

SAKHALIN REGIONAL MICRO CREDIT PROGRAM



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ACDI/VOCA
SAKHALIN REGIONAL MICRO-CREDIT PROGRAM
July 2003 Flash Report
Cooperative Agreement No. 118-A-00-99-00133-00

I. Success story of the month



Today Anna occupies her trade outlets at large trade markets in Yuzhno-Sakhalinsk

Anna Kosareva, owner of a book retail business, went a long way from being unemployed to being an entrepreneur and employer of four shop assistants. With the SSBCS assistance she became an experienced successful entrepreneur and built a profitable business.

Anna faced a lot of obstacles and hardships as an entrepreneur. But she overcame these with the financial support from SSBCS making her stronger and adding to her self-confidence.

The idea to start her own business came to Anna in 1992 when the local state book warehouse was closed and she lost her job. She decided to remain in the book trading business by opening a family business with her husband. The unstable economy, not to mention the numerous barriers preventing small business development in Russia, forced Anna to start her business ignoring some of the legal requirements for entrepreneurial operations. With her own savings she bought a small inventory of books and started to trade right in the street. Such an illegal situation put her business in high risk to be closed. In addition to that, overwhelming requirements for running a private business such as the registration procedure, getting a license, and the level of taxation restricted her trade business development. With all these things against her Anna made a difficult decision postpone her business till better times.

It was six years later when she came back to her business with new energy and new ideas. By that time the business environment in Russia had stabilized a little and she again ventured into selling books from the small counter on the street side. For two years she stood alone at the counter selling books. She told us those were difficult times for her. No matter what the weather was like, working day, weekend or holiday, she went to work and did not even dream about a vacation.

During this time Anna's business was only a small kiosk under a tent with a very limited choice of books. Her business was okay but was in extreme need of capital. The savings Anna was able to accumulate was spent on registering her enterprise and nothing remained to increase her working capital.

Non-collateralized lending from Sakhalin Small Business Credit Society became a last chance for this entrepreneur and she became an active member of Peer Group lending.

Going through five incremental step-by-step loans that increased each time combined with earnings, Anna managed to begin making impressive changes in her business.



Anna used to sell books right in the street no matter what the weather was like

With her Peer Group Lending Anna not only increased the volume of her books but also diversified moving from selling exclusively books to selling books and office supplies. But most impressively she took a change and opened three new trading outlets, hired four employees. The unique experience of Anna in the Peer group lending is something not publicly announced but significant to SSBCS members. *Along with the financial support she received through the Micro Credit Program, Anna got an opportunity to exchange business experience with other group member entrepreneurs and learned more how to manage her own business.* Today Anna is the owner of four trading outlets, two of which are located in the largest trading centers in Yuzhno, and employs four additional shop assistants. These are really dramatic changes in her business considering that a few years ago she was out of job much less help support their family.

The key to her success, in Anna's opinion, is the good teamwork inside her small enterprise, but most significantly is the chance she had after being given financial support from SSBCS. So far Anna has received financial credibility to develop her business, been able to build a credit history, accumulate collateral, and learned how to manage credit funds. With all this behind her this entrepreneur applied for and received a small loan with a commercial bank. With the financial support of SSBCS and local commercial bank Anna accessed a great opportunity to continue her business development and implement her future plans. And these plans are to open a big bookstore in Yuzhno with several departments that will offer a customer the widest selection of books in Yuzhno.

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ACDI/VOCA SAKHALIN REGIONAL MICRO-CREDIT PROGRAM August 2003 Flash Report Cooperative Agreement No. 118-A-00-99-00133-00

I. Success Story of the month



Sergey and his FORT group members, with a Certificate verifying that Sergey is the first group borrower who obtained a \$5,000 Peer Group loan

This month we want to introduce you another SSBCS borrower and successful entrepreneur, Sergey Dolgov. He became the first Sakhalin Micro Credit Program peer group borrower to obtain the highest group loan available of \$5,000.

August 29th, 2003 members of the FORT peer-lending group held their group meeting at the offices of SSBCS to close Sergey's loan and congratulate him with this significant event.

