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**Deloitte Touche
Tohmatsu**



QUARTERLY REPORT

**RUSSIA NEW BUSINESS DEVELOPMENT
ACTIVITIES PROJECT (NBDA)**

SUBMISSION NUMBER ONE

December 10, 1993

Presented to USAID/Moscow

Contract Number CCN-0005-C-00-3148-00

**Deloitte Touche
Tohmatsu
International**

RUSSIA NEW BUSINESS DEVELOPMENT ACTIVITIES (NBDA)
QUARTERLY REPORT

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SECTION-1 QUARTERLY REPORT SCOPE

The quarterly report which follows, and all others henceforth, will provide a clear understanding of the specific activities undertaken by Deloitte and Touche (D&T) to complete contract requirements during the performance phase of the New Business Development Activity (NBDA) project. The report will follow a format which will, as briefly as possible, detail the actions undertaken and results attained by the Contract Management Unit (CMU), the Business Service Development Offices (BSDOs) and all associated subcontractors involved with the project. The period reflected will be the quarter preceding the date of each report. The individual reports themselves will be generated once each quarter for the life of the contract.

Being that the contract is in a start-up phase, the 90 day work plan submitted just one week ago provides in detail much of the retrospective information that would normally be covered in the quarterly report. This initial quarterly report will, therefore, incorporate by reference and attachment the 90 day work plan, where appropriate.

Each quarterly report will feature a section which describes the activities within the CMU. This will be further broken down according to specific contract activity, i.e., training, business associations, business services, local administration, national advisory services and the innovative special projects fund.

The BSDO section will also be subdivided, but in this case, according to the specific actions and results thereof, undertaken at each of the individual site offices.

In addition to personnel and project activity, every report will have a section dedicated to financial and budgetary information. This will be presented in summary form to provide an at-a-glance understanding of resources consumed against the budget allowance available, as definitized in the contract. Any necessary line item reallocation of funds will be established and monitored in this section.

Finally, rounding out the report will be a section which presents a comparison between the level of effort numbers stipulated contractually and the corresponding level of effort consumed to date.

Once approval for the quarterly report standard format is approved, it will be used in all succeeding reports.

SECTION-2 THE CONTRACT MANAGEMENT UNIT (CMU)

2.1 General

It is important to restate here that due to the current "start up" status of the program, the content of this initial report's subsections will be somewhat atypical of future reports. That is, as a result of the immediate focus upon planning and set up activities versus actual program activity implementation, much of the content herein has already been covered in the work plan. Once the implementation phase is fully underway, greater contract output detail may be expected for each of the subsections in later quarterly reports.

All of the activities performed thus far by the CMU have been related to building a framework through staffing and planning to quickly and effectively begin performing the following functions:

- o General management and control of the project and BSDO establishment
- o Creation of the training institution program
- o Creation of the business services program
- o Creation of the business associations program
- o Creation of the local authorities program
- o Liaison services with appropriate groups, e.g., EBRD, Peace Corps, Morozov, etc.
- o Conceptualization of the national policy advisory services program
- o Conceptualization of the special projects fund and its administration
- o Developing monitoring systems for the entire program

Included with the above functions have been the initial efforts of the CMU to establish its own office, staff it and prepare for the roll-out of four to six BSDO sites during the first quarter of 1994. To date, the CMU has located and occupied a temporary project office, for which furnishings are now being procured.

Many CMU staff are in place, as described in section 4.2 of the work plan (Appendix 1), and are actively working with the existing BSDO Directors and Deputies (see Attachment-1 Organizational Chart). Issues include how the CMU staff will support the functioning of each BSDO in matters such as core project activities, legal registration, procurement of office equipment and supplies, developing financing mechanisms, considering security risks and options, creating brochures and promotional plans, assisting with telecommunications needs and a host of other "start-up" concerns (see also 4.1.1 of the work plan in Appendix 1).

A significant number of centralized (CMU specific) functions are also underway. These include establishing financial and administrative control mechanisms, defining information technology needs, formalizing the liaison process with project counterparts and USAID personnel -- and continuing the staffing process.

2.2 Training

Section 4.5 of the work plan (see Appendix 1) provides considerable detail for the forward looking NBDA perspective on training. As is the case with most CMU efforts up to this point, training has been a function of strategic and tactical planning as opposed to specific and tangible training activity, as yet.

The NBDA has begun to assemble the training materials which are presently in use in Russia. The most effective of these materials will be chosen to begin pilot training programs in the first four BSDO sites which are discussed further in the BSDO section of this report. Since September, NBDA training activity has focused upon planning and timing issues relating to the training of trainers process, assembly and distribution of materials, selecting initial pilot program sites and development of curricula (see Attachment-2 Training Activities). Current initiatives will be built upon through the support and coordination of Morozov, Peace Corps, GKI regional centers, the Anti-Monopoly Committee and like organizations. New initiatives will be assessed and created based upon local requirements. Actual training of trainers is targeted to begin late January/early February 1994. The training of project staff is proceeding internally and will become more formalized in the next quarter.

2.3 Business Associations (BA)

The initial NBDA activity pertaining to the roll out of the business association (BA) program is described in section 4.6 of the work plan. It is anticipated the BA actions will necessarily differ from region to region depending upon the nature and number of associations available. The CMU has thus far been able to ascertain the existence of three main types of associations; they are:

- o Local chambers of trade and industry (formerly state run)
- o Associations of industrialists and entrepreneurs (individuals)
- o Associations of small and private enterprises

Preliminary research suggests that while business associations are fairly widespread, there is a reluctance on the part of small business to participate in this type of organized activity. Generating interest in the BAs will be one of the significant challenges facing the NBDA and BSDO business association specialists.

From discussions with the current BSDO Directors and Deputies, the NBDA believes the first task will involve identifying the recipients of assistance, either existing associations or those proposed to be formed. In either case, initial contacts with regional trade and industry associations in Novosibirsk, Voronezh and Vladivostok demonstrate support of the NBDA concept and proposed activities. Other possible projects pertaining to BAs include:

- o A network of private financial and credit agencies, with the client being Russian small business investment consortia
- o A Russo-American entrepreneurial corps to promote joint ventures
- o Regional social and entrepreneur centers or incubators

Current NBDA projections for a ninety day activity outlook are shown in Attachment-3 BA Timeline.

2.4 Business Services (BS)

As a first planning step, the NBDA has focused upon and identified a number of key functional areas which it collectively believes will be in demand by small Russian entrepreneurial firms:

- o Marketing
- o Feasibility studies
- o Business planning
- o Strategic planning
- o Restructuring and production management
- o Accounting, auditing and bookkeeping
- o Taxes
- o Regional planning for local authorities

The goal is to improve improve existing Russian local services, e.g., legal, accounting, realty, etc. -- without trying to reinvent them.

Activity here has thus far been primarily limited to defining the existing resources and building a framework upon which contractual resources will be best utilized by site personnel and consortia members. A discussion of planned roll out activity may be found in work plan section 4.7 (Appendix 1) and visualized in attachment-4 Bus Svc Timeline.

2.5 Local Administration (LA)

While the NBDA recognizes that normalized relations with local authorities are important to all other aspects of the program, it is too early to begin this process until the BSDO Directors and Deputies are physically on site. At such time, professional relationships and trust building will commence.

What is known, at this juncture, is that a level of instability exists among local administrations within the overall social and economic upheaval during the last several years. The NBDA plan to address this situation at the appropriate time is covered in section 4.8 of the work plan (Appendix 1). The short term timeline is represented by Attachment-5 Local Admin Timeline.

2.6 National Advisory Services (NAS)

Section 4.9 of the work plan (Appendix 1) discusses the contractual requirement to improve the policy and regulatory environment at a national level. The original project design provided for a single National Policy Advisor to work with the legal, regulatory and policy structures among the appropriate governmental unit. Since the September signing, the Russian national counterpart has been identified by USAID Working Center for Economic Reform (WCER). The WCER has taken the initiative to create project access to the national policy level on a monthly basis.

It has been decided to delay the personnel portion of the NAS given the rapidly changing cultural scene in Russia.

2.7 Innovative Special Projects Fund

The NBDA understands the general intent and contractual requirements, as written, of the SPF. It is intended to serve as an instrument to support the emerging private sector in Russia which may not otherwise have been addressed by other elements of the NBDA plan. This is to be accomplished through grants and technical assistance.

There are, however a number of unresolved procedural and technical issues which must be clarified prior to moving forward with the SPF program. Several of these have been identified in the list below which will be discussed in January with USAID:

- o Size and allocation of budget
- o Means of funds disbursement
- o Security, information access conditions, materials ownership, legal status of recipients
- o Eligibility limitations
- o USAID maximum financing proportions per grant
- o Expected timing of project approvals
- o Reporting or audit requirements, performance indicators

Upon resolutuion of the above and related issues with USAID, general consensus for proceeding will be achieved between the CMU, BSDO staff and the Working Center. Then, a procedural document will be created to serve as a guideline for SPF administration. The work plan section 4.10 (Appendix 1) elaborates on other short term tasks as currently envisioned by the NBDA.

SECTION-3 BUSINESS SERVICE DEVELOPMENT OFFICES

3.1 General

The BSDO network will serve as the core of the NBDA operation throughout the selected regions and major cities of Russia. As has been the case with the CMU, much of the activity expended to date has involved the planning and initial set up of BSDO sites. Qualified staffing was the immediate concern. As of this writing, Deloitte and Touche have well qualified set up teams designated to staff five initial sites (refer to Attachment-1 Organization Chart).

The "first cut" broad outlook involved consideration of some 40 BSDO sites as potential candidates to provide the regional diversity for the best use of NBDA project funds. In the first phase of this project the CMU and BSDO staff with USAID have selected four or five sites to serve as pilot program sites. The pilot program is designed to get a minimum of four locations operational rapidly -- at which program concepts, training methods, promotional strategies and the like can be tested and evaluated. It will then be possible to continually improve the BSDO process by learning from early successes and failures.

Both CMU and BSDO staff have agreed that the establishment of BSDO site offices should be standardized as much as possible to promote continuity, consistency and efficient use of resources. For instance, an "outreach" program is being conceptualized as a mandatory standard procedure to communicate a clear description of the BSDO role to potential partners and beneficiaries in each site. Section-3 of the work plan (Appendix 1) illustrates many of the concepts and the timing of events planned for the initial BSDO roll out from this point forward. Included at the end of this report is attachment-6 Ninety Day Charts; these collectively show the proposed three month plan for each established pilot program site.

Some contacts have already been initiated by BSDO staff at the pilot program areas. This initial work and the expected near term steps are elaborated upon in section 3.3 through 3.6 of the work plan (Appendix 1). A brief summary of the proposed activity is provided in the next four sections of this quarterly report. Future sections will employ somewhat greater detail.

3.2 Novosibirsk

In Novosibirsk we are working with the Siberian Enterprise Support Fund to set up an enterprise support center. This will provide office space for business associations and an information and resource service. The Morozov Project will support the Siberian Personnel Training Center to train the managers of new businesses and owners of small businesses. A separate program is being developed to advise the local administration on enterprise registration and taxation policy.

3.3 Smolensk

In Smolensk we are helping the local chamber of commerce to implement a lobbying scheme within the local administration and we have introduced the Smolensk Business School to the Morozov Project. Smolensk is also likely to take the lead in designing work experience and study programs in the U.S.

3.4 Voronezh

In Voronezh assistance is being directed to a business school established by Voronezh State University which is currently receiving some support from EC TACIS. With the Morozov Project, support is also to be given to a retraining center for military personnel, planned by Voronezh Polytechnic.

3.5 Ekaterinburg

In Ekaterinburg the first initiative focuses on production of a guide to writing business plans; this will be in cooperation with the Urals Chamber of Industry and Commerce and other local business associations.

3.6 Vladivostok

Site analysis in process.

3.7 St. Petersburg

Site analysis in process.

SECTION-4 FINANCIAL STATUS/BUDGET ACTIVITY

4.1 General

In order to provide a consistent and readily identifiable means of checking monetary expenditures against budget allowances, the second page of the USAID invoice format will be included with section-4 herein. This will enable the reader to ascertain the total prior billings, the current period billings and the combined total to date billings against the total budget and the budget available. Each of these categories will be shown for every summary budget line item (see 4.2 below).

With a contract term of just over four years and a budget of nearly \$42 million, the average monthly invoice for this program will approach \$1 million. It is critical that the invoice format and supporting documentation be correct from the outset.

4.2 USAID Invoice Budget Page

The invoice and budget status are shown on the following page.

4.3 Budget Variances

This subsection will identify and explain the nature of line item variances (overruns in excess of 15% over the allotted budget) and the corresponding underruns as they occurred during the current period. No attempt will be made here to detail the variances of past periods already covered in previous quarterly reports.

There are no line item overruns in the current period.

STATEMENT OF COST

DELOITTE & TOUCHE
 1001 Pennsylvania Avenue, N.W., Suite 350
 Washington, D.C. 20004 - 2594

10-Dec-93
 Ref: CCN-0005-C-00-3148-00
 INVOICE NO. USA 0172

Period covered by this billing:

	Prior Billing	Current Billing	To Date	Budget	Remaining Budget
1 SALARIES & WAGES	8,574.85	5,319.20	13,894.05	1,548,239.00	1,534,344.95
2 FRINGE BENEFITS	2,143.71	931.50	3,075.21	298,138.00	295,062.79
TOTAL DIRECT LABOR	10,718.56	6,250.70	16,969.26	1,846,377.00	1,829,407.74
3 OVERHEAD	7,502.99	4,375.49	11,878.48	1,292,464.00	1,280,585.52
TOTAL DIRECT LABOR & OVERHEAD	18,221.55	10,626.18	28,847.73	3,138,841.00	3,109,993.27
4 ALLOWANCES	0.00	829.80	829.80	515,228.00	514,398.20
5 OFFICE EXPENSES	486.70	0.00	486.70	31,200.00	30,713.30
6 CONSULTANTS	0.00	0.00	0.00	1,871,975.00	1,871,975.00
7 SUBCONTRACTORS	186,015.37	117,194.93	303,210.30	25,102,947.00	24,799,736.70
8 TRANSPORT, TRAVEL & PER DIEM	10,057.89	0.00	10,057.89	1,925,258.00	1,915,200.11
9 VOLUNTEER PROGRAMS	0.00	0.00	0.00	16,000.00	16,000.00
10 REGIONALSYMPOSIA	0.00	0.00	0.00	13,000.00	13,000.00
11 OTHER DIRECT COST	0.00	0.00	0.00	101,514.00	101,514.00
TOTAL ITEMS 1 TO 11	214,781.51	128,650.91	343,432.42	32,715,963.00	32,372,530.58
12 PARTICIPANT TRAINING	0.00	0.00	0.00	4,300,000.00	4,300,000.00
13 G&A	17,182.52	10,292.07	27,474.59	2,217,277.00	2,189,802.41
TOTAL COSTS	231,964.03	138,942.99	370,907.02	39,233,240.00	38,862,332.98
14 FIXED FEE	9,278.56	5,557.72	14,836.28	1,569,330.00	1,554,493.72
15 SUBCONTRACTORS FIXED FEE	7,440.61	4,687.80	12,128.41	1,129,824.00	1,117,695.59
TOTAL COSTS PLUS FIXED FEE	\$248,683.20	\$149,188.50	\$397,871.70	\$41,932,394.00	\$41,534,522.30

NOTE: PRELIMINARY NUMBERS

SECTION-5 LEVEL OF EFFORT

5.1 General

The level of effort section will provide a means for USAID personnel to track the contractor's level of effort (shown in person months by employee category) as delineated in the contract. The system is now under development and will be employed in the next and all subsequent quarterly reports (see below).

5.2 Level Of Effort Table

The contractor proposes the following format for tracking level of effort.

