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# **Enhanced Small and Medium Sized Enterprise Development Project**

## **Final Report**

**August 4, 2003 to August 3, 2006**

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*Submitted by*

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Counterpart International  
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Sakhalin Association of Business People  
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The Far Eastern Center for Economic Development  
The Far Eastern Chamber of Commerce  
The State Organization for Additional Education *Business School***

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## Table of Contents

<b>1. Background</b> .....	1
<b>2. Partners</b> .....	1
2.1 Partner Meetings .....	2
2.2 Institutional Development of Partner Organizations .....	3
2.2.1 Training at partner meetings .....	3
2.2.2 Exchanges between partners.....	4
2.2.3 Training of partner staff.....	4
2.2.4 Sustainability of partners .....	5
<b>3. Summary of Program</b> .....	8
3.1 Overall Program.....	8
3.1.1 Accomplishments, challenges and progress indicators .....	8
3.1.2 Overall program impact on SME development by region.....	10
3.2 Improving Regulatory Environment.....	14
3.2.1 Accomplishments, challenges and program results .....	14
3.2.2 Methods of work used and their pros and cons .....	15
3.3 Improving Access to Credit .....	19
3.3.1 Accomplishments, challenges and program results .....	19
3.3.2 Methods of work used and their pros and cons .....	24
3.4 Providing Training and Consulting to SMEs.....	29
3.4.1 Accomplishments, challenges and program results .....	29
3.4.2 Methods of work used and their pros and cons .....	37
3.5 Outreach and Communication.....	40
3.5.1 Collaboration with technical assistance programs .....	40
3.5.2 Monthly consultations with regional level officials .....	41
3.5.3 Creation of ESD web site and quarterly newsletter .....	41
3.6 Comments and Recommendations Regarding Program and Direction.....	41
<b>4. Conclusion</b> .....	45

**List of Tables**

Table 1. ESD partners and their roles..... 2

Table 2. Partner meetings..... 3

Table 3. ESD progress indicators..... 8

Table 4. Changes in the number of people employed in SMEs by region ..... 10

Table 5. Roundtable discussions conducted under the ESD program..... 18

Table 6. Trainings and workshops for MFOs ..... 25

Table 7. Bank trainings ..... 25

Table 8. SME trainings ..... 26

Table 9. Roundtables held to increase credit access..... 26

Table 10. ToT trainings..... 28

Table 11. Results of sector consultancies..... 29

Table 12. Sector specific topics by sector and location..... 39

Table 13. List of volunteer experts ..... 39

Table 14. List of paid experts..... 40

**List of Annexes**

- Annex 1. ESD Grant Announcement
- Annex 2. ESD Grants Awarded
- Annex 3. ESD Regulatory Reform Changes
- Annex 4. ESD-Supported Trade Shows
- Annex 5. ESD Success Stories

## 1. Background

Winrock International in partnership with Counterpart International, Center for Investment and Support (Prognoz), Sakhalin Association of Business People and Counterpart Enterprise Fund was awarded a cooperative agreement by the United States Agency for International Development (USAID) August 4, 2003 to increase the number of successful small businesses and improve the environment for small businesses to emerge in the Russian Far East (RFE). This project, titled the Enhanced Small and Medium Sized Business Development Program (ESD) originally had four primary objectives, a fifth was added as the program was implemented:

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 skills training,
4. Build capacity of sector specific associations by working through them to provide sector specific consultancies, and
5. Build the capacity of our partners (an added objective).

The program was implemented in Khabarovskiy Kray, Primorskiy Kray, Sakhalinskaya Oblast, Chita Oblast, Republic of Sakha, Amur Region and Republic of Buryatiya.

The Program was demand driven, and ensured women and remote people benefited. It helped build collaboration between business support institutions and other businesses development projects with open and free information.

The program lasted three years. It began August 4, 2003 and ended August 3, 2006. This report covers activities and results over the life of the project.

## 2. Partners

Winrock identified a complementary set of skills to implement the ESD program and added partners through the life of the program. The program originally started with US-based Counterpart International (CI) and Russian partners Center for Investment Support (Prognoz), Blagoveschensk, Amur Region; Sakhalin Association of Business People (SABP), Yuzhno-Sakhalinsk; and Counterpart Enterprise Fund (CEF), Khabarovsk. After beginning the project several more partners were added to implement activities in the project regions. Partners that joined the effort include Far Eastern Center for Economic Development (FECED) in Vladivostok; MAKON in Ulan-Ude, Buryatiya Republic; the Far Eastern Chamber of Commerce, Khabarovsk; and Business School, Yakutsk, Sakha Republic. The program worked to strengthen the capacity of these Russian Far East Partners to implement activities in their geographic areas. In addition, the program employed the technical assistance of Russian Microfinance Center (RMC) and Rural Fund, Moscow, and Microfinanza, Italy. **Table 1** shows the partners and their primary roles.

**Table 1. ESD partners and their roles**

Partner Name	Location	Role
Counterpart International	US	Managing Regulatory Reform and Credit components
Center for Investment and Support (Prognoz)	Blagoveschensk, Amur Region	Regulatory Reform, Advanced Business Training, Sector Specific Training and Consultancies
Sakhalin Association of Business People (SABP)	Yuzhno-Sakhalinsk, Sakhalin Oblast	Regulatory Reform Component
Counterpart Enterprise Fund (CEF)	Khabarovsk, Khabarovskiy Kray	Access to Credit Component
Far Eastern Center for Economic Development (FECED)	Vladivostok Primorskiy Kray	Advanced Business Training, Sector Specific Training
MAKON	Ulan-Ude, Republic of Buraytia	Regulatory Reform, Advanced Business Training and Sector Specific Training
Business School	Yakutsk, Republic of Sakha Yakutia	Advanced Business Skills, Sector Specific Training and Consultancies, Access to Credit
Far Eastern Chamber of Commerce	Khabarovsk, Khabarovskiy Kray	Advanced Business Training, Sector Specific Training and Consultancies, Access to Credit Components

## 2.1 Partner Meetings

The ESD Program implemented the program through the partners and, at the same time, strengthened the partners so that they could continue on the activities. Under the program, Partner Meetings were held to initially train partners on the project's procedures, review the goals and get to know each other. The annual meetings evolved, and by the second year, we conducted trainings for the partners and learned about their results and challenges. They were inspired and learned from each other which has resulted in relationships between these organizations in the RFE. **Table 2** shows the dates, locations and primary goals of the partner meetings held under ESD.

Table 2. Partner meetings

No.	Dates	Location	Goal
1	9/03	Khabarovsk	Introduce Partners to each other and program, review goals and objectives, provide training on financial and programmatic training for USAID projects
2	2/04	Blagoveschensk	Review progress, identify and address challenges, adaptively manage program, provide training on contracting
3	7/04	Irkutsk	Review results, team building, training on project management, monitoring and evaluation
4	12/04	Vladivostok	Review results, training on program impact evaluation, development of program impact evaluation system.
5	5/05	Khabarovsk	Review results, case studies of program components, defining goals and activities for Year 3
6	04/06	Yuzhno-Sakhalinsk	Summarize Life of Program impact; finalize business plans for partners to continue to operate in the future.

## 2.2 Institutional Development of Partner Organizations

While not an explicit objective of the Program, ESD staff recognized that to ensure sustainability, the partners would benefit from institutional strengthening. To this end, Winrock incorporated training courses in the partner meetings (see above), provided exchange programs between partners to develop mentoring relationships as well as provided training directly to partners.

### 2.2.1 Training at partner meetings

In five partner meetings, expert trainers were hired to provide the following training courses:

- *USAID policies and Procedures, Program Reporting*, by E. Hughes, O. Schetinina, and E. Mironova, 9/03
- *How to work with Business Associations to Achieve Program Goals*, by K.Grebennik; 2/04
- *How to Write Success Stories*, by Yu. Shevchenko, 2/04
- *Project Management*, by V. Matrosov, 7/04
- *Project Impact Evaluation*, by E. Abrosimova, R. Mokienko, 12/04
- *How to Attract and Keep Clients*, by I. Shtitelman, N. Chekhovskaya, 12/04
- *Development of Consulting as a Service*, by E. Kharchenkova, 5/05
- *How to Evaluate Program Impact*, by R. Mokienko, 4/06

Based on these trainings partner organizations have learned about USAID and WI policies and procedures, gained a new knowledge on techniques of working with business associations, developed skills for writing success stories, strengthened their ability to manage projects and evaluate projects results. At least four training centers, Prognoz, MAKON, FECED and Business School have started to provide consulting services at their organizations. By the end of April 2006, they had developed 16 business plans for SMEs and raised about 1 million Rubles in financing for these plans.

### 2.2.2 *Exchanges between partners*

On September 22, 2005, the Chairperson of SABP, Yuzhno-Sakhalinsk, Tatiana Garshenina traveled to Blagoveschensk to work with the Prognoz Center to conduct a focus-group session on regulatory reform problems facing SMEs. They also discussed problems in the Amur Oblast which continue to hinder SME development. These included unsanctioned inspections carried out by controlling units, inactivity of local authorities to support SMEs, administrative constraints imposed by local authorities, frequently changing federal legislation and flaws in local laws, the lack of legal knowledge among businesspeople, red-tape and procrastination of officials in solving business issues, lack of a documents regulating land development, and the deficiency or inefficiency of mechanisms and tools for interaction between business and local authorities. Prognoz has learned from Ms. Garshenina how to organize focus-groups and conduct roundtables and later applied this knowledge in their work with local government and associations.

In October 2004 a group of ESD Partner managers (A. Pronina, R. Sviridova, A. Ogotoeva, T. Garshenina, E. Anferova) visited Center Prognoz to participate at a SME Conference in Blagoveschensk. At the conference participants shared experiences and received consultation on how to promote their training services. As a result of the event, the partners learned new techniques of roundtable organization which they applied in local communities. They also obtained new ideas for grant projects which were realized within the life of program.

A year later in October 2005, Regina Sviridova, the MAKON training manager, visited Khabarovsk ESD partner Russian-American Educational Center to conduct training on ***Convincing Presentations and Working with your Audience***. Partners RAEC and MAKON exchanged training materials and training data base information. Ms. Sviridova promoted her professional services to Khabarovsk business audience.

### 2.2.3 *Training of partner staff*

Staff of the partner organizations attended a number of Training of Trainers (ToTs) through the project:

Russian Microfinance Center provided Counterpart Enterprise Fund with Training of Trainers for Non-bank Financial Institutions. The training was conducted by Russian Microfinance Center in Khabarovsk. The topic was ***How to Teach Adults about SME Lending***. It was decided to start with this course after finding a lack of financial trainers in the Russian Far East during Year One of the ESD project. Eight CEF staff including loan managers participated in the training. They are now able to work as trainers in the Russian Far East so the trainings that many non-bank financial institutions need will be both more accessible and more affordable. This, in turn, will lead to more loans being available for SMEs.

Thanks to ESD program support, Counterpart Enterprise Fund was the first microfinance organization (MFO) to receive an international rating evaluation from the microfinance rating company *Microfinanza*, CEF received BB rate (*BB Rate- limited & vulnerable capacity to meet its financial obligations; adequate operations; stable even though it could be affected by internal or external events*).

In February 2005 the *Management Accounting and Budgeting* ToT was held in Khabarovsk. After participating, Elena Anferova, the FECED training manager, was able to conduct the same training in Vladivostok in May 2005.

The managers of the training components took part in the training for consultants in October 2005 in Khabarovsk where they learned all stages of consultancy from evaluating needs to follow-up processes. As a result Aytalina Sokolova from the Business School conducted a consultation for a tourist company in Yakutsk, Regina Sviridova from MAKON, conducted a consultation for a café in Ulan-Ude, and Elena Kharchenkova from Prognoz, conducted four business consultations for trade companies in Blagoveschensk.

March 2006, Elena Kharchenkova from Prognoz participated at the Restaurateurs and Hoteliers Conference and in the *Restaurant Management* ToT in Valdivostok. Now she conducts trainings and consultations for the Blagoveschensk Association of Restaurateurs on a regular basis.

In April 2006, Regina Sviridova from MAKON participated in the Intertraining's ToT in Moscow. Having received new training methods and tools she, on behalf of MAKON, signed four contracts for providing consultancies for SMEs in Ulan-Ude.

Two months later in June 2006, training managers from MAKON, Prognoz and Business School took part in Christopher Szecsey's *Managing Change through Appreciative Inquiry (AI) — Learning by Doing* training in Moscow. In this ToT, they gained practical experience in using AI for different consulting and training applications. Also in June, the three managers participated in the advanced 12-days educational course for business trainers held by Russian trainer and business consultant Leonid Kroll and his team from the Class Center Company in Moscow. Using the most progressive information available in Russia, they developed new business courses which will bring Far East SMEs up to a new professional level.

Each ESD partner has developed their own pool of trainers. The newly trained cadre of local trainers practice their materials and techniques in remote areas, thus gaining skills and reputation within the local communities.

#### 2.2.4 Sustainability of partners

During the last year of the project, each partner developed a plan to ensure their own sustainability. None of the partners laid off staff and they are able to continue to provide services started under ESD.

ESD partners report that participation in the program has improved their organizations' image, increased client base, brought new skills and knowledge to their staff and strengthened the financial stability of their companies.

All training partners have improved and diversified their **services**. For example, MAKON doubled the number of business trainings in 2006 compared to previous years; Prognoz now

“The ESD Program taught me to develop trainings, to first identify needs, to plan and to monitor results”.

Aytalina Sokolova,  
Director of Business-School

holds 4-5 trainings each month, while before ESD they used to conduct one training every two months; Business School in Yakutsk now offers seven types of seminars and trainings, as compared to two kinds in previous years. All partners have introduced a new and unique service to their regions – sector specific seminars, corporate training and consultations. CEF has started in a new direction– replication of their lending method to other organizations.

ESD partners have significantly increased their **client base** – due to trainings, the Far Eastern Chamber of Commerce enlarged its membership by 10%; Prognoz has trained about 2,000 people, and most companies have become their repeat clients; and FECED’s mailing list has quadrupled.

All partners learned techniques to **market** their services, recruit and keep clients, evaluate program results and write success stories. They also learned to identify the clients’ needs and price their services according to the market demand.

Most partners declare an increase in their **financial sustainability**. The most financially successful organizations are Prognoz, MAKON and Business School. They not only have been constantly increasing the number of training courses but also managed to create a growing market that is ready to pay an appropriate price for quality services. This generates program income that allows them to cover 30% of the training expenses (room rent, copying of training materials, coffee breaks), and leaves funds for improving the companies’ operations. Starting in February 2005, ESD partners covered the trainers’ lodging expenses, thus increasing their contribution to the training costs to 50%. In Year 3 of the ESD Program, partners picked up the travel expenses for trainers, and by March 2006 they paid for all training-related expenses out of their program income thereby demonstrating their financial maturity.

**ESD's Impact on Partners: A Case Study of the Business School in the Republic of Sakha.** In 2002, Business School was an unprofitable organization. With the help of the ESD Program the Business School introduced fee-based services, increased the amount charged for trainings from 50 Rubles up to 6,800 Rubles, and developed training programs for specific sector enterprises and microfinancial organizations. In addition, the program trained local trainers.

Through these changes, the Business School now provides outreach and works in the remote areas (uluses) of the Republic of Sakha (Yakutia) offering new services such as advanced business trainings, sector-specific trainings, consultations, and trainings for banks, credit cooperatives and leasing companies. Specifically they help clients with marketing and strategic business plans. At present, Business School is the only certified short-term business education provider for microfinancial organizations in Yakutia.

Due to the ESD Program the reputation of Business School has improved so much it was included as one of the implementers of the Republican SMEs Development Program in the Republic of Sakha (Yakutia). Alexandra Ogotoeva, Business School's staff trainer, conducted the first training for SMEs in the Yakut national language.

The personnel of the Business School have increased their capacity and will carry on the work initiated by ESD. When interviewed, staff noted that they have learned to properly determine the targeted audience, to sell their services, to build long-term relations with their customers, and to monitor and follow-up training results. The personnel and trainers were taught at the trainings of trainers (ToTs).

With these changes, the School experienced an increase of clients from 98 before ESD to currently 555 (267 organizations and 288 sole proprietors). Clients include banks, credit cooperatives, and SMEs. To ensure greater client base for sustainability the School now even has big business clients like Alrosa, Argysmedstrakh, Almazy-Anabara, Yakutenergo and Tumaayda-Diamonds.

The annual income of the Business School increased from 1 million Rubles in 2003 up to 2.2 million Rubles in 2005. During this period the training fee increased from 50-200 Rubles up to 6,800 Rubles per participant. It is now at a level to invite trainers and consultations from Moscow and other cities. With solid finances the school now rents office and training space and can purchase new equipment.

Business School is planning to continue advanced business trainings, sector-specific trainings, consultations, conferences, trade shows, writing business-plans, etc. and with its realistic business plan in place, there are no plans to reduce its staff after the close of the ESD Program.

### 3. Summary of Program

#### 3.1. Overall Program

##### 3.1.1 Accomplishments, challenges and progress indicators

The ESD Program was designed to strengthen aspects of the business environment with the assumption that if strengthened, SMEs would flourish in the RFE. The weaknesses were identified by region as follows:

- **Unfavorable Regulatory Environment of SMEs**  
Amurskaya Oblast, Republic of Buryatiya, Sakhalin Oblast
- **Lack of Microcredit and Microleasing**  
Primorskiy Kray, Sakha Republic, Chita and Sakhalin Oblasts
- **Lack of Advanced Business Training**  
Amur and Chita Oblast, Sakhalin Island, the republics of Buryatiya and Sakha, and Primorskiy and Khabarovskiy Krays.
- **Lack of Sector Specific Training and Expertise**  
Amur and Chita Oblast, Sakhalin Island, the Republics of Buryatiya and Sakha, and Primorskiy and Khabarovskiy Krays

SMEs are important to the RFE economy because nearly half of all enterprises are small or medium, most are managed by people without formal business training and SMEs employ a significant number of citizens.

During the program period from August 2003 to August 2006, ESD has been addressing these issues, and achieved the following results:

**Table 3. ESD progress indicators**

Category	End of Project Data	Life of Project Goal
<b>Progress in Improving Regulatory Environment</b>		
# of business associations (BAs) involved	31	9
# of women as members of BAs	1,487	900
Proportion of women members in BAs	69%	33%
# of BAs that increased membership	28	
# of BAs that introduced new services	13	
# of advocacy actions taken by BAs	38	27
# of seminars/trainings for BAs	44	
# of BA members successfully completed seminars	680	
# of roundtables/conferences for improving regulatory environment	49	
# of participants at roundtables/conferences	971	
<b>Progress in Improving Access to Finance</b>		
# of loans executed between participating SMEs and bank/non-bank financial institutions	5,454	3,200
\$ amount of loans executed with SMEs	53,664,468	\$28M
# of lease agreements executed with SMEs	170	
\$ amount of lease agreements executed with SMEs	6,360,769	\$2.5M

Category	End of Project Data	Life of Project Goal
# of loans executed for the women-owned SMEs	2,719	1246
# of seminars/trainings to improve access to finance	71	
# of participants at seminars/trainings	1,234	500
<b>Number of Training Sessions Developed</b>		
Number of training modules developed	20	20
Number of courses conducted	491	300
<b>Advanced Business Training</b>		
# of entrepreneurs successfully completed advanced bus. training	7,128	7,000
# of women successfully completed advanced business training	4,471	2,590
# of entrepreneurs completed distance course	1,000	1,000
<b>Sector Specific Training</b>		
# of SMEs successfully completed sector-specific training	1,585	1,000
# of entrepreneurs that attended and paid for the training	1,585	1,000
# of women from SMEs who attended sector trainings	1,211	1,000
<b>Sector Specific Consulting</b>		
# of sector specific associations assisted	27	7
# of contracts signed as a result of participation in national/international trade shows	60	12
\$ value of contracts signed as a result of participation in national/international trade shows	\$1,997,900	\$1M
# of SMEs that paid for consultations	298	275
# of women participated as consultants/trainers	201	185

By working in these areas, ESD had an impact on the overall SME business climate. Based on an evaluation conducted in May 2006 in each region, we have found two significant impacts on the SME sector attributed to the ESD Program in the Russian Far East:

1. The number of people employed in SMEs are growing and
2. There are more and stronger organizations that provide support to the SMEs and conduct roundtable discussions.

Looking at the general economic development statistics of the region, the number of people employed in SMEs (both sole proprietors – an enterprise not formed as a legal entity - and enterprises) has increased. At the same time, enterprises that worked with ESD, and the people trained through the program, have opened more enterprises and manage stronger, more successful businesses (see **Table 4** below).

**Table 4. Changes in the number of people employed in SMEs by region**

	# of people employed in SMEs (thousands)	% of people employed in SMEs as compared to general number of employed population	2005 compared to 2004, %	Difference between 2004 and 2005
<b>Russian Federation</b>	<b>8,045.2</b>	<b>16.7</b>	<b>10.9</b>	<b>0.6</b>
Amur Oblast	23.1	8.3	95.9	0.1
Primorskiy Krai	103.5	15.1	98.8	0.2
Republic of Buryatia	24.6	9.0	104.2	0.5
Republic of Sakha (Yakutia)	22.4	6.1	111.4	0.7
Sakhalin Oblast	28.8	14.8	89.4	-1.9
Khabarovskiy Krai	84.9	15.5	100.1	0.2
Chita Oblast	21.0	6.0	110.5	0.6

The ESD program has been addressing SME issues in the region from different perspectives, combining access to finance, regulatory reform and business education activities.

### 3.1.2 Overall program impact on SME development by region

**Amur Region.** More than 22,000 enterprises are registered in the region. The volume of the goods and services produced by the SMEs increased from 6,686 M Rubles in 2004 up to 8,357 M in 2005 (a 20.5% growth). The share of SMEs in the overall volume of production of goods and services is 13% in the Amur Region. Employment in the SME sector exceeds 24,000 people.

According to the regional administration in 2005, sole proprietors manufactured goods and services totaling 3 - 3.5 billion Rubles. Up to 80 % of sole proprietors work in the trade and public catering sector. Only 20 % of them deal with manufacturing goods and providing transportation and other services.

In recent years, sole proprietors have become leaders in their sectors: *Romanov* and *Guba* in sausage production, *Gladstein* in the fish industry, *Denisenko* in furniture production, *Burkayev* in auto service with a chain of service centers. Some sole proprietorship companies have up to 400 employees.

**Republic of Sakha.** According to the estimations of the Government of Sakha (Yakutia), there has been positive growth of SMEs in all main indexes: the number of economically active SMEs, the volume of production of goods and services, investments into the fixed capital, employment and remuneration of labor.

The largest sector for SMEs deal with trade and public catering (32% ) followed by renovation and construction (23%), industry (11%), agriculture (10%). 100 % of metal and plastic door and window units, 65 % of soft drinks and mineral water, 60 % of sausages and 40 % of canned food are produced by SMEs.

According to the data of the Ministry of Business, Tourism and Employment Development of the Republic of Sakha (Yakutia), 5000 sole proprietors register annually in Sakha (Yakutia). Their input is primarily in newspapers and magazines, furniture, meat and sausages, and bakery and confectionary products.

Since 2001, more than 24,000 jobs have been created by SMEs. The level of unemployment in Sakha (Yakutia) has decreased by 2 % down to 8.4% of the overall number of able-bodied citizens. Small businesses create opportunities for young people, pensioners, women and handicapped people – the groups that big business is not interested in. In Sakha (Yakutia) up to 80% of new jobs are created by SMEs.

Since 2004, banks have been more willing to give credit to entrepreneurs. During 2004 SMEs attracted more than 3000 million Rubles of borrowed funds. According to the data of the National Bank of the Republic of Sakha (Yakutia), banks gave local individual entrepreneurs 529.5 million Rubles in 2004, 633.3 million in 2005 and 1,169.1 million in 2006.