Sergey joined the FORT peer group in the first year of the Regional Credit Program operations on Sakhalin, and has been with this group for almost three years now. Before joining that Peer Group he had no previous experience in getting loans with financial institutions, no loan management skills, nor a credit history of any kind. Today, Sergey is not only an experienced borrower but also a self-confident entrepreneur. The credit history he developed with SSBCS opened opportunities for him to apply for loans with local commercial banks. Now Sergey has a group and individual loan with the Program, and also is thinking about obtaining a loan with the local bank in the future.

Sergey opened his own office furniture shop three years ago. At that time he had a good background in the furniture business and had business contacts with furniture supply firms. But this by itself was not enough to start an independent business: he didn't have start-up capital.

The only way for him to start a business was to borrow money from acquaintances. With what money he borrowed from his friends he acquired a small office and a small chair inventory.

At first he could only offer a small selection of office chairs. He realized that with he limited assortment he would never be able to attract the bigger corporate clients.

Like any start-up entrepreneur, Sergey needed additional funding. He applied to the Sakhalin Micro Credit Program for the group loan and became one of the first Program borrowers that received loans in November 2000. With the SSBCS financial support Sergey began making major improvements in his business. First, he diversified the assortment of office chairs. Next, using subsequent loans received with SSBCS and using his profits, he gradually began to increase the volume of merchandise on hand and readily available to the customer. As the business grew he added more major items to his furniture assortment offering customers modern office desks, bookshelves and cabinets. Then he found a second need in the offices and expanded to selling air-conditioners. The successful development of Sergey's business required the hiring of more staff now as many as 11 employees.

Today Sergey's office furniture store is one of the most well known in town. He supplies furniture for many of the local businesses including oil & gas companies, air ticket agencies, communication companies, and more. SSBCS is really proud of being a part of its entrepreneur-borrower's success.



An office furniture showroom in Sergey's store

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SAKHALIN REGIONAL MICRO-CREDIT PROGRAM

September 2003 Flash Report

Cooperative Agreement No. 118-A-00-99-00133-00

I. Success Story of the month

There are hundreds of food stores in Yuzhno-Sakhalinsk and it is extremely difficult to create, compete and survive maintaining your own individuality among these hundreds. Gurbanov Fasil, the entrepreneur who's success we want to share with you this month, has managed to become respected and well known in town as a successful businessman in this environment.

After becoming unemployed in 1995 Fasil made up his mind to start his own business. Starting his business from nothing, by 2002 he already had three food stores in operation. Looking to stay ahead of the ever changing market in Yuzhno, Fasil came up with the challenging idea to build in Yuzhno downtown, a two-store café-shop combination that would have a food store on the ground floor and a café-shop in the open air on the first floor. With his idea in mind Fasil put all his entrepreneurial energy into making it happen.



A store and a café-shop in the open air: one of its kind in Yuzhno.

However, getting all the official permits for construction works and the construction process itself took much longer than Fasil had estimated. To add to this problem his sales at that moment went down which accordingly decreased his business profits. Finally, there came a time when his working capital was depleted and he didn't have enough money to continue building his café-shop. Fasil desperately needed outside funding.

He approached a commercial bank but failed because he didn't understand the forms and no one would explain or help. That was a very hard time for the entrepreneur. But he didn't want to give up. About this time Fasil heard about SSBCS. Having already been turned down many times he didn't give a lot of chances to anything really happening from his visit to SSBCS. However, SSBCS, through its unique loan analysis, believed this entrepreneur would be a good borrower and approved his loan. With his first individual loan from the Cooperative he not only finished the construction of his café-shop but equipped it as well with funds from SSBCS. In no time at all this little unique café-shop has become one of the most popular places in Yuzhno where people will come by just to enjoy the snack and the view from the second floor terrace. Nobody else in town has anything like it. But the best part is that Fasil's new business provided employment to over eight new employees that now work full time for the café-shop.

His monthly profits have noticeably increased and with another loan Fasil improved the vacant area adjacent to the shop: Here he made a nice park like area putting up a few benches and additionally purchased more equipment for his café. Additionally he used funds from his second loan to diversify his food assortment.



