision to preserve these structures and extend land rental contracts with firms that were already renting the space.
- The Coalition advocated for greater transparency in statutory acts regulating retail trade at temporary sales outlets (kiosks) in the city of Kirov. Based on the Coalition's recommendations (which were supported by the city Prosecutor's Office), the Kirov Municipal Duma adopted amendments to the statutory acts on August 25, 2010 regulating such sales. The amendments included time constraints for issuing licensing decisions and a requirement that any refusals be justifiable.
- The Coalition advocated against unreasonable government refusals to allot land plots for use by retail trade kiosks and pavilions. Through the Kirov City Prosecutor's Office, the Coalition introduced amendments to existing regulations. The proposed changes would strictly regulate timeframes for decisions on land use and require the authorities to explain refusals. As a result, 900 kiosks and an estimated 2,700 jobs were saved in October and November of 2010.
- The Coalition advocated for improving the official procedure for licensing educational activity in the region. The Coalition's experts analyzed the procedure and identified legal shortcomings. They also recommended the adoption of administrative regulations governing compliance with fire safety requirements. In order to increase the timeliness of the release of sanitary and epidemiological inspection results, the experts also recommended amending the existing regulation. In late 2011, the recommendations were forwarded to the regional legislative and executive branch authorities in late 2011.
- The Coalition advocated for improvement in the official procedure for providing transport carriers access to bus routes in the city of Kirov. The Coalition's experts analyzed the procedure and identified legal shortcomings. They

recommended the adoption of administrative regulations to govern how carriers were granted access to existing bus routes as well as the creation of an open competition among carriers for access to bus routes. The recommendations were forwarded to the regional legislative and executive authorities. The related amendments to the “Regulations on providing carriers access to the bus routes in the Kirov City” were adopted in January 2011.

- The Coalition advocated for improvements to the “Regulations on Placing Outdoor Advertising in Kirov City.” As a result of the Coalition’s actions, the Kirov City Administration introduced procedures for registering outdoor advertising, and specified criteria for their designs in October 2011.

Krasnodar

- The Krasnodar coalition led an advocacy campaign in support of retail businesses that had temporarily lost their retail space due to reconstruction of certain public areas. The Krasnodar regional administration issued a decree in July 2003 that amended the previous regulations, providing retail businesses affected by reconstruction with retail space in the same municipal district as their permanent location.
- The Coalition continued advocacy efforts aimed at improving the municipal level taxation system regarding the rate of imposed income tax. In autumn 2003, the tax rate for food retail trade small businesses was reduced by 48%.
- The Coalition advocated for transparency and access to legislation and regulations on regional and local level. In late 2011, all municipalities adopted decrees that ordered placement of all newly adopted laws and regulations in the Russian electronic database, “Consultant Plus.”
- The Coalition led an advocacy campaign to give access to small- and medium-sized business to information on municipal properties that can be rented or sold. As of late 2011, Krasnodar region had open registers of municipal properties for rental or sale of municipal properties.
- The Coalition submitted proposals on developing mechanisms of crediting to small business. Krasnodar region now has municipal funds that serve as guarantors for small business. The head of the Krasnodar regional administration issued a Decree that established procedures for partial compensation from regional budget of credit interest payments. Since 2005, the regional budget included a budget line for backing interest rates on credits obtained by entrepreneurs.
- The Coalition led an advocacy campaign to provide SMEs access to information on state contracts. The Krasnodar coalition developed a Program on providing state and municipal contracts through systems of electronic trade at Centers for SME development in the Krasnodar region. In 2006, the first internet based tenders on cement sale were held, thereby bringing transparency into the government contracting process.
- The Coalition advocated against a regional law introducing restrictions on retail trade operations as it contradicted related federal legislation. In July 2011, Federal Law #218 was passed, recognizing the restriction of trade as outdated. Officials lost the ability to impose unfair restrictions on the locations of businesses and to extort bribes from businesses that did not comply with such restrictions.
- The Coalition advocated for lower administrative barriers for entrepreneurs that pass permit procedures. The head of the Krasnodar regional administration issued Decree #715 “On Overcoming Administrative Barriers and Simplification of Conciliation Procedures for Business Activity” in 2011. The decree introduced a clear scheme for passing permit procedures, and assigned persons on the regional level in charge for observance of introduced regulations in every municipality.