The ESD Program contributed significantly to creating a short-term education market, familiarizing the local Yakut entrepreneurs with business training. The program made a breakthrough in the development of microfinancing, greatly increasing access to credit for entrepreneurs through numerous trainings devoted to sales, marketing, etc. The ESD Program helped involve entrepreneurs of the Republic of Sakha (Yakutia), the region where state-owned companies prevail in the Far East, in market relations, new technologies, development of folk arts, handicrafts and tourism, and strengthening interregional and international ties of local small business.

**Republic of Buryatiya.** The SMEs contribution to the economy of Buryatiya has increased during 2005 by 16 %. A business education system was formed with ESD Program support. During program implementation, four new training modules were developed based on the SMEs' requests, and 10 new trainings were conducted using the ESD Program training modules. More than 50% of the sector-specific training participants were from the rural areas of Buryatiya. During life of project, about 30 enterprises have been consulted by MAKON on how to write business plans and investment proposals.

In Buryatiya, the restaurant business and services sector are actively developing. These are the sectors where the increase of SMEs and Sole Proprietorships is most visible. The ESD Program facilitated the creation of new jobs. During 2005 – 2006, many trained people were employed by the restaurant businesses. The new restaurants Genghis Khan, Stolitsa and 7 Friday Pizzeria were opened in Ulan-Ude after a MAKON training course on personnel training.

Also during 2005 – 2006, the number of tourist companies increased by 9 each year. Mini-hotels (B&Bs) were put into operation, eight tourism companies managed inbound tourism, and four large stores were opened - Megatitan of Titan Sole Proprietorship, Maxismit of Smit Sole Proprietorship, Megamebel and Megatekhnik of Slaviya-Tech, LLC.

The regulatory constraints for SMEs have decreased, from 2004 to 2005, the registration period went from 6 months to 1 month (for details see **Annex 3** Reg. Reform Changes and **Annex 5** ESD Success Stories).

**Chita Region.** In the Chita Region the number of SMEs and Sole Proprietorships has increased. According to the information given by the Customer Market Department of the Chita Regional Administration, the number of enterprises increased by 15% to 20% compared to 2005. The average number of newly established trading enterprises (startups) is between 200 - 400 per year. Every year 40 - 50 startups in the public catering industry are established.

The SME contribution to the economy of the Chita Region has increased. According to expert evaluation, during 2005 budgets at all levels were replenished due to tax assessments of 23.54 million Rubles, and for the first five months of 2006 the tax assessments were 61.29 million.

With help from the ESD Program, a business education system is forming in the Chita Region. To overcome the problem of no local trainers, ESD regional partners invited trainers and consultants from various other Russian regions to come and conduct trainings. SME education is now based on using case studies and the vast experience of these unique specialists. In addition to the general training courses for SMEs there are also sector-specific trainings for enterprises operating in the retail and wholesale trade sector and in public catering.

The ESD Program facilitated the creation of new jobs. The approximate number of employees of regional SMEs is 20,270 people, 9.7% more than in 2004. The average number of employees per small business was 7 to 9. In 2005, the number of people working in the Chita Region SMEs was 7.5% of the overall labor force of the regional economy, that is 0.4% higher than in 2004. In 2005, 171 people obtained employment with regional SMEs.

During the first five months of 2005, 116 new jobs were created in SMEs. Today 31,000 people are employed in the tourist sector alone.

“Support for small business is a priority for the Kray administration. Local government is executing the targeted small business development program, loans are made available for businesses, the state subsidizes interest rates on these loans and, new leasing companies appear in the region. We have created the public Small Business Advisory Board at the governor’s office”.

*Svetlana Zhukova,  
Deputy of the Khabarovskiy Kray Duma.*

**Khabarovskiy Kray.** According to official statistics, SME development in the Khabarovskiy Kray shows increase in production volume, tax revenue to the regional budget, number of small and medium businesses registered and the number of people employed by them.

Half of the total number of SMEs are engaged in trade and public catering, 16% are involved in industrial production, and 16% in the construction sector. In 2005, more than 30 sector-specific and business associations were active in the region.

In Khabarovskiy Kray’s economic development strategy until 2010, small business development is defined as one of the priorities. Regional administration is implementing the state program for “Support and Development of Entrepreneurship in Khabarovskiy Kray in 2004-2006” (published

at: [http://www.mb.kht.ru/mb\\_main.nsf/Program/program2004.htm](http://www.mb.kht.ru/mb_main.nsf/Program/program2004.htm)). According to this program, loans and credits to entrepreneurs are issued under the government's supervision for a period up to 18 months for production of goods and services (\$1.2 mill fund), plus the state subsidizes interest rates for the credits issued to SMEs by commercial banks ( \$75,000 fund). The goal of this support program is to enhance SME development, create new jobs and increase public living standards.

**Primorskiy Kray.** Among 89 constituent entities of the Russian Federation, Primorskiy Kray ranks 14 to 16 according to the major SMEs development indexes.

In 2005 17,860 SMEs operated in Primorskiy Kray. SMEs were responsible for 18.1% of the Kray's economy. They produce 85.1% of the regional volume of meat semi-finished products, 68.3% of sausages, 53.2% of mineral water, 39.1% of confectionery and 16% of marketable fish products.

Fishing companies, based in Primorye, secure about 50% of the Russian Far East's overall catch. According to FECED data, this industry encompasses approximately 1,500 companies, 90% of which are SMEs.

In Primorskiy Kray, every third enterprise is a SME. In 2005 the majority of regional SMEs reported to be involved in economic activities such as: Retail and wholesale, and services provided for the population – 36%; Construction – 42.6%; Processing industry - 9.9%; Transportation services – 33%.

SMEs Support Dept. of the Committee of Economic Development, the Primorskiy Territorial Administration

<http://www.Primorskiyy.ru/departments/committees>

During 2005 the taxes collected from the enterprises of the Primorskiy Kray fishing industry increased by 20% above the previous year. The rise can be mostly explained by the increase of the income tax rate, individual income tax and dues for using aqua biological resources.

In 2006, Primorye has 20 territorial associations of entrepreneur unions working in different sectors, and there are more than 30 local business associations.

In Vladivostok training programs are offered by 30 recruiting and training agencies, 12 higher educational institutions, and the Fishing Industry Institute of Retraining. The share of the ESD regional partners in the market of fee-based training services is about 18 % which includes advanced business trainings for food (meat and fish) processing industry, and transportation.

**Sakhalin Oblast.** Five municipalities with about 5,000 SMEs and private entrepreneurs in Sakhalin Oblast have benefited from the ESD Program. The number of registered SMEs has increased from 2,500 in 2003 to 2,870 in 2005. Small business has created more than 3,000 new jobs during ESD program activities, including 1,140 in 2005.

## 3.2 Improving Regulatory Environment

### 3.2.1 Accomplishments, challenges and program results

Despite the government's intentions to reduce the bureaucratic burden on the SME, many of the laws, legislation and the enforcement of laws prohibited the growth of SMEs and/or prevented their development. The ESD Program focused on three regions to improve the regulatory environment – Sakhalin, Buryatiya and Blagoveschensk. The project achieved the following results:

- Strengthened 31 business associations that had 1487 women as members
- Conducted 49 roundtable discussions
- Supported 38 advocacy actions
- Supported 17 changes in law, legislation and/or enforcement of laws

ESD efforts by strengthening the SME Business Associations:

- Association membership grew by 12%
- Revenue received from member dues increased by 17%
- Revenue received from services to clients increased by 23%
- Associations diversified their funding sources beyond member dues
- Associations developed and started to use annual activity plans
- Associations conducted advocacy campaigns without ESD partners' assistance
- Associations had extended interaction with government bodies supporting SMEs

More specifically the project accomplished the following (for details see **Annex 3** ESD Reg. Reform Changes):

- Reduced number of sanitary inspections for restaurants and cafes - members of Guild of restaurateurs in Blagoveschensk, which reduced management time spent with inspections by 11%.
- Improved tenants rights in Blagoveschensk after city administration broke long-term rent agreements.
- Improved certification/licensing process in Sakhalin by having the local Standardization and Certification Center now operating within the frame of the federal law and certifying goods for up to three years as prescribed by law.
- Reduced level of tax for food-related businesses in rural areas (Sakhalin)
- Reduced fees for one-time street repair in Ulan-Ude (Buryatiya) that would prevent significant losses to the companies, allowing up to 3 months for payment.
- Reduced local requirements to obtain a legal trading license in Sakhalin.
- Developed a provision in the law that laid out all the steps for registering labor contracts in accordance with the Labor Legislation in Sakhalin.
- Private Transportation Companies can now set their own route and are compensated for all passengers in Amur Region.
- Reduced Local taxes in Amur region.
- Successfully advocated for a decrease in the single tax for imputed earnings in Sakhalin.
- New draft of “Rules of Land Tenure and Building in Yuzhno-Sakhalinsk” submitted to deputy corps.

Monitoring results show positive changes in all three targeted regions. For example 76% of inspections carried out in Sakhalin were scheduled, a 14% reduction in the number of unscheduled inspections (baseline December 2003). The number of inspections conducted by specific agencies also decreased - tax inspections by 8.9%, fire department inspections by 6.3%, labor safety inspections by 14%, and militia inspections by 9%. These results demonstrate that entrepreneurs are having fewer problems with certification authorities. Most survey respondents believe that since December 2003 the inspection process has become clearer and more predictable.

Registration process became simpler and faster after the introduction of the new “one window” law. In March 2006 84% of the new firms spent less than five days completing their registration in comparison with the baseline survey from 2003 (63%). However, it took some enterprises more than one month to get the licenses and some registration authorities “asked” SMEs to provide financial support for the municipality.

**3.2.2 Methods of work used and their pros and cons**

The approach to improving regulatory reform in the Russian Far East was to 1) identify and strengthen associations to advocate, 2) facilitate roundtable discussions with government and association members and 3) award microgrants to increase associations’ ability to advocate. First a survey was conducted of the business associations in the regions to assess their ability to advocate and their sustainability -- 45 associations were assessed. In general, the associations were found to be weak in management and advocacy capacity but the strongest associations in each of the three areas were selected to work with the program. While assessing the capabilities of the associations, ESD staff also assessed the key regulatory reform issues such as problems with registration procedure and duration, high number of inspections (planned and unplanned, time, that management spends dealing with inspections, licensing requirements, procedure of land/premise lease etc.

**Champion of Advocacy and Reform**  
The ESD Program was fortunate to have Tatyana Garshenina involved in the program. As Director of ESD partner SABP, she brought specific skills to the project and taught our partners in other regions how to effectively advocate for change. During the project she visited and worked with partners in Blagoveschensk and Khabarovsk. As a result, all of the partners are stronger.

Once selected, the program worked with the partner business associations to develop training and technical assistance plans that would serve as guidelines for the first two years. The process to evaluate associations and assess the key issues was time consuming yet, by spending the time up front, the program could design inputs to address the most important needs in each region.

Initially the project focused on trying to find general (not sector specific) associations to strengthen. It became clear early on that many of the general

associations were not as effective as the sector specific associations such as the association of restaurant owners or association of construction workers. Thus, by the second year, the program worked primarily with associations in sector specific areas. It just so happened that most of the associations’ activities in the regulatory reform component were in the program’s priority sectors in Sector Specific Training and Consultancy (see section 3.4), in Amur and Buryatiya. The program did not work in sector specific activities in Sakhalin.

In addition to providing technical assistance to the business associations, the program through local partners facilitated roundtable discussions with business associations, SMEs and government representatives (see text box on guidelines below). The discussions addressed priority issues and proved to be an effective tool to develop relationships between entrepreneurs and government representatives. The roundtables enabled the stakeholders to discuss the pros and cons of the issues and to understand the different perspectives. This was one of the most effective activities of the program and allowed changes in the regulatory environment to be made.

Through this process the program learned the following lessons on how to conduct effective roundtable discussions with government officials and businesses:

<p><b>Guidelines for Conducting Roundtable Discussions</b></p> <ol style="list-style-type: none"><li>1. Duration – no more than 1.5 -2 hours.</li></ol> <p><i>Before the Roundtable</i></p> <ol style="list-style-type: none"><li>2. Study the subject (everything that is</li></ol>
--

Table 5 shows some of the roundtable discussions, their topics, locations, and results.

**Table 5. Roundtable discussions conducted under the ESD program**

Location	Date	Topic	Results
Sakhalin	September December 2004	Increasing number of planned and unplanned police inspections, frequent abuse in the course of such inspections including failure to produce a warrant  SABP organized roundtables with representatives from the Regional Department for Prevention of Law Violation.	A hotline was set up, where SMEs can now call to report cases of unethical behavior by the militia. A working group was established to keep the militia inspections within the bounds of the law. <b>Number of complains against police has decreased by 35.6%.</b>
	March 2005	Law states that there are no additional inspections required for baked corn or flour-milled products. However, additional inspections were taking place costing SMEs both extra time and money.  Representatives of Bread Quality Inspectors, the Trade and Industry Committee of Sakhalin Region, the Sakhalin Regional Antimonopoly and Business Support Ministry, and SMEs gathered to discuss this problem.	SABP, on behalf of SMEs, sent an official request that inspectors of sanitary control in Korsakov Seaport follow the law. The Trade and Industry Committee sent an official request requiring officials to follow the law regarding goods passing through customs.
Amur	August 2004	Construction companies in Blagoveschensk faced challenges that included an outdated general construction plan for the city; lack of adequate local and federal laws regulating the relations between construction companies and owners of the houses located on the land slated for new construction; and tax issues with land purchase for the construction.	An ad hoc working group that included lawyers from the City Administration and the Association of Construction companies was created to work on legislative resolutions to address this topic. They developed a <b>policy amendment - "Housing Policy of the Amur Oblast" - that was adopted by the regional government</b>
Buryatiya	April 2004	Sanitation inspections: according to federal and local acts every entrepreneur engaged in catering, retail or wholesale business should have a commercial garbage disposal. However there was a discrepancy between federal and local laws and SMEs were being charged very high fees to design these systems. MAKON conducted a roundtable with representatives from the sanitation inspection department.	<b>Fees paid by SMEs for waste disposal design were decreased by 50%.</b>

The third step in improving regulatory reform in the Russian Far East was to provide **micro advocacy grants** to associations to conduct advocacy campaigns. These grants were awarded on a competitive basis and were to encourage associations to become more active in facilitating advocacy campaigns on their own. Advocacy efforts focused on decreasing the pressure of administrative barriers, regulatory constraints and normative acts hindering business development. Over the life of project 13 advocacy grants totaling \$29,405 were awarded. Grants ranged in size from \$500 - \$5,000.

The grant process included developing and announcing the terms of the competitive grants, conducting seminars for potential grantees, assessing the applications by experts, signing the agreements and monitoring the grant projects.

The competitive grants announcement (see **Annex 1**) included information on the Program Legislative Component's goals, grantees' possible activities, technical terms of advocacy, procedures for receiving grants, requirements for grant applications and basic requirements for grantees. The announcement was disseminated by the project's regional partners through local press, Internet websites, (i. e. <http://www.esdproject.ru/grants/grants-r.htm>) and electronic mailing lists of potential grantees.

The grant seminars conducted in February, July and August 2005 in all three regions provided information on advocacy, project goals, regulatory component objectives, and terms of the competitive grants based on the concept of grant activities. Direct consulting to potential grantees was provided during the seminar.

Grant applications were assessed on the following criteria: 1) Technical Approach; 2) Planning and Feasibility; 3) Impact (tangible, measurable, concrete results); and 4) Reasonable and cost-effective budget. Volunteer experts evaluated the applications using their previous experience and knowledge of how to work with advocacy grant projects. The final decision was made by the Grant Review Committee, comprised of one representative from an international NGO, one advocacy expert, one member of the Counterpart Russian Rep Office, the ESD Senior Program Manager and the ESD Chief of Party.

Grantees were given 60% of their funds when awarded the grant and the remaining 40% once the grant had been completed. **Annex 2** shows the grants awarded, the recipient and the topic.

While the grants showed impact, the micro grants were not as beneficial for organizations as larger grants would have been. Though the process was simple to apply; partners said that clients were not that interested in spending time to apply for microgrants.

Taking into consideration increased capacity and strength of supported Business Associations, ESD made important changes to the grants manual, expanding the list of organizations eligible to apply for grants from BAs to other NGOs and groups partnering with BAs or NGOs. In addition, the maximum amount was increased to \$5,000 and the project period expanded to six months. ESD also encouraged applicants to work together through coalitions or networks to solve local problems.

### **3.3 Improving Access to Credit**

#### ***3.3.1 Accomplishments, challenges, and program results***

Many experts point to lack of credit and capital as one of the main obstacles that prevents the growth of enterprises in Russia. While banks are plentiful, in the Far East they have been busy with their large clients and have felt no need to branch out to small and medium sized enterprises. In addition, as compared with the west of Russia, there are relatively few microcredit lending agencies.

The ESD program made significant strides in improving credit for SMEs in the Russian Far East. For example, **5,454 loans** were awarded to participating SMEs and financial institutions worth more than **\$53.5M USD**. More than half (2,719) of the loans were to women-owned organizations. **One hundred seventy lease agreements** were executed with SMEs for the amount of **\$6,360,769 USD**. The ESD Program facilitated 71 seminars/trainings for SMEs and financial institutions (1,234 participants) on how to improve access to finance, six roundtables for SME and financial institutions, and four ToTs (29 participants). It developed five modules on financial topics, then implemented and published them on the ESD website.

**ESD partner**, Counterpart Enterprise Fund (CEF) compiled an **electronic database of financial institutions** that provide credit or leases to SMEs in the RFE. The database appears on CEF's website and ESD's website. After the program closes, CEF will support and update the database. This critical information is available to all SMEs in the region.

While the credit was relatively simple to implement, the leasing side of the program posed more problems. The RFE leasing market is undeveloped with only about 20 leasing companies operating in the region, they are not interested in dealing with SMEs because it is time and money consuming, and SMEs themselves are less familiar with leasing. Moreover, leasing in the US works because the companies selling the products extend their credit to their customers through the leasing program but Russian companies are not interested in accepting that risk. Another reason is the shortage of financial resources in Russian leasing companies and cautiousness of Western investors. Despite the challenges, as mentioned above, more than 170 lease agreements were awarded to SMES, worth \$6.3M USD.

To **increase awareness about leasing**, a leasing bulletin was developed. It was attached to the ESD quarterly newsletter and also distributed during project events. It covered both the theory of leasing (concept of leasing, different types of leasing, advantages/disadvantages, etc.) and practical matters (FAQ, problems in accounting and other difficulties in leasing practice, and how to solve them). All issues included articles with a short presentation by one of the leasing companies in the target regions, a list of leasing companies in the RFE with their contact information, and a list of helpful and interesting websites on leasing.

A **business plan for microleasing** activities was developed for CEF within the frame of the program. The microleasing market is viewed by CEF management as a future opportunity. CEF has not, as of yet, had experience in leasing but they are considering the possibility of entering this market and now have a business plan to guide them.

The Credit Component was targeted in four regions originally: Primorskiy Kray and Republic of Sakha, Chita Oblast, and Sakhalin Oblast. Activities were reduced in Sakhalin and the focused on the remaining three areas. However, other partners gained information from the credit component and implemented it on their own in their area. The following summaries of impact come from external evaluators who visited the regions.

**Primorskiy Kray.** The ESD Program had a notable impact on the development of the SMEs crediting system in Primorskiy Kray as seen in the following outcomes:

- the number of loans (liabilities) attracted by SMEs has increased;
- the number of credit cooperatives has increased;
- credit and leasing for SMEs have become accessible.

During life of project in Primorskiy Kray **the number of nonbanking financial institutions has increased** – 19 new credit cooperatives have appeared. “Credit cooperatives are developing most successfully in Arseniev, Dalnerechensk and the Kirovsky district. Also youth cooperatives are

“On average 5 SMEs weekly apply to the Savings Bank for credit to develop their businesses”.

*An employee of the SMEs  
Crediting Department of the  
Primorskiy Branch of the Savings  
Bank of the Russian Federation*

active in the Primorskiy Kray”, said Vera M. Yevtushenko, Head, Committee of Economic Development of the Primorskiy Territorial Administration.

Irina Chaika, the President of the Primorskiy Association of Credit Cooperatives says this increase is due to the series of highly professional practical trainings provided with ESD help.

The Pacific Center for Credit Cooperatives Development was established under the program by the association to finance credit cooperatives, SMEs, and provide consulting services to association members. To secure the Center’s successful performance, the ESD Program together with CEF held training for the Center’s employees, prepared a business plan, developed credit policy, drafted document templates, and helped define the terms and conditions of the credit. The Center’s employees were trained at CEF’s premises. In addition, the ESD team assisted the Center to establish ties with banks while the Center’s employees were taught negotiating skills to help them get credit lines in the future. As a result, the number of loans increased from four credit agreements totaling \$9,123 in 2004 to 47 credits totaling \$275,890 in July 2006.

SMEs who received information on financial resources to develop their businesses now know how to get credit after attending training. A series of trainings were conducted for credit specialists of the Savings Bank (Sberbank) and investment analysts. Primsotzbank got actively involved in the SMEs crediting program. The employees of Kvartal Company attended the investment projection training. As a result, Kvartal got a credit of \$15,000 and improved its financial indexes.

In Primorye, leasing has become more accessible for SMEs due to the ESD Program. In the Primorskiy Kray the ESD Program made the biggest contribution to the sphere of microcrediting and leasing, according to Vera M. Yevtushenko, Head, Committee of Economic Development of the Primorskiy Territorial Administration. During the ESD Program seminars Altex LLC, Kompaniya Center Instrument LLC and Slavyanka Shipyard Close Corporation learned out about the opportunity to lease equipment and machines, and they leased equipment in August 2005.

**Republic of Sakha.** In order to evaluate the real impact of trainings conducted during three years of the program, Counterpart compared baseline data from October and November 2003 to current figures. The analysis shows an increase in access to credit facilities by SMEs. For example according to the assessment in 2003, credit cooperatives and funds gave only 7% of the loans they disbursed to SMEs. After working with the ESD project, 36% of their entire loan portfolio is being disbursed to SMEs. Additionally, after series of trainings, banks in Yakutia

increased the number of loans given to SME two and a half times, while credit cooperatives more than tripled lending to SMEs compared to 2003.

One fund dramatically illustrates the benefits of the ESD Program. The Entrepreneurial Support Fund nearly stopped operations because of debt. The Fund’s management was very interested in reversing the situation and attended all the seminars and trainings for financial institutions provided by ESD. They were able to turn the situation around after attending the seminars and although they reported no loans in the first quarter 2004 and only 28 loans to SMEs in the second, they have provided 257 loans to SMEs in the first quarter 2006.

By providing training for banks, credit cooperatives and entrepreneurs, microfinancial organizations were established in Yakutia. The project and the trainings helped to change the attitude of financial institutions and government towards small business.

Much of the training in Sakha focused on credit cooperatives and was conducted by the Russian Microfinance Center (RMC). There are 38 credit cooperatives in Yakutia, 16 of them are members of an Association. Trainings targeted the credit cooperatives, association members, and credit specialists. Three of the credit specialists attended training of trainer courses (ToTs). Over the life of project of the ESD Program, this Association has been successful in increasing membership from 5 to 16 credit cooperatives.

During the first quarter of 2006, credit granted 820 loans totaling 34.2 million Rubles (USD 1,221,429), of these, 283 (valuing 12.3 million Rubles (\$439,286)) were given to women. The average loan was less than 50,000 Rubles (\$1786). In 2005, the members of the Association paid taxes to the local self-government budgets in the amount of 4 million Rubles (\$142,857).

Due to the ESD Program, credit cooperatives simplified the procedures of giving credit, adjusted client agreements, improved marketing, started to work with the community more actively, increased the number of shareholders, increased fixed assets, and began share information about high risk clients.

Credit cooperatives work with the most vulnerable population groups (unemployed, rural entrepreneurs, women, pensioners), who do not have access to bank services; they help create credit

histories for entrepreneurs, develop self-employment, and redistribute earnings.

Sardaana Kolmogorova, the director of Rodnik Credit Cooperative, said that she decided to establish a credit cooperative two years ago at the ESD Program training and decided to name the cooperative Rodnik (Spring Water). In the year and a half of its existence 400 members have joined, fixed assets have increased 1,000 times – from 10,000 Rubles (\$357) up to 10 million Rubles (\$357,143), and more than 150 entrepreneurs have received loans.

