

PD-ABS-941

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December 22, 2000

Mr. Kevin Armstrong
USAID - Russia Mission
US Embassy
Moscow, Russian Federation

Dear Kevin,

ISC is pleased to submit the final report for the Targeted Grants Program (TGP) in the Russian Far East (USAID Cooperative Agreement 118-A-00-98-00205-00). Project activities occurred during October 1998 and September 2000, and provide the basis for increased regional economic development that is tied to responsible resource use and conservation.

The enclosed final program report details ISC's role in coordinating the grantmaking and networking activities focusing on environmentally sustainable business development in the Russian Far East. ISC awarded 44 competitively selected subgrants to a wide range of organizations seeking results in the six priority funding areas of the TGP. These projects achieved impressive results, including the following:

- ***Making a living without cutting down the forest:*** ISC strengthened the Non-Timber Forest Products Association and supported new businesses selling frozen berries, medicinal botanical mixes, nutritional supplements made from seaweed, herbal teas, and peat for organic fertilizer and cleaning up oil spills.
- ***Adding value to timber products through increased efficiency:*** To maximize the value of harvested wood, ISC helped wood processing companies use better technologies to dry wood more thoroughly, to create charcoal from wood waste, and to produce products from previously discarded small-diameter logs. This increased the efficiency of timber processing from 50 percent to 80 percent, reducing the pressure to cut more trees.
- ***Reducing production costs by reclaiming waste and transforming it into new products:*** ISC supported the introduction of new technologies to help a salmon roe plant process the unused salmon into cutlets and fish fertilizer; to create organic fertilizers from poultry

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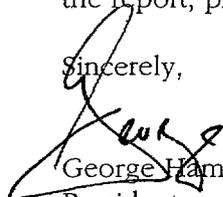
waste; to collect the rare element Germanium from the coal emissions of a heating complex for use in expensive optical equipment and conductors; and to reprocess wood lignin for veterinary use.

- ***Developing a tourism infrastructure:*** ISC facilitated the introduction of international standards and tour certification to encourage inbound tourism. One of the “ecotours” developed as a result of this process involves visitors in the reforestation of areas damaged by the devastating fires of 1998.
- ***Marketing sustainable products internationally:*** ISC helped companies such as the Amurbiofarm Tea Company learn how to use the Internet to reach international markets—now they are selling their sustainably harvested herbal teas in the U.S.

Considering the overall importance of natural resources within the Russian economy -- particularly in the Russian Far East, these initial, successful steps to promote the mutual benefits combining economic development and environmental protection will lead to long-term rewards in both sectors.

ISC will continue to look for ways to simultaneously strengthen economic and environmental goals, and further leverage the results of this project. If you have any questions or comments about the information included in the report, please feel free to contact me.

Sincerely,



George Hamilton
President

cc: USAID Washington CDIE/DI

PD-ABS-941



Targeted Grants Program

Final Report

Funded by the U.S. Agency for International Development
Cooperative Agreement 118-A-00-98-00205-00

December 22, 2000

Institute for Sustainable Communities
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I. Executive Summary

Through the Targeted Grants Program (TGP), the Institute for Sustainable Communities (ISC) successfully promoted sustainable business development in the Russian Far East (RFE) by providing small grants to entrepreneurs who developed products and services demonstrating sound business and environmental practices. The project took place during an extremely challenging time in Russia's economic development. With vast undeveloped natural resources and an existing industrial base, the economic development of the RFE presents a particular challenge to sustainable development in the 21st century. Such barriers to trade and investment as taxation and customs regulations, crime and corruption, limited access to financing, and weak infrastructure in transportation are compounded by impediments to sustainable development in the RFE. These impediments are primarily a legacy of extraction and exploitation of resources and lack of information on alternative approaches, further compounded by the banking crisis of August 1998, which occurred immediately prior to the start of the project. The banking crisis resulted in massive flight of international capital and investment from Russia, and underscored the need to promote economic stability through the development of small- and medium-sized businesses based on Russian experience.

With funding from the U.S. Agency for International Development (USAID), ISC supported 44 projects with grants of up to \$25,000, allowing businesses to adopt conservation-based approaches that they would have otherwise been unable to undertake. The project results achieved by ISC's grantees supported the development of a viable business environment in the RFE, contributed a wealth of knowledge and new project ideas to the budding field of environmentally sustainable business, and will help promote a more sustainable development path for the future of the region. Through such activities as those promoting waste reprocessing approaches, value-added manufacturing, and new association formation, grantees repeatedly demonstrated the ability to sustainably manage natural resources while increasing market opportunities for local businesses.

The Targeted Grants Program, part of the U.S. Government's (USG's) Regional Initiative (RI) for the Russian Far East, specifically targeted support for environmentally sustainable business development in Khabarovsk Krai and Sakhalin Oblast. TGP was designed to complement other RI and USG programs aimed at promoting the development of the region by combining investment promotion with environmental protection goals. Specifically, USAID identified sustainable development, investment promotion, and promotion of public-private dialogue as TGP objectives. ISC implemented activities to achieve these objectives through the following three components: grants program, networking and collaboration, and promotion and outreach.

Each of the 44 projects fell into one or more of TGP priorities in the areas of development of institutional capacity to promote business and investment; and development of sustainable products, methods, and markets. The priority areas directly relate to the broader program goals defined for TGP. The following summarizes programmatic achievements for each of the broad program goals:

Sustainable Development

- TGP projects have reduced production costs, added value to resources, cleaned up waste while generating profits, provided RFE consumers with quality locally produced products, and opened new markets for these products—in Russia and abroad. TGP provided funding that enabled businesses to undertake sustainable business activities that they might not have been able to afford otherwise. Now

that these activities have been brought to market, grantees are able to build upon them, and risk development of new environmentally responsible activities. Additionally, other businesses that hear of the success of sustainable processing and production activities are encouraged to undertake these as well.

Investment Promotion

- TGP contributed to an improved business climate and more efficient use of natural resources as well as strengthening the local economies where projects were implemented. In turn, these stronger local economies that produce more products locally, can help to attract investors. Project implementers from almost all TGP projects have begun to collaborate to form business partnerships, industry associations, and share successful approaches to incorporating principles of sustainable development. TGP grantees have been very successful in developing sustainable products and methods in such targeted industry areas as non-timber forest products. Businesses funded under TGP have already become more credit worthy since receiving USAID funding through ISC and developing successful business projects through U.S. partnership.

Public-Private Dialogue

- TGP has fulfilled its objective of strengthening public-private dialogue through projects that have developed the institutional capacity (and therefore professionalism) of business associations as well as through projects that have helped to educate government officials about the roles of business and government in developed economies. Government officials in Khabarovsk and Sakhalin have responded to the influence and success of TGP projects through creation of tax breaks for some projects and collaboration with business and industry associations to support development of sustainable products and methods. An important connection was also made between the academic and business communities, with several successful projects identifying practical business applications of research, an important stimulus for business development.

TGP has already shown early impact in promoting environmentally sustainable economic growth through greater understanding of the principles of this approach, backed up by concrete examples and successes in its application. ISC's Replication of Lessons Learned (ROLL) 2000 program and other USG initiatives such as the FOREST program will build on the lessons learned and the successes of TGP by supporting further environmentally sustainable business development initiatives throughout the Russian Federation. It remains important to further engage and educate lenders and those with access to credit on the value of supporting the principles of sustainable development in their lending policies. TGP provides sufficient examples of success in this area.

II. Context

ISC implemented TGP in the Russian Far East during October 1998 through September 2000. Funded by the U.S. Agency for International Development through its Russia Mission Office in Moscow, the program was designed to complement other ongoing activities in the RFE that were being implemented as part of the U.S. State Department's Regional Initiative. USAID had noted that in the RFE, the potential for business, trade, and investment opportunities lies in responsibly managing the vast natural resources of the region. TGP, like other USAID-funded business development programs, was created primarily to help develop Russian regional economies and find investors for Russian products. The unique approach taken by ISC in implementing TGP has been to focus on environmentally sustainable strategies for key industries—especially forestry, agriculture, and secondary processing of waste—to support conservation-based development, thereby strengthening regional capacity to use natural resources more efficiently. This approach has helped lay the groundwork to ensure that RFE natural resources will be efficiently utilized to provide the basis for a sound economic future for the region.

The project was carried out during a challenging time in Russia's economic development. To help bridge the gap between economic potential and development pressures, the United States and Russia announced the Regional Investment Initiative (RII), a series of USG activities with the goal of removing impediments to domestic and foreign investment in order to stimulate regional economic growth, promote stability, and enhance trade opportunities for American businesses. The banking crisis in August 1998 had encouraged massive capital flight, and questioned the ability of a program focusing on investment by American businesses during a period of economic uncertainty. The RII was subsequently reorganized and renamed the Regional Initiative (RI), recognizing the continued importance of economic development, while acknowledging that encouraging American investment would be more difficult.

As part of TGP, ISC provided financial support to 44 environmentally sustainable business projects in this region, committing more than 50 percent of project funds directly to grants. Through these small grants, businesses and organizations have undertaken a wide variety of activities such as the introduction of new environmentally sustainable products and enhancements to existing products. This program especially encouraged projects that added value to raw materials or processed waste materials for secondary use.

III. Program Goals

TGP is an innovative approach designed to use small grants to support environmentally sustainable business development in the RFE. In addition to this goal, the program was intended to provide a funding mechanism for complementary USAID-funded projects that required additional funding to implement initiatives. Three main objectives were identified as key areas for program impact:

1. **Sustainable Development.** To create and/or strengthen awareness among local businesses, government planners, and nongovernmental organizations (NGOs) concerning the concepts, approaches, and actions associated with sustainable development
2. **Investment Promotion.** To improve the investment environment through support for responsible regional business development and investment, policy, and regulatory initiatives
3. **Public-Private Dialogue.** To facilitate public-private dialogue and engagement of all sectors on issues associated with investment and sustainable economic development

In implementing TGP, ISC collaborated extensively with regional authorities and other donors and programs. This collaboration, which included ongoing consultation with an advisory committee, was integral to program success.

IV. Program Strategy

Role of Ecotrust Consultants

To design this program, ISC enlisted a U.S. Pacific Northwest conservation-based business development organization, Ecotrust, as a consulting partner. Ecotrust has extensive experience implementing sustainable business development projects and a history of success in so doing. After making an initial assessment tour of Khabarovsk and Sakhalin, an Ecotrust consultant worked with ISC to develop priority areas for funding. It was noted how similar the resource base of the RFE was to that of the Pacific Northwest. The most important resources in both regions are timber, non-timber forest products, fishing, and agricultural products. In the Pacific Northwest, as in the RFE, secondary processing of these resources to add as much value as possible, and finding markets for the processed products, have been integral to economic survival— especially for smaller communities.

The Pacific Northwest, as is the case in the RFE, has minority settlements of native peoples whose traditional livelihoods have been disrupted and who are looking for new ways to market their cultural products – either through production and sale of native art, and/or through eco and ethno-tourism. Finally, in the RFE as in parts of the Pacific Northwest, businesses are finding that clean up and secondary processing of waste materials is an economically viable approach to pollution remediation. Unlike businesses in the Pacific Northwest, however, businesses in the RFE have scant access to financing of any kind to realize projects that not only bring profit to business, but improvements to community economics, environments, and natural resource bases.

Assessment Trip

At the start of the project, ISC organized an assessment trip to learn more about the issues and needs in the region related to environmentally sustainable business development. The assessment team included the ISC Russia country director, the ISC Vermont director of programs, the newly hired ISC TGP project director, the USAID Moscow-based project officer, and the Ecotrust consultant. The team met with a wide range of individuals in both the Khabarovsk and Sakhalin regions, including government officials, business development support centers, business leaders, and others to further define how TGP could best meet the actual needs in both regions for supporting environmentally sustainable business development.

The TGP assessment trip enabled ISC to identify the following key business issues that helped in program elaboration:

- **Marketing.** Training and information were needed in such areas as product packaging, positioning, and identification of and access to markets
- **Capital.** Access to funds was needed to help implement business plans and start new businesses. Capital was also required to develop new activities/ideas for existing businesses.
- **Tax/regulatory environment for business.** More support was required from regional and local administrations to create a friendlier environment for business development

Combining these business issues with ISC and USAID environmental objectives, ISC was able to develop funding priorities and indicators for project evaluation, and to set policy for the implementation of the program.

Priority Areas

In consultation with Russian and other technical assistance organizations, ISC developed priority areas for awarding grants. TGP offered grants on a competitive basis to businesses and organizations whose proposed activities fell within the six priority areas. These priority areas fit within the context of overall TGP goals. During the course of program implementation, these priority areas were refined and better described in order to improve understanding of the program.

Two of TGP's priority areas fall within the category of business/investment infrastructure development, and four priority areas are categorized as sustainable products, markets, and methods.

Development of Institutional Capacity to Promote Business and Investment

1. Training or exchanges of expertise in sustainable business development and product marketing
 - Exchange funds for specialists to come to the RFE to work with partners to identify sustainable business or investment opportunities
 - Training opportunities in sustainable business development, elsewhere in Russia or abroad
2. Conference, business association activities, business/investment support materials, or legislative activities
 - Initiatives that support business association activities such as lobbying, marketing the association, developing sustainable business as a direction, etc.
 - Development of materials that provide businesses with concrete, practical information about markets, production processes, investment information, tax or regulatory information
 - Development of conferences or trainings to support sustainable business activities and investment in the RFE
 - Work in a priority area that also promotes legislative changes to support sustainable development initiative.

Development of Sustainable Products, Methods, and Markets

3. Bringing new sustainable products to market, or making existing products more sustainable; innovation assessment or product enhancement
 - Development of new products, including high technology, that have a beneficial impact on the environment or reduce previous harmful impact
 - Finding markets for new products through advanced market studies, or expansion of markets for existing sustainable products through innovative product positioning
 - Reworking the attributes of an existing product, technology, or packaging to make it more competitive based on its improved environmental performance
4. Sustainable management of natural resources/sustainable natural resource extraction/value added to natural resource production
 - Value-added processing to natural resources, either for sale in the RFE or export
 - Processing natural resources more sustainably
 - Development or promotion of, and training in, practices that use natural resources in a way that ensure the continued existence of these resources
5. Process efficiency, safety, and standards for business/manufacturing
 - Testing and developing manufacturing/industrial processes that reduce waste, recycle, save energy, or in other ways both save money and lessen environmental impact
 - Management techniques, technologies, and approaches leading to more clean and environmentally sustainable businesses
 - Investment promotion through raising environmental safety, and compliance with domestic and international standards
6. Brokering reuse/recycling or sale of waste for sustainable economic development goals
 - Identifying opportunities to sell or barter waste for reuse
 - Reuse and remanufacturing of waste to give it second life as a product

Advisory Committee

One of ISC's key design approaches in implementing such programs as TGP is the incorporation of a project advisory committee. The advisory committee comprised nine voting Russian members and three non-voting members from USAID and ISC. The Russian members were representatives from the government, business,

and NGO communities in Khabarovsk and Sakhalin. The committee met quarterly to make the final funding decision on projects recommended by ISC. Additionally, the committee helped ISC resolve issues and develop policy related to implementing TGP.