- The Coalition advocated for the official involvement of the business community on law-making processes and to expert evaluation on acting legislation. On November 23, 2006, the Governor of the Krasnodar Region issued a Decree on including chambers of commerce and industry comments in the local legislative process. The Decree specifically recommended the involvement of CCIs in expert evaluation of laws and regulations, and it is still the legal basis for public-private dialogue in the region.
 - The Coalition advocated for greater involvement by the business community in the regional legislative process. Starting August 2008, the Krasnodar chamber (a Coalition member) has the right to introduce draft laws to the regional assembly. This unique decision will allow for direct private sector input into and monitoring of the legislative, policymaking, and law enforcement processes, and is a major boost to the standing of the chamber among entrepreneurs. In August 2008, an amendment to the Krasnodar Regional Charter has passed the 2nd hearing in the Regional Legislative Assembly that will authorize the Krasnodar Chamber of Commerce and Industry with legislative initiative.
 - The Coalition advocated for the provision of a preference for SMEs to purchase premises that they rent. The Coalition developed buyout terms for premises of over 2,000 square meters, based on a five-year installment plan. This rule was adopted and came into effect as of January 1, 2009, making it significantly easier for SMEs to secure premises at reasonable prices.
 - In April 2009, the mayor of Sochi issued a list of temporary retail locations that were to be dismantled and removed within 30 days. The list included 400 shops employing 1,150 people. The criteria for selecting the outlets and the reasons for their closure were unclear. The Coalition discovered that newly-available sales locations had already been distributed to other entrepreneurs, though the criteria for such distribution were not made public.
- As a result of Coalition's advocacy efforts, the mayoral decree was abolished and a commission including Coalition representatives was set up to investigate the situation. The commission included Coalition representatives. The Coalition's efforts resulted in 320 sales outlets employing 800 people being allowed to continue operation.
- On January 1, 2009, a law came into force banning consumer goods and food stores located within 200 meters of educational, welfare, healthcare, or other social institutions from selling alcohol. Since such institutions are located throughout the city, to comply with the law, most stores would have had to discontinue alcohol sales. However, such sales provide the majority of these stores' profits, so many applied for a licensing exemption. Because nearly 90% were refused an exemption, many residential areas were effectively left without food stores. The law was also a potential source of corruption, as it did not establish clear criteria to measure the required distance, giving officials licensing discretion and allowing for possible demands for bribes. Due to the Coalition's advocacy efforts, in May 2009, the law was amended. It now includes clear measurement criteria, and the distance was reduced to 100 meters. According to statistics, in the city of Novorossiysk alone, 470 shops were saved, employing 3,100 people, and paying annual taxes of 36.5 million Rubles (approximately \$1,216,500) as taxes.
 - The Novorossiysk CCI, which serves as the coordinator of the Krasnodar Coalition, advocated for the improvement of a draft version of the Municipal Program for Business Competition Development. CCI's experts analyzed the draft for corruption potential and identified a number of factors that rendered the procedure for issuing construction permits non-transparent. The experts issued recommendations to correct the draft. All these recommendations were taken into account by the Novorossiysk Municipal Administration, which, in October 2010, adopted "Approval

of Municipal Program Development of Competition in the Novorossiysk 2010-2012.”

- The Novorossiysk CCI, in cooperation with coalition coordinators from the Saratov, Samara and Volgograd coalitions sharing information on the REACT website, advocated for an end to the Russian Central Bank’s requirement that all businesses be required to construct and maintain a separate room for the storage of cash. For small businesses, like cobbler shops, the size of the vaults sometimes exceeded the size of the business. The legal requirement, dating from the Soviet era, was selectively enforced by regional law enforcement authorities. In October 2011, the Russian Central Bank abolished the requirement.
- The Novorossiysk CCI advocated for the improvement of the official procedure for privatization of municipal property rented by SMEs in the city of Novorossiysk. The Chamber’s experts analyzed the procedure and identified legal gaps. They recommended establishing time constraints for assessing the market value of property, specifying and publishing the list of documents provided by applicants for privatization, and setting time constraints for officials to consider and decide on applications. The recommendations were forwarded to authorities in the city’s legislative and executive branches of government in late 2011.

Nizhny Novgorod

- Due to the outbreak of hepatitis A in the region, the administration issued a decree aimed at complete elimination of street catering points. The Nizhny Novgorod Coalition advocated for the creation of a self-regulating business association that would establish requirements for street catering and control the business activity of its members. Based on the Agreement with the City Administration, the operation of street catering business resumed in summer of 2005. Only those catering businesses were allowed that had agreed to comply with the safety

requirements established by the created business association.

- The Coalition advocated for abolishing the Decree of the City Administration on the complete elimination of temporary trade premises. In summer 2005, the city administration issued a Decree #2070 that determined a list of 339 places in the city where temporary trade premises were allowed.

Perm

- The Perm Coalition made recommendations aimed at reducing tax rates paid by owners of pavilions, stands, and kiosks regarded as permanent retail spaces, but that do not have a sales area. In August 2003, the Perm coalition’s recommendations were incorporated as amendments to the regional law “On Taxation in the Perm Region.”
- The Coalition spearheaded an arbitration case to demonstrate the lack of jurisdiction of the local tax inspectorate over the permits that allow local vendors to trade. The Perm Coalition argued that trading in Perm without paying a duty for the right to trade or without having the patent fee is not a matter connected to tax regulations. The case was approved as a precedent by arbitration decision N A50-400/2004 A11 in fall 2004. The case was won, and on June 15, 2007 the court issued a decision that abolished the tax inspectorate’s decision.
- The Coalition litigated amendments to the regional tax law that negatively impacted some taxpayers. Those amendments removed a tax rate reduction that taxpayers previously enjoyed. Arbitration decision N A50-9760/2003-A3 determines that the amendments to the regional law bearing the negative effect on the legal medium cannot be applicable.
- The Coalition developed mechanisms to provide SMEs with access to credits. The regional government set up seven municipal micro-crediting foundations were set up in the region

that gave credits to SMEs from budgetary funds in 2003 and 2004. This legislative change served as a model for other Russian regions. The Perm Coalition's experience became the basis for the creation of microcredit funds, which, by 2007, had been established in all regions.