Without SSBCS financial support Fasil would not have been able to finish his café-shop construction.

Today Fasil's business goes exceptionally well and provides jobs to a total of 14 employees. He is really happy to succeed in implementing his idea about a café-shop. But this entrepreneur has a lot of other plans to expand his business. In the near future are plans to purchase a building that he currently leases for a store. With lease fees going up Fasil can't afford to lease it any more. He has accumulated some profits to make the purchase but needs additional financing to leverage the acquisition. This will be the purpose of the third loan he is going to apply for through the SSBCS.

SSBCS understands its mission as helping entrepreneurs like Fasil. We of the SSBCS are proud of seeing them succeed.

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ACDI/VOCA SAKHALIN REGIONAL MICRO-CREDIT PROGRAM

October 2003 Flash Report

Cooperative Agreement No. 118-A-00-99-00133-00

I. Success Story of the month

This month we want to share with you the success story of the entrepreneur from Yglezavodsk town (60 km from Yuzhno-Sakhalinsk), Galina B.

The inhabitants of the town lost the major source of income after a single factory in town was closed. Galina was one of them. There were practically no chances for her to find another job in town. Therefore, she began seriously thinking of establishing her own business. Having borrowed money from her parents she rented a room in the building of the former telegraph office. This way a new store appeared in the town. Although technically it was not a real store: in the beginning Galina could offer her customers an extremely modest assortment consisting of bread, cereals and flour.



In 2002 the store required major repairs. To do that Galina spent all her savings. No money was left to purchase inventories.

This was the time when local entrepreneurs mentioned the Micro Credit Program to Galina. Having a lot of trust in the opinion and positive experience of her colleagues-entrepreneurs, Galina joined SSBCS as a member of the PROGRESS peer-lending group.

She used the very first loan to buy inventories and diversify food assortment. From there on canned vegetables and meat, condensed milk and many other food products became always available for the customers at the store counters. While at first it might seem to be absolutely insignificant to a person from the other environment, one needs to remember that to have the choice Galina's store started offering to local customers they had to travel as far as to Yuzhno-Sakhalinsk. The improved assortment has immediately attracted new customers to her store. The volume of her sales noticeably increased as well as her business profits.

Having obtained the second loan the entrepreneur moved into the next stage of her business development: she could purchase a refrigerating show-case. With this new trading equipment the store started selling meat and fish, fresh fruits and vegetables. This second loan allowed Galina not only to improve the assortment, but also to improve her business fixed assets. And that made the entrepreneur closer to the opportunity of getting a secured loan in the future.



Inspired by success, Galina rented one more room in the same building and opened a household goods department in her store. From being just a grocery store Galina's store turned into a multiple goods store offering various manufactures: perfume, household chemical goods, lawn-and-garden tools and equipment. Galina's businesswoman skills and efforts supported by the SSBCS financing created in the remote area a modern shop that makes available shopping for locals for which they had to travel to other places before. Besides, with the store development and having moved it to 24 hours opened schedule her business established several additional jobs. When she started the business she had four employees. Today she provides job to total of eight local employees that can count on a stable salary.

Currently Galina is in the process of getting her third loan. She needs it to buy a diesel generator for a fail-safe power supply. The entrepreneur shared with us her future plans. She wants to take the ownership of the premises that she currently has in lease. That will enable her to decrease her expenses significantly in the long run. She hopes that saving on lease expenses she could make her goods cheaper for the current customers, and attract new ones. Galina says that SSBCS played a very important role in her business success. She likes that the SSBCS financial support system is very stable and gives the entrepreneur an opportunity to plan business development.

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ACDI/VOCA SAKHALIN REGIONAL MICRO-CREDIT PROGRAM November 2003 Flash Report Cooperative Agreement No. 118-A-00-99-00133-00

Tailor's Shop "At Irina's"

This month we want to share with you the success story of entrepreneur Irina Ryzhova, owner of Yuzhno's leading tailor shop. The beginning of her success is not unusual. Coming back to Sakhalin from Omsk after graduating college and with a good work experience with a dressmaking company, Irina had two alternatives: either work as an employee for somebody else, or open her own private enterprise. The last alternative was the only acceptable one to Irina.

