

CITIZENS DEMOCRACY CORPS
The EED Russia Program

Economic and Enterprise Development Program
US Volunteer Business Consulting Supported By USAID

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

QUARTERLY PERFORMANCE REPORT (WITH SUMMARY TABLES)

Date of Report: July 2, 1998
Project Name: Enterprise and Economic Development Project
Contractor / Grantee: Citizens Democracy Corps
Contract / Grant #: 118-A-00-97-00157-00
Life of Project Period: from February 1, 1997 to January 31, 1999
Period Covered by This Report: from April 1, 1998 to June 30, 1998
Region(s) of Operation: Northwest Russia, Russian Far East

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A. PROGRESS REPORT

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. During this project, 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 (EED) will help 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 this 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 utilizing business volunteer consultants. Volunteer consultants 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 mini-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.

The estimated amount to accomplish this activity over a two-year period is \$ 4,547,817.

Below are the noted quantitative goals:

	Year	Northwest	RFE	Subtotal	Total
1. Primary Assignments	1	75	75	150	300
	2	75	75	150	
2. Secondary Assignment	1	55	45	100	200
	2	55	45	100	
3. BSIs/Client Groups Served	1	12	9	21	47
	2	14	12	26	
4. Equity & Loans	1	350,000	250,000	600,000	1,600,000
	2	600,000	400,000	1,000,000	
5. Referred For Loans	1	7	5	12	30
	2	10	8	18	
6. New Contracts	1	10	9	19	46
	2	14	13	27	
7. US Partnerships	1	7	6	13	30
	2	9	8	17	
8. US Products Purchased	1	100,000	100,000	200,000	600,000
	2	200,000	200,000	400,000	
9. Business Missions	1	3	2	5	12
	2	4	3	7	
10. Support Volunteers	1	1	1	2	6
	2	2	2	4	
11. Consultant / Student Mentor	1	5	5	10	30
	2	10	10	21	
12. Clients Trained US	1	5	3	8	21
	2	8	5	13	

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

2.1. CREATING / SUSTAINING PRIVATE BUSINESSES AND JOBS

The EED Project sustains private businesses, and creates jobs by utilizing volunteer consultants to assist SMEs in: **a) Securing New Contracts, b) Forging U.S. Partnerships, and c) Purchasing US Products.** These are three by-product goals of the EED project. During the life of this cooperative agreement, it is anticipated that EED volunteers and staff will assist Russian SMEs in Securing 46 Contracts, and Forging 30 U.S. Partnerships, and purchasing \$ 600,000 worth of U.S. goods or services.

2.2. PROVISION OF TRAINING AND CONSULTING TO PRIVATE BUSINESSES

The EED Project provides training and consulting to private businesses utilizing business consultant volunteers. Measurement of EED consulting activities is based on: **a) Primary Assignments, b) Secondary Assignments, and c) Business Linkage Missions organized.** During the life of this cooperative agreement, it is anticipated that EED volunteers and staff will perform 300 Primary Assignments (consulting assignments 2 weeks or longer in length), 200 Secondary Assignments (consulting assignments less than a 2 week period), and organize and/or facilitate 12 Business Linkage Missions.

2.3. TRAINING PROGRAMS TO BE DEVELOPED WITHIN YOUR ACTIVITY

The EED Project has developed and implemented a **Student / Consulting Mentoring** program component within our noted activity. Further EED attempts to **Refer / Facilitate Client Training** in the United States. During the life of this cooperative agreement, the EED project will mentor 30 individuals, and refer 21 individuals to other programs for training in the United States.

2.4. DEVELOPING FINANCIAL INTERMEDIARIES SUPPORTIVE OF BUSINESS (if applicable)

Not Applicable.

2.5. TRAINING PROGRAMS FOR FINANCIAL INTERMEDIARIES (if applicable)

Not Applicable.

2.6. NEW FINANCING MECHANISMS FOR FINANCIAL INTERMEDIARIES (applicable)

Not Applicable.

2.7. IMPROVING ACCESS TO CREDIT AND FINANCE (if applicable)

The EED Project provides in improving access to credit and finance by: **a) Assisting Clients in Receiving Equity of Loans¹, b) Referring Clients to Financial Institutions.** During the

¹ CDC has an amendment to its original cooperative agreement to work with SEAF (The Small Enterprise Assistance Fund) in Novgorod, and provide consulting upon their request.

life of the cooperative agreement , the EED Project will assist clients in securing \$1.6 million² in financing, and referring 30 SMEs for financing.

2.8. BUILDING INSTITUTIONAL ENVIRONMENT SUPPORTIVE OF PRIVATE BUSINESSES

The EED Project assists in building an institutional environment supportive of private business by having volunteers and staff provide training to **Business Support Institutions**, which includes various client groups and consulting companies. During the life of this cooperative agreement, the EED project will provide training to 47 BSIs, and 6 indigenous organizations in the area of consulting or volunteer support.

2.9. BUILDING A BETTER REGULATORY AND POLICY ENVIRONMENT

EED works with Chambers of Commerce and various departments within city and government administrations, in attempting to provide information and training for a better regulatory and policy environment.

Note: All the activities listed in Section 2 are CORE activities for Cooperative Agreement 118-A-00-97-00157-00. The Cooperative Agreement "Deliverables and By-products" have been highlighted in bold.

3. Current Results in the Reported Period.

3.1. CREATING / SUSTAINING PRIVATE BUSINESSES AND JOBS

3.1.A) During the quarter, the EED project assisted clients obtain 4 new contracts, as a result of volunteer and staff assistance. In Khabarovsk, Westway Construction company signed three contracts with the following companies: Edoco International, Burke Company and Tump International. Westway has been a long-term CDC client, and participated in a business linkage mission which CDC organized last year. In Sakhalin, CDC client Evrica signed a contract with Nedra Ltd, on the manufacturing of 5000 filter cartridges. These clients received EED staff and volunteer assistance which generated these above results. The tracking of these results is based on our six month company follow-up.

Upon EED staff recommendation, our Vladivostok client Luxor applied to the USDA for assistance, and is now preparing contracts for the purchase of food products. Further EED St. Petersburg clients Shelkov Poultry Company and Jupiter Furniture Company are currently negotiating to purchase American and European equipment.

3.1.B) Also during the quarter, the EED project reports that a total of 8 partnerships occurred as a result of volunteer and staff assistance. As a result of CDC advisor assistance, a travel agency in St. Petersburg has introduced new tourist programs into their range of services. Blue-bird Travel Agency has forged an alliance with the Russian-American Language Exchange Program, and will bring Americans to Russia to set up special training and entertainment. Also, the Rossy School of Karelia has established a partnership with the Highbreach Middle School in California due to volunteer Peter Lee's assistance. In

² This amount does not refer to the amount SEAF will be investing in Novgorod, and is separate from the CDC SEAF amendment to Cooperative Agreement 118-A-00-07-00157-00 per instructions from USAID.

Khabarovsk, CDC client Westway has forged partnerships with American companies Edoco International, Tump International, and Burke Company resulting in contracts as noted above. Further, as a result of a volunteer advisor (Nancy McClanahan), the Khabarovsk School Rise established partnerships with the Spring Institute for International Studies, the Emily Griffith Opportunity School, and the Denver Public School due to a linkage mission organized by the volunteer and CDC. The tracking of these results is based on our six month company follow-up.