ORG. POSITION/TITLE	BUDGET PERS. MONTHS	PERS. MONTHS EXPENDED	% OF BUDGET MOS. EXPENDED

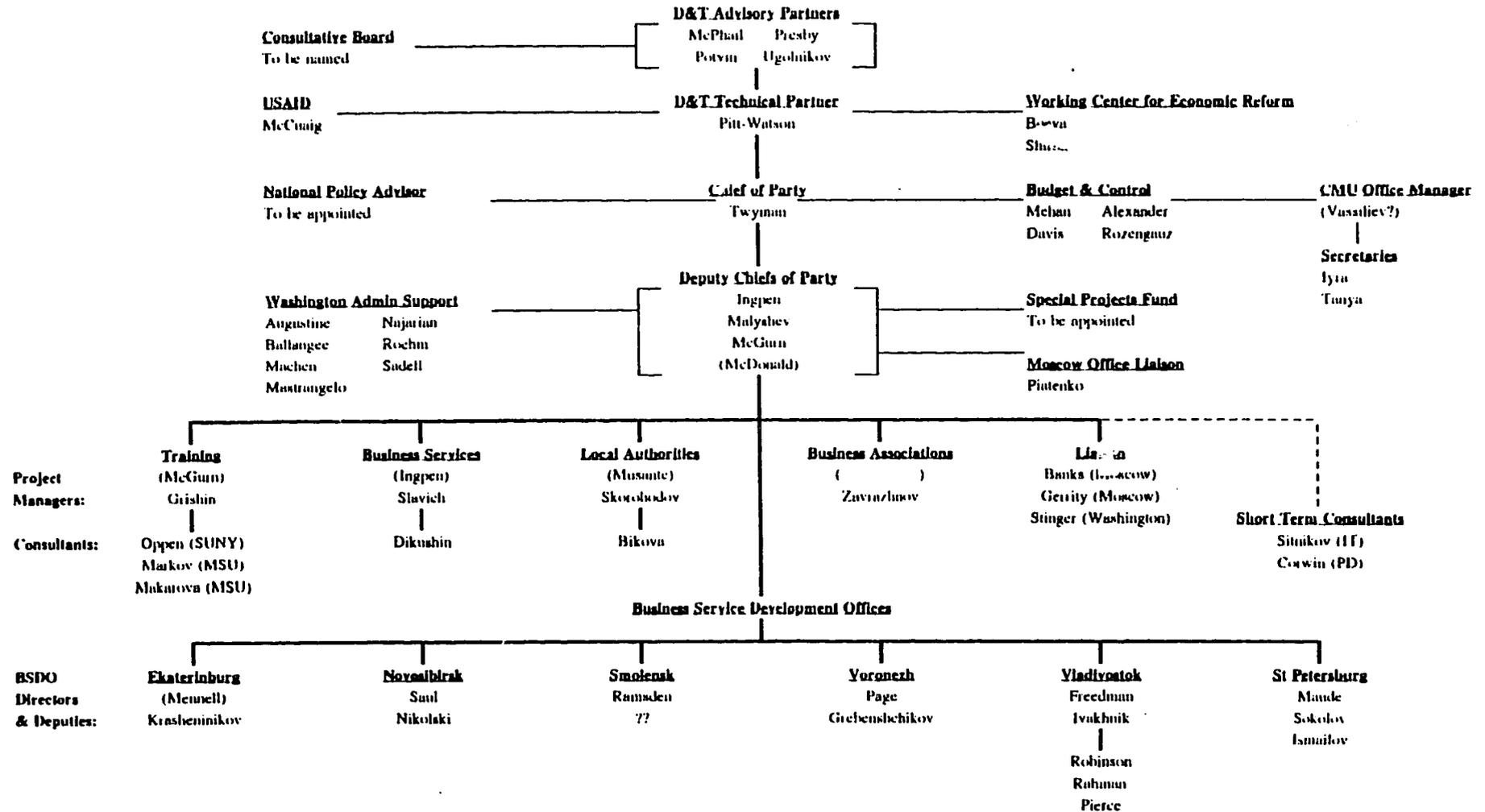
CMU			
Chf of Party	52		
Dep Chf of Party (2)	104		
Proj Mgr Training (2)	104		
Proj Mgr Bus Assocs (2)	104		
Proj Mgr Local Gvt	52		
Prj Mgr Bus Svcs (2)	104		
US Sht Term Consul (2.5)	138		
Proj Support (13)	676		
Subtotal	1334		
BSDO			
Director (16)	384		
Dep Director (16)	384		
Proj Offcr (4 per/64)	1536		
US Sht Term Consul (4)	192		
Site Suppt Russian (12)	192		
Site Suppt Secretr (48)	1152		
Suppt Home Offc (.75)	39		
Subtotal	3879		
NAS			
Long Term Yr1	12		
Long Term Yr2-5 (2)	80		
US Sht Term Consul (2)	96		
Subtotal	188		
Totals	5401		

5.3 Level Of Effort Variance

This section will be used to examine the causes and effects of budget variances (significant overruns or negative variances by contract line item). As an example, at the end of year one, presumably the percentage of total budget expended should approach 25%. Any line item significantly over or under this level will be examined.

Dec 8 1993

ORGANISATION CHART USAID NEW BUSINESS DEVELOPMENT PROJECT



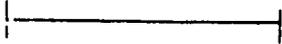
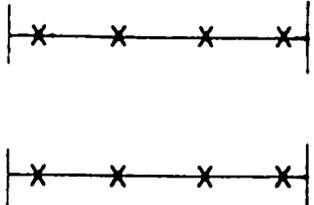
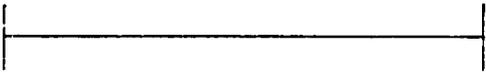
TRAINING ACTIVITIES: Approximate timing			
ACTIVITIES: BSDO	MONTH 1	MONTH 2	MONTH 3
Review of training institutions	=====		
Needs and demands for courses	=====		
Identify gaps		=====	
Initial training plan		=====	
First initiatives:		=====	
Voronezh/Novosibirsk		=====	=====
Others		=====	=====
ACTIVITIES: CMU			
Assembly & distribution of materials	=====		
First pilot programs		=====	=====
Training of trainers		=====	=====
Development of new curricula	=====		=====

ATTACH - 2

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BUSINESS ASSOCIATIONS 90-DAY TIMELINE

TASK	PRODUCT	MONTH 1	MONTH 2	MONTH 3
1. Assessment of existing regional BAs, their managerial and organizational set-up	Files	-----		
2. Assessment of upgrading requirements for BAs activities	Memos	-----		
3. Sign an agreement with ChTI of Russian Federation	Letter of Intent	-----x		
4. Sign an agreement with Federal Fund for Business Support and Development of Competition	Letter of Intent	-----x		
5. Sign an agreement with Entrepreneurial Council at Government of Russian Federation	Letter of Intent	-----x		
6. Visit to Voronezh and Smolensk (3 days in each)	Memos	H		H
7. Visit to Novosibirsk and Ekaterinburg (3 days in each)	Memos		H	
8. Visit to Vladivostok (3 days)	Memos		H	
9. Get in contact with some American BAs (through Moscow offices of American Governors Association, Russian American Chamber of Commerce, and Citizens Democracy Corps)	Letters, faxes, memos	-----		
10 "Brain storm" meetings with BSDO management on BAs development strategies	Joint memos		X	X

11. Preparation of 2-3 special projects for cooperation between Russian and American BAs in each location	Business plans	
12. Receive American BA delegations in 1-2 locations (2 days)	Memos	
13. Introductory training of BA counselors and administrative personnel - seminars on general principles of the functioning of a market economy (2 days) - computer courses (basic software training)		
14. Send first delegation of BA managers to U.S.		
15. First national conference of BA participants of USAID project with participation of WCER and U.S. voluntary organizations and BAs (at ChTI of Russian Federation in Moscow)	Report	To be determined
16. Preparation of feasibility study for Special Task Force Expert Group at BA component of CMU	Business Plan	

BUSINESS SERVICES 90-DAY TIMELINE

Project Team's Tasks and Activities	Responsible/ Participants	1993, weeks			1994, weeks										
		50	51	52	January				February				March		
					1	2	3	4	5	6	7	8	9	10	11
<u>1. Organizational & Management Activities</u>															
1.1. To have corrected three month plan in response to USAID remarks	CMU, BSDO, USAID, WCER	■	◆												
1.2. Designing and setting up a monitoring and reporting system on business service component		■	■	■	■	■	■	■	■	■	■	■	■	■	
To have designed updated reporting and monitoring system.	CMU, BSDO, USAID, WCER	■	■	■	■	■	■	■	■	■	◆				
To have prepared pilot report for December 1993- February 1994.	CMU, BSDO												■	■	
<u>1.3. Planning system development</u>															
To have developed business service component planning system.	CMU, USAID, WCER				■	■	■	■	■	■	◆				
To have prepared next three month plan and two year plan.	CMU, BSDO, USAID, WCER						■	■	■	■	■	■	■	◆	
<u>1.4. Staffing and hiring for business service component</u>															
To have selected candidates for business service component staff needed for technical assistance	BSDO, CMU	■	■	■	■	■	■	■	◆						
To have developed and organized training seminar for BSDOs' business service component staff	CMU						■	■	■	◆					
<u>1.5. Visiting a majority of sites to help launch business service component</u>															
<u>2. Operational Activities</u>															
<u>2.1. Selection of recipients</u>															
To have prepared preliminary lists of all potential recipients and all existing initiatives acceptable for support	BSDOs	■	■	■	■	■	◆								
To have cleared up local business priority needs.	BSDOs, relevant local organizations	■	■	■	■	■	◆								

11

LOCAL ADMINISTRATION 90-DAY TIMELINE

TASK	PRODUCT	MONTH 1	MONTH 2	MONTH 3
1. Prepare legal documents for BSDO activities and obtain "Agreements of Understanding" from local authorities in 5 initial sites (during first or second visit to each)	Legal Documents; Agreements of Understanding	┌──────────┐		
2. Prepare and distribute to BSDO directors: - guidelines on collaboration - extracts from national economic and administrative laws	Guidelines; legal excerpts	┌──────────┐ ┌──────────┐		
3. Initial site visits: - establish personal contacts with local officials - collect and analyze information on local legal acts - analyze first experience BSDO/local administration cooperation	Analysis of legal acts and first experiences		┌──────────┐ ┌──────────┐ ┌──────────┐	
4. Prepare security guidelines for each BSDO separately	Security guidelines		┌──────────┐	
5. Participate in design of training programs for local officials	Training program		┌──────────┐	
6. Design guidelines for new legal/ administrative framework for business-local authorities relations (discussion draft)	Discussion draft of new guidelines			┌──────────┐
7. Plan next steps in BSDO activity on the basis of first experience	Next plan			┌──────────┐

NOVOSIBIRSK 90-DAY CHART

The following table summarizes tasking and sets completion dates for a number of bench-mark activities outlined in the 90 day plan:

ED=Expatriate director
 ND=National director
 CMU=Central Management consultants
 OM=BSDO office manager
 TG=Training Coordinator (BSDO)
 LA=Local Admin coordinator (BSDO)
 BA=Business Association coordinator
 MRZ=Morozov Project
 RA=local subcontractor research analyst

Work Area	Task	Responsibility	Target Completion Date
I BSDO INITIATIVES			
I. Morozov seminars			
	a Concept meeting with Morozov	ED/ND/TG/CMU	18 Dec 93
	b Business Plan for seminars	TG/CMU/MRZ	20 Jan 94
	c Planning session for seminar	ED/ND/TG/CMU/MRZ/Unniversity	23 to 25 Jan 94
	d. Methodology workshop	ND/TG/CMU/RA MRZ, Grushin	23 Jan 94
	e Interviews potential US trg canddt	TG/ED/CMU	Begin 1 Mar 94
	f Produce training seminar brochure	TG, MRZ/OM/BA	1 Mar 94
	g Pool of trainers defined	ED/ND/TG/MRZ	14 Feb 94
	h Mailing to participants	TG/MRZ/Unw/LA	20 Feb 94
	i First seminar group arrives	All staff	16 Mar 94
II. ESC set-up			
	a Agree ESC space	ED/ND	20 Jan 94
	b ESC Charter	ND/BA/LG/CMU	22 Jan 94
	c CMU approval	ED/ND	25 Jan 94
	d Basic information catalogue	LG/LA/BA/CMU SubEnt	7 Feb 94
	e. PR campaign for ESC	Local PR Co. CMU/BA	20 Feb 94
	f. Two Year program for ESC	BA/ED/ND/CMU SubEntFund	10 Mar 94
	g Order books and materials	ED/CMU/USIS	10 Feb 94
	h. Receive goods		15 Mar 94
	i. Opening ceremonies plan	BA/ESC/SEF/ND	10 Mar 94
	j. Equipment install ESC	BA/IT, SEF/ED	12 Mar 94
	k. ESC competition design	ED/ND/LG/RA SubEntFund	15 Feb 94
III. Policy planning			
	a. Write survey for topic areas	LG/RA/ND	10 Jan 94
	b Collect reference materials (legal)	LG	10 Jan 94
	c. Catalogue existing programs	LG/TA/ND	25 Jan 94
	d. Business associations survey	ED/ND/BA/ESCD r	7 Feb 94
	e Discussion papers commissioned	ED/ND/CMU	20 Jan 94
	f Study of tax revenue (initiated)	LG/CMU	1 Feb 94
	g Design of registration process	ED/RA/LA	15 Mar 94
	h Start up lut design	LA/CMU/ED/ESC	15 Mar 94
	i. Implement registration process	ND/LA/LG	April
	j. Findings from legal surveys	CMU/LG	27 Jan 94
2 BSDO STARTUP			
I. facilities			
	a. Obtain accommodation	ND /FD	20 Jan 93

	b Office Systems	ED,OM,CMU	31 Jan 94
	c Office Supplies	OM/ND	20 Jan 94
	d Obtain communications	ED/OM	27 Jan 94
	e Furnish offices	OM/ND	1 Feb 94
	f Office Equipment	ED,OM,ND	31 Jan 94
II personnel			
	a Set approved salary plan	ED/ND,CMU	31 Dec 94
	b Personnel interviews -- perm staff	ED/ND	31 Dec 94
	c Hire start-up personnel(temp)	ED/ND,CMU	15 Jan 94
	d Recruit permanent staff	ED/ND/CMU	31 Jan 93
	e Train permanent staff	CMU/ED/ND	15 Feb 94
III Legal Status			
	a Power of Atty D&T	CMU/ED	15 Dec 93
	b Hiring/firing guidelines	USAID/CMU	10 Jan 94
	c Legal Registration	ND/OM/LG	7 Feb 94
	d Bank account	ND/OM	7 Feb 94
BSDO OUTREACH			
	a Program Brochure approved	CMU/ED/ND	24 Dec 93
	b Brochure distributed	BA/LA/ND	20 Jan 94
	c Enterprise census designed	BA/ED/ND	31 Jan 94
	d Census administered	BA/ND/RA	7 Feb 94
	e Media Exposure BSDO	ED/BS/BA/ND	begin 7 Feb
	f Business leaders meetings plan	ED/ND staff	begin 10 Feb
	g Business leaders first meeting ESC	ESC staff	10 Mar 94
	h PR campaign roll out	Staff/CMU/PR	7 Mar 94
	i Business map plan (census results)	LA/ND/RA	inbdate 1 Mar 94
	j Business map production	TBD	April
	k Chalk talk by CMU consultants	CMU/ED	20 Mar 94
	l Business environment (legal) survey	LG/RA	20 Mar 94
	m First gazette publication on ESC	ESC/ED/ND	16 Mar 94
	n Training Institute survey designed	TG, ND/CMU	28 Feb 94
	o Training Institute survey administered	TG	15 Mar 94
	p TV special on Business environmt	ND/staff, CMU	22 Mar 94

SMOLENSK 90-DAY CHART

ED Expatriate Director
 LD Local Director
 OM Office Manager
 RA Research Assistant
 CMU Central Management Unit
 NFER Nicola Ramsden

Work Area	Task	Responsibility	Target Completion Date
1. BSDO STARTUP			
	a. Obtain accommodation	ED/LD	10 Jan 94
	b. Recruit permanent staff	ED/LD/USAID	11 Feb 94
	c. Train permanent staff	CMU/ED/LD	15 Feb 94
	d. Communications equipment	ED/OM	28 Jan 94
	e. Legal Registration	LD/OM	7 Feb 94
	f. Bank account	LD/OM	7 Feb 94
	g. Office Systems	OM/CMU	11 Feb 94
	h. Office Supplies	OM/WO	28 Jan 94
2. BSDO OUTREACH			
	a. Project description agreed	CMU	10 Dec 93
	b. Design, scope of publicity	ED/LD/CMU	11 Feb 94
	c. 4 week local media campaign	BSDO	11 Mar 94
	d. Local needs survey - subcontract?	ED/RA	15 Feb 94
	e. Survey review and revision	ED/LD/CMU	11 Mar 94
	f. Program of CMU/USAID visits	ED	7 Mar 94
3. BSDO INITIATIVES			
	a. Chamber of Commerce	BSDO/CMU	
	Meeting with president		17 Dec 94
	Meetings with local officials		17 Jan 94
	Liaison with CMU		4 Feb 94
	Development of policy agenda		4 Mar 94
	b. Smolensk Business School	BSDO/CMU	
	Follow up meetings with Morozov		10 Jan 94
	Course review		28 Jan 94
	Proposals for courses		11 Feb 94
	Proposals for trainer training		11 Feb 94
	3. US work/study program	BSDO/CMU	
	Contact British-American Project	NFER	10 Jan 94
	Program design		28 Feb 94
	Timetable and conditions		11 Mar 94

VORONEZH 90-DAY CHART

In the following table, the responsibility designations are as follows:

ED = Expatriate Director

LD = Local Director

OM = Office Manager

RA = Research Analyst

CMU = Contract Management Unit (where actively involved)