The advisory committee terms of reference stated that members would serve on a rotating basis, however, during the course of program implementation, it was decided to retain the initial members throughout the life of the project. The primary reason was to maintain continuity throughout a relatively short implementation period. It was determined that retaining the advisory committee membership was in the best interest of the project given the relatively short grant-awarding period (April 1999 through January 2000), and the amount of time needed to develop a common understanding of the concepts of sustainable development as they apply to business development.

The committee provided an important link with the community. Because members were familiar with TGP mechanisms and priorities, they were able to promote the program through their own networks. Additionally, members helped to identify potential clients and projects, and assisted in resolving potential problems both in the pre-grant award screening and the monitoring processes. Committee members have played an important role in promoting overall TGP program concepts of environmentally sustainable business development and participatory decisionmaking.

V. Program Management

Vermont Office

The ISC home office, located in Montpelier, Vermont, was responsible for three main activities in implementing TGP: oversight of program implementation, review and recommendation of proposals sent from the Moscow office, and coordination with USAID Washington.

Additionally, the Vermont office helped to develop and coordinate communications and event strategies that promoted key program activities and successes. The Vermont office was instrumental in securing U.S. keynote speakers and other U.S. participants for ISC's international conference on opportunities for small business in sustainable development, held in Khabarovsk in May 2000.

Moscow Office

In Russia, the Moscow office had management responsibility for the implementation of TGP. The program's project director reported to the ISC country director, who made decisions in program policy in consultation with ISC Vermont and USAID. Additionally grant funds were administered from the Moscow office, which employed a full-time TGP grants administrator. This person oversaw the financial aspects of funded projects, was responsible to check quarterly reports, and, in collaboration with the ISC project coordinator, evaluated applications recommended by the Khabarovsk office.

Khabarovsk Office

The TGP project director in the Khabarovsk office administered the TGP on a day-to-day basis. The TGP project director developed plans, strategies, and policies for the program in consultation with the ISC Russia country director as needed. The TGP director was supported by both a program and administrative assistant, all three working closely as a team. This team worked with TGP partners and grantees, and liaised with local authorities and other U.S. technical assistance providers.

American-Russian Centers

The American-Russian Centers in Yuzhno-Sakhalinsk and Khabarovsk were strategic partners for implementing TGP. These centers identified collaborative opportunities for TGP, helped promote TGP goals, and provided guidance to ISC staff in implementing the program in local conditions. The Yuzhno-Sakhalinsk American Russian Center (ARC) director was the administrative point of contact for TGP on Sakhalin Island. The TGP Sakhalin coordinator reported to the ARC director and was responsible for daily

coordination of TGP activities. This included program presentation and promotion, consulting with clients, providing grantwriting assistance, and monitoring funded projects. Because ISC had a direct presence in Khabarovsk, the ARC office played a less active daily role in the TGP, but was nevertheless an important strategic partner.

Advisory Committee

As noted in the previous section, the project's advisory committee played a vital role in shaping the grantmaking process, recommending worthy project proposals to ISC and USAID.

VI. Program Implementation and Key Activities

The TGP implementation structure and activities played important roles in achieving significant program results. The following sections present details on the key program activities:

- Grants Program
- Networking and Collaboration
- Promotion and Outreach
- Monitoring and Evaluation

Grants Program

Two levels of TGP grants were awarded during the course of the program. Applications for Open Door grants— project awards up to \$10,000— were accepted and reviewed monthly. Initially, applications for these awards were shorter and simpler, but over time, ISC staff saw the need for the same information for both levels of grant award and thus began to use one application for both grant levels. Open Door grants, however, required fewer review steps. Applications for Scheduled grants— project awards from of \$10,000 to \$25,000— were accepted and reviewed quarterly. A summary of grants is included in Attachment A.

The review process for TGP applications was as follows:

- TGP Khabarovsk staff received applications on or before application deadlines. Staff reviewed applications for completeness of information and to ensure applications met at least one TGP priority area. If an application required expert evaluation (because a scientific process was unclear, and environmental impact in question, etc.), the application was sent to Moscow for expert review before further evaluation. If no expert review was required, the applications were scored from TGP evaluation criteria.
- After initial scoring, the applications were sent to Moscow for a second review and scoring by TGP Moscow staff. The applications were then given an average score.
- Applications were sent to ISC headquarters in Vermont to ensure projects to be funded were consistent with ISC's nonprofit status and project objectives.
- Once approved by ISC headquarters in Vermont, recommended applications were sent to USAID for final approval.
- After this step, successful Open Door grant applicants were informed that their projects had been approved.
- Scheduled grants required an additional step: approval by the TGP advisory committee.

Both grant levels were scored based on a set of competitive evaluation criteria. These criteria were as follows:

- Project proposes work in more than one TGP priority area.
- Project strongly shows that there is a market for the product, method, or service to be provided. This can be shown through instruments such as surveys, or through copies of agreements and contracts.
- Expected results are clearly stated and show concrete improvement under the main heading where the priority area is located (Business Support or Sustainability).
- Project shows strong partnerships in the activity area (especially with organizations from other sectors).
- Project proposes work in an under-represented priority area.
- Proposal shows that the project is well developed prior to application submission.

Award criteria were refined during the course of program implementation to ensure the transparency in the competitive evaluation system and avoid redundancy. For example, some initial evaluation criteria were later identified as minimum eligibility requirements, not competitive evaluation criteria, and were reassigned accordingly.

For all priority areas, the applicants had to demonstrate that the project would have a favorable impact on business as well as environment/natural resources. ISC staff carefully reviewed marketing strategies for the project to ensure the applicant had done sufficient prior investigation to prove there was a demand for the product or method proposed. Without such a demand, the project would not be sustainable from a business perspective, and therefore would not last long enough to have impact in any priority area.

Grant Application Distribution

TGP grant applications were initially distributed at the project launch meetings held March 1999 in Khabarovsk and Sakhalin. The meetings served to promote the program among other USAID environmental program participants (e.g., Environmental Policy and Technology (EPT) and ROLL project grantees), environmental and business development NGOs and regional government departments, scientific institutions, and other technical assistance programs. After this, applications were distributed from the ISC Khabarovsk office, from the ARC and RI offices on Sakhalin and in Khabarovsk, and from various governmental and nongovernmental organizations. The TGP director and program assistant held frequent seminars and training in RFE cities, including Vladivostok, Khabarovsk, Sakhalin, Birobidjan, and Komsomolsk na Amur to promote the program and concepts of sustainable business development among potential applicants. Additionally, interest in the program spread by word of mouth throughout the RFE, other USAID collaborators in the State of Washington, and Ecotrust in Oregon.

Applicant and Grantee Training

During the first four months of program implementation, ISC staff in Khabarovsk held weekly trainings for prospective applicants as well as individual consultations. During the summer months staff used the opportunity of monitoring trips to make program presentations and provide applicant training. Applicants were advised to come for consultation before submitting proposals so that ISC staff could provide counsel if there were obvious problems with the proposal or application materials.

Post-award training was provided for project coordinators and accountants. This training was usually held within a week of the official notification of project awards. Training included guidance on how to track information for narrative reports, write detailed narrative reports, report success stories, etc. It also

included detailed information on financial reporting, financial aspects of grant management, USAID requirements, and Russian tax reporting requirements. Grantees were provided with all reporting forms both on disk and in hard copy (with instructions) attached to grant agreements.

Networking and Collaboration

ISC staff actively collaborated with a wide range of organizations working in the RFE. Such collaboration helped to fulfill one of the TGP mandates by adding value to the initiatives began through the work of other U.S. technical assistance programs. This work helped to develop follow-on projects for USAID-funded activities that had already been developed with local businesses and organizations. Other collaborative successes occurred when grantees utilized the services of USAID-funded programs to add value to the TGP granted project. Following is a listing of the key collaborative partners for TGP, those that most consistently worked to develop joint projects or provide assistance in implementing the TGP projects:

- Pacific Rim Taiga
- Carana Corporation: Business Infrastructure Projects
- CDC, ACDI/VOCA and Entrepreneurial Business Services: Business Consultants
- Ecolinks
- Regional Initiative

A more indepth evaluation of the results of this collaboration, and of collaboration with other organizations, will be found in a following section devoted to program results.

During the course of TGP implementation, ISC staff in Khabarovsk made numerous program presentations in Vladivostok, Sakhalin, Khabarovsk, and the Jewish Autonomous Oblast. Among these presentations were two formal trainings for IREX alumni (in Khabarovsk and Yuzhno-Sakhalinsk) on concepts of sustainable business development.

The main events were held at the beginning and the end of the program, and involved ISC staff collaboration with the Ecotrust consultant, who assisted ISC in developing initial priorities for TGP. These events included launch meetings held in Khabarovsk and Sakhalin to announce the program and distribute grant applications; and an international conference on sustainable small business development, which was held in Khabarovsk toward the end of the program to promote TGP results and grantee successes, and develop steps for regional governments and grantees to continue to implement sustainable development projects after TGP had closed. A summary of this conference follows.

International Conference on Sustainable Small Business Development

The conference took place in Khabarovsk in May 2000. Approximately 250 participants, including scientists and researchers, business people, NGO leaders, government officials, and students took part in this conference. Speakers included Jonathan Lash, co-chair of the President's Council on Sustainable Development and president of World Resources Institute; Yutaka Okomoto, director of the Virtual Foundation/Japan; Alana Probst, vice president Ecotrust; Alexander Levintal, chair of the Khabarovsk Regional Economics Committee; Vyacheslav Bouznic, director of the Khabarovsk Scientific Center Russian Academy of Sciences; and others. The speakers' presentations all centered on opportunities in environmentally sustainable business and industry development.

Conference attendees participated in one of six working groups, each of which represented one of the following industry areas: sustainable agriculture, fish and water bioresources, reuse and recycling of waste, eco and ethno-tourism, timber and non-timber forest products (NTFP), and environmental technology. The participants, led by group facilitators, used brainstorming and visioning to create recommendations for opportunities in environmentally sustainable development for small and medium enterprises of the region. At the conference conclusion the recommendations from each working group were presented in the plenary session.

ISC provided an opportunity for all TGP grantees to display the products developed through grant funding in exhibition booths in the conference hall. ISC staff also created posters to promote the projects of those grantees that did not reserve booths. The exhibits were well attended and attracted much interest from the media, other conference participants, and project grantees.

Conference proceedings and recommendations developed by six conference working groups were finalized and published in a booklet (Attachment B). The booklet has been distributed to Krai and city administration departments, including the Economics Department, the Foreign Investment Agency, the Natural Resources Department, the Krai Small Business Support Fund, and other interested parties. The recommendations will also be disseminated to various institutes and branches of the Far Eastern Branch of the Academy of Sciences, ROLL Regional Centers, and posted to the Web for wider access.

Promotion and Outreach

Throughout the implementation of TGP, ISC staff in both Moscow and Khabarovsk consistently worked to employ innovative techniques to share information about the project and its results. Furthermore, grantees were also actively encouraged to promote their results within the local and regional mass media. The following sections describe activities in greater detail.

Moscow Communications

During the course of TGP implementation, the communications office at ISC in Moscow developed a campaign to disseminate TGP results and materials. The campaign comprised printed materials, video, Internet, and Macromedia CD-ROM materials. These media promoted TGP goals and results and the experiences of project partners. Activities in this area are summarized below:

Printed Materials

A TGP-funded projects booklet that describes all projects and their results was developed and distributed to a targeted audience in the RFE (business, local authorities and NGOs, and other environmentally oriented organizations).

Video

A Russian version of the video "To be Continued" was produced. The video describes main principals of ISC and USAID implementation of TGP projects in the Russian Far East. The video is scheduled for dissemination to a wide audience in Russia in December 2000. ISC Regional Centers will use the video to introduce the new sustainable business priority for ROLL 2000 during pre-grant training, consultations, and presentations before regional administrations and other partners.

Internet and Macromedia CD-ROM

A bilingual WEB-site at www.iscmoscow.ru was constantly updated with new materials about TGP results. More than 3,200 visitors were registered on the site from May 31, 1999, to October 2000. Visitors can find a full range of materials about TGP's goals, approach, and funded projects. This site has already yielded inquiries about TGP projects from businesses and organizations in Europe and the U.S.

The CD-ROM "ISC Projects in Russia" was updated with materials about the TGP. The CD-ROM now includes a full range of materials about TGP goals and its funded projects as well as information about the TGP international conference "Sustainable Development for Small Business" held in May 2000 in Khabarovsk. The CD-ROM is updated constantly to provide ready information about TGP, especially to people and organizations that have difficulty accessing the Internet.

Media Outreach and Coverage

Throughout TGP implementation, ISC Khabarovsk staff worked actively to promote both the program

and concepts of environmentally sustainable business development to the mass media in the RFE. Many press conferences were held during the course of program implementation, especially after events such as the TGP launch meetings in Khabarovsk and Yuzhno-Sakhalinsk, and all advisory committee meetings (to announce grant award results), and during and after the conference on sustainable business development.

Press conferences were also held when ISC staff made initial program presentations in Vladivostok, Komsomolsk-na-Amur, and Birobidjan. ISC staff in Khabarovsk developed press kits for distribution at press conferences and also distributed these press kits to the major media in Khabarovsk and Yuzhno-Sakhalinsk.