3.1.C) In Khabarovsk, EED client Westway Construction Company purchased \$ 70,000 worth of building materials, and Rise School purchased \$120 worth of textbooks from the United States. In Sakhalin, EED client Planeta S Bakery bought \$121,800 worth of bakery equipment from an American company. In Novgorod, Chance Dental Clinic purchased \$ 20,000 worth of US dental equipment. These clients received EED staff and volunteer assistance which generated these results.

3.1.D) Upon recommendation from a volunteer advisor (Norm Standish), Evrica Company in Sakhalin created an Accounting Department, and consequently a new job placement. As a result of recommendations made by another volunteer advisor (Austen Wood), a marketing professional has been hired by the Novgorod Center of Audit. Also, with the assistance of volunteer advisor Margaret McMillan, the new Chance Dental Clinic in Novgorod was established, and trained in Western dental techniques. In St. Petersburg, the Monolit Company created a new personnel placement division to recruit high-tech professionals for placement with Western firms, upon recommendation from Peter Lee. During this quarter the EED project helped create 3 businesses and 9 jobs, and sustain 132 businesses and 5435 jobs. The above calculations are the sum total of estimations made by regional directors based on the number of SMEs and BSIs that each EED office (and volunteer) has worked with during the period.

3.2. PROVISION OF TRAINING AND CONSULTING TO PRIVATE BUSINESSES

During this period, the EED project performed 70 Primary Assignments, 72 Secondary Assignments, and 2 Business Linkage Missions.

A. Primary Assignment

EED Volunteer Tom Lee

Client Company: Eagle-S Mineral Water

Site: Sakhalin

Eagle-S, a local Sakhalin bottler of mineral water received volunteer assistance from EED consultant Tom Lee. Mr. Lee worked with company management to improve bottling efficiency, and implement better quality control procedures. In addition, Mr. Lee assisted Eagle-S in selecting a new bottling line, which will increase beverage quality and production. Mr. Lee's experience allowed the company to select the optimal equipment, and develop production strategies to increase production. As a result, Eagle-S has signed several new customers already increasing company sales. The results from this assignment include an increase in sales, potential new contracts and purchase of equipment.

B) Secondary "Piggyback" Assignment

EED Volunteer Daniel Young

Client Company: Novgorod Intourist Hotel

Site: Novgorod

Mr. Daniel Young trained Intourist personnel to focus on developing customer satisfaction. He also worked with the hotel marketing department, the receptionists, and room maids in teaching the business of "hospitality." At the end of his assignment, Mr. Young put the Intourist in contact with several tourist agencies in Australia, which are interested in developing tours to Northwestern Russia. Further Mr. Young completed a secondary assignment for the Tourism and Trade Office suggesting some ways to improve tourism promotion for the city of Novgorod. His recommendations included the utilization of a public relations office, as well as conducting additional music and sport events. The results from this assignment include training in "hospitality" as well as BSI secondary training on tourism development for the city and region.

C. Business Linkage Mission

EED Volunteer Charles (Chuck) Sprinkle

Client Company: Novotorg

Site: Khabarovsk

Mr. Sprinkle worked with Novotorg, a retail and wholesale company, in re-designing their business. He developed a plan to order goods from the United States. Then, he assisted the General Director in making contact with two American wholesalers, and thereby obtaining price lists, varieties of product, labelling and shipping costs. Mr. Sprinkle helped the company prepare a step-by-step system for ordering goods from the United States, providing payment, and securing receipt of products. As a direct result of this volunteer's work, the General Director and Deputy Director of Novotorg will visit the U.S. wholesalers exhibition in Seattle, through a business links mission co-ordinated by CDC and volunteer Chuck Sprinkle. The results from this EED assignment include anticipated purchases from the United States, and an upcoming business linkage mission. This is an example of how a CDC-EED business linkage mission may be formed.

During this quarter, two dentists from the Chance Dental Clinic (Novgorod) worked on a business linkage mission with EED volunteer Margaret McMillan. Also, three teachers from the Khabarovsk School Rise visited several schools in Colorado on a linkage mission facilitated by EED volunteer Nancy McClanahan and CDC.

Other examples of CDC consulting assistance, and various assignments are included in the monthly reports made available to USAID, which have been attached at the back of this report.

3.3. TRAINING PROGRAMS TO BE DEVELOPED WITHIN YOUR ACTIVITY

During this period, the EED project mentored 19 students, and referred 5 clients to other organizations who were then accepted for training in the United States.

A. Student Mentoring (3 Examples):

- Slava Klimov, a student from St. Petersburg State University, worked with EED client Taffy Center from 4/30/98 – 5/10/98.
- Alexei Lomov, a student from the St. Petersburg School of Management worked with EED client Neva Invest Company from 4/28/98-5/26/98.
- Sergey Kalaitan, a student from the Yuzhno Sakhalin Technical Training Institute, who worked with volunteer advisor Derek Law during April, has just been hired by a CDC client tourist company.

B. Stateside Training:

- Four members of the Novgorod local administration (an EED client) took part in a US training held for government executives. EED continues to collaborate closely with the Novgorod administration. Additionally, the director for the Center of Family Health and Pskov Dental Clinic attended a medical and training conference in the United States. EED assisted members in preparing the paperwork for attendance.

3.4. DEVELOPING FINANCIAL INTERMEDIARIES SUPPORTIVE OF BUSINESS (if applicable)

Not Applicable.

3.5. TRAINING PROGRAMS FOR FINANCIAL INTERMEDIARIES (if applicable)

Not Applicable.

3.6. NEW FINANCING MECHANISMS FOR FINANCIAL INTERMEDIARIES (applicable)

Not Applicable.

3.7. IMPROVING ACCESS TO CREDIT AND FINANCE (if applicable)

EED assisted clients acquire financing for a total amount of \$1,000,000 during this period. Additionally, EED referred 29 clients to financing organizations for potential funding.

- In St. Petersburg, EED client Baltiysky Bread was once again approved for \$ 150,000 financing from the US Russia Investment Fund. Baltiysky Bread has had several EED advisors over the past two years, including a long-term advisor who recently assisted the director in completing the TUSRIF documentation for this particular loan. It should also be noted that the company director will be travelling to Italy in July to discuss a potential \$ 7 million dollar supermarket project; this is also as a result of long-term advisor Peter Lee's recommendations.
- In Novgorod, EED employee Tatiana Zadorina, a member of the Board of Trustees of Perspektiva Opportunity Loans assisted in the decision-making process which eventually approved 59 micro loans to micro businesses totaling \$ 58,000.
- Elena Beliayeva, EED program manager, and Raket Kagnas, a Peace Corps volunteer assisted CDC client Rodnichok Company write a proposal for Eurasia Foundation, which secured \$4,000 for the company.

- CDC volunteer Al Gillespie assisted CDC Vladivostok client Kosandra Company participate in the International Investment Forum. The company then secured \$ 500,000 as a direct result.
- In Khabarovsk, three CDC clients received loans as a result of EED assistance: Contact Plus Company -- \$125,000 (Russia Small Business Fund EBRD); Vira Company -- \$20,000 (TUSRIF); and Blokhin Company -- \$43,000 (TUSRIF)
- In Sakhalin, Planeta S Bakery, received a \$ 100,000 loan from TUSRIF through assistance of volunteer advisor Joe Tuck.

3.8. BUILDING INSTITUTIONAL ENVIRONMENT SUPPORTIVE OF PRIVATE BUSINESSES

During this period, the EED Project provided training to 29 Business Support Institutions / Consulting Institutions through Primary and Secondary Assignments.

