



Enhanced Small and Medium Sized Enterprise Development Program

Quarterly Performance Report

April 1, 2005 to June 30, 2005

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**Winrock International
Counterpart International
Center for Investment and Support (Prognoz)
Sakhalin Association of Business People
Counterpart Enterprise Fund
The Far Eastern Chamber of Commerce
Enterprise Support Center Makon
The Far Eastern Center for Economic Development
The State Organization for Additional Education *Business School***

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Name of Person Preparing This Report: Olga Schetinina
Phone: 7 (4212) 306373
Fax: 7 (4212) 306373
E-mail Address: oschetinina@esdproject.ru
Name of Organization: Winrock International
Address of Organization: 18 Muravieva-Amurskogo St., Offices #212, 407

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1. Background

Winrock International, in partnership with Counterpart International, Center for Investment and Support (Prognoz), Sakhalin Association of Business People, Enterprise Support Center Makon, the Far Eastern Center for Economic Development, the State Organization for Additional Education Business school, the Far Eastern Chamber of Commerce and Counterpart Enterprise Fund, is working to increase the number of successful small businesses and improve the environment for small businesses to emerge in the Russian Far East. Funded by the United States Agency for International Development, the Enhanced Small and Medium Sized Business Development Program (ESD) has four primary objectives:

- 1) Reduce the burden of regulations on SMEs by increasing SME association advocacy;
- 2) Increase the availability of credit for SMEs and entrepreneurs;
- 3) Provide and increase the availability of advanced business and sector-specific training skills; and
- 4) Build capacity of sector-specific associations by working through them to provide sector-specific consultancies.

In addition, the ESD Program is demand driven, ensures women and remote people benefit, and works to ensure collaboration between business support institutions and other businesses development projects with open and free information.

The project began August 1, 2003, and will continue until August 3, 2006. This report covers activities and results for the period from April 1 to June 30, 2005.

Project Administration

The fifth Partners' Meeting was conducted May 16-17 in Khabarovsk. ESD partners – Counterpart Enterprise Fund, Center “Prognoz”, Makon, the Far Eastern Chamber of Commerce, Sakhalin Association of Business People, ANO “Business School”, and FECED as well as a partner from Chita presented their activities and results to that date. The participants presented information that demonstrated the program impact on business environment in their regions. Marina Abakumova from USAID/Moscow, Irina Isaeva from USAID/RFE, Erin Hughes and Patrick Perner from Winrock International were also present and participated in the discussions of various program issues.

2. Progress Indicators

2.1. IMPROVING REGULATORY ENVIRONMENT

Introduction

Counterpart's approach to regulatory reform under ESD has been to work with local associations, choosing its partners based on their credibility, a democratic organizational structure, a clear mission and objectives, and qualified staff. Partners also must represent a large number of SMEs, be involved in sectors having economic potential, and demonstrate a willingness and past experience in working on regulatory issues.

Counterpart then conducted an in-depth assessment of each of the associations to determine their strengths and weaknesses and provided appropriate organizational development and advocacy training to strengthen their capacity to plan and conduct advocacy campaigns. Throughout the project, Counterpart has continually mentored its partners and provided microgrants to enable them to conduct advocacy campaigns; hold roundtables with government officials; work with media to get their message across; and design and use other means to effect changes in the SME business environment.

In addition, Counterpart facilitates the development of business association networks and coalitions to achieve common goals. Bringing association leaders together periodically to share information, best practices, and lessons learned and to identify potential areas for collaboration on advocacy issues is helping to build working relationships between them and make them a stronger force for change.

2005 Second Quarter Activities

This quarter the ESD Program continued building the capacity of its regulatory reform partners — SABP, Prognoz, and Makon — to overcome administrative barriers and increase SME growth in the Russian Far East. Counterpart provided technical assistance and mentoring to its partners that enable them to assess business associations; develop training and technical assistance plans to strengthen other associations; plan and conduct advocacy campaigns; collaborate with government officials; and create strong networks. SABP, Prognoz, and Makon then help associations in their regions become stronger and more capable of advocating for an environment conducive to SME growth. Counterpart also oversaw the approval, implementation, and evaluation of advocacy microgrants.