- The Coalition analyzed the draft Federal Law "On Self-Regulated Organizations" for its compliance with the Federal Constitution and other Federal Laws that regulate activity of professional organizations. Based on this analysis the coalition held a roundtable, which developed amendments to the draft law. Amendments developed by the Perm Coalition were forwarded to the State Duma and Federal Assembly Deputies from the Perm region for consideration. Partly as a result of the activity of regional business communities, a decision was made on the federal level to develop a Federal Law on self-regulating organizations. In late 2007, this law was signed by the Russian President.
- The Coalition spearheaded an arbitration case to provide the transparency of Perm City general layout that is needed by entrepreneurs to plan construction. On October 26, 2006, came into effect a court decision that demanded free access to unclassified materials to the Perm City general layout.
- The Coalition spearheaded an arbitration case to provide free access of entrepreneurs to official information on the cadastral cost of land that is used to determine tax obligations. Perm City administration issued a decision in 2011 granting this access.
- The Coalition spearheaded an arbitration case that gave priority land rights to owners of the buildings residing on that land. The case won, and on June 15, 2007, the court issued a decision that abolished transaction of land rights to other parties.
- The Coalition spearheaded an arbitration case to demonstrate the impossibility of collecting signatures of all shareholders for the closing down of business. The court agreed in November 2006 that closing a business required a legitimate assembly that approved of the liquidation balance.
- The Coalition participated in the developing of the Budget of Perm Region and suggested allocating funds to SME microfinancing. As of late 2011, the Regional Budget included specific allocation for microfinancing of small businesses.
- The Coalition advocated for the adoption of regional anticorruption legislation. In May 2008, the Perm regional assembly passed the law "On Opposing Corruption," and gave the Coalition official duties in carrying out the regional anticorruption strategy. This allowed the Coalition to monitor violations of local laws on corruption and raise public awareness of specific cases.
- The Coalition advocated for a simplified tax for SMEs providing domestic services, proposing that the tax be paid through the purchase of a license to render services. As a result, in October 2009, a regional law introducing a simplified taxation system based on the purchase of such licenses was adopted.
- The Coalition successfully advocated against illegal inspection procedures at the regional and municipal levels. In July 2010, the Perm regional governor issued a decree establishing state inspection procedures that did not comply with the time constraints set by the related federal legislation. In addition, several Perm municipalities adopted similar regulations that violated entrepreneurs' rights. Based on Federal Law #294, such inspections must not be more frequent than once in two years, but the Governor's new decree and municipal regulations allowed for inspections at any time. The Coalition brought this issue to attention to the Prosecutor's Office, and both the decree and regulations were abolished.

- The Coalition advocated for improvements to the official procedure for issuing permits for hauling large and heavy cargo on the region's roads. The Coalition's experts analyzed the existing procedure and identified legal gaps. They recommended adopting regulations for this procedure, eliminating conflicts in relevant regional laws, requiring officials to justify refusals to issue permits, and specifying time constraints for considering and deciding upon applications for permits. In 2011, the recommendations were forwarded to the regional legislative and executive authorities.
 - The Coalition advocated for improvements to the official procedure for leasing forest land owned by federal and regional authorities in the region. It identified the relevant government body as the most corrupt one in the region. An examination of the government agency charged with leasing forest land and the Perm Coalition's recommendations were forwarded to the regional Legislative Assembly, Prosecutor's Office, Internal Affairs and Antimonopoly Agency. In January 2011, regional law enforcement agencies inspected the Agency for Nature Management and discovered that it was controlled by two companies owned by close relatives of the head of the agency. These results were forwarded to the Regional Government with a recommendation to dismiss the head of the agency.
 - The Coalition advocated for improvements to the Legal Relationships in Land Lease. As a result of the Coalition's action, the Perm Regional State Agency in charge of managing land plots and holding lease tenders defined the criteria for refusing to hold a tender, provided information on regional tenders, including the conditions under which a state agency may conduct a tender, and passed a regional administrative act regulating procedures for providing a right to lease a forest plot based on a tender in 2010.
 - The Coalition advocated for improvements to the legal relationships in transferring land from one category of use to another. As a result of the Coalition's action, the Perm Regional Government defined the criteria for refusing to consider an application to transfer land from one category to another, and requirements to such application, specified procedure for applicant's participant in taking of a decision, and adopted an administrative regulation of this service in late 2010.
- Primorsk**
- The Primorsk Coalition advocated amendments to a decree issued by the Vladivostok Administration that allowed changing calculation rates for rental of municipal premises by small and medium enterprises. The Vladivostok Administration amended its decree in May 2003; thus, small businesses in Vladivostok avoided increases of rental rates that were stipulated by the original decree. The Vladivostok Administration amended its decree in May 2003, abolishing increases in rental rates that were stipulated by the original decree. In September 2004, Vladivostok City Duma issues a new decree "On the Approval of a Methodology for the Calculation of Rates for Municipal Property Renting" that further reduced rental rates for SMEs. The situation was repeated in 2005 when a new mayor was elected. The Coalition provided calculations that demonstrated how the increase would influence the development of entrepreneurship and the regional economy in general. The Coalition proposed an adoption of preferences for small businesses. That Coalition initiated protest actions, and the Vladivostok City Duma adopted reduction by 30 percent.
 - The Coalition led an advocacy campaign to amend the regional law on imposed income tax. The regional assembly adopted amendments to the Law of Primorsk Region "On Imposed Income Tax," which made the tax rate 2.5 times lower in November 2003. From the beginning of 2006, the authority to approve imposed income tax rates was transferred from regional to municipal level. Municipal authorities adopted