1. Novgorod University, Novgorod: Volunteer Gordon Riess provided a seminar on International Trade. Volunteer Douglas Hauskneckht provided in-depth training on Marketing. Volunteer David April provided training in Audit Procedures.
2. Center of Support to Non-commercial Organizations, Novgorod: Volunteer Frank Dressler assisted members in making contacts in the United States.
3. Strategic Initiatives Inter-regional Fund, Novgorod: Volunteer Gordon Riess provided a training on International Trade.
4. Sakhalin Rotary, Sakhalin: Volunteer Lucinda DeGroat provided a seminar on International Business.
5. Junior Achievement, Sakhalin. Volunteer Nicole Crabtree provided management training to Director Victor Miximov.
6. Khomsk Association of Entrepreneurs, Sakhalin: Volunteer Don Marshall provided a seminar on small business perspectives in connection with the oil and gas development projects of Sakhalin.
7. Working Capital Russia, Khabarovsk: Volunteer Ray Lapoff shared his experience to 10 entrepreneurs in a seminar entitled, "How to start a small business."
8. Far Eastern University of Management and Economy, Vladivostok: Volunteer J. Koach conducted seminars on "Franchising" for students, teachers and business-persons. Volunteer Marilyn Reese provided consulting to Anna Popova, Chief of the International Department, on the tourism industry. Volunteer James Reese provided training in "Cash and Credit Societies, and International Business Principles."
9. EED Russia Local Capacity Building, Russia: Volunteers Al Gillespie, Peter Lee, and Don Marshall provided training to EED Russia staff in areas of time management, goal setting, and RFA writing for proper volunteer support and management.
10. International Center of Education, St. Petersburg: Volunteer Peter Lee continues to provide consulting training to the Center.
11. Volkhov Business Incubator, St. Petersburg: Volunteer Peter Lee provided a seminar in "Marketing Principles."
12. Rossy School of Karelia, St. Petersburg: Volunteer Peter Lee assisted in creating a partnership with this school and the Highbreach Middle School of California.
13. St. Petersburg State University, St. Petersburg: Students from this school continue to participate in EED's Student Mentoring Program.

14. St. Petersburg School of Management, St. Petersburg: Students from this school continue to participate in EED's Student Mentoring Program.
15. Electrotechnical University of St. Petersburg: Students from this school continue to participate in EED's Student Mentoring Program.
16. Borovichi Association of Manufacturers, Novgorod: Volunteer Frank Dressler provided training in association management techniques.
17. Phoenix Society, Novgorod: In behalf of the society, volunteer Frank Dressler negotiated for food, clothing and medical supplies.
18. Society for the Handicapped, Novgorod: Volunteer Frank Dressler assisted the society by contacting representative offices responsive to charity.
19. Society of the Blind, Novgorod: Volunteer Frank Dressler contacted the Society of the Blind, USA to inquire about training programs.
20. Interbusiness College, Novgorod: Volunteer Audrey Lavin provided training in cross-cultural business.
21. St. Petersburg Financial University, Novgorod Branch: Volunteer Homer Koliba provided a training course in international accounting.
22. Moscow Humanitarian University, Novgorod Branch: Volunteer Edmund Michalski provided lectures on Cost Accounting and International Taxation.
23. School 18, Sakhalin: Volunteer Nicole Crabtree provided a lecture on Market Segmentation and Target Selection.
24. Union of Sakhalin Artists: Volunteer Lucinda DeGroat consulted members of the union on how to market their art in the United States.
25. Junior Achievement, Khabarovsk: Volunteer Valerie Smolek provided a lecture on American literature to 35 students.
26. Novgorod Center of Audit, Novgorod: Volunteer Austen Wood worked with the consulting company, teaching them how to market their company.
27. Vnesheconomconsult, Novgorod: Volunteer Austen Wood worked with the consulting company in the area of customs brokerage and consulting services.
28. International Banking Institute, St. Petersburg: Volunteer Norman Green completed a series of lectures on Investment Banking.
29. Novgorod Business Women's League: Volunteer Gordon Reiss provided a seminar on International Business.

The results of these training and consulting sessions include a strengthened BSI network with improved servicing, greater knowledge and better indigenous BSI trainers.

3.9. BUILDING A BETTER REGULATORY AND POLICY ENVIRONMENT

During this period, the EED Project provided training to 9 governmental administrations and/or chambers of commerce through Primary and Secondary assignments.

1. Committee of Tourism, St. Petersburg: Volunteer Peter Lee has been working with the committee to develop a promotional campaign to improve tourism to the region.
2. Sakhalin Regional Administration Construction Department, Sakhalin: Volunteer Clinton Perdue provided "Quality Control" training on concrete and cement testing.

3. Sakhalin Regional Administration Department of Foreign Economic Relations, Sakhalin: Volunteer Don Marshall trained administration on the types of information required by an oil company, in accessing a bid for partnership.
4. Sakhalin Regional Administration: Volunteer Bill Wagner provided training to regional government employees in the area of Public Administration, and decentralizing decision-making.
5. Novgorod City Administration Industrial Policy Department: Volunteer Austen Wood provided training in the art of "Negotiating a Deal."
6. Novgorod Women's Parliament: Volunteer Austen Wood lectured on Women's Businesses, Sponsorship Programs, and Business Writing.
7. Novgorod Chamber of Commerce: Volunteer Austen Wood assisted the chamber in developing a letter of partnership to the Binghamton Chamber of Commerce.
8. Committee of Tourism and Foreign Relations, Novgorod: Volunteer Dan Young worked with the committee and developed a plan to improve tourism for the city.
9. Ministry of Northern Sakha Republic, Yakutsk: Volunteer Don Marshall provided training in Business Planning.

The results of these training and consulting sessions include a strengthening of the individuals working within local government.

4: Performance To Date

4.1. CREATING / SUSTAINING PRIVATE BUSINESSES AND JOBS

During the performance of this cooperative agreement, EED staff and volunteers are expected to assist Russian SMEs and BSIs secure 46 contracts, forge 30 U.S. Partnerships, and purchase \$ 600,000 worth of U.S. goods or services. At present (including this quarter), EED staff and volunteers have assisted clients in securing 31 contracts, forging 26 U.S. Partnerships and purchasing \$ 442,820 worth of U.S. products. In addition, during the performance of the cooperative agreement (including this quarter), the EED project has helped create 26 businesses (or new areas of specialization) and 159 jobs, as well as sustain 436 jobs and 17,699 businesses. As indicated above, the EED project is on target to meet all deliverables as noted in the cooperative agreement.

4.2. PROVISION OF TRAINING AND CONSULTING TO PRIVATE BUSINESSES

During the performance of this cooperative agreement, EED staff and volunteers are expected to perform 300 Primary Assignments (consulting assignments at least two weeks in length), 200 Secondary "Piggyback" Assignments (consulting or training for any other period of time), and assist in planning 12 Business Linkage Missions. At present (including this quarter), EED staff and volunteers have organized and performed 206 Primary Assignments, 240 Secondary Assignments, and 16 Business Linkage Missions. As indicated above, the EED project is on target to meet all deliverables as noted in the cooperative agreement.

4.3. TRAINING PROGRAMS TO BE DEVELOPED WITHIN YOUR ACTIVITY

During the performance of this cooperative agreement, EED staff, volunteers and clients are expected to mentor 30 Students, and refer 39 individuals to other organizations to receive

training in the United States. At present (including this quarter) EED staff, volunteers and clients have mentored 96 students, and referred 39 individuals to other PVOs for training in the United States. As indicated above, the EED project is on target to meet all deliverables as noted in the cooperative agreement.