Roundtables During this quarter, our partners conducted two roundtables. Prognoz conducted the first roundtable in April and it was entitled "*Administrative Barriers to Development of Innovative Businesses in Amur Oblast.*" The roundtable was organized in part by the Amur Chamber of Commerce and the Union of Manufacturers and Entrepreneurs. In total, 37 people attended, including representatives from 3 business associations, 16 SMEs and the regional government. As a result of the roundtable the participants developed suggestions and recommendations on how to reduce barriers and encourage development of SMEs based on innovative technologies. They will pass this resolution on to the regional administration and to the Union of Support to Entrepreneurs for consideration. The participants also decided to organize a public council for developing new ways to use innovative technologies to support SME development in the regional economy.

Makon conducted the second roundtable in May and it was entitled "*Interaction between Catering SMEs and Government Officials.*" The roundtable brought together members of the Public Catering Associations and representatives of different government officials, including: representatives of the tax inspection office, the Russian Consumer Inspection (a new inspection body made up of officials from the sanitary inspection division, trade inspection division and the department of consumer's rights), the militia, and the fire inspector to discuss issues around the inspections the new Russian Consumer Inspection unit is conducting. SMEs do not have any information on this new body and its rules and procedures have not been communicated to the business community yet. This lack of information hinders SME development because no one

knows their rights or what to expect from this unit. As a result of the roundtable the attendees created a resolution asking the inspection unit to develop its procedures as soon as possible and present them to the public so SMEs know their rights.

Advocacy Microgrants Partner associations worked on overcoming administrative barriers through three advocacy microgrants this quarter. The Entrepreneurs Union of Aniva Region continued working on their microgrant project "*Optimizing Small Business Support Fund in Aniva Region*" that will eliminate administrative barriers and enhance transparency of the SME Support Program in the region. The Union developed a document that includes recommendations for improving the existing protocol so that SMEs can obtain financing more effectively and also so that the fund's operations will be more transparent. Another result is the creation of a Social Board of Advisors to administer control of fund activity, file documents, distribute money and process loan payments. This Board will be able to do these things more effectively and transparently than if the government administers the fund directly. This grant will be completed in the coming quarter and Counterpart will report on all the results it achieved in the next quarterly report.

The association in Nevelsk continued implementing an advocacy microgrant this quarter aimed at assisting SMEs in Nevelsk District obtain a legal trading license. Currently, SMEs in Sakhalin must fulfill three requirements in order to obtain a trading license, which contradicts a local law that specifies a list of requirements for acquiring a license and prohibits requests for documents not included on the list. New requirements create barriers for SMEs trying to do business in Sakhalin and the association analyzed the situation and discussed it during an Association Directorate meeting. The association worked with a local newspaper on an article entitled "*Barriers for Businessmen*" that described the problem and its consequences in order to raise the awareness of key stakeholders. The association then held a roundtable to discuss the issue and possible solutions. Nevelsk authorities and entrepreneurs participated and agreed to discuss the issue at the Nevelsk Authority Advisory Board meeting. This grant will also be completed in the coming quarter and Counterpart will provide a full report on the results achieved in the next quarterly report.

This quarter one new grant application was approved and a grant agreement was signed with the Ulegorsk Entrepreneur's Union. The new grant will create a coalition of business associations to advocate for SME interests in the Sakhalin region. Earlier this year changes in the tax code came into effect that increased their tax payments by up to 100%. This obviously puts them in an extremely unprofitable situation that decreases the incentive to open or continue running an SME in the region. The goal of the advocacy microgrant is to develop a proposal for the regional Duma that decreases the tax rate to a level where SMEs can remain profitable.

Seminars During this quarter, ESD conducted six seminars designed to strengthen its partner associations. The training covered topics such as marketing, increasing cooperation with government officials and how to conduct an advocacy campaign.

In April Prognoz conducted training for business associations entitled "*Marketing of Business Associations*" and it was for associations that charge fees for their services. The seminar taught participants basic methods and tools for developing and effectively promoting the paid services

of associations in order to enhance their position within the local community and contribute to financial sustainability. The Amur Chamber of Commerce was used as a case study for the group and participants developed practical suggestions for improving the Chamber's services. There were 27 participants who attended and they included representatives from the Amur Chamber of Commerce and six other business associations.

Makon held a seminar in May entitled, "*Lobbying and Advocacy for Business Associations.*" Participants were all representatives of various business associations. The seminar covered all of the basic methods that associations can use to lobby their members' interests to the government. The Public Catering Association, in particular, plans to use this new knowledge when they apply for a microgrant next quarter.