USAID = designated USAID authority

Work Area	Task	Responsibility	Target Completion Date
1. BSDO STARTUP			
	a. Obtain accommodation	LD	20 Jan 94
	b. Recruit permanent staff	ED/LD/USAID	31 Jan 94
	c. Train permanent staff	CMU/ED/LD	15 Feb 94
	d. Obtain communications	ED/OM	20 Jan 94
	e. Legal Registration	LD/OM	7 Feb 94
	f. Bank account	LD/OM	7 Feb 94
	g. Office Systems	OM/CMU	31 Jan 94
	h. Office Supplies	OM/ED	20 Jan 94
	i. Office Equipment	OM/ED	20 Jan 94
2. BSDO OUTREACH			
	a. Training Institutes	LD/RA	1 Mar 94
	b. Business Associations	LD/RA	1 Mar 94
	c. Business Support Enterprises	LD/RA	1 Mar 94
	d. Local Administration	LD/RA	15 Feb 94
	e. Evaluate T&I support need	ED/LD	7 Mar 94
	f. Economic data collection	RA	7 Mar 94
	g. Small Business register	OM/RA	28 Feb 94
	h. Local Regs and policies	LD/RA	15 Feb 94
	i. Conduct PR	ED/LD	10 Mar 94
	j. Compilation of Needs	ED/LD/RA	7 Mar 94
	k. Needs Assessment	ED/CMU/USAID	10 Mar 94
3. BSDO INITIATIVES			
I. Business School			
	b. Interview University	ED/LD	31 Dec 93
	c. Interview TACIS etc	ED/LD	31 Dec 93
	d. Identify support	LD/CMU	31 Jan 94
	e. Assistance approval	ED/USAID	28 Feb 94
II. Retraining Center			
	a. Interview Committee Chair	ED/LD	31 Dec 93
	b. Interview Morozov etc	LD/CMU	31 Dec 93
	c. Present Findings	ED/LD	10 Jan 94
	d. Second interviews	ED/LD	10 Feb 93
	e. Assistance approval	ED/CMU/USAID	28 Feb 93

EKATERINBURG 90-DAY CHART

In the following table, the responsibility designations are as follows:

ED = Expatriate Director

LD = Local Director

BIM = Business Information Manager

OM = Office Manager

RA = Research Assistant

CMU = Contract Management Unit (where actively involved)

USAID = designated USAID authority

Work Area	Task	Responsibility	Target Completion Date
1 BSDO STARTUP			
	a. Obtain accommodation	ED/LD	20 Jan 94
	b. Recruit permanent staff	ED/LD/USAID	31 Jan 94
	c. Train permanent staff	CMU/WD/LD	15 Feb 94
	d. Obtain communications	OM	20 Jan 94
	e. Legal Registration	OM	7 Feb 94
	f. Bank account	LD/OM	7 Feb 94
	g. Office Systems	OM/CMU	31 Jan 94
	h. Office Supplies	OM/ED	20 Jan 94
	i. Office Equipment	OM/ED	20 Jan 94
2 BSDO OUTREACH			
	a. Training Institutes	BIM/RA	1 Mar 94
	b. Business Associations	BIM/RA	1 Mar 94
	c. Business Support Enterprises	BIM/RA	1 Mar 94
	d. Local Administration	BIM/RA	15 Feb 94
	e. Training Plan	ED/LD	7 Mar 94
	f. Economic data collection	RA	7 Mar 94
	g. Small Business register	BIM/RA	28 Feb 94
	h. Local Regs and policies	OM/RA	15 Feb 94
	i. Conduct PR	ED/LD	10 Mar 94
	j. Compilation of Needs	ED/LD/RA	7 Mar 94
	k. Needs Assessment	ED/CMU/USAID	10 Mar 94
3 BSDO INITIATIVE			
	a. Interview Local Partners	ED/LD	31 Dec 93
	b. CMU Discussion & Support	ED/LD/CMU	15 Jan 94
	c. Develop Options	ED/LD/CMU	31 Jan 94
	d. Present for Local Input	ED/LD	10 Feb 94
	e. Refine/Produce content	ED/LD/CMU	25 Feb 94
	f. Agree Format/Distribution	ED/LD	5 Mar 94
	g. Authorization	CMU/USAID	10 Mar 94

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Tohmatsu**



A P P E N D I X

New Business Development Activities Project

90 Day Work Plan Sections 3 & 4

**Deloitte Touche
Tohmatsu
International**

SECTION 3. BSDO ACTIVITIES

This section describes start-up activities in the four cities selected for initial BSDO start-up: Smolensk, Voronezh, Ekaterinburg, and Novosibirsk. Since the initial site visit to Vladivostok is underway, some first thoughts about options in that location are also included.

The proposed BSDO activities reflect the different circumstances and requirements of each region. However, they have certain common features over the next 90 days: physical set-up, outreach and program development through specific initiatives.

Specific initiatives and program development

The initiatives we discuss in this section have been selected to get each BSDO off to a rapid start and establish its local presence by working with existing projects. They are the first stage in longer-term program development.

Set-up of BSDOs

Set-up of the BSDOs in terms of premises, staff and training is being standardized as far as possible with a view to rolling out beyond the pilot cities. Each BSDO workplan has specific goals. As far as possible we show how staff will be deployed incrementally, based on program needs.

Outreach and needs assessment

Outreach is a vital activity in the first 90 days, to ensure that the BSDO achieves the right initial impact in its relations with the local authority, and establishing contacts with local institutions. There are two aspects: public relations and information gathering. The aim of public relations is to ensure that a complete, consistent and clear description of our role is absorbed by potential partners and beneficiaries in each region. Information collection is clearly not an end in itself, but a means of identifying local needs, informing the CMU and mobilizing CMU resources for that particular area.

3.1 Overview Of BSDO Activities

The core of the NBDA is the establishment of Business Services Development Organizations (BSDO) in major cities in key regions of Russia. Each BSDO is a service office staffed by approximately 4 to 6 Russian and international advisors. The BSDO: (a) makes contact and develops relationships with local institutions which support new businesses; (b) works closely with those institutions to understand

specifically what is needed in its region to help them deliver services to new businesses; (c) coordinates with existing Russian and other agencies and programs to complement or enhance their programs. The BSDO will become a key center in the region it serves, ensuring constant and regular contact and tailoring an assistance program to suit specific local needs.

We see the activities of the BSDO's as highly decentralized, with a different mix of participating institutions and services delivery being developed in each area based on needs.

In the sections that follow, we discuss initial three-month work plans for the four sites that have been approved as BSDO locations. The BSDO work plans emphasize the need for a "fast start" at each location. Each plan summarizes the status of startup, then identifies specific steps and deliverables for the next ninety days. Where possible, we have identified initial partners and possible longer-term initiatives. A full two-year work plan for each BSDO will be prepared within four to six months after the office opens its doors, and will cover all planned activities.

Many factors may influence our ability to meet our plans; for instance, the length of time it takes to establish a representative office. Results of our activities in the first ninety days will give us a much better basis on which to estimate schedules for the remainder of the project.

Although BSDO activities will be specific to each region, we will maintain strong central management control and review of the BSDO's. This is necessary for several reasons:

- To ensure an effective program rollout and the effective deployment of the NBDA program resources
- To have the mechanisms in place to provide the technical, management and program support to each BSDO so that they can effectively deliver services to the target organizations
- To maximize the opportunities for transfer of knowledge and programs from one BSDO locality to the others
- Not least, to ensure the proper application, management and control of NBDA program resources.

3.1.1 Staffing of the BSDOs

Staffing of the BSDO will be built around a team of two directors, one international and one Russian. Startup teams of two persons each have been assigned for the initial four sites (five, if Vladivostok is approved). These teams consist of interim BSDO directors and their Russian counterparts. We selected members of the D&T/CIS permanent consulting staff for the startup teams, because of the importance of having consultants familiar with the project and the regions. In some

cases, these same individuals may choose to remain as BSDO directors or deputy directors for the two-year life of the office. In other cases, responsibilities will be devolved to a long-term team who will move in once the BSDO has been set up. This means that the new directors start with an established site.

Other staff members will be identified and hired to suit the emphasis of the BSDO's activities; for instance, training specialists and business services specialists. The office will also require a secretary or administrative assistant. Other skills will be obtained as needed from the CMU's pool of resources, or from other agencies. We have recruited for the initial permanent BSDO director candidates. Within three months, we also plan to begin the process of recruiting for the second group of BSDO's.

3.2 INITIAL 3 MONTH PLAN FOR SMOLENSK

The following sections describe our plans for program development in Smolensk, and the goals for setting up a working office and establishing it as part of the local business community.

3.2.1 Strategy

In Smolensk the major focus of the BSDO will be on building the capabilities of the Chamber of Commerce to influence the local administration on issues concerned with new business development. This will be supported by a parallel initiative to give local officials the opportunity to work with counterparts in the US. These activities are being given priority because of their long term potential and because of the lead-time to design an effective exchange program.

In addition, the BSDO, through the Morozov Project, will assist one or more of Smolensk's business training institutes, beginning with the Smolensk Business School, to make their curricula more relevant to local needs, and will organize further training for their teachers.

3.2.2 BSDO Initiatives for First 90 Day Period and Program Development

GOALS: To build on two initiatives already under way in Smolensk, in order to make visible, practical headway and strengthen our association with longer term partners. To design an exchange or work/study program in the US for local administration officials, which might be applicable in other cities.

Smolensk Chamber of Commerce

We plan to assist the Chamber of Commerce to get representation on local committees of the Administration which handle matters connected new business development. The Chamber of Commerce has already discussed this scheme with us. We will act as facilitators, using the good contacts we have in the Administration, and will help to set an agenda. In the longer term, we hope that the Chamber of Commerce will be a key partner, especially in our regional needs assessment work.

Smolensk Business School

We will follow up the initial contact made with the Morozov team by organizing a review of the curriculum and training materials currently in use, and of the qualifications and experience of the teachers. We will pay particular attention to their proposed scheme for combined academic training and practical work experience, to see if this is suitable for implementation elsewhere in Russia.

Local Administration Training in US

Design of this scheme is a priority, because returning officials will be expected to play an important role in further local training and initiatives. We plan to use contacts in the British-American Project, of which the current BSDO Director is a Fellow, for advice on design and location.

3.2.3 BSDO Startup

GOAL: By March 11 1994 we aim to have a team (see below) working in centrally located premises with a phone/fax line and copying facilities. All the team should have attended D&T's training course in Moscow, and should be well versed in both project objectives and office administrative procedures, reporting and controls.

Premises

We have been offered the Administration's assistance in finding premises. During our visit in the week beginning 13 December we will inspect the sites offered. We are likely to be offered a room in the House of Soviets and may therefore need to decide in principle whether this is appropriate - there will be a trade-off between security and the need to appear independent from the administration. We will also continue earlier discussions with the EBRD on co-location with their investment fund managers in Smolensk.

Staff

The present Western director, Nicola Ramsden, will manage a hand-over/ take-over period in January 1994. The new Western director should be in place by mid-February 1994.

Applications for a local Russian deputy director will be invited during the week of Dec 13-17, although interviews are unlikely to take place before Monday Jan 10. It is likely that some candidates will be suitable for both deputy director and one of the local project officer posts. In this case, we would put them through the planned training course in January before signing contracts for a particular position. The deputy director should be in place at the same time as the new Western director.

Recruitment of local project officers will follow a similar timetable to that of the deputy director, but posts will only be filled where particularly strong candidates are found.

We would like to recruit an office manager and a research analyst immediately (during the week of Dec. 13-17) but are prepared to use the two part-time staff who have assisted so far until we have found a strong candidate. Secretarial posts will be filled as needed.

Office setup

We assume office furniture will be readily obtainable in Smolensk.

The following equipment is needed:

- Computer (IBM compatible, minimum. 386/25 + 80 mgb hard disk)
- Microsoft "Office" software
- Telephone/fax (e.g. Panasonic)
- Photocopier (make to be advised).

Ideally these should be bought in Moscow and transported by train to Smolensk as soon as secure premises and insurance are organized.

Proposals for a documentation system should be discussed with the CMU and tested during the January training session. The system should be in place in Smolensk by mid-February 1994.

Legal registration, employment contracts, funding arrangements etc.

CMU directions on legal form, hiring procedures, bank accounts etc. should be implemented by late January 1994.

3.2.4 BSDO Initial Outreach Activities

GOAL: To raise public awareness of the aims and activities of the BSDO, to assess local needs and to consolidate relationships with local institutions.

By 11 March the BSDO aims to have:

- Distributed a project description to all relevant institutions and individuals
 - Met all relevant institutions and individuals, agreed follow-up
 - Published newspaper articles, broadcast on local TV and radio
 - Completed description of local industry structure and needs
 - Completed training of BSDO team
 - Designed and begun implementation of first initiatives (see below)
 - Drawn-up two-year plan for each institutional area
 - Invited proposals for innovative special projects.
-
- The BSDO will also be continually assessing and scheduling plans for the second 90 days' and the overall two years' activity.

3.2.5 Risks

This section outlines only those risks which are not implicitly dealt with in the 90 day plan.

The principal risk in Smolensk is that we have identified initiatives which may not achieve their aim in a short period for reasons which we have not predicted or which we do not fully understand. For example, we know that Smolensk Business School already offers short courses in the sort of practical subjects which we believe are appropriate to the aims of this project. However, demand for the courses has been low. If we fail to identify the reasons (e.g. is the wrong training being offered, or have few people in Smolensk realized they might need it?), then we risk applying assistance in the wrong way.

We must also ensure that our plan to bolster the Chamber of Commerce does not simply result in the latter being absorbed into local bureaucratic structures. We would like it to be a counterweight to some extent, and to represent a decentralizing of influence in a region which appears to be still strongly administratively managed.

3.3 INITIAL 3 MONTH PLAN FOR VORONEZH BSDO

The characteristics of Voronezh are such that, although has not been a leading region in terms of political and economic reform, it is following instructions from Moscow and has dismantled local soviets and the leadership is actively seeking assistance to rapidly transform the local economy. The local training institutes have excellent reputations, the University and Polytechnic rating 12th and 14th positions respectively in the rating list published recently by Nezavisimaya Gazeta. In addition, Voronezh is a major garrison city and has started to receive a large influx of armed forces personnel returning from service in the former USSR.

3.3.1. Overall Strategy for Voronezh

Given the above, the major focus of our initial activity will be to encourage the start-up of new businesses as opposed to the development of existing businesses. The labor becoming available on the Voronezh employment market, and its skill likely characteristics, cannot be absorbed by the existing number of small businesses through organic growth. An increase in the number and type of small businesses is therefore top priority and we will initially achieve this by providing assistance to both the Business School and the Retraining Center.

As the program unfolds, its scope will expand to cover the development of established small businesses, and improving regulation and policy in the region. Because of the economic diversity of the region, sector specific programs will later be developed to assist in the revitalization of existing resources through new business practices. The plan for the first 90 days in Voronezh therefore contains activities to assess in more detail the strengths and weaknesses of, and opportunities and threats to, the business infrastructure in the region. This will sow the seeds for implementation activities for the whole two year program.

In the remainder of this plan we first define how we will get the selected initiatives under way, followed by the activities required to establish the BSDO and the outreach activities it will then undertake. The penultimate section identifies risks and issues faced in Voronezh, followed by a summary of tasks, responsibilities and target dates.

3.3.2 BSDO Initiatives for First 90 Day Period

GOALS: To achieve tangible results in a short period of time, and to provide the basis on which to implement further transactions.

It is planned to undertake two initiatives in Voronezh, support for the newly started Business School, and assistance in getting the Retraining Center under way.

Business School

The BSDO will develop a detailed plan for cooperation with and support to the Business School. This plan will be submitted to USAID in the form of a TDW for approval prior to commitment.

In order to produce this plan, the following activities will be undertaken:

- a) Interviews with the appropriate University managers, to make clear USAID's short term objectives and confirm those of the Business School
- b) Interviews with non-University organizations involved with the Business School, (e.g. EC TACIS director, local professional firms, local administration), to establish their commitment to the Business school
- c) Analysis of the interview results and development of options for specific support (e.g. guest lecturers, text books, equipment) which the NBDA project should give
- d) Confirmation with all necessary parties that the support recommended is acceptable, and development of TDWs.

Retraining Center

The Retraining Center is not as far forward in its plans as the Business School and the activities required to implement the Center therefore differ. To arrive at a list of recommended transactions with the Retraining Center we will:

- a) Interview with the chairman of the committee charged with setting up the center, identifying progress made to date and the emphasis being placed on Morozov project objectives as against Polytechnic and Employment Office objectives. Also, ascertain the involvement of Boston University with this initiative and liaise with them.
- b) Conduct interviews with the other local bodies involved in the Retraining Center project to discover their perceptions of, and commitment to, the project.
- c) With the expectation that the Retraining Center will ask for a considerable amount of assistance, presentation of the findings with the CMU and with USAID as to the scope of assistance to be given to this initiative;

- d) Second round meetings with the Retraining Center, essentially to outline the extent and nature of assistance likely to be available;
- e) Development of TDWs to implement the assistance recommended, for approval by the CMU and USAID.

3.3.3 BSDO Startup

GOAL: To have established a fully operational BSDO by the end of ninety days.