4.4. DEVELOPING FINANCIAL INTERMEDIARIES SUPPORTIVE OF BUSINESS (if applicable)

Not Applicable.

4.5. TRAINING PROGRAMS FOR FINANCIAL INTERMEDIARIES (if applicable)

Not Applicable.

4.6. NEW FINANCING MECHANISMS FOR FINANCIAL INTERMEDIARIES (if applicable)

Not Applicable.

4.7. IMPROVING ACCESS TO CREDIT AND FINANCE (if applicable)

During the life of this cooperative agreement, EED volunteers and staff are expected to assist clients in receiving \$ 1,600,000 in financing, as well as refer 30 clients to investment organizations. At present (including this quarter), EED staff and volunteers have assisted clients in receiving \$ 4,045,000 in financing, and have referred 145 clients for investment. As indicated above, the EED project is on target to meet all deliverables as noted in the cooperative agreement.

4.8. BUILDING INSTITUTIONAL ENVIRONMENT SUPPORTIVE OF PRIVATE BUSINESSES

During the life of this project, the EED project has assisted in building an institutional environment supportive of private business by working with business support institutions, various client groups as well as consulting companies. Our volunteers perform consulting assignments and presentations through BSIs in many cases. Please refer to section 3.8 and past reports for examples. Further, the EED project has utilized LTAs (Long-Term Advisors) to perform consulting assignments while simultaneously mentoring business students from the local college or university. The results of these consulting assignments include improved operations for BSIs, contacts to similar groups in the United States, and enhanced business knowledge for students and BSI members.

4.9. BUILDING A BETTER REGULATORY AND POLICY ENVIRONMENT

During the life of this project, EED staff and volunteers have assisted in building a better regulatory and policy environment by organizing trainings for administration personnel and the local population in numerous areas including Taxation, Environmental Cleanup, NGO Management, Legal Protection, and Tax Code Assistance. Although the EED project does not directly impact the "Policy and Regulatory Environment," EED staff and volunteers provide assistance to local government when possible, and will continue to do so. We believe this will have an impact in building a better regulatory and policy environment.

5. Problem Areas and Ways to Address Them

At the EED Project has approximately 6 months remaining on this cooperative agreement, and by all indications as noted in this report and previous reports we should meet our deliverables. Please note that the monthly reports provided to USAID (for this quarter) have been attached at the back of this report.

B. ADMINISTRATIVE INFORMATION

- Contract Data:
1. Estimated Cost (Life of Project) USAID Funds (\$): 4,547,817
 2. Expenditure of USAID Funds During Reported Period (\$) : 542,183³
 3. Cumulative Expenditure of USAID Funds
Including the reported period (\$): 2,623,765
 4. Average Expenditure Rate of USAID funds (\$/month): 172,000⁴

Number of US employees receiving salaries from USAID grant funds: 1

Number of Russian employees receiving salaries from USAID grant funds: 31

Schedule of Positions:

No.	Position Title	Position Description	US or Rus
1.	Country Director	Management of the project.	US
2.	Regional Program Director	Regional management for the project.	Russian
3.	Program Manager	Volunteer and client management.	Russian
4.	Institutional Liaison	Moscow based position to liaison with offices/projects.	Russian
5.	Financial Office Manager	Maintains accountancy records, and office needs.	Russian
6.	Administrative Assistant	Maintains the flow of office, telephone calls, faxes.	Russian
7.	Driver	Local Transportation.	Russian

³ Includes projection for May and June, 1998.

⁴ Based on an average of October 1997 through April 1998, and rounded to the nearest thousand.

SUMMARY TABLES FOR QUARTERLY REPORT

All numbers in the Summary Tables should represent summary & numerical data in support of information provided in the Textual description of your activities. These tables show what you have accomplished before this quarter, during this Quarter and to-date (including this quarter) and, for comparison, what you aim to accomplish over the Life of Project (LOP). Please, use exactly the format provided below. If you do not do some of the activities reflected in the Tables, just leave the respective cells blank. After each Table you may add any explanations which you think may help understand the tables and eliminate ambiguity in interpreting the numbers. Please, do not delete auxiliary text as it helps to understand the content of tables.

TABLE 1. PROGRESS IN CREATING/SUSTAINING PRIVATE BUSINESSES AND JOBS

Please, give explanations under the table as to how you track/estimate numbers in this table.

Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
# New Businesses Created	23	3	26	10
# Businesses Sustained	304	132	436	300
TOTAL # Businesses Created and/or Sustained	327	135	462	310
# New Jobs Created	150	9	159	50
# Jobs Sustained	12264	5435	17699	9000
TOTAL # Jobs Created and/or Sustained	12414	5444	17858	9050

TABLE 2. PROGRESS IN PROVIDING TRAINING AND CONSULTING TO PRIVATE BUSINESSES

Please list training programs developed within your activity in Table 3. If some positions are not applicable to your Program, leave respective cells blank.

Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
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TRAINING (also, list training programs in Table 3)

US based training

Academic (for degree)

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

Technical (other)

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

Third-country based training

Academic (for degree)

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
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Technical (other)

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

In-country based training

Academic (for degree)

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

Technical (other)

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

TOTAL TRAINING

Training Programs held (# of programs)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

CONSULTING

In-country consulting

Consulting sessions (#)
 Person-hours of consulting (hours)
 Total # of participants
 Total # of women participants
 % of women participants

304	142	446	500
13870	4617	18487	15000
1651	710	2361	2000
842	390	1232	1000
51	55	52	50

TOTAL TRAINING AND CONSULTING

Programs / consulting sessions (# of them)
 Person-hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

304	142	446	500
13870	4617	18487	15000
1651	710	2361	2000
842	390	1232	1000
51%	55%	52%	50%

TRAINERS / CONSULTANTS

US Trainers/Consultants

Long-term (>, = 12 mo. in host-country with program)
 Short-term (< 12 mo. in host-country with program)

136	70	206	300

Third-country Trainers/Consultants

Long-term (>, = 12 mo. in host-country with program)

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Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
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TOTAL TRAINERS / CONSULTANTS

Long-term (>, = 12 mo. in host-country with program)	21	-	21	20
Short-term (< 12 mo. in host-country with program)	136	70	206	300
Long-term + Short-term	157	70	227	320

TABLE 3. TRAINING PROGRAMS DEVELOPED WITHIN YOUR ACTIVITY

List training programs developed within your program in the following table. Keep updating this table on a cumulative basis - keep all past programs developed and available in it.

No.	Training Program Title	Program Length (days)	Program Length (hours)	Expected Number of Listeners	Training Manual (Yes/No)	Program Cost Est. (\$)
1	Student Mentoring	Varies	Varies	Varies	No	0
2	Volunteer Seminars in their Individual Expertise	Varies	Varies	Varies	No	0
3	EED Staff Seminars in their Individual Expertise	Varies	Varies	Varies	No	0

TABLE 4. DEVELOPING FINANCIAL INTERMEDIARIES SUPPORTIVE OF BUSINESS (if applicable)

Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
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Created/Strengthened organizations providing training/consulting to private business financing institutions (# of such organizations)

--	--	--	--	--

Created/Strengthened training courses adopted by organizations providing training/consulting to private business financing institutions - provide list of these courses in Table 5 (here indicate # of such courses)

--	--	--	--	--

New mechanisms of financing private businesses developed and applied, e.g. manuals published and adopted by institutions financing private businesses - provide list of such manuals in Table 6 (here indicate # of such manuals)

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Private business financing institutions - recipients of training/consulting (# of such financing institutions)

--	--	--	--	--

Private business financing institutions' specialists - recipients of training/consulting (# of such specialists)

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TABLE 5. TRAINING PROGRAMS DEVELOPED FOR FINANCIAL INTERMEDIARIES

List training programs developed for financial intermediaries in the following table. Keep updating this table on a cumulative basis - keep all past training programs developed and available in it.