Also in May Prognoz conducted a training called "*Interaction between Business Associations and the Mass Media.*" The 20 business association participants learned how to work with the mass media in order to promote their associations and the goals of their associations to the local community.

In June Prognoz conducted a seminar called "*Actions and Advocacy Campaigns for SMEs.*" There were 12 participants and they learned innovative techniques for advocating their interests and how to conduct advocacy campaigns themselves and also in a coalition with other associations. After attending the seminar associations are able to develop their own advocacy programs and apply for microgrants during the third year of the program.

In June SABP conducted two seminars called "*Advanced Lobbying.*" The seminars were held in Nevelsk and Ulegorsk and the topics covered included current legislation concerning lobbying, preparing to lobby, methods of lobbying, and cooperating with the Chamber of Deputies.

Coalition Development During this quarter, ESD worked to further develop coalitions of business associations on Sakhalin and in Blagoveschensk.

In April SABP held a focus group with 10 representatives of the local business community to address the problems of SMEs and to set priorities for the third year of the ESD program. The participants discussed their concerns over renting land and office space in the face of bureaucratic and legislative difficulties, the unclear protocol for purchasing land from the government, and the financial costs of unexpected regulations and unscheduled inspections. The group worked collaboratively to form action plans to solve these problems.

In May Prognoz worked with the Club of Business Leaders met and arranged a seminar hosted by the Vice President of Amur Chamber of Commerce. He held a presentation on "*The Role of Media for the Business Community.*" The meeting was a good chance for all representatives to learn more about this topic and to further network with each other on how to address common problems.

Results of Monitoring Each of the ESD partners is conducting semi-annual monitoring in June and results and analysis from this will be available in the next quarterly report.

Results to Date

In this quarter **twenty** associations were involved in ESD program activities in the three regions.

ESD partners conducted a survey of associations participating in the program to monitor the impact that the ESD program has made on the associations since June 2004. Results include:

- Membership of associations has grown by 6%
- Revenue received from member dues has increased by 15%
- Revenue received from services to clients has increased by 7%
- Associations have diversified their funding sources beyond member dues
- Associations have developed and started to use annual activity plans
- Associations have conducted advocacy campaigns without ESD partners' assistance
- Associations have had extended interaction with government bodies supporting SMEs

Strengthened Collaboration between Business and Local Government. During this quarter, business associations in the regions invited local government and state inspection agencies to participate in roundtables on administrative barriers. Municipal employees participated in the seminar organized especially for them. They learned how to cooperate with businesses effectively and to better understand businesspeople, seeing them not as opponents but as partners. Although difficult to measure, business associations are noticing a real difference in the attitude of local government officials and their willingness to work with business associations on key issues.

Business Associations Began Forming Coalitions. Associations that have actively participated in ESD and attended roundtables and seminars have begun forming coalitions. In the past this did not occur because associations saw other associations as competitors, not collaborators. ESD has been instrumental in bringing them together, providing them with an opportunity to learn association management and advocacy skills, and ways to work with each other and with local government. A good example is the new microgrant with the Ulegorsk Entrepreneur's Union of this process: new tax laws affect all districts of the Sakhalin region so the Ulegorsk Union appealed to associations of other districts on Sakhalin so they will create a coalition and develop a joint proposal for the Duma. Their proposal will be stronger because it will come from a large number of SMEs represented by the various business associations.

2.2 IMPROVING ACCESS TO CREDIT

Under the access to credit component, Counterpart International facilitates workshops for banks and leasing companies. It also offers strategic direction and mentoring to the Counterpart Enterprise Fund (CEF), which provides logistic support to workshops for SMEs, non-bank financial institutions, and some banks. These training activities provide financial institutions with the tools and information they need to lend to SMEs profitably and provide SMEs with information on how to access financing.

Loans During the quarter, SMEs received **527 loans worth \$6,672,030** from participating banks and non-bank financial institutions. This is a direct result of the training sessions that

Counterpart International and CEF have provided these institutions since project inception (9 workshops this quarter).

Leasing Counterpart also provided access to **39** lease agreements worth a total of **\$1,779,536** this quarter (see Table 1). Again, these leasing agreements occurred as a direct result of CEF training for SMEs in how lease agreements work and how to apply. In addition, leasing companies in Yakutia (Sakhalin) and Vladivostok sent employees to ESD seminars on management and client relations and Counterpart International provided consulting services to leasing companies in Sakhalin. Counterpart International and Delta-Lease are also exploring the potential benefits of working together on a range of activities.

