

**CITIZENS DEMOCRACY CORPS
The EED Russia Program**

**Economic and Enterprise Development
Program**

US Volunteer Business Consulting Supported By USAID

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**Combined
Quarterly Report and Target Tracker
Second Quarter Information Fiscal 1998
(Jan., Feb., Mar. 1998)**

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Cooperative Agreement # 118-A-00-97-00157-00



CITIZENS DEMOCRACY CORPS, INC.

Date of Report: March 31, 1998 (Quarterly Report & Target Tracker)
Project Name: Enterprise and Economic Development (EED) Project
Contractor: Citizens Democracy Corps
Contract: 118-A-00-97-00157-00
Life of Project: Feb 1, 1997 - Jan 31, 1999
Period Covered Here: January - March, 1998

A. PROGRESS REPORT

Section 1. Background

The Citizens Democracy Corps (CDC) was created in 1990 by the American private sector to enlist American volunteers to support the transition to free market economies in the NIS and CEE. CDC assists the growth of emerging market economies by providing private enterprise and the institutions which support them: direction, skills, training, models and motivation. American business volunteers perform pro-bono consulting assignments for small and medium-sized companies (SMEs) and Business Support Institutions (BSIs). CDC's Enterprise and Economic Development Program helps to strengthen democratic institutions, promote economic reform, and provide new market opportunities, jobs, and investment, thus providing a cost-effective form of foreign assistance, with immediate and long-term benefits for both the people and governments of the region and the United States. On April 25th, 1997, USAID and CDC entered into a cooperative agreement designed to strengthen the Russian small and medium sized business sector and regions of Russia, through supporting small and medium size businesses, and business support institutions.

Section 2. Expected Results over Life of Project (LOP).

Enterprise and Economic Development. Volunteer consultants who have experience working with small and medium-sized businesses will perform the following functions:

- **Technical Assistance:** Direct one-on-one technical assistance will be provided in areas such as: general management; finance and accounting;

production line technology; sales and marketing; market and product development; public relations, communications; human resource development; quality control; and information systems;

- **SME Training:** CDC will train and mentor managers of SMEs through seminars, workshops, and conferences;
- ✓ • **Access to Finance:** CDC will help client companies to obtain access to financing through assistance with the assessment of needs and the ability to qualify, identification of potential sources, and preparation of documentation. CDC will also help investment funds & financial institutions by preparing their clients to receive financing and by continuing to work with the companies after financing has been provided;
- **Buyer, Supplier, Partner-Business Bridge:** Market development will be supported by linking clients with buyers, suppliers, investors, and partners.
- **Continued Assistance-Long Term Relationships:** In many cases, volunteer consultants will continue to help clients after the completion of their assignment by reviewing progress, providing access to technical information, and establishing links with potential buyers, suppliers, and partners ("virtual volunteer assistance");
- **Business Networks:** CDC will support client networks and associations to link clients with other companies both within and between regions so that they may learn from each other and expand business opportunities;
- **Business Support Institution (BSI) Training:** 1) Regular volunteers perform consulting assignments and/or presentations through BSIs in some cases. 2) LTAs (Long-Term Advisors) perform consulting assignments and/or seminars/presentations with BSIs; 3) Business students or BSI members work alongside volunteers, who will serve as mentors; 4) CDC regional staff also provide short-term assistance to these institutions. BSIs will be strengthened through multiple interventions with both volunteers and staff.

Section 3. Current Results in the Reported Period. Part A. Snapshot Results at a glance.

Deliverables / By-Products

	Accomplished Actual 2/97-1/98	Accomplished This Quarter 1/98-3/98	TOTAL	Total Required by CoAg for 2/97-1/99	Remaining*
Northwest Russia					
Deliverable					
Primary Consulting assignments	74	18	92	150	58
Secondary "Piggyback" assignments	72	24	96	110	14
Client groups created/sustained	6	4	10	4	0
BSIs/BSOs/PVOs/Admin served	38	11	49	22	0
Financing secured	\$550,000	\$ 1,560,000	\$2,110,000	\$950,000	0
Clients presented to Financiers	26	9	35	17	0
Business missions arranged	5	3	8	7	0
BSI trained in volunteer support / Consulting	2	1	3	3	0
Students mentored	50	11	61	15	0
By-Product					
New contracts secured	15	1	16	24	8
New partnerships with U.S. entities	8	4	12	16	4
Purchases from U.S. companies	\$0	\$0	\$0	\$300,000	\$300,000
Clients trained in U.S.	18	3	21	13	0
Russian Far East					
Deliverable					
Primary Consulting assignments	33	11	44	150	106
Secondary "Piggyback" assignments	47	25	72	90	18
Client groups created / sustained	11	5	16	4	0
BSIs/BSOs/PVOs/Admin served	13	8	21	17	0
Financing secured	\$900,000	\$ 35,000	\$935,000	\$650,000	0
Clients presented to Financiers	59	22	81	13	0
Business missions arranged	4	2	6	5	0
BSI trained in volunteer support / Consulting	1	0	1	3	2
Students mentored	11	5	16	15	0
By-Product					
New contracts secured	6	5	11	22	11
New partnerships with U.S. entities	4	1	5	14	9
Purchases from U.S. companies	\$231,000	\$700	\$231,700	\$300,000	\$68,300
Clients trained in U.S.	11	2	13	8	0

* 0 indicates target met, and now exceeding target.

Deliverable 1: *Primary Volunteer Projects: During this period, CDC consultants completed a total of 29 Primary Projects with enterprises/business support institutions/etc. Below is listed one example of a primary project for the reporting period. Other examples of Primary Assignments are provided in Section 12 of this report.*

CDC Volunteer Peter Lee (Home State: Nevada)

During March, CDC-EED Long-term Advisor Peter Lee completed two volunteer assignments. His first assignment was with the St. Petersburg BSI (Business Support Institution), International Center of Education in which he provided ISO 9000 training to small and medium sized high-tech businesses as well as directly to the BSI. The Center requested specialized training in this area so they could possibly begin to offer specialized ISO 9000 consulting to their clients in the future. Working side-by-side with the Center's management consultant, Mr. Vladimir Zakrzhevskii, Peter met with SMEs, taught the principles of identifying company weaknesses, and implementing Change Management. Peter stressed marketing and financial management while simultaneously training Mr. Vladimir Zakrzhevskii. Peter will continue to periodically provide assistance to Mr. Zakrzhevskii, the International Center of Education, and its clients during his Long-Term Advisor tenure with CDC's Enterprise and Economic Development Program. As a result, this type of assistance helps to build a local capacity for consulting after U.S.A.I.D. Programs leave Russia.

Peter's second assignment, a CDC "piggy-back" project was with Ludmila Zubakova of the St. Petersburg SME -- Wendy's Baltic Bread. During the last four months, Peter has continued to assist Ludmila streamline operations for the bakery. In addition, he helped her to identify a need for working capital, and consequently Ludmila applied for additional financing from TUSRIF. Recently, TUSRIF financing was approved for Wendy's Baltic Bread, at approximately \$ 250,000. Negotiations are still on-going with this investment, and the amount is possibly subject to increase.

Impact: a) Local Capacity Development of BSI, b) Investment in an SME, c) Training.

Deliverable 2: *Secondary Volunteer Projects: During this period, CDC consultants completed a total of 49 Secondary "Piggy-back" Projects with enterprises/business support institutions/etc. Below is one example of a secondary or Piggy-*

back assignment. Other examples of Secondary or Piggy-back assignments are provided in Section 12 of this report.

CDC Volunteer Frederic Plijnaar (Home State: Florida)

In addition to working with the BSI, Upper Volga Business University, Mr. Frederic Plijnaar completed four CDC "piggybacks" consulting SMEs in the Tver region. His primary assignment was to provide an intensive training course on Marketing and Small Business Management at the Upper Volga Business University. Thirty entrepreneurs, and two professors regularly attended Mr. Plijnaar's training sessions, and the principles taught will directly impact their businesses, improve sales and marketing, as well as overall management.

Simultaneously, Mr. Plijnaar worked with the SME Venice Company on a pilot project for installation of American meat processing equipment. Part of a \$ 1.5 million dollar project financed by the Ex-Im Bank to install American meat processing equipment, Mr. Plijnaar assisted Venice in selecting proper equipment, and completing a price search. Then, Mr. Plijnaar advised the company to purchase the equipment from Albany Food Products (New York). The project is now guaranteed by the Governor of Tver, and Alpha Bank.

