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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

SEMI-ANNUAL REPORT #1

OCTOBER 2006 - MARCH 2007

April 9, 2007

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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT SEMI-ANNUAL REPORT #1

OCTOBER 2006 - MARCH 2007

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I.0 EXECUTIVE SUMMARY

Throughout the world, SMEs (small and medium sized enterprises) are a major factor in economic growth and key to employment generation. The development of the small and medium-size business sector (defined in Kazakhstan as businesses less than 250 employees) is a key element in the transition to a competitive, market economy. In addition to economic benefits, SMEs are vital to the development and sustainability of democratic reforms and institutions.

In October 2006, The Pragma Corporation began the implementation of a four-year project (115-C-00-06-00014) co-financed by the United States Agency for International Development (USAID) and Government of Kazakhstan entitled the Kazakhstan Small Business Development (KSBD) Project. In this endeavor, the Kazakhstan Small Business Development Project seeks to promote growth of entrepreneurship and competitiveness of small and medium sized enterprises (SMEs).

The Kazakhstan Small Business Development Project is designed to create conditions whereby entrepreneurs and small and medium enterprises are able to access information, knowledge, and skills in order to grow and flourish. The program is intended to substantially increase productivity and capacity among SMEs through increased sales both domestically and in foreign markets as well as increased GOK (Government of Kazakhstan) and Kazakhstan indigenous organizations' capacity to design, manage, and implement SME development programs.

Under this initiative, the Project will work to: a) increase the GOK's knowledge of international best practices and lessons learned for designing and implementing SME support programs; b) transfer capacity to the GOK to procure, manage, and evaluate entrepreneurship development programs; c) promote sound development of a network of small business providers with private sector sponsorship to foster growth of SMEs among existing and nascent entrepreneurs.

The KSBD Project builds on existing activities in Kazakhstan, while increasing the focus of support to and through local and national institutions fostering growth of SMEs and entrepreneurship. KSBD is consistent with the Economic Prosperity and Security section of the State/USAID Strategic Plan as the project contributes to strengthening of the world of economic growth, development and stability, while expanding opportunities for US businesses and ensuring economic security for the nation. The Project is implemented under USAID/CAR's Strategic Objective (SO) 1.3 which calls for an "Improved Environment for the Growth of Small and Medium Enterprises," and in particular Intermediate Result 1.3.1 which seeks to foster "Increased Opportunity to Acquire Business Information, Knowledge and Skills."

2.0 HIGHLIGHTS

- Selection of the Innovative Eurasia University of Pavlodar to implement GEM (Global Entrepreneurship Monitoring) Project – under the auspices of KSBD. Innovative Eurasia University (InEU) will represent itself as the Kazakhstan GEM Team.
- KSBD sent two members of the selected Kazakhstan GEM Team to London to receive training in GEM methodologies and present itself for inclusion into the GEM Consortium. Kazakhstan was successfully accepted into the GEM Consortium.
- The GEM Kazakhstan Team began the Expert and Adult Population Surveys in accordance with GEM Principles; this will help identify the needs of small and medium businesses in the regions once completed.
- Innovative Eurasia University (InEU), working with USAID’s KSBD Project, implemented a Conference focussed on “GEM Entrepreneurship, Competitiveness and Quality of Life” during February 23rd and 24th in Pavlodar to highlight the role of the SME sector and to address barriers holding back entrepreneurial development.
- Completion of a SMEF (Small and Medium Enterprise Fund) assessment which determined that KSBD should link up and provide support and training, and infrastructure development to the Fund.
- Completion of an Access to Credit Assessment which identified areas of need including potential training of bank loan officers to work with SMEs, working with the First Credit Bureau from an information perspective, and also linking up with Tier II Banks to support access to credit for SMEs.
- Regional support SME Work Groups and Forums in Oskemen (Ust-Kamenogorsk), Uralsk, Astana, Artyrau, and Karaganda which identified the need for better understanding and communication between the private sector and government in support of SME development.
- From beginning December 2006 to end March 2007¹, the Astana EDC provided 372 instructor-hours of training classes, with 370 participants in 6,248 participant-hours of class time.
- KSBD engaged in the development of conferences. The first conference is in support of Business Service Providers (BSP) and use of international best practices. It is scheduled for April 12th (Almaty). A Competitiveness Conference scheduled for April 17th (Astana) in cooperation with the USAID Regional Competitiveness Initiative.
- KSBD developed SOWs (Scopes of Work) to provide assistance to the Kazakh government entities.
- KSBD issued a procurement for provision of services and forms of support to assist SMEs through a working network of business service providers and business support institutions.

¹ Astana EDC has been operating under the KSBD contract since December 2006. Prior to this date it operated under the EDP contract

3.0 TECHNICAL IMPLEMENTATION

Below is a review of the first six months of technical implementation activities for the KSBD project. KSBD actions have been categorized under the key project strategic objectives in the USAID KSBD contract.

3.1. Transfer Capacity to the GOK to implement SME assistance Programs: Create increased international experience and best practices incorporated into GOK sponsored business advisory and finance programs

During this period, KSBD submitted to USAID several SOWs in support of strengthening GOK systems in support SME system under Component 1. KSBD also completed an assessment of the SMEF (Small and Medium Enterprise Fund).

3.1.1 SMEF assessment

During this reporting period, Stephen Moody, a Pragma Senior Financial Sector Consultant, conducted an assessment of the Small and Medium Enterprise Fund (SMEF) to advise whether KSBD should work with SMEF. In summary, it was concluded that SMEF would greatly benefit from KSBD support, that this would be good for the government of Kazakhstan to receive this assistance, particularly in the area of organizational development, prioritizing in the short-term SMEF staff training and SME education; and in the longer term, in areas such as - asset allocation, product development, automation and risk management. The full report has been provided to USAID.

3.1.2 Scopes of Work Developed to Assist GOK Partner(s)

The following Scopes of Work for providing KSBD support to GOK institutions were drafted and submitted to USAID:

3.1..2.1 SMEF Organizational Development

SOW developed to improve SMEF's organizational structure, specifically in the areas of:

- Communication between SMEF Head Office and Regional Offices.
- Defining, coordinating and monitoring SMEF representatives work.
- Staff development.
- Defining internal regulations.
- Improving staff recruiting procedures.

Deliverables envision:

- Internal communication channels
- Internal communication hierarchy
- Reporting requirements and timings
- Knowledge management system
- Template employee terms of reference
- Staff appraisal system

- Best Practice internal communications model
- Internal feedback mechanisms
- Ongoing professional development program
- SME Fund Services Manual
- Human Resources Manual
- Interview process structure
- Applicant qualifications requirements
- References and qualifications verification
- Staff recruitment advertisement templates
- Model for advertising positions in the media
- Develop a referral system

SMEF organizational development and support has been determined, with USAID, to be a core focus need and activities will proceed in cooperation with SMEF. Subsequent discussions with the USAID CTO have been to focus on this assignment, with technical assistance of a consultant over an extended period. The COP has recommended the consultant who has performed the SMEF assessment.

3.1.2.2 SMEF SME Survey

SOW was developed to assist SMEF in conducting marketing research and analyzing results to identify ways of improving SME Fund support for SME's at national, regional and industry levels. Particularly, the SOW was designed to address financial services, training and education, provision and relevance of information, and consulting services.

Deliverables envisioned:

- Selection of most applicable data collection methodology.
- Selection of representative survey sample.
- Generation of survey content.
- Overseeing dissemination and collection of surveys.
- Survey measurement, analysis and review of data-integrity (refer to section IV for expected results).
- Presentation of survey results and recommendations to KSBD, USAID and SME Fund.

The COP advised SMEF that their internally developed survey lacks core fundamental techniques, and it was determined that this would be an area upon which KSBD could provide consultation. It is now being determined whether this work can be combined with the Organizational Development assignment.

3.1.2.3 SMEF Website

SOW was written to conduct:

- Needs assessment of regional SME demand for services applicable to website delivery
- Review of international best practice delivery of website SME support services
- Website content development
- Website promotion

Deliverables envision:

- Identification of needs of Kazakh SMEs applicable to online communication.
- Analysis of international best practice for online SME support, and recommendations of selected best practices for implementation by the SME Fund.
- Compile comprehensive content recommendations for the SME Fund website, and on approval implement these recommendations.
- Recommend a methodology for updating website content on an ongoing basis, including ensuring that procedures are in place to receive and evaluate materials for updates relevant to local markets within Kazakhstan.
- Provide a methodology for updating multi-language content.
- Develop a model for using the website as a distance learning tool, to include development of learning materials.
- Develop a model for using the website as a distance consulting tool.
- Develop a website promotion strategy.
- Provide recommendations on design and layout of the website

It has been discussed with the SMEF consultant that completed the initial assessment, whether this work could be combined some automation of their reporting, which would add value to SMEF and assist in their organizational development.

3.1.2.4 SMEF Television Programming on SME Training

A SOW was designed to assist the SME Fund in launching and running a Russian language educational programming targeted to SME's and entrepreneurs in the regions.

Deliverables envision:

- Analyze training needs of SME's (using SME survey) and provide recommendations for topics to cover in broadcasts.
- Recommend programming model: off-the-shelf, original content, or a combination.
- Assist in writing content for trainings.
- Assist in production and post production.
- Assist in coordinating activities with media partners.

- Provide recommendations on promotion activities (in conjunction with media partners)
- Provide recommendations on distribution and promotion of DVDs.

3.1.2.5 Study Tour (GOK) to Poland (MIT, SMEF, others)

A SOW was developed to bring representatives of the government of Kazakhstan to Poland for a hands-on study tour to learn best practices from organizations such as the Polish Agency for Enterprise Development, and maintaining a proper level of both public level and private level support to SME Development.

Deliverables envisioned:

- GOK and BSPs learning concepts and methodologies to provide SME support in ways which will not distort market development.
- Best practices gleaned by participants leading toward better overall future policy decisions.
- SME Champions developed.

3.1.3 KSBD Senior Government Advisor (SGA) Linking to GOK

3.1.3.1 Overview

Mr. Krassen Stanchev took up his post as KSBD Senior Government Advisor on 1st February 2007. Based in Astana, the SGA is responsible for facilitating communications between KSBD and GOK counterparts, and in promoting synergy between USAID KSBD initiatives and GOK objectives.

Throughout February and March, the SGA has focused on the following areas:

- Establishing regular communication channels between KSBD and GOK
- Assessing cooperation needs
- Reaching a consensus on activities

Tasks were accomplished, however, some avenues for cooperation remaining to be discussed further.

Meetings with respective GOK/MIT department(s) now take place weekly; there are three memoranda on further cooperation received plus requests for support on different front(s). Additionally, the GOK partners often ask for advice or intellectual support, and the SGA responds to such requests on an ad hoc basis.

3.1.3.2 Regular Communication

The SGA has established communication channels with the Entrepreneurship Department of MIT, the legislature, the Presidents Office, SMEF, and the Chief Prosecutors Office.