Table 1 - Breakdown on loans and leases by type of financial institution

Financial Institutions Reporting	Total Loans	Loans to Women	Amount of Loans
SME Support Funds	26	11	\$116,071.40
Credit Cooperatives	328	223	\$1,463,989.50
Banks	173	80	\$5,091,969.00
Leasing Companies	39	14	\$1,779,536.40

CEF Credit Workshops In January, CEF’s ESD manager, Elena Vasilieva, conducted a training—organized with the Vladivostok ESD partner organization Far East Center of Economic Development—for SMEs on “Cash Flow as an Instrument for Forecasting Financial Needs.” Twenty-three SME representatives in the region participated in the training and all received individual training on cash flow analysis, loan application processing, interest rates, and other lending and leasing topics. When Far Eastern Sberbank offered to lead a future seminar on lending terms and conditions for SMEs at the bank, all of the participants said they would be very interested in attending.

In February, ESD and the St. Petersburg Fund for Business Development conducted a training of trainers (TOT) course on “Investment Planning and Forms of Business Financing” in Khabarovsk. Prior to ESD, it was impossible for financial institutions to find trainers knowledgeable in this topic in the Far East. Due to this ESD activity, there are now seven local trainers in Khabarovsk and Vladivostok able to conduct such seminars.

Also in February, RMC conducted training in Khabarovsk for non-bank financial institution loan managers on “How to Reach Your SME Clients.” Participants included three new trainers from CEF for a total of 12 trainees. In addition, CEF organized training for employees of the Sakhalin Branch of Sberbank that included work on efficient communication with SME clients, taxation and documentation for SMEs, financial analysis of SMEs, and Sberbank’s instructions and requirements to obtain a loan.

In March, CEF facilitated a seminar on accounting for rural credit cooperatives in the Chita Region. Twenty-two participants from 16 organizations participated. And, in collaboration with the Vladivostok City and Krai Administrations, CEF organized a seminar for SMEs in Ussuryisk on “Leasing as a Form of Financing and Cash Flow as an Instrument of Assessing the Need for Financing.” Thirty-two participants from 27 organizations attended the training and three leasing

companies presented their services and during the final session, CEF provided entrepreneurs with individual consultations on leasing topics.

Also in March, 16 employees from 15 non-bank financial institutions participated in training on “Marketing for Microfinance Organizations” conducted by the Russian Microfinance Center in Vladivostok. This training helps MFIs reach out to SMEs more effectively.

Trainings In March Counterpart International conducted a seminar for Sberbank on client-oriented service and educated 15 credit cooperative managers in Vladivostok on working with a database developed specifically for credit cooperatives.

Other Activities In February, CEF and the Primorye Administration Department for Entrepreneurship and Investment Support jointly conducted a roundtable entitled “Cooperation between Microfinance Organizations and Banks.” Forty-four participants attended the roundtable, which discussed cooperation between banks and MFIs by presenting the examples of the Counterpart Enterprise Fund and ACDI/VOCA. Representatives of 7 local banks participated in the roundtable. As a result, the Dalcombank branch in Vladivostok invited credit cooperatives to negotiate and use its resources to expand their loan portfolio for SMEs.

During the quarter, CEF continued working in Vladivostok with Counterpart International’s partner, the “Pacific Center for Development of Credit Cooperatives” (ANO). In January they collaborated on developing a business plan for lending and a credit policies and procedures handbook. They also began distributing loans and searching for an investor to help expand their portfolio.

2.3 ADVANCED BUSINESS AND SECTOR-SPECIFIC TRAINING

This quarter Winrock continued to work with its **six** major training partners and other regional training centers to expand availability of advanced and sector-specific training in Russia Far East. **38** training courses for **634** entrepreneurs were offered in all targeted regions in April-June 2005:

Table 2 - Type of Trainings by Region and Number of participants

Region	Trainings			Participants		
	Adv.Bus	SSpecific	Total	Adv.Bus	SSpecific	Total
Amur Oblast	7	5	12	145	80	225
Buryatia	6	2	8	81	27	108
Primorye	4	2	6	76	37	113
Sakha (Yakutia)	1	3	4	22	61	83
Khabarovsk Krai	3	1	4	50	15	65
Chita Oblast	4	-	4	40	-	40
TOTAL	25	13	38	414	220	634

2.3.1 Advanced Business Skills Trainings Conducted

During January-March 2005, ESD supported its partners in providing **25** demand-driven advanced business skills training courses in the targeted regions for **414** entrepreneurs.