In smaller towns of Northern Sakhalin, and in Khabarovsk Krai, outside of the City of Khabarovsk, the media are especially eager for interesting information, and were especially generous in their reporting of TGP projects. In the smaller towns there was generally radio and newspaper coverage, while the cities of Khabarovsk and Yuzhno-Sakhalinsk gave television coverage as well. Some specific examples of media outreach and coverage include:

- *Khabarovskie Vesti* developed several intensive articles on TGP projects with a special focus on Krechet's flash-frozen berries products
- A Far Eastern Television and Radio Company (DVTRK) television series focused on several TGP projects in depth
- Each quarter ISC staff gave radio interviews during the *Svoe Delo* program for business development topics. This was an effort to reach more small businesses and promote concepts of environmentally sustainable business development

One TGP grantee made a video to promote the methods used to develop a new oil and chemical spill sorbent. The video highlighted the links between research and business development and the support of the American-Russian Center in Sakhalin, ISC, and USAID. Information from this video was subsequently excerpted and used in an ISC video on TGP, which was shown on a Russian Federation wide television program from Moscow.

Monitoring and Evaluation

ISC staff in Khabarovsk routinely monitored project status or implementation through reviewing grantee quarterly financial and activity reports as well as making site visits. During the second half of the project period, the staff worked to assess the overall sectoral impacts made by the grantee projects. The following sections describe these efforts.

Impact Assessment

An impact assessment site visit was organized concurrently with a financial audit from August 25 to 29. Two separate ISC teams, comprising program and financial staff from Moscow, Khabarovsk, and Sakhalin offices evaluated projects in Khabarovsk Krai and on Sakhalin Island. The teams evaluated the projects using a set of indicators developed to assist this effort. Grantees were questioned and projects reviewed in response to these indicators. The findings of the evaluation visits were written up, summarizing the effectiveness of ISC's support during project implementation and identifying principal outcomes. The results of the evaluations are summarized in this report and complete documentation of these evaluations is available upon request.

Financial Audit of Grantees

From August 25-29, 2000, ISC financial staff conducted an official grantee financial audit. The reports and records of 12 grantees in Sakhalin and Khabarovsk were reviewed during this time. The 12 grantees comprised four government organizations, one nonprofit, and seven businesses. Of these, two were not in full compliance with USAID and ISC accounting requirements and corrective measures were taken. The primary issue that ISC auditors noted was the organizations that used grant funds to purchase

equipment had problems making this equipment part of their balance sheet. These problems arise from difficulties with applying VAT exemption for humanitarian assistance projects. Despite the USG and Russian Government agreements, regional governments and authorities are reluctant to acknowledge these agreements.

VI. Project Results

TGP was a unique and innovative pilot program designed to implement projects to support environmentally sustainable business development. Overall, ISC's project results can be reflected in two general directions: 1) the positive impacts of grantee activities; and 2) the result of networking and collaborative efforts that increased the effectiveness of the overall program.

Impacts of Grantee Projects

A total of 44 grants (22 Scheduled grants in four rounds and 22 Open Door grants in 11 rounds) were awarded under TGP for a total amount of \$764,629 (Attachment A). As previously noted, grantee proposals were solicited for a range of priority areas deemed to contribute to the broader program goals of promoting sustainable development, increased investment, and public-private dialogues. The priority funding areas were:

Development of Infrastructure that Promotes Business and Investment

- Training or exchanges of expertise in sustainable business development and product marketing
- Conference, business association, business/investment support materials or legislative activities

Development of Sustainable Products Methods and Markets

- Bringing new sustainable products to market or making existing products more sustainable, including innovation assessment or product enhancement
- Sustainable management of natural resources/sustainable natural resource extraction/added value to natural resource production
- Process efficiency, safety standards for business/manufacturing
- Brokering reuse/recycling or sale of waste for sustainable development goals

Many of the TGP-funded projects fit into multiple priority areas. All the projects are now closed and the major results of these projects achieved. Some project results will take several more years to be fully realized, but these projects are all on track and already have significant indications that the expected results will be obtained. It is still too early for ISC to assess the long-term impact of TGP, but there are developments and results that indicate immediate and intermediate impact. Below are assessments by priority area that reveal early indications of impact. The information summarizes findings, by priority area, of the assessment conducted in August 2000.

Infrastructure that Promotes Business and Investment

1. Training or exchanges of expertise in sustainable business development and product marketing

The trainings, consultations, and exchanges ISC conducted have resulted in expanded market opportunities for products developed or enhanced under TGP and linkages with new partners in Russia and abroad. Project implementers learned more about new trends in sustainable technologies and business opportunities in this area. The impact of this priority area is clear in that grantees continue to build on results achieved during project implementation and further expand their projects, looking for new opportunities, new partners and markets, and new ways of adopting and improving environmentally sound technologies.

ISC organized training in methodologies and technologies for waste recycling and natural resource processing, eco-tourism development, and marketing of indigenous art, among other areas. Much of this training was provided by consultants from other USAID-funded programs, such as the ACDI/VOCA

Winrock consortium, the ARC, Carana Corporation, Pacific Rim Taiga, and other programs. Using TGP grant funds, many project implementers were able to obtain consultation from specialists with international experience, visit organizations involved in similar activities outside of Russia, and share experience in business opportunities. In total, 10 projects used the assistance of American consultants, not including those project implementers (three from TGP) who went to the U.S. for training under a USAID-funded program to support environmental business.

Some examples of impact under this priority:

- More than 30 companies participated in seminars organized by the Interregional Association of Independent Tour Operators and Far Eastern Center for Tourism Development. These seminars were held in Khabarovsk, Primorie, and Sakhalin. Among the discussion topics presented during these seminars were international standards for ecological tour development, tour certification, and marketing. These events gave companies the opportunity to increase their knowledge and skills and develop joint activities, and projects. Currently several tour companies are working on development of joint tours between Khabarovsk and Sakhalin. One of the outcomes of this training is that a tour company in Korsakov (Sakhalin) has decided to broaden its activity from organizing tours for local people to travel outside of Sakhalin to ecological tours that bring visitors to Sakhalin Island. As more companies shift their focus from tours outside of the region to focus on developing the tourism infrastructure of the RFE itself, more jobs will be created in the regions and infrastructural improvements to support tourism will have spin-off effects for other areas of business opportunity.
- The goal of the “Gevva” Project was to develop ethno-tourism in the Sakhalin region by developing new tours and providing training in the processing of natural materials (wood, fur) for quality native souvenir production. The company was not only able to develop and promote new tours, but also received consulting assistance in international standards for tour development. These activities resulted in new clients, and new tours were developed based on their knowledge of international standards. Experts helped Gevva develop a tour that will enable participants to assist with reforestation of areas damaged by the large fires of 1998. Gevva participated in a Japanese tourism conference in July 2000 and successfully promoted its new tours and obtained new clients. Gevva currently provides regular ornithological and other educational tours. Because of partnerships formed with another TGP grantee, Gevva is trying to involve more native peoples into its eco- and ethno-tourism activities.

2. Conference, business association activities, business/investment support materials, or legislative activities.

TGP has been a catalyst for creating collaboration among business people, government officials, investors and legislators. This collaboration is in its beginning stage, but there are already promising signs from these efforts.

Public-private initiatives between nongovernmental business associations, government investment and business development organizations, and legislative representatives are examples of TGP impact under this priority area. ISC has supported projects that provide fora for communication among these groups. This interaction on common project-specific interests (business, investment, and legislative support for business development) has resulted in close collaboration among these groups to develop strategies for investment promotion in both Khabarovsk Krai and Sakhalin Oblast. In many cases, the relationships among these organizations was formerly adversarial, but as a result of TGP activities, is now more collaborative and constructive.

Examples of impact under this priority area include the following:

- With TGP funding, the Far Eastern Chamber of Commerce and Industry, and Carana Corporation participated in Anchorage, Alaska Chamber of Commerce meetings to learn more about business support organizations in the United States, their member services, and their role in promoting legislation friendly

to business and investment. Representatives from four Khabarovsk and Sakhalin business associations, and representatives from the Khabarovsk Krai Investment Promotion Agency, participated in this trip. Knowledge gained during these meetings was used to finalize the Krai's *Guide for Investors* as well as complete the *Directory of Business Association Leaders*. Currently, all the organizations that participated in this TGP-funded project are actively cooperating with one another and working closely on development of business infrastructure.

- The Sakhalin Union of Small Business Entrepreneurs, in partnership with the Independent Organization of Individual Driver-Entrepreneurs implemented a project to develop a *Directory of Union Members*. This directory included member information, union services, and general legal information on business establishment and support. The project improved the institutional capacity of both business associations as well as increasing their memberships. The organizations' images improved so that regional officials began to take them more seriously and pay more attention to their recommendations. Representatives of the Sakhalin Regional Duma suggested that these organizations participate in the development of a regional law on "Unified Tax for Small Businesses." Representatives of business structures in Sakhalin also decided to establish a new business association that combined small- and medium-sized industrial enterprises. Thus, in May 2000, the Sakhalin Union of Industrialists was created.
- TGP supported four eco- and ethno-tourism development projects in Khabarovsk and two on Sakhalin Island. The implementers of these projects were brought together during the course of their respective project implementations, and especially at the May conference on sustainable business development. Since that time they have begun to work together on unified strategies to support the development of eco- and ethno-tourism in the RFE. A new association uniting tourism companies and departments of the Far Eastern regions was created and registered in Khabarovsk as the "Regional Association for Tourism Development." This association's mandate is collaboration and creation of conditions for sustainable tourism development in all the Far Eastern regions. Leaders of eco-tourism projects mention that the last two years were critical to tourism development, particularly in Khabarovsk Krai. Officials now consider ecological tourism as a viable area for economic development that can at the same time improve the ecological and social situations in remote territories.

Sustainable Products, Methods, and Markets

3. Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement

Most of the TGP-funded projects fell under this priority area. It includes such projects as the value-added processing of waste timber for small boards and furniture, development of new local technologies that aid timber processing, processing of industrial wastes for secondary products, processing of NTFP for food and native art, and other activities.

TGP has sparked collaboration between science and business as scientific institutions develop practical applications for sustainable scientific products and business people try to fill the market demand for new products and technologies. Experience in commercializing scientific products is vital to Russia's economic development and key to developing methods and technologies that promote sustainability. Without government funding, scientists are forced to turn to the market to support their research. As scientists test and develop new products, they are increasingly working with businesses to bring the products to market. Scientists in Russia are in a transition period, and many still do not know how to work in a business environment. TGP has funded many projects to support this transition so that scientists are able to conduct their research, and businesses are able to use that research to bring new products to market or enhance existing ones.

The following illustrate just some examples of synergy between scientists and business organizations:

- TGP has increased the number and quality of partnerships between research institutions and businesses by supporting projects that have scientific and marketing components. With TGP funding, the Institute of Water and Ecological Problems developed a variety of sustainable products and methods. Scientists at this institute, in an effort to utilize the productive capacity of depleted peat bogs sustainably, developed methods for the cultivation of hardy varieties of cranberries. This included the introduction of a North American variety. Several bogs are now being used to grow cranberries, a product that is in demand in Khabarovsk and of which there has been a shortage. The project implementers have agreements to turn the cranberry bogs over to local NTFP processing businesses that use cranberries in their products. The cranberry project is now negotiating the adoption of its methodology in Sakhalin, and a cranberry-growing firm in the Netherlands recently requested information on the results of this project.
- TGP-funded projects that support non-timber forest product processing have had the effect of increasing NTFP Association membership. TGP projects have increased the quality and quantity of NTFP products in the Khabarovsk marketplace. These products are more visible, and the NTFP Association has been able to promote NTFP processing as a viable industry more actively. ISC staff has provided initial contacts and follow up to form partnerships among those who would like to begin processing NTFPs and those who have experience in sustainable harvesting methods and marketing skills. TGP personnel also disseminated information on project results and promoted NTFP projects in other regions. The result of this activity is that several companies are developing joint projects with TGP grantees, and grantees are joining efforts and sharing experiences with others. As an example of this synergy, TGP grantee Vostok Pushnina, which implemented a project to produce and process medicinal botanical mixes, is using the results of another TGP grantee in its project. The NTFP Association already created an inventory of medicinal botanicals and formulated recommendations for their sustainable gathering and harvesting.

New products were also created and introduced to the market in the following areas:

- NTFP processing. frozen berries, medicinal botanical mixes, medicinal preparations based on the Far Eastern endemics
- Forestry. simple technology for drying charcoal from waste wood, prototype dry kiln testing and manufacture, board lumber from small-diameter timber
- Agriculture. soil substrate based on sphagnum moss, organic fertilizer based on peat, organic pesticides;
- Food processing. baked goods enhanced with non-timber forest products, soy bean processed products, products from waste of fish processing, seaweed processing and production of nutritional supplements made from seaweed
- Goods produced from recycled plastic
- Chemical and oil spill sorbent, based on peat

All TGP-funded projects in this category resulted in a broad range of new products for the regional markets, creation of new jobs (particularly in remote areas), an increase in the financial stability of grantee companies (including increased access to credit), and the promotion of environmentally friendly methods of production.

4. Sustainable management of natural resources/ sustainable natural resource extraction/add value to natural resource production

Projects funded under this priority area demonstrate the interdependence of the economy and the natural resource base. All the projects in this priority area showed a correlation between sustainably managed natural resources and increased market opportunities for local businesses. As previously mentioned, most projects in this priority area were developed and implemented in close collaboration with scientists.

TGP projects have also provided the opportunity for local companies to add value to natural resources through secondary processing. Small wood processing companies were able to decrease production costs by using fewer raw materials, and more efficiently and completely processing those they did use. Examples of

this include the kiln project, which provided opportunities for small wood processing businesses to improve the quality of their timber products through more thorough drying. Another example is Kristall, which began processing waste from timber harvesting to produce such products as small diameter boards made from timber that was not already used. This activity increased the effectiveness of timber use to 80 percent (from 40-50 percent) and reduced the need to cut more timber for processing.

Ecologists and businesses are working together on development and promotion of sustainable methods for managing, harvesting, and processing natural resources to ensure their continued abundance. Two grantees obtained land for “plantation cultivation” of Far Eastern endemic plants that one company uses in production of its herbal teas and the other uses in production of medicinal mixes. The grantees identified plantation cultivation as a way to ensure availability of natural resources in the future without depleting resources in the present. These projects will require several more years before their expected results are fully achieved. For now it is good sign that local companies have both begun to think about the future of resource bases and implement sustainable management of these resources used in processing. These commercial companies were pioneers in this kind of activity and after almost a year of project activity, the department responsible for forest use began to understand and appreciate these activities. As a result, the companies obtained special new tax privileges that correspond to sustainable forest management.