In addition, Mr. Plijnaar also consulted a Tver packaging company called "Vitex." Mr. Plijnaar assisted management in creating a plan for modernization of the juice bottling lines, focussing on day-to-day management. Food distributors from Moscow Companies, Unix Trading and Unix Fruit, as well as St. Petersburg company Buralkin also attended. And finally, Mr. Plijnaar made recommendations to the Governor of Tver on how to stimulate tourism for the region.

Impact: a) Local Capacity Development of BSI, b) US Equipment to be purchased, c) Training.

Deliverable 3: Client Groups: During this period, CDC worked with and assisted 9 client groups. A list is provided below.

1. **Leasing Network Session, for CDC clients:** On January 22nd, CDC Khabarovsk organized a seminar on leasing for banks and CDC clients. The primary purpose was to introduce banks to the concept of "leasing" as well as present legal and tax regulations.
2. **Tax Issues In Business, for CDC clients:** On March 20th, EED and BCC Khabarovsk presented a seminar to clients on the organization of a Legal Entity in Russia, from a tax perspective.

3. **Sakhalin Insurance Association:** CDC and CDC volunteer Barbara Roll participated in an Insurance Round-table session.
4. **American Russian Center Alumni:** CDC and CDC volunteer Derek Law participated in an ARC alumni gathering on Sakhalin, introduced CDC and provided small consultations.
5. **NGOs Sakhalin:** CDC Director Olga Shetinina conducted a two-day seminar for managers of non-commercial organizations on Sakhalin, discussing NGO management, structure.
6. **St. Petersburg CDC Clients:** On February 12, CDC organized a seminar on Marketing: the psychology of buying and selling.
7. **St. Petersburg CDC Clients:** On March 3, CDC organized a follow-up seminar on Marketing: the attitude of clients.
8. **Business Women's League of Novgorod:** CDC employee Tatiana Zadorina met with a group of women and consulted them on financial issues in small business.
9. **Association of Manufacturers, Borovichi:** CDC attended the meeting in which 5 members are companies which have received CDC assistance. CDC employee Efremova brought the association information on obtaining consulting, investment, and technical assistance opportunities from PVOs operating in Novgorod.

Deliverable 4: *BSIs/BSOs/PVOs/Administrations Served:*
During the quarter, CDC worked directly with 19 such entities listed below.

1. **Eurasia Foundation Vladivostok:** CDC Vladivostok is a member of the Grant Evaluation Committee for Eurasia Foundation. CDC participated in Advisory Board Meetings of January 15 and March 31. CDC has also referred 3 clients to during this period to Eurasia Foundation.
2. **BCC Khabarovsk:** Staff took part in the CDC – Peace Corps jointly organized a seminar on “Developing a Marketing Strategy,” and “The Evaluation of Investment Projects.” Volunteers Nicole Crabtree and Scott Shaw made presentations.
3. **Sakhalin Regional Agency on SME Support:** CDC Manager has assisted the agency's chief specialist Anatoly Aliokin on applying for a grant through the Eurasia Foundation.
4. **International Center for Education, St. Petersburg:** CDC Long Term Advisor Peter Lee advised the center how to provide various consulting services (in areas such as ISO 9000, R & D) and developed a series of case studies.
5. **Foundation for Federal and Regional Programs, St. Petersburg:** CDC Long Term Advisor Austen Wood has been consulting St. Petersburg's Governor Assistant Natalya Malysheva on required tax changes to attract investment.

6. **Novgorod Committee of Agriculture:** While performing a "Piggy-back" assignment, CDC volunteer Martin Miller has agreed to provide access to video tapes, and materials through his contacts in the United States. In addition, he provided consulting in the area of proper packaging of carrots.
7. **Novgorod Institute of Agriculture:** While performing another "Piggy-back" assignment, CDC volunteer Martin Miller once again agreed to provide access to video tapes, and materials through his contacts in the United States.
8. **Novgorod Center of Audit:** LTA Austen Wood advised this consulting company on establishing a strong staff of MBAs which can provide a host of services: Marketing Consulting, Management Consulting, etc.
9. **Novgorod Business Support Department:** CDC volunteer Ken Whipple assisted the department in making contact with two business incubators in San Francisco.
10. **Business Women's League of Novgorod:** CDC employee Tatiana Zadorina met with a group of women and consulted them on financial issues in small business.
11. **Academy of Agriculture, Novgorod State University:** CDC consultant Rulan Brown ran workshops on cattle breeding, nutrition, meat and milk processing, marketing of dairy products.
12. **Association of Manufacturers, Borovichi:** CDC attended an AOM meeting and found 5 members are companies which have received CDC assistance. CDC employee Efremova brought the association more information on obtaining volunteer consulting services, SEEF investment, and technical assistance opportunities from PVOs operating in Novgorod. In addition CDC assisted the association in communicating with consultants in the U.S.
13. **Leasing Network Session, for CDC clients:** On January 22nd, CDC Khabarovsk organized a seminar on leasing for banks and CDC clients. The primary purpose was to introduce banks to the concept of "leasing" as well as present legal and tax regulations.
14. **Tax Issues In Business, for CDC clients:** On March 20th, EED and BCC Khabarovsk presented a seminar to clients entitled, "A Legal Entity in Russia, From a Tax Perspective."
15. **Sakhalin Insurance Association:** CDC and CDC volunteer Barbara Roll participated in an Insurance Round-table session.
16. **American Russian Center Alumni:** CDC and CDC volunteer Derek Law participated in an ARC alumni gathering on Sakhalin, introduced CDC and provided small consultations.
17. **NGOs Sakhalin:** CDC Director Olga Shetinina conducted a two-day seminar for managers of non-commercial organizations on Sakhalin, discussing NGO management, structure.
18. **St. Petersburg CDC Clients:** On February 12, CDC organized a seminar on Marketing: the psychology of buying and selling.

19. **St. Petersburg CDC Clients:** On March 3, CDC organized a follow-up seminar on Marketing: the attitude of clients.

Deliverable 5: *Investment Assistance:* During this quarter, CDC helped five clients secure \$ 1,595,000 in financing.

1. CDC Client Venice Company has received a \$ 1,500,000 credit from the Ex-Im Bank for purchase and installation of American meat processing equipment in the city of Tver. **(Amount: \$ 1,500,000)**
2. CDC Client the Sergei Kuriokhin Foundation has received a \$ 10,000 grant from the Soros Foundation. CDC Volunteer Shannon prepared the grant for the client. **(Amount: \$10,000)**
3. CDC Client TVA Television Studio has received a grant for \$ 20,000 from the Eurasia Foundation. CDC Volunteer Veden prepared the grant for the client. **(Amount: \$20,000)**
4. CDC Client Union of Business Women has received a grant for \$ 15,000 from the Eurasia Foundation. CDC Director Olga Shetinina has worked with the Union in preparation. **(Amount: \$ 15,000)**
5. With assistance from CDC and the Chamber of Commerce of Karelia, the company Invadek received a credit of \$50,000 from the Small Research and Development Enterprise Fund. **(Amount: \$ 50,000)**

Deliverable 6: *Clients Presented to Financiers:* During this quarter, CDC presented 31 clients to banks, funding sources, financiers. See section 11 of this report for a breakdown.

Deliverable 7: *Business Missions: total this quarter: 5*

1. CDC Volunteer Allen Searle and CDC RFE organized a 10-day business links mission to Seattle and Anchorage for two companies Sakinfo, and Kirov Kolkhoz.
2. CDC Volunteer Allen Searle and CDC RFE organized an 8-day business links mission (focus: timber products) for representatives of Woodex Company, Khabarovsk. (reported in section 12 of this report.)
3. CDC St. Petersburg, CDC employee Anna Silina, and CDC volunteer Eugene Pickler organized an 8-day business links mission (focus: poultry) for management from Schelkova Poutry Company. (reported in section 12 of this report.)
4. CDC Institutional Liaison Elena Grachevskaya assisted 5 members of the Tver Rotary Club organize a business links mission to Washington, DC.
5. CDC Institutional Liaison Elena Grachevskaya assisted 4 doctors in organizing a special training mission to the United States, focusing on drug rehabilitation of teenagers.