Trainers' database

As of June 30, 2005 the database contains the information on **469** trainers (including **171** local trainers), **117** of 469 trainers have conducted trainings for ESD Program; database includes the information on trainers: female (247), male (222). During the second quarter of 2005, **46** entries of new trainers have been included to the database, of them – **28** local trainers.

Training modules

During the Quarter Two, 2005 the following modules were developed and placed on the ESD web site:

- 1) *Personnel Motivation*, by Kharchenkova Galina (Blagoveschensk)
- 2) *Quality Management System (ISO 9001:2001)*, by Viacheslav Khishiktuev (Ulan-Ude)
- 3) *Coaching*, by Dinara Dondupova (Ulan-Ude)
- 4) *Quality Management System for Food Industry (ISO 9001:2001)*, by Elena Gafforova (Vladivostok)
- 5) *Exhibition as a Marketing Tool*, by Anna Kochemasova (Khabarovsk)

Each module contains theoretical and practical material, case studies, samples of hand-outs for participants and recommendations to trainers on how to use the module. Three of these modules have been already used by Partners' organizations for conducting trainings.

Training of Trainers

In program Year 2, ESD has focused on training local cadre of qualified business trainers. The best trainers were from Moscow and St. Petersburg, including Mark Kukushkin, Vitaly Matrosov and Sergey Stepanchuk who provided trainings for partner organizations in Khabarovsk, Ulan-Ude, Blagoveschensk, Vladivostok and Yakutsk. **Eighty-nine** people were trained in Russia Far East on the training structure, design, methodologies, etc. **Twenty-one** of them have already conducted trainings for businesses, and more will continue to practice their skills under the ESD program and for other training centers.

Distant Learning

Production of CD training courses developed by Roman Simutkin has now been completed by ESD Program. Two training courses have been published entitled *Merchandising*, and *Effective Sales Techniques*. Roman Simutkin, a dignified Moscow trainer, has trained many entrepreneurs in sales and merchandising techniques on the territory from Ulan-Ude through Yakutsk. Now these trainings are available on CDs, as distant learning tools are getting more popular among SME representatives. The primary advantages of the disc are: sales managers can be trained at their workplace, trainees only require a computer, education costs can be significantly reduced when an entire department is engaged in training due to economies of scale, and the course duration can be scheduled by the trainees at their convenience. ESD plans to train **1,000** entrepreneurs in this distant learning course from July 2005 till April 2006.

2.3.2 Sector-Specific Trainings Conducted

ESD Partners continued to support key RFE industries, and in January-March 2005, the Program provided **13** sector-specific training sessions to **220** business people (See Table 2). ESD addressed needs of tourism, food processing and timber industries through sector associations.

Tourism: ESD has continued its support to development of eco- and ethno-tourism in Yakutia. Two seminars, one on development of eco-tours, and another on souvenirs package design, have been conducted in the reported period at Business School. Out of 52 tourist companies in Sakha Republic, 39 have participated at ESD sector trainings to date. They report that sector trainings increased their competitiveness and facilitated sales growth. Total volume of tourist services has reached 78.9M. rubles (\$2.8M.), which is by 22M rubles(\$786,000) more than in the same period of 2004. The number of incoming tourists in Sakha increased to 3,000 people, which is two times more than last year.

Food processing and restaurants: The ESD Program in partnership with Prognoz Center supports food-processing and restaurant sector in Amurskaya oblast by providing sector-specific trainings and consulting to companies and entrepreneurs. During the last quarter three sector-specific trainings were provided:

1. April 29-30, 2005 “New Technologies and Processing of Semi Finished Meat Products”, trainer: Vladimir Timofeev (volunteer, Moscow). Eight businesses (15 people) participated in the training.
2. May 26-29, 2005 “Creation of Meals with the use of Steamer”, trainer: Sergei Zakharov (volunteer, Moscow). Twenty-one people representing the same number businesses participated in the training.
3. May 13-14, 2005 “Hospitality Service for Restaurant and Hotel Business”, trainer: Edie Shannon (American VA). Seven businesses participated in the training and received post-training consulting.

Besides, a training module “*Quality Management System (ISO 9000:2001) for Food Industry*” has been developed by local trainer Elena Gafforova.