5. Process efficiency, safety and standards for business/ manufacturing

The Khabarovsk Regional Fund for Small Business (headed by a TGP advisory committee member) is collaborating with the Krai Committee on Ecology. Two TGP grantees, Daltseolite and New Technology, are forming a new Krai program on environmentally sustainable business development that will introduce new methods and standards for sustainable secondary processing of natural resources.

6. Brokering reuse/ recycling or sale of waste for sustainable economic development goals

The third and fourth scheduled grant rounds brought more projects working in the area of waste recycling. In total, approximately 15 projects were involved in various ways with waste recycling and/or reuse, including projects that improved the quality of indigenous arts, and used natural wastes from wood processing, hunting, and fishing, and companies that adopted non-waste technologies and closed production cycles.

TGP grantees began discussing means of further collaboration among themselves. A multiplier effect is taking place among grantees and other companies with respect to project activity collaboration and replication. For example:

- “Resource” and the Khabarovsk Branch of the Environmental Protection Society are negotiating plans for future business collaboration in solid waste collection and recycling. “Resource” is going to use waste collection points that were created by an organization in Khabarovsk for these purposes. In addition to its TGP project on reprocessing of boric acid waste, “Resource” is also working on the problems of recycling batteries.

Several new products made from waste were introduced to the local markets in Sakhalin and Khabarovsk. These products include:

- Plastic goods made from polymer waste used by construction companies, individual buyers, and fishing companies;
- Organic fertilizers created from an innovation company using waste from a Khabarovsk poultry complex;
- Collection of the carcinogen germanium from the coal emissions of a heating complex for secondary processing and re-use within expensive optical equipment and conductors;
- Two kinds of soil compost: one made from fish farming waste and another from the production of wood alcohol (lignin); and
- Sorbing material for veterinary use made as a result of lignin reprocessing.

All the activities undertaken within the framework of these projects resulted in both the reduction of waste in polluted areas and in the secondary processing and use of waste for new products. The use of waste for these products also resulted in lower production costs for both the primary and secondary products.

Networking between grantees involved in waste recycling provided the opportunity to establish new partnerships and business ties and open new markets. TGP grantees from Sakhalin and Khabarovsk met for the first time at the May conference on sustainable development for small businesses where they began discussing means of collaboration among themselves. One result of this networking has been the creation of the Association of Waste Recycling Businesses.

Networking and Partnerships

ISC has found that there are ongoing opportunities for outreach, collaboration, and program synergy with the introduction of new programs, and greater familiarity with existing programs. The strategy of using TGP to fill funding and support gaps in existing RI and other USG-funded programs in the RFE, while working to promote goals in sustainability, has worked exceptionally well. Many USG technical assistance programs and other U.S. organizations have been able to realize joint projects with Russian partners through TGP support. Opportunities for synergy between the TGP and other technical assistance programs have been plentiful.

Throughout the program, ISC received successful applications for projects developed in consultation, partnership, or through collaboration with the following organizations: Carana Corporation, Pacific Rim Taiga, the American Russian Business Training Centers (ARC Sakhalin and ARC Khabarovsk), the Wild Salmon Center, Washington State University, Entrepreneurial Business Services, Northern Economics, CENEFF, and the Regional Initiative.

- **Carana Corporation** worked with its business association and investment department clients in developing proposals. Four proposals were successfully funded and projects were completed with assistance of Carana Corporation.
- **Pacific Rim Taiga (PRT)** was a natural collaborative partner for ISC as its activities encompass many funding priority areas for TGP, such as adding value to natural resources, primary and secondary wood processing, bringing new sustainable products to market, and collaborating in training and exchanges between U.S. and Russian partners. These activities and Pacific Rim Taiga's work matched project objectives in environmentally sustainable business development. TGP funds have enabled development of five projects on which PRT has collaborated with Russian partners, including new NTFPs, plantation cultivation of endemic plants, kiln project, and others. Four grantees participated in the training on sustainable business opportunities organized by PRT with USAID funding. This training was conducted in the U.S. Participants were able to obtain new knowledge as well as visit the American companies and build new business links in the area of wood processing and NTFPs.
- **Entrepreneurial Business Services (ACDI/VOCA and Winrock International)** provided consultants to six projects to strengthen their project activities. These consultants helped to develop marketing strategies for native art production, eco-tourism development, etc. Two Khabarovsk projects promoting indigenous art (Iskra and Pravy Bereg) received consultations from specialists who are working with companies producing and selling native art in Alaska and other states. Iskra, with assistance from these consultants, organized a conference on native art where major barriers and opportunities for development of native cultural products and business in Pre-Amur Regions were highlighted. These consultants also assisted with marketing and business development for the four native art studios created by the grantee.
- **The American-Russian Centers (ARC)** in Sakhalin and Khabarovsk were ISC's strategic partners for implementing TGP. These centers promoted TGP goals, providing guidance to ISC staff in implementing the program in local conditions. ARC also provided opportunities for ISC staff to promote the program at Eurasia Foundation workshops, at ARC Alumni Club meetings, and other

events. Additionally, the ARCs helped to identify and train applicants and help them with their business strategies. Many times ISC staff advised potential grantees to attend ARC business planning seminars in order to better develop their business project ideas. This training almost always resulted in viable project applications.

- ISC staff worked very closely with the **EcoLinks** Program, implemented by the Institute for International Education. Through Ecolinks grants, two TGP grantees (Kristall and Shen-Li) were able to find partners in the U.S. and make short business trips to learn more about the potential for their business activity. The result of this activity is that “Kristall” (TGP project on processing of small diameter logs) is going to adopt a new technology for production of sawdust pullets using the experience of an American partner company.

Such collaboration fulfills one of TGP’s mandates by adding value to the initiatives begun through the work of other U.S. technical assistance programs while strengthening projects’ capacity and improving results.

VII. Lessons Learned

Through the course of implementing the Targeted Grants Program, ISC staff compiled numerous ideas and realizations or “lessons learned” related to implementing this type of project. ISC endeavors to share such insights internally with its home office and in-country program staff to ensure that the organization’s projects will consistently benefit from the lessons of past projects. These thoughts are included with this report in the hope that lessons learned as part of TGP can be used constructively by other present and future USAID programs in Russia.

- ***Promoting sound businesses and environmentally responsible activities is viable in the RFE.*** Regional interest in TGP’s priority issues as well as the outstanding results of the projects funded under TGP points to the great utility of having such a program focused on environmentally sustainable business development. Although this is a relatively new concept in Russia, there was no shortage of good ideas that coincided with the goals of the overall program. Clearly, an increased understanding by Russians of how businesses can work in a more environmentally sustainable manner will help their country develop along a more sustainable path. ISC and its partners in implementing the ROLL 2000 project have acknowledged these important ideals and incorporated activities supporting environmentally sustainable business development into the grant funding priorities of ROLL 2000. Staff from the Khabarovsk office will continue to serve as a resource in implementing this new priority.
- ***More outreach is needed with lending institutions to promote support for sustainable development principles in lending.*** It was ISC’s experience that lending institutions in the RFE were extremely conservative in their lending criteria, and did not routinely look at environmental issues associated with lending. The result is that the majority of ISC grantees would have been unable to receive loans for the activities implemented under TGP, as they would have been deemed “experimental” or without confirmed payback. TGP has shown the economic viability of incorporating sustainable development principles and the lessons need to be shared more broadly to encourage greater openness among lenders in evaluating projects for loans.
- ***Targeting resources in one region is an effective way to promote synergy.*** TGP afforded numerous opportunities for cross-fertilization among aid programs in the RFE. These results speak well of the theory behind the Regional Initiative concept in developing focused efforts within a region. Furthermore the TGP concept of combining two development sectors— environment and business— increased the potential for unique and successful synergies to develop.
- ***Media coverage can be influenced by the presence of U.S. staff.*** Extensive regional government support for TGP influenced media coverage, so that it was almost always positive. Lessons learned

reveal that media coverage was less 'politicized' when the U.S. program staff were not present. When only Russian ISC staff gave interviews, coverage focused on program goals and projects. When U.S. representatives were present, coverage sometimes strayed to U.S. interests in foreign aid in Russia, U.S. involvement in Kosovo, and other political topics.

- ***Initial assessment trips remain crucial for program design.*** Information gathered during the assessment tour was crucial to the success of the program overall: It provided primary market research that enabled ISC to address real opportunities for sustainable development in the RFE. Advice from the Ecotrust consultant was also crucial: This helped ISC to develop criteria for each priority, criteria that were later used as the basis for impact indicators.
- ***Consider introducing loans for some activities.*** An important issue that ISC encountered was that of funding businesses to purchase equipment. During the time the TGP was implemented it was very difficult for businesses to obtain any kind of financing from Russian sources. Loans carried, and still carry, prohibitively high interest rates. Most businesses could not have afforded the risk involved in starting new sustainable projects without grant funding as an incentive. Given these factors, ISC considered it essential to be able to fund businesses for projects that required equipment purchase. In the future, it would be advisable to provide low- or no-interest loans to realize such priorities. It should be noted here that ISC had no more problems administering grants to business projects than for nonprofits. The question of accounting for grant-funded equipment should be raised with USAID and tax authorities for clarification.

VIII. Conclusion

TGP provides Russians with concrete examples of how businesses can develop new ways of working that are both economically practical and rewarding, and at the same time help ensure that impacts upon the natural environment are minimized and these resources can be sustained well into the future. Indeed these are exactly the kind of results that a resource-rich, yet economically challenged country like Russia needs to examine and understand in order to reduce the temptation of simply relying upon extractive resource exploitation to fuel the unquestionable need for increased economic development. The combined results of all project activities show clear progress made in addressing the three generalized program goals of increased awareness of sustainable development ideals through promoting the investment of environmentally sustainable business ideas and technologies, and via public-private dialogue.

Without question, Russia's future development can benefit from the ideas and examples supported during the Targeted Grants Program. Although the program focused only on a limited region of the RFE, the inclusion of environmentally sustainable business development activities within the priorities of ROLL 2000 and FOREST will hopefully provide some measure of increased attention to further promoting these issues in the RFE as well as across the rest of Russia.

Attachment A: TGP Projects Funded

SCHEDULED GRANTS ROUND 1

SG1-01 Project: Small Mobile Wood Kiln Production for Small And Medium Sized Businesses (Khabarovsk Krai)

Grantee: Khabarovsk State Technical University
Address: 136 Tikhookeanskaya St. Office 4091, Khabarovsk, 680035
Tel./Fax: (4212) 35-83-52, 72-06-84

Project Topic Areas:

- Research or testing of new products for sustainable business development, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Process efficiency for business/manufacturing.

Project Description:

The project is devoted to production and market introduction of mobile lumber kilns at affordable prices. The kilns are energy efficient, work on independent energy sources (waste wood, diesel fuel), are easy to operate, provide high-quality wood drying, and can be installed outdoors. The availability of these kilns will allow processing of local timber in the Region. Additionally, these units can be used for training forestry students for their future work at wood processing enterprises.

In the course of project implementation, a 130 m open-ditch drainage system was built, the outdoor platform was filled and laid out, and the production building was reconstructed. A lifting-transport system was constructed at the production plant; and stands for assembling kiln units were made. A rail track was installed inside and outside the building with an assembly trench for assembling and transporting the kilns for shipment. The commercial production of kiln boilers was started at the Biisk boiler factory. A kiln was made according to the project's design, and a patent application for this invention was submitted to a relevant agency. Following a decision of the Khabarovsk Krai Administration Collegium, this type of kiln has been included in the reequipment plan of the krai's woodworking factories. Seven new jobs were created at the model production facilities set up by the project. The production plant is also a site of student practical training.

Total Project Amount: \$80,859
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG1-02 Project: Fresh Frozen Far Eastern Berries – All Year Round (Khabarovsk Krai)

Grantee: Interregional Public Organization of Hunters and Fishermen "Krechet"
Address: 40 Pushkin St., Khabarovsk, 680000
Tel./Fax: Tel.: (4212) 23-51-13; Fax: (4212) 23-61-09

Project Topic Areas:

- Research or testing of new products for sustainable business development, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project provides the population of Khabarovsk Krai with high quality, low-cost organic frozen Far Eastern berries all year round. Currently, such fresh frozen berries are imported from Poland and other countries.

As a result of the project implementation, a flash freezing unit has been put into operation, resulting in a new product for the local market, the quality of which is equal to that of imported berries. This project contributes to development of the local economy and to the rational use of local natural resources. Such products as rapid-frozen sea-buckthorn, cranberries, red berries, limonnik (*Schizandra chinensis*), and great blueberries are an exclusive product in the market.

The product has found its customers among public catering establishments of the city, as well as medical and children's institutions. New production has resulted in 4 permanent jobs, 12 temporary (for a period of 6 months) jobs and more than 100 seasonal jobs.

Financial assistance was provided to the population (mainly to the needy) by procuring from them, berries that are either grew on their plots or were gathered in the forest. The successful results of the project were reflected in radio shows and published in the local newspapers. Local television advertised the new products.

Total Project Amount: \$70,330
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG1-03 Project: Production of Granulated Organic-Mineral Fertilizer (Khabarovsk Krai)

Grantee: "BIOTEX", Co. Ltd.
Address: 61 Severnoe Shosse, Komsomolsk-on-Amur, Khabarovsk Krai, 681005
Tel./Fax: (42272) 4-67-37, 3-75-53

Project Topic Areas:

- Research or testing of new products for sustainable business development, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project will produce a new organic fertilizer product from a local natural resource — peat. Use of this product will improve soil quality, increase agricultural production, and decrease production cost. Project activities include: startup of a technical production line, completion of new product development and its testing, and promoting the product to the local market. Part of the project work will determine the optimum granular dimensions of the fertilizer, nutrient content, moisture and other characteristics.

The third testing cycle of organic-mineral fertilizer has been completed, and the product's high efficiency and increase in crop capacity was demonstrated for all tested crops. 900 tons of the fertilizer will be produced in 2000. As a result of 3 years of trials, the Khabarovsk Krai Administration Agriculture Committee is preparing to pass a decision on the purchase of this fertilizer for agricultural enterprises. A dealer network is now being set up for marketing this product. In June 2000 the firm's products were displayed at the Tenth Harbin Fair, and a protocol of intention was signed on the shipment of the fertilizer to China.