Deliverable 8: *Support Volunteers / Consulting: total this quarter: 1*

1. Long term Advisor Peter Lee worked for a month with the International Center of Education which is now providing consulting services. Peter helped the ICE in terms of marketing their consulting center, and identifying client weaknesses. (A description of this assignment is listed under Deliverable 1, descriptive example area, page 5.)

Deliverable 9: *Business Students Mentored: During this quarter, CDC mentored and trained 16 students in business consulting and general business by placing the students with CDC clients and volunteers. In most cases students worked side-by-side with clients and volunteers, which has proven to be an effective mechanism to build a local capacity. A win-win relationship: The students learn about consulting and, at the same time assist the volunteer in providing knowledge to the small and medium sized business owner.*

1. Student Olga Kosterina worked with CDC Volunteer Austen Wood from Jan. 28 – Feb. 8.
2. Student Olga Kosterina continues to work with CDC Long-term Advisor Peter Lee.
3. Student Igor Gorbunov worked with CDC Volunteer Dane Kite from Feb. 10-March 13.
4. Student Pavel Demyanchuck continues to work with CDC Long-term Advisor Peter Lee.
5. Students Nina Makarova and Svetlana Slesareva worked with CDC Volunteer Don Marshall from Feb. 22-March 14.
6. Student Slava Gussarov worked with CDC employee Tatiana Zadorina, and has now been hired full-time by CDC Novgorod client “Seven Streams” mineral water company.
7. Student Tatianna Vinnitskaya worked with CDC volunteer Martin Miller on Feb. 4-6.
8. Student Julia Tsygankova worked with the CDC Novgorod office during January and has now secured a position with CDC Novgorod consulting client company, the Center of Audit.
9. Student Alexey Kolosov worked with CDC volunteer Daniel Donovan from March 16-31.
10. Student Nastia Judina worked with CDC volunteer Rulon Brown from March 16-31.

11. Student Svetlana Babitskaya worked with CDC/SEAF Novgorod in Borovichi, Demetra Company during March. ¹
12. Student Lisa Feoshina worked with CDC Novgorod employee Tatiana Zadorina, at Garo Company in Novgorod during March.
13. Student Ivan Epishkin worked with CDC Sakhalin employee Julia Tikhonova from Jan. 31 to Feb. 24.
14. Student Ella Pak worked with CDC Sakhalin employee Alla Serebrova from Apr 3-6.
15. Student Yana Smirnova worked with the CDC Vladivostok office from January 26 – February 11. Later she was recommended to the “Success” Marketing Center and since has become an employee of the center.

By-Product 10: *New Contracts Secured: 6 during the quarter.*

1. CDC RFE assisted the USDA recruit participants to the Food Exhibition in Seoul, March 17-19. One of the recruits was the Khabarovsk Fish Kombinat who has secured a contract at the exhibition for an undisclosed amount.
2. As a result of CDC volunteer John Foy’s recommendations, the Center of Information Technologies in Sakhalin has signed three new contracts, one with the traffic police department, and two with local secondary schools.
3. As a result of CDC volunteer Ted Mayer’s recommendations, Peter-Keln has signed a contract with a company in Stavropol for an undisclosed amount.
4. Company 1 (we are not permitted to list the name) from Sakhalin has signed a contract of \$ 75,000 - \$100,000 per year with Dunn Lumber (Seattle) as a result of CDC volunteer Allen Searle.

By-Product 11: *New Partnerships with US Entities in which CDC and CDC volunteers assisted with: 5 confirmed during the quarter.*

1. Rotary Club of Tver has now partnered with the Rotary Clubs of Colorado, New Hampshire, Vermont and Florida as result of CDC volunteer Bill Webb and the business linkage mission he organized.
2. Company A (we are not allowed to list the name) from Sakhalin has signed a contract of \$ 75,000 - \$100,000 per year with Dunn Lumber (Seattle) as a result of CDC volunteer Allen Searle.

¹ Refers to ISP – CDC/SEAF Partnership. Please see section 12 for ISP Report.

By-Product 12: *US Products Purchased: total this quarter: \$700.*

1. The Children's Dental Clinic purchased medical instruments and uniforms from the University of Alaska's College of Career and Vocational Dental Education Programs. Facilitated by CDC Employee Marina Sudakova. (Amount: \$ 700)

By-Product 13: *Stateside Training: Total this quarter: 5 clients.*

1. Julia Tikhonova, CDC Sakhalin employee attended a small business development course at University of Alaska.
2. Ivan Epishkin, student of the Economic Department of Sakhalin's Teacher Training Institute attended a small business development course at University of Alaska.
3. CDC St. Petersburg employee Anna Silina attended training in the CDC Washington home office.
4. Two employees from CDC Novgorod client Vnesheconomconsult attended a training program in the U.S.

Part B

3.1.B Briefly describe any successful courses, educational trainings, book donations, etc:

1. CDC volunteer Bill Jensen prepared and delivered a presentation on the use of the Internet at the University of Tver, the Polytechnical University, and Upper Volga Institute.
2. CDC volunteer Rulan Brown worked with the Novgorod Academy of Agriculture in the fields of cattle breeding, meat and milk processing, and dairy products production. Mr. Brown donated 45 text books (both in Russian and English) and 20 video-tapes. The materials displayed modern technologies of US agri-business.
3. CDC volunteer Dr. McMillan worked with the Chance Dental Clinic located in Novgorod. The assignment included assistance in management, marketing, and recommendations on equipment and suppliers. Additionally, Dr. McMillan provided special training for two dentists on Western teeth cleaning methods, and donated a number of filling materials and western dental supplies. Dr. McMillan has invited these two specially trained dentists to come and work in her office in Chicago for a period of two weeks during September.

4. Long term advisor Peter Lee put on a series of Marketing seminars in St. Petersburg, which demonstrated the practical approaches through role playing.
5. Long term advisor Peter Lee worked with the consulting company, International Center for Education and has been teaching them how to provide consulting services to SMEs.
6. CDC volunteer Norman Standish provided "Piggy-back Secondary" assistance to Junior Achievement and spoke to 35 students on "Environmental Issues with Plastic Products."
7. CDC volunteer Don Marshall provided "Piggy-back Secondary" assistance to Junior Achievement, and spoke to students on the US educational system, categories of colleges and universities.
8. CDC volunteer Joe Walsh provided "Piggy-back Secondary" assistance with a seminar on the Real Estate industry to the group Working Capital Russia.
9. CDC volunteer Joe Walsh gave the Khabarovsk Center for Real Estate Sale and Valuation training in performing appraisals, and Real Estate valuation.
10. Director Olga Shetinina conducted a two-day training session for non-commercial organizations highlighting NGO management, NGO and structures. NGOs specializing in youth employment, environmental issues, and legal protection took part in the training. This seminar was funded by the Eurasia Foundation through an NGO Resource Center, Sakhalin.
11. CDC volunteer Ted Mayer completed a Piggy-back assignment by developing a seminar on "franchising" which was given to 20 CDC clients.
12. CDC volunteer Dane Kite donated materials for inventory control and planning to Petrosib Company.
13. CDC volunteer Barbara Roll donated two graduate level textbooks on Designing Marketing and Sales Plans.
14. CDC volunteer Norman Standish donated a collection of literature on pricing structures in the plastic materials industry.
15. CDC volunteer Derek Law donated computer supplies and software for five people.

3.2.B Building a Better Environment or Effecting Macro Policy Change (May be nonapplicable to certain projects.):

1. The Business Collaboration Center Khabarovsk assisted CDC – EED Khabarovsk in the organization of a seminar entitled, "Tax Issues In Business." BCC St. Petersburg sent a specialist, Natalya Komolkova, who covered issues surrounding the legal forming of an entity, taxation and deals, tax exemptions. CDC Khabarovsk clients took part in the specialized training.