In the beginning of 1998 she started her business with one sewing-machine in a small room she rented at one of the trade centers in Yuzhno. She worked mainly with local clothing shops providing minor repair services for clothes. Very soon Irina's shop started receiving more and more orders from customers. She was short of room and it became evident that she was short-handed.

Irina hired an assistant and rented a little bigger office. But even such a slightest expansion of her business required a big expense. Clothing repair did not bring enough income to cover just the general business expenses. Further business development needed major financial investments, which Irina did't have.

In the year 2000 the Sakhalin Regional Micro Credit Program was launched and Irina became one of its first participants. Using her very first loan Irina acquired additional sewing machines and one special over lock machine, necessary in making fine clothes. With these capital improvements her shop offered customers a new service: making individual tailored dresses. This was an important development step and a clothes repair shop was turned into a dressmaking shop. With new equipment she could handle the increased volume of orders and her business started to make a regular and stable income. That was her first real success! At the time, nearly all tailor shops had been closed in Yuzhno. No one believed that such kind of business would be profitable. Except for Irina. She believed in herself, did not give up and continued to develop her tailoring business.

With the second Micro Credit program loan Irina purchased another modern sewing machine. With the third loan - a professional ironing board and iron. Having significantly improved the equipment Irina implemented an absolutely new service in Yuzhno: sewing uniforms for bars, restaurants, shops and cafes. This service attracted a lot of new clients and large orders to the shop. Moreover, the number of orders has also significantly increased. Irina hired three more employees. Today she has five employees on the staff. Trained and professional shop tailors provide high quality expedient services that brought her shop good reputation and regular customers.



«To me it has always been strange to hear complaints from tailor's shops about lack of clients or orders. We are working hard all the time. It is very important not to sit and wait for your customers to come, but to go ahead and take an initiative in contacting potential customers. After all, I just need to mention to people the services we provide, and there are always companys who needs uniforms for employees, or an individually designed evening dress, or just a simple dress repair» – Irina says.

The fourth loan allowed Irina to move her shop to an even bigger workshop in downtown Yuzhno. Besides being a larger space, the location of the shop is more convenient and accessible for the general public clients. The fifth loan was spent for purchasing a computer to automate customer orders acceptance and use computer graphic programs to develop dress design.

With the next, sixth loan, Irina bought another piece of needed equipment, a modern cloth layout table. Every equipment upgrade added to the increase of the efficiency and expediency of her business operations.

The rapidly developing small enterprise attracted attention of the local administration as well. As a result, Irina was invited to participate in the III Sakhalin Business Forum. Moreover, she became the winner of the Business Ideas Fair. The credit history she obtained with SSBCS and the image of a conscientious and responsible borrower helped Irina get an interest-free loan within the framework of the "Youth Entrepreneurship Program" implemented by Sakhalin Regional Administration. She wants to use this loan from Administration to open a new line in her business: producing large lots of uniform wear.

Today Irina is getting ready to receive her seventh loan through SSBCS. She plans to acquire a computerized sewing machine able to operate with fabric of different levels of sophistication: starting from tanned thick fabrics to the lightest ones. This will be another addition to the range of services her tailor's shop offers to customers.

"I owe my success to SSBCS – Irina says. Most entrepreneurs are hesitant to take loans. But the thing is, while they are hesitating, I move forward. I thoroughly weigh my possibilities and I am certain I will be able to pay the loan back and along with it make my business significantly improved!"

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SAKHALIN REGIONAL MICRO-CREDIT PROGRAM

December 2003 Flash Report

Cooperative Agreement No. 118-A-00-99-00133-00

I. Success Story of the month

This month we want to share with you the success story of Irina Zhigunova, an entrepreneur from Starodubskoye village (1.5 hours ride from Yuzhno, Dolinsky administrative area).