Total Project Amount: \$90,855.37
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG1-04 Project: Development of Sustainable Management of Natural Resources Using Cultivation of Far Eastern Endemic Plants in Natural Environment, Bikinsky Forest, Khabarovsk Krai

Grantee: "Amurbiofarm" Co. Ltd.
Address: 204 Tikhookeanskaya St. Khabarovsk, 680033
Tel./Fax: (4212) 71-81-24, 72-03-42
Project Topic Area:

- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project's goal is to sustainably cultivate Far Eastern endemic plants in their natural environment, for later processing in the production of teas.

In the course of project implementation, recommendations for plantation growth of the endemic plants have been prepared. A cultivation plan was developed; cultivation plots (on an area of 60 hectares) were cleaned; over 100 t of peat was delivered; and an area of 1.5 hectares (the site of a nursery for growing seedlings and seed stock) was fertilized. Three plantations for growing limonnik (*Schizandra chinensis*) were created; two plots have been cleaned and prepared for growing eleutorococcus and *Aralia*; and the formation of natural plantations of *actinidia* (25 hectares) is underway. Model plots for growing snowball trees, hawthorn, Daurean rose, camomile, pot marigold and St. John's wort, and model plantations of plants which are on the Red List (*nippon dioskoria* and pink *rodiola*) were also laid out. Special places for resting and smoking were equipped and three fire-prevention reservoirs were created.

All work was done without tree felling in accordance with FSC principles. Such a technique ensures preservation of forest resources and is in the interests of indigenous people. Project results served as an incentive for the adoption by the Khabarovsk Krai Duma of a decision on amendments to the Khabarovsk Krai law "On the principles of determining the rates of duty and rent payments for the use of the forest fund on the territory of Khabarovsk Krai". In this law the rate of payments for a number of forest products is significantly underestimated. The issue of lowering the rent for forest plots used by entrepreneurs who cultivate endemic plants will also be considered.

New jobs (permanent and seasonal) were created in the process of project implementation. Project activities and results were discussed in the media and at seminars and conferences.

Total Project Amount: \$32,377
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG1-05 Project: Production of Drinks and Syrups from the Wild Berries (Khabarovsk Krai)

Grantee: "Forest Products" Co. Ltd.
Address: 176 Karl Marx St., Khabarovsk, 680031
Tel./Fax: (4212) 37-61-66

Project Topic Areas:

- Research or testing of new products for sustainable business development, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project supports rational use of non-timber forest products, and the production of high quality natural products – syrups and drinks made from wild berries. In the course of the project, a natural syrup and drink production line will be started up.

This project made it possible to expand the assortment of products and produce, in the course of 6 months, 25.9 tons (in 44,000 plastic bottles) of five kinds of syrups (made from viburnum, cowberries, rose hips, sea-buckthorn, and Schizandra).

These products, 30% of which are sold in Khabarovsk Krai, are in stable demand. The production line was equipped with a bottling unit, digeers, and filters, and the interiors of the production shops were reconstructed. A YBB-200 vacuum evaporator that was commissioned as part of project activities, allows production of concentrated products that will be used in the food industry for preparing soft drinks, syrups, dairy and other food products.

Thus, as a result of project implementation, a new type of product is being manufactured in the Russian Far East by a local producer using local resources. Procurement firms now have a stable market for their products during high-yield years, while their customers – companies producing food products – can now use natural components and put away necessary reserves for low-yield years.

New jobs were created. Project implementation and project results were covered in the mass media.

Total Project Amount: \$36,037
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG1-06 Project: Establishment of System for Training and Upgrading Employees Qualifications in Tourism Business in Khabarovsk Krai

Grantee: Far Eastern Center for Tourism Development (FECTD)
Address: 45 Kim-Yu-Chen St. Suite 512, Khabarovsk, 680000
Tel./Fax: (4212) 22-73-43; e-mail: tourcenter@mail.kht.ru

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Conference, business association activities, business/investment support materials, legislative activities.

Project Description:

In the course of project implementation a system of personnel training and advanced training for the Khabarovsk Krai tourism industry was developed. A market research study for Khabarovsk Krai tourism potential has been carried out and an information database was created, including information on tourism operators, their staff, hotel analysis, etc. Project activities included the development of a program and structure for the Tourist Business Personnel database which is constantly updated and upgraded.

Eight courses and seminars were conducted for nearly 100 people. Consultations were arranged for tourist companies. At round-table discussions with environmental tourism experts the participants discussed the safety of tourists and the nature protection requirements for territories on which recreation activities are held (a number of seminars were organized jointly with US representatives). The Regional Association for Promoting the Development of Tourism was founded under the auspices of FECTD. The Association unites not only tourism organizations but also organizations concerned with transportation, research, etc. Thirteen permanent and thirty contract jobs were created; 15 travel agencies (with 3 to 5 employees each) were assisted with the registration process. Before registering and being issued a certificate, the personnel of new travel agencies take a course in Tourism Business Basics at FECTD. The Association publishes useful information on the tourism services market for trade professionals. These publications were sent to over 120 addressees. FECTD assisted ISC Khabarovsk in organizing the work of the ecotourism workshop at the Small Business for Sustainable Development Conference.

Total Project Amount: \$41,983.80
Requested Grant Amount: \$24,997.80

Attachment A: TGP Projects Funded

SCHEDULED GRANTS ROUND 2

SG2-02 Project: Ethnical Cultural Center "Hakua" (Khabarovsk Krai)

Grantee: Creative Society "Iskra"
Address: 136 Tikhookeanskaya St. Khabarovsk, 680035
Tel./Fax: (4212) 35-85-98

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project's goal was to create studio workshops for native art and souvenir production, using waste from local natural resources processing facilities.

During project implementation, a workshop for making wooden interior pieces has been organized. Waste from local wood processing manufacturing is used for producing native souvenirs. The sale of products is carried out through art galleries in Khabarovsk and Vladivostok and directly at the exhibition center of "Hakua" ethnic cultural center with the assistance from the International Department of Khabarovsk State Technical University. Currently project implementers are searching, together with ACDI/VOCA consultants, for new distribution channels for the products. A scientific and practical conference Socio-Cultural and Ethno-Cultural Issues of the Amur Region Peoples was held as part of the project. New creative areas are being developed for the local craftsmen (using birchbark, leather, fabrics, etc.).

In the framework of the project, close ties have been established between the local administrations of Nikolayevski, Ulchski and other districts, with the local governments in the Far East of Russia and with museums located in Khabarovsk. An additional result of the Project has been to increase skills among the local population. There have been 38 new jobs created for indigenous people, and one master-class on native art production was held for school children of Bulava village, Ulchski District. The project arranges promotional activities such as advertising in mass media, publication of booklets, and exhibition-sales. The creation of a WEB page will soon be completed.

Total Project Amount: \$103,676
Requested Grant Amount: \$22,366

Attachment A: TGP Projects Funded

SG2-03 Project: Cranberry Cultivation in Depleted Peat Bogs (southern and Central Parts of Khabarovsk Krai)

Grantee: Institute of Water and Ecological Problems of the Far Eastern Branch of Russian Academy of Sciences
Address: 65 Kim Yu Chen St. Khabarovsk, 680000
Tel.: (4212) 22-75-73, 32-57-55
Fax: (4212) 22-70-85
E-mail: dmitry@ivep.khv.ru

Project Topic Areas:

- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project creates plantations for cultivating Karelian and American cranberries in areas where peat has been substantially depleted. Cultivation of cranberries is a new activity in Khabarovsk Krai, utilizing land that is not suitable for other agricultural cultivation.

A new ecologically sustainable technology is applied to the cultivation of cranberries in the depleted peat bogs. Currently, all dry peat bogs in the Krai are subject to fires. Cranberry cultivation, accompanied by mandatory flooding and irrigating, tends to hinder the spread of fires. Because of support through the TGP, a cranberry plantation was prepared for planting high-quality cuttings (including a number of American varieties) as well as local wild cranberry cuttings. Cranberry cultivation is now underway in Khabarovsk where cranberries are currently scarce and in high demand.

Vegetative propagation of planting stock and selection and preparation of experimental cultivation areas has been carried out. The grantee has elaborated a detailed plan for cultivation, and is in contact with both Russian and American consultants for this endeavor. At present, a contract has been signed by the Institute and a local commercial company for consulting assistance and supplying cranberry seedlings. Ties have been established with Lesnaya pilot station located in Kostromskaya Oblast, Russia, where the first Russian high-yield varieties of cranberries have been cultivated; and with the Central Botanical Garden in Byelorussia. Information on cranberry cultivation is circulated among the population by means of radio broadcasting, and the distribution of a brochure "Growing Cultured Cranberries: Recommendations for Growing in local conditions of Khabarovsk Krai."

Total Project Amount: \$29,030
Requested Grant Amount: \$24,960

Attachment A: TGP Projects Funded

SG2-04 Project: Demercurization of Mercury Waste (Khabarovsk)

Grantee: Regional Ecological Center of Demercurization, Co. Ltd.
Address: 67 Karl Marx St. Offices 109, 110, Khabarovsk, 680021
Tel.: (4212) 37-04-35, 39-13-86, 32-82-29
Fax: (4212) 37-04-35

Project Topic Areas:

- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project will reclaim mercury and other useful elements of industrial mercury-containing light bulbs. This recycling will take place locally, whereas previously these bulbs were transported to Central Siberia for recycling. Equipment for recycling of mercury lamps has been manufactured and installed, a special building has been selected for installation of the equipment, and the State Sanitary Epidemic Supervisory authorities and the Committee on Ecology have approved this building. All necessary engineering and construction specifications have been implemented in accordance with the sanitary requirements.

The project made it possible to increase the number of waste mercury-containing light bulbs collected by the Center for recycling. This, in turn, reduced the cost of processing and, thus, lowered the price for recycling. The organization can now process a greater variety of mercury-containing waste. Proposals to establish the Center's subsidiaries come in from various nature protection organizations of the RFA. Waste mercury-containing light bulbs collection points have been set up in Khabarovsk, Amursk, Konsomolsk-on-Amur, Amur and Kamchatka oblasts, and in Primorsky Krai. During the project, mercury-containing goods were sold with a hypothecation value of their recycling. This measure will help introduce order in the system of selling these products and will allow control of the movement of these products (sale, storage, use, recycling) in Khabarovsk Krai. This experience will be disseminated throughout the RFA region, which will make it possible to decrease the expense for recycling of mercury-containing light bulbs. The recycled, purified materials remain in the Region for their secondary use in production.

Total Project Amount: \$29,030
Requested Grant Amount: \$24,960

Attachment A: TGP Projects Funded

SG2-05 Project: The Second Life for Polymer (Sakhalin Oblast)

Grantee: "Polymer Center" Co. Ltd.
Address: Kholmskoye Shosse, Yuzhno-Sakhalinsk, 693005
Tel./Fax: (42422) 5-21-32, 3-29-10

Project Topic Areas:

- Process efficiency for business/manufacturing.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The main goal of the project is to recycle and reuse plastic waste. During the project, an intensive collection of waste polymer was collected in order to have time to produce plastic pipes before the snowfalls began. These pipes were supplied to construction firms upgrading the runway of the Yuzhno-Sakhalinsk airport, building the Canadian Village, post offices and the "Teplichny" farm. Over 22 tons of polymer waste was collected, which is 98% more than last year. A technology for processing plastic bottles has been utilized. A diesel-electric generator, acquired on grant funds, ensures the stable operation of the plant. A mold that will be used in the process of recycling plastic waste has been ordered. The project contributes to the decrease of environmental pollution. At present the plant processes 75 tons of polymer waste a year.

In the future, it is planned to broaden the range of reprocessed polymers and in particular, to reprocess used rigging of rayon and nylon nets and ropes, which are found in abundance along the Sakhalin sea-shore.

Total Project Amount: \$56,972
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG2-06 Project: Development of Organic Soil Substrates Using Priamurye Sphagnum Moss (Southern and Central Parts of Khabarovsk Krai, Jewish Autonomous Region)

Grantee: AILANT Co. Ltd.
Address: 47 Pushkin St. Suite 2, Khabarovsk, 680000
Tel./Fax: (4212) 22-75-73, 22-70-85
E-mail: dmitry@ivep.khv.ru

Project Topic Areas:

- Research or testing of new products for sustainable business development, innovation assessment or product enhancement.

Project Description:

The project elaborated innovative methods to begin production of organic soil substrates using Priamurye sphagnum moss.

Grant support from the TGP helped to develop a new product - organic soil substrate for cultivating ecologically clean vegetables - "Chakov Substrate". Commercial tests of tomato and cucumber cultivation in greenhouses on sphagnum substrate have shown that the crop capacity of cucumbers increased 10-20% and that of tomatoes – 20-30%. In addition, the quality of tomatoes also improved. Vegetables that are grown on sphagnum substrate have a low nitrate content. The *Fyodorovsky* greenhouse company intends to invest additional funds into collecting and processing sphagnum moss and changing their vegetable growing technology (making sphagnum beds for cucumbers and substrate blocks for tomatoes).

All necessary technical documentation was prepared and approved by the region's controlling agencies. This will ensure the successful certification of the product and the appearance on the market of a new sphagnum Chakov Substrate. A public information campaign was launched in the media describing the high quality of sphagnum moss and its derivative products.

The main regional markets for the product will be Komsomolsk-on-Amur, Khabarovsk and Vladivostok greenhouse complexes, as well as farmers and homeowners.

Information on the high potential of the region's moss was actively publicized, and a computer data base on bogs has been created. At the Gassinsky model forest the local public was instructed how to gather sphagnum moss without damaging the environment.

Total Project Amount: \$36,905
Requested Grant Amount: \$24,995

Attachment A: TGP Projects Funded

SCHEDULED GRANTS ROUND 3

SG3-01 Project: Recycling Sludge from Komsomolsk-on-Amur Sulfuric Acid Factory (Khabarovsk Krai)

Grantee: Privately Held Corporation "Resource".
Address: 7-A Parkovaya St. Office 39, Solnechny Settlement, Solnechny District, 681901,
Khabarovsk Krai
Tel./Fax: (42146) 235-22

Project Topic Areas:

- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project processes sludge waste (boric gypsum) of a sulfuric acid factory to produce granulated gypsum and heat-insulating products.

The second sludge tank and drainage slopes and trenches built in the process of project implementation will allow processing of up to 30,000 tons of waste during the warm season. The key goal of the project is the construction of the second sludge tank and the digging of drainage trenches which will make it possible to process sludge for another 5-7 years in all seasons. Besides, a pilot plant for granulating and drying boric gypsum will start putting out a fertilizer *Novinka* and granulated boric gypsum, a component of cement production.