- the maximum possible rates. The Coalition again began substantiating tax rates, this time in each municipality of the region. In late 2007, the Coalition managed to reduce rates and to preserve these rates for 2008.
- The Coalition advocated for the participation of SMEs in state procurement and tenders. The governor of the Primorsk Region adopted a regulation “On Participation of SMEs in Manufacturing and the Supply of Commodities and Services for State Needs of the Primorsk Region.” A procurement committee was established, and representatives of the Primorsk coalition were appointed in 2011 to the committee to ensure fair competition.
 - The Coalition advocated for the introduction of the “one window” procedure of registration for companies’ and individual entrepreneurs’ registration. The Coalition initiated a special meeting of the Public Council of Entrepreneurs under the governor of the Primorsk Region to discuss introduction of the “one window” registration procedure. In November 2004, the proposed legislative changes were partially taken into account in a decree of the governor.
 - A Primorsk regional law required daily income statements in alcohol retail trade, which was impossible, especially for small businesses. The Coalition proposed monthly statements instead. In November 2007, the Administration issued a decree that supported the Coalition’s proposal.
 - The Coalition revealed high levels of corruption during the privatization of municipal property in Vladivostok City. As a result of unfair auctions more than 2,000 entrepreneurs lost their businesses. The Coalition attracted public attention to this issue, appealed to the Federal Security Service, and created a working group on privatization. As a result of its work in 2007, four criminal investigations were launched, 180 premises were seized, and former lessees received a priority right to use them. The privatization of more than 750 real estate facilities was suspended pending reform of the relevant laws.
 - The Coalition advocated against excessive regulation of retail alcohol sales. In May 2008, the regional administration adopted a decree simplifying related procedures, reducing firms’ expenditures and considerably lessening opportunities for corruption.
 - The Coalition advocated against a decree of the Vladivostok mayor providing for the transfer of municipal property to a government-affiliated firm. As of April 2008, the decree was abolished by the prosecutor’s office, creating an important precedent against corruption and giving local SMEs better access to the rental and purchase of municipal property.
 - The Coalition advocated for the elimination of contradictions between the Vladivostok City Duma decree on taxes and the Russian Tax Code. As of April 2008, local tax officials can no longer force firms to adhere to local tax requirements that conflict with federal ones.
 - The Coalition advocated against the excessive regulation of the procedure for declaring the retail trade of alcohol products. In May 2008, the Regional Administration adopted the Decree that considerably simplified this procedure.
 - The Coalition advocated against the Vladivostok Mayor’s Decree that provided corruption transfer of the municipal property to its affiliated company. The Decree was abolished by the Order of the Prosecutor’s Office in April 2008.
 - The Coalition advocated for elimination of the legislative contradictions in the Vladivostok City Duma Decree on Taxation and the RF Tax Code. The officials lost the opportunity to force the businesses that use the simplified taxation system to switch to the regular taxation system in April 2008.
 - In August 2008, a Federal Law that provided preferences to SMEs for the purchase of state and municipal premises came into effect, but the law contained a provision with high corruption

potential. This provision called for a unclear level of “honesty” of a business participating in the purchase, giving officials considerable discretion in reviewing applications. The law had also allowed regions to limit the maximum size of premises eligible for privatization and to set time constraints for privatization. As such, by May 2009, only 5 of 137 applications for purchasing state and municipal property in Vladivostok were granted. In response to this, the Coalition advocated for amendments to the privatization regulations. The Regional Administration had offered up a 100 square meters within a one-year period and the proposed amendments were adopted by the City Duma. The new regulations include clear criteria for what makes a business “honest” and therefore eligible for privatization preferences. As a result, the remaining 132 applications were approved and 500 more businesses now had the opportunity to apply to take part in the privatization. Additionally, the terms of the size and time constraints of the property purchase were changed to 1,000 square meters and a five-year installment period. Based on this, 650 businesses got the right to privatize the premises that they had previously rented.

North Caucasus Coalition

- The Republic of North Ossetia-Alanya Chamber of Commerce and Industry (CCI), the coordinator of the North Caucasus Coalition, advocated for improvements in the regulations and procedures governing state contract tenders. In January 2009, the republic’s government issued a decree that set up a state commission for control over the effectiveness of the tenders for state contracts. The commission was tasked with monitoring law enforcement, revealing corruption cases, considering complaints, and developing anticorruption measures.
- The Republic of North Ossetia-Alanya Chamber of Commerce and Industry (CCI) advocated for greater access to credit for SMEs. In January 2009, Coalition members were included in a commission for SME development under the

Russian Ministry for Economic Development. The commission set up two foundations in North Ossetia: The Republican Guarantee Fund (credits secured on the state property) and Micro-Crediting Fund (credits under 1 million rubles).