No.	Course Title	Course Length (days)	Course Length (hours)	Expected Number of Listeners	Training Manual (Yes/No)	Program Cost Est.. (\$)
1						
2						
...						

TABLE 6. MANUALS DESCRIBING NEW FINANCING MECHANISMS

List manuals describing new financing mechanisms developed by your program in the following table. Keep updating this table on a cumulative basis - keep all past mechanisms developed and available in it.

No.	Manual Title	Manual Size (pages)	Date of Issuance	Available in English (Yes/No)	Available in Russian (Yes/No)	Manual Cost Est.. (\$)
1						
2						
...						

TABLE 7. PROGRESS IN IMPROVING ACCESS TO CREDIT AND FINANCE (if applicable)

If the program has several branches in different locations, such a table should be provided for each location, and a summary table should be provided for all locations.

Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
----------	-----------------	-------------	--------------	----------------------

FINANCING PROGRAMS (micro lending programs, lending programs, lease programs, direct investment programs, etc.)

of micro lending programs
 # of lending programs
 # of lease programs
 # of direct investment programs
 Total # of financing programs (sum of above)

CAPITAL IN FINANCING PROGRAMS

\$ capital in micro lending programs
 \$ capital in lending programs
 \$ capital in leasing programs
 \$ capital in direct investment programs
 Total \$ capital in financing programs (sum of above)

MICRO LENDING

Micro lending annual interest rate used (%)
 # of micro loans (< \$300)
 # of micro loans (\$300 through \$1,000)
 # micro loans (> \$1,000)

Category	Cum. Previously	This Period	Cum. To Date	Life of Project Goal
----------	-----------------	-------------	--------------	----------------------

QUALITY OF FINANCING PORTFOLIO

micro lending - # of loans outstanding				
micro lending - \$ portfolio outstanding				
micro lending - \$ portion of portfolio delinquent				
micro lending - % of \$ delinquent in \$ outstanding (non-paym. rate)				

Lending - # of loans outstanding				
Lending - \$ portfolio outstanding				
Lending - \$ portion of portfolio delinquent				
lending - % of \$ delinquent in \$ outstanding (non-payment rate)				

leasing - # of leases outstanding				
leasing - \$ portfolio outstanding				
leasing - \$ portion of portfolio delinquent				
leasing - % of \$ delinquent in \$ outstanding (non-payment rate)				

direct investment - # of direct investments
 direct investment - # of profitable direct investments

REFERRALS TO OTHER SOURCES OF FINANCING

# of businesses just referred to financing institutions	116	29	145	30
# of women-led businesses among them	22	5	27	7
% of women-led businesses among them	19%	17%	18%	23%

# of businesses given TA and referred to financial institutions	116	29	145	30
# of women-led businesses among them	22	5	27	7
% of women-led businesses among them	19%	17%	18%	23%

# of businesses financed through referrals	24	6	30	15
# of women-led businesses among them	5	2	7	3
% of women-led businesses among them	17%	33%	23%	20%

\$ amount of finance received through referrals	\$3,045,000	\$1,000,000	\$4,045,000	\$1,600,000
\$ amount of finance received by women-led businesses	\$539,000	\$208,000	\$747,000	\$200,000
% of \$ amount of financed received by women-led businesses	18%	20%	18%	12%

TABLE 8. BUILDING INSTITUTIONAL ENVIRONMENT SUPPORTING OF PRIVATE BUSINESSES

If you have created/strengthened business associations, professional associations, business incubators, business Centers, training institutions, or other business support organizations, list them and summarize information about them. Indicate how close each is to being self-sustaining by placing the appropriate letter in the column "Self Sustaining Status": A - Already self-sustaining, C - Close to becoming self-sustaining (anticipated within next quarter), N - Not yet self-sustaining, but well on its way, F - Far from self-sustainability. In this Table also provide the figure that applies: the number of active association members, or the number of micro businesses in the incubator, etc.

No.	Name of Organization	Time of Major Assistance (mo.yr)	No. of Employees	No. of Members (entities or persons)	Self Sustaining Status (A, C, N, or F)
1	Leasing Network Group Session, Khabarovsk	Jan-98	27	18	N
2	Tax Issues in Business Group Session, Khabarovsk	Mar-98	31	25	N
3	Sakhalin Insurance Association	Mar-98	12	7	N
4	CDC St. Petersburg Clients Marketing Session	Mar-98	0	24	N
5	Business Women's League of Novgorod	Feb-98	18	9	N
6	Association of Manufacturers, Borovichi	Jan-98	14	9	N
7	International Center of Education, St. Petersburg	Feb-98	18	0	C
8	Novgorod Institute of Agriculture	Feb-98	41	0	N
9	Academy of Agriculture, Novgorod State University	Jan-98	27	0	N
10	Tver Rotary Club	Feb-98	21	18	N
11	St. Petersburg Polytechnical University	May-97	27	0	N
12	Union of Business Women, Khabarovsk	Apr-97	10	21	N
13	Young Leaders School, Khabarovsk	May-97	19	0	N
14	Investment Round-table Group, Khabarovsk	Jun-97	0	10	F
15	Joint Ventures CDC Group Session, Sakhalin	May-97	0	14	N
16	Social Responsibility CDC Group Session, Vladivostok	Apr-97	0	32	N
17	University of Economics and Law, St. Petersburg	Jun-97	17	0	N
18	St. Petersburg Zoopark	Jun-97	29	0	N
19	Upper Volga University, Tver	Dec-97	16	0	N
20	Far Eastern State University, Vladivostok	Nov-97	50	0	N
21	State Gertsen Institute of St. Petersburg	Nov-97	24	0	N
22	St. Petersburg State University	Dec-97	38	0	N
23	Novgorod State University	May-97	44	0	N
24	Yuhzno Sakhalin University, Economic Department	Sep-97	15	0	N
25	Business Club Stupeni, Vladivostok	Aug-97	17	14	N
26	Working Capital Russia, Khabarovsk	Jul-97	5	0	N
27	Junior Achievement, Vladivostok	Nov-97	0	17	F
28	CDC Sakhalin Clients Joint Ventures Session	Aug-97	0	18	F
29	Modern University of Humanities, Russia	Aug-97	300	12	N
30	Young Sailors Club, Novgorod	Oct-97	0	21	N
31	Sergey Keriokhin Foundation, St. Petersburg	Feb-98	14	0	N
32	Far Eastern Leasing Center, Khabarovsk	Mar-98	12	0	N
33	Khabarovsk Center for Real Estate	Feb-98	11	0	C
34	Vladivostok State University of Economics and Science	Mar-98	15	0	N
35	Yuzhno Sakhalin Institute of Economics	Feb-98	21	0	N
36	Technical University, Tver	Mar-98	18	0	N
37	Novgorod Center of Audit	Mar-98	11	0	C
38	Vnesheconomconsult, Novgorod	Feb-98	15	0	C
39	Russian American School of Management, St. Petersburg	Mar-98	18	0	C