As a result of the project, the environmental situation in the vicinity of the sludge accumulator has improved. Before reclamation and reprocessing, this sludge was a source of toxic boric acid effluent that was dumped into riverbed undercurrent and into the water supply system, creating a significant ecological threat. As a result of the work conducted, this sludge waste became a source of a very important raw material. A number of other enterprises are going to replicate this experience and begin similar production (a clause on the supply of boric gypsum has been included in the agreement on cooperation with the Jewish Autonomous Region; and the same kind of cooperation has been planned with Primorsky Krai).

Twenty new jobs were created. When the manufacturing of insulation products is expanded, the number of new jobs will increase to 60. The project's techniques and results received broad coverage in the media.

Total Project Amount: \$64,580
Requested Grant Amount: \$23,920

Attachment A: TGP Projects Funded

SG3-03 Project: Rational Primary Wood Processing (Khabarovsk Krai)

Grantee: Avanskii Leskhoz (Forestry)
Address: 41 Kommunisticheskaya St. Vyasemski, 682940, Khabarovsk Krai
Tel./Fax: (42153) 3-10-90, 3-13-76

Project Topic Areas:

- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project produces high quality wood products made of low quality timber that is left after forest thinning procedures. This wood is now processed by a special machine that has been acquired with grant funds.

During the course of the project implementation, specialists have been trained to operate the sawmill, and electrical installation work has been conducted to furnish a special workshop. The project adds value to timber resources by secondary processing. It contributes to sustainable use of forest resources, rational forest management, and fire protection, since profit received from the sale of timber is invested in forest protection and reforestation activities.

Total Project Amount: \$71,160
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG3-07 Project: Development of Economically Stable Ethnic Tourism in Northern Sakhalin Based on Indigenous Traditions and Culture (Northern Part of Sakhalin Oblast)

Grantee: Native Cooperative "Getta"
Address: 27 Sovetskaya St. Office 7, Nogliki Settlement 694450, Sakhalin Oblast
Tel./Fax: (4242244) 96935/96019

Project Topic Areas:

- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project promotes ethnic tourism by creating new ethnic tourist routes and is a means of promoting native cultures, as well as providing support for local production of souvenirs. Raw materials (reindeer and sable pelts, fish skin, etc.) have been prepared and processed, and souvenirs made of these processed raw materials. Representatives of the indigenous people of the North take an active part in the project implementation.

As part of the project, the potential demand for ethnic tourism was studied; many souvenirs were created with the use of traditional native techniques from natural materials; and exhibitions/fairs were organized in Yuzhno-Sakhalinsk and Khabarovsk. The Cooperative displayed its goods at the exhibition World Market 6 in Japan, executed an agreement on cooperation with the Sakhalin-Kurily Tourism Information Agency, and formed partnerships with several organizations (travel agencies and souvenir shops). Representatives of the Cooperative participated in a seminar devoted to the development of ethnic tourism by IATO-RFA.

A WEB page has been created for disseminating information on available tours and planned routes; advertisement booklets were published; and a video film devoted to ethnic and other routes is being produced.

Total Project Amount: \$41,082
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG3-11 Project: Purification and Processing of Coal Gas Emissions (Sakhalin Oblast)

Grantee: "Novikovskoe" JS CO. of Open Type
Address: Novikovo Settlement, Korsakovsky District, 694005, Sakhalin Oblast
Tel./Fax: (424235) 93-1-39, 93-1-57

Project Topic Areas:

- Process efficiency for business/manufacturing.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The goal of the project is to introduce processing technology for gas emissions of a coal heating enterprise. In the course of the project implementation the central boiler plant in the city of Korsakov was reconstructed (2 new smoke exhausts were installed, the territory of the plant was paved with asphalt, and trees and shrubs were planted in the surrounding area) to provide filtration of gas emission and extraction of germanium concentrate from particulate matter in the smokestacks. Special equipment was installed for the production of germanium concentrate that has previously been non-existent in Russia. The quality of the concentrate complies with international standards. Fifty grams of germanium concentrate are extracted from 1 ton of coal. So far 5,000 kg of germanium concentrate have been produced. It is planned to increase the extraction rate to 300 g from 1 ton of coal. Extracted concentrate will be sold to companies that use pure germanium for manufacturing optical equipment. The heat energy produced during tests (20 days) was enough for heating 30% of residential houses in Korsakov.

The project has improved the ecological situation in the Region by practically eliminating hazardous emissions caused by coal burning. Twenty-five jobs were also created.

The project influenced regional and federal policies regarding the development of environmentally sustainable business. During the 2000-2001 heating season, Korsakov will be supplied with cheap coal fuel and the city's cost for utility services will go down. Russia will become independent of germanium imports and in the future it might become a large exporter of this rare-earth element. This will also bring more tax revenue to the regional and federal budgets.

Project activities and results were reported in the media and met the approval of local politicians.

Total Project Amount: \$129,149.75
Requested Grant Amount: \$24,900

Attachment A: TGP Projects Funded

**SCHEDULED GRANTS
ROUND 4**

SG4-01 Project: Secondary Processing of Small Diameter "Waste" Timber (Sakhalin Oblast)

Grantee: "Kristall" co. Ltd.
Address: 5-2 Lesotarnaya St. Poronajsk, 694220, Sakhalin Oblast
Tel./Fax: (4242) 77-22-49

Project Topic Areas:

- Process efficiency for business/manufacturing.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project will process small diameter (14 to 26 mm top diameter) waste wood that is usually not used by timber harvesting enterprises. With support from the TGP, small diameter timber will be used for producing calibrated (gauged) logs, edged boards, fencing, etc. During the project the quantity of waste timber will be decreased and production of locally processed wood products will increase.

Total Project Amount: \$142,184
Requested Grant Amount: \$24,980

Attachment A: TGP Projects Funded

SG4-02 Project: Development of Ecological Tours for IATO RFE Members (South of the Russian Far East)

Grantee: Inter-Regional Association of Independent Tour Operators of the Far East
Address: 1-A Sovetskaya St. Khabarovsk, 680028
Tel.: (4212) 34-10-92, 34-69-66
Fax: (4212) 34-10-92
E-mail: fareast@safari.khv.ru

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Conference, business association activities, business/investment support materials, legislative activities.

Project Description:

The goal of the project is to train local tour operators (members and potential members of IATO RFE) in marketing skills for eco-tourism products. The project is aimed at strengthening collaboration between local tour operators, scientists, and ecologists for sharing experiences and encouraging more sustainable use of nature in the creation of ecological routes.

During project implementation a brochure on IATO-RFE was written and 500 copies published; three seminars on "Marketing and Planning in the Tourism Business" were held; and guidelines on how to prepare ecotours (Tourist Techniques, Issues 1 and 2, 500 copies each) were developed and published. An IATO-RFE Internet site was created which provides prompt and efficient information and methodical assistance to IATO- RFE members and other tour operators. The site includes a database of tour operators of southern RFE. Partnership relations among tour operators, scientific institutions, and environmentalists have been strengthened with the aim of sharing experiences and encouraging greater utilization of the region's natural potential for the development of ecotourism. New members have joined IATO- RFE.

The project was reflected in the media.

Total Project Amount: \$30,099.75
Requested Grant Amount: \$23,216.50

Attachment A: TGP Projects Funded

SG4-03 Project: Waste-water Purification And Production of Organic Fertilizer from Waste of a Khabarovsk Chicken Farm (Khabarovsk Krai)

Grantee: "Daltseolit" Co. Ltd.
Address: 72 Seryshev St. Suite 67, Khabarovsk, 680021
Tel./Fax: (4212) 21-46-47

Project Topic Areas:

- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.
- Process efficiency for business/manufacturing.
- Bringing new sustainable products to market, or making existing products more sustainable.

Project Description:

The project will test technology for wastewater treatment at small-scale poultry complexes, using natural mineral sorbent (zeolite). The reclaimed waste from this treatment will be used to produce organic mineral fertilizers. There are deposits of zeolite in the Jewish Autonomous Oblast, Sakhalin, Primorsky Krai. Currently, a large quantity of this sorbent is exported abroad (mostly to Japan, where it is used for manufacturing filters, which are then exported back to Russia).

During the project, a pilot sewage treatment plant for small-scale poultry complexes was installed and tested. This zero-discharge, low cost, energy efficient plant treating sewage and producing fertilizers was tested at a poultry complex in Beryozovka settlement in Khabarovsk. The treatment system consists of three main units: mechanical treatment, physicochemical treatment, and final purification by sorption filters with a subsequent decontamination by ultra-violet radiation.

Other poultry complexes could use the methods developed from this project as well.

Total Project Amount: \$37,692
Requested Grant Amount: \$25,000

Attachment A: TGP Projects Funded

SG4-04 Project: Transformation of Riverbed Processes and Creation of Artificial Spawning Grounds in Rivers for Salmon Reproduction (the Kiran River, Khabarovsk Krai)

Grantee: Priamurye Geographical Society
Address: 9 Shevchenko St. Khabarovsk, 680000
Tel./Fax: (4212) 38-93-47
E-mail: dmitry@ivep.khv.ru

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Process efficiency for business/manufacturing.

Project Description:

The project introduced a low-cost American method of creating artificial salmon spawning grounds in riverbeds that have been damaged by gold mining activity. The local native population in the area where the project was implemented relies on salmon as a traditional food staple and source of income. The project was implemented together with specialists from Oregon State University, USA and the Wild Salmon Center.

As part of project activities, the valleys of the rivers Kiran, Tumnin and Annui and their tributaries were studied through field work and documentation. As a result, criteria for areas suitable for the creation of artificial spawning grounds was established. As a result of the research, artificial spawning grounds were created and guidelines and recommendations on restoring spawning grounds were developed.

The implementation of this project opens up broad opportunities for the development of the region's fishing industry. The guidelines on restoring the former spawning grounds were submitted to the Khabarovsk Krai State Committee for Natural Resources Preservation and will be taken into account in the process of planning nature management in the region. During the project, ties have been established with the cooperatives of Troitskoye village, Sikhachi-Alyan village and Malishevo village, which are interested in restoring spawning areas and developing the fishing industry. The results of the project were also used in courses at the Khabarovsk State Technical University.

Total Project Amount: \$27,347.40
Requested Grant Amount: \$23,775.40

Attachment A: TGP Projects Funded

SG4-05 Project: Reprocessing of Waste from Wood Alcohol Production for Production of Lignin And Lignin-Mineral (Central And Southern Parts of Khabarovsk Krai)

Grantee: "Polyphepan" Co. Ltd.
Address: 21 Mendeleev St. Khor Settlement, 682927, Khabarovsk Krai
Tel.: (42154) 15236, 15459;
Fax: (42154) 21306

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project will reprocess lignin waste from wood alcohol production to obtain a new product for prevention and treatment of gastrointestinal diseases of livestock and poultry, as well as obtaining lignin compost. Lignin for medical purposes would substitute analogous medicines in the regional market. Lignin compost, produced during the project, is currently unavailable in the local market.

As a result of project implementation 2,200 t of lignin was utilized and 1,480 t of lignin mineral compost was produced (which is 80 t more than the planned amount). Trading companies, agricultural and gardening enterprises of Khabarovsk Krai have placed their orders for lignin compost. Partnerships were formed with a gardeners trading network and stores.

Waste storage areas used by the wood alcohol hydrolytic plant have been reduced and a natural environment has been restored in the cleaned areas. As a result of the project activities, there has been a reduction of environmental waste, and cases of livestock diseases will also be decreased.

Additionally, 6 new jobs were created. A broad advertising campaign was conducted in the media. Plans include an expanded utilization of hydrolytic production waste (for the production of light lignin concrete blocs used in housing construction, heat-insulating materials, etc.)

Total Project Amount: \$40,904
Requested Grant Amount: \$24,800

Attachment A: TGP Projects Funded

SG4-06 Project: Increase of Production And Production Capacities for a Seaweed-based Nutrition Supplement "Modiflan" (Sakhalin Oblast)

Grantee: "Marinit" Co. Ltd.
Address: 11 Gorky St. Yuzhno-Sakhalinsk, 693016
Tel./Fax: (42422) 3-70-91, 5-58-41

Project Topic Areas:

- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Process efficiency for business/manufacturing.
- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.

Project Description:

The project upgraded equipment and furnished a new shop for the production of *Modiflan*, a biologically active seaweed-based dietary supplement; and equipped a special building of the former food-processing factory to meet the required sanitary and technical standards. This will allow the increased annual production of *Modiflan* to 9 tons (which is 50% more than its present capacity).

The project uses a unique technology for processing brown seaweed. The project became a successful component of the regional program for opening factories processing seaweed into alginate products. Brown kelp seaweed is a significant resource in the waters surrounding Sakhalin. Seaweed harvesting creates new jobs, and processing of "Modiflan" helps to make available a source of iodine, which could help reduce the currently high incidence of thyroid-related illness in the Russian Far East. The company plans to organize the production of new products from *Modiflan* (pastes and gels for the cosmetics and perfumery industries), fiber, flakes, and forage supplements.

New jobs were created in the process of project implementation: the sector of extraction and initial processing alone employs 20 people. Mobile collection points are being organized for collecting seaweed during storms. The organization maintains good partnership relations with the Sakhalin Innovation Fund and medical institutions which distribute its products. It also took part in exhibitions and conferences where it presented its products. The project and its results were reflected in the media.

Total Project Amount: \$46,322
Requested Grant Amount: \$24,826

Attachment A: TGP Projects Funded

SG4-07 Project: Reprocessing of Distillery Malt Waste into Livestock Feed (Sakhalin Oblast)

Grantee: "Shen Li" Co. Ltd.
Address: 19 Kommunisticheskii Prospect, Yuzhno-Sakhalinsk, 693000
Tel./Fax: (42422) 3-96-20, (4212) 77-25-83

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project will produce a new livestock feed from distillery waste. This waste was previously dumped into the Susuya River, where fish spawn. The new product can substitute imported livestock feed and be purchased by collective farms, poultry farms and individual farmers of Sakhalin Oblast. The production line is currently being set up. It will produce three grades of feed products

As a result of project implementation the discharge of distiller waste to the Susuya River (which has spawning areas) will be decreased, as will the pollution of local rivers (thermal and distillery waste pollution). These measures will considerably improve the environmental situation. After the processing plant is commissioned, the distillery will be operating on a zero-discharge technology.