- The Stavropol CCI advocated for improvements to legal relationships regarding the municipal service “Allocation of municipal land for construction purposes with prior approval of layout of constructions.” As a result of the chamber’s action, the regional administration introduced amendments to the regulation of this service that specified administrative procedures, eliminated corruption factors in the legal relationships, and provided free access to official information related to this municipal service in April 2011.
- The Stavropol CCI advocated for improvements to the state service, “Licensing education activities.” As a result of the chamber’s action, the regional administration introduced amendments to the regulation of this service that eliminated legal and linguistic ambiguity, and limited considerably opportunities for taking decisions by officials at their own discretion in March 2011.
- The CCI of the Republic of Ingushetia advocated for improvements to the state service “Approval of selection of land plots for entrepreneurial needs.” As a result of the CCI’s action, the regional administration adopted the administrative regulations for this service that specified administrative procedures, services and requirements for this service in October 2011.
- The CCI of the Chechen Republic advocated for improvements to the state service “Issuing property rights on land plots for entrepreneurial needs in Grozny City.” As a result of the chamber’s action, in late 2011 the city administration adopted amendments to the administrative regulations for this service that specific administrative procedures, standards, and provided free access to the official

information and eliminated corruption factors in this service.

- The CCI of the Republic of Karachaevo-Cherkessia advocated for improvements to regulations connected to the issuing of construction permits. As a result of the CCI's action, the regional administration adopted amendments in 2011 to the regulations that specified administrative procedures, standards, and provided free access to official information and eliminated corruption factors in this service.
- The CCI of the Republic of Ingushetia, the CCI of Karachaevo-Cherkessia, and the Chechen Republic all advocated for improvements to regional regulations governing the conversion of residential property to commercial use. As a result of the CCIs' actions, in 2011 each respective administration adopted amendments to the administrative regulations for this service that specified administrative procedures, standards, and eliminated corruption factors in this service.

Rostov-on-Don

- The Coalition, coordinated by the Rostov Chamber of Commerce and Industry (CCI) advocated for the elimination of contradictions between federal and regional legislation related to transportation costs. The Coalition's recommendations were submitted to the regional legislature for consideration in the fall of 2007.
- The Coalition advocated against corrupt provisions of the regional law on SME development allowing the regional branch of the Federal Statistics Agency to charge for services financed by the regional budget, which violates federal law. In October 2008 this provision was excluded from the draft law.
- The Coalition advocated against the illegal imposition on SMEs of the requirement to fund social programs, which had arisen under an agreement among the regional administration, the Federation of Trade Unions, and the Union

of Employers for the years 2008-2011. Thanks to the Coalition's efforts, in October 2008 the regional administration excluded this provision from the agreement.

- The Coalition advocated against a provision in an agreement among the regional administration, the Federation of Trade Unions, and the Union of Employers for the years that excluded from state and municipal tenders certain small firms. In October 2008, the regional administration excluded this provision from the agreement, agreeing with the Coalition that it represented a violation of federal law.
- The Coalition advocated for the simplification of procedures that allowed for the conversion of residential real estate to commercial use. In the fall of 2006, a one-stop-shop principle for these procedures was introduced in Shakhty City in the Rostov region. This new approach significantly simplified the process of opening a business.

Sakha (Yakutia)

- The Coalition, coordinated by the Yakutia Chamber of Commerce and Industry (CCI), advocated for the introduction of a mechanism for paying pensions to the members of credit cooperatives through the cooperatives themselves rather than third parties. In the fall of 2005, the Coalition joined efforts with credit cooperatives of the Primorsk region and developed recommendations aimed at simplifying procedures related to pension payments
- The Coalition developed a mechanism of interaction with the Republic of Sakha's Prosecutor's Office on the pre-trial settlement of disputes related to the violation of entrepreneurs' rights by officials. In April 2006, the Prosecutor's Office issued an order on the creation of a public council that would include the participation of coalition representatives and prosecutors. The Coalition forwarded cases of violations of entrepreneurs' rights to the council. The council's expert evaluation of these

cases contributed to the pre-trial settlement of disputes.

Samara

- The Samara Coalition, coordinated by the Samara Chamber of Commerce and Industry (CCI), led an advocacy campaign to amend the regional tax law on business income. In August 2003, the Samara Regional Duma adopted amendments to the regional tax law, cutting the tax rate in half and resulting in the emergence of individual entrepreneurs from the shadow economy into the formal sector.
- The Coalition took an active part in the development of the Samara Regional Program of SME Support. At the end of 2003, the regional administration adopted a regional law “On the Samara Regional Program of SME Support, 2004-2010.”
- The Coalition advocated for introduction of exceptions regarding working hours for women with children. The Samara Governor signed a Decree on March 18, 2004, “On Introduction of Reduced Working Hours for Specific Categories of Employees.”
- The Coalition developed a mechanism of support of local SMEs through the regional budgetary funds. The Coalition’s proposal was forwarded to the regional administration in 2005.