The average entrepreneurial loan in Yakutia is less than 30,000 Rubles (\$1,071) since few borrowers lack any credit history and rarely qualify for bank loans. Loans provided to entrepreneurs support trade, public catering and personal services. The ESD Program trainings helped Rodnik to keep better records, develop internal policies and procedures, and develop borrower requirements. Recently, Rodnik founded another credit cooperative – Public Mortgage, offering mortgage products to its members.

Currently, the Association of Credit Cooperatives works not only Yakutsk, but also in Mirny, Neryungri, Aldan, and in the districts (uluses) of the Republic. The Business School conducted corporate trainings on working with customers for the Savings Bank (Sberbank) and for Megafon.almazregionbank, Vneshtorgbank and credit cooperatives ask the Business School to help their customers with business plan writing.

**Chita Region.** In 2003, Chita's the extent of Chita's financial services included six banks, two business support funds, 18 cooperatives and no leasing companies. SMEs accounted for only five percent of the banks' client base. The financial supply market was underdeveloped both in number of participants and volume of activities. Since the Chita region is predominantly agricultural, ESD focused on the training of agricultural credit cooperatives and organized a few trainings for banks. Six trainings for 212 participants were conducted for credit cooperatives with assistance of Rural Credit Fund, three seminars for banks. The newly developed training module "How to start microcredit program in the banks" was first presented in Chita region. As a result of ESD efforts the number of credit cooperatives increased from 18 up to 26, loans number they issued to SME increased by 16.7% in January 2006 comparing to the baseline.

**Sakhalin Oblast.** In 2003 there were only 12 organizations, providing financial services in the Sakhalin Oblast. Thus, banks dominated in the market of financial services (89% of the total number of financial institutions). Credit cooperatives took 9% of this market. There were only two credit cooperatives on Sakhalin – Fund established by ACDI/VOCA and Oxygen. Taking into consideration this situation ESD focused on providing trainings to banks, leasing companies and SME. Five trainings for banks and leasing companies were conducted on Sakhalin, two trainings for SME on the topic "Sources of Finance for SME".

#### **Additional Results from Credit Component**

**Khabarovsk** was not included in the original plan for the credit component activity. But because the need for special trainings on microcredit topics was extremely high, ESD found sources to provide 9 seminars to local banks and credit cooperatives. 257 financial specialists were trained in the following topics: *Introduction to SME Crediting for Banks, Financial Analysis of SME Clients, Collateral Evaluation, Client Relations.*

Sberbank is well-known and their Far Eastern Office has developed a new policy oriented toward SME lending. As a result, there is a tremendous need for trained personnel in related topics. In December 2004 Counterpart and CEF managers met with a representative for all RFE Sberbank branches. As a result of the meeting a training plan for Sberbank employees in Khabarovsk, on Sakhalin and in Vladivostok was developed.

**Amur region.** Even though it wasn't part of their initial plans, Center Prognoz learned about the microcredit component and implemented activities on its own. Due to consultations conducted by Center Prognoz, five SMEs and sole proprietors successfully received credit and loans. For example the creamery of the town of Svobodny attracted \$195,000, Shimanovsk Field Farm - \$2,140, Amurokhota Hunting Co. - \$1,070, and The Regional House of Folk Arts - \$1,070.

### 3.3.2 *Methods of work used and the pros and cons of these methods*

To fully address credit issues and to achieve stated goals, ESD program took the following steps:

1. Conducted an assessment of micro-finance markets in all four targeted regions and training needs
2. Established training priorities and developed training plans
3. Compiled data and developed database of financial institutions and existing financial resources
4. Trained lenders, credit cooperatives, leasing companies
5. Trained SMEs
6. Conducted regional and interregional roundtables for SMEs, financial institutions, leasing companies
7. Increased awareness about crediting and leasing (articles, RT, bulletins)
8. Conducted intermediate assessment of the microfinance market and training needs in the targeted groups and regions
9. Collected results (quarterly)

The program conducted **assessments** in each of the four areas – Sakha Republic, Primorskiy Kray, Sakhalin and Chita to determine who was providing credit and the common products in demand. This information fed into a database of financial institutions in the project area. According to this assessment ESD found that there were differences in credit market development between the four regions: Sakhalin, Chita, Yakutia, and Primorskiy.

For example, the financial market in Chita is not very well developed. There are no leasing companies and only a few branches of big Moscow banks. These branches cannot create their own lending policies; they obey the rules and policies of their headquarters. Since the Chita region is predominantly agricultural, ESD focused on the training of agricultural credit cooperatives and organizing general trainings and events for the rest of the financial institutions.

In Sakha Republic, credit cooperatives are the biggest group of non-bank financial institutions with several more new groups now in the process of registering.

The Primorskiy Region's credit and leasing market was relatively developed but not necessarily satisfying small entrepreneur needs. The banks were more or less active in loaning to entrepreneurs, especially European Bank Reconstruction Development (EBRD) partner banks.

The assessments provided the basic information needed to **plan the project training courses**. ESD in partnership with RMC conducted a series of trainings for microfinancial institutions (MFIs) credit unions, and banks to encourage lending to SMEs. Microfinance, credit unions and cooperatives welcomed the training since they had limited access to quality training and their business primarily depended on credit to SMEs. **Thirty-three trainings and workshops** were facilitated for MFOs. Some examples are shown in **Table 6**:

**Table 6. Trainings and workshops for MFOs**

Title	Region	Date
Financial standards for credit cooperatives	Chita Khabarovskiy	November 2003 July 2004
Accounting for rural credit cooperatives	Chita	March 2005
Marketing for microfinance organization	Primorskiy Yakutia	March 2005 April 2005
Liquidity management	Primorskiy	April 2005
Resources and investment for rural cooperatives	Chita	June 2005
Accounting, taxation and reporting for credit cooperatives and SME support funds	Yakutia Primorskiy Chita	December 2003 March 2004 November 2004
Avoiding delinquency for MFO	Yakutia Primorskiy	June 2004 July 2004
Financial analysis for MFO	Yakutia	June 2005
New loan products development and implementation	Yakutia Primorskiy	June 2006 June 2006
Software support for credit cooperatives	Primorskiy Yakutia	March 2005 June 2006

**Banks** play an even more crucial role in lending and the SME sector since they may support capital to a microfinance organization or a loan to SME clients. However, during the beginning of the project banks in all four regions were skeptical about how the ESD Program could help them. They felt confident with their operations and clients which generally did not include SMEs. It was difficult to convince the banks of the value, but once a seminar was conducted for them they recognized it. Through life of project the ESD Program supported banks and showed them how they could increase their profit by lending to SMEs. **15** seminars and training especially for banks were held and some of the banks also visited seminars for SMEs and credit cooperatives. Some of the trainings and topics for banks are shown in **Table 7**.

**Table 7. Bank trainings**

Title	Region	Date
How to perform financial analysis on a business entity	Primorskiy	August 2004
Legal aspects and issues for loan officers dealing with SME clients	Primorskiy Sakhalin	August 2004 November 2005
Effective work with SME clients	Primorskiy Sakhalin Khabarovskiy	May 2004 July 2004 October 2004
How to start a microfinance program in a bank	Chita Sakhalin Khabarovskiy	April 2004 February 2005 November 2004
Successful negotiation with SME clients	Khabarovskiy Sakhalin Primorskiy	June 2005 September 2004 March 2005

ESD's approach to increasing SME access to credit and leasing was to work with both potential borrowers and potential lenders. They provided training sessions to SMEs on topics such as types of SME financing, procedures in applying for financing, leasing and how to decide how much financing they need. **19** trainings and seminars for SME were conducted; some topics are shown in **Table 8**.

**Table 8. SME trainings**

Title	Region	Date
Sources of finance for SME	Sakhalin Primorskiy Chita Khabarovskiy	February 2004 March 2004 April 2004 July 2004
Investment project business plan development	Primorskiy Yakutia	April 2004 April 2004
Cash flow analysis as a tool for financial prognosis for SME	Yakutia Primorskiy	November 2004 March 2005
Leasing as a form of SME financing	Primorskiy Khabarovskiy Yakutia Sakhalin	March 2005 June 2006 November 2004 October 2004

**Roundtables** were another method used to increase credit availability. The goal of the roundtable discussions was to create awareness and understanding between banks and MFOs and to bring SMEs and local financial institutions together. During the roundtables, banks, leasing companies and funds presented their services and answered questions about their loan application requirements, document processing procedures, and collateral. Local governments supported the organization of the roundtables at all levels. **Table 9** shows some of the roundtables held with ESD Program Support.

**Table 9. Roundtables held to increase credit access**

Region	Date	Title	Topic
Sakha Yakutia	April 2004	Access to Financial Sources	Banks, leasing companies and funds presented their services to SME and answered questions about their loan application requirements, document processing procedures, and collateral
Chita	April 2004	Access to Financial Sources	Banks, leasing companies and funds presented their services to SME and answered questions about their loan application requirements, document processing procedures, and collateral
Sakhalin	April 2004	Access to Financial Sources	Cooperation of the banks with MFOs; creation of the municipal guarantee-collateral fund; organization of consultations for SMEs in the banks which would help them to prepare applications for loans and make necessary calculations; cooperation of the banks with leasing companies

Buryatiya	December 2004	Leasing Development in Buryatiya	To inform the entrepreneurs about leasing as a form of financing, introduce to the leasing companies
Primorye	February 2005	Cooperation between Microfinance Organizations and Banks	To bring banks and MFOs to the discussion about possibly forms of cooperation between banks and existing microfinance organizations
Khabarovsk (For all regions)	May 2005	Credit Bureau concept worldwide and in Russia	To inform participants about credit bureau activities in Russia and abroad; to stimulate discussion about the necessity, legitimacy and feasibility of a credit bureau in the RFE; and to encourage the creation of the working group

ESD's partner, SABP, has a strong track record of organizing roundtables. CEF invited SABP's Director, Tatiana Garshenina, to share her experiences with them before preparing for the Credit Bureau Roundtable. During the session, Ms. Garshenina worked with CEF to develop a succinct process on how to organize a successful roundtable. This is an example of very useful cross-component collaboration.

One challenge at the beginning of the program was the lack of trainers for financial institutions especially on topics related to SME financing in the Russian Far East. In the first year ESD relied a lot on trainers from Western Russia but at the same time this opportunity has led to planning a series of **training of trainers** to develop trainers' capacity in the RFE.

**Four ToTs** were conducted by CEF for 29 credit specialists from Khabarovsk, Primorskiy, and Yakutia on training structure, microfinancial topics, design, and methodologies. 15 of them have already conducted trainings for credit cooperatives. After these trainers gain experience, it will be less expensive for SMEs and financial institutions to obtain training and will promote sustainability after the ESD Project ends.

Due to these activities, the Russian Far East, once lacking qualified trainers in the microfinance area now has certified, trained trainers who are able to deliver training in microfinance to bank and non-bank financial institutions, credit cooperatives, etc.

**Counterpart Enterprise Fund increased its capacity during the program.** As a primary partner on the credit component, and already engaged in microcredit activities. During the program it decided to position itself as an advanced practicing microfinance institution and a resource center in the RFE. They played an instrumental role in **organizing trainings** in other regions and became a stronger microcredit agency - their staff were trained throughout the program and by the Russian MicroFinance Center (RMC), and began to conduct training and technical assistance in the other regions where the program was implemented.

Table 10. ToT trainings

Date	Title	Objectives
September 2004	Training for Loan Managers in Credit Cooperatives	To gain the skills on planning and developing a training program on: <ul style="list-style-type: none"> <li>-Who is an MFI client (small and micro enterprises);</li> <li>-Products and services of MFIs;</li> <li>-Evaluation of risk factors on the microfinance market;</li> <li>-Evaluation of collateral, guarantees and groups of borrowers</li> </ul>
February 2005	Investment Planning and Forms of Business Financing	To gain the skills on planning and developing a training program on: <ul style="list-style-type: none"> <li>-Kinds and sources of SME financing;</li> <li>-Documents necessary to obtain external financing and principles of their making;</li> <li>-Process of making a business plan for investment purposes with different types of financing- self-financing, lending, leasing and venturing.</li> </ul>
February 2006	Marketing in Microfinancing: lending and savings	To gain the skills on planning and developing a training program on: <ul style="list-style-type: none"> <li>- The practical methods of MFO research</li> <li>- Development in competitive conditions</li> <li>- The process of development and testing of product</li> <li>- Effective positioning and formation of competitive advantages</li> </ul>
May 2006	Microfinance program in Banks	To gain the skills on planning and developing a training program on: <ul style="list-style-type: none"> <li>- Demand for microcredits</li> <li>- Provision of microfinance services</li> <li>- Microfinance products</li> <li>- Assessment of client's creditworthiness</li> <li>- Terms of achieving profitability</li> </ul>

ESD consultants and CEF specialists developed **five new training modules**. The topics are in great demand: *Financial Sources for SMEs*, *Cash Flow Analysis as a Tool for Financial Prognosis for SMEs*, *Leasing as a Form of SME Financing*, *Financial Sources for MFOs*, and *How to Start Microfinancial Program in Banks*.

As a last logical step in the credit cooperative training *Study Tour* for credit cooperatives was organized. In June 2006, the ESD program organized and conducted a 7-day study tour for representatives of RFE credit cooperatives and associations to the Volgograd Region. The purpose was to introduce the most active participants of credit cooperative seminars to successful cooperatives in Volgograd.

Participants on the trip included representatives from seven credit cooperatives, two associations and one fund for credit cooperative development from the Russian Far East. The participants visited local credit cooperatives to exchange and discuss the existing and to-be-designed templates of various documents required, such as loan agreements, letters of guarantee, other legal documents for directors, managers, chief accountants, loan officers and lawyers of credit cooperatives. After returning, four participants developed unified performance standards for credit cooperatives; improved the loan agreements format; developed new loan products; and established a strategic plan for credit cooperatives associations. Success stories related to all aspects of the credit component are found in Annex 5.

### 3.4 Providing Training and Consulting to SMEs

Due to the integration of the project, we present the Advanced Business Skills Training, Sector Specific Training and Sector Specific Consultancies results together.

#### 3.4.1 Accomplishments, challenges, and program results

The Russian Far East, as compared to the western part of the country lagged behind in terms of having qualified advanced training and training centers to provide support to SMEs. The ESD program made significant strides to reverse this trend. By the end of the program, more than 20 training modules were developed, 32 trainings of trainers conducted, and 7,128 entrepreneurs trained in advanced business skills (including 4,471 women). Nearly all entrepreneurs paid for their training. The program was able to reach out to business not in the city by developing distance learning courses. More than 1,000 people completed a distance learning course. Many of the trainers came from the western part of the country which was greatly noted by the participants.

The program also provided sector specific training for 1,585 entrepreneurs, all of whom paid for their course.

ESD consultants advised SMEs on technology options, operational and maintenance issues, quality control and manufacturing processes. **96** companies report at least 10% profit increase through cost savings and/or value-added returns.

**Table 11. Results of sector consultancies**

	Khabarovsk	Vladivostok	Blagoveschensk	Ulan-Ude	Yakutia	Chita	Total
# of Companies that Increased Productivity not Less than 10%	12	5	30	8	38	3	<b>96</b>
# of Companies that Received Consultations on Business Planning	1	11	7	2	5	3	<b>29</b>
# of Companies Received Consultations on Investment Proposals	0	11	5	1	4	2	<b>23</b>
# of Companies Received Financing	4	11	5	1	3	n/a	<b>24</b>
\$ Value of Investments Received	65,500	n/a	200,350	100,000	406,500	n/a	<b>772,350</b>

**Forty seven** business plans and investment proposals valuing USD \$15M were developed with the help of ESD consultants and volunteers. Companies attracted USD \$772,350 of financing.

As a result of participating in domestic and international trade shows, Russia Far East companies have been able to sign contracts for the amount of USD \$1,997,900. This amount continues to grow after ESD program closed, because some of the results have a deferred effect.

The Advanced Business Training and Sector Specific Consultancies had the following accomplishments by region:

**Amur Region.** The ESD Program facilitated the growth of sales, helped SMEs penetrate new markets, establish new branches and representations, improve product distribution and logistics, reduce costs, introduce new goods and services into the market, introduce new technologies, improve the quality of already offered goods and services, restructure business, and improve access to credit. Specific examples of impact are as follows.

Thirty enterprises of Blagoveshchensk managed to **increase their profits** at least by 10%. Amurcord staff participated in such training courses as sales, merchandizing, HR management, and strategic management among others, and was recognized as the best GREE air-conditioner dealer in 2005, and the manager of this company was recognized as the Manager of the Year.

“Trainings helped the company to train shop-assistants, to change its customer policy, to revise its strategic development plan, which led to tripling business and the company now occupies 1/3 of the market”.

*Irina Bakumenko,  
Director of “Kimaticheskije Systemy” Company*

At least five enterprises, PRP Seti LLC, Dauriya LLC, Dubrava LLC, and Amur Construction Trade Show LLC, managed to **reduce costs** by introducing new logistic systems.

At least 10 SMEs started to **offer new goods and services** in the market. Thanks to the ESD Program training courses and consultations, 20 restaurants and cafes in Blagoveshchensk have revised their menus, created new dishes and improved the quality of service - Korona, Amursky Passage, Continent, and Amursky Kulinar.

At least five SMEs – PRP Seti LLC, Amurcord, Fartov, Bukvitsa, etc. – have **restructured** their business. After attending the training *Strategic Management in Competitive Environment*, Enegroresurs Company managed to increase labor productivity, attract investments, and increase proceeds by 30 %.

At least ten SMEs have **penetrated into new markets**. Due to the training provided, Dauria furniture factory, the chain of Lyubimiy stores, Obukhov Sole Proprietor (Oriflame), Russia economic society, Tekhnika SV, the Fartov group of companies, have established stores in municipalities located around Blagoveshchensk and expanded their branch networks.

More than ten SMEs – Myasko LLC, Gulevich Sole Proprietor, Solaris LLC, Amursky Broiler LLC – have **introduced new technologies**.

“Due to the ESD Program, the restaurant managed to train managers, waiters, and bartenders to improve the quality of service”.

*Galina Ponomarenko,  
“Korona” Restaurant Manager*

In May 2005, after attending Center Prognoz training *Designing and Implementing Menu Using a Convection Oven*, the management of Korona Restaurant made a decision to purchase a convection oven as a replacement for regular ovens. Due to this new technology, the cooking time has shrunk, and the quality of food has improved. Within the following two months, the number of customers

who come to Korona Restaurant increased by 3 % in spite of the beginning of an unusually slow summer season.

After attending the training *New Technologies in Manufacturing Meat Semi-Finished Products*, Myasko LLC signed a sales contract for buying biologically active additives improving the taste of the products and reducing costs of the company. After 6 months of using these additives, sales increased by 12 %. The survey conducted among buyers of semi-finished products and sausages produced by Myasko Company concluded that the quality of the goods produced by the Company had been improved.

**Buryatiya.** In the Republic of Buryatiya, SMES established new business associations, demonstrated professional growth and skills development of personnel, increased sales of goods and services, developed new services, established new trade and business ties with foreign companies, improved relationships with customers, penetrated into new sales markets, established new branches and representations. The following results demonstrate the ESD Program's impact on the regional small and medium-sized business:

Within the ESD Program's frameworks, **business associations** have been established and ready to represent and to advocate for the business community's interests. The associations have started to conduct training activities targeted at their members and to have them participate in trade shows and professional contests ('Best in Profession' Contest). In 2005, the Association of Restaurateurs organized the sector trade show **For All Restaurateurs**. The trade show hosted 13 public catering businesses and 16 waiters.

"Now I am going to train my staff. Training is very important for working with customers".

*Darima Tugutova,  
Sibir Tour Company*

The business associations have started to systemically develop sector-specific training. For example, the Association of Restaurateurs made agreements with two halls in Ulan-Ude for public catering and services sector manpower training. As a result of this

agreement 20 people who received this training found work in the restaurant business in 2005. Then, following the overall results of participating in the Moscow and Vladivostok trade shows and seminars within the ESD Program, this association prepared video courses on how to organize and conduct a trade show, and it created a website [www.vkusno.ulan-ude.ru](http://www.vkusno.ulan-ude.ru) Due to this active work on the part of the business associations, there is noted **professional skills improvement** among members of business associations in Buryatiya.

SME representatives began to focus their training on company needs. Companies are introducing the mentoring and adaptation systems from the personnel accelerated training, while developing programs to foster corporate spirit thereby decreasing staff turnover.

"After the ESD Program training, we were one of the first restaurants in Ulan-Ude advertised with a banner over the street so that customers will know how to find us. Now, our restaurant attracts our local citizens." They are about 35-40 years old and older. We also broadcast our commercial at "Russian Radio". In 2005, we initiated our first happy hour.

*Darima, the Director of the  
"Golden Dragon" Restaurant*

As a result of program implementation, **the sales volume of goods and services increased**, and new services have appeared.

Participation in trainings and consultations conducted within the ESD Program, has made it possible for 112 firms in Buryatiya to increase their sales volume of goods and services. Some enterprises, the 7 Fridays Restaurant, can boast a 10-fold increase in sales volume. Profits of Buryatiya companies have increased as follows: Gevs by 25%, Smok Trading House by 31%, Smith LLC by 20%, Kolorit by 10% and Sputnik-Buryatiya by 20%. Presto Company has increased its sales volume by 5%. Poligrafik Company has increased the number of its clientele by 20% and its sales volume by 10%.

Based on the ESD, companies started to develop and promote ecotourism. A survey conducted by MAKON among the seminar participants showed that ecotourism is a new contemporary tourist activity in the Republic of Buryatiya. At present, entrepreneurs still focused on summer tourism development realized the value of winter tourism in the region. “Tourist companies started to implement B&B and Meeting Point technologies”, said Andrey Sukhnev of the Ecotourism Association. The Buryatiya companies buy new equipment in accordance with the most up to date requirements of the tourism industry.

For example, Erdem Café located in Ulan-Ude purchased a new Chocolate Fountain, Shokoladnitsa, a food processor and juicers. This equipment will allow the café to offer its guests hot chocolate and 10 new cocktails made of chocolate and natural juices meeting all the technological requirements. This equipment made it possible to refurbish existing bars and open new ones in Ulan-Ude.

Another area of improvement is with SMEs receiving training on **improving relationships with customers**. The number of SME customers has increased as follows: Gevs by 50%, Smok by 20%, Smit by 30%, Kolorit by 20% and Sibir-Tour by 20%. SMEs started to introduce new technologies of informing potential customers about their services. Members of the Association of Restaurateurs published a guide “Restaurants, Cafes and Clubs of Ulan-Ude”. This is the first such guide in the Republic of Buryatiya.

Local restaurants started using CRM-strategy to organize their work with customers. After attending a training on **PR strategies**, a lot of cafés now publish their own fliers, disseminating them at different youth actions and events, thus inviting young people to visit.

The **social responsibility of SMEs** has also increased. A charity lunch for the kids from children’s homes (orphanages) was held jointly by the Ministry of Social Relation of the Republic of Buryatiya, the Association of Restaurateurs and Food for Life NGO.

**Chita Oblast.** The following results demonstrate the ESD Program impact on the regional small and medium-sized business:

Owing to the ESD Program training component, in Chita **the professional skills improvement** among SME employees was reported. The participation in the training seminars within the ESD

Program has resulted in many promotions. For example, the waiters of the Piramida Café became eating hall managers and established their own cafes and restaurants.

**The availability of and access to the training services in the region have been improved**

The Chita Region SME Support Agency, under ESD, conducted 15 training seminars for SMEs, including 3 corporate trainings, as well as one three-day seminar. Two hundred fifty participants attended these trainings. Before the ESD Program implementation in the region, the local SMEs had to go to Moscow and St.-Petersburg to attend trainings and get business education.