3.1.3.3 Operational Approach

The SGA mode of operation is the following:

- Negotiation of overall GOK needs and plans with verbal explanation and comments on what is likely to work in the long-run.
- SWOT analysis of the requests within KSBD and additional research.
- Supply side capacity of KSBD potential to assist.

- Agreement and/or partial agreement, and possible further negotiations.

3.1.3.4 Results to date

MIT requests have focused on some of the below key points:

1. An understanding of an insufficient quality of accredited entrepreneurs (AES), and the need to include best practice(s) and capacity building.
2. Identification of the need for training of potential entrepreneurs, academia and BSPs.
3. Micro-lending inefficiency with a need to focus on international best practice.
4. Underdeveloped franchising still being modified to review framework reasons for such underdevelopment.

Currently, the SGA is participating in the following GOK working groups:

- Microfinance
- SME policy
- Intra-GOK coordination
- Business analysis methodologies

3.2. Transfer Capacity to the GOK to implement SME assistance Programs: Improve the accuracy, quality and application of data related to SMEs and entrepreneurship

3.2.1 The Global Entrepreneurship Monitor (GEM) (www.gemconsortium.org)

3.2.1.1 Overview

The Global Entrepreneurship Monitor (GEM) is the pre-eminent global survey of entrepreneurial activity. GEM surveys are conducted on an annual basis and are currently implemented in over 40 middle and high-income countries. Participation in the GEM program will enable the Government of Kazakhstan (GOK) and KSBD project stakeholders to benchmark Kazakhstan entrepreneurial and SME activity against international models and provide direction on GOK policy decisions for the ongoing development of the Kazakhstan SME sector.

The Global Entrepreneurship Monitor (GEM) is a not-for-profit academic research consortium with a goal to make high quality international research data on entrepreneurial activity readily available to as wide an audience as possible. GEM is the largest single study of entrepreneurial activity in the world. It was expanded from a comparison of 10 countries in 1999 to 42 countries in 2006.

GEM focuses on three main objectives:

1. To measure differences in the level of entrepreneurial activity between countries.
2. To uncover factors determining the levels of entrepreneurial activity.
3. To identify policies that may enhance the level of entrepreneurial activity.

GEM's contribution to the knowledge and understanding of the entrepreneurial process is unique since no other data set exists that can provide consistent cross-country information and measurements of entrepreneurial activity in a global context.¹

¹ The 2006 GEM report can be accessed at www.gemconsortium.org

Through KSBD, Kazakhstan has become accepted into the GEM consortium and under KSBD's guidance, is now completing a series of steps which will be combined to complete the GEM analysis on the next year.

3.2.1.2 GEM Entrepreneurship, Competitiveness and Quality of Life Conference

The "GEM Entrepreneurship, Competitiveness and Quality of Life" conference held on February 23rd and 24th in Pavlodar, was implemented in cooperation by KSBD and The Innovative Eurasia University (InEU). The conference highlighted the role of the SME sector and to address barriers holding back entrepreneurial development.



Dr. Eliseyev, Director of the Institute of Sustainable Development under InEU, Patrick Perner KSBD Chief of Party, and Dr. Alex Liu Director of the RM Institute, Los Angeles, California, USA

Over one hundred representatives from state agencies (Ministry of Education, Statistic Agency of KZ, Pavlodar oblast Entrepreneurship and Industry Department), SMEs, leading national business associations, universities, and media participated in the conference.

The conference covered the following areas:

1. Entrepreneurship and competitiveness.
2. The role of entrepreneurship in realization of industrial and innovative development strategy in the region.
3. Infrastructure to Support Small Entrepreneurship.
4. Ways to Improve Small Entrepreneurship Activity.

KSBD saw significant interest in the activities of the project and in particular the activities of GEM in conjunction with the InEU team. KSBD also benefited from extensive media coverage of the event.

In addition to the presentations and roundtables, a resolution was drafted by conference delegates which was to be agreed upon and sent to government ministries and policy makers. The resolution focused on highlighting the development barriers that SMEs encounter, notably:

1. Lack of initial capital
2. Unavailability of industrial premises
3. Undeveloped market infrastructure
4. Lack of informational services
5. Lack of knowledge (including new taxation system), skills and experience to organize a business and develop modern system of management
6. Occasional forced take-over of SMEs
7. Numerous normative acts regulating processes of starting and operating small business and particularly highlighted were bureaucracy and corruption
8. Lack of corporate culture (business leadership)
9. Lagging practical implementation to join 50 most competitive countries in the world

3.2.1.3 GEM Seminar

On February 28th there was a “Global Entrepreneurship Monitor” seminar held in Pavlodar. The seminar organized by KSBD was designed to offer support and build capacity for the Kazakh GEM team for implementation of the first GEM survey in Kazakhstan.

The seminar covered the following topics:

- Social Research Process and Computing - how to manage a complicated research project;
- Practical issues in research planning management of research process & computation
- Social Measurements and GEM - from ideas to data collection instruments;
- Practical issues in defining and measuring concepts;
- Data Collection: Sampling and Data - from instruments to data;
- Practical issues in sampling and data collection;
- Data Analysis & Modeling - from data to inferences/policy;

Seminar trainers were Alex Liu (KSBD GEM Expert) and Olga Rastrygina (GEM Specialist from Riga, Latvia). Courtesy of USAID funding, GEM Latvia Team Member Olga Rastrygina discussed Latvia’s experience in GEM and how GEM is extremely relevant to assessing SME development in a country. Interestingly, Olga noted that it was identified through the GEM process that Corruption is still a barrier to SMEs in Latvia. There were 12 participants on the seminar, drawn from the Kazakh GEM Team, BRIF Market Research, SMEF (Small and Medium Enterprise Fund), and the Kazakh Statistics Agency.

3.2.1.4 Field trip of Dr. Alex Liu, GEM consultant

Dr Alex Liu, a US-based Survey and Statistician expert was hired to support the Kazakhstan GEM Team. Dr. Liu’s role is to guide the entire GEM process to ensure a quality product for Kazakhstan, as both Kazakhstan and the Innovative University of Eurasia are new to the GEM project. Dr. Liu guides the analytical process according to GEM regulations and assist the Team Leader of the Innovative University of Eurasia team.

Dr Liu visited Kazakhstan from Feb 19 to Mar 4, in addition to attending and conducting trainings at the GEM seminar and Pavlodar conference, Dr Liu also conducted trainings for students of management, students of finance and students of information technology. Further, Dr Liu conducted a preliminary review of the completed GEM experts interviews, prepared the Pavlodar GEM team for the adult population survey work, and worked with a group of seven IT instructors on using the statistical software SPSS in relation to GEM data analysis preparation.

In Almaty from 1st to 3rd March, Dr Liu worked with the GEM survey vendor BRIF in refining the sampling plan, developing a survey plan for GEM London’s review and also in developing a timeline for project implementation.

3.2.1.5 GEM National Expert Survey (NES)

The first GEM survey, the National Expert Survey (NES), is currently underway. The results will come in and begin to be processed by InEU in mid to end of April and should be ready to be presented to the GEM Consortium in early June 2007.

The NES comprises of in-depth interviews with 36 Kazakh experts drawn from Business Associations, Entrepreneurs, State Officials, and Academics in the areas of finance, government entrepreneurial policy, market openness, government programs, education and training, technology transfer, physical infrastructure

and wider society/culture. The interviews consist of both informal questions and formal questions, the latter being used as a quantitative basis for analysis. Questions concern areas such as national strengths and weaknesses as they pertain to entrepreneurial activity as well as which policy recommendations will benefit entrepreneurs and which policies are hindering growth in the entrepreneurial community.

See appendix 6.5.6 for copy of the National Expert Survey template.

3.2.1.6 GEM Policy relevance for Kazakhstan

The GEM survey provides a comprehensive description of entrepreneurial activity around the globe. This, in turn, provides a platform for debate in member countries concerning policy implications and best practices. Kazakhstan stands to benefit from benchmarking SME and entrepreneurial activity against international best practices, and from offering guidance on key areas for government support for entrepreneurial activity.

The institutional environment in Kazakhstan directly affects the vitality of the Kazakh SME sector, factors such as; property rights, monetary stability, rule of law, legal and financial transparency, and a fair competitive environment. With KSBD assistance, the GEM survey presents Kazakhstan with an opportunity to monitor the impact of institutional environment reforms, and targeted SME support programs, to the SME sector on a global comparative scale. The results of this work will also be applicable to the BEI Program.

3.2.1.7 GEM partner selection

From commencement of KSBD, the project has been active in selecting a Kazakh higher educational institution which possesses the required qualifications to conduct the 2007 survey, develop the capacity of the selected team to meet the accession requirements set out by the GEM consortium, support the Kazakh team with an international expert on survey methodology, and participate in the international GEM organizational meeting for the 2007 survey in London (January 9th – 15th).

From Project commencement, the project has implemented a strategy to meet the tight deadlines required to select and mentor a Kazakhstan team capable of winning acceptance into the GEM consortium. Primary activities to date include:

The GEM methodology dictates that the organization conducting GEM research must be a local educational- research institution of higher learning in the area of economics research, small business development, and management research. In this respect KSBD conducted a competitive tender process (RFP – Request for Proposals) in November 2006 to identify and select a Kazakh institution that has the capability to conduct GEM research and represent Kazakhstan at global GEM events. Seven submissions were received by the deadline of November 30th. The review panel selected the Innovative University of Eurasia (InEU) Pavlodar.

InEU includes a University, College and Lyceum offering multi-level training at high school, primary professional, bachelors, masters and doctoral levels. It is one of the leading research universities in the Republic of Kazakhstan, providing training in 55 bachelors, masters and doctoral programs in Economics, Education, Humanities, Engineering, Science and Law.

The leader of the Kazakhstan GEM team is Ms. Guzal Baimuldinova, Head of the International Department of InEU, and team coordinator is Ms. Zhanat Altaibayeva, Chair of Accounting and Auditing Department of InEU. Guzal leads a team of local experts completing the Kazakhstan GEM team.

3.2.1.8 GEM London Conference

The Organizational GEM meeting and forum was held January 9th – 15th in London. GEM teams attended the meeting from all 42 participating countries, including the Kazakh team, and outlined the processes and methodology for conducting the 2007 survey.

The Forum, which took place on the 10th and 11th of January, was a presentation of the 2006 GEM survey and a discussion of the state of global entrepreneurship and its contribution to economic development. This included presentations by global economic and policy experts, including; George S. Dragnich, Director of the office for Economic & Development Affairs in the US Department of State; Francois le Bail, the EU Deputy Commissioner for Enterprise; Jean Philippe Cotis, OECD Chief Economist; Rt. Hon Alistair Darling, UK Secretary of State for Trade and Industry.

The GEM Board of Directors made the decision on 12 January 2007 to accept the Kazakhstan GEM team into the GEM consortium. Acceptance came as a result of the qualifications shown by the Kazakhstan GEM team and from the team's performance at the 2007 organizational meeting in London.

Refer to Appendix 6.5 for further information on GEM methodology, policy implications and promotion.