2. CDC – EED Khabarovsk organized a seminar on leasing for banks and CDC clients. A representative from the Far Eastern Leasing Center introduced Khabarovsk banks to the possibilities of “leasing” as a banking service, as well as the legal and tax regulations surrounding the topic of “leasing.”
3. Director Olga Shetinina conducted a two-day training session for non-commercial organizations highlighting NGO management, NGO and structures. NGOs specializing in youth employment, environmental issues, and legal protection took part in the training. This seminar was funded by the Eurasia Foundation through an NGO Resource Center, Sakhalin.
4. CDC volunteer Austen Wood worked with the personal advisor to the Governor of St. Petersburg, and developed a document which specified needed changes in the tax code, in order to make St. Petersburg a more attractive city for potential investors.
5. CDC volunteer Bill Jensen worked with the St. Petersburg Zoo to implement a program of marketing and fundraising (including the development of a grant proposal.)
6. CDC volunteer Martha Shannon assisted the Sergey Kuriokhin Foundation obtain a \$ 10,000 grant from the Soros Foundation for holding a music festival in St. Petersburg during Autumn 1998.
7. CDC volunteer Rulon Brown worked with the Novgorod Academy of Agriculture in discussing ways to increase cattle breeding, and enhance meat and dairy processing.
8. CDC volunteer Dr. Margaret McMillan assisted a Nvgorod dental clinic by training two practicing dentists in western techniques of teeth cleaning, filling and curing.
9. CDC volunteer Frederic Plienaar made recommendations to the Tver regional government, after which the governor of Tver provided guarantees for a credit from the Ex-Im Bank for the purchase of American meat processing equipment.
10. CDC volunteer Derek Law worked with Informsreda Company, an environmental service company which will be bidding on potential contracts during the development phases of the oil consortiums: Sakhalin 1, Sakhalin 2, and Sakhalin 3.

Section 4. Progress in Improving Access to Credit *(May be nonapplicable to certain projects.)*

1. CDC volunteer Austen Wood worked with the Governor’s assistant in St. Petersburg to draw up a document which would potentially focus on tax credits for foreign investors in the future.
2. CDC Novgorod employee Tatiana Zadorina participated on the decision making committee for Perspektiva, which issued small loans to 50 clients

during this quarter, between the dollar amounts of \$200 to \$2000, for a total of over \$40,000 invested.

3. CDC and SEAF have now fully implemented a joint program of technical assistance and investment in Novgorod. CDC has hired two employees to work with SEAF investment officer Derek Miller, and projects will be referred to SEAF as well as receive technical assistance.²
4. CDC long-term advisor Peter Lee worked with Vladimir Gedgafov of the investment department of Bank St. Petersburg, and consulted him on how to assess needs of potential investees.
5. CDC-EED helped sponsor a seminar on obtaining credit, presented by Marianna Folescu of Working Capital - Russia.
6. CDC Vladivostok is member of Eurasia Foundation's board which evaluates new projects to receive grants.
7. CDC Director Olga Shetinina participates as a founding member with the Union of Business Women, and also evaluates projects for potential Eurasia Foundation grant funding.

B. Summary Charts of Performance to Date.

Progress in Creating Businesses and Jobs	This Period	Cumulative
# new businesses assisted in creation	3	23
# new jobs created	45	150
# businesses sustained	151	304
# jobs sustained	8199	12264
Progress in Expanding the Private Business Sector		
# who received practical business consulting	623	1651
# participants in training programs in Russia	N/A*	N/A*
# participants in training programs in the US	N/A*	N/A*
#of person-hours of consultation	3986	13870
#of person-hours of training in Russia	N/A*	N/A*
#of person-hours of training in the US	N/A*	N/A*

- * Per the USAID meeting of February 23, 1998, areas now noted as N/A are no longer considered applicable to the CDC-EED volunteer project by USAID/Russia, and the USAID/Russia project officer has specifically asked that we no longer report in these areas. Previously reported

² Refers to ISP. See section 12 for ISP Report.

numbers are now regarded as non-applicable, and are now considered null and void.

Section 5. Progress in Building Institutional Environment Supportive of Private Businesses. List any BSIs, BSOs, Local Governments assisted and briefly describe the work completed during this quarter.

1. **Vladivostok State University of Economics and Science:** CDC collaborated with Peace Corps Volunteer Nicole Crabtree, developed and presented a 3 week marketing course for 3rd year students, focussing on SWOT, or strengths, weaknesses, opportunities, and threats.
2. **Far Eastern State University of Vladivostok:** CDC volunteer Ed Jakubauskas worked with FESU in developing a fundraising plan. In addition, he completed "piggy-back" assignments of developing lectures on TQM (Total Quality Management), and career planning and counselling.
3. **Consulting Center "Success":** Representatives have been participating in the BCC and CDC-EED led round-tables, between NGO service providers.
4. **Sakhalin Insurance Association:** CDC volunteer Barbara Roll worked with a series of insurance companies on Sakhalin Island, and gave examples of how insurance is sold in the United States, as well as the various types of insurance.
5. **Sakhalin Alaska Development Union:** A business student mentored by CDC volunteer Don Marshall is currently registering this organization, which will promote joint ventures, and partnerships between Sakhalin and Alaska.
6. **Economic Department of Yuzhno Sakhalin:** CDC Sakhalin has mentored student Ivan Epishkin from the economic department.
7. **Yuzhno Sakhalin Institute of Economics:** CDC Sakhalin has mentored student Ella Pak from the institute.
8. **Khabarovsk Union of Business Women:** CDC assisted union member Svetlana Zhukova give a presentation on the union, as well as the Khabarovsk Rotary Club.
9. **Environmental Protection Department:** CDC volunteer Derek Law worked with two people from the department with reference to protecting the environment when oil drilling.
10. **Rotary Club of Tver:** CDC volunteers Bill Webb and Gregory Vine assisted the club in making contact with four rotary clubs in the United States: Colorado, New Hampshire, Vermont, Florida. Two business linkage missions were organized by the volunteers in support of these activities.
11. **Upper Volga University of Tver:** CDC volunteer Frederic Plijnaar assisted the university in the areas of fundraising, marketing and small enterprise management. In addition, CDC collaborated with the Peace

Corps, and organized an extensive business English course conducted by PCV Roxanne Jones, as well as a training course Negotiations, Decision-making, Problem-solving, Business Communications and Strategic Planning by PCV Michael Jones.

12. **Technical University of Tver:** CDC volunteer Bill Jensen provided a seminar, "Internet, Usage for an NGO."
13. **International Academy of Banking and Business:** CDC volunteer Bill Jensen provided a seminar on the Internet, Usage for an NGO.
14. **International Center of Education:** Long term advisor Peter Lee worked with the consulting company, and has been teaching them how to provide consulting services to SMEs, as well as focus on ISO 9000.
15. **Novgorod Academy of Agriculture:** CDC volunteer Rulan Brown worked with the Novgorod Academy of Agriculture in the fields of cattle breeding, meat and milk processing, and dairy products production. In addition, Mr. Brown donated 45 text books (both in Russian and English) and 20 video-tapes. The materials displayed modern technologies of US agri-business. In addition, CDC volunteer Daniel Donovan worked with the academy to produce an outline on taking a more commercial approach, rather than purely scientific, while training qualified specialists.
16. **Novgorod Center of Audit:** CDC volunteer Austen Wood performed a piggy-back assignment making practical recommendations in terms of hiring an MBA candidate for company consulting in marketing, management, consulting, and advertising.
17. **Novgorod Business Women's League:** CDC employee Tatianna Zadorina has attended meetings at the league and has represented CDC there. In addition she has consulted the businesses on financial issues.
18. **Association of Manufacturers, Borovichi:** CDC assisted the association in communicating with consultants in the United States, translated their materials on regional businesses.
19. **Young Sailors Club:** CDC volunteer Austen Wood is assisting the club in obtaining membership in the International Mariners Association.
20. **Novgorod Center of Support of NGOs:** CDC volunteer Frank Dressler is looking for a partner organization in the United States.
21. **Vnesheconomconsult:** CDC client has had two people participate in a stateside training program.
22. **Novgorod University:** Several students participated in CDC's student mentoring program including: Slava Gussarov, Tatiana Vinnitskaya, Julia Tsygankova, Alexey Kolosov, Nastia Judina, Svetlana Babitskaya, Lisa Feoshina.
23. **Foundation for Federal and Regional Programs, St. Petersburg:** CDC volunteer Austen Wood has worked with the administration in trying to create more favorable legislation with reference to taxation, for potential investors.