Office Location

For logistical reasons, a BSDO should be established near the city center of Voronezh, or, if this is not possible, between the center and the river Don which separates the old town from the main areas of industry. We have tentatively been offered an office in the former local soviet building which satisfies these requirements.

Staffing

The current staffing for Voronezh BSDO is John Page as Western Director and Edward Grebenshikov as Russian Director. It is planned to achieve a full-time staffing complement of five by the end of the 90 day period, with the position profiles as follows:

Local Western Director. This person is to be recruited for their practical experience of the Russian situation, fluency in Russian, knowledge of business operations, and experience in running projects.

Local Russian Director. It is planned to recruit one person, possibly from an existing Business Association or the Local Administration, who has the local contacts and influence to promote the NBDA project. A clear understanding of the project, its objectives and methods, and how it will help new businesses are essential. Some English at a minimum.

Office Manager. This person will be recruited to organize and man the BSDO, answering telephone calls, making appointments and travel arrangements, maintaining files, and other project administration duties. Russian/English fluency is a requirement for this position. Some computer word processing experience is highly desirable.

Research Analyst. The Research Analyst will be responsible for collecting and maintaining BSDO information on local businesses, training institutions and business associations, and preparing plans for assistance projects together with the directors. Some knowledge of English is essential, especially reading and writing skills.

Depending upon progress and workload, a further Researcher may be required. A policy and regulation analyst would be recruited later in the project.

The common characteristics required among the above staff is that they must be able to think for themselves, take initiative, and demonstrate why they would be committed to the project and its aims.

Office Setup

Registration of the BSDO locally as a legal entity is a prerequisite to hiring local staff and the security of documents, equipment and petty cash.

It will be essential to establish good communications with the CMU, and this must be achieved early in the project if the 90 day plan is to be fulfilled.

The office systems will be implemented under guidance from the CMU on systems, procedures and documentation standards. A computer and printer will be essential in order to produce quality correspondence, and to draft reports and other project papers, locally.

Outputs

The outputs of the BSDO startup activities will be:

- Furnished Office Accommodation
- Legal Registration
- Local Bank Account
- Trained Permanent Staff
- Office filing and documentation systems
- Communications link to CMU (telephone and Email).

3.3.4 Initial Outreach Activities

GOAL: To collect information about specific needs in Voronezh, and in so doing establish local awareness of the BSDO, the aims of the NBDA project, and the kinds of assistance that are available.

Contacts

The BSDO staff will conduct interviews with, and build up a database of information on:

- Training Institutions
- Business Associations
- Business Suppor. Enterprises
- Relevant branches of the Local Administration.

Information Gathering

The BSDO staff will identify existing databases of:

- Economic activity
- Register of small businesses
- Locally applied regulations and policies.

Public Relations

The BSDO staff will commence a PR campaign to alert the business community to the BSDO's presence and apprise them of the NBDA project's aims. This may be achieved through presence at and participation in local business seminars, newspapers, TV and radio media, and making leaflets available.

Needs Assessment and Relationship Building

Through the interviews, information gathering and PR activities, the staff of the BSDO will be able to compile a list of needs. These will be assessed and discussed with the relevant CMU function as to their importance and the resources available to meet them.

After the approval to proceed with Voronezh has been given, we intend to immediately consult with the Oblast Deputy Governor on the deployment of 40M Rubles part of which he has suggested could be used towards the establishment of a section within the Chamber of Trade and Industry for small businesses.

Also with the help of the CMU, a plan for ongoing interaction with, and support to, the above institutions will be developed so that a balanced set of relationships are established.

The information and analysis available from the above will be inputs to the BSDO planning process, assisting refinement of budget estimates and defining achievable two year goals.

Outputs

The initial outreach activities will produce:

1. Business Databases
2. Contact Lists for all four types of Institution
3. PR material
4. Analysis of potential assistance transactions.

3.3.5 Risks and Issues

The following risks, and the measures proposed to minimize them, have been identified:

- a) Failure to implement either of the two initiatives recommended for Voronezh within 90 days, due to the short timescale involved. This risk has been addressed by structuring the early activities of the project to properly assess and plan support to the Business Center and Retraining Center, obtaining the agreement and approval of the local partner formally and in detail.
- b) Making newly recruited staff effective within a short space of time. To militate against this risk, two measures will be taken. Firstly, all BSDO staff will receive training developed by the CMU. Secondly, the permanent staff will be assisted and monitored by the consultants who performed the initial site evaluations, thereby giving on the job training to achieve a high level of confidence that they can continue with the project without close supervision.
- c) Visibility and acceptance within the local environment. This is addressed in the plan by reserving effort for PR and other promotional activities, aimed at reaching small businessmen and their supporting institutions as to the aims and activities of the NBDA project.

3.3.6 Summary of Tasks and Responsibilities

Attainment of the plan is crucially dependent upon locating and engaging suitable local staff. The current Western and Russian directors will be responsible for carrying forward the plan, bringing permanent staff up to speed, and monitoring the quality and quantity of their work.

The deployment of the staff resources over time, shown in more detail in the table in Appendix A, is as follows:

- a) The two consultants currently working on this region will visit to re-establish relationships with the local administration, with a top priority on finding office accommodation, turning this into a permanent base of operations, and interviewing potential employees.
- b) During these next visits they will also interview they key persons involved in the existing initiatives, commencing the tasks defined in section 4 of this plan.
- c) After the New Year it is hoped that authority to hire permanent staff will have been obtained and financing arrangements put in hand. This will

enable their training plan to be finalized and detailed timing of the Initial Outreach activities to be formulated.

- d) Also after the New Year, further investigation of how the selected initiatives might be supported will take place, culminating in discussion of the options with the CMU.
- e) Once on board, the local staff will commence local outreach, the results of this labor being input to the 90 day report giving a wider perspective to Voronezh's needs and likely assistance requirements.
- f) By the end of the period we aim to have consulted sufficiently with local and Moscow based groups to put forward a firm proposal as to how the Business School and Retraining center should be assisted.

3.4 INITIAL 3-MONTH PLAN FOR NOVOSIBIRSK BSDO

The favorable environment in Novosibirsk that dictated the city's inclusion in the BSDO pilot implementation sites will allow for an intensive 90 day first stage roll-out.

3.4.1 Overall Strategy for Novosibirsk

The priority goal of BSDO programming during the first quarter of 1994 will be to design and implement several complementary training initiatives to attract regional attention and participation. The strategic goal over the life of the NBDA project is to make Novosibirsk the capital of new business thought in Siberia as it once was for Russian economic reform in the Gorbachev era. This is in accord with the Morozov Project's intention to make Novosibirsk its regional HQ.

Parallel to this training activity, in the first 90 days the local authorities will be invited to consider programs in collaboration with the BSDO that will specifically favor new business creation. The BSDO will establish regularly scheduled policy and progress meetings, drawing together administrators, business people, foreign and local government counterparts and consultants.

Key "survival services" for new businesses not yet commercially available will be provided on a non-fee basis by a centrally-located "Enterprise Support Center" (ESC) to be run cooperatively by the BSDO and the local (privately held) Siberian Enterprise Aid Fund. The ESC will have value as an impact tool that will immediately attract local entrepreneurial support for BSDO programs. Establishment of this center is the third primary 90-day goal.

3.4.2 BSDO Initiatives for First 90-Day Period

GOALS:

- a) To implement with the Morozov project a first training initiative in cooperation with local administration and other training institutes. To address methodology and materials issues leading to design of complementary courses to be offered both by Morozov and other institutes.
- b) To install in the form of the Enterprise Support Center a platform for delivery of consulting and informational services from the BSDO on a non-fee-generating basis with space available for commercial individual and small company consultancies and for business associations to conduct business on a space sharing basis. To cooperate with the Siberian Enterprise Support Fund and its associate members and associations in developing a regional ESC program.
- c) To begin designing guidelines and systems consulting to the local administration in the area of new business registration and licensing procedures. To create forum for administration/business dialogue on the policies to favor small business development locally and regionally.

Training

With CMU support, development of full BSDO/Morozov first initiative training program for seminar in first 2 weeks of March. Study on development of complementary training. The city is served by at least three capable training institutes on both the commercial and state-university level. Ties to the Morozov project will set the pace for the first initiative previously described, while parallel programs at the smaller Siberian Stock Exchange School and the newly-established Novosibirsk School of Banking and Finance are outlined in first working weeks of BSDO January 20-February 10. Development of regional aspect through ties both to Morozov and to the Siberian Accord Association, a local initiative anxious to cooperate in BSDO policy and implementation work. Such an approach will favor development of a core of business and enterprise start-up trainers, as well as case-studies and other materials for direct application through "train the trainers" seminars run in Novosibirsk and Moscow in the first 90 day to 180 day period.

OUTPUT :

- Concept, methodology, operational plan for Morozov training
- Outline new courses and seminar on building methodology
- Pool of trainers and first candidates for "train the trainers"
- Materials inventory and analysis (local and Moscow Morozov material, Novosibirsk Univ input, practical input from business needs survey)
- Methodology workshop design for trainers
- Identification of first pool of USAID training in the United States.

Enterprise Support Center

Key "survival services" not yet commercially available (as ascertained from surveys conducted in outreach programs and local analysis) will be provided on non-fee-generating basis by a centrally-located "Enterprise Support Center" (ESC) to be run cooperatively by the BSDO and the local (privately held) Siberian Enterprise Support Fund. Establishment of this center is a primary 90-day goal. The ESC will likewise seek to market commercial services from small companies to a wider clientele through the information gathering and "needs matching" function of its information officer.

Meeting space and copying facilities will be available on a first-come-first-served reservation basis (a nominal charge for copying).

An information library on business and an electronic information link installed in the ESC will allow small business owners to access new and broader resources tailored to their needs. Part of this information will be supplied by other BSDO components, part from USIA programs and part from local administration and Siberian Accord data bases. With time the ESC will develop into a clearing house for information both for local entrepreneurs and for the local administration seeking to attract outside investment to the region. The BSDO data base will be kept on file at the ESC and updated in ongoing program development. A long term goal is to install CD ROM capability.

The ESC will develop a competition for the "first funded business" through the Siberian Enterprise Fund. This award will be judged by the combined board of the BSDO and the Siberian Enterprise Support Fund on the basis of submitted business plans and a contribution to the charter capital will be the prize. This will become a regular feature of the ESC's activity.

OUTPUT:

- Basic information resource catalogue for ESC determined with local Enterprise Support Fund and BSDO staff input
- USIS materials in Russian and English requested for use in ESC
- Development of ESC planned for two year period (CD ROM etc.)
- ESC Charter agreement with Siberian Enterprise Fund
- Operations begin date March 15
- Standard documents and evaluation criteria for ESC performance
- PR campaign materials for ESC and Enterprise Support Fund
- Design of first competition for Siberian Enterprise Support Fund's "first funded start-up" on basis of business plan submissions analyzed by BSDO/ESC.

Policy programming with local administration

Excellent ties to local administrators will permit BSDO consulting on regulatory issues such as local taxation and business registration practices to bear fruit in the first six months of activity. The BSDO will seek in 90 day period to establish regularly scheduled policy discussion and review meetings drawing together administrators, business people and consultants. Attention will be focused on regulatory issues directly tied to small business registration. The BSDO role in the district and the region in improving viability of existing and nascent businesses could be integrated in the administration's approach to policy issues through this program component.

Using BSDO consulting and information processing resources, the roll-out of this effort in the 180-240 day range will strive to increase administration capacity to process new enterprises and to prioritize establishing new businesses that provide services allowing young companies to survive and prosper. This will facilitate the "hiving off" of small business units from large former state companies that have moved to the private sector, a prime growth sector for small enterprises in the region. Business start-up kit design for distribution by local administration and long term regionalization through Siberian Accord centers. Novosibirsk, with its status as a regional leader and political bellwether could serve as a valuable case study in the area of policy consulting.

OUTPUT:

- Reference materials on local admin legal options in enterprise policy
- catalogue of existing and planned local initiatives tied to policy decisions
- TV or radio call in on "how the administration can help enterprises"
- Survey of start-up owners & managers of existing businesses
- Manual for local business start up regulations

- Discussion papers on existing and potential taxation issues
- Business Associations survey on obstacles to business survival
- Study of tax revenue data on new businesses
- Start-up kit conceptual design by April.

3.4.3 BSDO START-UP

GOAL

The three month target is to install, equip, staff and begin operations in a permanent BSDO facility by March 1, 1994. While local conditions and program development dictate operations from temporary facilities for the first six weeks to two months, the March 1 date is realistic, provided sufficient CMU planning and financial support is allocated in a timely fashion.

Premises

The Premises for BSDO management and the Enterprise Support Center facility are to be separate. For the BSDO, offices (approx. 45M2) for staff and conferences should be located centrally and in a monitored building for reasons of security and confidentiality. An offer for temporary space in the building housing the Siberian Mining Industry Design and Construction Institute (also home to the Siberian Stock Exchange) has been pending while awaiting USAID go-ahead and clear CMU legal and financing guidelines for BSDO legal entity set-up. Other temporary space is available in the Siberian Personnel Training Institute (Morozov) but is considered only as an emergency solution because of inadequate equipment and poor location.

Permanent space is available in the building of the GKI in downtown Novosibirsk and will be renovated by January 31. For the December trip, operations will be conducted from the hotel. Beginning in January, an office in one of two temporary locations will be opened if permanent space is not yet settled.

The ESC facility should be in a "retail" location and have at least 50M2 with adequate lighting and space to create a library atmosphere. Location has been proposed in the Auction Center's ground floor hall. A local bank that is a founding member of the Siberian Enterprise Support Fund with which the ESC will cooperate closely has tentatively offered ground floor centrally-located space for the BSDO/ESC facility.

Staffing

Current Expatriate Director (ED), Joshua Bower Saul, and National Director (RD) Mikhail Nikolskii will manage the transition for Novosibirsk's BSDO from start-up and implementation of 90-day initiatives to permanent staffing and full operation scheduled to begin March 1. To facilitate the hand-over to the permanent team, hiring carried out by present directors will be on the basis of 3 month renewable contracts. The permanent RD (Deputy Director) candidates will be interviewed December 13-20 and hiring should take place by January 10. The permanent director will be recruited by January 15, 1994.

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It is projected that at full operation, the staff of the BSDO and the ESC will reach nine members (2 Directors, 4 divisional consultants, 1 computer and data processing specialist, 1 legal specialist, 1 ESC fulltime staff) in addition to 4 technical staff (secretary/translator, office manager, Russian language secretary, ESC information officer). This expanded staffing is necessary to respond to the demand for BSDO programming in Novosibirsk (the largest city by economic weight and population in the pilot group) and to ensure that momentum to develop Novosibirsk's regional role is designed into the start-up.

Personnel interviews already begun in Novosibirsk have created a pool of candidates for the four project area consultants, further personnel work will go forward before the end of 1993. In **January**, the office will function with the two temporary directors, the consultants for training and local administration and two secretaries. For specific programming initiatives in this period, the transition directors will call on CMU consultants in January and February.

Locally recruited legal specialists will be brought in on a contract or hourly rate to provide advice on leasing or other agreements and to do reviews of local economic and enterprise legislation. This will allow the BSDO to evaluate performance of candidates for the legal advisor position while building up key local information resources.

In February, the ESC director will be hired with the participation and agreement of the BSDO permanent director. The BSDO permanent director will manage hiring of the Business Association and Business Service coordinators during February/March. Once the BSDO permanent offices are set up and the location (or facilities, if co-located) of the ESC decided, the remaining personnel and the legal specialist will be hired in mid-late March. By mid-March, the permanent staff and offices of the BSDO will be established, by end of March, the ESC should be staffed and operational. At this point, Saul and Nikolskii would no longer be allocated to Novosibirsk BSDO.

Equipment

The start-up equipment list is the minimum that would allow roll-out to begin. A full operational kit would include items for the Enterprise Support Center not part of the standard kit list. These items would be funded after approval of the concept for the ESC by the CMU.

Minimum start-up kit list:

- 1 PC workstation 386/25mhz/4MB/120HD
- 1 Fax/phone/answering machine
- 1 bubblejet printer
- 2 phones (one line for fax).

The BSDO and ESC offices will be supplied by local procurement as Novosibirsk has ample suppliers of office furniture and stationery.

OUTPUT

- BSDO management office staffed with secretarial support and two coordinators (local admin and training programs)
- Personnel hiring schedule & CMU agreement on salaries
- Data base for candidates, participant organizations and businesses (initiate)
- Report on first 30 days January 15
- Legal and Administrative step by step plan to satisfying requirements for registration.

3.2.4. BSDO Initial Outreach Activities

GOAL: To promote the goals and publicize the achievements of the NBDA/BSDO initiatives through planned use of the local media and business associations network. To produce a local gazette in a Russian-language newspaper on BSDO activities and entrepreneurship. To begin dialogue with business leaders and local training institutions and to survey these communities.

The BSDO's outreach program will focus on informing first the business and government communities about the program through distribution of descriptive literature. This will include a Russian-language brochure on the program's objectives and methods and a copy of the basic business environment surveys and professional service surveys whose production is to be initiated in the first 90 days.