40	Resource Center of NGOs, Sakhalin	Feb-98	10	0	N
41	Marshak Foundation, Sakhalin	Feb-98	9	0	N
42	Junior Achievement, Sakhalin	Mar-98	0	21	N
43	Electrotechnical University of St. Petersburg	May-98	17	0	F
44	Lingua School, St. Petersburg	May-98	11	0	F
45	St. Petersburg Association of Food Distributors	May-98	0	8	F
46	International Banking Institute, St. Petersburg	Apr-98	15	0	F
47	Karelnok Support and Training Agency, Karelia	Apr-98	9	0	N
48	Volkhov Business Incubator, Volkhov	May-98	12	7	N
49	Rossey School, Karelia	May-98	11	0	F
50	Jingle Bells Group, Khabarovsk	Jun-98	14	0	F
51	Junior Achievement, Khabarovsk	Apr-98	0	18	F
52	Rise School, Khabarovsk	May-98	12	0	F
53	Far Eastern University of Economy and Service, Vladivostok	Apr-98	35	0	N
54	Far Eastern University of Management, Vladivostok	Apr-98	29	0	N
55	Center of Support of NGOs, Novogord	May-98	9	5	F
56	Strategic Initiatives Inter-regional Fund	Jun-98	8	0	N
57	Sakhalin Rotary	May-98	0	17	N
58	Union of Sakhalin Artists	May-98	0	22	N
59	School 18, Sakhalin	Jun-98	17	0	N
60	Moscow Humanitarian University, Novgorod Branch	Jun-98	21	0	N
61	Society of the Blind, Novgorod	Jun-98	5	0	F
62	Phoenix Society, Novgorod	Jun-98	4	0	F
63	Society for the Handicapped, Novgorod	Jun-98	5	0	F
64	Interbusiness College, Novgorod	May-98	18	0	N
65	Khomsk Association of Entrepreneurs	May-98	0	13	F

Note: Many of the above BSIs have multiple EED interventions with staff and volunteers; however each BSI above is only listed one time within the table

TABLE 9. PROGRESS IN BUILDING A BETTER REGULATORY AND POLICY ENVIRONMENT

Show any positive new regulatory or policy changes that you have influenced (show such changes cumulatively - Add any new entries in the table without deleting previous entries). Indicate the type of regulatory or policy change by the appropriate letter in the column "Type of Change":

A – Government Funds for Business Growth: regional oblast, or city governments set aside a larger Portion of their budgets to run Private Business development offices or programs to attract foreign Investment. They start or expand regional / local funds that support private business development

B – Legal and Regulatory Environment: Tax laws are simplified. Incentives are established that Encourage Private business formation. Procedures or requirements for registering new businesses with legal authorities are simplified or improved.

C – Access to Information. More useful information that benefits private businesses is gathered and is made available to private businesses.

D – Other (describe)

No.	Description of Change	Date Change effected (mo.yr)	Type of Change (A,B,C, or D)
1	Assisted city zoo of St. Petersburg develop a stronger marketing mentality, to better fund operations.	Jun-97	"C"
2	Institutional Liaison Elena Grachevskaya assisted Russian Duma in distributing draft legislation.	Oct-97	"C"
3	Assisted city administration of St. Petersburg develop a process plan to revitalize Peterhoff.	Sep-97	"A"
4	Assisted Pushkin Administration develop insight into tourism industry for region.	Nov-97	"C"
5	Assisted Russian Duma Committee on Property and Privatization understand licensing laws/leasing	Dec-97	"C"
6	Assisted Sakhalin Administration organize joint venture seminar , working with oil companies.	Nov-97	"C"
7	In Khabarovsk, EFD assisted organize a seminar on "Tax Issues for Business."	Feb-98	"C"
8	Upon recommendation, Tver administration provided guarantee on credit from Ex-Im Bank.	Mar-98	"A"
9	Assisted St. Petersburg tourism office develop promotional campaign plan.	Apr-98	"C"
10	Developed quality control testing for cement in construction department in Sakhalin Administration.	Apr-98	"C"
11	Assisted Sakhalin Administration understand the information required for successful bidding.	May-98	"C"
12	Provided training on the necessity of decentralized decision-making in government in Sakhalin.	May-98	"C"
13	Provided training to Novgorod Administrative officer on "Negotiating in the International Arena."	Apr-98	"C"
14	Assisted Novgorod Women's Parliament in understanding "Sponsorship Programs."	Apr-98	"C"
15	Assisted the Novgorod Chamber of Commerce develop a letter of partnership.	Apr-98	"C"
16	Assisted Novgorod Committee of Tourism develop plan.	Apr-98	"C"
17	Provided training on "Business Planning" to Yakutsk Administration.	May-98	"C"

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: 28 July 1998
Re: Quarterly report for grant number 118-G-00-97-00193
for the Fourth 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

The newest investment 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.

Currently, SEEF has agreed investment terms with the owners of Galichi, however the legal work formalizing these terms is involved will require time to complete. The owners of the firm are merging a sole proprietorship with a newer OOO (limited liability company) and placing all assets on the balance sheet of the combined entity.

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. 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.

Consultants hired with a grant from the Technical Assistance Center (a British Know-How Funded program) have been working with Demetra management since June to improve a wide range of function from product line planning, to quality control and cash management. The impact of the consultant has been felt as advice has motivated Demetra's managers to consider improvements in areas they had previously thought of as optimal. Additionally, the consultant's knowledge of current baking industry practices has updated Demetra's and should help it to move ahead of most competitors. The consulting engagement will continue in one and two week stints for several months.

II. Investments in Progress

Work was completed in the second quarter for the investment approval memos concerning Volkhovets (the door manufacturer) and an updated memo was prepared for Raduga. These investments totaling USD 490,000 will be approved in July. Raduga is 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, binding and reproduction equipment. Volkhovets manufactures wooden doors and door frames, this company is seeking investment in wood surfacing and edging equipment so that it can manufacture laminated wood panels in-house in order to increase production capacity, improve quality control and move to a higher value-added product segment.

Derek Miller continues to identifying and perform due diligence on possible investments as well as cultivate referral sources. Current prospective investments are as follows:

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 has sourced a CDC expert (in electronics production) to help assess the priorities for new equipment. This expert began work in July. The investment in Planets should go to SEEF investment approval committee in the third quarter.

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.

Novo Boros -A manufacturer of lids for glass jars (for food products) and twist wires which attach corks to champagne bottles is seeking investment for expansion of its production of finished jar lids and.

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.

During the quarter Jon Carr and Nadezhda Melnikova (SEEF's in-house attorney) 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. Peter Lee visited Raduga to offer marketing strategy advice.

Carl Lavin, a meat processing expert finished a consulting engagement in Borovichi and performed a focused quality and process assessment for Nevskii Combinat, a SEEF Saint Petersburg investment candidate.

Julian Bankstrom visited Volkhovets to help assess the production line and offer advice on wood processing and door manufacturing technology.

Michael Hopper spent almost two weeks at Planeta SID to help analyze the production process to prioritize bottlenecks which should be removed to increase output. This will help the company and SEEF to plan investment.

Robert Lef is scheduled to visit firma Galichi in October to help with the integration of the new PVC window production line.

Dean Farnsworth will be a long-term advisor to SEEF and CDC beginning in August.