A. Summary Charts of Performance to Date. "NA" should be used when the section is not applicable to your program.

Created/strengthened private business banker	This Period	Cumulative
Training/consulting institutions: # of institutions	NA	NA
Private business banker training courses accepted	NA	NA
By training institutions: # of such courses		
Note: Include list after chart		
New commercial bank lending and related mechanism	NA	NA
For private business sector developed and applied		
(e.g. manuals published and adopted by financial		
Institutions): # of such institutions		
Banks – recipients of private business banker training/	NA	NA
Consulting: # of such banks		
Bank specialists – recipients of private business banker	NA	NA
Training/consulting: # of such specialists		

Section 7. Progress in Improving Access to Credit (if applicable to you). "NA" should be used when the section is not applicable to your program.

A. Summary Charts of Performance to Date.

	This Period	Cumulative
# of credit programs (loan, Lease, credit, etc.)		
\$ capital in credit programs (total)	NA	NA
# of leases made	NA	NA
# of loans made	NA	NA
# of grants made	NA	NA
TOTAL of the three numbers above	NA	NA
\$ value of leases made	NA	NA
\$ value of loans made	NA	NA
\$ value of grants given	NA	NA
TOTAL of the three numbers above	NA	NA
\$ performing as % of total \$ leases outstanding	NA	NA
\$ performing as % of total \$ loans outstanding	NA	NA
# of enterprises helped to obtain financing	5	11
\$ amount of financing received	\$1,595,000	\$3,045,000
\$ performing as % of total \$ financing received	NA	NA

# of enterprises successfully concluding transactions	8	24
\$ amount of transactions completed	N/A *	N/A *

* Note: We have found that few clients will give us the amounts of foreign investment and purchases due to potential tax implications from the Russian Tax Police, and as a result, this information in most cases remains undisclosed. When we have obtained an amount, we have listed it in section 3. Please refer to section 3 (Contracts, Partnerships, US Products Purchased) for the few Russian companies that have given us this highly confidential information.

Section 8. Area of Notification

1. CDC-EED Country Director Patrick Perner has sent written notification Contracts Officer Orion Yeandel and Project Officer Erin Kinder, that the EED Program now requires the remaining balance obligated so that the project may accomplish the deliverables required in Year 2.
2. CDC-EED Novgorod office has a new email address: cdc2@info.novsu.ac.ru Please disregard the old address.
3. CDC-EED Manager Marina Sudakova (Khabarovsk) has the following email address: sudakova@eol.ru
4. Due to a conflict, CDC-EED Country Director Patrick Perner has rescheduled his homeleave period for the month of July, 1998. During this period, should an issue require immediate attention, please contact either Chief Operations Officer Mr. Doyle Girouard (dgirouard@cdc.org), Compliance Officer Mr. Jim Wright (jwright@cdc.org), or President Mr. Michael Levett (mlevett@cdc.org) in Washington DC. Appropriate phone / fax numbers are: (202)872-0933 – office; (202) 872-0923 -fax.
5. Other notifications have been included in the Monthly Reports submitted to USAID Russia, and are attached in section 12 of this report.

Section 9. Additional Information

- A. List any upcoming events (seminars, trade shows, etc.) that may be of interest to other grant recipients and contractors. Be sure to include details like the date, place, time and focus of the event. Also include the name of a person to contact, and how to best reach that person. See below.

Event Title Information

Description and Contact

- There will be a seminar workshop for university professors and administration managers focusing on Business Correspondence, Foreign Partnerships, etc, put on by CDC volunteer Audrey Lavin. The event should occur during mid-May. For more information, contact Elena Efremova at: cdc2@info.novsu.ac.ru

- April 18-21, CDC Sakhalin, ARC Sakhalin and Peace Corps Volunteer Nicole Crabtree will be giving a series of marketing seminars. For more information, contact Alla Serebrova at: cdc@arc.sakpublic.snc.ru
- In mid-May, CDC volunteer Don Marshall and Marshak's Foundation will be giving a special training on the "Bidding Process" to businesspersons on Sakhalin Island. For more information, contact Alla Serebrova at: cdc@arc.sakpublic.snc.ru

B. Include any other details on results you have tracked but were not reflected in previous sections.

An Additional CDC Chart

	This Period	Cum. to Date
1. number of companies with sales increase	30	104
2. number of companies with profit increase	12	48
3. number of women businesses assisted *	65	65

Note: Many companies are reluctant to provide indication that they have a sales or profit increase due to stringent taxes in Russia, however we continue to inquire. In some cases we are able to obtain information, and this has been provided above.

* Per a USAID meeting of February 23, 1998, this is a new area that the USAID Project officer has asked that we now to report on.

Section 10. Administrative Information

A. Cost

Contract Data:		
1.1 Estimated Cost (LOP) USAID funds \$:		4547817
1.2 Estimated Cost (LOP) match-up (if any) \$:		7249398
1.3 Total Estimated Cost (1.1+1.2) \$:		11797215
1.4 Match up funds as % of Total Estimated Cost \$:		61
USAID funds		
2.1 Estimated (during reported quarter) \$:		472691
2.2 Cum. Expenditures to date (including quarter) \$:		2004122
2.3 Remaining unexpended balance (1.1-2.2) \$:		2543695
Match up Funds (if any):		
3.1 Estimated (during reported quarter) \$:		291897
3.2 Cum. Expend to date (including quarter) \$:		1443082
3.3 Remaining unexpended balance (1.2-3.2) \$:		5806316
Revenues generated by program activities (if any)*		
4.1 Revenues (during reported quarter) \$:		0

4.2 Revenues (during reported quarter) Rbls:	0
4.3 Cum. Revenues (including quarter) \$:	0
4.4 Cum. Revenues (including quarter) Rbls:	0

* If program revenues are generated in various Currencies but are accounted for in one base currency Only, describe how you do it and leave respective Lines (with the other currency) blank.

*Write a paragraph describing uses of the program revenues. N/A

Notes:

* Final month of quarter has an estimated amount included in total based on the projection given prior to USAID.

* Match up funds are estimated at: 513 Volunteer Days @ \$435 per day Consulting; 513 Volunteer Days @ \$94 per day Housing; 513 Volunteer Days @ \$40 per day Interpretation: TOTAL: \$ 291,897

B. Personnel

Indicate the number of full-time employees who were on your staff on the end date of the reporting period whose salaries were 100 per-cent funded by your USAID grant or contract.

# of US Citizens:	1
# of Russian Citizens:	29
# of citizens from other countries:	0
TOTAL of the above three:	30

Section 11. Referrals for this Period.

ORGANIZATION	REFERRAL COUNT
• SEEF	6*
• Deloitte Touche	1
• Tusrif	12
• Eurasia Foundation	5
• Vneshtorgbank	7
Total:	31

* Note: Four companies have been referred to the CDC SEAF Project in Novgorod, and are included in the above total.

ISP Report

To: Erin E. Kinder and John Beed USAID/Russia
CC: Thomas C. Gibson, Chairman - Small Enterprise Assistance Funds
From: Jonathan Carr, Small Enterprise Assistance Funds
Date: 27 April 1998
Re: Quarterly report for grant number 118-G-00-97-00193
for the Third of six quarters (the period between 1 January and 31 March 1998)

I. Capital Mobilized (all amounts in USD)

SEEF Investee	Equity	Debt	Total SEEF Investment	Outside Financing	Total Capital Mobilized
Demetra	160,000	130,000	290,000	30,000	320,000
Firma Galichi	70,000	110,000	180,000	-	180,000
Totals	230,000	240,000	470,000	30,000	500,000

Demetra, medium-sized bakery, is SEEF's first investment in Novgorod. The objective of the investment is to finance equipment for production of cookies and confectionery while reducing production of bread in order to significantly increase profits. SEEF's investment is financing the purchase of a cookie production line, three delivery trucks and some temporary repayment of debt in order to obtain new loans on more favorable terms. The delivery trucks were purchased and are currently in use. Preparations of the factory floor are finished. The equipment which was delivered in December has been installed and test runs have been completed. Rouble loans equivalent to USD 30,000 (at 70% annual interest) were repaid and as a result of the equity infusion by SEEF, Demetra obtained a new loan for the rouble equivalent of USD 60,000 at 30% interest. The company believes it can obtain further loans from its current bank and there is a possibility of refinancing its bank loans through Agrobank with a subsidized loan at 6% annual interest.

A 40,000 pound grant from the Technical Assistance Center (a British Know-How Funded program) has been won for bringing a bakery consultant from Britain to advise Demetra on product improvements, cost control and marketing.