Trainings for SMEs continued after the ESD Program completion in the region. Already in 2006 the Chita Regional SME Support Agency has conducted five training seminars on the following topics: **HR Management, Art of Sales, Management Skills Development**, etc. Seventy participants attended these training seminars. The Chita companies started to place their orders for corporate trainings with the Agency and to bring trainers themselves from other regions

In the Chita Region, local SMEs have started to **introduce new technologies** acquired during the trainings. Local SMEs started to establish and develop their own production, whereas earlier they were engaged only in trading activities. Local commercial enterprises lay out goods in the shop-windows and storefronts following the rules of merchandizing they learnt during the **Merchandizing** seminars, conducted by the ESD Program. The efficiency of tourist companies, participating at the **Strategic Planning and Tourism** seminar, has tangible increased. Roza Vetrov (Wind Rose) Tourist Company developed a new strategy, to plan tour itineraries, and to tackle the problems of the personnel turnover based on the ESD training.

The Chita Region tourist companies started to develop new eco-tours in the northern and southern parts of the Chita Region. As a result of the **Sales Techniques** training seminar within the ESD Program, the number of tourists of Roza Vetrov Company has been increasing by 30% every year. “In 2005, tourist companies provided their services for 123,100 tourists, selling them international and domestic packages, including 9,000 tourists served domestically”, said N. G. Popova, the Head of the Tourism Section of the Committee on the International Cooperation, Foreign Ties and Tourism of the Chita Regional Administration.

SMEs that attended trainings report **improvement of their customer relationships**. After attending the ESD trainings, the employees of the Chita commercial enterprises improved their service culture by familiarizing themselves with advanced selling methods and approaches, and peculiarities of customer psychology.

Production of food products has increased by 10.6% in 2006, compared to 2005. In April 2006, the turnover of the retail trade sector was 12,862.32 M Rubles -- 7.8% more than in 2005. The turnover of the public catering was 566.44 M Rubles and increased by 11.4%. The sales volume of tourist services in Chita Region increased from 210 M Rubles in 2004 up to 258 M Rubles in 2005.

In the Chita Region, the **sales volume** of goods and services has increased, and **new services** have appeared.

**Khabarovskiy Kray.** The following outcomes characterize the ESD Program impact on small and medium-sized business due to advanced business skills, sector specific training and sector specific consultancies.

“Unlike other similar training courses, the ESD Program trainings are characterized by high quality, innovation, and rational approach. Marketing, logistics, sales and business planning are the most demanded training topics. Sector-specific trainings (woodworking and construction industries) can pride themselves on the most efficiency.”

*Alexander Shevchenko,  
Head of the SME Dept. of  
the Khabarovskiy Kray Government*

For example, **the training sector has greatly improved** – both in terms of the availability of and access to advanced business and sector specific training. The ESD Program supported the Far-Eastern Union of Training and Consulting Providers by creating a means to share information, coordinating efforts to promote its services, developing the training

services market. The number of training agencies in Khabarovsk has increased from two to ten during life of project.

Also due to the ESD Program, local Far-Eastern trainers were developed in the region; promotional booklets of the Program’s partners were designed and published; a catalog of Far-Eastern trainers was created and booklets and guidelines on sales and merchandizing have been prepared.

**New goods and services have appeared** in the region, and the quality of goods manufactured by SMEs has improved. After participating in ESD-sponsored trade shows, Lesnye Produkty Company started manufacturing products for diabetics such as kissel (a national fruit drink) .

SMEs of Khabarovskiy Kray **employed new technologies** after attending ESD trainings. After participating in the trade shows in Moscow and St.-Petersburg, Lesnye Produkty Company, located in Khabarovsk, decided to pack its products in safe plastic, instead of glass, and they are currently in the process of purchasing new packaging equipment.

SMEs also **improved their customer relationships**. The Versailles Hotel located in Khabarovsk reported a 20% increase in revenue as compared to 2005 and for the first time the hotel administration created a computerized guest database.

“In September 2005 and January 2006 I attended “Contemporary Hotel Management” Training. I use training materials in my every day work – my training writing-book has turned into my reference book and manual.”

*Tatiana Timofeeva,  
Versailles Hotel, Manager*

Khabarovskiy Kray businesses **established trade ties with foreign partners**, which would have been rather challenging without the support provided by the ESD Program. They established mutually beneficial contacts with businesses from China, the Republic of Korea and Vietnam.

The ESD Program gave Khabarovskiy Kray travel agents an opportunity to visit the travel-trade show in St.-Petersburg “INWETEX-CIS Travel Market 2005”, where the participants met with the leading companies from Moscow and St. Petersburg, as well as from Scandinavia and other European countries. As a result, the *Dalintour* Company signed twelve agents’ agreements with western tour operators.

New **business associations have been established.** The Congress of Restaurateurs and Hoteliers held in Vladivostok with ESD support gave impetus to the establishment of the Khabarovsk Association of Hoteliers and Restaurateurs. During May 2006, the first training courses for the members of this Association were conducted.

After participating in the “EXPO 2006 Northern Civilization” Trade Show, souvenir manufacturers established a non-profit partnership Crafts of Dersu’s Land to support handicrafts of the Khabarovskiy Kray. There are plans to organize e-commerce to sell souvenirs through the Internet.

**Primorskiy Kray.** Advanced business skills, sector specific training and sector specific consultantices contributed to improving the SME climate in Primorsky Krai.

“The ESD Program became a breath of fresh air for the SMEs of the Primorskiy Kray. Namely this Program helped learn about new technologies and understand how to carry out business so that it becomes successful”

*Alexander Linetsky,  
Association of Primorye Fishing Enterprises*

In the Primorskiy Kray seminars promoted the **establishment of new business associations** new **business associations** who represent and advocate interests of the local business community – one example is the League of Entrepreneurs in Nakhodka.

In addition, the Far-Eastern Association of Restaurateurs and Hoteliers (FEAR&H) was established in March 2005. One of the Association’s goals is to represent and advocate the interests of enterprises and organizations working in the hospitality industry. In the same year, the FEAR&H joined the Federation of Restaurateurs and Hoteliers and worked with the Association of Vladivostok Professional Chefs to organize the Second Primorskiy Culinary Festival. In April 2006, the first association in the tourism industry – The Association of Vladivostok Tourist Enterprises, was registered uniting 44 recreation centers, resort hotels and inns.

The **availability of and access to training services** for SMEs in the region **has improved.** Trainers from Moscow, St. Petersburg and other Russian cities started to come to Primorye. In addition to master-classes and trainings, the members of business Associations of SMEs received direct consultations and distance consultations (by correspondence) from the leading specialists. They received help on concrete issues and concerns of business development. After the seminars were conducted within the ESD Program, representatives of municipal administrations began to conduct similar seminars for entrepreneurs in their municipalities. “In Artyom HR management seminars and the seminars on how to handle and address the complaints made by customers have been held with great success”, Olga Proskuryakova says, the Executive Secretary of the ad hoc working group on Russia’s joining the WTO at the Governor of the Primorskiy Kray.

As a result of the ESD Program implementation, **the sales volume of goods and services increased,** new services appeared, and the quality of goods produced by SMEs has improved. After attending the trainings and receiving consultations, at least 10 enterprises of Primorye have increased sales. The Far-Eastern Insurance Company, Sibirskoye Zdorovye LLC, Kvartal Co., Ussuri Balsam close corporation and Country Fried Chicken Co. have each increased their volumes of sales by at least 10 %. Another 10 SMEs introduced new products in the market.

Ratimir LLC expanded its range of meat products, and Kvartal Company began to publish a new illustrated magazine.

In the Primorskiy Kray, SMEs have started **to adopt new technologies** they learned about during ESD Program trainings. Restaurants and cafes have started to introduce new coffee-making technologies. Fishing enterprises – like Lama and Akvaresurs – apply American technologies of aquatic cultivation. Ten fishing and fish-processing SMEs now have business plans on how to introduce cluster technologies of marine farming. Fortuna and Norilsk – Ussuriisk companies are introducing new promotion technologies.

SMEs participating in the ESD Program have also **improved customer relations**. The Primorskiy Air Travel Agency improved how they distribute tickets, thereby improving the quality of client services and decreasing the number of cancellations and claims. The following enterprises have also improved the quality of their services provided to the customers: Ratimir LLC, 220 Volts LLC, Khlebny Dom LLL, and Confort Plus LLC. Country Fried Chicken Company improved their customer relations and decreased the occurrence of conflicts.

Sector specific trainings and consultations within the ESD Program helped SMEs reduce **cost costs and improve of logistic management and sales**. Summit-Motors Company increased their inventory stored in the warehouse by at least 30% that then allowed them to reduce costs by 5% to 10%. They optimized the space in the warehouse and the delivery procedures in Vostokshintorg Company resulted in reducing the delivery-time to the customers by 20% compared to previously.

**Sakha Republic.** The trainings and consultations within the ESD Program have facilitated SMEs to increase growth of sales of goods and services produced, enter new markets, establish new branches and representative offices, improve sales and logistic management, reduce costs, improve quality, introduce new technologies and attract credit.

According to the estimations made by Business School about 300 entrepreneurs who had attended trainings were able **to increase the volume of sales and services**. Markov Sole Proprietor Company started to produce souvenirs made of animal fur and leather from waste

“The ESD Program trainings helped us design an advertising campaign and to increase sales by 30%”.  
*Alexander Protodyakonov,  
owner of Mayak furniture store*

scraps, improved the quality and design of the souvenirs focusing on ethnic themes. All this resulted in the increase of sales by 20% to 30%. Yegorov Sole Proprietor, after a receiving consulting on marketing, created a series of bracelets, chains, and key-chains made of silver and designed especially for youth, thus expanding the range of products and increasing profit by 15%.

Forty-eight SMEs and entrepreneurs **entered new markets** with their products. After attending a training seminar on ecotourism, Severnoye Siyanie (Northern Lights) construction company expanded its activities into tourism. Fedorov Sole Proprietor of the Khangalass District (Ulus) developed an eco-trail within the territory of the Lenskiye Stolby (the Lena River Pillars) National Park. Lenskye Zory Company created new tourist routes in the Kaenkaemae Reserve located in the Namsky Ulus.

“After attending the ESD Program training devoted to advertisement, we stopped an expensive commercial on the TV and radio, and achieved the goals of the advertising campaign at a significant cost reduction”.

*Valentina Ksenofontova,  
Director of the Tourism Department  
of “Polar Airlines”*

Eleven companies **improved their sales and logistics**. Information from trainings helped Lenarechtorg LLC to change their inventory management and procurement procedures which reduced unnecessary steps in the process. They reduced their costs by 1.5% (the company refused to disclose its gross annual turnover, but operating on the premises that this company is contracted for procuring goods to the northern parts of the Republic, which is called “the Northern Delivery”, these 1.5% of cost reduction could be equal to a few millions or scores of millions of Rubles).

According to optimistic estimations made by Business School, at least 380 SMEs and sole proprietors **improved the quality of goods and services** they produce. Thus, the members of the Association of Handicrafts and Souvenir Producers improved the design of their products, developed new types of packing, and provided authenticity certificates for their souvenirs made of mammoth tusk. All this became possible due to the sector-specific training seminar provided to them by the ESD Program.

At least eight enterprises **introduced new technologies**. After the sector-specific training Drying Larch-wood in the Kiln, specialists of Tabagin Timber Company redesigned their kiln-drying process which should reduce the cost of production by 10% to 15%.

### **3.4.2 Methods of work used and the pros and cons of these methods**

#### **Advanced Business Skills Training**

The ESD Program has been working with local partners and Russian consultants to systematically assess and address training needs in all seven project regions. The advanced and sector-specific training has been conducted by **six** ESD local training partners and **27** other training service providers. In October-November 2003 ESD consultants conducted training needs assessments to help partners develop the specific training plans. In the second and third years of the program, ESD partners conducted the similar assessments by themselves.

Most training courses have been conducted by Russian consultants and trainers. In cases where Russian expertise was not available, WI engaged U.S. volunteer experts. Training has been demand-driven and most training organizers collected fees covering training costs. To ensure wide participation of local entrepreneurs, the schedule and announcements of upcoming trainings were placed on the ESD and partners’ web sites, published in the ESD quarterly newsletter, and announced at regional conferences, roundtables and other events. Training focused on common problems that prevent businesses from increasing profits, expanding, and accessing credit.

#### *Training modules*

During the total program period, **twenty** new training modules were developed and placed on the ESD web site for public use. ESD partners identified the themes for these modules to meet the need of local business communities. 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. Partners’ organizations have been actively using these modules for conducting

trainings in their region. The modules contain theory, practical materials, handouts, and also recommendations to trainers on how to use them. All modules have been inspected by ESD partners and tested in their organizations.

#### *Trainers' database*

By the end of the program, the database contains information on **469** trainers (247 female and 222 male, **171** local trainers) Of these, **117** have conducted trainings for the ESD Program. During the second quarter of 2005, **46** entries of new trainers have been included to the database, of them **28** are local.

#### *Training of Trainers*

ESD has focused on training a 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. The ESD Program saw the need to develop the capacity of local trainers to ensure sustainability. **Eighty-nine** people were trained in Russia Far East on training structure, design, methodologies of training advanced business skills. **Thirty** of them have already conducted trainings for businesses, and more will continue to practice their skills after the ESD program closes.

#### *Use of local trainers*

ESD partners have significantly increased the use of local trainers, giving them the opportunity to become known in the region and to promote their services. Out of **491** ESD trainings conducted during the ESD life of project, **295** have been conducted by trainers from the RFE region.

#### *Distant Learning*

ESD partners have been distributing distance learning courses on CDs, developed by the program. Two training courses have been published entitled *Merchandising*, and *Effective Sales Techniques* by Roman Simutkin. More than 1,000 entrepreneurs have been trained in this course in January -March 2006.

#### *Training Market Development*

During the life of project, the ESD training partners organized different promotional events to develop training markets in their regions. They held training fairs, organized demo trainings, participated at various SME conferences to educate business people about the need for and availability of short term business skills education.

### **Sector-Specific Training**

Recognizing the importance of providing sector specific technical training, ESD first conducted preliminary assessments to determine which sectors should be the focus of the project. At the beginning, the program was introduced to the government administrations of the target regions. At that time, government officials provided their advice on which sectors, if improved, could greatly increase the number of SMEs and/or improve SME sustainability with in their region. Regional assessments were then conducted to collect additional data from additional sources. By The following sectors were identified as key sectors and assessments were conducted on these sectors:

- Tourism cluster (from guides, hotels to transportation)
- Transportation
- Fisheries
- Construction
- Restaurants
- Forestry

This was followed by comprehensive studies to identify where the program should intervene to have the greatest impact. Based on these reports, ESD and project partners developed training programs, identified needs for expert consultants (volunteers and paid consultants) and facilitated study tours as ways to support these sectors.

**Table 12. Sector specific topics by sector and location**

Sector	Location	Topic
Ecotourism	All	Customer-oriented training programs (this could be for tour guides, bus operators, tour companies, restaurants and hospitality for hotels/B&Bs)
Restaurants	Regional	Route and Itinerary Development Techniques
Hotels	All	Working with other sectors – negotiating contracts with hotels, buses, airlines, helicopter etc.
Souvenirs	Sakhalin, Khabarovsk	Charter and other passenger tours
Transportation	Buryatiya, Khabarovsk	Develop Marketing materials in English
Fish Processing	Buryatiya, Khabarovsk	Customer-Oriented training programs (eco and ethno tourism)
Construction	Buryatiya, Khabarovsk	Training Interpretive Guides for different markets (maybe focus on junior rangers or students for summer jobs)
Forestry	Regional	Ecotourism guidelines and practices in protected areas.
Food Processing	Khabarovsk	Eco/Ethno Tourism training in Indigenous Communities (Troitskoye, Bulava, Nikolaevsk-na-Amur

### Sector-Specific Consultancies

Experts provided invaluable advice to entrepreneurs in the RFE. It has been challenging for ESD to find sector consultants that could combine practical and theoretical knowledge of the industry, and the ability to share this knowledge with professionals. Because of our knowledge of the key people in the selected industries, with the help from local governments and educational institutions, we have been able to develop a pool of volunteer and paid experts that successfully trained and consulted sector associations and individual businesses.

**Table 13. List of volunteer experts**

Name	Area of Expertise
Van Zoelen, Aaltje	Ecotourism
Rinder, Steve	
Lederman, Vickie	
Taleghani, Firooz	
Marenic, John	Restaurant

Basharova, Karina	
Timofeev Andrey	
Knight, Jared	Presentations
Criddle, Keith	Fish processing
Erlandsen, Eric	Hospitality
Edwards, Richard	Strategic Planning

**Table 14. List of paid experts**

Name	Area of Expertise
Procak, Jeff	Transportation
Dzalba, Svetlana	Restaurant
Zatulivetrov, Aleksandr	
Poltaraus Vasily	
Ustinova, Tatiana	Ecotourism
Bliznyukova, Ludmila	Timber processing
Tolomeev Konstantin	
Imshinetskaya Iya	
Garifulina Elvira	Souvenirs
Biryukova Maria	
Popov Alexey	Fish processing
Salnikova, Ludmila	Construction

ESD successfully facilitated **business linkage missions** to Asia, Eastern Europe, and within Russia. Volunteers were used to train and prepare companies to attend trade shows and we then helped companies attend these meetings. The program helped **36** SMEs attend tourist, food and fish processing, restaurants and hotels, and other trade shows (see **Annex 4** for details). All business missions were coordinated through association partners and required participants to cover at least 50% cost.

### 3.5 Outreach and Communication

ESD has fostered interregional collaboration and communication by adopting an aggressive outreach strategy. To use resources efficiently and impact large numbers, the ESD Program ensured collaboration, coordination and communication with other projects, the local governments and other beneficiaries. This objective has been cross cutting and supported all components and tasks.

#### 3.5.1 Collaboration with technical assistance programs

The ESD Program has been successfully collaborating with other USAID and donor projects in the regions as well as drawing upon lessons learned (when possible) from projects in other regions of Russia. Collaboration has included the sharing of information and inviting participants to trainings, seminars and roundtables. ESD made use of existing research papers, studies, tools, lessons learned and resources of other projects. For example, from Winrock's FOREST Project the forest products' market studies, database of financial lending institutions, and associations strengthening and

evaluation tools were used. Many ESD partners were involved in the University of Alaska project and found the programs complimented each other.

From the Center for International Private Enterprise assessments were used to establish our regulatory reform priorities. In addition the ESD Program found ways to collaborate or gain information from:

- Economic Policy Reform (Think Tank Reports)
- CEFIR reports
- Russian Microfinance Center (RMC)
- Integrated Business Services
- BISNIS
- Regional Initiative
- Institute for Sustainable Communities
- Sakhalin Regional Micro Credit Program
- Eurasia Foundation
- University of Alaska
- Delta Capital Management Inc.
- US Consulate General
- FRAEC
- Development Alternatives, Inc. and
- other donor programs.

### ***3.5.2 Monthly consultations with regional-level officials***

The Chief of Party has established and maintained regular communication with local governments to ensure that the ESD Program goals and objectives are clearly communicated on all levels. The Chief of Party regularly visited the targeted regions and held meetings with regional authorities to coordinate efforts on enhancing SME development and learn about necessary steps the program can make to speed up the adoption of regional programs that support of SMEs. Local government representatives have been invited to ESD's main events, such as conferences, roundtables, and partner meetings.

### ***3.5.3 Creation of ESD web site and quarterly newsletter***

ESD Program designed the website [www.esdproject.ru](http://www.esdproject.ru) in October 2004. The site had links to the websites of all ESD partners. To disseminate information, including up-to-date training schedules, the ESD web page included a quarterly newsletter describing the program's activities and making available news, events, and useful references. This newsletter has been printed and distributed in hard copy among projects partners and clients in December 2003, March, June, September 2004, and June 2005.

## **3.6 Comments and Recommendations Regarding Program and Direction**

ESD was a very useful project and we learned about areas where other or similar projects could be implemented. They are as follows:

1. The recent passing of the law on Self-Governance, article 131 will end subsidies to the municipalities from the regional and federal government. As a result, the only way

municipal government will be able to fund its services is through the building of local SMEs within the communities that will in turn support development of the municipalities and the communities. Without SMEs to support sustenance, growth and development of the communities, these municipalities will most likely be unable to proceed as federal and regional funding is discontinued in 2007.

2. Further away from the center of urban areas of the RFE, the level of poverty climbs and tends to exceed 35% and depending upon the village may go as high as 60-70%. USAID has now focused previous business development programs in and around metropolises such as Sakhalin, Vladivostok, and Khabarovsk. These central cities have expanded their potential in SME growth and development. At this time, it would therefore be beneficial to look outside these areas into the places where poverty has grown as RFE factories have been closed in towns outside Vladivostok and Khabarovsk. At present it is reported that migration has reached a level where 1 in 5 families are now departing the Russian Far East. The cycle begins with families leaving the central metropolises (Vladivostok and Khabarovsk), for Western Russia (primarily Moscow) and abroad. Then people from the villages and towns move into Vladivostok and Khabarovsk. To arrest the ever increasing migration now gripping the region, new economic opportunities must emerge like those provided by the development of small and medium sized businesses. A type of business development program could be implemented in towns concurrently with the ICMA city links program; this will provide new opportunities at business development and as well, provide a source of revenue (as cited above in recommendation 1) to fund municipal work for the community.
3. Employment in rural areas tends to be based on natural resources – forestry and fishing. Large companies still dominate the sectors (except for NTFPs) but more jobs could be produced if there was an incentive for more small and medium enterprises to emerge. They could be forestry or fishing businesses, or businesses attached to some part of the associated value chain, and thereby providing a source of new jobs in the villages.
4. Another way to increase rural economic development would be to target an SME Development program based solely around indigenous peoples' villages in the Russian Far East. Such villages are located outside of Yuzhno Sakhalin, Khabarovsk and other parts of the Russian Far East. These villages are facing massive unemployment in most cases as high as 70%. In order to preserve these villages, and maintain the great heritage of these indigenous tribes, it will be necessary to provide a source of employment and jobs. ESD and the FOREST Project made in-roads into this field by working with non-timber forest products, ecotourism and providing business training which provided a new source of employment. An SME Project could target these indigenous villages working at primarily the small business level helping to improve the quality of life in the village.
5. More support in the seven regions of the Russian Far East would be appreciated. Entrepreneurs and partners were truly grateful for the exposure from the ESD Program. Companies were brought to a new level, but more can be done. USAID could provide support in the form of business training and market development and trade could be extended. Noting the dire need to the Russian Far East, this is greatly needed now in other territories of the Russian Far East, to provide conditions for growth again as highlighted

earlier in this section, with areas outside the regional capitols. Moreover there are areas where USAID has not provided business development assistance in the Russian Far East. In such an effort, it might be advisable to couple business services development with small equity and/or loans such as those provided by Counterpart (CEF) and ACIDI VOCA. This will then provide a source of financing in addition to the training which will be taking place.

6. There is a need to better understand the small business market and SME's overall input into the local economy. We have seen how many local governments do not have statistics that covers specifically small business, and in many cases do not understand the importance that small business will increasing play upon the development of the economy. Once again, this is particularly important with the emergence of the Law on Local Self Governance 131 as local municipalities will need to ensure the SMEs are strong and thriving to support development of the local economy. Otherwise we will be looking at failed regions as this law is implemented. It may be possible to combine such a program working in combination with ICMA's Citylinks Program currently working with the municipalities and local governments. While the budgeting process is being taught to local governments through ICMA, this may need to be looked at as well from an economic perspective, and indeed the municipal economic department will need to be able to provide support and input on the development of small and medium sized business for these regions if they are to be successful and improve the quality of life for inhabitants. The failure to do so will only increase the current problem of migration.
7. Of all RFE sectors currently under development, it may be considered that inbound tourism needs to be better addressed, since it's a core sector for infrastructure development for the region (above and beyond natural resource development), in particular areas such as hospitality and hotels, tourism services, transportation, roads, and restaurants. Regions such as Kamchatka, Ulan-Ude, Sakhalin, and outside of Khabarovsk city, not to mention rest of the entire remaining RFE, boast riches in terms of lakes, wonderful fishing and hunting, scenic volcanoes, geysers, etc. Development of tourism sites on the south shore of Lake Baikal, for example, needs to be done in a way that won't destroy the lake. If this can more aggressively be tapped into with SME development, it will spur stronger protection of these vast riches which can then provide alternate sources of income to the regions as opposed to the regional economics being based wholly the extraction of natural resources. In particular the development of the SME sector around tourism in the RFE can be a means of protecting the environment and the forest and this will then provide economic support for the population for generations to come.
8. Microfinance institutions, in particular as noted by the ESD Program, credit cooperatives, need to be developed in Amur oblast, Buryatiya and Sakhalin. While Sakhalin has had ACIDI VOCA providing some finance assistance to the region working in cooperation with Exxon in that single region due to oil development, both Amur and Buryatiya completely lacked this assistance, and this has now become a clearly identified need. Support to these areas could be provided by the creation of credit cooperatives or as well, USAID could consider utilizing CEF, RMC, or ACIDI VOCA to branch out and target these regions. This would require some additional funds for both financial institutions so that they could target the region but then the incremental cost of operation would be minimal at this point. It is

clearly another area that USAID could provide additional assistance should it have the funding opportunity and ability to do so. Such a program could then provide support to overcome the lack of information and technological isolation of the RFE region from Western Russia, and as well, from other countries. New sources of finance will allow companies to consider purchasing equipment which will spur more rapid development of the region.