She started her business in 1999 having rented a vacant building and made it a food shop. Her small business immediately became very popular with locals because her shop offered them much wider assortment than the other shop in the village. Then, in 2001, a fire caused a great damage to the shop. With all the money Irina had she was just able to make a minor renovation. After four months she was able to reopen her store but only with the small amount of inventories she was fortunate enough to salvage from the fire. The assortment was poor and by then she had absolutely no money to improve or diversify the situation.

Her business started failing and it became apparent to Irina that if she was to succeed this time she would need outside financing. An even bigger problem was the fact that her remote village had never had banks or any lending institution that could have offered credit to an entrepreneur like her. As a result she had no bank to go to and no credit history to be able to make an application to one of the banks in Yuzhno.

A hint for a way out came to Irina from other local entrepreneurs in 2002: they advised her to apply to a Micro Credit Program. She has heard a lot about complications and difficulties an entrepreneur comes across when applying for a loan with a bank. Being aware of that she, however, was still desperately hoping for this last reserve.

A very friendly and cooperative atmosphere in SSBCS pleased her. Her Credit Agent introduced her to a peer group and the group agreed to accept Irina. She was assisted to fill in a loan application and a business profile. (By the way, Irina emphasized that these business profiles that she fills out to get her loans with SSBCS still help her to plan her business.) Although she had big hopes to get a loan, Irina was absolutely astonished when only a few days upon finishing the loan application formalities she was approved for her first loan with the Credit Society.

Visible changes to her business resulted almost immediately. The shop started offering customers new types of food products: fresh vegetables and fruits, cereals, various sorts of tea, cookies, and other quality items. The very first month after Irina used her group loan to increase and diversify her inventories her business profits increased significantly. With this success Irina realized that she had successfully withstood the most difficult times in her entrepreneurial career. She had more business plans and ideas on her mind though.

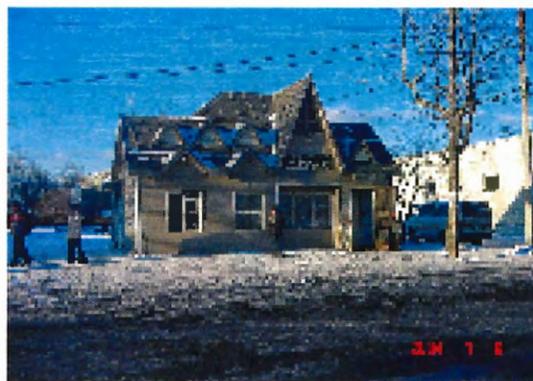


From now on the shop will offer its customers the widest range of food products

With the second loan Irina acquired a cold storage counter and added meat and milk products to her store assortment. While this might seem something regular and insignificant to those living in larger settlements, for Starodubskoye citizens it WAS significant. From that day forward they didn't need to travel to the Dolinsk Area Center town just for buying milk and dairy products. The sales volume in the shop increased. It has increased so much that Irina hired three shop assistants. Moreover, she made her shop working 24 hours for her customers. She had enough employees by then to have them work in shifts. Her growing business needed an accountant, so she hired one more employee.

Irina spent the third SSBCS loan for the shop interior reconstruction. It was time and opportunity to make it look nicer than just a quick hand renovation she did after the fire accident.

Today a customer friendly and spacious food shop is at the 24-hour service for Starodubskoye citizens. For the first time a large choice of food products is available for them in their small village. Irina now has even more plans using her business relationship with SSBCS. She now plans to do her best to develop an excellent credit history with the Cooperative Group Lending Program, because it is in her future plans to apply for an individual loan with SSBCS to open another shop in Yuzhno-Sakhalinsk.



This is how Irina's shop looks from the outside after renovation

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January 2004 Flash Report
Cooperative Agreement No. 118-A-00-99-00133-00

I. Success story of the month

Success Story of this month will tell you about Nikolay Oleshko, an entrepreneur from Yuzhno-Sakhalinsk.

Nikolay opened his business in 1998 with a small outlet where he was selling make-up, perfume, and household chemical products. His start-up capital just covered initial expenses to open the shop and buy some inventories to start trade. The newly established business was operating but there were no opportunities for growth. The shop needed better assortment of merchandise and that took more investment. Nikolay realized that but did not see any feasible ways as for where and how he could get more money.