The newest investment (final approval in April) is in Firma Galichi, a wholesaler and retailer of construction and building renovation materials. The company also installs windows in renovated and new buildings. During 1997, the company sold approximately USD 500,000 worth of windows which it had purchased from St. Petersburg suppliers. The management perceives an opportunity to sell more windows in the future and to earn higher profit margins by manufacturing windows in-house. SEEF investment would finance the purchase of a line for cutting and gluing PVC profiles and inserting glass window panes into the PVC frames. Funds would also be made available for the expansion of inventory and accounts receivable required by the growth planned with the new equipment.

II. Investments in Progress

Derek Miller has continued to make excellent progress in identifying possible investments and cultivating referral sources. Current prospective investments are as follows:

Raduga Printing - A small document reproduction company with an exclusive dealer and servicing agreement with Xerox. This company is seeking investment of USD 110,000 to finance additional pre-press and reproduction equipment. It is likely that this will be approved during May of 1998.

Novgorod Leasing Company - currently part of the Novgorod Business Park, the proposed investment would combine equity and debt components to increase the growth of the company's leasing activity

and thereby increase the financing available to SME's in Novgorod and eventually in St. Petersburg and Nizhny Novgorod. SEEF and leasing company management are negotiating terms for altering the company's foundation documents. Pending agreement, we will finalize financial and legal due diligence.

Planeta SID - This is an offshoot of the former state electronics factory which produces light emitting diodes, some of which are exported. The investment would finance specialized assembly and processing equipment to remove bottlenecks in the production process which limit production to below orders. SEEF will also seek a CDC expert (in LED production) to help assess the priorities for new equipment.

Volkhovets - A manufacturer of wooden doors and door frames, this company is seeking investment in wood surfacing and edging equipment.

Novo Boris - A manufacturer of glass jars for food products is seeking investment for expansion of its production of finished jar lids.

Investborkhle, a prospect in the due diligence phase last quarter has been put on hold until the equipment ordered by Demetra is installed and working.

In the last week of January, Thomas Gibson (Chairman of SEAF) and Jon Carr visited Novgorod to meet potential investees and to provide investment assessment guidance to Derek Miller.

Currently productive referral sources cultivated by Derek include: the regional administrations of the subsections of Novgorod oblast (including Borovichi and Maly vechera) and Citizen's Democracy Corps.

III. Volunteer Experts arranged by CDC and SEAF

The partnership between CDC and SEAF has begun to produce a flow of well targeted assignments for volunteer experts. So far two assignments have been arranged by CDC. Austin Wood visited Planeta SID to advise on marketing and sales he also visited Raduga where he provided advice on how to selling more equipment and repair services.

Additionally, as referred to above, SEAF St. Petersburg has secured grant of 40,000 pounds for expert advice for the bakery Demetra.

IV . Expenditures

Expenditures this quarter included the salary and accommodation of Derek Miller, cost of transport within the oblast, several trips by SEAF staff to Novgorod and from Novgorod to St. Petersburg, the cost of a translator for the expert visiting Demetra and incidental office expenses. The minimization of expenses has been greatly helped by CDC which has provided an employee seconded to SEAF, office space (including renovation) as well as some office equipment and administrative support.

V. Operations

The office has continued work well as a partnership with CDC, which has been highly responsive to the needs of SEAF's investment officer. CDC provided a fax machine and a printer as a PC for the CDC staff person seconded to SEEF.

During the quarter SEAF and CDC interviewed seven candidates for a staff person to replace Andrei Kouchin as a CDC employee seconded to SEAF as part of the ISP partnership. After initial interviews in Novgorod, three finalists were brought to St. Petersburg for two additional rounds of interviews with Jon Carr and Dmitry Przybilski as well as a case analysis exercise. The consensus selection was Andrei Rumiantsov, who has considerable experience in business and displayed the most complete and enthusiastic approach to the type of analysis required for equity investment.

Aside from the excellent support on the office and equipment, CDC has been very supportive in providing contacts and in making its database of volunteer experts available to SEEF.

VI. Interim

Since the end of the quarter, the investment memo for Raduga has been completed and will be sent to the SEEF investment approval committee.



CITIZENS DEMOCRACY CORPS, INC.

**Monthly *Flash* Report
EED PROGRAM
January 1998**

First CDC Volunteers Land In Magadan Thanks to ARC

With assistance from ARC Magadan, CDC Volunteers Don Marshall and Homer L. Koliba worked on the USAID Business Volunteer Program's first assignment in Magadan. In a joint CDC - ARC effort, the assignment objective was to hold special consultations with entrepreneurs who wished to make presentations at an international finance workshop from December 15-17. Consultants assisted ARC in selecting and improving business plans to be presented at the workshop. Upon completion of the program, CDC Director Olga Shetinina said, "It was clearly visible which businesses received volunteer assistance, as their presentations were very well-planned and prepared." As a direct result of this training, these businesses will now know how to better prepare their own business plans and properly approach an investor. In addition, it increased the effectiveness of the workshop.

CDC Khabarovsk and ARC Organize Investment Roundtable

On January 21, 1998, CDC Khabarovsk and ARC organized a monthly Investment Roundtable, to introduce local investors and banks to various local entrepreneurs. Investors present at the meeting included TUSRIF (The US - Russian Investment Fund), EPT Project (Environmental Policy and Technology Project) and Vneshtorgbank. Local entrepreneurs included Mr. Shevelev - "Mercury Company" (fish products, timber, and pig farming); Mr. Shevchenko - "Athilos Company" (technology, and packaging equipment), and Mr. Samarin - Far-Eastern Chamber of Commerce and Industry. As a result of the investment roundtable, these companies became much more aware of the requirements of financing. In addition, the forum provided ACDI/VOCA an opportunity to introduce their new program to the region, and develop key contacts. At present, Vneshtorgbank has invited "Mercury Company" to discuss a possible loan project.

CDC Forms New Relationship For Business Opportunities In Kholmsk

In Kholmsk, the site of a major port on Sakhalin Island, local business people recently joined together with the support of the Sakhalin Small Business Department, to form an Association of Entrepreneurs. During this month, CDC Sakhalin established a relationship with the Association and organized a seminar on CDC and other American

Technical Assistance Programs on Sakhalin. Khomlsk Association members demonstrated keen interest and readiness to join efforts to improve the region with assistance from US-funded technical assistance programs. CDC plans to follow-up, and develop potential primary and secondary assignments in the future. Additionally we will provide any required volunteer support to ARC endeavors in the region.

CDC consultant Donald Marshall consults Sakhalin Regional Administration Development Fund

Two Japanese companies "Nisso Iwai" and "Mitsui" approached the Sakhalin Development Fund with commercial proposals to build a refinery on Sakhalin Island. In one proposal, it outlined using 6% of the refined oil and gas as royalty to the Russian party, once production would begin. Lacking an appropriate background in the petroleum refining and product distribution business, the Sakhalin Development Fund asked for CDC assistance. Donald Marshall, a CDC consultant with 35 years experience in oil and gas industry provided fund administration with an analysis of petroleum markets and evaluated the commercial risks of both refinery projects. The CDC consultant's fundamental impact allowed fund management better appreciation of the costs involved in developing these projects, and as a result, both projects were returned to "Nisso Iwai" and "Mitsui" for further improvement. Consequently, the Sakhalin Development Fund and the Sakhalin Regional Administration will avoid loss of future profit.

CDC Client Woodex Completes Business Links Mission

During late November, the owner of Khabarovskii Krai's "Woodex" company, Mr. Andrey Katyubeyev, applied to CDC for assistance in organizing a business linkage mission, focussed on building materials and retail store management. CDC Khabarovsk and volunteer Allen Searle were able to assist Woodex in this endeavor. From January 11-18, several key "Woodex" representatives toured and received special training from local Seattle businesses such as Eagle Hardware, Home Base, Lumbermen's Building Center, Dunn Lumber and Home Depot. In addition, all mission participants attended the Tacoma Building Material Show and Bellevue Home Show. As a result of this mission, "Woodex" representatives received new insight on how to better organize their business. In addition, they have made their first key contacts with similar local Seattle businesses which will prove helpful in the company's future development. At present CDC volunteer Allen Searle is researching prices on special lumber equipment which Woodex management studied during their linkage mission to America. Woodex Company's director intends to purchase this equipment to improve his business.