Saratov

- The Saratov Coalition, coordinated by the Saratov Chamber of Commerce and Industry (CCI), led an advocacy campaign to amend the regional tax law. In autumn 2003, the Saratov Regional Duma adopted the suggested amendments, considerably reducing the tax rates for SMEs. From the beginning of 2006, the authority to approve imposed income tax rates was transferred from the regional to the municipal level.

- The Coalition developed a concept of an electronic trade system to provide entrepreneurs with equal access to state and municipal contracts and a draft law “On Distribution of State and Municipal Contracts through E-trade.” The draft law was forwarded to the Saratov Region Legislative Assembly and is expected to be adopted later in 2005. However, because of a recent adoption of the Federal Law “On Placing of Orders for Supply of Goods, Operation and Rendering of Services for State and Municipal Needs,” the Coalition is amending its recommendations to make them compatible with the law. On July 28, 2006, the Governor of Saratov region signed a decree establishing a regional electronic system for state contract tenders.
- The Coalition advocated simplification of procedures for the conversion of living quarters into non-residential premises for entrepreneurial activity. The Coalition developed amendments to the “Regulations on Conversion of Living Quarters into Non-residential Premises.” These amendments were partially incorporated into the Decree of the Saratov Regional Duma on July 14, 2004.
- The Coalition advocated for adoption of the “Regional Development Program for 2005 – 2007” On December 25, 2004 the Regional Duma passed the law on the “Regional Development Program for 2005 – 2007”. The program addressed the following issues: 1) the improvement of legislation regulating SMEs; 2) the creation of a development fund for SMEs; 3) the creation and support of a specialized branch of SME centers, including those supporting industry, innovation, handicraft, construction, and personal services.
- At the beginning of 2007, the Saratov Coalition advocated for the protection of minibus transport companies that took part in tenders for transport route licenses in Saratov City. The Coalition found that the tender was conducted unfairly and the tender results were cancelled. The Coalition was assigned to

- conduct an anticorruption expert examination of tender regulations. Based on the Coalition's recommendations, the City Administration eliminated all corruption factors from the regulations in 2007. New tender regulations, based on advice from the Coalition, were adopted in January 2008, making the process more fair and transparent to all bidders and eliminating the corruption potential from the law.
- Based on a review of the Saratov law governing regulation of marketing trade, the Saratov Coalition revealed contradictions to federal law regarding regulation of trade expositions. According to federal legislation, trade expositions were not markets. According to the existing Saratov regional law, trade expositions were included in the market category. In April 2007, a new law was adopted in Saratov based on the Coalition's recommendations. Temporary fairs held outside the territory of markets were not included in the market category, thereby removing contradictions in the law and a mechanism for corruption.
 - The Coalition advocated against the decision of the Saratov Regional Duma that had established municipal land rental rates. The rates were established arbitrarily in contradiction with the Federal Constitution and Civil Code. Based on the Coalition's appeal, the Saratov City Prosecutor's Office demanded the elimination of those rental rates from the law. In November 2007 a new decision was made based on economic justification and the rental rates were reduced by 50% on average.
 - The Coalition advocated eliminating a potentially corrupt element from the Saratov Administration Decree, "On Rental Rates for SMEs," which allowed officials to raise, at their own discretion, the rate of the lease of municipal premises. Based on the Coalition's recommendations and an objection to the decree from the Prosecutor's Office, the Saratov region governor introduced in 2011 an amendment to the decree that eliminated that element.
 - The Coalition advocated against the illegal practice of consumer rights protection organizations attempting to carry out inspections of businesses and levy fines. As a result of the joint efforts of the Coalition, the regional Prosecutor's Office, and the Regional Ministry of Justice, the Public Organization "Committee for Public Control of the Protection of Consumers' Rights and Human Welfare" was prosecuted and shut down in 2010. To prevent similar groups from carrying out such schemes, the Coalition and Prosecutor's Office subsequently issued a set of instructions for entrepreneurs that explicitly laid out which government authorities are responsible for consumer welfare inspections. These instructions were disseminated among business in the city and Saratov region.
 - The Coalition advocated for a reduction in tax rates for businesses using the simplified taxation system. On December 25, 2009, the Saratov Regional Duma adopted a reduction of one type of simplified taxes from 15 percent to 7 percent.
 - The Coalition eliminated contradictions in regional and federal legislations regarding the regulation of retail markets. According to the new regional legislation adopted in April 2008 the trade fairs will not be considered as retail markets and will not be subject to the regulation of the retail market activity.
 - The Coalition advocated for effective monitoring of law implementation in the region. On September 10, 2010, the Public Council under the Office of Prosecutor of the Saratov Region adopted a decision to use the Methodology to monitor the Effectiveness and Implementation of Legislation for annual monitoring of implementation of the regional legislation in the area of rendering state services to businesses. The Methodology was developed by the Saratov Chamber of Commerce and Industry.
 - The Coalition advocated for the improvement to the official procedure for cadastral registration

of land in the region. Coalition experts analyzed the procedure and identified legal shortcomings. They recommended publishing administrative regulations governing the state agency that is authorized to carry out cadastral registration of land; specifying fees for providing cadastral information; and requiring relevant officials to explain their actions related to the cadastral registration of land. In 2011, the recommendations were forwarded to the regional legislative and executive authorities.