3.2.2. Statistics Agency SME reporting SOW

In relation to KSBD support for the Statistics Agency (ASK) in improving statistics reporting for SMEs, a Scope of Work was developed for an international statistics expert to work with the Statistics Agency on:

- Identification and elimination of reporting redundancy by SMEs
- Better standardization and classification of all data collected by ASK
- More consistency of data collection and types of statistics identification of relevant SME data not being collected; generation of a viable strategy to obtain such data (either through sample or aggregate based data collection)
- Improvement of automated database within the ASK

Deliverables envision:

- Development of a Strategic Plan which will have the long-term intention to reduce the burden on SMEs by standardizing all statistics according to international best practices, analysis and reporting. This will be done in accordance with Special Data Dissemination Standards (SDDA) as well as standards incorporated by other countries, as deemed by the consultant.
- Recommend improvements of automation in ASK by implementing standard terminology and classifications into a single database.

This work will be coordinated with the Statistics Agency; it is currently awaiting completion of the move of the Statistics Agency to Astana (from Almaty). It is possible that this work will also be combined with the GEM (Global Entrepreneurship Monitoring) work described later in this report.

3.3 **Work Groups and Regional Outreach Activities**

KSBD is concerned with providing SME support services in the regions, particularly in underserved areas. During this reporting period, the activities outlined below provide an overview of the range of activities.

During the project start-up phase, KSBD concentrated on involvement in multiple regional SME support forums, roundtables, working groups etc. The objective of this high-level of involvement has been to create

awareness for the project and to formulate a realistic picture of support services currently available and the ongoing development needs of such support services.

In this early phase of project implementation, this work has assisted KSBD in promoting the new project and developing relationships with local government, business support providers and those providing other business support services in the regions; in the future as the program unfolds, it is expected that this work will be link both component I and II.

It should be noted that there is inevitable overlap between KSBD in their objective to provide the SME community with relevant business service information and the Business Environment Improvement Project (BEI) in their objective of supporting effective policy development for SME's.

In every SME program barriers to SME development will be identified which are also intrinsic to the environment. Hence it is important for there to be collaboration between BEI and KSBD over the next four years.

KSBD is supporting initiatives that raise awareness for the new Project. The Project has begun to identify new regional champions that over the next four years will be able to carry on USAID's work with GOK after the completion of the Project, as well as identify the needs and issues associated with SME Development.

Oskemen

On December 5th in Oskemen (Ust-Kamenogorsk), a working group consisting of associations, NGOs, private sector, and entrepreneurs met to discuss "Opportunities for Developing SMEs in the Region." They discussed and proposed solutions for the areas of recruiting and training quality staff; tackling the problem of high employee turnover; limited access to SME support information; access to best practices; and lack of support in logistics, customs procedures, strategic planning, management, marketing, branding, HR, and financial analysis. This activity has been supported to begin to identify regional champions as well as begin to discuss the needs of SMEs in the regions. The outcome has been a decision to communicate with regional authorities about the needs of SMEs and hold working group events as deemed necessary. This is expected to create advocacy for the development of SMEs in the regions and the support of this activity at both the regional and national levels. This is a KSBD activity because as the needs of SMEs are identified, BSPs and GOK can better address those needs with services and infrastructure.

Uralsk

The Association of Entrepreneurs of West Kazakhstan held their first annual *Forum of Entrepreneurs* on 18th January 2007 at the Russian Drama Theatre in Uralsk. The event was very well attended by Government of Kazakhstan representatives, NGO's, and business community members. The international donor community was represented by USAID's Kazakhstan Small Business Development Project (KSBD).

There was an impressive turnout from the SME business community, and they showed enthusiastic involvement, especially in sharing with the state bodies present the continuing issues that their businesses face. Notable issues addressed were those of the problems associated with an underdeveloped support network for SMEs, excessive administrative burdens affecting SMEs, support mechanisms of SMEs, and land title registration. The Forum culminated in the signing of a Memorandum of Understanding between the Association of Entrepreneurs and the Akimat of West Kazakhstan Oblast. The memorandum is designed to improve cooperation and coordination between the business community and government support agencies operating SME support initiatives, and in cooperation with KSBD. Through KSBD's Project Manager, KSBD will continue to monitor and promote implementation of the memorandum and seek ways to develop synergies possibly for necessary training with SMEF and or other GOK entities as well as BSPs over the next four years.

On behalf of KSBD, Mr. Nick Brealey, KSBD Deputy Chief of Party, spoke to the Forum to introduce the project, outline results achieved to date, and communicate our aims for the short and long-term future of KSBD support to SMEs. Additionally, Ms. Galina Novenkova, KSBD Project Manager, spoke about the tender for Business Service Providers to work as partners with KSBD, and to invite interested parties to submit proposals. KSBD spread information with activities in Uralsk, Ust Kamenogorsk, Astana, Pavlodar, Karaganda, and Artyrau.



The local business community packs the theater for the first annual forum of Entrepreneurs

The Association of Entrepreneurs of West Kazakhstan is a relatively new association, registered in August 2006, but one with active support from the business community, international organizations and donors, as well as foreign investors. It is hoped that they will be able to have a significant impact on government policy towards SMEs in Western Kazakhstan. These activities are supported under KSBD's role of developing links into the regions with Working Groups, Forums and identifying regional champions.

Karaganda

On January 22nd and 23rd a series of training seminars and meetings entitled “Economic Basis of Entrepreneurship and Issues Affecting SME

Development” were held in Karaganda, and organized by the Entrepreneurs Support Center, supported by KSBD. Meetings were held between KSBD and the Entrepreneurship Development Departments of the Karaganda Akimat and the Karagandinskaya Oblast Akimat. Seminar trainers Mr. Timur Nazkhanov (*Independent Association of Entrepreneurs*), and Mr. Vladimir Yermakov (*Secret Service, Ltd*) covered topics for the 25 entrepreneurs present including:

- SMEs, Entrepreneurship and its development trend in Kazakhstan;
- Government support and SME assistance infrastructure in Kazakhstan;
- Entrepreneurship starts up;
- Labor Law affects on SME Development and HR;
- SME Taxes and SME Development in Kazakhstan;
- Entrepreneurship activity licensing;
- Entrepreneurship rights protection mechanism.



Aneliya Mukhamedkarimova, KSBD Project Coordinator, with Entrepreneurs Support Center staff and trainers

At the end of the training seminar all participants received a set of books for entrepreneurs, Independent Association of Entrepreneurs newspapers, and a certificate of attendance.

KSBD led a seminar in Karaganda which provided the opportunity to meet with heads of the SME Development Departments of both city and oblast Akimats, for the purpose of exploring areas of potential co-operation. These meetings uncovered significant areas for further exploration and harmonization. Though there is no city-approved action plan for SME development, Karaganda will engage in a reciprocal trade mission to Croatia, following a visit by a Croatian delegation in January. The Karagandinskaya oblast department has provided KSBD with copies of their active plans for SME development, dated 2007-2009, which include opportunities for cooperation with KSBD such as in business-forums, trade missions, trainings and seminars, round tables, website, etc. Also the Karagandinskaya oblast Akimat has announced resource center procurement plan for the oblast, with a submission date of 30th January 2007. The goals and objectives of this procurement are similar to that of the KSBD Procurement, and Ms. Zhannet Tungyshbekova, Chief of Department, expressed her interest in trilateral realization and co-financing of the resource center project for SME support.



Alina Hakalo, KSBD Project Manager, leads the CDI working group

Atyrau

On 5th January, the Caspian Development Initiatives Fund (CDI) held a Working Group in Atyrau to address fundamental issues facing Entrepreneurs in Atyrau.

The Working Group, consisting of government representatives, entrepreneurs, NGO's and international donors, identified the main issues and put forward a series of recommendations. The issues highlighted were:

- A dearth of qualified accountants working in the SME sector, the reason cited was not the inability of employers and employees to pay for additional training, but the poor quality of the training courses.
- Additionally, even in popular subject areas such as marketing, many practitioners in Atyrau are under qualified, and SMEs frequently have to look to other oblasts to recruit staff.
- Employers have poor access to channels enabling them to identify suitable candidates. An example was given of an employer who employed six specialists from Almaty, only to find later that there were well qualified specialists available at an Atyrau HEI.
- Atyrau does not possess any reputable management training centers.
- SME information in Atyrau is limited and what is available is frequently out of date.
- Access to credit per se is not seen as a problem, but the excessive bureaucracy associated with credit applications is seen as unnecessarily cumbersome.

Astana

On 7th December 2006, the SME Federation in Astana, with KSBD support, conducted a workshop to discuss Private Entrepreneurship and SMEs, and the Law on Entrepreneurship. The event was held in conjunction with the Ministry of Industry and Trade. Participants were from the Ministry of Industry and Trade, Government SME Departments, NGO's, the SME Federation and from SMEF.

There were various deficiencies identified, namely:

- SME's operating at Raion levels have no unions or associations to represent them, therefore they are unable to form any expert groups create advocacy. This entails lack of training in this area, as well as lack of overall understanding of needs and how they can be addressed.
- It is felt there is a need for SME Development Centers, but no understanding of the mechanism or funding and how this will affect private BSPs. There is going to be a working group which will further discuss the establishment of SME Development Centers.
- Regulations and laws for review are being forwarded to the accredited expert groups on very short notice (one or two days, in violation of the defined procedures) leaving little time to provide high quality review and feedback.
- Associations are required to submit a "consolidated opinion on Regulations," however it is often difficult to consolidate the opinions, especially for organizations such as Atameken (representing manufacturing associations). This is in reference to the law. Additionally, there is the issue of double accreditation, members have to get accredited and then Atameken is also required to be accredited.
- Regulations have to be published ahead of forwarding for review (according to the new Entrepreneurship Law). In practice, regulations are not being published and sometimes multiple MIT departments send regulations for review.
- There is no procedure for accreditation of branch offices of SME Associations (BSI) in the regions. SME Associations have to become a support mechanism or champion for development but it does not appear procedures are in place to support.

3.4 Kazakhstan Small Business Advisory Services: Improved competitiveness of new and existing small and medium businesses through increased access to business information, knowledge and skills

3.4.1 Astana EDC

The Astana Enterprise Development Center (EDC) offers two core services:

1. Business Short Courses for entrepreneurs, Courses in: Business Planning, Marketing Planning, Analysis of Financial Statements, Human Resource Management, and Tax and Law. The Business Short Courses are financed through a Global Development Alliance (GDA) between USAID and ExxonMobil's Educating Women and Girls Initiative.
2. Strategic Action Planning services. The Strategic Action Plan (SAP) is offered to qualifying SME's¹. The SAP is a consulting diagnostic tool which identifies a client's vision, objectives, strategic issues, strategies, actions and tasks to help produce tangible results.
3. Beginning December 2006 Astana EDC activities come under KSBD (previously Astana EDC was under the EDP contract). Note however that the Enterprise Improvement portfolio performance figures include ongoing services and performance-monitoring for clients inherited from the EDP.
4. From December 2006 to March 2007, **the** Astana EDC provided **372** instructor-hours of training classes, with **370** participants in **6,248** participant-hours of class time.