Broad partnership relations have been formed: the local poultry plant is already using the produced feed; a brewery in Southern Sakhalin is planning to replicate this project; and the *Artyom* brewery in Vladivostok applied to the project for experience sharing.

Nine new jobs were created. At present the Sakhalin Oblast Administration is working out an integrated program on developing the production of livestock feed, and there is a good chance that the Shen Li project will be included in this program.

This company has started a new production of corn chips. Plans include the production of pet food (for cats and dogs) which will also be based on processed distillery waste.

Total Project Amount: \$76,176.34
Requested Grant Amount: \$21,790.31

Attachment A: TGP Projects Funded

OPEN DOOR GRANTS ROUND 1

OD1-01 Project: Creation of Directory for Member of the Union of Small Business Entrepreneurs (Sakhalin Oblast)

Grantee: Sakhalin Union of Small Business Entrepreneurs
Address: 283 Lenin St. Yuzhno-Sakhalinsk, 693000
Tel./Fax: (4242) 74-20-00
E-mail: rightdefence@sakhalin.ru

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable natural resource extraction/add value to natural resource production.

Project Description:

The project will promote the development of the Sakhalin Union of Small Business Entrepreneurs, an association that protects the interests of small businesses in Sakhalin.

As a result of the project, a directory of members of the Union of Small Business Entrepreneurs was created, including a database for more than 600 members of this organization, legal instructions for entrepreneurs, and contacts of government and non-governmental organizations that support business. The directory has been distributed among the members of the organization, libraries, and municipal administrations in Sakhalin Oblast. A poll that was conducted among owners of small businesses provided the association with valuable information about its members as well as details about the situation within this sector. The poll's results were the groundwork of organization's strategic planning.

The project helped to unite Oblast entrepreneurs, provided them with an opportunity to receive consultation and support, and increased membership of the Union. As a result of project activities, the Union was joined by 100 new members. The project will have long-term impact by providing free access to information on entrepreneurs. This will serve as an example of a transparent public organization.

Total Project Amount: \$9,850.60
Requested Grant Amount: \$7,228

Attachment A: TGP Projects Funded

OD1-02 Project: Field Tests of Materials for Absorbing Oil Spills (Sakhalin Oblast)

Grantee: "Terra" Co. Ltd. / Scientific Production Firm
Address: 23-A Ovrazhnaya ST. Tymovskoye settlement, Tymovskii District,
694400, Sakhalin Oblast
Tel.: (42247) 42-208
Fax: (42247) 42-001

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable natural resource extraction/add value to natural resource production.

Project Description:

The project's goal is to introduce a new peat-based sorbent material for treating chemical spills in the Russian Far East.

Project activities included the production of pilot sorbent materials and their field tests at an oil-mining complex in Katangli (Nogliki Raion, Sakhalin oblast), where oil has been extracted since 1925. The oil field's network is subject to corrosion and oil is discharged to brooks and Lake Katangli.

During the project, field tests of oil-absorbing materials were conducted in Katangli, Nogliki District, an area that has one of the oldest oil production facilities on Sakhalin. The tests showed this new material is effective in absorbing oil spills, including those in hard-to-reach areas. Methods have been developed for treating oil-polluted soil, and technological methods using waste drilling fluid and sludge at construction of oil-wells on the shelf.

The new product has attracted the interest of companies from the USA, Japan, South Korea, China, as well as the local administration and non-commercial organizations dealing with oil products. A number of Russian and foreign organizations placed orders for these oil-absorbing materials (powder, hoses, and napkins).

Total Project Amount: \$15,245
Requested Grant Amount: \$9,876

Attachment A: TGP Projects Funded

OD1-03 Project: Introduction of Non-Waste Production of Soy Products to Sakhalin Oblast (Sakhalin Oblast)

Grantee: "Kolosok" JS CO. of Close Type
Address: 8-B Matrosov St. Office 75, Kholmsk, 694620, Sakhalin Oblast
Tel.: (42433) 3-35-12

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment or product enhancement.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

During the project, a production line was installed to produce healthy, tasty and reasonably priced soy products (soy milk, cottage cheese and *ryazhenka*, a food enriching agent and bread made on the basis of soy). The food supplement used in meat processing used to be imported, while today most of it is produced locally.

The project supports the development of agricultural production in Sakhalin Oblast and will reduce the demand for importing foodstuffs. The assembly of equipment for producing soy milk products in Kholmsk has been completed. The technology introduced in Kholmsk Raion will have a great influence on the raion's agricultural policy and, in particular, the development of additional soy cultivation. In using the soy supplement, a local bakery will save nearly 5 tons of flour a month.

An advertising campaign devoted to soy products was conducted in the media and through the City Administration Public Health Department. Eight new jobs were created.

Total Project Amount: \$11,100
Requested Grant Amount: \$10,000

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Attachment A: TGP Projects Funded

OD1-05 Project: Organization of Production of Medical Preparations Using the Far-Eastern Botanicals (Khabarovsk Krai and Jewish Autonomous Region)

Grantee: Far Eastern Association for the Use of Non-Timber Forest Products
Address: 176 Karl Marx St. Khabarovsk, 680031
Tel./Fax: (4212) 32-81-24, 32-84-97
E-mail: ntfpas@online.fareast.ru

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable natural resource extraction/add value to natural resource production.
- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The goal of the project is to organize the processing of RFE medicinal herbs into herb teas. In the course of the project local herbs were studied and new herb tea components were developed and assessed. Guidelines on collecting and processing medicinal herbs in the RFA have been publicized and broadly disseminated among herb collecting and processing companies.

The project received orders for a) five new herb teas that will be commercially produced, and b) original herb teas and their analyses. Partnerships were formed with various government and public medical and environmental organizations, as well as with the collectors and processors of medicinal herbs. The project rendered assistance to other companies and private businesses in organizing the gathering and processing of wild medicinal herbs.

Local residents and schoolchildren are encouraged to gather herbs, 50 new jobs were created, and this number increases considerably during the summer season. The region's pharmaceutical factories are now supplied with herbs.

The project will produce medicines from Far Eastern botanicals (medicinal teas). An analysis of local botanicals has been conducted, and new medicinal preparations have been developed and evaluated. The project also developed recommendations for sustainable gathering of the botanicals and specifications for production of medications from them. The coordinators conducted two training seminars on gathering and processing of these materials.

Total Project Amount: \$14,892
Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OPEN-DOOR GRANTS ROUND 2

OD2-01 Project: Marketing And Promotion of the Amur Region Indigenous Population Culture (Khabarovsk Krai)

Grantee: "Pravy Bereg" RITS Co. Ltd.
Address: 17 Novaya St. Office 24, Khabarovsk, 680000
Tel./Fax: (4212) 37-27-45
E-mail: rightshore@mail.khv.ru

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment or product enhancement.
- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The project will promote the art and culture of indigenous groups living in the Amur River Area (Priamurye), expand awareness of this art, and increase the possibilities for domestic and international marketing.

Postcards and bookmarks depicting the culture and arts of the Priamurye indigenous people have been printed with Russian and English texts. These materials show characteristic features of the indigenous ethnic groups living in the Amur River region. The materials published in the course of the project implementation were distributed through the All-Russia tourist network, Aeroflot Airlines, and other tourism outlets. The postcards and bookmarks were decorated with scenes from the history of the indigenous people and with traditional ornaments.

The project's database contains information on craftsmen by the types of their art; a library; an evaluation of the key problems confronting indigenous people; and a description of the methods of assistance that do not destroy these people's traditional outlook, but help them adjust to the new economic situation. The project was broadly covered by the media.

Total Project Amount: \$14,316
Requested Grant Amount: \$9,600

Attachment A: TGP Projects Funded

OD2-02 Project: Presentation of Commercial And Investment Activity of Khabarovsk Krai at International And Russian Investment Conferences (Khabarovsk Krai)

Grantee: "Lesnoy Auktion" Company (Forest Auction), Co. Ltd.
Address: 61 Gorky St. Khabarovsk, 680052
Tel.: (4212) 32-43-62
E-mail: vnesh@adm.khv.ru

Project Topic Areas:

- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The key goal of the project was to inform government and business circles in Russia and in other countries about the opening, in the Russian Far East, of an Agency for encouraging foreign investment (AEFI). Presentations by this new agency were held at seminars and conferences that were joined by business and governmental representatives from Russia and abroad.

These presentations described AEFI and the status and terms of business activities in Khabarovsk Krai, and informed the participants of the readiness of Khabarovsk Krai to accept investment. The presentations were instrumental in strengthening and broadening the krai's external economic ties in the following ways:

- receiving proposals and advice from investors;
- creating conditions for sustainable business development, and;
- disseminating the experience in establishing such agencies in the RFA and Trans-Baikal Region.

During the project, three presentation packages were developed and six AEFI presentations were carried out, including: at a meeting of US consultants with representatives of the krai's timber industry; at the meeting of the Governor's Foreign Investment Advisory Council; at the Fifth ATES (Pacific Rim Economic Council) Investment Symposium in Shanghai (China); at the Russian-Chinese Seminar on Free Trade Zones; and at the meeting of the initiative group on cooperation between RFA and the US West Coast (Monterrey). More than over 1,000 people attended these AEFI presentations. This led to an increase of requests sent to AEFI by investors, visits of foreign entrepreneurs to Khabarovsk, and the signing of a number of agreements and protocols on cooperation with the krai.

Total Project Amount: \$13,676
Requested Grant Amount: \$9,984

Attachment A: TGP Projects Funded

OD2-03 Project: Production of Native Souvenirs from Natural Resource Waste (Nogliki Community, Sakhalin Oblast)

Grantee: National Production Cooperative "Kanchargobakhrsh"
Address: 8 Severny Proyezd, Office 1, Nogliki settlement, 694450, Sakhalin Oblast
Tel.: (42444) 9-73-42

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment, or product enhancement.

Project Description:

The main goal of the project was to organize a production network of native artists who produce native souvenirs from natural waste (timber processing, hunting and fishing). This activity will create new sources of income for Northern Sakhalin indigenous people.

Participants of the project were trained at the Russian-American Educational Center (RAEC) to development a marketing plan for the native art and souvenirs.

Total Project Amount: \$10,476
Requested Grant Amount: \$9,949

Attachment A: TGP Projects Funded

OD2-04 Project: International Scientific Conference "Legal And Economic Aspects of Taxation in the Pacific Rim Countries" (Khabarovsk Krai)

Grantee: Training Center for tax police employees in Khabarovsk
Address: 3 Novaya St. Khabarovsk, 680032
Tel./Fax: (4212) 39-65-70, 32-73-45

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The project seeks to improve the tax system in the Russian Far East, as well as to exchange experience with the Pacific Rim countries in the field of tax policy.

An international conference "Legal And Economic Aspects of Taxation in the Pacific Rim Countries" was conducted in Khabarovsk. As many as 154 representatives of 52 enterprises and organizations from 9 regions of the RF, as well as from the USA, Japan and China joined this conference that was organized by the RF Federal Tax Police Service (FTPS) Center for Training Tax Police Personnel, the Khabarovsk Krai Administration, the Khabarovsk Krai Duma, the RF FTPS Khabarovsk Krai Department, and the American Bar Association (ADA/CEELI). The participants discussed issues related to the legal and economic aspects of taxation and the impact of the tax policy the region's strategies of developing environmentally sustainable business.

Upon completion of the conference, a resolution was adopted to unify efforts of scientists and practitioners in the field of improving the Russian tax system. This resolution considers international experience in this area. Materials showing the results of the conference have been published. Project activities and the conference were broadly reflected in the press; a brochure "Legal and Economic Aspects of Taxation" (Part 1 and 2) was published, as well as the Conference's presentations.

Total Project Amount: \$14,654
Requested Grant Amount: \$8,304

Attachment A: TGP Projects Funded

OD2-05 Project: Waste-free Processing of Fish at a Pelmeny Production Unit (Sakhalin Oblast, Districts of Nogliki, Alexandrovsk-Sakhalinski, Smirnykhovski and Poronajsk)

Grantee: "Magnolia" Co. Ltd.
Address: 6 Kharitonov St. Tymovskoe settlement, 694412 Sakhalin Oblast
Tel./Fax: (42447) 94160

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment, or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project is aimed at reprocessing fish that remains after caviar extraction, and processing of this fish into various fish products (*pelmeny*, frozen or precooked fish products, powder for fertilizer, etc.)

During the project, the following activities were implemented: starting-up and adjustment of a production line; purchase of fish that remains after caviar extraction; equipment for furnishing a *pelmeny* workshop was purchased; certification of the *pelmeny* workshop and the products. The Sakhalin Governor highly estimated the project and its contribution to the region's policy of developing environmentally sustainable business.

Total Project Amount: \$14,340
Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OD2-06 Project: Production of Baked Goods from Local Berries (Sakhalin Oblast)

Grantee: Bakery (Nogliki, Sakhalin Region)
Address: 44 Sovetskaya St., Nogliki settlement, 694450, Sakhalin Region
Tel./Fax: (42444) 9-63-29, 9-78-85

Project Topic Areas:

- Research or testing of new products for sustainable business, innovation assessment, or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project will expand the assortment of baked goods, using local non-timber forest products (berries).

The following activities have been conducted: gathering and buying berries, starting-up a production line for producing baked goods, and certification of the new products. The bakery's product line was increased by eight; three new jobs were created; and the output of products using local natural resources was increased. Furthermore, taxes paid to the local budgets increased, and energy consumption decreased due to the residual heat of the ???-2 stoves (by 1.7%). Today Nogliki Bakery is the only buyer and processor of wild berries in Nogliki Raion.

Permanent ties were established with the Lunvo family business that is concerned with gathering and delivering wild berries to the bakery. This helped improve the financial situation of the business. As a result of project implementation, contracts with retailers from Nogliki and Tymovsky raions of Sakhalin oblast have been signed for the delivery of the bakery's products.

Total Project Amount: \$10,612
Requested Grant Amount: \$9,986

Attachment A: TGP Projects Funded

**OPEN-DOOR GRANTS
ROUND 3**

OD3-01 Project: Legal Guidebook for Entrepreneurs (Khabarovsk Krai)

Grantee: Khabarovsk Krai Union of Entrepreneurs
Address: 20 SineInikov St. Suite 401, Khabarovsk, 680021
Tel.: (4212) 39-19-25, 39-10-61
Tel./Fax: (4212) 39-11-07

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The project supports the development of small business in the Khabarovsk Krai through the development of a legal guidebook for entrepreneurs. The guidebook has been distributed among the members of the Union, legal firms, libraries and governmental and non-governmental organizations of Khabarovsk Krai. The reference book evoked wide-spread responses from the scientific community, universities and colleges, libraries, deputies and officials and, especially, from small size businesses. Project activities have been reflected in the media.