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

IV . Expenditures

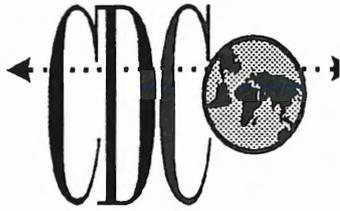
Expenditures this quarter included the salary and accommodation of Derek Miller, cost of transport within the oblast, several trips by SEAF staff to Novgorod and from Novgorod to St. Petersburg, the cost of a translator for the expert visiting Demetra and incidental office expenses. The minimization 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

Nadezhda Sierova, a CDC hired administrator seconded SEEF began work during the quarter and has been very helpful in arranging logistical issues and supporting the functions of Derek Miller and Andrei Rumiantsov. In general, 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.

Andrei Rumiantsov, who was selected to replace Andrei Kouchin as a CDC staffer seconded to SEEF has worked well in support of Derek Miler for performing some due diligence functions and arranging technical assistance engagements with CDC consultants.

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.



CITIZENS DEMOCRACY CORPS, INC.

**Monthly *Flash* Report
EED PROGRAM
April 1998**

I. Demonstration of Volunteer Assistance During the Month

CDC Volunteers James and Marilyn Reese

Assignment Dates: April 9 – 27

Volunteer James Reese worked with the Vladivostok BSI (Business Support Institution) Far Eastern University of Economics, instructing faculty and students on Western market principles. Specifically, Mr. Reese delivered seminars to faculty in the areas of Management, and Economics, delivering specialized lectures on topics such as, "A Clock-builder vs. a Time-teller," "Cash and Credit Society," and "Asian Management vs. American Management." Utilizing his experience Mr. Reese displayed the differences of management systems from countries such as Japan, China, Korea and the United States. Additionally, Mr. Reese completed a Secondary "Piggy-back" assignment with Alstreet Company, providing marketing and manufacturing insight into the specialty T-shirt industry.

Volunteer Marilyn Reese responded directly to a need identified by Foreign Commercial Service Officer Richard Steffans (Vladivostok), and completed an assignment with the Vladivostok SME (Small-Medium Sized Enterprise) tourist company, Voyage. There she worked with the company to develop single and multiple-day trips throughout Vladivostok. Further, she trained Voyage Company management in utilizing travel websites, and forced company management to re-think their structure and current needs, based on developing a more profitable business. Marilyn trained management in developing job descriptions, delineating duties, streamlining company business, and at the end of the assignment had them develop an organizational chart. Additionally, Mrs. Reese performed a Secondary "Piggy-back" assignment with the Vladivostok BSI Far Eastern University of Economics where her husband was completing a CDC Primary assignment. At the University, Marilyn met with students and developed a seminar which outlined the travel and tourism business.

Results: a) BSI training, focusing on Economics and Management for faculty thereby promoting local capacity development; b) SME Piggy-back providing company with marketing expertise in specialty area; c) SME Tourism training for Vladivostok company; d) BSI training, students in the field of tourism and travel, from a "Piggy-back" assignment.

CDC Volunteer Valerie Smolek
Assignment Dates: April 4-20

Volunteer Valerie Smolek owns her own cookie business back in the United States, sourcing major department stores throughout the western coast, and most of California. During April however, she worked for Khabarovsk confectionery company Praga, a firm owned by Russian businesswoman Irina Shlyakhonaya. Irina and Valerie worked side-by-side, analyzing company operations, and Praga products. Valerie recommended new cookie recipes based on available products in the Russian Far East, and her knowledge of the cookie industry. Despite some differences in the ingredients compared to those in the United States, Valerie was able to train Irina's staff in making American favorites such as Sugar Cookies, Devils Food Bits, Pound Cake Bits, and Chocolate Chunk Cookies. Additionally, Valerie trained staff in quality control for the business, offering special pointers on baking, decoration and promotion. Valerie also donated five books on the baking industry, and entrepreneurial management. At this time, Praga has already implemented Valerie's recommendations and has just begun production of these new brands of cookies, which will now be available in Khabarovsk.

Results: a) Operations improvement for Russian businesswoman's SME cookie company; b) New cookie products created and sold in Russian Far East; c) Volunteer donated industry books to client.

II. Other Noteworthy Items

- A. CDC Volunteer Frank Dressler worked with the Borovichi Association of Manufacturers, providing assistance to both the BSI as a whole, and the association member companies. He continues to work with them from the United States, attempting to establish possible links.
- B. CDC Volunteer Austen Wood completed a company analysis of Planeta SID at the request of SEEF Novgorod. SEEF is considering the client for an investment.¹
- C. CDC Volunteer Peter Lee completed a company analysis of Raduga Company, and provided assistance in Marketing at the request of SEEF Novgorod. SEEF is considering the client for an investment.²
- D. CDC Volunteer Don Marshall worked with the Yakutsk BSI, The Institute of Finance and Economics and put on a business planning seminar attended by 25 managers. Representatives of the Yakutsk Ministry of Justice and Yakutsk Tax Office also attended.
- E. CDC Austen Wood performed Secondary "Piggy-back" local capacity development assignments with Vnesheconomconsult, and the Center of Audit, Novgorod.
- F. CDC Novgorod organized student mentoring for Novgorod University student Svetlana Babitskaya with a British Know-How Fund advisor.
- G. It should be noted that CDC-EED Country Director Patrick Perner will be on homeleave during the month of July, 1998. (BISNIS Article on CDC attached.)

¹ Refers to ISP

² Refers to ISP



**EED Business Volunteer Program
Monthly *Flash* Report
May 1998**

I. DEMONSTRATION OF VOLUNTEER ASSISTANCE

CDC Volunteer Advisor: Barry Hallamore

Possessing a strong background in telecommunications and technology development, and having once owned a company in this field, CDC volunteer Mr. Barry Hallamore completed his first follow-up assignment for Polycom Pro, a computer and software development company located in St. Petersburg. During April and May, Barry developed a plan to now increase Polycom's market presence, and assisted them in creating specialized marketing information, while working directly with executive company management. Additionally, Mr. Hallamore analyzed company operations and gave new restructuring recommendations in the areas of accounting, strategic planning, sales, marketing and personnel management, further proposing that the company try to establish a partnership with an American software company. Mr. Hallamore then contacted local St. Petersburg investment sources including TUSRIF, and SEAF, concerning potential funding for Polycom Pro. Acting upon recommendations from TUSRIF and SEAF that the company develop a strategic business plan, Barry provided the knowledge and experience to tailor it to Western standards and then once again referred the Russian company to potential sources of investment. Upon completion of the volunteer assignment, it was recommended that company management should complete a business linkage mission to the United States. As such, in September the General Director for Polycom Pro will be flying to Seattle, where Mr. Hallamore will assist in establishing appointments with software development companies. Polycom Pro now intends to market its software to some of the American software giants.

Immediate Results: a) Business plan developed for company; b) New incentive plan instituted for the sales force based on targeted sales increases; c) Strategic plan to link up with American software company; d) Business Links mission arranged for September with assistance by volunteer in the United States.

CDC Volunteer Advisors: Mr. Carl Lavin, and Mrs. Audrey Lavin

At one time, Mr. Carl Lavin used to own a meat-processing enterprise in the US before eventually selling it. During late April and May, he went back to work once again in the

meat business and completed a volunteer advisor assignment for the Borovichi Meat Processing Company near Novgorod. Mr. Lavin evaluated the company's production and made practical recommendations on equipment. Further he assisted company management contact manufacturers and distributors of meat processing equipment in the United States. During the assignment, Borovichi employee training focussed on meat slaughtering, labeling, de-boning, fat control, storing, cleaning, as well as measures to insure better employee safety. Mr. Lavin passed on his knowledge of the business from an industry-specific standpoint and twenty years of experience. In addition, he worked with the company's Marketing and Sales Department, introducing various customer service and employee incentive concepts to management. He also recommended that the company consider producing smoked sausages, which is not done today.