¹ Qualifying SME clients is one that is:

- At least 75% privately owned
- At least 67% locally owned
- Legally registered
- Employs no more than 500 personnel

At the end of March, the Strategic Action Plan (SAP) client portfolio managed by Astana EDC represents \$3,903,082 in monthly sales, with annualized sales and productivity increases of 69.8% and 109.4%, respectively. Average actual sales and productivity increases are 40.6% and 110.4%.

The detailed Business Training reports for the Astana EDC are included in appendix 6.2

3.5 Support to BSP's / BSI's

3.5.1 Overview

KSBD seeks to implement USAID's strategic objective of graduating SME support from direct firm-level assistance to a broader and more sustainable model by working with qualified local service providers to provide a nation-wide network able to disseminate public good information to entrepreneurs on a sustainable basis. By the end of the KSBD contract, the program should have partnerships developed in the regions/oblasts as well as Astana and Almaty.

3.5.2 BSP/BSI Procurement

KSBD initiated a nationwide procurement process to recruit Business Support Institutions (BSIs) and Business Support Providers (BSPs), to work with KSBD towards the goal of providing quality and relevant business support and information to SMEs throughout Kazakhstan.

As approved by USAID, Partner Business Support Institutions will be drawn from associations, universities and NGOs, whilst Business Support Providers will be drawn from SME consulting companies and private service providers. Partners should already be active in performing SME outreach and business development services in those regions (including rural areas), and willing to cooperate closely with KSBD, the private sector, the Government of Kazakhstan (GOK), local governments and municipalities, and universities and colleges.

KSBD issued a Request for Proposals (RFP) in January 2007, and publicized it in national media. In addition, KSBD promoted the tender in Almaty, Astana, Uralsk, Karaganda, Aktobe, Pavlodar, Ust-Kamenogorsk, and Shymkent. KSBD expects to select a number of candidates and work with them.

3.5.3 Selection process

In February, KSBD conducted initial screening of the 92 proposals submitted. The process involved seven members of KSBD reviewing every proposal and scoring each across the following categories: Market analysis and strategy, experience and collaboration, personnel, regional assistance, and budget.

Following the initial review, 31 proposals were put forward to the review committee. This committee met for two days on 15th and 16th February to further review the proposals. The committee consisted of five members of the KSBD team plus representatives from GOK entities; SMEF and MIT. The review committee narrowed the 31 proposals down to the final twelve, currently under consideration.

3.6 USAID Regional Competitiveness Initiative

KSBD, under the USAID Regional Competitiveness Initiative will be implementing two major conferences in early April:

- 12th April, Business Services Providers Best International Practices Conference in Almaty.
- 17th April, Competitiveness Forum in Astana

The outcomes of the conferences will be covered in the KSBD May Bi-Monthly report, but as extensive planning has been conducted during the current reporting period, it is appropriate to offer an overview of these events.

Both events will be attended by high level public and private sector representatives, and include international speakers who are world renowned experts in the fields of SME development and competitiveness.

The Business Services Providers (BSPs) conference fits with KSBDs strategic objective to “work with qualified local service providers to provide a nation-wide network able to disseminate public good information to entrepreneurs on a sustainable basis.” The event will be held with regional participation of Kazakh BSPs who will learn Best Practices from countries such as Poland, Montenegro, and Bulgaria.

Kazakh BSPs will also be presenting their range of services in the regions, BSPs involved will include the Sodbi Business Training and Incubator (Shymkent, Kazakhstan), the Association of Business Consultants (ICC Business Advisors, Almaty Kazakhstan), the IBC Group (Uralsk, Kazakhstan) and Prekko Consulting (Aktobe, Kyzlorda).

See Appendix 6.1.12 For Press Release.

The Competitiveness Forum in Astana fits with KSBD’s strategic objective to “Improve competitiveness of new and existing small and medium businesses.” The forum will look at practical methods that will improve Kazakhstan’s competitiveness with discussion from regional and international experts as well as members of the World Economic Forum from Switzerland. Discussion will also focus on how to enhance Kazakhstan’s competitiveness and steps the government can take to facilitate business and economic growth, and well as steps that will ensure economic growth and competitiveness is also not impeded.

The Forum will be attended by members of the Government of Kazakhstan and will include senior level personnel from the Ministry of Industry and Trade, Ministry of Economy and Budget Planning, as well as key representatives from state owned corporations such as KAZYNA, CMAR (Center for Marketing Analysis and Research) and SMEF (Small and Medium Enterprise Fund).

See Appendix 6.1.13 For Press Release.

3.7 Access to Credit assessment

KSBD sub-contractor The People’s Group conducted an assessment of the access to credit environment in Kazakhstan. Constraints to improving access to credit for SMEs were identified and a range of recommendations were put forward. Recommendations included working with the tier II banks to make credit available to SMEs, developing a bank loan officer training program, and working with the first credit bureau of Kazakhstan among others. The full report has been provided to USAID.

4.0 PROJECT UPDATE Vs WORKPLAN

The project update for this reporting period corresponds to the startup activities set forth in the current draft of the action (work) plan presented to USAID. This work plan has not been formally accepted by the USAID CTO by the noted date. Approved activities are proceeding as noted in this report. KSBD current focus has been on completion of GEM (Global Entrepreneurship Monitoring), the BSI/BSP Procurement issuance, working groups and meeting with other organizations.

Completed Deliverables Per Current Iteration of Workplan:

- A. SMEF (Small and Medium Enterprise Fund) Initial Assessment (Completed)
- B. Access to Credit Assessment (Completed)
- C. GEM London Training Trip (Completed)

- D. Kazakhstan Acceptance to GEM Consortium (Completed)
- E. GEM Conference Pavlodar (Completed)
- F. GEM Experts Interview Stage Beginning (Currently Underway)
- G. BSP/BSI Procurement (Procurement has been issued and selection underway)

5.0 FORECAST ACTIVITIES

Work activities forecast (for the next two months) include but are not limited to the following:

- 5.1 Regional Competitiveness Initiative conferences:
 - i. 12th April, Business Services Providers Best International Practices Conference in Almaty.
 - ii. 17th April, Competitiveness Forum in Astana
- 5.2 Continued Implementation of GEM
 - Expert Interviews
 - Adult Population Survey
- 5.3 Statistics Agency SOW (assignment to be reassessed in May after Agency has moved)
- 5.4 BSI / BSP Procurement Follow-up
- 5.5 Selection/Implementation of BSI /BSP Pilots
- 5.6 BSI / BSP Pilots
- 5.7 Working with and through Champions in the regions (Ongoing);
- 5.8 Collaboration with other USAID and Indigenous support providers (Ongoing).

6.0 ADMINISTRATION

6.1 Project Mobilization

The Chief of Party, Mr. Patrick J. Perner, was fully mobilized and arrived on-site October 15th (two weeks after contract signing). Previous to and during this period, the Project Manager (Mr. Mohammad Fatoorechie) had been communicating with the USAID during initial startup, advising of progress. Following USAID approval, Mr. Krassen Stanchev arrived in Kazakhstan in January 2007. Mr. Stanchev is the KSBD Senior Government Advisor, posted in Astana but traveling to Almaty and the regions as deemed necessary. His role is to coordinate activities with the Government of Kazakhstan on behalf of the project.

Staffing of the third expatriate position is underway in cooperation with USAID. Also during the start up period (October – December), Kazakhstan Small Business Development Project (KSBD) local national employees were staffed, received training, and will continue to do so (*receive on-going training*) during their tenure with the project. During start-up, Pragma moved expeditiously in this regard and was able to do so as a result of its on-the-ground presence in Kazakhstan.

On November 1, 2006, the Kazakhstan Small Business Development Project established a new office location in Almaty. Pragma had previous offices secured prior to the award, however the Chief of Party (upon arrival) determined the necessity to secure new space (due to previous space limitations) and as a result, we completed this activity of relocation within the first thirty days of the contract. The KSBD office

is located at: 17 Nauryzbai Batyr Street, 2 floor, office 211; Almaty, Kazakhstan 050004 (Telephone: 244-58-04/05/06; fax 244-58-00). It should be noted that KSBD is co-locating with the BEI (Business Environment Improvement) Project and the A/CIPA Accountancy Project, also implemented by Pragma. This allows for synergies between programs, leveraging of resources, and maximization of impact for USAID programming.

In addition, per Section C, Page 13, paragraph 1 of Contract I15-C-00-06-00014, KSBD assumes management of the EDC in Astana becoming KSBD's office located at 31 Irchenko Street, office 18, Astana, Kazakhstan 010000 (Telephone: 3172-39-16-84 or 3172-39-13-09 or 3172-39-15-91; Fax 3172-39-18-05). The COP, during his first week of arrival, attended / implemented a Project Kick-off Reception (October 18th) with US Ambassador John Ordway and ExxonMobil General Manager David Willis. Additionally, there was a complete KSBD Project Kickoff Reception in Almaty on December 6th 2006 in cooperation with USAID and the GOK to formally announce the beginning and opening of the KSBD project.

The KSBD Project will maintain two offices as noted above, with outreach to the regions being attained either through our BSI (Business Support Institution) or BSP (Business Support Provider) network, and may also be enhanced through regional advisors. Currently we have a regional advisor in Ust Kamenogorsk and Uralsk giving us outreach to both Eastern and Western Kazakhstan. However, it should be noted that KSBD will not maintain official offices in these regions, but will work through its future developed network. If it is deemed the current structure is not entirely effective, then the COP will discuss this with USAID and/or make changes accordingly.

The work plan, mobilization status, and PMP have been submitted to USAID in a timely manner and as we continue to receive technical guidance, we will proceed accordingly.

6.2 Staffing and Reporting Relationships

There are three positions requiring USAID concurrence/approval noted in contract I15-C-00-06-00014 including the following: a) Chief of Party, b) LTTA (SME Development Advisor), and c) the LTTA (SGA – Senior Government Advisor). As noted earlier, the Chief of Party – Mr. Patrick J. Perner, and Senior Government Advisor – Mr. Krassen Stanchev, are on-site and fully operational. The SME Development Advisor position is to be concurred with USAID, and should meet a timeframe that enables maximum impact keeping in mind that the position is budgeted for 26 months of LOE over the length of the contract.

The COP Mr. Patrick J. Perner reports to the KSBD Project Manager, Dr. M. M. Fatoorechie, who is based in the United States. It should also be noted that Ms. Alma Kasymova will act as a local national Deputy to Mr. Perner, in fulfilling a leadership function on the project with local staff and partners. Senior level administrative support is provided by Ms. Lyubov Gonchar also located at the home office in the United States with a reporting relationship to the Program Manager. All local staff report directly to the COP Mr. Patrick J. Perner and the above noted Deputy (Alma Kasymova), except for the accountant who reports back to Mr. Prem Gupta – Pragma CFO, and Dr. M. M. Fatoorechie, Executive Vice President for the Pragma Corporation.