CDC Student Mentoring Pays Off with Student Jobs

CDC recently signed an agreement with the Department of Economics, Novgorod State University which will involve students in various CDC assignments with local SMEs as part of their core curriculum with the business university. CDC is pleased to report that

finance and economics student Julia Sugankova completed such an internship, and she now has been hired part-time by the Center of Audit and Consulting, Novgorod. In addition, another student, Slava Gusarov has now been hired full-time by CDC client Seven Streams. Slava now holds a Financial Manager position with the Novgorodian mineral water company.

New Business Connections Result From Business Linkages and Training

CDC and CDC volunteer Bill Webb organized yet another business linkage mission for thirteen business people from the Tver region. Participants visited the Florida Rotary Club for over a two-week period and made special training visits to several American companies. Group 1 made training-site visits to municipal management institutions and had special meetings with city and county officials in Road Construction and Construction Department, County Administration, the South Venice Rotary Club as well as accounting and auditing companies. Group 2 made training site visits to general management and manufacturing companies such as automobile body shops, convenience stores, automobile parking garages, gasoline stations, furniture manufacturing outlets, retail shops, as well as fast food restaurants.

At this time we are able to report the following direct results of the linkage and training mission:

- Ekkerd College of Business (St.Petersburg, Florida), Upper Volga Business University and Tver College of Trade have now signed an agreement on creating a student exchange program between the schools.
- Tver business professors received practical experience in International Accounting and Auditing (GAAP), obtained directly from American counterparts.
- American computer software producer WebCom USA, and KST Ltd from Tver have now begun negotiations regarding the purchase of Russian software.
- One Tver furniture manufacturer is planing to create assembly furniture using modules, similar to that done in American furniture companies.
- The owner of automobile parking lot "Stayanka" in Tver has now begun to build a automobile body shop in Tver.



**EED Russia Monthly Report
BUSINESS VOLUNTEER PROGRAM
February 1998**

A. Demonstration of Volunteer Assistance For February:

CDC Volunteer Eugene Picker (North Carolina)

Date of Volunteer Assignment: January 8 – February 3, 1998

Business Linkage Missions are a primary deliverable in CDC's present Business Volunteer Program cooperative agreement with USAID, number 118-A-00-97-00157-00. Utilizing CDC volunteers, CDC management assist in the organizing and arranging of such missions which then educate Russian small and medium businesses. Additionally, these missions serve a special need in creating useful contacts for future business for both American and Russian SME owners. In some cases, a business linkage mission will also allow a Russian SME owner to attend special industry-specific exhibitions and conferences. It should be noted that these business linkage missions are organized by CDC, and in fact do not utilize USAID funding in bringing Russian SME owners to the United States. Rather, CDC volunteers assist the Russian SME owners in some cases by raising funds, or as with most cases the SME owners pay for their own expenses. Naturally CDC, with the assistance of our volunteers, organizes the event.

During January 15 – February 3, CDC volunteer Eugene Pickler assisted CDC St. Petersburg Program Manager Anne Silina organize a business linkage mission to North Carolina and Atlanta for Russian poultry producers from the Schelkova Poultry Company and Katran Company, including the following participants: Mr. Valery Litvinov, Mr. Eduard Bondarev, Mr. Igor Bondarev, and Ms. Ludmila Nekludeva. Through the graciousness of CDC volunteer Mr. Pickler, funds were raised to pay for the group's hotel accommodations while in the United States. The Schelkova Poultry Company paid for other associated costs, such as plane tickets, food, etc. While in America, the group met with, and received instruction from the Institute of Poultry and Research, Braswell Milling Company, Talley Farms, Twin J Farms, Hubbard Farms, Purina Mills, the Poultry Science Department of North Carolina State University, and Tyson Foods. In addition, the group attended the International Poultry Exposition in Atlanta, Georgia. Upon completion of the business links mission Mr. Litvinov commented, "this trip allowed us to study international poultry experience from companies in many different parts of the world, and learn more about America poultry as a business."

PRESENT RESULTS:

- **The Russian group learned the American approach to developing a high level of production, and continually checking and maintaining consistent performance and quality.**
- **The Americans who hosted instructional meetings learned how Russian poultry operators run their business and facility.**
- **At the International Poultry Exhibition, the participants learned about pricing of goods, equipment, new technologies in production. It is planned that many of these techniques will now be applied to the Russian entity.**
- **The Russian participants met and learned from similar companies which operate in the USA, Spain, Czech Republic, and England which also represent many new contacts for business.**
- **A Spanish chicken feed company will send a sample of "feed" additives for trial at Schelkova.**
- **The Czech company "Biofactory" will now attend the "Mixed Fodder Exhibition" in Moscow, and meet with Schelkova thereafter for displaying equipment and negotiation on a contract.**
- **Two potential contracts with discussion have now been initiated: 1) Katran Company is now negotiating for the purchase of heavy-duty poultry processing equipment from American company "Scott Equipment." 2) Schelkova Company is now negotiating for the purchase of a collapsible feed mill from American company "Astec Agribusiness."**

CDC Volunteer Peter Lee (Nevada)

Date of Volunteer Assignment: February 1-28, 1998

Volunteer assignments are a primary deliverable under CDC's present cooperative agreement for the Business Volunteer Program entitled Enterprise and Economic Development (EED). American volunteers are brought to Russia to perform assignments which improve small and medium sized businesses. During February, CDC volunteer Peter completed two such assignments courtesy of U.S.A.I.D funding. First he worked with Novoznamenka Company, a St. Petersburg company which manages two mid-sized supermarkets. Novoznamenka Company plans on building a large western style supermarket. Volunteer Peter Lee assisted Novoznamenka in developing an investment plan, and locating a foreign accounting firm. He also recommended that Novoznamenka Director Ludmila Zubakova take part in a short-term business links mission, and visit supermarkets in the United States to better understand customer needs, and get a better understanding of western supermarkets.

Also during February, volunteer Peter Lee's second assignment involved training several Russian small and medium enterprises in the area of marketing. Peter developed a seminar to assist clients in a short-term manner, which would then allow company directors and owners to take part, and better learn the principles of marketing. Peter felt this was important since most Russian business owners don't fully understand the

principles of marketing, and yet do not have the time to take part in full-time courses at the university, given the demands of managing a business. During volunteer Peter Lee's one-day presentation attended by 31 participants, the following areas of marketing were discussed: a) What is a corporate image?; b) What is promotion?; c) How to design a marketing campaign. d) Sales Management; e) The Selling Process; f) Practical steps to developing your marketing plan. All of these areas are very important to a Russian SME as few outside of Moscow understand the basic concepts of marketing, and they will need to learn quickly so their businesses will continue to thrive and grow.

PRESENT RESULTS:

- **CDC has been asked to bring four more American volunteers to assist Russian businesses in the area of marketing and sales as a result of Peter's presentation.**
- **Novoznamenka Director Ludmila Zubakova attended a business links mission in San Francisco upon a recommendation from Peter, and is now preparing to build a new western style supermarket using details learned from Peter, and American supermarkets.**
- **Novoznamenka has stream-lined their management personnel. Zubakova has been instructed by Peter to delegate authority better.**
- **Novoznamenka has implemented volunteer Peter Lee's recommendations into a supermarket plan. Peter made a simplified financial, cash-flow plan.**
- **Novoznamenka Director Ludmila Zubakova has purchased the land to build the new supermarket.**
- **Upon Peter's recommendation Zukakova and Peter met with KPMG, Moscow Bank, and Deloitte Touche requesting bids. During February Peter assisted Novoznamenka in signed a 3 month exclusive contract with Deloitte and Touche for \$ 10,000 to locate a minimum of 3 investors in this investment project.**

CDC Volunteer Martha Shannon (Washington, DC)

Date of Volunteer Assignment: November 24 – Dec. 11, 1998

CDC advisor Martha Shannon provided volunteer assistance to the Kuriokhin Foundation, in the form of a primary volunteer-advisor consulting assignment, courtesy of U.S.A.I.D. funding. The Kuriokhin Foundation provides assistance to artists, writers and musicians, and is named after the renowned Russian musician Sergey Kuriokhin. This CDC volunteer assignment, located in St. Petersburg, was initiated to assist in the forming of an effective organizational structure for the foundation. Additionally, Martha was charged with the task of teaching them to raise funds, better understand sustainability, and develop international contacts with similar organizations in the United States. This assignment was reported in a prior period however there are some new results to report.