A local subcontractor (STRATECON) working with the host organization of the ESC (the Siberian Enterprise Support Fund) will survey the business environment aided by a legal advisor from the BSDO staff responsible for papers on legal and regulatory aspects of entrepreneurial activity and small business taxation. A similar survey of training institutes will be carried out by the Training coordinator together with an as yet undetermined local consultancy.

Based on previous D&T ties with local advertising media, the design of a PR campaign to be rolled out in February-March will be initiated in late January. The tactical goal will be to have a "business environment" special on the local business daily TV program in March. The BSDO will provide material for a weekly rubric (through the ESC office) in one of the local business daily newspapers.

Once first initiatives are engaged (as described above) in the area of training and the ESC set-up, the BSDO will sponsor a series of informal "chalk-talks" bringing in CMU consultants to discuss various programming orientations and receive feedback from the target communities. As the priority initiative is in the area of training, the first request to CMU would be for education consultants in late January to participate in such a program for 2-3 days.

With the local administration, a "business map" of Novosibirsk will be initiated as an outreach project. Producing a new type of map of the city, region and eventually oblast' help prioritize new business locations and for study of tax revenue patterns.

OUTPUT

- CMU approved brochure for distribution
- Business needs assessment
- Initiate Data base design
- Business Association general directory with data base development
- PR campaign local design
- Series of meetings business leaders for guidance on needs
- Design of PR campaign for roll-out period (local subcontractor+CMU)
- TV and press coverage with CMU inputs
- Business map plan and production.

3.2.5 Risks and Issues for BSDO development

The principal risk in Novosibirsk is that the BSDO team will be overwhelmed by the demand of an active and aggressive business community. The increased level of staffing proposed and the rapid start-up are meant to take this challenge head-on.

The greatest political risk in creating the Enterprise Support Center lies in opposition from the local anti-monopoly fund's own faltering program in this area. The alliance with a local business association headed by bankers and on whose board are present the GKI and the Chamber of Commerce and the "space sharing" concept are provided as foils to charges of favoritism. By separating the ESC from the BSDO in terms of facilities and programs (the ESC serves all four project areas on a shared-allocation basis), it can be treated as a program element and any difficulties will not cast shadows on the overall BSDO program.

The BSDO in Novosibirsk will succeed only if it has a relatively significant capacity to respond flexibly to the demands of an active, forward-looking business community. The degree of financial and decision making autonomy needed for the Novosibirsk office requires an experienced manager. Particular attention must be paid to the proper transferal of D&T's significant capital of goodwill acquired in earlier projects to the permanent directors of the BSDO by the transition directors. For that reason, a three week orientation stage is planned.

3.2.6 Summary of Tasks and Responsibilities

The strategy of intensive development requires progress on several fronts to be achieved simultaneously. For this reason, some contractual researchers are planned to be brought on in December and January for information gathering tasks. The office accommodation issue can be rapidly resolved for both facilities (BSDO management unit and ESC), staffing preparation is already begun and procurement issues could be solved locally if approved by CMU. As permanent staff comes on board, team-building and training will take place in Moscow circa February 15-20.

February 20-March 15 will see the office double-teamed (the two transition directors remaining onboard for the permanent director's first two weeks) so that a build -up to a mid/late March opening of the operational ESC may be combined with planning

and implementing the first week-long seminar designed and staffed through cooperation with Morozov Project programs. A multiple event effect will take place in late March as the seminar, ESC, BSDO PR and first "Business Plan Competition" are implemented.

Throughout the period, transition directors will be developing frameworks for discussion and consultation on local administration policy issues, using resources developed through various local sources (and added to the information service of the ESC (data base and hard copies)). The April programming will have sufficient momentum to ensure an ongoing commitment from the local administration, and production of the "business map" and "start-up kit" are designed to target the 120 day mark. New components and program suggestions and ongoing admin. tasks (selection and proposal of trainers for Stateside training or "T³" (Train the trainers) programs in Moscow, regionalization of BSDO achievements through Siberian Accord, etc.) will allow the program to be self-propelling.

CMU input will be essential to the success of both training and local administrative policy guidance initiatives. Consultants from the CMU will be invited to participate in January (for Morozov initiative planning), February (Moscow training) and March (Morozov seminar trial run and ESC opening).

It should be stressed that Novosibirsk is the largest and economically most meaningful pilot site. The success of the BSDO there will affect the program's fate in an entire geographic region. We feel that it is therefore worth committing to the ambitious program here described.

3.5 INITIAL 3 MONTH PLAN FOR EKATERINBURG BSDO

3.5.1 Overall Strategy for Ekaterinburg

There have been a number of western aid efforts at one time or another in Ekaterinburg. However, there is some skepticism about the usefulness of Western consulting efforts. This perception must be overcome immediately if the BSDO is to be a success. The key issues in the minds of our contacts in Ekaterinburg are investment and project analysis.

The region is dominated by large military industrial complexes, and there is a highly educated workforce. Currently, new business development is strong, entrepreneurs having set up a wide variety of new manufacturing companies. There is an active foreign presence, with 40 Joint Ventures and 30 Representative Offices. These include projects to modernize banking systems and the telecommunications network. Aside from growth of the service sector, the main focus of development of the economy in the region is likely to be diversification in manufacturing. Leaders of the local administration and businessmen alike are supportive of the concept of a business services center and wish to see an increase in foreign investment.

The overall strategy for Ekaterinburg is, therefore, to help new businesses overcome economic and institutional barriers such as the lack of information on potential markets and business know-how. In order to implement this strategy, in addition to fostering the provision of practical advice on setting up and managing new businesses, the BSDO will need to encourage the formation of a network of economic ties and trading relationships both within the Russian Federation and with foreigners. This 90 day plan addresses these needs immediately through the production of a Business Planning Guide, and further identification of how these needs can be met through local outreach activities.

The following sections in this plan describe how the immediate initiative will be implemented, followed by setting up the BSDO and performing local outreach. Risks and issues for this plan are followed by a summary of the resources required and target dates.

3.5.2 BSDO Initiative for First 90 Day Period

GOALS: To develop a practical guide to business plan writing, thereby achieving credibility with the local business community.

In developing the guide, it will be essential to pitch the content at an introductory level so that it can be grasped by those with little or no exposure to business. However, the guide should also contain material in sufficient depth for it to be useful to well developed business whose primary need is for

growth and increased efficiency. For example, the guide could be modular, based on the different stages of business development, as opposed to being structured purely functionally. A list of contacts or further reference material could be included to address the needs of businessmen with specific technical problems.

The following activities are planned in order to produce the business planning guide.

- a) Interviews with all local contacts to find out what material is already available, what their outstanding needs are, and gain their views on different approaches to advising on business plan writing (booklets, seminars etc.).
- b) With the assistance of the CMU identifying existing relevant material for the topic (e.g. USIA materials, BBC developed cassettes and booklets).
- c) Design and development work, producing a list of options for implementation of the business planning guide. Initial evaluation of these options in terms of the expressed needs of Ekaterinburg and time and cost to implement will follow.
- d) Further interviews with local contacts to gain their comments and approval to the favored option.
- e) Budget approval to develop and produce the guide, followed by implementation.

3.5.3 BSDO Startup

GOAL: To have established a fully operational BSDO by the end of ninety days.

Office Location

The Deputy Mayor Ishutin has promised his help in finding suitable offices, and we are awaiting a fax from the administration giving more details of what may be available.

Staffing

In view of the specific characteristics of Ekaterinburg, we propose that Gina Volinski be appointed as the permanent Western director. She will be supported by Yuri Krasheninnikov as permanent Russian director.

We plan to recruit the following staff locally:

Business Information Manager. The information officer's key initial task will be to help in the formulation of a suitable business planning guide, subsequently following up other initiatives and to act as a point of enquiry for distributing educational material. The key qualities for this position are a good knowledge of English, some familiarity with business processes, and contacts within the local business community to sound out their needs and opinions.

Office Manager. This person will be responsible for all aspects of the office, covering filing, petty cash, organizing typing/translation, answering the telephone, travel arrangements, filing and other project support activities. Russian/English fluency is mandatory. Computer experience is highly desirable.

Research Assistant. The Research Assistant will be responsible for organizing the local outreach program's logistics, making appointments, identifying suitable interviewees, participating in interviews, visiting the administration and business associations to collect statistics and other required data.

Office Setup

To set up the Ekaterinburg office we will:

- Register the BSDO locally as a legal entity as defined by the CMU
- Establish communications with the CMU, both by telephone and by Email
- Implement office systems and procedures under guidance from the CMU
- Install appropriate a computer system and train the local staff in its use.

Outputs

The BSDO startup component of the plan will provide:

- Furnished Office Accommodation
- Legal Registration
- Local Bank Account
- Trained Permanent Staff
- Office filing and documentation systems
- Office computer equipment
- Communications link to CMU (telephone and Email).

3.5.4 BSDO Initial Outreach Activities

GOAL: Develop a network of contacts in Ekaterinburg and involve them in the roll-out of BSDO activities; gather information as needed locally and by the CMU; build, where necessary, bridges between local businessmen and institutions; and providing reference material to the local business community.

Attainment of this goal will be carried out with the help of the newly established American consulate.

Contacts

The BSDO staff will conduct interviews with, and build up a database of information on:

- **Training Institutions.** Specifically, we shall revisit the KOMBI Business School based in the Urals Institute of Economics with whom there is a preliminary agreement on cooperation, the Personnel Training Center, the Business faculty of the Urals State University and the Politechnik Institute.
- **Business Associations.** Key visits will be to the Chamber of Commerce and Industry and the Chamber of Manufacturers who have been identified as priority partners. Interviews will also be conducted with the Urals branch of the Russian Association of Privatizing and Private Enterprises, the Association of Small Enterprises and the Business Assistance Center.
- **Business Support Enterprises.** We shall focus on local professional business services companies such as the Vnesheconomservice company, "Taxes of Russia", Ostin, the Urals Securities Center and the regional consortium on certification.
- **Relevant branches of the Local Administration.**

Information Gathering

The BSDO staff will identify existing databases of:

- **Economic activity**
- **Register of small businesses.**

This data will be essential to target and distribute the Business Planning Guide to the right audience.

We will also research locally regulations and policies affecting the registration and development of new businesses.

Public Relations

The Business Guide will itself constitute part of the BSDO's PR campaign. In addition we shall exploit opportunities available in the initial 90 days to participate in local business seminar and make information available through other media.

Needs Assessment and Relationship Building

We shall interact with, and support, the local institutions with the aim of developing relationships that do not favor one group over another. This is particularly important in Ekaterinburg as personal and ideological rivalries still exist at many levels, although the political environment is generally progressive as can be seen from the level of new business activity already under way and the opinion polls and voting patterns of the local population.

Through our contact with the business and business support community we shall be able to confirm our choice of local partners, identify additional local partners, and describe the nature of transactions likely to be concluded with them.

Outputs

The initial outreach activities will produce:

- A database of businesses and their immediate needs
- Contact Lists for all four types of Institution
- PR material
- Analysis of potential assistance transactions.

3.5.5 Risks and Issues

The main risks to establishment of the Ekaterinburg BSDO are considered to be the following:

- a) Failure to produce an effective business planning guide. An initial failure to produce a guide would damage the BSDO's credibility and support for its further activities. The initiative requires continuity of effort, with a suitably experienced person taking the responsibility to drive through to completion. We have addressed this risk by assigning a permanent Western director from the outset, and by defining the activities for the initiative in such a way that consensus can be achieved as to its content and format without progress being held up by committees.
- b) Ineffective staff. To enable suitable local staff to be identified and recruited we have planned for the permanent directors to receive training and project orientation as a pilot for the main training effort commencing January. In addition, experienced recruitment support will be provided from the CMU to help the hiring of competent and committed local staff.
- c) Partnering with the most appropriate local institutions. A significant amount of the effort being applied in Ekaterinburg for NBDA is being funded by the state. There is a risk that cooperation continues mainly

with state sponsored organizations. This risk has been addressed by emphasizing the need to build up a network of contacts with local businessmen and entrepreneurs, so to gain their involvement with self-sustaining Business Associations and Business Support companies which can accurately reflect and meet their needs, as opposed to the desires of old-style regional and city planners.

- d) Some small businesses, of which there are a large number in Ekaterinburg, may fall through the information gathering "net". This need will be addressed by the outreach program to attract those businessmen who are not members of business associations, raising their awareness of the BSDO and its activities.

3.5.6 Summary of Tasks and Responsibilities

It is essential, to preserve and build credibility, to make an early start on formulating the Business Planning Guide, however, there must be parallel activities to put the BSDO in place to harness locally employed staff resources.

The roll-out over time the first 90 days is planned as follows:

- a) Initially, we will visit to re-establish relationships with the local administration and to follow up the selected initiative through meetings to confirm our commitment to the concept and to discuss how to carry it forward.
- b) As soon as potential staff have been identified they will be interviewed and hiring recommendations made through the CMU. At the same time, office accommodation will be sought.
- c) Once staff are in place they will be trained and set to work on the outreach tasks, relieving the two Directors to concentrate mostly on getting the Business Planning Guide under way.
- d) Significant CMU input will be required to identify how most efficiently and effectively to implement the business guide, researching existing materials and options for presentation, delivery and distribution. Further consultation will then take place to obtain local input.

3.6 INITIAL 3-MONTH PLAN FOR VLADIVOSTOK

The first site visit to Vladivostok is in progress as this ninety-day plan is being prepared. Therefore, the city has not yet been approved as a BSDO site, and collection of information is in progress.

We propose to deliver a full site report to USAID before Christmas, December 25, 1993, including a recommendation as to whether a BSDO in Vladivostok makes sense. In the meantime, the following background information has been submitted from the NBDA team on the ground.

3.6.1 Local Business Environment

With rail links to the Russian interior and two major ports, Primorsky Krai is the strategic Pacific gateway to Russia, Northern China and the Central Asian Republics. Its capital, Vladivostok, is a major trading, industrial, administrative and scientific center, located on the Sea of Japan in the heart of the booming Pacific Rim. Its unique geographic position and well-developed infrastructure have attracted keen interest from Japan, Korea, China, Canada, Australia, New Zealand, the U.S. and others which have opened consulates here. While foreign investment remains limited, many observers expect a coming boom. U.S. business delegations to the Consulate have grown to some 50 per month. There is talk of Japanese government assistance in the form of seed capital and subsidized investment. New joint ventures have begun to dot the landscape in the form of hotels, restaurants, retail outlets, seafood packagers, computer distributors and industrial projects. An estimated 5,000 small and medium businesses have opened their doors in the city alone. Primorsky Krai will be a significant engine for growth in the Russian Far East.

However, foreign interest for the time being revolves mainly around large-scale industrial and infrastructural projects. There is a noticeable lack of visible small business in the Krai, although small entrepreneurs are struggling to cope with the growing level of economic activity in this formerly closed city. Infrastructure is limited -- office space and other resources remain scarce. Local authorities are unprepared to handle business-related activities, registration, business regulation, dispute resolution or handling the flow of foreign visitors to the Krai, for example. Local businessmen complain that conflicting legislation and discouraging tax regulation place a brake on entrepreneurial activity. Large state-owned enterprises (SOE's), particularly those in the military-industrial sphere, still feel threatened by small business, and are struggling to defend the highly profitable monopolies which they currently enjoy. Krai authorities are divided on the pace of reform. Educational institutions have entered a vigorous competition in the fight for scarce resources as they struggle to adapt their curricula to the demands of a market economy.

Despite these problems, many of which are common to all large former Soviet cities, there are many reasons to be optimistic about longer-term prospects for the region, which may warrant the establishment of a BSDO in Primorsky Krai. As a closed military base whose local economy was dominated by the military-industrial complex,

Vladivostok represents a special case. The region is undergoing tremendous change as the local economy is forced to reorient its economy from a Moscow-directed military base to a Pacific rim industrial and trade center. As large SOE's are forced by macroeconomic pressures to restructure, there is a pressing need for new business creation to generate private sector outlets for employment. Willingness to restructure is in turn a necessary precondition for large-scale foreign investment. If foreign investment is to act as a "push" for regional development, the development of a fertile environment for small and medium business must serve as the "pull."

3.6.2 U.S. Agencies in Vladivostok

Because of its geostrategic location on the Pacific Rim and in relation to the U.S., there are a number of U.S. agencies and aid groups present or currently organizing offices in Vladivostok. In addition to the Peace Corps, the following organizations have set up or are in the process of setting up: U.S. consulate, Catholic Relief Services, the U.S. Information Service, U.S. Department of Commerce, International Executive Service Corps and International Research and Exchanges Board. Many of these organizations have arrived only in the last three months. Most have mandates which complement, without duplicating, the BSDO's mission. All expressed strong support for the BSDO, and suggested that the NBDA has an important role to play, particularly as a Russian-staffed organization, in complementing their efforts.