6.3 Administrative Issues and Financial Management

Pragma Headquarters in Falls Church, VA is working in conjunction with the field staff of the Kazakhstan Small Business Development Project to ensure a smooth and seamless deployment of personnel and project implementation. To this end, headquarters provides the backstopping, financial management, and logistical support necessary for proper fielding of staff, development of work plans, and implementation of new and continuing activities. The Pragma office also acts as the liaison between the project field offices, USAID, and subcontractors collaborating on project activities.

Pragma headquarters fully implements financial management systems as well as voucher preparation and reporting procedures, and continues to monitor and evaluate cash flow. By taking inventory of project implementation activities and measuring deliverables achieved to date against expenditures, Pragma ensures that results are achieved on schedule and within budget.

6.4 Project Staffing

At the end of March 2007, the following expatriate staff were located in the following project sites:

Almaty, Kazakhstan
Patrick J. Perner (Chief of Party)

Astana, Kazakhstan
Krassen Stanchev (Senior Government Advisor)
Jonathan Crum (Astana EDC Short-term Advisor)

At present, USAID CTO has not accepted a candidate for the SME Advisor position.

6.5 KSBD website (www.ksbd.kz)

In January 2007 the KSBD website went live in compliance with the new USAID logo and branding policy. The site is designed to inform project stakeholders of project objectives, activities, reports, office locations, project partner details, procurements etc. The website has already proved to be a useful tool in facilitating project communications, and in disseminating materials and other relevant information to project partners. The site is updated in-house on an ongoing basis.

APPENDICES

7.0 APPENDICES

- 7.1 Success Stories & Press Releases
- 7.2 Astana EDC Training Reports
- 7.3 Participant Training
- 7.4 Statistics Agency Data on SMEs
- 7.5 GEM: methodology, policy & promotion, Innovative Eurasian University Report, and GEM Consortium Acceptance letter for Kazakhstan
- 7.6 KSBD and the Ministry of Industry and Trade (MIT)
- 7.7 SME Statistics Agency Data and Comment

7.1 Success Stories and Press Releases

7.1.1 EDC Consultants help woman-owned Business expand

Polygraph Center Elit from Astana is a provider of printing services. The company has been in operation since 2002 and is owned and run by Ms. Saniya Irsalieva.

The company has grown from a small group of three printing enthusiasts to a company of ten staff, six of whom (including Saniya) are women. As company director, Saniya Irsalieva is an advocate for women-run business, and possesses a skill for leadership that unites people to focus on achieving Elit's competitive advantage: providing clients with high quality products.



Astana EDC consultant Natalya Ichshenko (right) with Elit Director Saniya Irsalieva and Chief Accountant Rima (left) stand with printed product-samples

Mr. Irsalieva was drawn to the Astana EDC in September, 2006, to try to improve her flagging sales figures. EDC Relationship Manager Natalya Ichshenko worked with her to analyze her business, uncovering a basic inactivity in marketing communications that left Elit with little market-awareness in Astana. It was only recently that Elit started advertising their services at all, as Saniya believed that first focusing on a high quality product was the priority. As a result, acquiring the expertise needed to market the company had always been a low priority, and no company personnel had sufficient marketing knowledge to effectively promote the company.

Natalya and Saniya set aggressive growth targets for 2007 of an increase of 50% in sales, and set about reordering other business activities, such as accounts-receivables collection, human resources, and client-payment terms, to support the creation and implementation of an advertising plan. Together they developed a plan with an effective sales strategy to engage the staff, and quickly saw results. The seemingly lofty goal of 50% growth was met by the end of January 2007, only one month into implementation.

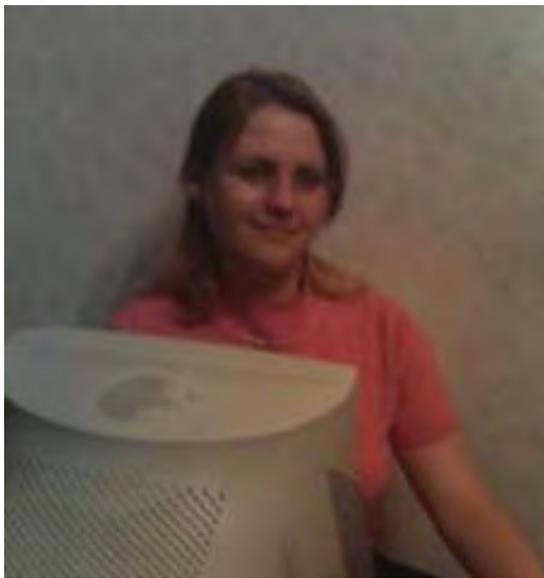
In order to meet the goal of reordering internal finances to pay for marketing activity, Astana EDC Finance Specialist Sergey Epple met with Ms. Irsalieva and taught her how apply financial management to solve the problem of uncollected credit now and to avoid it in the future. Elit began to collect overdue receivables,

applied factoring, reduced the period of payment on contracts with clients, and compiled a “black-list” of unreliable clients, all of which greatly improved the company’s receivables turnover, Saniya Irsalieva commented “we are now getting paid in 30 days, compared with the 60 and even 90 days that it took before.”

“Due to cooperation with Astana EDC specialists,” Saniya Irsalieva states, “I have realized several improvements in my business and focused on further business development, as I know that I can always rely on Astana EDC assistance and recommendations in aspects of enterprise improvement.”

7.1.2 Marketing Training creates change leader in Astana Firm

Ms. Lyubov Likhograi, a 25-year-old graduate of economics from Baytursunov State University in Kustanay, came to Astana to work as a junior accountant at a small food and wine wholesaler. After two years Lyubov had enough experience in accounting to be appointed as chief accountant; however her company decided to change its focus due to high competition, and diversified into the rapidly growing Astana construction market.



Lyubov Likhograi has implemented a continuous improvement environment

This new direction for Dial-Astana required new approaches in management. As Lyubov says, “for nearly 2 years the company was oriented towards yesterday’s market; it was working as it could, but not in the way requested by the constantly changing market.” Dial-Astana had no opportunities to hire a marketing specialist and so their chief accountant made an attempt to change the situation. Being informed about the “Center of Business Education and Marketing Research” and the ExxonMobil/USAID training seminars conducted by them, Lyubov decided to attend the Marketing Planning course.

As a seminar participant, she remembers that the course was conducted in a very interactive format, where each seminar participant was as a competitor, but at the same time during discussion they corrected each other and suggested better

decisions. Using this feedback, Lyubov developed a successful slogan for her company during her training sessions, which now accompanies Dial-Astana in newspaper

and television advertisements.

The main clients of Dial-Astana LLP are large customers and contracts to them are signed for long time-periods, with lesser focus on retail clients. During the course of the seminar Lyubov came to understand that each client has to be served from a position of their requirements. Back at her company she arranged a sales area, where goods and equipment are shown allowing clients to better study their range of products. Lyubov has also encouraged a climate of continuous improvement, whereby all employees are invited to suggest to her ways of improving the business through marketing and other areas.

“It’s not perfect yet, but the feelings of focusing on yesterday are gone,” comments Lyubov as she described the current situation at Dial-Astana, and she goes on to express her gratitude to the “Center for Business-Education and Marketing Research”, ExxonMobil Kazakhstan Inc., and USAID, for their support and business seminars which have proved so necessary and useful in her work’s conditions.

7.1.3 EDC plan helps women design their way to better business

“Zharkyn” LLP entered the Astana printing market in 1995, and by 2006 the company had grown to 75 employees, 68 of whom are women, including Executive Director Irina Borisovna. In spite of fact that the company had worked in the printing market for over 10 years, Irina admitted that their management structure was not operating at full efficiency. In Fall 2006 it was over half a year since she had first contacted the Astana EDC for consulting services, and though there had been great progress during those consultations, it was also clear from her work with EDC consultants Nikolay and Natalya that significant problems still existed an updated plan with new goals was required.

It became obvious after analysis that due to the nature of the work flow, employees’ hours of labor were very uneven: some days were very quiet, whilst other days staff worked more than 12 hours. One of the major strategies agreed was to examine and improve the production efficiency and to this end Irina used process analysis software to help her in analyzing problem areas.

Irina implemented a revised production system and results were immediate, within the first month, Irina was able to reallocate duties among her designers. Cross-training began to further improve their interchangeability and ensure coverage during absences and high-volume periods. The staff-resources released during just the first part of January (traditionally a slower month) succeeded in drawing in 20% more than the average monthly orders—an increase of approximately \$1,650. Two new designers were hired in the design department to help with this and future workload.

Zharkyn Director Irina Borisovna thanked all EDC consultants for taking the initiative and helping the creation of the electronic account and analyses system. “Introduction of the electronic system for company work analyses allows us to increase work effectiveness and to meet orders on time.”

7.1.4 Trainings give Manager New Tools to Raise Performance

Nurgul Seilova, 25, is a distance-study student of the Kazakh Philology Faculty of Kostanay State University, due to graduate in 2007. Nurgul moved from Kostabay to Astana 3 years ago, as she felt that the city offered her greater opportunities. Initially in Astana, Nurgul began working as a retail sales assistant, then she went to work for IE Abdrashitov, a canteen that provides meals for students and teachers of the Astana Juridical College, initially she was an assistant, but was then promoted to manager. In Fall 2006 she decided to attend Astana EDCs HR Management and Marketing Planning courses in order to further her qualifications and career.



Nurgul has implemented changes resulting in a 40% increase in turnover

Nurgul greatly appreciated the trainings. She liked the material, its presentation, and the lively in-class atmosphere. After courses she started to use her new skills and knowledge, for example, when hiring new employees she used the method of step-by-step interviews, where she was interested not only in the professional skills of potential employees, but also in their motivations, plans, and expectations.

Having hired new employees she began conducting market-research to enable her to maximize the canteen services. Through discussions, surveys, and brainstorming she identified potential clients and strategies to attract them. She increased the number and variety of dishes on the menu as well as improving customer service. From December, 2006, till March, 2007, this had the result of increasing the number of clients and canteen turnover by 40%.

Nurgul expresses her gratitude to ExxonMobil Kazakhstan Inc. and USAID for organizing business courses; she considers these seminars well positioned for Astana SMEs. “Knowledge that assists in organization and business development is always in great demand. Your courses assist in helping to organize a business correctly.”

7.1.5 EDC Year 2 Kickoff (KSBD)

ExxonMobil Kazakhstan Inc. (ExxonMobil), the United States Agency for International Development (USAID), and the Kazakhstan Loan Fund (KLF) celebrated the extension of the Enterprise Development Center (EDC) Global Development Alliance (Astana) with a special event attended by US Ambassador John Ordway, ExxonMobil General Manager David Willis, Kazakhstan Loan Fund Director Shalkar Zhusupov, and KSBD Chief of Party Patrick J. Perner. Alliance members announced additional funding to increase opportunities for micro, small, and medium businesses, and spoke on successes from 2006.