- The Coalition advocated for improvements to the legislation covering the lease and sale of municipal land and buildings. The Coalition forwarded to the regional administration recommendations aimed at clarifying administrative procedures, eliminating corruption factors, and providing free access to relevant official information. The regional administration adopted these recommendations and introduced amendments to relevant regulations in December 2011.

Smolensk

- The Coalition, coordinated by the Smolensk Chamber of Commerce and Industry, advocated for giving SMEs the right to rent municipal property in Smolensk City on a transparent and competitive basis. The Coalition developed amendments to local regulations and forwarded them to the Smolensk City Administration. In 2011, the Smolensk City Assembly created a commission to look into the issue.
- The Coalition advocated for introduction of the simplified tax system for one-person businesses with no employees. A regional law was adopted that introduced a simplified taxation system by which micro-entrepreneurs purchase short-term business licenses in lieu of paying more complex business taxes. The law came to effect on January 1, 2007.
- The Coalition advocated for creating a regional Commission for SME Support and Development for the more effective use of state funds for SME support. In May 2008, the regional administration signed a decree creating the Commission and including the Coalition on the Commission. This decision gave the business community a direct role in setting priorities for and enforcing spending decisions regarding regional SME support. This, in turn, may help restrict the ability of officials to channel budget funds to crony businesses, opening up the system to legitimate SMEs.
- The Coalition developed and advocated for regional policy changes to support SMEs engaged in retail trade. As of January 1, 2009, the simplified tax rate was reduced by approximately 20-30 percent. For SMEs providing domestic services, this rate was reduced by 30 percent. Based on 2008, statistics 933 SMEs in the city of Smolensk and 1,357 SMEs in the region of Smolensk benefited from these changes.
- During the economic crisis, the Coalition advocated for a reduction in the tax rate for small businesses using the simplified taxation system. In December 2009, a regional law was adopted to reduce the tax rate from 15 percent to 5 percent, benefiting nearly 3,000 businesses.
- Ineffective regulation of gambling business in the region led to a growth of crime and an unfavorable image of entrepreneurs. Based on Coalition recommendations, the Smolensk Regional Duma adopted a law, "On Placement of Gambling Businesses in Smolensk Region" in April 2006. Based on it, gambling businesses cannot be located in apartment buildings, at retail trade, market or restaurants and cafes.
- The Coalition advocated for simplification of procedures of obtaining licenses for different business activities. The "one-stop shop" licensing procedure was established in the summer of 2005.
- The Smolensk Regional tax authorities attempted to increase tax pressure on SMEs to compensate the reduction of the number of

businesses during economic crisis. The Coalition advocated for and managed to reduce the tax rate for the businesses that use a simplified taxation system. The tax rate was reduced from 15% to 5% as of January 1, 2009, which affected 2,965 SMEs in Smolensk City and 4,852 in the Smolensk Region.

- The Coalition advocated against holding non-transparent tenders for state and municipal contracts and limiting access of SMEs to these tenders. As a result, the tender procedures and regulations became more transparent. In 2008, SMEs in Smolensk got contracts for 991 million rubles (about \$33 million), which is 73.6% of the entire amount of the contracts. On July 1, 2009 e-trade tenders were held in the Smolensk region.
- The Coalition advocated for improving the official procedure for issuing permits for holding lotteries in the region. The Coalition's experts analyzed the procedure and identified legal shortcomings. They issued recommendations to establish clear time constraints for the consideration of applications, to issue permits and to register drawings by officials. In 2011, the recommendations were forwarded to the regional legislative and executive authorities.
- The Coalition identified potential corruption factors in the "Regulations on Subsidies to SMEs for Compensation of Crediting Rates" and advocated for their elimination. In January 2011, the Coalition introduced through the Prosecutor's Office amendments to the Regulations that eliminated corruption potential, and created more transparent application procedures, including list of required documentation.
- The Coalition advocated for improvements to a regional law, "Providing Information on State-owned Real Estate Intended for Lease." In July 2011, the Coalition forwarded recommendations to the regional administration aimed at specifying and simplifying administrative procedures, developing regulations for this

municipal service, eliminating corruption factors in the legal relationships, and providing free access to official information related to this municipal service.

- The Coalition advocated for improvement to the legal relationships in the state service "Providing Access to the Registration of State-owned Real Estate." As a result of the Coalition's action, the regional administration adopted amendments to the regulations aimed at providing free access to the register, and specifying procedures for issuing extracts from the register in July 2011.