9. The Russian Far East associations continue to be weak and truly require additional support and development most particularly in the regions of Amur Oblast, Buryatiya, Yakutia, and Chita. In actuality, there are very few associations in number, and those that exist in most cases are fledging. This is clearly a sign that SME development in the region is still in its infancy, with only a few solid businesses in each sector, in some cases maybe a primary monopolist who controls the local market. As a result competition is having a hard time trying to flourish in the region, and SMEs do not see the complete value yet of associations and participation with them. It will be very important that this change take effect as associations can be effective tools with which to advocate change in laws supporting a strong SME sector which will then strengthen the economy and provide jobs for the region. As a result, associations in effect are integral to these regions reaching the next level or stage of development and communicating with government on what is needed to improve local quality of life.
10. Another area of potential USAID support could be in the development of stronger advocacy skills of businesses in behalf of their regions to improve quality of life for its citizens. Businesses, in support of their communities, could do better speaking as one voice and representing the needs. Presently the Russian Government is very focused on economic development as opposed to civil society development, and yet strong SMEs could provide support toward moving in a more democratic system. Such a program, working in combination with the new Civil Society RFA in the RFE, would more readily be accepted by the Russian Government and at the same time, spur the type of effect which would support the development of democratic values.

In summary, USAID could take a combination of the above ideas, as well as the positive results (and lessons learned) from other previous business development and SME projects both in the western part of Russia and the RFE and create a kind of ROLL (Replication of Lessons Learned) SME project which would then support the entire Russian Far East. It could be made flexible enough to establish trade missions with the western part of Russia and other countries, provide credit or work in combination with projects such as ACIDI VOCA and CEF, as well as jointly target those regions where the Civil Society RFA and Citylinks Municipal Development Program will work; this would then spur greater synergies and overall development, and would be directly tied into USAID's goal of developing a stronger civil society for Russia.

## 4. Conclusion

The Enhanced SME Development Program in the Russian Far East has achieved and even exceeded its goals. The model that comprises different elements of SME support in the region can be successfully replicated by regional governments to achieve better results in SME development in the RFE region.

The program components complemented each other allowing us to exceed our targets. The associations used under regulatory reform were also strengthened with advance business skills training and sector specific activities (trainings, consultancies, trade shows).

## Annex 1. ESD Project Advocacy Grants Announcement

### DESCRIPTION OF GRANTS

#### Deadline for grant applications is December 1, 2005

Advocacy grants are competitively awarded grants supporting business associations that want to remove a specific regulatory constraint in the Russian Far East. Grants will be given to help business associations undertake small-scale advocacy initiatives, which could include such activities as: the financing of exchanges, publications, workshops, roundtables, advocacy forums, etc.

#### ELIGIBILITY

Only business associations, NGOs, initiative groups (in partnership with BA or NGO) willing to eliminate specific regulatory constraint or make changes positive for SME development in legislation in Sakhalin Oblast, Amur Oblast and Buryat Republic are eligible to receive grants.

Requests for Applications shall be published quarterly in local newspapers or periodicals, the ESD web site, or in any other place designed to attract the maximum number of applications. Additional publications and direct mailings to potential recipients are also encouraged.

#### AWARD AMOUNT

Up to \$5,000 USD, based on the activities proposed.

#### PROJECT PERIOD

The project is from two till six months long and the project must be finished not later then March 1, 2006.

#### SELECTION CRITERIA

Applications will be awarded based on the following criteria. Equal weight will be given to each point.

##### Technical Approach

1. The project promotes removal of a specific regulatory constraint from the local, regional or federal level. The link between the activity to be funded with grant money and the removal of a constraint is clear. The capacity of the grantee will be strengthened to advocate for removal of constraints in the future.

##### Planning and Feasibility

2. The project is clearly defined and relevant to the local situation.
3. The goals and objectives are feasible, and the goals can be reached within the project scope.
4. The implementation plan clearly defines the key activities that are required to achieve the objectives as well as the tasks, timelines and deliverables. The plan describes how the project will be managed.

5. The grantee is capable of managing and completing the project, both financially and organizationally.

### Impact

6. The project generates tangible results by the end of the grant period. These results are verifiable, measurable and consistent with the expected outcomes.

### Budget

7. The budget is complete, reasonable and cost-effective. It is clearly explained, proposing realistic and cost-effective solutions and spending limited funds in the most efficient manner.

NOTE: *Within the competitive range, priority will be given to business associations participating in the ESD program as "central regulatory reform partners" first and then to organizations that have not previously received ESD microadvocacy grants.*

## CONDITIONS AND LIMITATIONS

- A business or association can only be involved in one advocacy grant at a time. The existing grant must be closed (which is marked by the signing of the close-out letter) before another grant begins.
- Each application must include a cost share of at least 10% of the proposed total budget in cash or through "in-kind contributions." For example, a \$1,000 grant must have a cost share of at least \$100 for a total project cost of \$1,100. NOTE: "In-kind contributions" are donations of human and material resources, estimated in terms of their costs. They include work time dedicated to the project, office space, equipment and supplies, and other goods and services directly benefiting and specifically identifiable to the project activities.
- Issue of grants under this program is subject to availability of funds in the main agreement between Winrock and USAID.
- The ESD Project advocacy grants do not fund: purchase of land, vehicles, buildings, or computers; staff salaries; research and development activities, or general marketing.
- The ESD Project does not fund activities undertaken prior to the date of the Grant Agreement.
- The ESD Project reserves the right to award less than the total amount requested in the original application.

## GRANT ACKNOWLEDGMENT

- Any publications published by the organization as a result of the grant, such as studies, manuals, newsletters, or brochures must acknowledge the support of both **the ESD Project and USAID**, financing the ESD project, including the display of the ESD Project logo that is available in electronic format from the ESD Project staff and USAID logo.
- The grantees own all works created under this grant award, however, USAID and the ESD Project has the non-exclusive right to use and reproduce them at no cost.

- If a particular project is a success, USAID and the ESD Project reserves the right to publish and distribute a narrative success story and lessons learned from it.

## REPORTING REQUIREMENTS

- The grantee is required to prepare a final report for their project and submit this report by the date agreed upon in the Grant Agreement.
- The report is comprised of two sections: a narrative description of the activity, and a financial report. Grantees will receive more detailed information on preparing these reports after the Grant Agreement is signed.
- Grantees must supply copies of all tickets, invoices and receipts with their financial report for any expenditures made with grant money.
- Changes in project activities, use of money, personnel, and other important changes must first be discussed and agreed upon (in writing) with ESD Project staff.
- ESD Project staff and USAID representatives (or private audit firms authorized by them) reserve the right to audit the grantee and monitor the project performance at any time. The grantee must maintain full financial records, including all original receipts and invoices for at least three years after the completion of the project.

## APPLICATION PREPARATION

Applications will be processed on a “rolling” basis, that is, they will be evaluated in the order in which they are received. The application should not exceed 5 A4 pages (1 cover page, 2-3 pages for narrative and success indicators, and 1 page for budget), and must include ALL the items listed below. **The ESD Project will not accept incomplete applications.**

Forms and other documents must be typed or word-processed. Electronic copies of the forms can be obtained from the ESD office. The application will be completed in Russian and include the following:

### 1. Application Cover Page

The Cover Page should be fully completed by the applicant as shown in the attachment.

### 2. Narrative Description of the Proposed Activity

The applicant must address the following points in detail but in no more than 3 pages:

- a.) A brief description of the regulatory constraint that is faced;
- b.) The overall goal and objectives to be accomplished in order to address the problem;
- c.) Work plan describing how the activity or activities will be implemented, including:
  - a list of all activities to be undertaken;
  - a narrative description of each activity giving details of what is to be accomplished and how; and

- a project timeline providing the time schedule for all project activities.
- d.) The concrete results of the project (a list of project deliverables).
- e.) Expected outcomes of the project (what will be accomplished).
- f.) An explanation of why ESD Project support is necessary and a list of other donor funds that have been received for the proposed project (if any);
- g.) Planned follow-up after completion of the ESD Project grant.

**NOTE: Applicants should refer to the Selection Criteria, as the application is prepared.**

### 3. Success Indicators

Applicants should explain what they perceive as project success and develop relevant success indicators. These indicators will ensure that there is a common understanding of the project targets and their successful completion. Indicators will be used to measure and communicate project outcomes. Project success is considered removal of a regulatory constraint that hinders SME development or if not removal of the constraint, considerable progress in influencing government towards the removal of such a constraint.

### 4. Budget Justification

Using the Budget Justification Format attached, grantees will prepare a complete description of all expenses related to the project, calculating the costs in each budget line item by unit, unit cost, and number of units. For each line item fill in the amount requested from ESD Project Grant and how much is Cost Share and then total these two to determine the amount under Total Project. Grantees will follow the instruction below on what information is required by line item.

***In the budget justification, please provide a detailed explanation for your part of the project on the following budget line items:***

- a) Supplies: Specify the type of supplies to be purchased and the estimated cost. Examples of supplies include paper, floppy disks, etc. as well as any software;
- b) Travel/per diem: Include information on location; means of transportation; the number of trips; estimated cost of each trip; and number of travelers. If per diem is funded, indicate the number of days and the daily rate used. Per diem should not exceed the U.S. Government per diem rate and follow ESD regulations. Applicants can find the current U.S. Government foreign travel per diem rates on the U.S. State Department web site([www.state.gov/www/perdiems/index.html](http://www.state.gov/www/perdiems/index.html));
- c) Consultants/Contract Personnel: Type of services needed; number of consultants; names; rate and number of days to be funded by the grant. Rates should be estimated based on the consultant's past salary history. Consultants must submit past salary/earning history, including the name of the contractor and type of work performed, daily rate, and duration of the assignment for three recent jobs.
- d) Publication costs: Subject of publication; summary of content; type of cost (editing, printing etc.); number of copies; languages; cost per copy, etc.;
- e) Conference/Roundtable Logistics: Subject/topic of conference or roundtable; room fees; and food and beverage costs;
- f) Other direct costs: Specify other major costs not described in the above categories.

**Cost Share Contribution:** In the budget explanation, applicants should describe which expenses they will cover as part of the 10% co-financing of the project. Organizations should not include time spent completing the grant application as in-kind contribution! For more information, applicants can refer to the cost-sharing provisions that are available at the ESD office.

Applicants are encouraged to use funds from other non-U.S. government sources for matching funds to co-finance the program. If the contribution is “in kind”, give the fair market value of the contribution. For example, if grantee will contribute with training facilities and support (conference room rental, utilities, printing of training materials), estimate the fair market value of the facilities and services. Organizations may include time spent working on the project as an “in kind” contribution. (for example salaries including salaries for governmental employees.)

**Limitations:** *The applicant should be aware that the grant imposes some conditions and will not cover some expenses, which are considered to be “non-allowable expenses” by USAID. If applicant has any questions about which expenses will and will not be covered, do not hesitate to contact the ESD Project office for clarification.*

Items included under “**non-allowable**” expenses: Taxes listed in the US bilateral agreement with your country as exempted, office rent, alcoholic beverages; bad debts; contributions to other organizations; entertainment costs; fines and penalties; interests, losses of other awards; organization costs; patent costs; profits and losses on depreciable property; military equipment; surveillance equipment; commodities and services for support of police, and other law enforcement activities; abortion equipment and services; luxury goods and gambling equipment; weather modification equipment. For more information please refer to the attached USG standard provisions.

Some “non-allowable” expenses listed above can be considered as cost share. This includes: taxes, office rent, organizational costs, and patent costs.

## 5. Required Documentation

The following documents are also required as part of a complete application package.

- a) CVs for the project staff and any consultants in the project. Consultants must complete Biodata form and include information on past salary/earning history including their daily/hourly rate, name of the contractor, and type of work performed for three recent jobs.
- b) Two letters of recommendation for the applicant prepared by a third party (a partner organization or local government official, as an example) and recommend the applicant as a viable organization, capable of successfully implementing the project.
- e) Documentation of eligibility for the applicant. Applicants should provide the following required information:
  - ◆ If the project coordinator or main contact is not the director or the chairperson of the organization, then a support letter from the chairperson or director of the organization should be attached.
  - ◆ Copy of the legal registration document.

- ◆ An organization profile (including year established, type of ownership, number of employees, company brochure etc), past projects, and general rules of operation. The Annual Report or organization's brochure is sufficient.

## GRANT NOTIFICATION AND AGREEMENT

The selection process will take place at the ESD Project office in Khabarovsk, Russia.

Full applications are first pre-screened by the ESD Project staff for completeness and to ensure that listed requirements have been met. A Grant Review Committee will review each application that meets the initial criteria. This Grant Review Committee will be comprised of one representative from an international NGO, one advocacy expert, one member of the Counterpart Russian Rep Office, the ESD Senior Program Manager and the ESD Chief of Party. Then Grant Review Committee will evaluate each application on a scale of 1 to 5 using the previously mentioned selection criteria. The members of the Grant Review Committee shall remain anonymous to applicants. Equal weight is given to all criteria. All applicants will be notified of the decision of the Grant Review Committee within two weeks.

## GRANT PAYMENT

Upon signing of Grant Agreement, the Counterpart Russian Rep Office will disburse 60% of approved grant money in rubles to grantee. The remaining 40% will be transferred to grantee after completion of assignment and approval of program and financial reports. Funds for five (six) months grants will be disbursed according to the following scheme: first payment in size of 40% of grant funds CI will transfer in advance after the grant agreement will be signed, 2d portion of 40% - after the mid-report will be received and approved. Remaining payment will follow after the final report approval.

## DISCLAIMER

Applications for an ESD Project grant are submitted at the risk of the applicant. Issuance of the Request for Applications and these guidelines do not constitute an award commitment on the behalf of the ESD Project. The ESD Project will not pay for costs incurred in the preparation and submission of applications. The ESD project reserves the right to reject any or all applications received, if they do not meet the requirements of the program.

## ATTACHMENTS

Please find attached the following documents:

- **Grant Application Cover Page**
- **Budget Justification Template**

<b>ESD Project Advocacy Grant Application</b>		
<b>Cover Page</b>		
Cooperative Agreement # 118-A-00-03-00094		
Project Title:		
Name of Organization:		
Registration Number: (INN)	E-mail:	
Tel:	Fax:	
Address:		
Main Contact for the Organization:		
Bank Information:		
Date Sent:		
Dates of Project Period:		
Brief project description:		
Total project budget (USD):		
Total ESD Project Grant (USD):		
<b>TO BE FILLED IN BY ESD Project</b>	<b>Project Number:</b>	

## ESD PROJECT BUDGET JUSTIFICATION FORMAT

Activity:

Start to End Dates:

Budget Line Items	Unit	Unit cost	# of units	ESD Project Grant	Cost-share	Total project	Description of expenses
Supplies. Please list all items to be purchased during this activity. In the last column, describe every item separately.							
Item #1	Piece						
Item#2	Piece						
Total supplies							
Travel. Please list all trips to be taken during this activity. In the last column, describe each trip separately providing information on destination (from – to), number and names of people traveling, and lodging (location).							
Trip #1							
Air travel	Ticket						
Local transportation (train, bus, taxi, car)	Ticket/mileage (km)						
Lodging	Daily rate						
Meals	Daily rate						
Total travel:							
Consultants/Contract Personnel. Please list the names of all consultants/ individuals/organizations working on the project. In the last column describe the type of service the consultant/individual/organization provides under this activity. All salaries and governmental employees' consulting fees are to be considered cost-share.							
Consultant #1 (name)	Daily rate						
Consultant #2 (name)	Daily rate						
Total consultant/contract personnel:							
Publications. Please list all publications to be developed under this activity. In the last column, describe each item separately providing information on subject, type of publication (brochure, leaflet, technical report, etc.), number of pages, and language.							
Item #1	Copy						
Item #2	Copy						
Total publications:							
Conference/Roundtable Logistics. Please list all room fees and food and beverage costs to be incurred during this activity. In the last column, describe the topic of the meeting or seminar.							
Room Rental Fees	Day						
Food and Beverage Costs	Person						
Total logistics:							
Other direct costs: Please list here all other expenses that are not budgeted under the other line items.							
Item #1							
Item #2							
Total other direct costs:							
TOTAL							

**This checklist to assist in helping grantees in submitting a complete application.****When preparing the full application, grantees must meet these requirements:**

- ◇ Application is complete.
- ◇ Application does not exceed a total of 5 pages (not including attachments).
- ◇ Project is no more than three months long.
- ◇ The budget justification is prepared based on ESD Project format.
- ◇ Expenses do not include any “non-allowable” expenses as previously listed.
- ◇ Application allows cost-sharing of at least 20% of the total project cost.

**Before submitting the full application, grantees should make sure that it includes:**

- ◇ Application Cover Page
- ◇ Narrative description of the project activity
- ◇ Success indicators
- ◇ Completed budget justification (in USD)
- ◇ Documentation of eligibility
- ◇ CVs for the project staff
- ◇ Letters of recommendation for the Project Leader and Partners

*Applications go to:*

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## Annex 2. ESD Grants Awarded

Grantee	Date	Amt.	Topic	Results
Amur Guild of Restaurateurs and Culinars (Amur region)	Aug – Oct 2004	\$998	Legal act regulating the municipal property rent in Blagovezhensk contained a number of factors hindering business development: a) limiting lease terms made it unprofitable to invest into the object leased; b) lack of rate to lease the property c) no consideration for the quality of premises and its market value.	Changes to the law were sent to the Duma for consideration and were accepted. Amendments to the legislation were made. Lease terms were extended, reasonable lease rate was developed and introduced,
Blagoveschensk city public organization of private transportation companies <i>Fax</i> (Amur region)	Oct – Dec 2004	\$998	Because the law regulating passenger transportation services favored municipal transportation operators, a conflict arose between private operators and municipal passenger transportation enterprises	Amendments to the law “On the passenger motor transport in the Amur Region” were made to improve the quality of passenger services and to assist development of private transportation companies.
Nevelsk local entrepreneurs public organization (Sakhalin)	Jan – Apr 2005	\$730	Mayor of Nevelsk region issued a decree that required additional documents to obtain trade licensing in the region. The action contradicted to Sakhalin Region legislation and hindered the development of SMEs.	Mayor’s decree was called off.
Noncommercial Nongovernmental Organization <i>Entrepreneurs Union</i> of Uglegorsk region	Dec 2004 – Feb 2005	\$813	In Sakhalin, SMEs had to submit employees’ labor contracts to the local government for registration under the labor regulations. The Uglegorsk District local government, however, protracted the registration period for extended time. This caused SMEs to violate the Labor Code by employing people who weren’t registered. To regulate this problem BA developed a provision in the law that lays out all the steps for registering labor contracts in accordance with the Labor Legislation.	The developed amendment to the law “About the Procedure of Labor Agreements Registration” was approved by the Uglegorsk Regional Mayor. The new regulations allowed more than 500 entrepreneurs in the region to easily register labor contracts without incurring costly penalties or fees.
Non profit organization <i>The Aniva District Association of Business People</i> (Sakhalin)	Mar-May 2005	\$719	"Optimizing Small Business Support Fund in Aniva Region" was aimed at eliminating administrative barriers and enhancing transparency of the SME Support Program. This government program was designed to support SMEs financially, but entrepreneurs were dissatisfied because the municipality allocated money without consulting businesspeople or publicizing information on loans to encourage competition. The fund lacked transparency and was a violation of the mayor’s provision.	A working group was developed to encourage transparent rules and procedures for financial support to SME development. The documents were accepted. They also created a Public Council of 17 members, to serve as an advisory body of entrepreneurs, officials, public representatives, and external experts to discuss law drafts, government regulations, etc. prior to submission to the Duma

Grantee	Date	Amt.	Topic	Results
Noncommercial Nongovernmental Organization <i>Entrepreneurs Union of Ulegorsk region</i> (Sakhalin)	Jun – Aug 2005	\$500	The changes to the RF Tax Code in 2005 gave municipalities the right to determine this tax locally. Local administration used this not to decrease but to increase the tax burden. After the changes in the law Sakhalin entrepreneurs had to pay an imputed earnings tax of more than two and half times the previous amount. As a result of this short-sighted policy many entrepreneurs became almost bankrupt and the regional economy suffered. A coalition of <b>Ulegorsk Association of Entrepreneurs</b> and BAs in three other regions implemented the project jointly.	The proposal to decrease the adjusting factor for the calculation of the imputed earnings tax was submitted to the Sakhalin Regional Duma Economic Policy and Budget Committee and accepted by the Legislative body.
Poronaysk municipal central library system (Sakhalin)	Oct 2005 – Jan 2006	\$2,442	The number of inspections conducted by the Sanitary Inspection, militia, Tax Service, and Fire Department exceeded the number of inspections set forth in the existing legislature. To decrease the existing misunderstanding between small businesses and controlling units and to prevent the appearance of new barriers and constraints, the grantee carried out a number of activities to improve the legal literacy of entrepreneurs and to teach them how to interact with controlling units.	A working group responsible for keeping inspections within the bounds of the law was created.  Legal literacy of business people increased.
Non-profit organization <i>The Aniva District Association of Business People</i> (Sakhalin)	Nov 2005 – Feb 2006	\$4,300	To create favorable conditions for SME development in the Aniva District the grantee set the local normative documents in compliance with the federal acts and regulations.	Amendments and proposals to the draft of the 2006-2008 SME Support Program were developed.
Amur Region Entrepreneurs Advocacy Fund (Amur region)	Nov 2005 – Mar 2006	\$2,873	On January 1, 2005 RF Tax Code was changed affecting imputed earnings tax. Municipalities received the right to determine the taxes on the local level. After the changes, the entrepreneurs of Blagovezhensk city had to pay an imputed earnings tax of more than three and half times which impacted negatively the local entrepreneurs.	The coalition developed and submitted to the Blagovezhensk City Duma proposals advocating for a reduction of the imputed earnings tax. Proposals were accepted, taxes were decreased by two times, calculation explanations were published in the local mass media.
Amur Regional Construction Association (Amur region)	Dec 2005 – Feb 2006	\$2,430	SMEs engaged in the construction business in the Amur Region faced administrative obstacles because the rules stipulated into the normative documents failed to meet the current requirements of the construction sector.	Association developed a provision by using the experiences of other regions, which allows for investors to determine the procedure of accepting and licensing finished construction under control of the state supervisory inspection and with the participation of the executive bodies.
Nevelsk local entrepreneurs public organization (Sakhalin)	Dec 2005 – Mar 2006	\$2,691	Entrepreneurs of Nevelsk district were not satisfied with the newly adopted <i>Nevelsk District Entrepreneurship Support Program</i> because it appeared to	Nevelsk Entrepreneurs Union developed and sent to Duma the following documents: <b>Statement</b> “On the Investment

Grantee	Date	Amt.	Topic	Results
			be of a declarative nature and not designed to provide support for SMEs and therefore was neither useful nor efficient.	Projects Contest” to be included in the existing “2005-2007 Nevelsk District Entrepreneurship Support Program”; and <i>Statement</i> “On the Procedures of Investment Projects Funding” to be included in the existing “2005-2007 Nevelsk District Entrepreneurship Support Program”.
Amur Region Youth Public Organization <i>Pulse</i>	Dec 2005 – Apr 2006	\$4,915	The survey, conducted among SME representatives by the Amur Regional Youth Public Organization <i>Pulse</i> together with the Amur Regional Legal Security and Strategic Problem Solving Fund, indicated that 82% of SMEs are subjected to different inspections 7 -8 times a year. Though the law says that scheduled inspections of a specific legal entity (sole proprietor) conducted by one controlling unit cannot be conducted more than once every two years. Tax organizations also conduct unscheduled inspections, and invent different reasons for conducting such inspections a few times a year.	<i>Pulse</i> established an educational and consulting center to provide legal advice to SMEs on how to advocate for their rights. The legal awareness of SME representatives on issues related to the protection of their rights and interests was enhanced. Before the grant implementation only 26% of questioned entrepreneurs were acquainted with the inspection procedures, knew what documents were needed to show etc. At the end of the grant 64% of entrepreneurs raised their awareness.
Autonomous NGO Center <i>Harmony</i>	Jan – Apr 2006	\$5,000	The Federal Legislation regulates the participation of SMEs in the sphere of communal and housing services currently being reformed by the state. However, the absence of the legislation at the Sakhalin regional and municipal levels hinders businessmen to compete fairly with the services, traditionally rendered and offered by the housing maintenance administrations. To create favorable conditions for the development of entrepreneurship in this sphere, it is necessary to adopt local normative acts.	NGO Center Harmony implemented a grant aiming to change the law on “Territorial Public Self-Government). A proposal for legislative changes was developed and submitted to Sakhalin Oblast Duma and the Assembly of the City of Yuzhno-Sakhalinsk which are currently reviewing the proposal. It is expected that after its approval the legislative basis for developing private enterprises in the Housing and Communal Services sector will be improved thus allowing private capital investments and creating business opportunities for new private enterprises in this sector

### Annex 3. ESD Regulatory Reform Changes

#### **Reduction in sanitary inspections for restaurants and cafes - members of Guild of restaurateurs in Blagovezhensk**

The Guild of Culinary Professionals and Restaurateurs (one of supported business associations - BA), has reported a major success in dealing with excessive sanitary inspections in the region. The BA signed an Agreement of Cooperation with the sanitary inspectors. According to this Agreement the Guild guarantees the internal sanitary control among the members of the Guild and since signing the Agreement the number of inspections of Guild members has greatly decreased. Thus management time spent dealing with sanitary inspections was reduced by 11% as a result of the ESD project.