During its first year, the Astana EDC has brought strategic consulting services and training in the areas of financial management, marketing, and human resource management to improve market-oriented business practices among entrepreneurs of Astana. The Astana EDC has already provided 2002 participants with short educational courses, totaling over 2,160 hours of business training, and advised 63 companies with business consulting services in areas of strategy, finance, marketing, operations, and trade. The Astana EDC has formed a portfolio of clients with over \$3,000,000 in annual sales, and they have seen average sales and productivity increases of 18.8% and 19.1%, respectively, during work with them. The branch of the domestic microfinance institution, the Kazakhstan Loan Fund (KLF), has also been supported by the alliance, making more loans and financial services available to local micro-entrepreneurs. This alliance will now fund the Astana EDC through its second year of operation, July 2006 to June 2007, with further contributions from USAID (Kazakhstan Small Business Development Project), ExxonMobil, and KLF.

The second year of the Astana EDC, now underway, is expected to provide the Astana business community with an additional 2,000 hours of training, and specialized consulting to another 60 firms across sectors of the local economy. With increased knowledge and strengthened analytical skills, firms will be able to strategically manage their own businesses, be more profitable and achieve continued increases in sales and productivity.

During the months of October and November 2006, the Astana EDC provided 396 instructor-hours of training classes, with 367 participants in 6008 participant-hours of class time; total cumulative instructor-hours, participants, and participant-hours during the second grant-year (July 2006 to November 2006) have been 912 hours, 987 participants, and 16384 participant-hours. As of November, the EDC has increased its portfolio of consulting clients by 25 companies. The second year of work will end in June 2007.

KLF will continue play a central role in this alliance by leveraging its own resources through commercial sources of funding as it seeks to create its sixth sustainable micro-finance non-banking operation. Astana EDC was among the first projects around the world to receive funding from ExxonMobil Foundation under its Educating Women and Girls Initiative, aimed at expanding educational opportunities for women in the countries in which ExxonMobil operates. This project also builds on USAID best practices and experience supporting SME development over the past six years in Kazakhstan (in the cities of Atyrau, Uralsk, Pavlodar, Oskemen, and Almaty) and throughout Central Asia.

The Press Release for this event is attached to this report in the Appendix, and there is also a Success Story listed later in the report.

7.1.6 USAID and ExxonMobil extend assistance to Astana Entrepreneurs

On October 18th, 2006, the Global Development Alliance Partnership between ExxonMobil Kazakhstan Inc. (ExxonMobil), the United States Agency for International Development (USAID Kazakhstan Small Business Development Project), and the Kazakhstan Loan Fund (KLF) celebrated the extension of the Enterprise Development Center (EDC Astana) GDA funding for the coming year with a special event attended by US

Ambassador John Ordway, ExxonMobil General Manager David Willis, Kazakhstan Loan Fund Director Shalkar Zhusupov, and KSBD Chief of Party Patrick J. Perner.



US Ambassador to Kazakhstan John Ordway toasts the success of the EDC with Government of Kazakhstan representative Nasima Nurmadiyeva, as ExxonMobil General Manager David Willis and Kazakhstan Small Business Development Project Chief of Party Patrick J. Perner also take part in the celebration.

During the event, it was noted that over its first year in operation (previously under the EDP Project), the Astana EDC had brought strategic consulting services and training in the areas of financial management, marketing, and human resource management to improve market-oriented business practices among entrepreneurs of Astana, and in particular women-owned businesses. The Astana EDC has already provided 2002 participants with short educational courses, totaling over 2,160 hours of business training, and advised 63 companies with business consulting services in areas of strategy, finance, marketing, operations, and trade. During this time, the Astana EDC has also formed a portfolio of clients with over \$3,000,000 in annual sales, and they have seen average sales and productivity increases of

18.8% and 19.1%, respectively, during work with them. The Kazakhstan Loan Fund (KLF) has also supported the alliance by making more loans and financial services available to local micro-entrepreneurs.

This GDA alliance will now fund the Astana EDC through its second year of operation, through June 2007, with further contributions from USAID (Kazakhstan Small Business Development Project), ExxonMobil, and the KLF and is expected to provide the Astana business community with an additional 2,000 hours of training, and specialized consulting to another 60 firms across sectors of the local economy. This project also builds on USAID best practices and experience supporting SME development over the past six years in Kazakhstan (in the cities of Atyrau, Uralsk, Pavlodar, Oskemen, and Almaty) and throughout Central Asia.

7.1.7 USAID Launches Two New Projects in Support of Economic Growth for Central Asia and Kazakhstan

On December 6, 2006, the United States Agency for International Development (USAID) announced the beginning of two new four-year projects, respectively entitled “*Business Environment Improvement*” and “*Kazakhstan Small Business Development*,” in support of small and medium enterprise development. The launch event was attended by representatives of USAID, the Government of Kazakhstan, donor organizations, USAID implementers, as well as local NGOs, universities, and private enterprise.



Mrs. Erin Nicholson Pacific, Acting Director for the Economic Growth Office of USAID Central Asia, opens with remarks.

The Business Environment Improvement (BEI) Project, a \$17 million USD initiative, expects to impact the foundation of business by working to improve legislation in support of small and medium enterprise development; BEI will have project offices in Almaty and Astana within Kazakhstan, as well as in Bishkek, Kyrgyzstan and Dushanbe, Tajikistan.

The Kazakhstan Small Business Development (KSBD) Project is co-financed by USAID and the Government of Kazakhstan, for \$8.9 million USD and the project will work through a network of indigenous providers who in turn will support regional development of small and medium enterprises; the KSBD project will have project offices solely in Almaty and Astana, Kazakhstan.



KSBD Deputy Director Alma Kasymova confers with Vladimir Eivlev, Administrative Director of First Credit Bureau, on maximum SME impact.

During the recent launch attended by stakeholders and reported by members of the press, Erin Nicholson Pacific, Acting Director for the Economic Growth Office of USAID Central Asia stated, “USAID is very pleased to begin these two new initiatives in support of Economic Growth for the countries of Kazakhstan, Kyrgyzstan and Tajikistan. We are sure they will lead to significant impact for the region, strengthening the local economies and building a stronger global economy.”

“Kazakhstan is a leader in the region and the BEI Project will impact both Kazakhstan and Central Asia as a whole, raising the region to a higher level of development, enabling new opportunities and recognizing synergies between these countries in support of small and medium enterprise development” commented BEI Chief of Party Kelly Seibold.

KSBD Chief of Party Patrick J. Perner remarked, “SMEs are a major factor of economic growth and a key to employment generation. The development of small and medium size business sector is a key element in the transition to a competitive, market economy and KSBD will help to achieve this result.” The macro goals of

these two new projects are to support and promote entrepreneurship and economic development, create a capacity within the local government in support of SMEs, open a dialogue between private and public sectors, and build an indigenous network support providers for SMEs.

Both projects will be managed by the Pragma Corporation, which has over ten years of experience in the Central Asian market.

7.1.8 Republic of Kazakhstan formally accepted into GEM (Global Entrepreneurship Monitoring) Consortium



GEM Kazakhstan Coordinator and the Head of the Auditing and Accounting Department of the Innovative Eurasia University (Pavlodar) Ms. Zhanat Altaibayeva (right) poses with another country GEM consortium member.

During November 2006, USAID's Kazakhstan Small Business Development Project issued a tender to select a Kazakh university to receive training in Global Entrepreneurship Monitoring (GEM) practices. GEM (www.gemconsortium.org) is the largest single study of entrepreneurial activity in the world and has been expanded from a comparison of 10 countries in 1999 to 42 countries in 2006. GEM surveys are conducted on an annual basis, and are currently implemented in over 40 middle and high income countries. Based on the tender, the Innovative Eurasia University (IEU Pavlodar) was selected to participate in the London training of GEM techniques and procedures which took place during the first part of January, 2007. As a result, USAID's Kazakhstan Small Business Development Project sent (IEU) university representatives, and Ms. Guzal Baimuldinova and Ms. Zhanat Altaibayeva to London for training and they learned GEM statistical techniques.

Due to their representation and performance at the meeting, on January 13th, Kazakhstan was notified that it has been accepted into the GEM consortium and during the course of this year, IEU will be performing a GEM statistical analysis of entrepreneurial development in the country of Kazakhstan which will allow for SME (small and medium enterprise) comparison to other highly competitive countries in the world. This new success is particularly noteworthy as Kazakhstan's goal is to become one of the top 50 competitive countries in the world; Kazakhstan's inclusion in to the GEM consortium reflects the serious high level development of SMEs now taking place in the Kazakh economy.

7.1.9 Business Training Saves the Company and 30 Jobs

Mirash Orynbasar, 48 years old, is a native of Kostanai, Kazakhstan, where she graduated from Kostanai State Agricultural University in 1986, and worked as an accountant, chief accountant, and later as an auditor. In 2003 Mirash's family moved from Kostanai to Astana, where they found more opportunities for professional development, and she quickly found herself promoted to chief accountant of "7 Continent", an Astana firm specializing in the production and sales of soft drinks. The company also runs an affiliated enterprise: "Maxim NS", which produces mineral water.

In 2005 Ms. Orynbasar heard about the courses conducted by ExxonMobil Kazakhstan Inc. & USAID, but only in autumn 2006 did she have time to attend the series of courses she was interested in, on “Analysis of Financial Statements”, “Business Planning”, and “Tax and Law”. She found the courses very useful; their new teaching methodology assisted her in mastering the material quickly, and she found company case study activities especially valuable. After finishing the courses, Mirash found the knowledge gained to be invaluable when Maxim NS was faced with possible closure.



Mirash Orynbasar and a selection of Maxim NS products

Maxim NS had been financially underperforming, and company managers had decided to close the company. A decision which would put more than 30 employees out of work. During one management meeting, Ms. Orynbasar used knowledge gained from her training to demonstrate the feasibility of keeping the company operating. The management decided to follow Mirash’s recommendations and began a company reorganization, as well as selling an additional line of water under their “Tassay” brand.

Ms. Orynbasar is happy and proud of that fact that with the knowledge she gained at ExxonMobil/USAID business courses she helped her company to continue operating and save 30 jobs.

In the future Mirash would like to open her own company, specializing in finance and audit services, and the courses she took have moved her closer to that goal, as well as assisting with her current work. Ms. Orynbasar expresses her thanks to ExxonMobil Kazakhstan Inc. and the USAID for the opportunity to take part in business training, and for their arrangement and conducting of such seminars in Astana.

7.1.10 Training in Human Resources Opens Doors to Realize Potential

Gulsara Yesimova, 27, graduated in 2002 from Medicine University in Astana and found herself work in a pharmaceutical company in Astana. She enjoyed her job, and especially treasured the personal contacts she sometimes had with customers, when she had opportunities to help them face-to-face. The more Gulsara worked the more she realized about the field she had the most interest in was human resource management—working with people and consulting them. After working more than a year for the pharmaceutical company Gulsara went back to the university, combining work and study and earning in 2004 a diploma in Human Resource Management from Kaynar University in Astana.