Total Project Amount: \$11,674.04
Requested Grant Amount: \$9,979.08

Attachment A: TGP Projects Funded

OPEN-DOOR GRANTS ROUND 5

OD5-01 Project: Expanding Production of a Biological Preparation against Mycoses Disease in Plants (Khabarovsk Krai)

Grantee: "Biolek" Co. Ltd.
Address: 46 Kirov St. Komsomolsk-on-Amur, Khabarovsk Krai
Tel.: (42172) 4-71-04
Fax: (42172) 4-02-69
E-mail: bfk@kmscom.ru

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.

Project Description:

The project has enabled the company to increase production of trichodermin – an effective biological preparation against fungal disease in plants. The preparation provides a non-polluting, organic control of more than 24 plant diseases, and the cultivation of ecologically clean agricultural produce by major agricultural enterprises and small farmers. This organic preparation could substitute for a number of analogous imported products and reduce the amount of chemical inputs used in local agriculture. Project activities included the development of an exclusive design, the creation of drying equipment, and the purchase, installation and start-up of packaging equipment.

During the project, the company successfully introduced its products not only in the Far Eastern markets, but also in other Russian and foreign markets. The company concluded sales contracts with more than 15 new organizations and individual entrepreneurs in Komsomolsk-on-Amur alone. The company has established close contacts, and actively collaborates, with the Primorye Agricultural Research Institute (Ussuriysk), the Far Eastern Agricultural Research Institute of Khabarovsk Krai, Khabarovsk Krai Administration, and leading American farmers. Komsomolsk Administration has included Biolek's biological plant protection projects in the krai's program "Technopolis KAS". A broad advertising and public information campaign was launched explaining the advantages of biological crop protection measures; and a colorful booklet on the firm's products was produced.

Total Project Amount: \$21,522
Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OPEN-DOOR GRANTS ROUND 7

OD7-01 Project: Establishment of Partnership Relations between NGOs And Private Enterprise (Khabarovsk Krai)

Grantee: the Far-Eastern Chamber of Commerce
Address: 113 Sheronov St. Khabarovsk, 680000
Tel./Fax: (4212) 32-82-23
E-mail: tpp25@rfcci.rospac.msk.ru

Project Topic Areas:

- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The project's goal is improving interaction between NGOs and commercial organizations in support of entrepreneurial development, and investment promotion of the Far Eastern region.

During the project, a delegation comprising representatives of Khabarovsk Krai Administration and leaders of the major regional business associations were sent to Anchorage, AK, USA to study US experience in establishing partnership relations between public and private sectors. The group also studied lobbying practices, and the organizational development of business associations such as the Chamber of Commerce in Alaska. In the course of the delegation's visit, firm ties between the business associations of Khabarovsk Krai, Sakhalin Oblast and State of Alaska were established. Members of the delegation took part in a seminar devoted to customs procedures in Russia and made a presentation on the infrastructure of Sakhalin and also joined a conference on the Alaska Chamber of Commerce legislative priorities. During the mission visit good working relations were also established among entrepreneur associations from Khabarovsk Krai, Sakhalin Oblast and the State of Alaska. A "Guidebook for Investors in Khabarovsk Krai" and "Directory on the Development of Russian Business Associations" were also published. The project has become an important component of the region's economic development program, whose main goals include the creation of favorable conditions for the development of environmental business activity and the formation of an effective infrastructure for its support.

Total Project Amount: \$32,256
Requested Grant Amount: \$9,898

Attachment A: TGP Projects Funded

OD7-03 Project: Conference "Implementation of Resource Conservation Projects on Sakhalin" (Sakhalin Oblast)

Grantee: Sakhalin Regional Public Organization on Support of Public Initiative
"Open World" (Otkrytii Mir)
Address: 34 Dzerdzhinski St. Office 42, Yuzhno-Sakhalinsk, 693000
Tel./Fax: (42422) 309-83, (4212) 74-18-50
E-mail: diva@sakhalin.ru

Project Topic Areas:

- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The project seeks to attract investment in the area of resource conservation and energy efficiency for Sakhalin Oblast through the activities of the Sakhalin Development Agency (for whose development Sakhalin's Administration has allocated \$100,000). During the project, a conference titled "Implementation of Programs for Resource Conservation of Sakhalin Oblast" was conducted with more than 50 representatives of different Russian and foreign organizations participating. The "Plan of Sakhalin Infrastructure Development" was presented to potential investors. The conference not only identified the market of the Agency's permanent clients, but also expanded their list thanks to a broad coverage of the conference in the media.

The plan that was presented to investors includes 40 infrastructure development projects elaborated by the U.S. company Northern Economics in consultation with the Sakhalin Oblast Administration. The conference was instrumental not only in publicizing existing models, but in the development of preliminary investment agreements for new projects. Four specific energy-saving projects for Yuzhno-Sakhalinsk and Nogliki Settlement in Sakhalin Oblast were also presented. They have already been supplied with business-plans, feasibility reports, and budgets. Sakhalin's governor supported these projects.

Total Project Amount: \$13, 699
Requested Grant Amount: \$9, 699

Attachment A: TGP Projects Funded

OD7-05 Project: International Conference "Small Business for Sustainable Development" (Khabarovsk Krai)

Grantee: Khabarovsk Scientific Center at the Far-Eastern Department
of the Russian Academy of Science
Address: 9 Shevchenko St. Khabarovsk, 680000
Tel./Fax: (4212) 32-65-81, 32-74-95
E-mail: bouznik@khsc.khv.ru

Project Topic Areas:

- Training and exchanges of expertise in sustainable business development and product marketing.
- Conference, business association activities, business/investment support materials, or legislative activities.

Project Description:

The project will increase cooperation between environmentally sustainable entrepreneurial organizations in the Far East of Russia and in other regions. The project will also showcase the achievements of small sustainable business in the Targeted Grants Program and use these as models for sustainable development in the region.

The International Small Business Sustainable Development Conference was held on May 17 – 19, 2000 and attended by representatives of the Khabarovsk Krai Administration, the US Consulate General, and the World Resources Institute. The conference consisted of both plenary sessions and working groups devoted to the following issues: ecological technologies; eco- and ethnic tourism; timber and non-timber forest products; recycling of waste; fish and other water resources; bioresources; and sustainable agriculture.

The results of the working groups' brainstorming were incorporated in the conference's decisions. The conference helped develop recommendations on opportunities for sustainable business development in the Far East of Russia.

Total Project Amount: \$32,849
Requested Grant Amount: \$9,999

Attachment A: TGP Projects Funded

OPEN-DOOR GRANTS ROUND 9

OD9-01 Project: Production of Baked Goods Made with Regional Non-Timber Forest Products (Khabarovsk Krai)

Grantee: "Skol" Co. Ltd.
Address: 18 Leningradskaya St. Suite 2, Khabarovsk, 680030
Tel./Fax: (4212) 39-28-27

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable.
- Sustainable management of natural resources/sustainable natural resource

Project Description:

The goal of the project is to introduce a new line of baked goods made with regional endemic non-timber forest products (limonnik – *Schizandra chinensis*, and linden-tree honey). The production of baked goods such as buns and rolls with the use of local products has already started. The purchase of new equipment (ovens, dough-mixing and dough-rising units) allowed production to increase. The local population was informed and instructed about how to gather and preserve local non-timber forest products. Delivery contracts have been developed for transporting these products from taiga settlements. The project has a social equity component in that a portion of the baked goods will go to kindergartens and schools at reduced rates.

The project supports development of bee-keeping in the Region, through the installation of beehives in the taiga. The project creates new jobs in Khabarovsk and in forest communities in Khabarovsk Krai.

The organization took part in the krai's exhibition of baked goods where three types of products were awarded first place and a diploma. The results of the project will be replicated in Komsomolsk.

Total Project Amount: \$44,755.41
Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OD9-02 Project: Far-Eastern Plants – Medicine of the Future (Khabarovsk Krai)

Grantee: "Vostok – Pushnina" JS Co. of Close Type
Address: 40 Pushkin St. Khabarovsk, 680000
Tel.: (4212) 30-51-13, 32-79-33
Fax: (4212) 30-61-09

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.

Project Description:

The project is devoted to the creation of a sustainable system for collecting medicinal primary products (wild herbs, berries, etc.) that grow in the RFA. The project prepared storage facilities, executed agreements with teams of collectors, instructed the personnel on how to preserve the populations of plants they collect, and planted camomile (which is practically extinct in this raion) on the first five hectares.

Another goal of the project is to provide Russia's pharmaceutical companies with plant raw materials (agreements have been executed with a chemical and pharmaceutical factory in Khabarovsk for the supply of eight tons of eleuterococcus root; and with other companies for the delivery of five tons of dry Schizandra berries). This project will make it possible to renew the manufacturing of medical prescriptions based on safe, traditional formulations. A former drugstore is being furnished with equipment to process the raw material.

Representatives of indigenous people take part in project implementation, and new jobs are being created. The project has provided nearly 50 seasonal jobs.

Total Project Amount: \$41,330

Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OD9-05 Project: Production and Packaging of a Nutritional Supplement "Laminaria" from Sea Kale (Sakhalin Oblast)

Grantee: "Elma" Co. Ltd.
Address: 5 Parkovaya St. Korsakov, 694000, Sakhalin Oblast
Tel./Fax: (42435) 2-47-98, 2-57-66

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable natural resource extraction/add value to natural resource production.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project will upgrade production to improve the quality of processed sea kale for food processing, pharmacological and cosmetics industries, as well as for livestock feed (a nutritional supplement for cattle).

Equipment, packaging materials and labels were purchased, and a test batch of products was developed. Project implementation in Korsakov has demonstrated the possibility for small enterprises to pursue sustainable environmentally oriented business. Fish processing factories are now able to utilize kale waste and receive a profit.

An advertising campaign was carried out and promotional booklets and posters were published to explain to the public the beneficial qualities of this product. The enterprise is developing partnership relations with other raw material suppliers and buyers. For example, relationships have been developed with Patriot, a supplier company in Korsakov, and with Flora, a firm producing feed supplements.

The project will use sea kale washed up during storms, thus cleaning the seashore of rotting seaweed which makes it unsuitable for leisure and tourism.

The project was advertised in the media and at various conferences and seminars.

Total Project Amount: \$11,897.50

Requested Grant Amount: \$9,942.50

Attachment A: TGP Projects Funded

OPEN-DOOR GRANTS ROUND 10

OD10-01 Project: Organization of Charcoal Production from Waste of Wood Harvesting and Processing Enterprises (Khabarovsk Krai)

Grantee: Scientific Production Society "New Technology", Co. Ltd.
Address: 57 Lenin St. Suite 201, Khabarovsk, 680030
Tel./Fax: (4212) 212-891

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.
- Sustainable management of natural resources/sustainable use of natural resources/add value to natural resource production.
- Process efficiency for business/manufacturing.
- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description:

The project will develop a new mobile charring furnace, which can be used for off-road transportation. This charring furnace, and charcoal produced from waste wood, are new products to be introduced to the market. The charcoal will be made from wood waste from harvesting and wood processing enterprises – knots, top wood and other substandard wood products. Charcoal can be used as fuel for making such products as water filters, nutritional supplements, and can be used as a sorbent.

A task order, design, and blueprints for a charring furnace were developed. A charring furnace (???-1) was made and a patent application was filed. An agreement was signed with a factory that will produce such furnaces.

The project promotes the development of business in the region and solves the problem of waste wood processing. This will decrease fire hazards and improve the ecological situation in the region. Charcoal production will create employment in the region. The maintenance of only one mobile unit will create 15 jobs.

Total Project Amount: \$36,580

Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OD10-03 Project: Production of Bio-humus And Compost Starter from Waste of Fishery And Wood Processing (Khabarovsk Krai)

Grantee: Khabarovsk Regional Public Organization "Ecological Fund Amur"
Address: 9 Shevchenko St. Khabarovsk, 680000
Tel.: (4212) 39-97-63, 32-57-55, 21-08-37
Fax: (4212) 32-74-95, 22-70-85
E-mail: ganin@ivep.khv.ru

Project Topic Areas:

- Bringing new sustainable products to market, or making existing products more sustainable. Innovation assessment or product enhancement.
- Bringing new sustainable products to market, or making existing products more sustainable.

Project Description:

A new production line will produce bio-humus and compost starter from the waste of fish breeding and wood processing enterprises, as well as from excessive silt generated after keeping fish in fishing-cribs. It will promote development of a new product - organic fertilizer – for the local market, which is currently 80% dominated by imported products. Customers of the new product will be gardening and farming collectives of Priamurye, plant stores, and "Sortsemovoshch" Trading-procurement Company.

The project will create a significant decrease in the quantity of waste polluting the Amur River. New products will be ecologically clean and adapted for the local natural conditions. Project results were reflected in the media and advertisements describing new products were put out.

Total Project Amount: \$20,130
Requested Grant Amount: \$10,000

Attachment A: TGP Projects Funded

OD11-01 Project: Waste for Profit (Khabarovsk)

Grantee: Khabarovsk Krai Organization of the All-Russian Nature Protection Society
Address: 72 Frunze St., Suites 19-20 Khabarovsk, 680000
Tel.: (4212) 32-50-20, 32-52-93,
Fax: (4212) 38-33-39

Project Topic Areas:

- Brokering reuse/recycling or sale of waste for sustainable economic development goals.

Project Description

The goal of the project is to organize separated collection, sorting, and sale of waste to local processing enterprises. As a result of project implementation three waste drop-off centers were set up in three city districts for collecting polymer, paper and fabric waste, and agreements were executed for the delivery of collected waste with waste processing companies (carton factory and the firm Loren). Over 23 tons of waste paper, five tons of rags and nearly 10,000 tons of plastic bottles were collected and processed.

Partnership relations with waste processors make it possible to expand the range of collected waste (for example, glass, plastic waste, used batteries). A number of the organization's proposals were included in the krai's program "Waste" which is now being worked out in accordance with the adopted federal program.

An advertising campaign was launched in the media and project results were reflected in the krai and city's press. The project promotes an organized approach to the utilization of waste.

Total Project Amount: \$9,763

Requested Grant Amount: \$8,500