#### **Improvement in renting regulations (Blagovezhensk)**

One business association in Amur region used **lessons learned** after the advocacy seminars provided for BAs. In March 2004, the city administration of Blagovezhensk decided to break the long-term rent agreement with a dozen entrepreneurs from the Grocery Food Market in Blagoveschensk for no reason. Amur Union of Manufacturers and Entrepreneurs organized an advocacy activity for tenants and helped them to protect their rights and to save their jobs through the end of the year.

#### **Improvement in certification/licensing process (Sakhalin)**

With support of SABP the process of certification improved. Although Federal law states that certificates and licenses can be issued for up to three years, the local Standardization and Certification Center issued certificates for execution of business activities for only one year. Another complaint from SMEs was that this Center drags out the process of certification and requires entrepreneurs to bring in many samples for testing. Since the entrepreneurs have to pay for testing themselves, this not only wastes time, but money too. As a result of active work with administration a regional government decree was issued. According to the decree the Center should operate within the frames of Federal law, moreover it created a special Internet site that explains the certification procedure and includes templates of required documents.

#### **Reduced level of tax for food-related businesses in rural areas (Sakhalin)**

Sakhalin Association of Business People (SABP) worked successfully with the Duma to allow rural catering enterprises to pay less tax and become more profitable. The rural entrepreneurs were paying the same rate of tax as urban entrepreneurs. Because people in rural areas have less income and buying power than cities, it made sense to reduce the level of taxation on imputed earnings for businesses located in the countryside. Through technical assistance from SABP and the ESD project, in September 2005 the entrepreneurs introduced a motion into the Sakhalin Duma to address this issue. In November the Duma Council adopted a special amendment to the law and rural catering businesses on Sakhalin will now pay less tax than their colleagues in towns. This increased the incomes of small catering businesses in rural areas and helped them to be more profitable.

#### **Unfair local government exactions were regulated (Buryatia)**

To rehabilitate an old street in Ulan-Ude (Buryatia), the City Administration decided to collect the necessary funds from the companies that are located on that street. The amounts varied from RUR 100,000 (\$3,500) to RUR 3,000,000 (\$103,000) and the companies were asked to contribute the money within a week. It should be noted here that in some cases the amounts exceeded the monthly turnover of the companies. ESD's regional partner, Makon, proposed that the trade companies join the **Association of Catering Companies** to protect their rights. The Association's initiative group and representatives of the Administration met and **agreed** on the following:

- Duties for street rehabilitation should be reduced to reasonable amounts that wouldn't cause any significant financial losses or even bankruptcy for the entrepreneurs. In some cases the duties were reduced by 10 times;
- To extend the payment term from 1 week to 3 months through additional agreements with the contractors;
- To consider the possibility of charging the amounts of duties on a taxable basis.

#### **Overcoming administrative barriers to obtaining a legal trading license(Sakhalin)**

SMEs in Sakhalin had to fulfill three requirements to get a trading license and this contradicted a local law specifying requirements for acquiring a license and prohibiting requests for documents not included on the list. These additional requirements created barriers for SMEs trying to do business in Sakhalin and the *Nevelsk business association* published an article in the local newspaper 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 with Nevelsk local authorities and entrepreneurs to protest the additional barriers and request alignment of Nevelsk Region legislation with that of Sakhalin Region.

This resulted in more than 140 entrepreneurs of Nevelsk region becoming eligible to obtain a legal trading license.

#### **Managers' time and money were saved (Sakhalin)**

According to the Russian Labor Code SMEs need to send a labor contract for each employee to the local government and the government must register each contract and ensure that the SME follows labor regulations. The Ulegorsk District local government, however, protracted the registration period for extended time periods without explanation. This caused SMEs to violate the Labor Code by employing people who aren't registered. The government then required SMEs in violation to pay fines. To regulate this problem Ulegorsk BA developed a provision in the law that laid out all the steps for registering labor contracts in accordance with the Labor Legislation. Local administration approved and adopted this Labor Agreement Registration Regulations. As a result more than 800 entrepreneurs of Ulegorsk region can register labor contracts for submission to the authorities on time in accordance to Russia Labor Code.

#### **Private Transportation Companies Advocated their Rights (Amur Region)**

The FAX Association of Private Transportation Companies successfully conducted an advocacy action that has led to the targeted removal of legislative obstacles hindering the development of private transportation, with more than one thousand companies now benefiting from changes accepted to new law "On Passenger Motor Vehicles in the Amur Region." Previously transportation companies had to bear any losses to cover those passengers whose transportation fee that had to be subsidized by the state, even in the event private companies never received compensation for them. As well only one transportation company was permitted to service selected routes and also favored municipal transport and some limited businesses. Today, this new law abolishes these principles allowing independent decisions to now be taken on the opening and closing of specific private bus routes and allowing a more competitive market oriented environment. More than one thousand private companies benefit from this action.

#### **Tax legislation improved (Amur region)**

On January 1, 2005 RF Tax Code was changed affecting imputed earnings tax. Municipalities received the right to determine the taxes on the local level. After the changes, the entrepreneurs of

Blagovezhensk city had to pay an imputed earnings tax of more than three and half times which impacted negatively the local entrepreneurs.

**Union of Entrepreneurs** build a coalition of a few local business associations to advocate for an improved tax code. Experts developed proposals designed to decrease the adjusting factor for the calculation of the imputed earnings tax and to amend the Amur Oblast Law. The coalition submitted them to the Blagovezhensk City Duma. Based on the deputies' decision, the documents were then submitted to the Amur Oblast Revenue, which recommended that the municipalities adopt the proposals. In November Duma accepted the recommendations and decreased the imputed earnings tax by more than half.

## Annex 4. ESD-Supported Trade Shows

Dates	Title	Participant Companies	Company Location	Value of Contracts
May 4-6, 2004	Seafood Processing Europe, Brussels	Council for the Ethnic Community from the North of Khabarovsk Krai	Vanino	\$60,000
June 22-25, 2004	Inrybprom-2004, St. Petersburg	1. Khabarovsk Industrial-Trade Fish Complex; 2. Prominvest; 3. Fishmark; 4. The Khabarovsk Industrial-Trade Fish Complex Sales Company	Khabarovsk	\$15,550
January 19-23, 2005	Chicago Travel Show, Chicago	1. Kamchatintour; 2. Bon Voyage; 3. Dalintourist; 4. Mirabel tour; 5. Tourservice - center	Petropavlovsk-Kamchatskiy Khabarovsk Vladivostok Vladivostok Yakutsk	\$176,000
June 2005	16 <sup>th</sup> Harbin International Fair, Harbin	1. Amur Voda-Partner; 2. Fartov	Blagoveschensk Blagoveschensk	\$1,225,000
October 12-14, 2005	INWETEX-CIS travel Market 2005, St. Petersburg	1. DalInvestTour; 2. Mirabel tour; 3. SibirTour	Khabarovsk Vladivostok Ulan-Ude	\$30,000.
October 26-29, 2005	PIR. Hotel and Restaurant Business 2005, Moscow	1. Hotel Amethyst; 2. Hotel Abricole; 3. Association of Restaurateurs of Buryatiya	Khabarovsk Khabarovsk Ulan-Ude	\$56,000
March 29-31, 2006	The Congress of Restaurateurs and Hoteliers, Vladivostok	1. Hotel Versailles; 2. La Vita Ltd; 3. Hotel Amethyst; 4. Hotel Abricole; 5. Association of Restaurateurs of Buryatiya; 6. Golden Dragon LLC; 7. Hotel Geser; 8. The Amurskaya Guild of Restaurateurs and Cookery Experts; 9. Corona Ltd.	Khabarovsk Khabarovsk Khabarovsk Khabarovsk Ulan-Ude Ulan-Ude Ulan-Ude Blagoveshensk Blagoveshensk	\$8,200.00
April 6-9, 2006	Indigenous Peoples Trade Show, Moscow	1. Hotel Geser; 2. "Arun" – the Center of Evenky Culture; 3. Bratya Zabolotskie LLC; 4. Uran Sakha LLC; 5. Khabarovsk Krai Government, Department of North Minorities Management	Ulan-Ude Ulan-Ude Yakutsk Yakutsk Khabarovsk	\$25,000.00
April 9-15, 2006	ProdTech & FoodPack, St. Petersburg, World of Restaurants, Moscow	1. Lesnye Producty LLC; 2. Suite LLC; 3. Delovaya Rus; 4. The Amurskaya Guild of Restaurateurs and Cookery Experts; 5. Amursky Coolinar LLC; 6. Technology Next LLC; 7. The Far Eastern Association of Restaurateurs and Hoteliers; 8. Corona Ltd.	Khabarovsk Khabarovsk Khabarovsk Blagoveshensk Blagoveshensk Khabarovsk Yakutsk Blagoveshensk	\$402,150.00
<b>Total</b>				<b>\$1,997,900</b>

## Annex 5. ESD Success Stories

### *Component I: Regulatory Reform*

#### **Sakhalin Entrepreneurs Join Hands to Advocate their Interests**

In June 2005, the Uglegorsk Association of Entrepreneurs carried out an advocacy campaign to decrease the single tax for imputed earnings within the ESD Program grant project.

Sakhalin Oblast business associations came together to form a coalition to include: the Uglegorsk Association of Entrepreneurs, the Aniva District Association of Business People, the Nevelsk Public Fund of Entrepreneurs, the Poronaysk Association of Entrepreneurs, the Sakhalin Association of Forest Resources Processing, the Sakhalin Association of Business People (SABP), the Tymovskoye branch of the SABP, and the Sakhalin Hairdressers' and Barbers' Association. A law adopted in 2004 increased taxes by 2 to 3 times threatening bankruptcy for many enterprises with resulting unemployment for many workers. In the course of the project, the coalition developed proposals to amend the law "On Taxation System in the Form of the Single Tax for Imputed Earnings for Specific Activities". The amendments were adopted by the Sakhalin Regional Duma, thus about 12,000 entrepreneurs in Sakhalin have reduced taxes, allowing many of these entrepreneurs to stay in business.

Date: *June, 2005*

#### **Private Transportation Companies Advocate their Rights in Amur Region through USAID Assistance**

During March 5-20, 2005, the FAX Association of Private Transportation Companies successfully lobbied to change a law that affected more than 1000 companies. Although the Russian Government subsidizes the cost of transportation for certain groups of people such as seniors, frequently the private companies were not reimbursed and they ended up covering the cost of these free riders. In addition, the government selected the routes allowed for buses and private transportation companies and private companies could not establish routes that were in demand. Winrock's ESD Program helped the transportation companies address these legislative obstacles hindering the development of private transportation. Today, a new law abolishes these principles allowing independent decisions to be taken on the opening and closing of specific private bus routes and allowing a more competitive market-oriented environment.

Date: *March 5-20, 2005*

#### **New Rules Worked out Thanks to ESD Program**

In November a draft regulation "Rules of Land Tenure and Building in Yuzhno-Sakhalinsk" was developed by the Yuzhno-Sakhalinsk City Administration for acceptance by the deputy corps. The Sakhalin Association of Business People (SABP) disseminated the draft of the rules to local entrepreneurs and business associations for their review and comments. They found that the City Building Rules did not meet the Russian Federation law regarding town-planning requirements and would be a source of future problems for business development. After hearing the business associations' recommendations, SABP sent letters to the Sakhalin Duma deputies to persuade them to amend the draft. The letters asked them to simplify the allotment of land and bring the draft into compliance with Russian Federation legislation. As a result, the original draft was vetoed by deputies. Several meetings of the committee have already been conducted and a new version of the rules draft was prepared for deputy corps consideration, this time meeting the needs of SMEs.

Date: *2004-2005*

#### **USAID Advocacy Grant Project Impacts Business and Creates New Legal Provision**

Implemented through the Amur Guild of Restaurateurs and Culinary Specialists, this was the first advocacy campaign grant issued under USAID's ESD Program and it has been reported as creating greater stability for 1600 entrepreneurs with the adoption of a new legal provision focused on "Leasing and Subleasing of Municipal Property of the City of Blagoveshchensk." Integral to the development of this legal provision was the Municipal Duma Committee of Budget, Finance, Taxes, Economics and Property who developed amendments to the grant, which were then submitted to city administration for acceptance. These amendments specifically identified when an official could legally change the amount of a lease, amending the Law "On the Order of Leasing

Municipal Property in the City of Blagoveshchensk” thereby creating defined rules whereby rent may be increased and or improved by the lessee. It now ensures officials are not able to arbitrarily raise leases based on their own judgments or as a result of corruption. As a direct result, entrepreneurs now believe they can positively affect changes to legislation to create a more favorable impact on small business growth in the region.

Date: August-October, 2004

### **Reduction in sanitary inspections for restaurants and cafes - members of Guild of restaurateurs in Blagovezhensk**

The Guild of Culinary Professionals and Restaurateurs (one of supported business associations), has reported a major success in dealing with excessive sanitary inspections in the region. The Association signed an Agreement of Cooperation with the sanitary inspectors. According to this Agreement the Guild guarantees the internal sanitary control among the members of the Guild and since signing the Agreement the number of inspections of Guild members has greatly decreased. Thus management time spent dealing with sanitary inspections was reduced by 11% as a result of the ESD project.

### **Improvement in renting regulations (Blagovezhensk)**

One business association in Amur region used **lessons learned** after the advocacy seminars provided for associations. In March 2004, the city administration of Blagovezhensk decided to break the long-term rent agreement with a dozen entrepreneurs from the Grocery Food Market in Blagoveschensk for no reason. Amur Union of Manufacturers and Entrepreneurs organized an advocacy activity for tenants and helped them to protect their rights and to save their jobs through the end of the year.

### **Improvement in certification/licensing process (Sakhalin)**

With support of ESD partner, SABP, the process of certification improved. Although Federal law states that certificates and licenses can be issued for up to three years, the local Standardization and Certification Center issued certificates for execution of business activities for only one year. Another complaint from SMEs was that this Center drags out the process of certification and requires entrepreneurs to bring in many samples for testing. Since the entrepreneurs have to pay for testing themselves, this not only wastes time, but money too. As a result of active work with administration a regional government decree was issued. According to the decree the Center should operate within the frames of Federal law, moreover it created a special Internet site that explains the certification procedure and includes templates of required documents.

### **Reduced level of tax for food-related businesses in rural areas (Sakhalin)**

Sakhalin Association of Business People (SABP) worked successfully with the Duma to allow rural catering enterprises to pay less tax and become more profitable. The rural entrepreneurs were paying the same rate of tax as urban entrepreneurs. Because people in rural areas have less income and buying power than cities, it made sense to reduce the level of taxation on imputed earnings for businesses located in the countryside. Through technical assistance from SABP and the ESD project, in September 2005 the entrepreneurs introduced a motion into the Sakhalin Duma to address this issue. In November the Duma Council adopted a special amendment to the law and rural catering businesses on Sakhalin will now pay less tax than their colleagues in towns. This increased the incomes of small catering businesses in rural areas and helped them to be more profitable.

### **Unfair local government exactions were regulated (Buryatia)**

To rehabilitate an old street in Ulan-Ude (Buryatia), the City Administration decided to collect the necessary funds from the companies that are located on that street. The amounts varied from RUR 100,000 (\$3,500) to RUR 3,000,000 (\$103,000) and the companies were asked to contribute the money within a week. It should be noted here that in some cases the amounts exceeded the monthly turnover of the companies. ESD's regional partner, Makon, proposed that the trade companies join the **Association of Catering Companies** to protect their rights. The Association's initiative group and representatives of the Administration met and **agreed** on the following:

- Duties for street rehabilitation should be reduced to reasonable amounts that wouldn't cause any significant financial losses or even bankruptcy for the entrepreneurs. In some cases the duties were reduced by 10 times;

- To extend the payment term from 1 week to 3 months through additional agreements with the contractors;
- To consider the possibility of charging the amounts of duties on a taxable basis.

### **Overcoming administrative barriers to obtaining a legal trading license(Sakhlin)**

SMEs in Sakhalin had to fulfill three requirements to get a trading license and this contradicted a local law specifying requirements for acquiring a license and prohibiting requests for documents not included on the list. These additional requirements created barriers for SMEs trying to do business in Sakhalin and the *Nevelsk business association* published an article in the local newspaper 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 with Nevelsk local authorities and entrepreneurs to protest the additional barriers and request alignment of Nevelsk Region legislation with that of Sakhalin Region. This resulted in more than 140 entrepreneurs of Nevelsk region becoming eligible to obtain a legal trading license.

### **Managers' time and money were saved (Sakhalin)**

According to the Russian Labor Code SMEs need to send a labor contract for each employee to the local government and the government must register each contract and ensure that the SME follows labor regulations. The Uglegorsk District local government, however, protracted the registration period for extended time periods without explanation. This caused SMEs to violate the Labor Code by employing people who aren't registered. The government then required SMEs in violation to pay fines. To regulate this problem Uglegorsk BA developed a provision in the law that laid out all the steps for registering labor contracts in accordance with the Labor Legislation. Local administration approved and adopted this Labor Agreement Registration Regulations. As a result more than 800 entrepreneurs of Uglegorsk region can register labor contracts for submission to the authorities on time in accordance to Russia Labor Code.

### **Tax legislation improved (Amur region)**

On January 1, 2005 RF Tax Code was changed affecting imputed earnings tax. Municipalities received the right to determine the taxes on the local level. After the changes, the entrepreneurs of Blagovezhensk city had to pay an imputed earnings tax of more than three and half times which impacted negatively the local entrepreneurs.

**Union of Entrepreneurs** build a coalition of a few local business associations to advocate for an improved tax code. Experts developed proposals designed to decrease the adjusting factor for the calculation of the imputed earnings tax and to amend the Amur Oblast Law. The coalition submitted them to the Blagovezhensk City Duma. Based on the deputies' decision, the documents were then submitted to the Amur Oblast Revenue, which recommended that the municipalities adopt the proposals. In November Duma accepted the recommendations and decreased the imputed earnings tax by more than half.

## ***Component II: Access to Credit***

### **ESD Program to Help Disseminate Microfinancing Experience**

Counterpart International is one of the leading providers of technical assistance and credit to micro- and small- and medium-sized enterprises (SMEs) in emerging economies. It does this by incubating the development, creation and expansion of businesses and the associations that represent and support them.

Until recently there has not been any support funds in Vladivostok facilitating access to credit for business development. In September 2004, an NGO (autonomous non-profit organization) *the Pacific Center for Credit Union Development* registered with an objective to provide credit to businesses.

Within the ESD Program framework Counterpart International (CPI) and Counterpart Business Fund (CEF) provided assistance to this new organization; preparing a business plan, developing credit policy, samples and document templates, and specifying the terms and conditions of crediting. The center's employees received practical training at CPI's office. In addition CPI assisted the Center for Credit Union Development to establish ties with banks, the Center's employees were taught negotiating skills with the purpose of eventually obtaining credit in the future.

This work has resulted in increasing the number of loans and the target group of borrowers (from 4 loans totaling \$9,123 in 2004 to 56 loans totaling \$287,245 from February -April 2006). At present, the center gives loans not only to credit cooperatives, as it did before, but also to entrepreneurs.

Owing to the ESD Program, the entrepreneurs of Vladivostok have a real opportunity to attract additional funding to develop their businesses successfully. Because there are no business support microfunding programs in the region, the activity carried out by the Pacific Center for Credit Union Development is necessary and well-timed.

Date: *June 2006*

### **ESD Study Tour for Credit Cooperatives**

Credit cooperatives occupy a very special place in financing small business. They operate on collective management principles and in particular the mutual disposal of property which improves their credibility amongst the population and entrepreneurs. Often, credit cooperatives work in areas where there are no other funding sources such as in rural areas, with limited or local markets.

The ESD Program provided professional training to credit cooperative staff in the Republic of Sakha (Yakutia) and Primorsky Krai during 2003-2006. Eighty-four percent of these credit cooperative employees improved their professional skills and acquired practical skills from trainers of the Russian Microfinance Center and other qualified experts.

During June 2006, the ESD Program organized a site visit for the representatives of two RFE associations (credit cooperatives) to the Volgograd Region. This region was selected following the advice and assistance of the Russian League of Credit Cooperatives. Well-established and sustainable cooperatives, coordinated by the Volga Region Association of Credit Cooperatives (PANO), have been successfully operating there for more than ten years.

The participants attended a one-week training seminar that included course work on the legal aspects of working in cooperatives, issues related to working with clients, eliminating delinquencies, etc. They visited four local credit cooperatives to share experience and to discuss templates of various documentation required for credit cooperative directors, managers, chief accountants, loan officers and lawyers. All RFE credit cooperative participants in this training seminar appreciated the opportunity to directly communicate with credit cooperatives from other Russian regions.

As a result of this study tour participants plan to: develop unified performance standards; improve loan agreement formats; develop new loan products; and establish a strategic plan for associations.

Date: *June 2006*

### **Training Program Enhances Access to Credit in the RFE**

As a result of a series of training events for banks and non-bank financial institutions recently conducted through the USAID-funded Enhanced Small and Medium Enterprise Development Program (ESD), 914 loans worth more than \$10 million were distributed to small and medium enterprises (SMEs) in the Russian Far East during the last quarter. Five training sessions were organized by both Counterpart International and the Counterpart Enterprise Fund. One of the obstacles, Counterpart learned, was that financial institutions wanted to focus on the SME market but did not practically know how to do it since there is a lack of SME financial training in the Russian Far East. SME lending requires unique skills ? for instance, banks need to know how to perform financial analysis on SMEs without collateral.