In 2001 through the local advertising media he heard about the Sakhalin Micro Credit Program. He didn't hesitate long in making up his mind and immediately joined the Program. He obtained his first \$500 peer group loan adding this amount to his working capital and made a bigger inventory order with a Moscow supplier. With the subsequent second, third and fourth loans he did the same thing again and again to increase his working capital. The shop assortment has visibly improved: by that time Nikolay's customers were getting over two times the choice of goods as before. Increased sales resulted in the growth of his profit increasing his operating income. Now he was upgrading his supplies and inventories with his own capital.

Developing his success and with the next SSBCS loan the entrepreneur finished construction of a trade pavilion which he started in 1998 but could not complete because of the economic crisis in Russia. Nikolay's shop moved into the new nice building.

With the fifth loan he purchased cosmetic products, chemicals, and tools for local hairdressing and beauty salons. Today Nikolay is the only Sakhalin dealer that carries professional hairdressing products from the world most popular firms. In fact, his business took a new twist. While still supplying goods for the general public consumer; he concentrated on the market for professional salons. Using funds borrowed from the Society he hired Moscow specialists to provide training for the Sakhalin Beauty and Barber Shops. The idea was not only making money on training itself, but selling professional products that Moscow trainers used in their trainings. The onsite trainings increased number of his clients twice. Moreover, they became a big help for the local hairdressing salons providing them an opportunity to upgrade their employees' professional level locally.

The borrower's most recent loan was added to his accumulated profits and used to acquire a vehicle. Nikolay's business had advanced as far as to allow him to offer his customer the luxury to order through catalogues same day delivery of the order to the customer's office.

Sharing ideas about his business development Nikolay stressed that he could not imagine this development without SSBCS financial support. "This lending Program does not give just an opportunity to support and maintain a business, it gives opportunities for growth. The established schedule for loan disbursements let me easily project large business purchases. But best of all," says Nikolay, "there is no need to draw funds out of my working capital!"

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Cooperative Agreement No. 118-A-00-99-00133-00

February, 2004 Flash Report

I. Success story of the month

Thousands of Russian entrepreneurs had to go through extremely hard times finding and struggling for their niche in the new market economy. Many businesses could not withstand economic instability, competition, bureaucracy, and the challenge of keeping a private business. But there were a lot of other entrepreneurs, who had the skill and character to maintain the business, develop and expand.

Olga Konstantinova is one of such entrepreneurs. She believes that the key to her success were two major things:

- Right strategy she followed in establishing her business, and
- Good choice she made with credit institution to finance her business, Sakhalin Small Business Credit Society.



Olga started her business in 1996 selling small wholesales supplies of fire-proof equipment, office supplies, and supplies for special occasions like weddings and funerals. From the very beginning Olga's business suffered from a lack of working capital: she needed to make larger orders of inventories but could not afford it. Therefore, she could only make small orders, sell out the entire inventory, and then make her next order. For almost five years Olga operated in this manner and was barely keeping her business up and running.

In 2001, following advice from an acquaintance, she entered the SSBCS Peer Group Lending Program. The first thing Olga did was to use her first series of group loans to increase inventories. Her sales, accordingly, went up. With every subsequent loan she invested into her business she received more and more earnings. Then Olga began to diversify her inventory assortment. She even added quiet a new item: fireworks. In just 12 months time her profit doubled.

Interesting enough, it has always been Olga's dream to have a café. And whatever she did to develop her business she never forgot about this dream. She kept herself opened for the opportunity and didn't miss it when the opportunity came. She noticed there was a land that nobody was using near the truck parking area. Olga thought it would be a great idea to open a fast food cafeteria for truck drivers there and started working on it. With her fifth group loan of \$2,000 she leased the land for the cafeteria. Then she offered a business partnership to one of her group members whom she had come to know as a reliable businessman of good character. They combined their efforts and funds in building a cafeteria. Unfortunately, they soon realized they needed a loan bigger than anything they could receive through peer-group lending. In June 2003, encouraged by her Credit Agent, Olga applied for a Combination Loan. In a short time her individual loan application was approved. Having combined their funds borrowed from collateralized and non-collateralized lending programs they purchased a trailer and reconstructed it into a cafeteria. In a little more than one month the new cafeteria opened its doors for the first customers. Good location (truck parking by the cafeteria and close location of warehouses area), with being open from early morning till late night makes this place the most popular in the area. Although it took Olga seven years to make her dream come true, it finally happened with her hard work and financing from the SSBCS.