The Peace Corps in particular presents an ideal opportunity for the BSDO to use its resources to amplify and enlarge the positive effects of other business development initiatives while accelerating its ability to integrate rapidly into the local community. Peace Corps volunteers are highly experienced Western executives with an extensive network of local relationships built up over two years assisting local authorities, private and state-owned enterprises, and educational institutions.

NBDA relations with Peace Corps staff are excellent, and the Far Eastern country director, Victor Giardello, has been very supportive in helping the BSDO to organize in the Krai. The Peace Corps' mandate also provides an excellent complement to the BSDO's mission. Its non-profit mandate restricts its ability to work with commercial service providers, particularly commercial training institutes, and to raise the funds necessary to provide assistance on a self-sustaining basis. Unlike the BSDO, it offers one-on-one consulting, and has volunteers placed at the highest levels of large enterprises and local government. Such complementarities of focus allow the two programs to leverage each other's resources to serve their respective constituencies more effectively. In addition, the Russian character of the BSDO will allow it to assist the Peace Corps in its efforts to reach more deeply into the broader Russian community.

Ongoing discussion with the Peace Corps has been fruitful in uncovering ways for the BSDO to assist Peace Corps efforts in the region. In particular, the BSDO can offer material resources where these are lacking, and organizational assistance to develop programs that combine multiple agency and local resources, and to deliver them to BSDO-mandated constituencies.

3.6.3 Local Partners

In addition to its relationship with the Peace Corps, the BSDO has received strong expressions of interest, including concrete assistance during the visit, from a number of individuals and organizations. We plan to work closely with these sources of support during the early stages of BSDO setup, while maintaining our political independence and distinct identity. We have informed the following persons of our intention to work closely with competing organizations as the project progresses. All have identified, or are in the process of identifying, concrete initiatives which the BSDO hopes to support:

- Vladimir Talantsev, local branch of the Anti-Monopoly Committee
- Konstantin Sheykhot, Director, Primorsky Innovation Fund
- Oleg Semyonov, Vladivostok City International Relations Committee
- Pyotr Unru, Vice President, Far Eastern State Technical University
- David Swali, International Research and Exchanges Board
- Greg [surname unavailable], United States Information Service.

3.6.4 First Initiatives

Anti-Monopoly Committee Consultancy

The Director of the local branch of the Anti-Monopoly Committee, Vladimir Talantsev, is supportive of the NBDA efforts and anxious to work with us. We understand that he has been spreading word of the project in the local community to build support and identify projects.

Talantsev has organized an independent center to provide consulting to small and medium enterprises on a non-commercial basis. Services would be practical in nature, covering such activities as help with new business registration, tax preparation, bureaucratic support, premise location, etc. The consultancy currently has a core staff of five non-technical assistants. While it has identified senior consultants willing to work for the center, it suffers from a chronic lack of funding, making it unable to offer a meaningful service. The BSDO would find ways to support the center by providing initial seed capital and limited equipment, directing it to sources of additional technical assistance, and providing direct operational support. In exchange, the center would help orient the project to the local business community and to assist in organizing the BSDO.

Consultant Training

Far Eastern State University (FESU) has a marketing research department which recently approached USIS looking for consulting projects for its students. At the same time, the Peace Corps is in the process of negotiating a business center at FESU where a Peace Corps volunteer will offer one-on-one business consulting and a business library. The NBDA could, in turn, organize a consultant training program whereby the BSDO would help secure consulting projects for FESU students, provide classroom-based training, and together with the Peace Corps center provide technical assistance to students executing projects. Classroom training could be

provided through a combination of CMU resources, USIS speakers, Peace Corps volunteers, local experts, and so on. Students receiving training would be encouraged to make the results of their research available publicly to the local community through the BSDO. Students wishing to open consultancies on a commercial basis following their studies could be directed to additional training resources, again through the CMU, D&T or the IREX "Business for Russia" program. We are interested in identifying a similar business opportunity at the existing Peace Corps center at the FESU.

Training Seminars

The Peace Corps has organized a weekly lecture series at Far Eastern State Polytechnic University (FESPU). After a successful semester last spring, the fall series was canceled because of a lack of advertising, and an unwillingness of the FESPU administration to help publicize the program. However, discussions with local sources revealed a high level of interest in seminar series.

The NBDA could help the Peace Corps extend its program by: assisting with advertising; providing support in structuring programs directed at a broader business audience, including local educators, local administrators, and the management of newly privatized enterprises; and expanding the availability of venues through the assistance of BSDO contacts. We envision evening series held through institutes where the Peace Corps has a presence, private institutes who have an interest in advertising their services, and local government bodies wishing to augment their understanding of Western market mechanisms. Russian BSDO staff would assist the Peace Corps in designing lectures that reflect the specificities of the local economic situation. Lectures would be followed by an opportunity for informal interaction between members of different constituency groups.

We have also found an interest on the part of local entrepreneurs to share their experiences; one local businessman had already participated in delivering a series of lectures on capital market operations. We would plan to leverage the Peace Corps efforts by organizing local speakers through our contacts with local associations and municipal and Krai government. We feel it is particularly important to assist in establishing links between different constituency groups. For example, local businessmen would hold business seminars for city and Krai officials, and local officials would explain administrative procedures and regulations to businessmen. This idea has received strong verbal support from representatives of the constituencies concerned.

Business Book Program

In response to requests from local educational institutions, the Peace Corps is interested in making management-related books more readily available in Vladivostok. USIS has a business book translation program operating in Moscow. Through CMU contacts with USIS, we would plan to identify low-cost sources of Russian language business and public administration texts to make available to local institute libraries. This effort could be made in conjunction with CMU curriculum development, and with experience gained from the University of Maryland's joint

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program at FESU, to design cost-effective curriculum packages with accompanying literature based on local requirements identified in the field.

We would also plan to target books to local businessmen. The director of the local branch of the Anti-Monopoly Committee has created a structure for supporting small and medium enterprises, and has agreed to help make books available to their constituents. Books could also be made available to local administrators, though the precise mechanism for distribution has yet to be determined.

The presence of a USIS office in Vladivostok will be of enormous help in creating a large-scale program. Part of USIS' mandate is to make books available. USIS has indicated that the BSDO would have an important role in distribution, helping to design delivery mechanisms to target specific constituencies, and generating the publicity necessary for such a program to be of substantial benefit.

IREX

IREX has asked for assistance in developing application materials, identifying suitable candidates for training, and in finding Americans to act as interviewers and sit on the selection committee. We would plan to assist IREX in these efforts, helping them to focus their training on individuals likely to have significant feedback in the local community, such as directors of commercial training institutes and other business service providers. We also believe that returning participants should be available to share their experiences of American business in public forums.

Technical Assistance Clearing House

The BSDO will supplement the ability of existing organizations (Peace Corps, USIS, the U.S. Consulate) to distribute information regarding technical assistance opportunities (such as exchange programs, training seminars, or funding opportunities) through its network of contacts in the local community. In addition, the CMU will allow the BSDO to make available information regarding additional opportunities otherwise unknown locally.

3.6.5 Further Meetings

The BSDO team in Vladivostok has scheduled meetings with the organizations listed below. Second-round meetings are also planned to more clearly define proposed initiatives, and to explore further additional initiatives uncovered in first round discussions.

- CEO, Far Eastern Chamber of Commerce and Industry
- Viktor Brochin, Ex-President of the Far Eastern Regional Union for International Cooperation and Foreign Economic Activity
- Vladimir Babakin, Professor, Vladivostok Commercial Institute; Former Member of Vladivostok Branch of the Federal Anti-Monopoly Committee
- Yuri Boiko, Vice President, Far East Regional Conference of Russian Businessmen

- Mikhail Kovtun, Professor, FESU Laboratory of Marketing and Social Research
- Nikolai Priminov, Primorsky Krai Planning and Economic Board
- Vladivostok City Planning and Economic Board
- Don Hansen, International Executive Service Corps.

A trip report and a more detailed ninety-day work plan for Vladivostok will be prepared upon the BSDO team's return; activities will begin after USAID approval of the BSDO site.

SECTION 4.

CONTRACT MANAGEMENT UNIT

SECTION 4. CONTRACT MANAGEMENT UNIT

This section covers the broad responsibilities of the Contract Management Unit (CMU). It has two major parts: the first describes the overall management, organization and staffing of the CMU. The second contains ninety-day work plans for the four technical components contained in the CMU: training, local administrations, business associations and business services.

The Contract Management Unit has four primary roles.

- It provides the planning, management and administrative control for the project.
- It provides technical expertise and support to the BSDOs.
- It identifies and provides the resources -- internal and external -- needed for the BSDOs to meet their identified needs.
- It manages the national and international outreach and development activity for the NBDA.

4.1 CMU Work Plan

Tasks to be addressed by the CMU during the next ninety days can be divided into two broad categories: those relating to BSDO startup and support, and those relating to overall project management.

4.1.1 BSDO Startup and Support

With the help of BSDO directors and deputies, we have identified ten categories of support needs from the CMU. These are: legal issues, personnel issues, financial issues, BSDO/CMU operational interaction, communications, data bases, evaluation issues, training, working directly with businesses, and security. The BSDO directors need specific operational assistance and guidance on how to establish and conduct BSDO operations. BSDO support needs are shown in tabular format in Appendix B.

The needs definition thus helped to derive the following tasks:

- Legal registration and establishment of each BSDO. Estimated completion date: 1/31/94.

- Procurement and preparation of basic office equipment and supplies for each BSDO. methods. Estimated completion date: 1/31/94.
- Development of a mechanism for financing the setup and running of each BSDO. In the short run, expenses may have to be handled in cash. In the longer run, the CMU will establish banking arrangements and procedures. Initial financial administration procedures must be developed. Estimated completion date: 1/31/94.
- Development of security guidelines for BSDOs. These guidelines will include both personal and business security issues. Estimated completion date: 1/31/94.
- Production of initial handout materials for BSDOs. These will include a presentation folder, brochure, and business cards. Additionally, the CMU will develop guidelines for press and local administration contact. Materials will be prepared and printed in both English and Russian. USAID and WCER signoff must be obtained. Estimated completion date: 2/28/94.
- Analysis of options for telecommunications and data base management. As a minimum, each BSDO site should have electronic mail. Estimated completion date: 1/31/94.
- Development of a training program for BSDO directors going into the field. We anticipate a one- or two-week orientation session at the project offices. The orientation will cover: the goals of the NBDA; ethical issues; effective outreach techniques; and project management, including preparation of terms of reference for short-term assistance. Such training is important to ensure that our BSDO directors are adequately briefed about the project goals and management. The BSDO directors have to be briefed in order to operate independently in a remote location. We will incorporate the orientation material into a project management manual. Estimated completion date: 1/31/94.
- Development of a personnel, policy and procedures manual for project operation. We envision an overall NBDA manual, with a subset for BSDOs. The BSDO version will identify areas where BSDO directors have flexibility in hiring or other decisions. In addition, the personnel section will identify a staff training plan for staff members hired onto this project. We are proposing a consultant from D&T/Eastern Europe to provide short-term assistance for these two tasks. An abbreviated personnel policy will be developed in the short term. Estimated completion date: 4/30/94.

4.1.2 Contract Administration and Management

- Locate and move into permanent, properly equipped project office space. Estimated completion date: 3/31/94.

- Continue liaison and relationship building with USAID and project counterparts. Where necessary, develop more formal or regular communications. Estimated completion date: continuous.
- Continue recruiting for open positions.
- Put into place structured financial and administrative control mechanisms. Work is well underway on these tasks. Estimated completion date: 1/15/94.
- Complete plan for evaluation and monitoring of the NBDA. Define the role of the WCER; obtain subcontract assistance to define the necessary indicators; and data collection and analysis mechanism. Estimated completion date: 3/31/94.
- Define information technology (IT) functional needs. Obtain short-term assistance to develop a plan to meet those needs. The additional IT needs are projected to include a local area network for the CMU office, telecommunications with the BSDO's and counterparts, and development of a full IT procurement plan. Estimated completion date for the plan: 2/28/94.
- Develop a detailed plan for the Innovative Special Projects Fund. The plan will include application procedures, criteria for evaluation of applications, geographic distribution targets for the funds (if any), disbursement mechanisms, and means of monitoring results. The plan will also assess whether a full-time special projects administrator is needed. Estimated completion date for the plan: 3/31/94.
- Develop liaison with volunteer organizations that will play roles in this project. Assess staff requirements and initiate recruiting if necessary. Estimated completion date: 3/31/94.
- Develop a plan for coordination of participant training. Develop specific procedures for administration, locating ,training and screening applicants. Coordinate with the Academy for Educational Development, which is managing the participant training program in Russia. BSDO directors will need notification of upcoming courses and application procedures. Ensure geographic distribution of attendees. The participant training plan will be started in this next ninety-day period and be completed in the following quarter with about four to six months of short-term advice. In addition, the plan will assess whether a full-time participant training coordinator is required. Estimated completion date: 6/30/94.

4.2 Present CMU Organization

The staffing and organization of the CMU are based on the functions defined in the proposal and the contract, plus additional or revised functions that have emerged as the roles of the CMU have been clarified. At present, a number of staff members are handling two or more functions. As staff members come on board and the

organization solidifies, we expect to move toward a more structured organization with clear responsibilities. Individual staff positions are described below. Overall, the functions of the CMU can be broadly defined as:

- a) Overall project leadership, client liaison and D&T reporting responsibilities
- b) Technical support to the BSDO's in the four project areas, as well as guidance and direction to ensure coordination
- c) Outreach to Russian Government and non-government agencies and to international volunteer and donor organizations
- d) Financial management of the project: accounting, invoices, financial reports and projections; management reporting to USAID including quality control of deliverables
- e) Personnel management for the project: interviewing, hiring, evaluating, paying salaries and benefits
- f) Logistics management for short-term advisors: preparing scopes of work, obtaining approval of c.v.'s and bio-data sheets, making contractual and visa arrangements.

We define below the project structure that will be established to meet the broad range of roles and responsibilities of the CMU. For each position, we specify whether it is presently filled; if not, we identify whether the need is immediate or long-term (to be filled at some future date).

The *executive level* of the CMU includes:

- The **Chief of Party**. This is a four-year, full-time position and provides overall project direction and high-level liaison with client, counterpart, and contractor management. The chief of party is Charles Twyman, who is now on staff full-time.
- Two **Deputy Project Directors**, one expatriate and one Russian:
 - The first deputy is a four-year, full-time position with primary responsibility for BSDO supervision, as well as oversight of the financial and administrative control mechanisms of the project. This position is filled by Jeremy Ingpen, who is on staff now and who will function as backup chief of party when the COP is on travel.
 - The second deputy is also a four-year, full-time position. This individual will oversee inputs of the four technical functions of the CMU (local administration, business services, business associations and training institutes). The position is filled by Yuri Malyshev, who is on staff now.

- Two **Senior Program Advisors**, as follows:
 - George McGurn, primarily responsible for directing the training functions of the CMU, will also advise on strategic and liaison matters. He is brought in on an EBRD contract and has particular responsibility for Morozov liaison. This role will be developed based on our working experience and program needs.
 - Sergei Piatienko, who will serve as policy liaison and principal contact person with the WCER. The workload varies over the four years of the project, with a heavier level of effort in the early stages.

The four *technical functions* of the CMU will each be served by two individuals, one an international advisor and one a Russian, as follows:

- The **training** activities will be handled by:
 - Alexei Grishin, who is presently on board part-time and will soon be transitioned to a full-time basis; and
 - George McGurn, as mentioned above, on a contract basis
- The **local administrations** activities will be handled by:
 - Vassily Skorokhodev, who is presently on staff in a four-year, full-time position; and
 - An international advisor anticipated to start work in February 1994. A candidate has been identified and will be presented to USAID for approval.
- The **business associations** activities will be handled by:
 - Ikar Zhavrozhev, who is presently on staff in a four-year, full-time position; and
 - An international advisor. We expect to define the requirements of this position more clearly during the ninety-day period, as our outreach activities help to clarify specific needs. Recruitment is planned for about four to six months from now. In the meantime, both deputy chiefs of party will handle this function.
- The **business services** activities will be handled by:
 - Alex Slavich-Pristupa, who is presently on board in a full-time, four-year position; and

- An international advisor. This position is defined as a four-year, full-time task. We expect to begin recruiting within the ninety-day period. We expect that immediate needs in this area will be handled by the local administration or business associations advisors.
- The **Innovative Special Projects Fund** will be handled in the short term by a working team consisting of Twyman, Ingpen and Michele Banks. This team will think through the issues surrounding the fund, and establish the policies and procedures necessary to handle it. The team will determine whether a full-time special projects administrator is required; if so, a job description will be prepared within this ninety-day period, and recruitment will begin approximately in March of 1994.
- The National Policy Advisory role is proposed to be handled by a Russian advisor identified by the WCER. This would be a full-time position, to be filled immediately.

The financial and administrative control aspects of the CMU's functions will be staffed as described below.