With the help of Astana EDC trainings, Gulsara Yesimova has made rapid progress in her chosen field

Gulsara was hired by the small recruiting agency “Personnel” in Astana, where she learned how the system of personnel recruiting works: spotting the most-read newspapers and journals for job announcements and compiling questions for initial interviews. Although she gained precious practical experience Gulsara still felt a need for more-advanced knowledge. She kept attending different workshops and trainings in her field, and quickly noticed in September 2005 the Human Resource training in Astana sponsored by ExxonMobil Kazakhstan Inc. Though it was difficult to find the time away from work, she was able to attend a few months later in January, despite the extremely cold weather of Astana. Ms. Yesimova liked the training, as it both helped her to systematize her experience and to learn new methods of assessment, procedures, and ways to help a new employee to adapt in their team quickly. Ms. Yesimova also enjoyed the methods of teaching at the training, where material was easily delivered through games and group discussions.

After her training Gulsara felt confident enough to apply to a larger company. She applied to the BI group, a leading construction company in Astana with another 22 branches throughout the country. She was hired after passing all tests and interviews, at twice her previous salary. Presently Gulsara manages more than 300 people and keeps a very busy schedule. Ms. Yesimova is very busy and happy with her job, saying that now she is applying all her knowledge and skills she worked to obtain before, in the job she always dreamt about.

In the future Gulsara wants to become head of the HR department, and is thankful for the training funded by Exxon Mobil and USAID. She says HR is a new field in Kazakhstan and the business community needs knowledge in this area, so it’s wonderful that ExxonMobil and USAID provide such trainings, reacting to rising demand. And, it’s a real help for business development in Astana.

7.1.11 Alliance extends funding to further Astana’s economic and social development

ASTANA, KAZAKHSTAN, October 18, 2006—Today ExxonMobil Kazakhstan Inc. (ExxonMobil), the United States Agency for International Development (USAID), and the Kazakhstan Loan Fund (KLF) announce the extension of support for the Enterprise Development Center in Astana (Astana EDC). Following the opening of the Astana EDC last year, the alliance will provide additional joint funding to support the Astana EDC through its second year of operations with the goal of increasing opportunities for micro, small, and medium businesses. Following the initial joint contribution of \$1.15 million, this year the alliance will provide funding of \$2.45 million.

Since July 2005, the Astana EDC, working with and mentoring local trainers, provided more than 2,000 Kazakhstanis with over 130 educational business training courses and advised over 60 companies on business consulting services in the areas of strategy, finance, marketing, operations, and trade. The Astana EDC has formed a portfolio of clients with more than \$3 million in annual sales; on average, these companies increased their sales by 18.8% and productivity by 19.1%. During its second year of operations, the Astana EDC is expected to provide the Astana business community with an additional 2,000 hours of training and specialized consulting to another 60 firms across sectors of the local economy. By continuing to strengthen the capacity, professionalism, and sustainability of local training providers, the alliance will also contribute to longer-term market development for training and educational services.

“The Astana EDC was among the first projects around the world to receive funding from ExxonMobil Foundation under its Educating Women and Girls Initiative,” said David N. Willis, General Manager of ExxonMobil Kazakhstan Inc. “We strongly believe that investments in education and increased opportunities for women deliver broad benefits for all community members and serve as a catalyst for economic and social development. As a responsible corporate citizen, ExxonMobil has been involved in this and many other projects to contribute to the development of the Kazakhstani economy.

KLF, as the micro lending institution will continue to provide loans and financial services to local micro-

entrepreneurs. “During the past year, the Astana branch generated a \$1,000,000 loan portfolio. With KLF’s planned contribution of \$2,000,000 for the second year, the Astana branch will generate a \$3,000,000 loan portfolio, support over 2,500 clients, and create and sustain 2,000 jobs,” said Shalkar Zhussupov, General Director of KLF.

“We are delighted to partner with ExxonMobil and Kazakhstan Loan Fund to help entrepreneurs in Astana,” said U.S. Ambassador to Kazakhstan John Ordway. “This innovative approach is an outstanding example of a public-private partnership which contributes to the broader goals of promoting job creation, particularly among women, and diversification of the Kazakhstan economy.” The American people through USAID have provided more than \$500 million to strengthen Kazakhstan’s economy, health sector, and democratic institutions over the past 14 years. The Astana EDC initiative builds on USAID best practices and experience supporting SME development in Kazakhstan and Central Asia.

7.1.12 USAID’s Kazakhstan Small Business Development Project and USAID’s Regional Competitiveness Initiative Announces Business Services Provider (BSP) Event on April 12th in Almaty, Kazakhstan

Almaty, Kazakhstan: On April 12th, USAID’s Kazakhstan Small Business Development Project and USAID’s Regional Competitiveness Initiative will hold a Business Services Provider (BSP) Best International Practices Event at the Otrar Hotel in Almaty, Kazakhstan. The Business Services Provider (BSP) Event will be held with regional participation of Kazakh BSPs who will learn the Best Practices of BSPs from countries such as Poland, Montenegro, Bulgaria, and Southeast Europe.

The purpose of this event is to teach Best International Practices of Business Services Providers from other regional countries which can then be applied by Business Services Providers in Kazakhstan. Kazakh BSPs will also be presenting their application of services in the regions, including the Sodbi Business Training and Incubator (Shymkent, Kazakhstan), the Association of Business Consultants (ICC Business Advisors, Almaty Kazakhstan), the IBC Group (Uralsk, Kazakhstan).

Patrick J. Perner, Director of USAID’s Kazakhstan Small Business Development Project, commented “BSPs will provide strong support to SME (small and medium enterprise) development in the regions of Kazakhstan, by providing services that match the needs of growing enterprises, helping SMEs to improve, grow, and during this process, create new and sustained sources of employment. This work, in combination with an improved overall business environment, will indeed lead to strong and sustained economic growth and the creation of new opportunities for the citizens of Kazakhstan. For Kazakhstan to best assist the SME sector, it requires strong and sustainable Business Service Providers which can match SME needs – SMEs that will enter the market, grow, and create new opportunities for the country. This is the future of Kazakhstan – which can be achieved through strong private sector support.”

Neal W. Nathanson, Senior Competitiveness Advisor, Europe and Eurasia Bureau (USAID Washington, DC) commented, “Competitive firms come up with new ways of doing things to improve the market appeal of their products and to lower production costs through efficiencies.” BSPs can play an important role in ensuring regional Kazakh firms become and remain competitive.

Members of the local/regional BSPs will be presenting in addition to the following personnel:

Neal Nathanson, USAID Senior Competitiveness Advisor (Expert) – Washington DC
Mirek Zielinski, Unilob Company, Warsaw, Poland
Dr. Krassen Stanchev, Government Liaison Specialist, Bulgaria
Nickolay Yarmov, CEED Bulgaria
Dragana Radovic, CEED Montenegro
Gergana Valova, Trade Network Southeast Europe

Patrick J. Perner, Director, USAID Kazakhstan Small Business Development Project

The BSP Event intends take a look at practical methods that will improve Kazakhstan's BSPs taking into consideration other regional countries and the successes they have had as a result of focusing assistance in this area. Other regional country BSPs will present to the audience; these BSPs will be from Bulgaria, Montenegro, Poland, and Southeast Europe.

The BSP Event will take place on April 12th at the Otrar Hotel in Almaty, Kazakhstan during 8:45 a.m. to 16:45 p.m.

7.1.13 USAID's Kazakhstan Small Business Development Project and USAID's Regional Competitiveness Initiative Announces Competitiveness Forum on April 17th in Astana

Astana/Almaty, Kazakhstan: On April 17th, USAID's Kazakhstan Small Business Development Project and USAID's Regional Competitiveness Initiative will hold a Competitiveness Forum at the Intercontinental Hotel in Astana, Kazakhstan. The Competitiveness Forum will be held with members of the Government of Kazakhstan and is expected to include personnel from the Ministry of Industry and Trade, Ministry of Economy and Budget Planning, etc, as well as key representatives from socially-owned corporations such as KAZYNA, CMAR (Center for Marketing Analysis and Research) and SMEF (Small and Medium Enterprise Fund).

Neal W. Nathanson, Senior Competitiveness Advisor, Europe and Eurasia Bureau (USAID Washington, DC) commented "Growth in a market economy takes place at the level of firms and industries. Individual firms make and sell products, and in the course of doing this, they employ people, pay wages, purchase other services and supplies, and distribute the benefits of growth. Competitiveness is a prerequisite to growth." The United States Agency for International Development (USAID) strongly supports Kazakhstan in developing its economic competitiveness.

Also commenting, Patrick J. Perner, Director of the Kazakhstan Small Business Development Project, relayed "Kazakhstan has made strong commitment to enter the 50 most competitive countries, and USAID supports this endeavor taken up by the Government of Kazakhstan. This can be best understood as a process to improve firms, enterprises and businesses throughout Kazakhstan, which in turn will support the development of the economy. The Kazakhstan Small Business Development Project is pleased to support this Competitiveness Forum and the Government of Kazakhstan's efforts to improve small enterprises in support of strong economic growth for Kazakhstan."

Members of the Government of Kazakhstan will be presenting in addition to the following personnel:

Neal Nathanson, USAID Senior Competitiveness Advisor (Expert) – Washington DC
Dr. Ciara Michelle Browne, World Economic Forum, Switzerland
Dr. Margareta Drzeniek, World Economic Forum, Switzerland
Mirek Zielinski, Unilob Company, Warsaw, Poland
David Meyer, USAID Office of Economic Growth – Washington, DC
Dr. Michael Boyd, USAID Central Asia
Dr. Krassen Stanchev, Government Liaison Specialist, Bulgaria
Patrick J. Perner, Director, USAID Kazakhstan Small Business Development Project

The Competitiveness Forum will take a look at practical methods that will improve Kazakhstan's competitiveness with discussion from regional and international experts as well as members of the World Economic Forum (Switzerland). Discussion will also focus on how to enhance Kazakhstan's

competitiveness and steps the government can take to facilitate business and economic growth, and well as steps that will ensure economic growth and competitiveness is also not impeded.

The Competitiveness Forum take place on April 17th at the Intercontinental Hotel in Astana, Kazakhstan during 8:45 a.m. to 16:45 p.m.

For more information, please contact USAID’s Kazakhstan Small Business Development Project (Alma Kasymova) at: (327) 244-5804/05/06.

7.2 Astana EDC training report

7.2.1 Overview

This report aims to inform its audience of the completion of the business training program conducted by the Business Training Component of the Astana EDC during the reporting period October 2006 to March 2007.

It should be noted that from beginning December 2006 Astana EDC activities come under KSBD (previously Astana EDC was under the EDP contract). Note however that the Enterprise Improvement portfolio performance figures include ongoing services and performance-monitoring for clients inherited from the EDP project when the Astana EDC became a part of KSBD.