PRESENT RESULTS:

- **Martha assisted the Kuriokhin Foundation develop a grant proposal for OSI (the Soros Foundation) which has just been awarded \$ 10,000 during February 1998.**

- **Management at the Foundation now understand how to find information on funding resources, develop inquiry letters, and communicate with similar organizations. They are continuing to follow up on Ms. Shannon's initial work.**
- **Ms. Shannon continues to assist the Kuriokhin Foundation while in the United States, completing follow up to the in-country assignment.**

2. Other Notifications:

- Volunteer Martin Miller (Ohio) donated a set of video "food processing" tapes to the Novgorod Academy of Agriculture.
- Volunteer Austen Wood, Country Director Patrick Perner, and Regional Director Olga Leites met with St. Petersburg US Consul General Thomas Lynch, discussing CDC EED assistance.
- CDC EED Directors Manager I's underwent Personnel Management, Finance, and Compliance training in St. Petersburg and Khabarovsk.
- Country Director Patrick Perner attended the State Committee Support for Small Business Meeting, where Ms. Khakamada (Chairperson) spoke.
- Country Director Patrick Perner attended the U.S.A.I.D Sustainability Meeting.
- CDC Khabarovsk has new telephone numbers: (4212) 23-65-38; 32-67-17; 23-61-97. Fax numbers: (4212) 23-65-38; 32-40-12.
- Newspaper article from North Carolina (Stanly County) included at the back of this report.



Enterprise and Economic Development Program
Monthly *Flash* Report
March 1998

I. Demonstration of Volunteer Assistance

CDC Volunteer Peter Lee (Nevada)

During March, CDC-EED Long-term Advisor Peter Lee completed two volunteer assignments. His first assignment was with the St. Petersburg BSI (Business Support Institution), International Center of Education in which he provided ISO 9000 training to small and medium sized high-tech businesses as well as directly to the BSI. The Center requested specialized training in this area so they could possibly begin to offer specialized ISO 9000 consulting to their clients in the future. Working side-by-side with the Center's management consultant, Mr. Vladimir Zakrzhevskii, Peter met with SMEs, taught the principles of identifying company weaknesses, and implementing Change Management. Peter stressed marketing and financial management while simultaneously training Mr. Vladimir Zakrzhevskii. Peter will continue to periodically provide assistance to Mr. Zakrzhevskii, the International Center of Education, and its clients during his Long-Term Advisor tenure with CDC's Enterprise and Economic Development Program. As a result, this type of assistance helps to build a local capacity for consulting after U.S.A.I.D. Programs leave Russia.

Peter's second assignment, a CDC "piggy-back" project was with Ludmila Zubakova of the St. Petersburg SME -- Wendy's Baltic Bread. During the last four months, Peter has continued to assist Ludmila streamline operations for the bakery. In addition, he helped her to identify a need for working capital, and consequently Ludmila applied for additional financing from TUSRIF. Recently, TUSRIF financing was approved for Wendy's Baltic Bread, at approximately \$ 250,000. Negotiations are still on-going with this investment, and the amount is possibly subject to increase.

Impact: a) Local Capacity Development of BSI, b) Investment in an SME, c) Training.

CDC Volunteer Frederic Plijnaar (Florida)

In addition to working with the BSI, Upper Volga Business University, Mr. Frederic Plijnaar completed four CDC "piggybacks" consulting SMEs in the Tver region. His primary assignment was to provide an intensive training course on Marketing and Small Business Management at the Upper Volga Business University. Thirty entrepreneurs, and two professors regularly attended Mr. Plijnaar's training sessions, and the principles taught will directly impact their businesses, improve sales and marketing, as well as overall management.

Simultaneously, Mr. Plijnaar worked with the SME Venice Company on a pilot project for installation of American meat processing equipment. Part of a \$ 2 million dollar project financed by the Ex-Im Bank to install American meat processing equipment in 32 cities of Russia, Mr. Plijnaar assisted Venice in selecting proper equipment, and completing a price search. Then, Mr. Plijnaar advised the company to purchase the equipment from Albany Food Products (New York). The project is now guaranteed by the Governor of Tver, and Alpha Bank.

In addition, Mr. Plijnaar also consulted a Tver packaging company called "Vitex." Mr. Plijnaar assisted management in creating a plan for modernization of the juice bottling lines, focussing on day-to-day management. Food distributors from Moscow Companies, Unix Trading and Unix Fruit, as well as St. Petersburg company Buralkin also attended. And finally, Mr. Plijnaar made recommendations to the Governor of Tver on how to stimulate tourism for the region.

Impact: a) Local Capacity Development of BSI, b) US Equipment to be purchased, c) Training.

II. Notifications

- CDC-EED and EED volunteers mentored five students Tatiana Vinnitskaya, Anastasia Yudina, Nina Makarova, Svetlana Slesareva, and Alexsey Kolosov *.
- CDC-EED hired replacements for the Program Manager positions in Vladivostok and Novgorod *.
- Country Director Patrick Perner will not begin homeleave in April, and has changed his homeleave period to occur in either June or July.
- Country Director Patrick Perner met with Mr. Coit Blacker on Sakhalin Island, and discussed CDC-EED's work and accomplishments in the Russian Far East.
- CDC-EED RFE Director Olga Shetina conducted a two-day seminar in Sakhalin for the managers of non-commercial organizations.
- CDC-EED and Peace Corps Volunteer Nicole Crabtree organized a Marketing Seminar on March 17 and 18 in Vladivostok.

* note: refers to CDC/SEAF program amendment.

Patrick J. Perner

From: Gennadi Bytchkov <rskshelf@sakmail.sakhalin.ru>
To: Patrick Perner <pjpcdc@mail.wplus.net>; Doyle Girouard <dgirouard@dc.cdc.org>
Cc: Alla L. Serebrova <cdc@arc.sakpublic.snc.ru>; Olga Schetinina <olga@rfe.khabarovsk.su>
Subject: Acknowledgment of Exemplary Performance
Date: Tuesday, April 14, 1998 4:26 AM

April 12, 1998

To: Mr. Doyle Girouard, Operations Manager,
CDC Washington, DC, USA

Mr. Patrick Perner, Country Director,
CDC St Petersburg, Russia

CC: Mrs. Olga Schetinina, RFE Regional Director,
CDC Khabarovsk, Russia

Mrs. Alla Serebrova, Program Manager,
CDC Sakhalin, Russia

From: Gennadiy Bychkov, Executive Director,
"Shelf" Regional Insurance Company,
Sakhalin, Russia

Subject: Acknowledgment of Exemplary Performance

Dear Mr. Perner and Mr. Girouard,

In 1997 I was first contacted by CDC Sakhalin program manager Alla Serebrova and in February 1998 my company hosted CDC volunteer advisor Mrs. Barbara Roll. I was impressed by the mission of your organization and great job your VA and your staff are doing to support the transition to free market economy in the Russian Far East.

I'm working in insurance. This business is not easy in the Russian Far East now. But Sakhalin oil and gas development and growing presence of international companies and foreign capital in the island opens great opportunities for doing business in this part of the world. That is why we decided to bring CDC expert with extensive international insurance experience to do marketing audit of our company.

CDC VA Mrs. Barbara Roll thoroughly analysed company's market positions and helped to identify the priority group of potential customers, we should concentrate our efforts on. Barbara gave recommendations on organizational development and on how to make the company more attractive for foreign investors. Draft marketing plan, developed with Barbara's assistance, became the basis of the marketing strategy that our company is currently implementing.

The time, passed after the project completion, gives me good reason to hope that we have successfully built long term relationship with CDC. On one hand, we have been communicating with Barbara via e-mail and she keeps consulting us on emerging problems. On the other hand, we have been cooperating with CDC Sakhalin field staff who referred us to other TA providers. As a result, we are currently putting together an application to

"Eurasia" Foundation and will be giving lectures on insurance for American Russian Center.

I want to take this opportunity to acknowledge exemplary performance of your organization and your team. We would be happy to work again with CDC advisors and staff at any time and under any circumstances. They are fine example of what Citizens Democracy Corps is all about.

Respectfully yours,

Gennadi Bytchkov,
Executive Director
"Shelf" Regional Insurance Company