As Olga says, "Available credit products that SSBCS provides have gained a lot of recognition from Sakhalin entrepreneurs. The Cooperative not only provides financial assistance to entrepreneurs but professional advice and consultations from Loan Officers are a big help, too". She shared with us her other long-term plans. "I want to move my cafeteria from a trailer into a major building. To build one I will certainly need the SSBCS financing". It is always nice watching our entrepreneurs' success. We wish Olga further achievements in her business and are proud that she trusts our lending institution.

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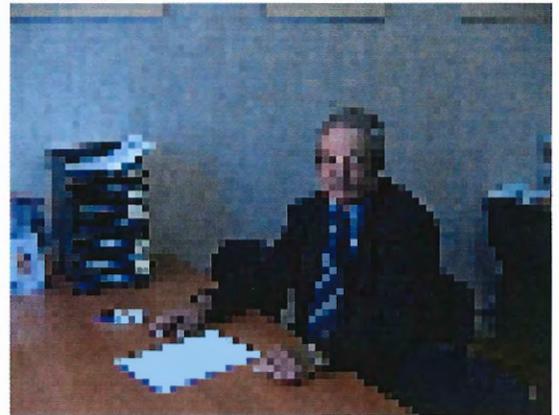
April 2004 Flash Report

Cooperative Agreement No. 118-A-00-99-00133-00

I. Success Story of the month

Igor Bratishko is the owner of a plumbing company already well known among many state and local enterprises. His business has a reputation for high quality customer service specializing in lavatory-and-bathroom plumbing. With the growth of Yuzhno business, Igor recently started his own taxi company.

Formally until a couple of years ago, Igor held a management position with a state organization and supervised over 15 projects. With all the business opportunities opening up, his entrepreneurial spirit was encouraging him to open his own business. In early 2000 he finally quit his job for the state and established his own enterprise.



Igor at his office of the plumbing company, of which he is very proud of

The working capital that Igor had saved to open his business was just enough to start it up. Mainly he counted on his management background and wide range of business contacts he had developed while working for the state to be his biggest advantage and asset. He gradually began developing a customer base and his business was progressing and started making a profit. But the biggest problem that hindered his operations was late payments from his customers. While big business could withstand this kind of problem, for a small business like Igor's firm it became a disaster. With such accounts receivables problem he could neither pay his employees nor suppliers on time. Igor made an attempt to receive a bank loan to cover interim finance needs while waiting for payments from his customers but failed as he didn't have the kind of collateral the bank would take. Igor was looking for another solution to his business situation.

He found this solution in April 2002 when he learned about the Sakhalin Regional Micro Credit Program. "The situation was very difficult, - Igor says. I needed credit very much at the time. My employees and suppliers were disappointed with me." The peer group lending program became a perfect financing mechanism for Igor's business and helped to support his business when it was in a crisis. "The group lending system is very convenient for a small entrepreneur, - Igor says. I can plan on having my next step loan and pay my suppliers and employees on time. To do that I don't totally depend on the timely payments from my customers any more. SSBCS helped me and my company to survive in the hard times. It means a lot to me and I appreciate what Cooperative did for me." There is one other thing that Igor noted about SSBCS non-collateralized lending with its support from one entrepreneur to another inside the peer-group lending. "As a group coordinator I watch how other group members' business is going, - Igor says. I feel responsible for my group members and try to help them and take care of them. One of my group members planned on signing a good contract but lost it. When the time came for a repayment they could not make the loan repayment. So, I made that repayment for him and then we sat down and had a serious talk. I'm not trying to sell myself but I have many years experience in business management. We talked his situation over and I advised him to withhold the new direction he was taking his business for a while, and come back to his primary business at which he is really good".