- A finance and administration team will consist of:
 - A financial manager to handle project control and management reporting. This is a four-year, full-time position. A candidate has been identified and an offer will be made soon.
 - A financial control officer. This position will be a four-year, part-time function handled by Jim Davis of D&T/Moscow.
 - An advisor on banking and financial administration issues. This is an intermittent position over the four years of the project, and will be handled by Mike Mehan of D&T/Moscow.
 - A personnel officer; this is envisioned as a four-year, part-time position with a higher level of effort in early stages. The position will be handled by Steve Rozengauz of D&T/Moscow.

Additional administrative positions are:

- A **communications professional** to handle both internal and external communications, public information, seminar organization, and related outreach tasks. We envision this individual handling the information exchange among the BSDO's, providing advice on effective use of the press, coordinating document production and a wide range of tasks. This is a full-time position for approximately two years, with a gradual handover to the Russian assistant described below. We would like to begin recruitment immediately

- A Russian assistant for the communications professional. This is envisioned as a full-time, four-year position. Recruiting will be done in the medium-term (approximately six to eight months).
- A part-time specialist in **project monitoring and evaluation**. This position will be further defined.
- **An information technology specialist**. We envision this function requiring about six months, possibly not continuously, beginning in January of 1994. On a short-term basis, we will bring in a specialist to: define further IT needs of the CMU including specifications for a local area network (LAN); review the needs of the BSDO's for office automation/financial management and telecommunications with the CMU and among themselves, then propose a practical means of meeting those needs; setting up a data base to maintain the project monitoring indicators and produce reports; and to define a means of maintaining the project's technology structure. A scope of work for this specialist will be prepared by December 31, 1993 and the short-term assistance will be brought in as soon thereafter as possible.
- A locally-hired **technical specialist** for ongoing maintenance of the LAN, telecommunications methods and data bases. This is envisioned as a four-year, part-time position. A job description will be prepared, and recruiting will begin, approximately March 1994
- **A volunteer organization coordinator**. This position is being handled now on a part-time basis by a staff member of D&T/Moscow. We envision hiring a four-year, full-time liaison staff person, with recruiting to begin within the ninety day period.
- **An office manager**. We expect to hire a local office manager for this full-time, four-year position. The individual will handle management of the secretarial staff, scheduling of appointments, deployment of drivers, travel arrangements, and some procurement, assisted by our subcontractor, AMEG, on a short-term basis. Recruiting is in progress now.
- Secretarial staff and drivers will be recruited on an incremental basis in response to workload and program management .

4.3 CMU Staffing Up Plan

The identification of responsibilities presented above can be summarized in the following plan for achieving full staffing:

Position	Level of Effort	Begin Recruiting	Target for Start Date
Local administration -- international advisor	Four years Full time	Now	Feb. 1994
Business associations -- international advisor	Four years Full time	Apr. 1994	Aug. 1994
Business services -- international advisor	Four years Full time	Feb. 1994	Apr. 1994
National policy advisor-- Russian from WCER	Four years Full time	Now	Jan. 1994
Financial manager -- international	Four years Full time	Now	Feb. 1994
Communications professional	Two+ years Full time	Now	Feb. 1994
Communications assistant - - Russian	Four years Full time	Jan. 1994	Mar. 1994
Information technology specialist	Short term Six months	Now	Jan. 1994
Technical specialist -- Russian	Four years Part time	Mar. 1994	June 1994
Volunteer coordinator -- international	Four years Full time	Mar. 1994	June 1994
Office manager -- Russian	Four years Full time	Now	Feb. 1994
Secretaries (7) -- four now, three later	Four years Full time	Now (4) Mar. 1994 (3 more)	Jan. 1994 June 1994

4.4 CMU Reporting and Control

The CMU also has full responsibility for formal project reporting. The schedule of reports that will be submitted is outlined in Section 6. We will submit quarterly reports starting on December 17, 1993. We will submit a full two-year plan by the end of the second quarter, March 10, 1994. By no later than March 10, 1994, we will also submit a full training plan, and a full procurement plan.

In conjunction with periodic invoicing, we will submit a summary of level of effort expended to date. For internal management purposes we will develop a set of budget monitoring reports to maintain detailed tracking of expenditures. These will be made available to USAID for open review.

As a final level of contract control, all resource expenditures beyond the core approved staffing will be triggered by a standard Task Definition Worksheet (TDW) specifying

- Task or services required
- Recipient institution
- Budget
- Level of effort
- Budget category charged.

These TDWs will allow program activity to be related back to budget status. In addition we plan to track resource allocation and expenditure by program area within each BSDO.

All NBDA offices (BSDOs and CMU) will maintain strict documentation of contacts, outreach referrals, program development activities and formal short term service contracts. This will be based on a standardized system of call reporting and a summary reporting of service delivery indicators.

BSDOs will report monthly to the CMU on four items:

- Program activity and development in each of the four program areas
- Policy issues to be addressed at the local or national level
- Administrative Issues
- Activity Summary
 - Contacts
 - Referrals
 - Follow up
 - Program development.

4.5 CMU Program Plans: NBDA Training Overview

Arranging for training is one of the important services offered by the BSDOs. In training, as in the other components, we work *through* local institutions or organizations committed to SME development, on a transaction basis. Our goal is to support multiple institutions, creating a robust service infrastructure of competitive, self-sustaining, market-driven institutions.

To be effective, training must not only provide services to businesses and supporting institutions, but also strengthen the capacities of those institutions to assist effectively in the transition to a market process.

Similarly, local and regional authorities will require training support, to assure consistent understanding of business concepts and problems, and their responsibility to create the preconditions for the local free market to thrive.

Therefore, the basic tasks of the joint CMU and BSDO effort in this ninety-day period will include:

- On-site analysis of availability and popularity of business courses relevant to new business development
- On-site analysis of who are the relevant training institutions, their needs and requirements for improving training of start-ups, entrepreneurs, managers of privatized businesses, and other "target audiences"
- Elaboration of a flexible and efficient scheme for delivering training materials.

These tasks will lead to:

- Finalization of our understanding of which institutions will be supported immediately and which should be considered for a future tranche of funding, and establishing whether there is a need to support several institutions on a competitive basis
- Establishing, at certain locations, appropriate agreements for implementing initial training programs
- Drafting of a local training plan.

4.5.1 Target Population for NBDA Training

The NBDA will assist training institutions or organizations that are sympathetic and close to our target audience: entrepreneurs; SME proprietors; financial intermediaries; local government officials crucial to the transition process; and businesses being privatized.

4.5.2 Building on Current Initiatives

The NBDA plans to capitalize on existing initiatives that have completed analyzing problems, and that have developed solutions, contacts and working teams in the field. Initially our support and resources will be directed toward these projects. This coordination will ensure that delivery of real resources can be expedited.

Such initiatives include the Morozov Project, the Peace Corps, several Russian activities such as GKI's regional centers, the Privatization Center's local offices, the Anti-Monopoly Committee training programs, and others. Several other programs could be available through international organizations, such as the World Bank's EDI (covering project management programs in the Russian environment) and the GATT World Trade Institute (covering local export promotion seminars).

Specifically, the training activity of the CMU will sponsor and coordinate with the Morozov Project in at least two locations: Voronezh and Novosibirsk. Insofar as it is possible and feasible within budget and time frame, we will also assist Morozov to develop curriculum materials which could then be made available for NBDA purposes. We will agree on the best way to join efforts in bringing in Western training methods, and the best way to prepare training materials, using the resources of SUNY and other appropriate training institutions.

4.5.3 Creating New Initiatives

The NBDA will create new initiatives based on local needs. At the same time, we wish to have the ability to deliver some courses fairly swiftly. Therefore it is likely that, subject to local conditions, our training work will begin by offering basic courses on starting a business, or business plan writing. These might be delivered initially by representatives from Moscow institutions which we have approached either directly or through Morozov. However, the focus of our work will ultimately be on training the trainers.

4.5.4 Training Methodology

Training provided by the NBDA, as described above, will focus on intensive training of trainers in the local institutions. Our training will be characterized by these methods:

- Review and, as needed, upgrade the contents of Russian-developed curricula, ensuring that: Russian experience in the transition process is reflected; the highest international standards are met; and the training material is action-oriented, hands-on and relevant to the current needs of the target group.

- Utilize modern, interactive teaching methodologies building on teamwork and group dynamics, where appropriate, including but not limited to case studies and teaching notes. Ultimately we will wish to consider extending the curriculum to include self-paced programmed workbooks; computer simulations; audio-visual materials; group exercises; and competency-based texts.
- Assure that all training materials are not generic but adjusted for specific target audiences.
- Orient all Western participants to the specific nuances of the NBDA; seek out prior Russian experience where feasible.
- Field test all material.
- Closely monitor participant evaluation and feedback so that continuous adjustment is made in training materials to assure relevance in a volatile environment.

4.5.4 Training Topics To Be Covered

At this stage, we do not wish to be definitive about the training topics to be covered in each location. These will, to a degree, emerge from the discussions and evaluation which will take place between the BSDOs and the training institutions. Overall curriculum development needs will be communicated to the CMU from the requirements of the institutions in each BSDO.

However, during the extensive discussions held by the Morozov Project, a number of programs emerged as priorities. We envisage that these topics will also be ones which BSDO's will be likely to incorporate as part of their training plan, and we will use them as a "check list" in our initial survey of training availability in each location. They include:

- Small business startup and development
- Banking and finance
- General management
- Marketing
- Human resources
- Environmental management
- Market economic literacy
- Ethics and the market economy
- Managing accelerated change
- Managing innovation
- Project management.

4.5.5 NBDA Training Work Plan

This section describes generically the training activities we anticipate at the BSDO locations and at the CMU.

BSDO Activities

In all of the BSDO locations, including those where we are already committed to Morozov, we will begin with a review of all the potential training institutions, both existing and new, the courses and plans for courses they have on offer, and the success of those courses. In doing so, we will seek to discover the degree to which: (a) a comprehensive set of courses are on offer; (b) they are offered in a user-friendly manner; (c) the institutions are offering or planning to offer other courses; (d) their capabilities and commitment to providing courses and their overall commitment to the goals of the NBDA; and (e) specific requests which they have for the NBDA to help them develop more extensive offerings.

We will also review the likely needs and demand for courses, based on the problems at the location concerned. This will include the need for startups, entrepreneurial activities in services and manufacturing, agriculture and food processing, financial intermediaries, managers of small privatized enterprises, and local government attitudes crucial to SME development.

Then, in discussion with the local small business community, we will identify the gaps in training programs and assign priorities to those which need to be filled immediately and those which can wait for later development. We will also choose which institutions are best positioned to receive the support necessary to undertake those courses.

On this basis, we will draft an initial training plan, focusing particularly on courses which will be popular and effective. We emphasize that we will be flexible throughout this planning process. Planning will be iterative, with constant feedback from initiatives which we have sponsored.

Therefore, within the ninety-day period covered by this plan, we expect to be up and running with at least one initiative in each location. In some cases, this may involve simply running direct pilot programs using staff from our linked institutions in the U.S. and Moscow. In two of the BSDO locations, we will have first initiatives based on training institutions. These two will involve sponsoring the Morozov partnership in Voronezh and Novosibirsk. We will immediately provide the sponsorship assistance that these organizations require. To the extent possible, we will assist them to deliver the most relevant parts of the Morozov curriculum. Our timing will depend to some extent on the readiness of Morozov as a whole.

In all cases, our ultimate goal is to secure the long-term sustainability of the courses. We will focus on courses and institutions with "staying power," and

will reach memoranda of understanding with institutions based on a consensus about the long-term nature of the courses offered.

At the end of this ninety-day period, training initiatives should be underway in all BSDO locations. More important, there should be a pipeline of courses and institutions which will be supported by the NBDA.

To achieve this end, each BSDO can offer training institutions various types of support. Support may include equipment, other commodities, consulting, training support, and U.S.-based training in specific topics. BSDO's will support a curriculum of increasingly relevant and sophisticated training materials. In all support activities, the role of the CMU will be critical.

CMU Activities

The NBDA has, for the first time, assembled the training materials which are presently in use in Russia for relevant training. It will be from a distillation of the best of these materials that the first pilot programs will be run. However, in the long term the need is to train trainers, and to develop new and effective materials.

Our initial training of trainers will be conducted on location and in Moscow by MSU, the Morozov partners, and SUNY, though other U.S. training institutions will be involved at other times. As discussed above, these will be based initially on curricula developed from existing materials and later on new materials. They will cover both the teaching materials and teaching approaches. The first of the courses to train the trainers will be undertaken by the CMU, and will begin shortly after the first institutions are identified.

The development of new curricula will take longer, based on the work of SUNY and Morozov. It will also be an iterative process. We anticipate commissioning the first new curriculum materials shortly after approval of this plan, once initial feedback is available from the first BSDO sites.

A short summary of these activities and their timing over 90 days is shown in the chart in Appendix D.

4.6 CMU Program Plans: Business Associations

The Business Associations (BA) program of the CMU will deal with direct beneficiaries of the NBDA in a politically sensitive area. Regional business associations, despite their organizational and financial weaknesses, have already started to play a significant role in the regional development scene. They have begun to participate in the formation of local infrastructure for economic reforms. The most active of them demonstrate good potential for uniting entrepreneurs around common economic interests and democratic political issues.

The stage-setting for BA activities will differ from region to region. Common to all regions, however, is the fact that the great majority of small and medium new entrepreneurs are not united. Traders and intermediaries (about 60% of all new small entrepreneurs) are not interested in organized activities, being busy with "quick ruble" speculation. Those engaged in the production and service sectors refrain from joining BAs, unable to see any practical interest from the activities of the latter.

Thus, the process of BAs formation into a mechanism of economic reform and democracy in provincial Russia is still in the embryonic stage, and needs resolute support.

There are three main categories of BAs presently acting in most regions:

- (a) **Local Chambers of Trade and Industry (ChTI)** were only recently transformed from state agencies to public ones. They inherited rather good office and business support facilities. They include both large and medium enterprises as members, and are run mostly by "old days" management with limited knowledge of modern market economy techniques and practices. Small entrepreneurs may enter ChTI's through their associations or individually, but so far there is no visible flow of small businessmen into regional Chambers.
- (b) **Associations of "Industrialists and Entrepreneurs"** represent managers of large and medium enterprises (both state and recently privatized). As a rule, they are affiliated politically with federal organizations run by Volski's or Borovoi's supporters. These constitute the so-called "Directors' Corps."
- (c) **Associations of small private enterprises** include special interest organizations (retired officers in business, innovation, and venture high-tech companies, etc.) These are weak organizationally and possess limited financial resources. Some work closely with ChTI's.

Taking the above-mentioned into account, the BA component will focus on the following strategic courses:

- Do not consider "a priori" any existing regional BA as a main recipient of USAID assistance.

- Gain support from regional ChTI's and economic departments of local governments to assess the potential of existing BAs of category (c), as well as the personal abilities of their managerial staff to work in the free market environment.
- Assist local small businessmen to establish a new BA around projects with practical interest to them that would coincide with BSDO activities in the region.

A time line for the activities in this category is included in Appendix D to this document. Background comments for several of the tasks shown in the time line follow.

4.6.1 Discussion of the Timetable

BAs of category (c) have been chosen as the main direct target group for the following reasons:

- They have better potential than BAs of categories (a) and (b) to become a driving force for economic reform in the small scale sector of provincial Russia.
- Their activities can be easily directed toward assisting local governments in the efforts of the latter to reduce social tensions by providing additional working places, conducting business training courses for the unemployed, running incubators for small businesses, and so on.
- They are natural coordinators of joint "people to people" programs with U.S. voluntary organizations as well as the most effective recipients of assistance to small business development in Russia from U.S. government and non-government sources.
- In the current situation, even limited BSDO assistance to them will bring visible results and an almost immediate publicity boost for the NBDA, both in Russia and in the U.S.

Taking the above into account, the first task of our ninety-day plan is to identify recipients of assistance. The strategic decision of whether a BSDO should support existing BAs or assist local new businessmen to establish a new BA should be taken by joint agreement with BSDOs after completing tasks 3, 6, 7 and 8.

Preliminary discussions with Presidents of Russian Federation and some regional ChTI's (Novosibirsk, Voronezh, and Vladivostok) show that they support the NBDA and are ready to provide full support for BSDO activities. Thus it is logical to enter into agreements with ChTI's in this regard, and to use their good information, business support, telecommunications facilities, and personal connections with local authorities. It should be stressed that it is possible to establish a new BA without jeopardizing relations with existing BAs in the form of a Small Business Committee of a regional ChTI.

Tasks 4 and 5 are necessary to attract the attention of main national bodies (both state and non-government), which are of great interest and importance to local BAs.

The Federal Fund for Business Support and Development of Competition is the only state agency intended to provide financial support to small business development projects. Though the budget of the Fund is rather small (only 5 billion rubles for the 1993 budget year), BSDOs could assist local BAs and authorities to prepare business plans or feasibility studies necessary for application for financial support from the Fund.

The Entrepreneurial Council at the Government of the Russian Federation is currently the main lobbying body for BAs. Regional BAs are not adequately represented in it, and would be interested in assistance which the BA component can provide them in raising local problems before the Federal government through the Council.