As secondary "piggy-back" assignments, Mr. Lavin worked with the Novgorod Meat Yard performing specialized training in sausage making, as well as a local BSI, the Novgorod Center of Audit performing training in the fields of marketing and sales.

His wife, Mrs. Audrey Lavin, a college professor in the United States, also performed a CDC volunteer assignment and assisted the Borovichi College Interbusiness develop student and faculty seminars on business communications. This specialized training required students to increase their knowledge of business English, learn how to write formal business correspondences, and complete an oral presentation. In addition, Mrs. Lavin assisted her husband with the Borovichi Meat Processing Company assignment, and completed a secondary "piggy-back" assignment with Novgorod State University also focussing on business etiquette and communications.

Immediate Results: a) Meat processing company implements production improvements; b) New meat product taught to company management; c) BSI local capacity strengthening; d) Students taught western style business correspondence, and presentations.

CDC Volunteer Advisor: Joseph Tuck

Joseph Tuck is an executive manager of the Alvarado Bakery chain in the United States. During late April however, Mr. Tuck provided volunteer consulting for Planet Bakery on Sakhalin Island. Mr. Tuck worked with entrepreneur Sergei Svarchevsky and reviewed Planet Bakery's five-year plan from a financial, operational and marketing perspective. Clearly lacking a "western" style and understanding, Mr. Tuck assisted Sergei to revise his plan, and refocus on the needs, strengths and weaknesses of the company. Mr. Tuck also provided Sergei's managers with training in the elements of grain functionality, dough mixing times, handling, temperatures as well as the unique process of baking and sprouting. At the end of the assignment, Mr. Tuck supported Sergei in submitting the newly developed "western style" business plan to TUSRIF, which was recently accepted for an undisclosed investment amount to purchase new baking equipment.

Immediate Results: a) Training in the baking process by western expert; b) Western style business plan developed; c) Investment received by company; d) New equipment purchased.

II. OTHER NOTES

- A. The Department of Economic and Foreign Relations of Sakhalin Region asked CDC volunteer Don Marshall to develop a list of companies which might be appropriate for joint distributorships, or partnerships on American-Russian bids to the various oil consortiums on Sakhalin Island.
- B. On May 19th CDC Novgorod attended an RII-organized meeting with Cadbury Company managers, and representatives of local businesses and BSIs. During this meeting, CDC was introduced to local BSIs including the Economics College, the Association of Entrepreneurs, and the Association of Women Entrepreneurs of the Novgorod region. All three organizations are now interested in working with CDC and CDC volunteer advisors.
- C. On May 15th CDC advisor Homer Koliba met with Valery Trofimov, former first deputy governor of the Novgorod region. Mr. Trofimov now manages the Strategic Initiatives Inter-regional Fund, and upon request Mr. Koliba provided a two-hour consultation on taxation issues for fund executives.
- D. CDC volunteer advisor Mr. Michalski completed a 2-day seminar for restaurant managers at the Novgorod Intourist Hotel and offered recommendations on attracting and servicing groups, as well as space utilization.
- E. On May 27th CDC volunteer advisor Gordon Riess provided a seminar on international trade and commerce for Novgorod BSIs including the Novgorod Women's League, the Association of Entrepreneurs, and the Association of Women Entrepreneurs.
- F. CDC Novgorod completed a student mentoring program with CDC clients, and/or CDC volunteers for the following students: Svetlana Babitskaya, Anastasia Yudina, Aleksei Kolosov, Sonia Mokhovkova, Ivan Khamov.
- G. Country Director Patrick J. Perner will be on home-leave during the month of July. Please feel free to contact Olga Shetinina (CDC RFE) as well as Michael Levett (CDC Washington), Jim Wright (CDC Washington) and Doyle Girouard (CDC Washington) during this period.
- H. CDC Update, 1st quarter 1998 attached to this report. Page 5 discusses a recent business linkage mission.



EED Business Volunteer Program
Monthly *Flash* Report
June 1998

I. Demonstration of Volunteer Assistance

CDC Volunteer Homer Koliba

BSI Client: The St. Petersburg Financial University, Novgorod Branch

Site: Novgorod

During June, Homer Koliba trained representatives from the St. Petersburg Financial University in the international standards of accounting and auditing. Mr. Koliba delivered a 10-day course at this institution which also attracted participants from other educational institutions, and local BSIs. Altogether 22 people were in attendance. Upon completion, Mr. Koliba was then asked by the Novgorod branch of the Moscow Humanitarian University to complete a "piggyback" assignment, and stay an extra 3 days to provide training in tax accounting. Mr. Koliba welcomed the invitation, and provided this training in addition to his primary assignment.

Results: Local Capacity Development of BSI representatives; Training in the area of Tax Accounting, Auditing, Financial and Management Accounting.

CDC Volunteer Tom Lee

Client Company: Eagle-S Mineral Water

Site: Sakhalin

Eagle-S, a local Sakhalin bottler of mineral water received volunteer assistance from CDC consultant Tom Lee. Mr. Lee worked with company management to improve bottling efficiency, and implement better quality control procedures. In addition, Mr. Lee assisted Eagle-S in selecting a new bottling line, which will increase beverage quality and production. Mr. Lee's experience allowed the company to select the optimal equipment, and develop production strategies to increase production. As a result, Eagle-S has signed several new customers already increasing company sales.

Results: Increase in Sales; New Contracts; Purchase of Equipment.

CDC Volunteer Daniel Young
Client Company: Novgorod Intourist Hotel
Site: Novgorod

Mr. Daniel Young trained Intourist personnel to focus on developing customer satisfaction. He also worked with the hotel marketing department, the receptionists, and room maids in teaching the business of "hospitality." At the end of his assignment, Mr. Young put the Intourist in contact with several tourist agencies in Australia, which are interested in developing tours to North-western Russia. Further Mr. Young completed a short-term piggyback assignment for the Tourism and Trade Office suggesting some ways to improve tourism promotion for the city of Novgorod. His recommendations included the utilization of a public relations office, as well as conducting additional music and sport events.

Results: Training in "Hospitality;" Training in Customer Service; Hotel Management training; BSI secondary training on tourism development for city and region.

CDC Volunteer Charles (Chuck) Sprinkle
Client Company: Novotorg
Site: Khabarovsk

Mr. Sprinkle worked with Novotorg, a retail and wholesale company, in re-designing their business. He developed a plan to order goods from the United States. Then, he assisted the General Director to make contact with two American wholesalers and obtain cost lists, product variety, labelling and shipping costs. Mr. Sprinkle helped the company prepare a step-by-step system for ordering goods from the United States, providing payment, and securing receipt of products. As a direct result of this volunteer's work, the General Director and Deputy Director of Novotorg will visit U.S. wholesalers in Seattle, through a business links mission co-ordinated by CDC and volunteer Chuck Sprinkle.

Results: Anticipated purchases from the United States; Training in purchasing goods from United States; Upcoming business linkage mission.

II. Other Notifications

- CDC EED has hired a Magadan representation, Ms. Zhana Gritsey. Zhana was recommended by ARC Magadan.
- Mr. Patrick Perner is on home-leave during July. During mid-July, Olga Shetinina will come to St. Petersburg and serve as Team Leader during Mr. Perner's absence.