The SSBCS did not just assist the entrepreneur to support his current business needs but has also financed his business growth. Igor now has ten employees on the staff and occasionally, when he gets big orders, he hires many part-time workers as well. Moreover, with the SSBCS financing Igor has recently opened a new business: passenger transportation services (taxi services). He has a lot of plans about it and knows that his plans will require additional investments. Now Igor has developed collateral he can offer on a loan and he is thinking about moving to the Combination Loan Program.

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I. Success Story of the month

SSBCS Tomary Contact Office Success

We have kept USAID posted about the Tomary office development but decided to focus more on the Tomary office history through the eyes of key employees directly involved in its establishment. Hearing this successful story from those actually involved from the very beginning will give you a better and more in-depth insight of this work.

Watching how the Tomary Office operates today makes it hard to believe that it went a long year-and-a-half from being just an idea of expanding SSBCS lending operations to rural remote areas to the stable and efficient office with an experienced Credit Agent and over 30 regular customers. While local banks didn't see how they could profitably operate in small Sakhalin towns and settlements (therefore concentrating their lending efforts on the wealthy Southern Sakhalin economy) SSBCS was looking for ways to resolve the dilemma of:

- high costs of operations in the remote areas,
- meeting the financial needs of such potential borrowers,
- low paying capacity of the general population, and
- a very big need in accessible credit for local SMEs.

And we did it! We, our team, found a solution to this challenging business puzzle! It required ingenuity, relentless investigation, and establishing working relationships with a local commercial bank and the administration. All these combined together resulted in the development of the remote lending operations low-cost approach. While the Tomary office loan volume does not make a big part of the SSBCS total credit portfolio this new approach provided SSBCS with "lessons learned" in an effective mechanism that will be used for further rural area expansion. *Towns of Poronaisk and Ulegorsk are in the SSBCS future plans.*



Evgenya Pak, Sakhalin Regional Micro Credit Program, Office Manager/Project Director Executive Assistant.

"This Pilot Project started from repeatedly urgent requests to start an office in Tomary, from the Tomary Mayor. Opening of our office there was not a part of our original project plans but we started looking to see what we could do to help Tomary small entrepreneurs. Tomary is located too far from any of our offices to serve Tomary borrowers from there, so we knew we would have to make it a separate office with an on-site local employee. The most difficult part was to insure safety of lending operations but reduce regular associated costs.

The major cost is insuring safety of cash transactions. We realized that we can't afford this cost with a small office with a few borrowers. We started to build our lending scheme based on wire transfer disbursements and repayments. While this way reduced Cooperative's costs, it put a burden on our borrowers that would have to incur costs related to opening bank accounts and paying commissions for every wire operations on the account. For collaboration we approached two banks that had their branch offices in Tomary and offered to bring new customers to their banks, in return asking to reduce commissions and fees for our borrowers. We received the most cooperative feedback from SakhWest Bank. Moreover, since we knew that majority of our group borrowers have never dealt with wire transfer transactions before, we reached an agreement with the Bank to help our borrowers with filling in payment forms for a minor fee. They could also use assistance from our Tomary Credit Agent in filling these payment forms. So, we made our best effort to provide a good customer service.

Premises at affordable cost and a good Credit Agent was the next task. This is where we met the full assistance from the Tomary Mayor. Unlike other officials, his promises to support turned into very practical and tangible help. We were provided with a comfortable office in the down-town area free-of-charge. Moreover, the mayor offered to use his employee as a part-time Credit Agent. This has also added to success of our Tomary Project: local entrepreneurs, as citizens of small towns, have a lot of respect and trust in local authorities there. The SSBCS tight collaboration with Tomary administration was more than obvious and that was for the benefit of our program and helped to make it easier to overcome the somewhat "cautiousness" about group lending from local entrepreneurs that we usually meet in new areas of operations.

Next task was remote lending operations: approval, processing, closing and monitoring. Credit department and loan processing department came up with a scheme that worked perfectly for Tomary.