Task 9 will lead to successful completion of tasks 12, 14 and 15. These tasks are aimed at:

- Attracting the attention of American BA's to the NBDA
- Establishing mutually beneficial relations between Russian and American BAs on the local level.

The "foreign cooperation" aspect of the BA component might be one of the most attractive to local BAs and their members. The first contacts will be of the most importance. The more practical result they can provide to the BAs of both countries, the more effective will be the role of the BSDO in the region and the political output of NBDA in general.

Task 11, being connected to tasks 9, 12, 14, 15 and 16, is the most difficult and time-consuming.

Special projects in some respect might constitute the basis of NBDA, since they bring concrete results to Russian and American BAs and their members to assure the success of BSDO activities.

Some of the projects under consideration might be:

- An inter-regional network of private financial and credit agencies for small business development in Russia, with participation of U.S. volunteer organizations, foundations and special funds. The Russian client is small business investment consortia. The American partner is to be determined.
- A "Russo-American Entrepreneurial Corps," which should run "businessmen-to-businessmen" programs for development of a market-driven economy in the small-scale business sector in Russia with the assistance of American businessmen and their associations. This would essentially develop a regional network of mini Russian-American joint ventures. It may include leasing of

American machines and equipment (including used) to small private Russian enterprises. The Russian client would be the Union of Small Enterprises of Russia. The American partner would be the INET Foundation of Washington, DC.

- Regional "Social and Entrepreneurship Centers" as a combination of an incubator for 20 to 30 small enterprises, a training institution for its members and a consulting company with "doctoring" functions.

The business plans for these and similar projects might be presented as proposals for the Innovative Special Projects Fund or for American BA's consideration for participation.

If accepted, these special projects might be used for expanding the activities of the training and business support components of the CMU to new areas. These projects also have good potential to bring American BAs to the regions for longer periods. In this case, a BSDO's activities would be directed to training local business partners and to providing technical assistance needed for the projects concerned.

Task 13 is aimed not only at the introductory training of BA personnel but at assessing the requirements for up-grading BA activities (task 2), using participants of the seminars as a needed source of information. It is intended that all managers of local BAs will attend the seminars.

Task 15, the first national conference of BAs, will be undertaken early in the next ninety-day period of the NBDA. We do not feel that it is realistic to attempt to hold such a conference before mid-March.

Task 16 will be undertaken to evaluate the possibility of formation of a Special Task Force Group of local experts who will assist BSDO's in preparation of feasibility studies and business plans for projects in regional programs of small business development or for Special Fund projects. The volunteer group will be formed in Moscow by economists from state institutions and private consulting companies engaged in project evaluations. Preliminary exchanges of opinion with some of the potential members of the group have demonstrated that the majority of them will be ready to participate in special training courses (the Center for Advanced Sociological Studies might be able to provide the necessary facilities) and later to go to the regions for evaluation of projects and as trainers of local experts.

4.6.2 Level of Effort Required

In addition to the Russian program director (hired), and program director, short-term personnel needs for the tasks as defined are:

- One American assistant to the project manager
- One American project evaluation expert
- One Russian English-speaking secretary
- Five local project evaluation experts.

4.7 CMU Program Plans: Business Services

The main objective of the business services component is "to strengthen institutions and systems that increase and improve technical assistance, business services, and information available to new, private, predominantly small businesses."

Therefore, key elements of our strategy for this component during initial stages are as follows:

- The best way to develop business support infrastructure is "to train trainers". Therefore, local business consulting companies (including firms providing accounting, marketing services, etc.) have to be priority recipients because they will be trainers for local businesses.
- Taking into account that the NBDA will address a complex range of problems, our approach must be flexible and adaptive. All specific activities will be proposed and developed according to *specific needs* of local new business and recipients.
- New businesses and especially new business support institutions lack *business skills* much more than knowledge and information. They need on-the-job training through specific demonstrative projects. Such demonstrative consulting projects funded by NBDA (so that they will be significantly discounted or free for clients) will use mixed teams consisting of consultants provided by D & T and recipients' employees. Working in mixed teams together with more qualified Western and Russian colleagues, local business institutions' personnel will get both needed skills and knowledge.
- Our experience shows that needs of local business are practical and specific. According to our preliminary analysis, most priority needs to be investigated first are as follows:
 - Marketing
 - Feasibility studies
 - Business planning
 - Strategic planning
 - Restructuring and production management
 - Accounting, audit and book-keeping
 - Taxes
 - Regional planning (for local authorities).

4.7.1 *Division of Responsibilities*

It is important to define the division of responsibilities between the CMU and the BSDOs:

- The CMU's main functions are to develop strategy, to arrange training (i.e., to provide necessary training, information etc. materials and most qualified trainers, consultants, specialists etc. for in-country training), and to control and supervise activity.
- The BSDOs' main functions are to develop creatively planned project activities (to identify and select recipients, to organize technical assistance, to control implementation etc.) and to maintain feedback between CMU and localities.

4.7.2 *Business Services Risks*

First of all, a certain part of the Russian business community has become disappointed with Western technical assistance (especially training) because such assistance is rather often inadequate and useless.

Beside that, the hierarchical and complicated social character of Russian society create additional difficulties. It is very important for the success of the NBDA to clearly identify local needs, to specify recipients and to provide assistance principally taking into account the local community's opinion, and to work effectively with the local hierarchy.

4.7.3 *Activity Schedule*

A timetable for the first ninety days of business services activity is shown in Appendix D. Additional comments about activities follow.

For selection of a recipient's needs, first of all, a detailed analysis of potential recipients is needed. Particularly, the following data on potential recipients should be gathered for this component:

- A list of local business consulting organizations (both commercial firms and other organizations) suitable to be recipients and relevant information about the listed organizations
- A list of local organizations providing consultation in the legal field (both commercial law firms and other organizations) suitable to be recipients, and relevant information about the organizations
- A list of local realty agencies and advertising agencies suitable to be recipients and relevant information about them.

The term "relevant information" means activities, market position, number of personnel, reputation, financial status, owners and shareholders' equity, legal form, management and its qualifications, relations with local authorities, etc.

Specifying selection criteria for recipients of USAID assistance, we expect to use in most cases the following minimum requirements for probable recipients:

- The number of personnel is not less than 5 people.
- The firm's experience in the relevant field is not less than 1 year.
- The relevant education for the majority of management and personnel.
- The firm's specialization in the relevant field (revenue from relevant professional service should not be less than 2/3 of total revenue).

4.8 CMU Program Plans: Local Administrations

Our work with local administrations in the context of the NBDA is important to all other areas of activity. Normal and positive relations with local administrations are important and even indispensable for successful realization of this project. These relations all have political, diplomatic and personal aspects. We must not only avoid possible political risks and personal conflicts, but use stable and fruitful contacts with local officials for positive decisions concerning the development of business in the region.

4.8.1 Introduction

Local administration in Russia is under profound transformation. There is not a stable and logical system of local power based on an appropriate legal foundation. After the dissolution of the soviets, real power has been concentrated in the hands of local administrations, including economic regulation. Local administrations are not now limited in their actions by local legislative power. This creates opportunities for decisive action, but sometimes results in abuses and incorrect steps. The problem is that Russian local officials have very limited experience in decision-making based on democratic procedures, and very often they use old management tools, particularly in the economic area.

During the communist regime, local authorities did not have real power, even in their own regions. They were only used by the central government for the realization of its own decisions. As a result, local officials did not have real opportunities to make their own decisions and bear the responsibility for those decisions. By contrast, today local officials must decide many acute and extremely difficult problems. However, very often local officials are not familiar with the rules under free market economic conditions.

Therefore, one aim of the NBDA is to build up an open-minded mentality toward the market economy and toward understanding the role of small businesses in economic and social areas.

Local administrations have a very important right: to publish their own legal acts for economic regulation. These acts often differ from Federal legislation and create specific legal conditions for business. We must take into consideration these features of the modern legislative system in Russia.

Local officials often have extensive contacts in business circles and valuable information about general economic development in the region, even above specific enterprises. We expect to use our contacts with local officials to obtain this information and prepare or revise our future plans.

A time line for specific steps to be taken in the local administrations component of the NBDA can be found in Appendix D. Specific actions are described below.

4.8.2 Next Steps

- (1) To consult with local officials during the decision-making process concerning the problems of small and new businesses:
 - a) To participate in the elaboration of legal acts and economic decisions concerning all aspects of small and new business activities in a region or city
 - b) To participate in the elaboration of local tax and credit policies to create good conditions for small and new business development.
- (2) To support BSDO Directors in establishing liaison with local administrations and in establishing the framework for economic development and regulatory policy review.
- (3) To participate in negotiations between local administrations and business associations as mediators and experts. To help local officials in developing standards and methods for these negotiations, which must be positive and constructive rather than destructive.
- (4) To help administrations and business in establishing open channels of communication. One method may be to set up administrative - business committees for joint investment decision-making and for resolution of other mutual problems. Our purpose is to establish mutual trust and confidence between the groups, to make cooperation a state of mind where the principals have trust and respect for each other, characterized by the ability to talk openly to each other.
- (5) To participate in the development of concrete programs of cooperation between local administrations and business. These may include: construction market recovery programs, customer service programs, joint investment funds, joint advertising programs, new product development, available technology programs, human resource programs, training programs including training for the unemployed. Other areas that may benefit from this kind of cooperation include public/private partnerships for industrial and commercial site development, planning for infrastructure, and promotional efforts to attract foreign investment.
- (6) To organize special seminars and training courses for local officials involved in the decision-making process, including training abroad. Training offers the following benefits for joint business - administration efforts:
 - a) It explains what the programs are and how they will work
 - b) It teaches the basic principles, processes and procedures by which the activities of the programs will be run
 - c) It provides skills training in the specific areas necessary to meet the goals and objectives of the programs
 - d) It builds support for and commitment to the programs.

4.9 National Policy Advisory Services

One of the key objectives of the New Business Development Project, as stated in the contract, is "to improve the policy and regulatory environment in which new, private, predominantly small businesses operate."

In the original project design, a single, western National Policy Advisor was to begin work with the principal government unit involved in legal, regulatory and policy structures affecting new business. The principal government unit, the NBDA counterpart, was not defined at that time. Since signing the contract on September 10, 1993 and beginning work, a Russian national counterpart has been identified by USAID and the project team has built a relationship with that counterpart.

It was decided to delay for several weeks from the project initiation, the implementation of the National Policy Advisory Services activities based upon technical direction from the USAID Project Officer. At the same time, it was agreed that going forward, the thrust of activities in the National Policy Advisory Services area will be determined together with the counterpart, the Working Center for Economic Reform (WCER). Two members of the WCER have been designated to work together with senior management of the NBDA.

In early December, part of the senior management team from the NBDP and their WCER counterparts met with Mr. Vasileyev, head of the WCER. At that time, Mr. Vasiliyev called for action in the national policy area. It was agreed with USAID that a Russian National Policy Advisor candidate be put forward. This is expected to be a full time position.

Mr. Vasileyev also requested that a monthly memorandum be submitted to the WCER identifying key policy constraints identified by the NBDA that require national legislative response. The CMU and National Policy Advisor will agree with USAID on how best to meet this request.

It is expected that key input from western National Policy Advisors will be required as the project moves forward. The goal of western participation will be to work together with the Russian NPA to adapt western policy initiatives to the Russian environment. It is anticipated that this participation will be on a short-term basis, consisting of three week to three month assignments for up to 96 person months of effort. Several candidates for providing short-term national policy advice have been put forward. It is expected that within three months of the start of the Russian NPA's activities, these candidates will be reviewed and determination made regarding their participation in the project. Alternative candidates may also be proposed.

Deployment of a long-term western national policy advisor will be postponed indefinitely. It is conceivable that the existing project resources including the Russian NPA, the two Local Authorities Project Managers, and short-term western support will be sufficient to achieve the goal of improving the policy and regulatory environment.

4.10 Innovative Special Projects Fund

The Innovative Special Projects Fund is intended to provide grants and technical assistance for projects which are aimed at supporting the emerging private sector in Russia but which are not specifically provided for by mainstream NBDA activity.

The NBDA contract gives the following examples of activities which might be supported by the Special Projects Fund (SPF):

- Pilot testing of new business support enterprises which would directly increase the productivity of a large number of businesses
- Incubator projects which provide basic support services to the business community
- Efforts to expand new business participation in specific sectors of the economy (e.g., food processing, consumer goods, transport, services)
- Establishment of trade groups for conducting import and export activity and other related services
- Targeted assistance to specific economic groups and businesses, particularly prospective women entrepreneurs and women-owned businesses.

The contract also states that, to warrant assistance, all such activities should be widely replicable and the activity should broadly support new and small enterprises.

4.10.2 Role of the NBDA Team

The NBDA team is to provide assistance to USAID in managing the SPF. Specifically, the contractor is required to carry out six functions:

- 1) Develop and propose for USAID's approval, selection criteria for considering proposals and projects to fund
- 2) Receive, screen and present qualified proposals to USAID for selection, using expertise from the members of the consortium, whenever possible
- 3) When necessary, as requested by USAID, help refine attractive proposals or projects requiring further development
- 4) Correspond with applicants regarding the status of their proposals
- 5) Prepare all documentation required by USAID to award a grant, contract or cooperative agreement
- 6) Monitor grants, contracts or cooperative arrangements in progress to ensure that activities are progressing, reports are submitted, and expenditures conform to budget.

In the next three months, we will begin, together with USAID, to develop the framework of the SPF, to refine the objectives and to put in place procedures for identification, selection, disbursement of funds and monitoring of projects.

4.10.3 Specific Activities For The Next Ninety Days

Agree Technical Parameters with USAID

We plan to meet with USAID no later than Jan. 15, 1994, to discuss a number of technical issues such as:

- a. The size of the budget, how is it allocated (by year, by region, by sector) or earmarked. The number and average size of projects will dictate many of the practical arrangements.
- b. Forms and means of disbursement (e.g., to enterprise bank accounts, to individual bank accounts, in cash, in lump sums or small payments, etc.). We need to know how disbursements be handled, including procedures for minimizing risk of misuse.
- c. Applicable USAID conditions (if any) for security, access to management and financial information of projects, ownership of materials produced, required legal status of recipients.
- d. Any limitations on the types of enterprises or individuals eligible for grants.
- e. Rules on maximum proportion of a project's financing that may be provided by USAID.
- f. Time scale/ procedure for USAID approval of submitted projects.
- g. Reporting or audit requirements for SPF-funded projects, including measures of success and indicators of replicability.

Once we have discussed the approach to these technical issues, we will be able to put together a paper on the relevant regulations, which will allow us to create a workable set of procedures and guidelines for SPF administration.

Development of Conceptual Design

In addition to technical matters, we need to develop and discuss with USAID the goals of the SPF and the types of projects which could be financed under it. We would like to identify any potential technical or legal problems early, and develop means of avoiding them. Procedures for applying to the SPF, receiving funds and reporting should be simple and flexible, to allow for fast response to applicants. In addition, most or all of the SPF funds should be made available early in the project, to allow sufficient time for investments to mature -- a process which can take two

years of more. To have results which can be accurately assessed, the SPF investments should therefore occur relatively early in the four-year life of the NBDA.

We propose to hold a series of internal meetings involving the CMU, BSDO staff and the Working Center to discuss these issues. We will then present our proposals to USAID for discussion and approval, as part of the two year plan due in mid-March.

Staffing

In the medium term, we recommend that an individual in the CMU be assigned full time to handle the overall administration of SPF activity. We anticipate hiring an additional staff member for this position. This position has not yet been defined.

In addition, we assume that one person in each BSDO will be designated the SPF coordinator for the region. We do not anticipate that this will be a full-time job.

Development of Procedures

Once we have agreed upon an overall strategy for the SPF, we will begin developing procedures and standard forms for the following:

- Publicity for the activities of the SPF
- Application for a grant
- Initial "checklist" for BSDO directors to decide if projects should be encouraged
- Guidelines on project statement format
- Budget preparation and presentation guidelines
- Procedures for final presentation and approval by USAID
- Contractual procedures
- Disbursement
- Monitoring guidelines
- Standard format for reporting to CMU on SPF activity.

These procedures and standards will be prepared and submitted for USAID approval with the two-year plan.

Training of BSDO Staff in SPF Procedures

Assuming that the concept and procedures for SPF activity have been approved by the time of our team training seminar in Moscow, BSDO directors will be instructed in the following:

- Types of projects eligible for SPF grants
- Conducting an initial evaluation of a proposal
- Reporting on promising proposals to the SPF Director in Moscow
- Helping potential recipients to "package" proposals
- Disbursing funds (if it will be done through BSDOs)
- Communication with recipients and applicants
- Reporting and monitoring procedures.

In-depth instruction will be given by the SPF Director on a case-by-case basis as initial proposals are submitted by BSDO Directors. It is expected that the SPF Director will personally supervise most or all of the grant awards in the first year, depending on size and number.