As a result of all efforts (including seven sector-specific trainings for the oblast provided by ESD trainers since 2004), the food processing and restaurant industries experienced firm and sector level results. For example, after Café “Apelsin” (“Orange”) implemented skills and knowledge received at three trainings it experienced 25% increase in customers and 13% increase in sales. Café “Corona” participated in two trainings and experienced 17% sales increase by services improvement and growth clientele. Café “Corona” is undergoing business expansion and will open a new chain of café-spots. Overall, the volume of services in Amur oblast has increased by 8% in 2004, as compared to 2003.

Timber processing: March-April, 2005 ESD consultant Igor Snitsky visited Yakutsk (Sakha) and completed a profound research of Sakha needs in trainings and consulting for Timber processing Industry. He met with republic ministry representatives and other respective authorities.

One of consultant’s recommendations was to initiate a sector specific training “Drying of Timber in Dryers” for the regional timber processors. The training was prepared and completed by

Khabarovsk specialist in timber processing Evgeny Pirovskikh and took place in Yakutsk on June 15-17, 2005.

Ten timber processing enterprises (15 trainees) participated in the training. After the training the specialist made two site-visits and consulted “Mass Co.” and “Tabaginskaya Timber Co.” to solve processing problems. They addressed technology of drying, humidity management and control, peculiarities of drying of larch, dryers’ loading. The consultant recommended that “Mass Co.” decrease solarization and atmospheric drying period. Implementation of these recommendations will allow increasing drying efficiency by 10%.

2.4 SECTOR-SPECIFIC CONSULTANCIES

During the reported period ESD has conducted **nine** sector-specific consultations to RFE companies. These consultations are tailored according to individual companies’ needs, to ensure better results.

Table 3 - Sector-specific consultancies provided in April - June 2005:

Date	Location	Theme	Consultant	# Of People	# Of SMEs
April 13	Khabarovsk	Investment Planning	Kochemasova	4	2
April 14	Ulan-Ude	Opportunities in Cooperation of Timber Processing Enterprises with USA Consumers	Tolomeev	14	8
April 19	Yakutsk	Package Design for Souvenir Producers	Biryukova	7	7
April 19	Yakutsk	Marketing of Eco-tours	Bliznyukova	13	9
April 21	Khabarovsk	Costs Management	Shinkorenko	6	2
May 15	Blagoveschensk	Marketing and Client Oriented Services in Hotels	Shannon	7	7
May 20	Vladivostok	Hotel and Hospitality Business	Shannon	1	1
June 22	Khabarovsk	Eco-tours and Ethno-tours Development	Rinder	15	10
June 20	Blagoveschensk	“Effective Preparation and Participating for International fair”	Belousova	4	2
TOTAL		9		71	48

Tourism: ESD has been actively supporting inbound tourism and hospitality industry in its regions. In May 19-21, ESD co-sponsored the First International Tourism Conference in

Vladivostok. US volunteer Aaltje van Zoelen helped organize and market the event, and volunteer Edie Shannon provided a series of trainings to hospitality companies. The conference stressed the need to promote Eastern Russia (Eastern Siberia and Far East) as a region of ecological tourism, to become a part of international ecotourism society and attract additional resources.. The conference participants proposed starting forming a pan-regional concept of tourism development at the governmental level on the area of Russia Far East and create a coordinating body (inter-regional association) to allow working out rules and standards. The first meeting of the Association's working group was held on May 22nd.

16th Harbin International Fair

ESD Program, represented by Center Prognoz has supported two Blagoveschensk companies, a mineral water company "Amurskaya Voda" and "Fartov Import Export Company" to participate at the 16th Harbin International Fair in China in June 2005. This fair attracted businesses from more than 30 countries of the world, as well as enterprises of the southern and northern provinces of China. The Fair is focusing on enhancing the trade and economic partnership between Russia and countries of North East Asia.

Olga Belousova from Prognoz assisted Blagoveschensk companies on how to best prepare for and participate at the International Fair, given the specifics of the Asian market. Belousova accompanied these businesses to Harbin and provided support and translation services for them.

"Amurskaya Voda" organized mineral water presentation during the Fair. More than 15 negotiations were held with the companies representing different Chinese Provinces. The company negotiated the terms of cooperation and marketing of water products into China (wholesale and retail marketing). The Russian Company also explored possibilities for importing the Chinese water bottling equipment. Two Agreements of Intent have been signed: with Daqing Company "Heming" and with the Heilongjiang Trade Company "Longshang", with the total agreement amount of **\$525,000 USD**. In addition, "Amurskaya Voda" will open a wholesale and retail store in Hushi Border Trade Zone.