Participants from Sakhalin Oblast, Primorskiy Krai, and Yakutiya Republic learned how to conduct financial analysis of SMEs, establish effective client relations with SMEs, and resolve particular legal issues surrounding SME loans. The employees from Primorsotsbank, Sberbank and Okhabank also provided information on future training needs in order to accelerate the development of effective lending programs for SMEs in the region.

Date: 2003-2006

### **ESD Program Develops Micro Finance Organization (MFO) Trainer Resources in the Russian Far East**

From June 30–July 3, 2004 Counterpart Enterprise Fund under the ESD Program held an advanced training for MFO loan managers with Russian Microfinance Center participation in Yakutsk, followed by one in Vladivostok on July 7-9, 2004. The objective was to increase the quality of loan portfolios and improve profitability of participating Micro Finance Institutions (MFIs) by improving their representatives' practical skills thereby increasing the effectiveness of their work. At the training loan managers learned to analyze delinquency causes, assess risks and to operate with them, calculate interest rates, and implement effective policies.

This training was determined to be so valuable that MFOs requested trainers to be trained in the RFE. MFO employees' work demands knowledge in small business specifics and MFOs need regular trainings for their loan managers because in the Far Eastern Region there are no such trainings currently offered.

**Date: June-September, 2004**

### **ESD Trains Banks in Primorye**

Counterpart and the Far Eastern Investment Agency conducted a two-day seminar for bank loan officers in Vladivostok on how to analyze SME finances. The skills they learned play a crucial role in the decision of whether the bank gives a loan to the borrower or not. The participants learned how to perform cash flow analysis, understand if a business is profitable, and analyze business plans for SMEs. Primotsbank asked the trainer to provide a one-on-one consultation for their employees after the seminar.

**Date: August 16-17, 2004**

### **Credit Cooperatives Learn International Standards**

Credit Cooperatives are the most popular non-bank financial institutions in Russia that serve an alternative to banks. Credit cooperatives are developing rapidly in the RFE and there is a strong need for their operations to meet international standards, but also to be adapted to the environment in Russia. Financial management is an important part of those standards. ESD with help from Counterpart, the Inter-Regional Association of the Far East and Zabaikalie Credit Unions conducted a training on "Financial Analysis of Credit Cooperatives" in Khabarovsk. This training attracted representatives from throughout the RFE to strengthen their financial analysis and management skills. We expect the long-term impact of the training will be sustainable organizations that will lead to an increase in the number of shareholders in credit cooperatives, and thus increase the number and size of investments and loans they can make to SMEs.

Date: July 22–23, 2004

## ***Component III: Advanced Business Skills and Sector Specific Trainings and Consultancies***

### **Local Trainers Raise Business Skills in the Leonid Kroll Center in Moscow**

As part of our commitment to support our local partners and build capacity in the Russian Far East, ESD sent its partners to participate at three training sessions in Moscow. ESD financed three trainers from Yakutsk, Blagoveschensk and Ulan-Ude to take the advanced 12-day course for business trainers. The Training of Trainers was held by the well-respected Russian trainer and business consultant Leonid Kroll and his team from the Class Center Company in Moscow. The qualitative and quantitative information received in the training brought the Far East trainers to a new professional level.

Date: June 12-14, 2006

### **Training Markets Development**

ESD program partners from Khabarovsk, Blagoveschensk, Ulan-Ude and Yakutsk participated at the *Intertraining's* Annual Conference on June 10 in Moscow. *Intertraining* is an all-Russia association of trainers

and consultants. One of the roundtables at the conference was devoted specifically to development of trainings and consultancies for SMEs in the Russia Far East. As a result of the conference, participants agreed to: 1) create a Union of training and consulting centers or establish the *Intertraining* Far East representative office; 2) achieve a ratio of 1:4 of visiting trainers to local trainers; and 3) create a magazine "Trainings in the Far East". These decisions will contribute to ESD partners' professional and institutional development and to the RFE training market expansion.

Date: *June 10, 2006*

### **New Association Established in Khabarovsk Krai**

After visiting the Congress of Hotels and Restaurants in Vladivostock, a new Association of Khabarovsk Hoteliers was established on May 19, 2006. The ESD Program sent directors and managers of Khabarovsk hotels to the congress. The new association includes ten corporate members from Khabarovsk hotels and three other people from educational institutions that train staff for the hospitality industry are planning to join.

The Association will continually train hotel staff with the help of visiting trainers; assist hospitality industry students with internships through their training; and advocate hospitality business interests with local government.

Date: *May-June, 2006*

### **ESD Partners Trained by InterTraining**

From April 21-23, 2006, a group of eleven Far East trainers and consultants trained by ESD had a chance with 70 other Russian trainers to participate in a master-school (TOT) organized by *InterTraining* in Moscow. During the 18 classes, mini trainings, business courses and case studies, the participants shared their experience, training methods and tools. This significantly increased their professionalism and training skills. Upon returning, the newly trained trainers signed six contracts to provide services for SMEs in their towns.

Dates: *April 21-23, 2006*

### **The *Lesnye Produkty* (Forest Products) Company Enters Western Russian Markets Due to ESD Program Support**

In supporting sector specific enterprises, the ESD Program facilitated *Lesnye Produkty, LLC*, a food company from the Russian Far East, to participate in the tradeshow "Equipment, Technologies and Packing for the Food Industry" held in St. Petersburg, April 10–13, 2006. *Lesnye Produkty, LLC*, presented a number of products made of natural raw ingredients - granulated herbal teas, honey, berry syrups and desserts, grated natural berries, and ferns. As a result, *Lesnye Produkty* gained the reputation as a reliable supplier of premium quality products in eastern Russia. Their products have broad marketability and can compete with similar products of other manufacturers in quality, price and package design from western Russia. Consequently, *Lesnye Produkty* signed several contracts. The Trade house *Rubin*, in St. Petersburg, and *Strelets LLC.*, of Dmitrov, ordered herbal teas worth 30,000 Rubles (\$1,100). In addition a full range of products will be shipped to *AgroDon-2010, LLC* (the Rostov Region) in May, and an order of ferns will ship to *Tri-C Food, LLC.* in Moscow. These sales are valued at 300,000 Rubles (\$11,000).

Dates: *April 10-13, 2006*

### **The Indigenous Peoples Trade Show**

Five companies engaged in indigenous craft production from Buryatia, Yakutia and Khabarovsk territories participated in the trade show "Northern Civilization Regional Expo" held April 6-9, 2006 in Moscow. This unique trade show brought together indigenous community craftsmen and souvenir producers from all over Russia.

Prior to attending, the ESD-supported participants attended a number of trainings to learn how to present at exhibitions and trade shows and market craft products. These trainings were conducted by the ESD Program as an integral part of the project activity in developing the ecotourism industry in Siberia and RFE. The trainings and the trade show paid off as demonstrated by the following results:

- All ESD-trained companies won special prizes at the show. For “The Best Exhibit of the Trade Show” *Uran Sakha* company from Yakutia won the gold medal, for non-commercial partnership *Crafts of Dersu’s Land* from Khabarovsk territory received a silver medal, and three other participants received Special Diplomas of the Indigenous Trade Show for their unique crafts.
- Uran Sakha from Yakutia and *Crafts of Dersu’s Land* from Khabarovsk territory were invited to participate in the trade show in Switzerland in 2007. The trade show aims at promoting Indigenous Circumpolar Art.
- The souvenir factory *Geser* from Buryatia received an offer to participate in the trade show in Moscow to exhibit their one-of-a-kind artworks. They also signed an agreement with a Moscow company to distribute their collectible products.
- Total volume of sales at the trade show exceeded \$ 25,000. All the participants realized the importance and effectiveness of attending trade shows as a marketing instrument in building new partner relations and expanding their markets.

Date: April 6-9, 2006

### Ecotourism in the Extreme North

In April 2006 a Khabarovsk trainer, Tatiana Ustinova, conducted a seminar on ecotourism in Ytyk-Kuel village in Yakutia. The participants learned about efficient management and marketing of all stages of the ecotourist product. The participants learned that developing inbound tourism is especially important for the support and preservation of the local resource. April 5 - 6, were devoted to the Tour Product Pricing seminar. That was the second block of the pricing seminar held in Yakutsk in 2005. The total number of the participants in both trainings was 44.

Date: April 3-6, 2006

**ESD Co-Financed the Congress of Restaurant Owners and Hoteliers** ESD partners continue to support key RFE industries. Ten directors of RFE hotels were trained during the *Congress of Restaurant Owners and Hoteliers* in Vladivostok on March 29-31, 2006. ESD provided assistance to 13 restaurant and hotel owners from Ulan-Ude, Blagoveschensk and Khabarovsk to attend the Congress and participate at its seminars and training sessions. The event was organized by the Far Eastern Association of Restaurant and Hotel Managers. Due to the ESD program, the association gained six new members from the Far Eastern region, which will enable better cooperation between enterprises within this sector in the RFE.

Impacts observed after participation in the sector-specific training “Organization, Management and Control in Hotels and Other Accommodations” conducted by Elena Lyamkina (Moscow) include:

- Three hotels - Abricol, Amethyst and Versailles - started to develop and introduce Quality Standards for hotel services (Reception, Porters, etc.)
- The Amethyst and Versailles Hotels developed an advanced training program for employees.
- The Amethyst Hotel developed an employees’ motivation program.

During the Congress two representatives of the Amur Guild of Restaurateurs and Culinary, S. Lobach and G. Ponomarenko, signed supply agreements for 8,200.00 USD to purchase coffee-machines, slicing machines, coffee accessories, and other coffee-shop equipment.

Date: March 29-31, 2006

### Demo Trainings Promote Center Makon

ESD Partner Center Makon, based in Ulan Ude, organized five demo trainings during the Days of Entrepreneurs, a municipality sponsored event. Demo training is an innovative promotion method that presents topics and techniques from a variety of trainings available at the center. Demo training is an effective way to show potential clients how training is conducted and how it can affect their businesses in a positive way. A demo training usually lasts 1-1.5 hours, free for the participants and requires minimal expenses.

Two hundred fifteen participants from businesses and local governments from Ulan-Ude and other remote areas of Buryatia attended these demo trainings. Three local trainers from Makon and one trainer from Moscow conducted these sessions. This greatly increased Makon's visibility as a popular educational center in the

business community and they were able to sign service agreements with 30 companies - including new clients - and recruited participants for all ESD trainings up to April, 2006.

Date: *December 7, 2005*

### **INWETEX-CIS Travel Market 2005**

Three tour companies from Vladivostok, Ulan-Ude and Khabarovsk participated in "INWETEX-CIS Travel Market 2005" in St. Petersburg with ESD support. These companies attend the ESD partner organization trainings on a regular basis. The Travel Show hosted more than 400 tour companies from 33 countries and 9,600 visitors.

As a result of participation *DalInvestTour*, *Mirabel-Tour* and *Sibir-Tour* signed twelve agent agreements and a number of letters of intention with Russian and Australian tour operators for tours for Finn, Korean, German, and Austrian tourists. New tour programs have been created for Australian tourists with Russian ancestry (whose families emigrated from Russia in the beginning of last century), and for foreign tourists traveling to China, Mongolia and Korea. As a result, companies are very enthusiastic about the upcoming tourist season. *DalInvestTours* expects tourists to increase by 25 percent, *Mirabel-Tour* by 30 per cent and *Sibir-Tour* by 15 percent.

Date: *October 12-14, 2005*

### **Training Leads to New Business Strategy**

Entrepreneur Tatiana Oleynikova whose company sells fur and fur products, participated in a series of USAID-funded ESD training seminars organized through partner consulting company Prognoz. Particularly rewarding were the sessions entitled, "Staff Recruitment and Evaluation" and "Strategic Planning." Recently Tatiana commented that the training has helped her to improve management of her business, create a new staff evaluation, as well as a new business strategy oriented both toward staff and customers. Based on the new evaluation process, her staff is motivated to increase sales, creating a significant increase in customers.

Furthermore, after receiving advice from Prognoz, Tatiana applied for a loan as she now understands that she has stable cash flow. With this loan Tatiana redeveloped her business strategy. Recently, she paid back the loan and is now developing her next business plan.

Date: *September 15-16, 2004 and October 25-27, 2005*

### **ESD Clients Attend the 16<sup>th</sup> Harbin International Fair**

ESD partner, Center Prognoz, has supported two Blagoveschensk companies, a mineral water company *Amurskaya Voda* and *Fartov Import Export Company* to participate at the 16<sup>th</sup> Harbin International Fair in China, June 2005. This fair attracts businesses from more than 30 countries around the world, as well as enterprises of the southern and northern provinces of China. The Fair focused on enhancing the trade and economic partnership between Russia and countries of North East Asia.

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

The CEO of the *Fartov Import Export Company* negotiated with approximately ten potential suppliers of ventilation and air conditioning equipment, an agreement with a Beijing company has been signed for more than \$700,000 USD.

Dates: *June 16-19, 2005*

### **ESD Co-Sponsors the First International Tourism Conference in Vladivostok**

In May 2005 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 the Far East) as a region of ecological tourism, become a part of international ecotourism society and attract additional resources. The conference participants proposed forming a pan-regional concept of tourism development at the government level and creating a coordinating body (inter-regional association) to work out the rules and standards. The first meeting of the association's working group was held on May 22.

Dates: *May 19-21, 2005*

### **ESD Program Creates New Investment Projects**

Andrey Konyushok, Program Manager of Prognoz in Blagoveschensk, provided consultancies to a number of companies resulting in five investment projects. One project was for the reconstruction of a butter-dairy located in the town of Zavitsinsk, Amur region. The Zavitsinskiy Butter-Dairy requested USD 70,000.00 with a payback period of two years. To reconstruct the dairy workshop the top managers of *Khladokombinat Company*, Blagoveschensk, expect to attract investments of USD 2,200,000.00. Sukhoe Moloko factory in Poyarkovo village is planning to mount a packaging line which requires USD 500,000.00 and would increase milk processing up to 100-120 tons a day. Blagoveschensk Brickworks is planning to develop a clay pit and produce bricks for construction companies in the region. To purchase the required equipment the company wants to lease equipment worth USD 714,300.00. Another construction company *Master* decided to build a mini plant to produce sidewalk bricks and tiling in Zeya, Amur region. This plan will require investments of USD 32,100.00. All these investment projects were considered by the Board of the Annual Investment Conference in Blagoveschensk held by the government of Amur Oblast in May, 2005.

Dates: *April, 2005*

### **Ministry Finances Business Plans Developed with ESD Program Support**

ESD held a business planning seminar in Khabarovsk by local consultant Mr. Shinkorenko for representatives from indigenous communities of Khabarovskiy krai. The objective was to create business plans to apply for financing from the Ministry of Nature Resources to purchase fish processing equipment. The Ministry selected the four best plans and financing for quick-freezers and refrigerator trucks valued at about USD 68,000 was provided May 25, 2005. This equipment will allow indigenous communities to conduct their fish processing business more efficiently and increase their income.

Date: *March 25, 2005*

### **US Volunteer Launches Tourist Sector Development in the Region**

In March two sector-specific seminars were conducted in Ulan-Ude and Chita on ecotourism product development and marketing. A Russian trainer, Blizniukova, and US volunteer Rinder helped 55 entrepreneurs develop new market-oriented trips, trails and eco-tours. This is expected to attract new Russian and international customers to these regions.

In addition to sector seminars, the volunteers worked with eco- and ethno-tourism companies in the Chita Region and Buryatia. They helped the local tour operators develop business plans with the objective of increasing the companies' profit margins by 10% through expanding the activities that local tourism services provide. Companies plan to involve local populations by creating B&B and home-stay facilities in the local districts. Based on this assistance, ESD expects to help reduce unemployment by creating new jobs and improving the remote, underserved regions.

Date: *March 20-26, 2006*

### **ESD Program Helps Introduce Budgeting System for the WOODDEX COMPANY**

The *Woodex Company* is a medium-sized company dealing in building and finishing materials for the Russian Far East markets of Khabarovsk and Artyom and Ussuriisk of Primorye. Mr. A. Katybeev, General Director, and Mr. I. Shvetsov, Financial Director, actively participated in trainings provided by the ESD Program in February - June, 2005. Training topics included: Accounting Management and Budgeting, Determination and Responsibility Centers, Search for Optimal Balance between Centralized and Decentralized Responsibility in Accounting Management, Use of Transferred Prices, Budget Formulation, Budget Reconciliation, etc. Once

introduced in the company, the budgeting system has let Woodex plan its activities more accurately, cutting expenses by 9 percent and increasing profit margins by 15 percent.

Date: *February 9-11, 2005*

### **ESD Trains Experts to Consult to Companies**

Alexey Popov completed the ESD course for trainers (ToT) on Investment Planning in February 2005 and then applied what he learned in a consultation with Teploterm Construction Company in Khabarovsk to help them lease equipment that cost more than US\$8 million. To implement the project, the company applied to Alfa-Leasing in Moscow to lease \$5.5 million in equipment to produce insulation materials, PVC pipes and wall panels. Alexey Popov also helped long-term ESD client Khabarovsk Fish Processing Company (KhPTRK) to identify suppliers of a smoking chamber, thermal vacuum packaging line, and labeling and weighing systems. He also helped the company to apply to Delta-Leasing Company in Vladivostok to lease equipment that cost USD\$317,000.

Date: *February 9-12, 2005*

### **Business Development Thanks to ESD Program Support**

During February 2005, Aytalina Sokolova, Director of Business School, Yakutsk, provided a number of consultancies to the tourist company Lena-Tour and three private entrepreneurs involved in tourism. Based on this, Lena-Tour created a business plan to create an Ecological Centre Wood Fairytale. This centre is expected to increase the company's profit by at least 10%. Private entrepreneur Mr. Mukhin has developed a business plan to organize a tourist resort Odykh Tour. He prepared and submitted a request for credit for 100,000 rubles to the Credit Fund of the Sakha Republic. Another business plan was created for a private entrepreneur to develop "Keberghe-Tour" resort, which would require 1 million rubles. Aytalina Sokolova also helped Mr. Levin, a private entrepreneur from a remote village, develop a business plan to create a floating hotel in Kobyaisky Ulus. He has already received USD 52,000.00 from the municipal government. ESD will be in constant touch with these companies to find out when other contracts are signed.

Date: *February, 2005*

### **ESD Trainings Help to Expand Business and Create Jobs**

Olga Epova as the Executive Manager of *Ortomed Company*, a small business in Vladivostok selling healthcare products, participated in several trainings organized by ESD partner FECED. *Ortomed* had few qualified personnel and experienced some financial instability. At ESD trainings, Olga Epova recognized these problems and took steps to make her business more stable. First, she conducted a personnel assessment and reorganized some company positions. Then she insisted that the company's director/owner and financial director attend the training on cash flow reporting as a forecasting tool conducted by ESD trainer, Elena Vasileva. After the training, the company's finances were better managed which generated a more stable cash flow. As a result, the company was able to invest in new projects - two new stores in Artem and Bolshoy Kamen were opened creating 10 jobs. During June 2005, the number of customers increased by 1.5 times, and the company expects considerable revenue growth in the near future.

Date: *January 29, 2005*

### **Restaurants Run by Women Are Rapidly Developing in Buryatia**

A majority of restaurants in Buryatia are owned and run by women. Many of them have attended training and seminars, and received consultations provided by ESD partner Makon. Such trainings and seminars were possible due to the technical assistance provided by the ESD Program. These businesses include. R. I., café Titan-Kvartal, private entrepreneur Sanzhiyeva L. D., restaurant Zolotoy Drakon (Golden Dragon), private entrepreneur Arkhincheyeva K. Ye., restaurant Stolitsa (Capital), private entrepreneur Fedorova Ye. M., coffee house Zolotaya, private entrepreneur Semashka V. A., restaurant Urgy, and others.

Last year, all these enterprises increased their profits by 10% to 30% and the number of customers by 20% to 50%. In addition, coffee house Zolotaya received credit for expanding her business. The restaurant Stolitsa won first place in a contest among the restaurants of Buryatia organized by the Buryat Association of Restaurateurs. Café Titan-Kvartal also received credit for 3 million Rubles to build Mega-Titan Complex. All these facts prove

that businesses run by women are not stagnating, but rather rapidly developing supported by the ESD Program. These vibrant businesses are generating more profits and are reinvesting it into their future development.

Date: *January 17<sup>th</sup>, 2005, November 29, 2005*

### **Service Improvement and Profit Increase Thanks to ESD Program Consultancies**

The ESD Program has been providing sector specific and advanced business training to members of the Restaurants Association in Ulan-Ude since the start of the ESD Program. Assistance to this sector has included: training for managers improved client services, improved menus, furnishing cafes and restaurants, etc. Alexander Zatulivetrov, a consultant and owner of a restaurant in St.-Petersburg, traveled to Ulan Ude and held a seminar on conflict management for seven restaurants and cafes in Buryatia in January. According to Makon's assessment made after the training later in March 2005, since restaurants and cafes have improved the quality of services there has been an increased number of visitors, especially tourists, resulting in a 20% increase in profit for companies-participants of the ESD trainings within the last 12 months.

Date: *January 17-18, 2005*

### **ESD Facilitates Business Expansion in Ulan-Ude**

In January 2005, ESD conducted a business planning seminar in Ulan-Ude, led by Alexander Zatulivetrov, the Russian business consultant. Training was facilitated by ESD Partner *Makon*. The participants learned key elements in business planning and practiced their new skills. Coffeehouse Zolotaja (Golden) was one of the active seminar participants with a strong interest to develop a business plan on cafe expansion. They received intensive support in developing their business plan, discussing issues such as coffeehouse expansion, building a second floor, as well as methods of attracting customers, growing market share, price policies, etc. The business plan was submitted to the Savings Bank of Russia, resulting in a three year loan of 1.3 million rubles (\$46,500). The loan is for reconstruction and expansion which will definitely increase the capacity of the café and will promote further growth.

Date: *January 9, 2005*

### **Woman Entrepreneur Establishes Bed & Breakfast Hotel in Yakutia**

After participating in the hotel and restaurant business development training, Levchakova Tamara organized a small Bed & Breakfast. ESD volunteer Edie Shannon recommended how to make the rooms in the hotel convenient and nice. Levchakova Tamara developed a promotional leaflet about the hotel and a marketing strategy. The hotel is located near the bus station and has access to city transportation. This hotel is the best choice for short term visits and for visitors to the trade and business centers.

There are single and double rooms in the hotel - 6 rooms in total, also there is a fully equipped kitchen and if the clients wish, hotel workers can cook breakfast, dinner and supper.

Date: *December 22-23, 2004*

### **Increasing Management Skills through Training**

U.S. volunteer Edie Shannon conducted a training on "Increasing Profit Through Good Management Practices" to restaurant and café management in the Chita Region in an effort to maximize revenue by attracting new customers and retaining existing ones. She addressed topics such as staff motivation, feedback, human resource management, marketing, and targeted market research. Following a consultation by Shannon, Zolotoy Olimp from Golden Olympus Restaurant Complex, realized that to be more profitable values must be communicated to and shared by all employees. Training of existing staff and new employees will be conducted in an organized manner clearly stating job responsibilities in an effort to minimize employee turnover and improve customer service. The goal is to increase customer retention and profitability of the enterprise by 30 percent.

Date: *November 12-13, 2004*

### **Women Business Leadership Begins to Take Form in the RFE**

After attending a training on "Efficient Sales Techniques" in the Russian Far East, Global Company (Ulan-Ude) Executive Director Sofia L. Myakhanova, commented this week that these techniques provide a unique understanding for women sales directors and women company executives to better focus their business and

target their market - which in many cases must be oriented to both genders at the same time. Ms. Myakhanova is an example of women taking a stronger leadership role in the RFE. Her business - an automotive magazine publishing company - is unique as the only such woman-owned publishing company in the Far East. Her persistence to implement techniques introduced in this recent training has paid off as she reports advertisement sales during the first half of February have now increased by 50%, and she has branched out into a new line of business - consulting for other firms which are primarily male-owned; this provides value to customers as they receive a female perspective on niche marketing. These USAID trainings are integral to women-owned business development since they provide them with an opportunity for leadership and success in the business environment.