Volgograd

- The Volgograd Coalition, coordinated by the Volgograd Chamber of Commerce and Industry (CCI), advocated for amendments to the regional income tax law. In May 2003, the Volgograd Regional Duma adopted amendments to the regional tax law based on the Coalition's recommendations. Tax rates were reduced on a wide variety of SMEs by 4 to 12 percent.
- The Coalition advocated for changes in regulations regarding labour contracts. In September 2003, the regional Duma adopted amendments to the regional law reduced the number of required documents from 9 to 3.
- The Coalition advocated for simplification of licensing for pharmacies. In September 2003, a regional decree regulating licensing of pharmacies was amended based on the coalition's recommendations.
- The Coalition advocated for simplification of licensing for pharmacies. In September 2003, a regional decree regulating licensing of pharmacies was amended based on the coalition's recommendations.
- The Coalition advocated for reduction of electric energy tariffs for SMEs. The Coalition proposed to cancel electric energy consumption limits for SMEs and to introduce more flexible tariffs. The Coalition developed and forwarded to the regional Duma the proposal to amend

federal legislation that regulates electric energy retail supply. In response, the Volgograd Duma identified in 2011 three regional laws where these recommendations could be incorporated and requested relevant Duma committees to work on incorporating the proposals.

- The Coalition submitted to the regional Duma a draft law “On Amendments to Several Volgograd Regional Tax Laws” that advocates for tax benefits to be granted to enterprises and entrepreneurs investing in fixed assets. The draft law was reviewed by six relevant committees of the regional Duma in 2006.
- The Coalition advocated for the suspension of the privatization of municipal real estate, as a newly-adopted law on privatization had made municipal premises too expensive for SMEs. In late 2008, the mayor of Volgograd signed a decree suspending the privatization of municipal property, revising the privatization program and identifying local premises that will be made available to SMEs.
- The Coalition advocated for the inclusion of SMEs operating in repairing outdoor advertising in the list of businesses allowed to use the simplified taxation system. As a result, the Volgograd City Duma issued a decree in December 2009, reducing the total tax paid by small businesses in the advertising market by 40 percent.
- During the economic crisis, the Coalition advocated for a reduction of rental rates for outdoor advertising space on municipally-owned buildings. In December 2009, the Volgograd City administration introduced a measure reducing such rental payments by 25 percent.
- The Coalition developed a mechanism for access to credit. The Coalition proposed to issue bonds for the unused property of the Volgograd Regional Administration and to use these bonds on the equity market. The Coalition developed a draft law “On Mortgage Fund” and forwarded it to the Regional Duma. The law was adopted early in 2007. In 2008, a guarantee fund was established to provide up to 70 percent of the collateral for SMEs seeking credit.
- The Coalition advocated for protection of SMEs rights that are violated by telephone communication and electrical energy supply monopolies that impose unacceptable forms of contracts, reduce limits, and introduce penalty provisions. The Coalition introduced a “hotline service” for entrepreneurs who suffered from violation of their rights by administration and inspections. The Coalition and the Volgograd Regional Duma developed amendments to related federal legislation and amendments were forwarded to the federal government in 2006.
- After the authority to approve imposed income tax rates had been transferred from regional to municipal level the Coalition resumed its advocacy efforts aimed at improvement of rates for small businesses. The Coalition in 2011 managed to reduce imposed income tax for retail trade in districts remote from the Volgograd City center.
- In the regional there was no legal regulation of agricultural production in the area of bee keeping products, reproduction of bees, effective use of bees for pollination of crops and of all pollinated flora. The new law of the Volgograd region entered into force in May 2006. It was intended to introduce to the region a system of state guarantees for producers of honey and other bee products, and of mechanisms for state support of agricultural producers.
- In order to save businesses and jobs during the financial crisis, the Coalition advocated for a reduction in rental rates for municipal land and property, as well as for an alleviation of tax pressure on business. As a result, the Volgograd City Duma adopted law which resulted in: 1) Land rental rates increasing by a factor of up to two rather than the factor of five that had been originally considered; 2) The imposed income tax for advertising SMEs was reduced by 80%; 3) Temporary reductions by 25% to the cost of

installing advertising on municipal buildings in late 2011.

- The Coalition advocated for the inclusion of SMEs operating in repairing outdoor advertising in the list of businesses allowed to use the simplified taxation system. A decree of the Volgograd City Duma, adopted in December 2009, reduced by 40% the total tax paid by small businesses in the advertising market.
- During the economic crisis, the Coalition advocated for a reduction of rental rates for outdoor advertising space on municipally-owned buildings. In December 2009, the Volgograd City administration introduced a measure reducing such rental payments by 25 percent.
- The Coalition advocated for improvements to the official procedure for licensing pharmaceutical businesses in the region. The Coalition's experts analyzed the procedure and identified legal gaps. They issued recommendations aimed at eliminating references to defunct laws, introducing time constraints for actions performed by officials, and eliminating conflicts in relevant laws. The recommendations were forwarded in 2011 to the regional legislative and executive authorities.
- The Coalition identified conflicts between the land legislation of Volzhsky City and the Federal Land Code related to procedures of site planning and demarcation. As a result of the Volgograd Coalition's action, the Municipal Regulations on Land Use and Building were suspended. In October 2010, amendments were introduced in the local legislative body that eliminated the conflict.
- The Coalition advocated for improvement of municipal service "Endorsement of Plans of Land Plots' Boundaries." As a result of the Coalition's action, the Regional Government adopted and introduced regulations for rendering this municipal service specifying sequence of administrative procedures in May 2011.

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