The CEO of "Fartov Import Export Company" negotiated with approximately ten potential suppliers of ventilation and air conditioning equipment, the Agreement with Beijing Company has been signed for the amount exceeding **\$700,000 USD**.

2.5 ESD PROGRAM IMPACT

To date, ESD has supported advance business skills and sector training for **6,957** entrepreneurs in the Russian Far East. ESD partners report the program's success through monitoring the impact that the program activities make on the business environment of their regions.

Business Trainings

ESD partners report that the trained personnel influence the companies' and regional growth in the following ways:

- **Increase of Sales** (Ulan-Ude trading companies that participated at trainings report that their sales and clients base increased up to 50%)

- **Increase of Profit** (Yakutsk Taxi Company “503” expanded business after training on strategic management, and increased its profit by 15%)
- **Growth of Companies’ Efficiency** (Makkaveev Food processing company from Chita introduced new personnel motivation methods, and this brought 5% efficiency growth to the company)
- **Opening of New Businesses** (Three new supermarkets were opened in Blagoveschensk after managers of the holding companies attended several Prognoz’ trainings in 2004-2005)
- **Introduction of In-company Training** (Management of the Plaza Hotel in Blagoveschensk introduced regular training on clients services to its personnel)

Sector-specific training addresses needs of key RFE industries and lead to:

- **Creation of New Products** (The Khabarovsk Fish Processing Plant introduced 40 new products to the market)
- **Development of New Directions** (With the help of ESD consultant, the Primorye fish company wrote a business plan for the development of an aquaculture facility adjacent to Russky Island to grow seafood)
- **Expansion to International Markets** (The Fartov Export-Import Company from Blagoveschensk has started ISO 9000:2001 certification procedures in order to compete at the international marketplace. In June 2005, this company signed a contract with a Chinese Company for \$700,000)
- **Introduction of New Services** (Chita tourism company “Epos” involved local population in creation of home stay and Bed&Breakfast hotels)
- **Development of Cooperation with Related Sectors** (Sakhalin tourist companies developed a regulatory manual on how to cooperate with transportation, hospitality companies and customs authorities)
- **Creation of Sector Associations** (After a series of trainings to restaurants in Ulan-Ude, the Buryat Association of Restaurant Owners (BAR) was created)

Sector Consulting

74 Business plans and investment proposals for the amount of \$15M were put together with the help of ESD consultants and volunteers. Companies say that they have been able to attract financing for 4,952,100 USD. ESD consultants advised SMEs on technology options, operational and maintenance issues, quality control and manufacturing processes. **46** companies report at least 10% profit increase through cost savings and/or value-added returns.

The Ministry Financed Indigenous Communities Thanks to ESD Program

A business planning seminar was initiated and held in Khabarovsk with the support of ESD Program in March 2005. Russian consultant E. Shinkarenko provided a detailed training on the basic elements in business plan development. The representatives of the indigenous communities of Khabarovskiy Krai actively participated in the seminar and their work resulted in developing a business plan on expanded fish processing. During **May 2005** the Khabarovsk Krai Ministry of Nature Resources held a tender among indigenous communities for purchasing fish-processing equipment (freezers and refrigerators) in the total amount of **USD 80,700**. The indigenous communities who applied and have been notified of winning the tender include Dzhari, Muksulte, Nanchi, Koldon (Nanaysky District), and Mongol (Ulchsky District). These funds will

be directed at more efficient fish processing leading to increased incomes and standard of living for the communities.

2.6 OUTREACH AND COMMUNICATION

ESD COP, staff and partners have been in constant communication with other international projects, such as Russian American Education Center in Khabarovsk, BISNIS, ISC, Eurasia Foundation, Russian Microfinance Center, and CIPE. We share information, resources, exchange ideas and ensure collaboration with these and other organizations.

The ESD Program **website** continues to be updated. We publish training schedules, calendars of events, training materials and other resources on the web to ensure information exchange and collaboration between the project's partners. The new issue of *ESD Newsletter* was put on the website in June 2005. It provides information about the program's activities, findings and results to date.

3. Problems/Difficulties Anticipated in the Next Three Months