Date: *November 5-6, 2004*

### **Woman Entrepreneur Builds Successful Business in Yakutia**

After attending ESD sponsored training, Mrs. Ada V. Abgaldayeva, proprietor of the *Iskushenie* (Temptation) chain of perfume boutiques recently won awards for best "Perfume and Cosmetic Products" for the Republic of Sakha (Yakutia), as well as "Best Supplier" for the region. She applied the new skills she learned from ESD partner Yakutsk Business School, that focus on merchandising and sales techniques. Changes made due to the training continue to pay dividends. Already company profits have increased by 18%, and Mrs. Abgaldayeva has opened new stores in both the Mayak shopping center and the Manniyattaakh market place. The company continues to grow and recently hired 15 new employees. Companies such as *Iskushenie* are creating new opportunities for employment in Yakutia, with resulting stronger overall economic development.

Date: *October 12-13, 2004*

### **Improvement of Café and Restaurant Work through Training**

Svetlana Dzalba conducted a training on design, new technologies and service in catering to restaurant and café management in the Chita Region. The participants of the training shared newly acquired knowledge with top managers of their company to improve their café and restaurant work. Top managers of the companies that participated in the training made decisions about changing the design in their restaurants and employing new technologies. As a result, cafés and restaurants attracted new customers and retained existing ones. Following a consultation by Dzalba Svetlana, management decided to test the wait staff on menu comprehension, to categorize the waitresses and waiters based on roles resulting in more competent staff.

Date: *October 4-7, 2004 and October 25-29, 2004*

### **New Approach for Hiring Employees**

Oksana Devyatykh, director of Lefutur store in Yakutsk, participated in a training on staff management organized by ESD partner, Yakutsk Business-School. Based on what she learned, she made changes on how she manages her staff. She rearranged the roles and responsibilities of her staff resulting in improved efficiency by extra hour and a half per day per person. She developed a questionnaire for hiring that now prevents administrative mistakes in the hiring and placement of employees. She has increased revenue by 7%.

Dates: *September 28 -29, 2004.*

### **Business Education Fair, 2004 in Ulan Ude**

In the Republic of Buryatia, September 28th - 29th 2004, ESD partner, Makon, supported Ulan-Ude's first regional "Business Education Fair, 2004." The main goal of the fair was to inform managers and entrepreneurs about educational centers and the services they offer. The Fair informed participants of business education training programs and seminars, with the hope it would increase demands for these services in Buryatia. 12 training centers and consulting companies presented their services and more than 500 people attended the fair, including entrepreneurs, representatives of SME, managers, representatives of foreign economic departments of Buryatia enterprises; business associations, educational centers, consulting agencies and firms from Buryatia and other regions.

Dates: *September 28 -29, 2004*

**The Versailles Hotel to Increase Number of Guests and Generate More Profits Due to ESD Program**

In September 2004, ESD Program consultant, Erik Erlandsen, an from the USA, consulted with Mrs. Timofeyeva, the General Manager of the Versailles Hotel in Khabarovsk. Mr. Erlandsen suggested that the Versailles Hotel should position itself as a business-hotel, to cater primarily to business travelers and guests coming to Khabarovsk.

During September 2004 through August 2005 the Versailles Hotel implemented recommendations given by Mr. Erlandsen such as: providing guests list fo services, equip a conference hall and business center, leasing a laptop, expanding the range of goods offered by a kiosk and a gift shop located in the hotel to cater to, advertising the hotel in bus depots, railroad stations and airports of Khabarovsk krai, and developing signing service package contracts with airlines having their offices in Khabarovsk.

All these steps made it possible for the Versailles Hotel to become more “visible” than its competitors. It has resulted in the increase of the number of gusts by 15 percent and of the profit margins by 11 percent. This is very positive dynamics. By February, 2006, the hotel management is expects profits to increase by 25 percent.

Dates: *September 28, 2004*

**Introduction of New Technologies Through Training**

After attending he training on how to increase sales conducted by and receiving consultantation from ESD expert, Erik Erlandsen, Based on the training, Olga Bogdanova, Director of the Abrikol Hotel in Khabarovsk, created an efficient team in the hotel and improved the morale of her employees by actively involving them into the decision-making process of how to improve the performance of the enterprise. She provided career development for staff through training an education.

The combination of series of seminars with practical consultations proved to be very efficient. Erik Erlandsen visited the Abrikol Hotel and made recommendations to make the business more profitable. She changed the interior of rooms, the adjacent area to the hotel, and created recreation zones. In addition, she developed a business plan and a summer café is being constructed. The hotel now offers different discounts for family packages and they now offer holiday and off season special prices. Their advertising campaign has become more active – they have a web-site, colorful and informative booklets, leaflets and banners. They are interacting with the mass-media. They’ve analyzed of the marketing milieu of the Hotel and assessed the strengths, weaknesses, opportunities, and threats (SWOT).

As a result, the Abrikol Hotel was able to achieve the following:

1. Increase occupancy of the number of occupied rooms from 60% to 83%;
2. Increased revenue by 10% for these three months;
3. Increased salaries by 10%.

Dates: *September 27, 2004*

**ESD Program Helps in Decision Making**

After Eric Erlandsen’s consultations organized by Chamber of Commerce, the management of the Amethyst Hotel, Khabarovsk, has decided to change the illumination of the hotel accommodations and restaurant. The managers are currently looking for the light-designer specialist. Moreover the hotel decided to change the breakfast menu and include Asian and European cuisine. This will allow satisfying the requirements of the hotel customers and is expected to increase the number of permanent customers by 40%.

Dates: *September 27 2004*

**HR Improvements in an Interior Design Company in Ulan Ude**

Three managers of the Kolorit Interior-Center, General Director and Top Managers of the personnel department, participated in Personnel Management and Motivation training conducted by Sergey Vakhrushev in Ulan-Ude. Mr. Vladimir Khomyakov, General Director of the company expressed his gratitude to the training organizers for a very useful training. After he adopted more than 60% of recommendations of the training in managing personnel he has:

- Developed rules of personnel encouragement

- Reviewed the system for personnel compensation
- Developed new job descriptions
- Developed communication rules for the personnel during the working hours
- Implemented conflict mitigation rules.

Because of this, top-managers and other personnel are more collaborative, psychological atmosphere has significantly improved the personnel efficiency has been increased while the time spent on the servicing clients has been twice reduced. In general the implemented innovations caused 5% increase in sales within one month.

Dates: *September 22 -23, 2004*

### **ESD Helps to Develop New Tour Program**

Participation in trainings on ecotourism allowed Tour Company Bon-Voyage and Amurrechtourism to collaborate and develop six new tourist itineraries along the Amur River with the direct assistance of Aaltje Van Zoelen.

Moreover they developed a program that would be held on a boat. The program consists of a slideshow about flora, fauna and native minorities and mini-lectures on the history of Khabarovsk Krai. This makes the rest-time of tourists as well as simple passengers more interested and engaged. The new tour programs will held in Komsomolsky and Bolshehehzhirsky Reserves and native peoples who live at a ship station. Bon-Voyage and Amurrechtourism have developed a brochure with assistance from Van Zoelen. These two companies increased the number of their tourists by 60% in 2005. The success of the trainings is not only in increase participating companies' income but also in fostering mutually beneficial collaboration.

Dates: *September 17 -18, 2004*

### **New Understanding of Attracting Clients**

In September 2004, Erik Erlandsen, a hospitality expert from the U.S., conducted the training How to Succeed in the Hotel Business for hotel managers and supervisors in Blagoveshchensk. The main topics of the presentation were focused on orienting towards the guests, how to approach guests, and customer retention. Mr. Erlandsen suggested the design of websites illustrating the benefits and amenities of the hotels that would reach unlimited amounts of people around the world, not just business travelers and tourist from Russia. Two new websites, for Yubileynaya and Druzhba hotels, have been launched on the Internet as a result of this training. The Yubeleyanaya Hotel website immediately attracted a group of travelers from Japan that credited the website as the reason for their decision to stay at that hotel. The training was organized by Prognoz. The participants were representatives of different local hotels, such as The Yubileynaya Hotel, the Zeya Hotel, the Druzhba Hotel, and others.

Dates: *September 16-17, 2004*

### **Plaza Hotel Increases Its Occupancy**

Hospitality expert Erik Erlandsen, consulted with several local hotels on how to increase profits through client oriented services. Following the consultation, the director of Plaza Hotel implemented several of the ideas to increase the number of returning guests and guest referrals. Focusing on a client-oriented approach, daily staff meetings were implemented with micro-lectures on customer service. The hotel now serves a complementary breakfast for guest and a merchandise stand has been erected for customer convenience. In addition, a guest book has been made available at the front desk. The average occupancy rate customarily is 40-50%, in October this rate boosted to 80-90%.

Dates: *September 16 – 17 2004*

### **Professional Level Increase in Ulan-Ude**

Five Sales Managers of the MB-Market Store participated in the training Merchandizing, facilitated by ESD partner Makon, , conducted by Roman Simutkin. They gained skills such as new approaches to increase sales, analysis of consumer behavior, and methods for effective merchandising. Due to the knowledge seminar, the sales managers became more active and professional in their behavior and in their ability to merchandize. They

changed the system of the shop areas and service, and as a result the stores increased sales by 10% in 1.5 months.

Dates: *August 16 -17, 2004*

### **Sales Increase Thanks to Best Training**

IGRA, a publicity firm, sells ads and the advertising space, to clients in Blagoveschensk and Amursk Region learned from the ESD sponsored training at Prognoz that billboards and wall banners are the cheapest, and the most efficient method of advertising. CV, a company which specializes in domestic appliances retail, hired IGRA to place billboard ads through Kalinina Street, one of the central streets in Blagoveschensk, for 6 months. This increased sales by 40% for both the appliance company and the advertising company in 3-week period.

Dates: *August 12 -14, 2004*

### **ESD helps Increase Number of Clients for a Business**

The SMIT wholesale Construction Company increased clients and sales after the manager, Mr. Bator Maksarov attended the ESD the training, Effective Sales, in Ulan-Ude. Mr. Bator shared knowledge he gained by holding his own training for his personnel. He taught his staff new sales methods, and how to implement and maintain corporate standards while building relationships with clients in order to receive increase or repeat business, (and therefore revenue) from each client. As a result of using new knowledge and coordinated activities of the wholesale department personnel the company managed to keep the competitive advantage on the market and also increased the turnover. For example, the number of wholesale clients increased by 10%, the sales volume increased by 15%.

Dates: *August 6 -7, 2004*

### **Management Training Increases Clientele for Smok Company**

After eight new managers of the Smok Company were trained on , supervisors' management skills, the company has increased clients and increased efficiency. The supervisor position was only recently introduced to the company's structure and the training helped to better define the job description and introduce a concept of "Partner Program", a promotional program, developed by Smok, which provides incentives to clients to work with Smok on a regular basis and make timely payments by offering them bonuses and prizes. The leading marketing specialist of the Company, Vadim Imidiev, noted that as the results of the training, supervisors have received additional knowledge in management theory and have implemented this knowledge in practice. He said "The key success is that the managers have developed systems and processes reducing the amount of time employees spend on planning, conflict management, and team work design. This, in turn, has affected other parts of the organization. Under the "Partner" program there has been an increase in quantity of participants of the Program. With the "Partner" program, the company has seen an increase in overall sales by 36%, and an increase in new clients by 9%. These are unprecedented figures. The company never had such a high increase in clients' activity in such a short period of time, which was not attributable to external factors such as holidays, "death" of the competitor. These successes were due to internal factors - full implementation of supervisors potential. The work of supervisors has been essentially improved after the training!"

Dates: *July 31 - August 1, 2004*

### **Introducing New Sales Techniques through Training**

The office supply store, Estel Company, participated in a training on sales promotion training conducted by ESD partner "Prognoz" and trainer Andrey Krupin. The company came up with an idea of selling a new service, an uninterrupted ink feeding system. The system would reduce the cost of using color printers and specifically printed materials, by allowing users to see when they are running low on ink and can then insert ink directly into the cartridge. Customers no longer have to replace the entire color cartridge. During the training the Estel Company designed a service promotion for this new product and implemented it. Within these 5 months the Company has achieved astonishing results – they have expanded their customer base by 40%. Rural population and residents of smaller towns of the Amur Region became the most frequent users of this system. Estel improved their margins as sales during November through December increased by 50%.

Dates: *July 27-28, 2004*

**New Marketing Strategy of Household Goods Store in Blagoveschensk**

The Household Goods Store recently increased sales by 20% after the marketing director participated in ESD advanced business skills training on Promoting the Goods and Services, conducted in Blagoveschensk on July 27-28. This store occupies a beautiful historical building with the perfect location in the city center; however it was considered a soviet type store with common goods. The Store Director realized the need to hire a Marketing Director who would be responsible for developing a new marketing strategy to promote the store and the goods, conducting marketing research, and organizing other marketing activities. Irina Palaeva, the newly hired Marketing Director attended the ESD training facilitated by Prognoz. Her goal was to identify ways and tools of attracting new clients. Using the knowledge and new ideas from this training, Palaeva developed contemporary marketing plan for the store, promoting each department with its unique image, style. Each department is now named, for example, the glass goods department was named Bohemia, and the newly opened deli department attracts customers with the name "Home Cooking Taste." As a result of this new marketing strategy, a distinct and attractive logo for the store has been developed (a red heart). This logo is easily recognizable and the store uses it on its prominent sign, and on every TV advertisement. These activities form an integral marketing campaign of the Store making new image and attracting new clients. The increase of the sales turnover of 20% demonstrates that this management decision has hit its target, and is promising even more.

Dates: *July 27 - 28, 2004*

**US Volunteer Helps to Minimize Costs in Blagoveschensk**

On July 23, 2004, ESD expert, Mr. Firooz Taleghani, provided consultation to Mr. Vazghen Abraamyan, Director of Uslada Company and a member of the Guild of Restaurants of Amur Region. One of the main products of the company are confectionaries. Mr. Abraamyan is also planning to open a year-round resort at a picturesque recreation area on the river, which promises to be profitable due to its proximity to the city with no other competitors that offer high quality tourist services. After Mr. Taleghani reviewed the entrepreneur's plans he made valuable suggestions which shall reduce the construction costs by USD150,000. As a result of the consultation Prognoz Center will help create a business plan and Firooz Taleghani will help to promote the project to potential investors. Thus after the source of financing is successfully identified, a first-class vacation resort will be built near Blagoveschensk which will include 50 rooms for guests, parking, a sports club, sauna and aqua facilities.

Dates: *July 19-24, 2004*

**The Guild of Restaurateurs in Blagoveschensk Gains Strength**

In July 2004, Firooz Taleghani trained the Guild of Restaurateurs in Blagoveschensk on how to increase membership and mobilize resources by providing additional services to members and other restaurant owners. He conducted trainings for restaurant and café personnel at the School of Management that has been established by the Guild. After interviewing restaurant owners about the challenges they face, Mr. Taleghani provided recommendations that prompted the owners to review and revise their business plans. In addition, he provided assistance to five restaurants that are not members of the Guild. Irina Diachenko, owner of the Chinese cuisine café Shanghai and not a member of the Guild, consulted with Mr. Taleghani regarding her business and plans of the Guild to increase growth through business events for its members. Less than one week later, Irina Diachenko applied to become a member of the Guild.

Dates: *July 19- July 24, 2004*

**Sales Management Trainings Increase Clientele for Home Weather Store**

Sales managers of the Home Weather Store participated in the training on sales promotion, in Blagoveschensk, that focused on ways to stimulate sales, analysis of consumer behavior, methods to create the company's image, how to increase the number of consumers and product volume, and merchandising. The goal for the store was to increase the percentage of individual customers in 2004. In 2003, 80% of the company's client base was corporate clients. Due to the training and the resulting professional changes in the behavior of the sales managers, the store not only increased sales of air conditioners by 45%, but improved the clientele proportion to 35% individual customers compared to 20% in 2003. In addition, 18 employees of the company participated in Customer Service Training. This was a good strategy for the beginning of the summer season when the highest level of sales occurs. Qualified technicians with improved communication skills were able to deal with the

different clients, promote additional products, and avoid conflict situations inevitable during this season. As a result, the number of customer service claims was reduced by 50%.

Dates: *June 22 -23 and May 21 – 22, 2004.*

### **ESD helps increasing the Number of Clients for a Business**

After attending two ESD - sponsored advanced business skills training, hosted by the Far Eastern Center for Economic Development (FECED) in Vladivostok, Ussuri-Union Co's Sales Manager Angelica Fisenko obtained 23 new clients and increased sales for August by 80% from \$3,000 USD to \$5,000 USD. During the training on Effective Negotiations and Marketing for Food- processing Industry, she learned how to attract and keep clients and how to successfully negotiate which she applied to the company.

Dates: *June 10-11 and July 22-23 2004*

### **New Skills Help to Attract New Clientele**

Mrs. Medegma Garipova and Natalia Lazareva, managers of SC Gevs, participated in training on how to Effectively Interact with Partners and Clients, which was held on June 4, 2004 in Ulan-Ude. The training helped them find new clients in different regions of the Buryat Republic. As a result, 1.5 months after the training the company signed a number of contracts in regions where it had never worked before, the client database increased by 50%, and the number of transactions increased by 15%. The sales volume is expected to increase by 30% by late summer.

Dates: *June 4, 2004*

### **Decision Making Thanks to Training**

During a training on strategic negotiations at FECED, Vladivostok, the deputy director of Dalrybbank, Evgeniy Hromchenko acquainted with Victor Terentiev - the head of the ship repair company Mercury-V, LLC. They discussed different business themes and decided to continue the communication after the training. Evgeniy Hromchenko consulted for Victor Terentiev about financial planning and the peculiarities of financial management in a small company (less than 50 employees). Victor Terentiev now identifies the most important problem in Mercury-V, LLC as the lack of methodical financial planning. Their goal is to obtain bank credit. Evgeniy Hromchenko's consultation helped to define the weak points of the company's finances. After this consultation Victor Terentiev makes better decisions about the company's finances and tactical management. Now Mercury-V, LLC is planning to conclude a contract with Dalrybbank.

Dates: *May 28, 2004*

### **Profit Increased Thanks to Training**

Participants of a training organized by ESD Partner Business-School in Yakutsk and conducted by U.S. volunteer Vicky Lederman are excited about the remarkable improvements that have resulted from the training. Elena Klementieva, owner of the Venzel Company said, "Thanks to Vicky's advice we packed our products in transparent boxes produced in Moscow. We managed to improve the design and the quality. As a result our income has increased 15%." Another participant, entrepreneur Alexandra Markova, noted that after the Vicky's seminar her small company started processing product's waste, such as fur and leather, making smaller products. In addition, the company began using historical and national symbols in the products' design and logos. Income of her company has risen by 20-30%.

Dates: *May 25 - 30, 2004*

### **Training Brings in Profit**

Representatives from a chain of stores, Lubimy, in Blagochevensk have seen the value of ESD trainings after attending four trainings conducted by ESD' Partner, Prognoz. From the trainings, the director made essential changes in company management. For example, the company changed the application forms for the positions of shop assistants, client-managers and assistant managers. By changing the forms, the company can see applicant's personal characteristics more fully. This provides managers better information when hiring and helps to manage the staff. As a result, the employee turnover was reduced by 20%. The company also assessed their own profit and capital after taking courses on business valuation. The directors learned a new method to calculate investments within the company. This method is based on the formula that considers profit, loans, interest rate,

projected profit, and the terms of repayment. Based on this information, the company realized that it can reinvest 30% of the profit into the company for new projects to help grow the company. The staff of this company has taken the following courses: Practical Management: Management of the Conflicts, PR-campaigns, Merchandising, Effective Advertisement, Business Valuation and Enterprise Value Management.

Dates: *May 23 - 25, 2004*

### **Inventory Turnover Increased Thanks to Training**

Commercial director of BioSfera Company Lubov' Khokhlova participated in FECED trainings on assessment of personnel, communicative sales methods, and negotiations and conflict management. One of the major obstacles for the company was the poorly skilled and unmotivated personnel that were interacting with the clients. Khokhlova's concern was that since customer service is so important to their mission they wanted to focus on keeping their loyal customers and avoid any conflicts that may arise from misunderstandings. Through the trainings, Khokhlova learned ways to manage customer relationships, avoid conflicts, and reduce claims. The number of satisfied clients and company revenues has increased as a result. As of October 2004, the company shows 2,000,000 rubles against the planned 150,000,000 rubles. BioSfera Company specializes in selling health support products such as blood pressure and heart monitors.

Dates: *May 22, 2004, September 18-19, 2004, October 2 -3, 2004*

### **Professional Level Raised Thanks to Training**

The 4<sup>th</sup> annual Priamursk Inter-Regional Commercial-Industrial Fair was held in Khabarovsk September 23 – 25, 2004 where leading enterprises of Sakha Republic and Russian Far East presented their products. Shveya Severa and Tanas Company presented their products in the Garments section after attending training on using fairs as a source of sales conducted by Larisa Manuylenko and organized by Yakutsk Business-School. They managed to make a brilliant presentation at the Fair. As a result, Shveya Sever was awarded the 1 degree diploma for a dress uniform of Yakutia's team. The uniform was designed for the 3rd International Sports Games Children of Asia. Lyudmila Burnysheva, director of the Tanas Company said, "Due to the training, I changed the approach in the organization of presentations. Right after a corporate meeting organized for the company's staff members I shared the basic methods how to make presentations. Thus, we could prepare for the fair using acquired skills and knowledge." As a result the Tanas Company was awarded two gold medals for goods it presented at the Fair.

Dates: *April 21 -22, 2004*

### **Science Supports Businesses**

The ESD Project conducted several fish processing trainings in Khabarovsk during April. Seminars and consultations were held for four days at the Chamber of Commerce. Fish processing specialists learned about cutting edge developments from research institutes, that when introduced, will enable fish processors to produce new sea products and to offer them on a wide scale to the consumer. The specialists became familiar with modern technologies of seafood and fish processing. Mr. N. Tungusov, trainer and consultant from Vladivostok, conducted the seminar on Ways to Improve Seafood and Fish Products. The ideas shared by the expert from Vladivostok especially excited representatives of Usadba Limited Liability Company. After they described in detail the problems that they face in fish freezing, trainer Tungusov assisted them to choose proper freezing parameters and adjust the entire process. In the future this will enable the company to produce high quality products. In addition, Khabarovsk Production-Commercial Fish Complex plans to sign an agreement for regular scientific consulting with the Far Eastern Fish Institute (Vladivostok). Technologists from Khabarovsk Production-Commercial Fish Complex plan to biologically active supplements into the fish process, which can extend the storage period of finished products several fold. Khabarovsk trainer, I. Vostrikov, conducted a seminar: "Trade Show as a Marketing Tool". The trainer focused on marketing strategies and opportunities that a trade show offers to promote new products and increase sales. After conclusion of the seminar, managers of the companies proposed to the administration of Khabarovsk International Trade Show to rearrange fish pavilions - fish processing products will not be exhibited in one block at the next Khabarovsk show; this, as the specialists believe, will cause about 20% increase in sales volumes. After the seminars for fish processing industry Khabarovsk Production-Commercial Fish Complex bought 20 new recipes of processing fish and sea

products; they also improved technological processes of fish processing. This allowed the company to increase the turnover of the company from 300000 rubles to 1000000 rubles.

Dates: *April 17, 2004*

**Business Trainings for Climate Systems, LLC (Blagoveschensk)**

Climate Systems, LLC has been actively participating in advanced business training organized by ESD and Prognoz since the beginning of the program. To make employee training more effective, the owner of the company developed an education plan for three groups of employees: top managers, sales managers, and technicians.

The Director of the Climate Systems Service Center has 18-25 people under his supervision and regularly deals with different conflicts. He participated in Conflict Management Training and now possesses the following skills and knowledge: recognition of typical conflict features; individual conflict features; the advantages and disadvantages of conflicts; possible behavior strategies in a particular situation; methods and approaches of group conflict resolution; how to make conflict useful; how to manage emotions in a conflict situation; and how to cope with conflicts. As a result of this training, he is more tolerant and confident when resolving difficult situations with angry customers and managing his employees. Overall, in 2004 the Service Center has increased the number of new clients signing Long-term Service Agreements by 20%.

Dates: *January 20 – 21, 2004.*