During the month of December (Dec. 11th-15th) the Federation for SME Development held special trainings on behalf of the Association of Blind Peoples of Kazakhstan (ABPK) as Training-of-Trainer (TOT) sessions for representatives from throughout Kazakhstan, covering Business Planning and Marketing topics. The Astana EDC is excited by the opportunity to reach out to the women and girls of an even-more underserved segment in Kazakhstan.

7.2.2. Enterprise Improvement Consulting Statistics and Numbers

	Strategic Plans
July	0
August	0
September	8
October	8
November	9
December	2
January	1
February	0
March	6
Total	34

Note: Additional 25 SAPs completed for GDA prior to assumption of KSBD contract management.

At end of March, SAP client portfolio managed by Astana EDC represents at least \$3,903,082 in monthly sales, with annualized sales and productivity increases of 69.8% and 109.4%, respectively. Average actual sales and productivity increases are 40.6% and 110.4%.

7.2.3 Attendance per month by Gender and Type of Organization

	Participants	Female	Employed by SME	Entrepreneurs	Others
July	100	100	98	2	0
August	265	258	177	85	3
September	255	179	109	92	54
October	302	212	143	67	92
November	65	51	20	16	29
December	116	80	95	16	5
January	17	15	12	5	0
February	73	51	19	22	10
March	164	136	41	66	57
Total	1357	1082	714	371	250

7.2.4 Attendance per month by Local Training Provider

	Akhbutina	Sfera MAB-110	Zhumanova	Federation *	Center**	Tooran	Total
July	0	n/a	100	0	0	0	100
August	0	n/a	265	0	0	0	265
September	76	n/a	148	0	0	31	255
October	0	n/a	148	97	30	27	302
November	0	n/a	8	24	19	14	65
December	0	n/a	23	40	53	0	116
January	0	n/a	0	0	17	0	17
February	***	-	27	17	19	10	73
March	-	18	38	59	26	23	164
Total	76	18	757	237	164	105	1357

* Federation for SME Development

** Center for Business Education and Marketing Research

*** Maidirova Aigul Bolatovna (MAB) BSP began providing services in March

Note: non-performing BSP "Akhbutina" discontinued as of February 2007

7.2.5 Attendance per month by Courses attended

	BP	MP	AFS	HRM	TL	Total
July	25	25	0	25	25	100
August	64	45	77	52	27	265
September	36	42	45	70	62	255
October	60	60	53	95	34	302
November	0	14	43	8	0	65
December	20	38	18	23	17	116
January	17	0	0	0	0	17
February	22	0	0	32	19	73
March	10	32	18	58	46	164
Total	254	256	254	363	230	1357

Course acronyms:

BP – Business Planning

MP – Marketing Planning

AFS – Analysis of Financial Statements

HRM – Human Resource Management

TL – Tax and Law

7.2.6 Cummulative attendance per course by LTP

	BP	MP	AFS	HRM	TL	Total
Akhbutina	0	16	28	32	0	76
Sfera MAB-110	0	0	18	0	0	18
Zhumanova	148	147	124	182	156	757
Federation	58	38	24	103	14	237
Center	17	32	52	15	48	164
Tooran	31	23	8	31	12	105
Total	254	256	254	363	230	1357

7.2.7 Number of courses conducted per month

	BP	MP	AFS	HRM	TL	Total
July	1	1	0	1	1	4
August	3	2	3	2	1	11
September	2	3	3	5	3	16
October	3	4	4	6	3	20
November	0	1	2	1	0	4
December	1	2	1	1	1	6
January	1	0	0	0	0	1
February	2	0	0	2	1	5
March	1	2	1	3	3	10
Total	14	15	14	21	13	77

7.2.8 Instructor hours per month

	BP	MP	AFS	HRM	TL	Total
July	16	16	0	16	20	68
August	48	32	48	32	20	180
September	32	48	48	80	60	268
October	48	64	64	96	60	332
November	0	16	32	16	0	64
December	16	32	16	16	20	100
January	16	0	0	0	0	16
February	32	0	0	32	20	84
March	16	32	16	48	60	172
Total	224	240	224	336	260	1284

BP, MP, AFS, and HRM courses are 16-hours per course.

TL courses are 20-hours per course.

7.2.9 Student hours per month

	BP	MP	AFS	HRM	TL	Total
July	400	400	0	400	500	1,700
August	1,024	720	1,232	832	540	4,348
September	576	672	720	1,120	1,240	4,328
October	960	960	848	1,520	680	4,968
November	0	224	688	128	0	1,040
December	320	608	288	368	340	1,924
January	272	0	0	0	0	272
February	352	0	0	512	380	1,244
March	160	512	288	928	920	2,808
Total	4,064	4,096	4,064	5,808	4,600	22,632

BP, MP, AFS, and HRM courses are 16-hours per course.
 TL courses are 20-hours per course.

7.3 Training Program Data					
Training Program Name:		Kazakhstan Small Business Development Project (KSBD)			
USAID Managing Activity (Funding Contract):		115-C-00-06-00014			
USAID Strategic Objective:		SO 1.3 Improved Environment for the growth of small and medium enterprises. Particularly: SO 1.3.1 Increased opportunity to acquire business information, knowledge and skills			
Field of Study:		Entrepreneurship skills training			
Training Type:		Multiple (refer below)			
Training Location:		Multiple (refer below)			
Program Start Date:		Multiple (refer below)			
Program End Date:		Multiple (refer below)			
Program Status:		completed			
Training Provider (Name, City, State, & Country):		Multiple (refer below)			
Name of the Prime Contractor for the Activity:		Kazakhstan Small Business Development Project			
Street Address and country of the contractor:		17 Nauryzbai Batyr, Office 211, Almaty 050004, Kazakhstan			
TRAINING COMPONENTS: If the Training Program has multiple events, Please list all components:					
Component Name	Training Type	Training Provider (Name, City, State, & Country)	Start Date	End Date	Full-Time Equiv.
Business Planning	EDC Business Course	Federation for Small and Medium Enterprise Development, Astana, Akmolinsk Oblast, Kazakhstan	11.12.06	15.12.06	16 hrs
Marketing Planning	EDC Business Course	Federation for Small and Medium Enterprise Development, Astana, Akmolinsk Oblast, Kazakhstan	11.12.06	15.12.06	16 hrs
Marketing Planning	EDC Business Course	Center for Business Education and Marketing Research, Astana, Akmolinsk Oblast, Kazakhstan	13.12.06	17.12.06	16 hrs
Tax and Law	EDC Business Course	Center for Business Education and Marketing Research, Astana, Akmolinsk Oblast, Kazakhstan	14.12.06	18.12.06	20 hrs
Analysis of Financial Statement for Non-financial Manager	EDC Business Course	Center for Business Education and Marketing Research, Astana, Akmolinsk Oblast, Kazakhstan	25.12.06	28.12.06	16 hrs
Human Resource Management	EDC Business Course	Zhumanova LLP, Astana, Akmolinsk Oblast, Kazakhstan	21.12.06	24.12.06	16 hrs
Business Planning	EDC Business Course	Center for Business Education and Marketing Research, Astana, Akmolinsk Oblast, Kazakhstan	15.01.07	18.01.07	16 hrs
“GEM Entrepreneurship, Competitiveness and Quality of Life: Problems and Perspectives” Conference	Conference	Innovative Eurasia University, 102/4 Gorkiy Str., Pavlodar 140003, Kazakhstan Over hundred representatives from state agencies (Ministry of Education, Statistic Agency of KZ, Pavlodar oblast Entrepreneurship and Industry Department), SMEs, leading national business associations, Universities, and Media participated in the Conference. The following activities were done within the Conference: 1. The first GEM survey, which is the National Expert Survey (NES), has started. The results will be processed by InEU and presented to the GEM Consortium and later to Kazakhstan policy makers.Kazakhstan. 2. Alex Liu (GEM Expert) and Olga Rastrygina (GEM Tem from Latvia) presented GEM in context of competitiveness to the audience.	23.02.07	24.02.07	16 hrs
GEM Research	Seminar	GEM Training Innovative Eurasia University, 102/4 Gorkiy Str., Pavlodar 140003, Kazakhstan There was a “Global Entrepreneurship Monitor” seminar hold in Pavlodar organized by KSBD. This activity was done according to the GEM Kazakhstan Report conducting. The seminar was prepared for the GEM Team. There were 12 participants on the seminar: GEM Team (4 people), Brief (Vendor company – 1), SMEF (4), ASK (3).	25.02.07	26.02.07	16 hrs

FUNDING DATA: (Line-1: Amount Budgeted; Line-2: Amount Spent)

Business Planning, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
Business Planning, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
Marketing Planning, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
Marketing Planning, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
Tax and Law, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
Analysis of Financial Statement for Non-financial Managers, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
Human Resource Management, Astana											
USAID	Host Country Government		Provider		Private (ExxonMobil)						
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
			\$349.60				\$437.56				
			\$349.60				\$437.56				
“Entrepreneurship, Competitiveness and Quality of Life: Problems and Perspectives” Conference, Pavlodar, GEM Seminar											
Host Country Government	Private										
Instruction	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Instruction	Travel	Travel
\$3,520		\$18,480					\$437.56				
\$1,450		\$8,845					\$437.56				

For In-Country Programs Only

# of Males Attended	# of Females
98	229

Trainee (Participant) Data for U.S. and Third-Country Programs Only

Global Entrepreneurship Monitor (GEM) London Training (London Business School)

First Name	Last Name	Date of Birth (MM/DD/YY)	Gender	Country of Residence	Trainee Status	Return Status	Return to Work Date
Guzal	Baimuldinova	1/27/1979	female	Kazakhstan		Returned from UK to Almaty on Jan 16, 07	Returned to work in Pavlodar on Jan 17, 07
Zhanat	Altabayeva	11/14/1968	female	Kazakhstan		Returned from UK to Almaty on Jan 16, 07	Returned to work in Pavlodar on Jan 17, 07

7.4 The Global Entrepreneurship Monitor (GEM)

Additional to the review of activities of the Kazakh GEM team, this section acts as an introduction to the data collection methodologies, implications for policy makers, and promotion channels used by GEM.

7.4.1 Survey methodologies

7.4.1.1 Adult population survey

This is a telephone survey conducted by a polling organization in each country of a minimum of 2,000 respondents. The Kazakhstan GEM team must first objectively identify a reputable firm which has the capacity to complete 2000 random surveys across the country. Once this firm is identified, the team must then train the firm on standardized procedures for data collection to ensure consistency of data across populations. Once the data is compiled by the research firm, the coordination team then analyzes the raw data and makes necessary adjustments and corrections to standardize the data for use in the global survey. This is done to make sure that the data is representational of the general population and reflects the actual demographic and geographic parameters. The data is then harmonized and individuals are identified based on their entrepreneurial activity. Other variables are also identified that relate to entrepreneurial activity within the general population.

7.4.1.2 Expert survey

This comprises in-depth interviews with at least 18 experts in each country from finance, policy, government programs, education and training, technology transfer, support infrastructure and wider society/culture. It is supplemented by an expert questionnaire survey of at least 32 people and grouped into the same seven areas. The interview consists of both informal questions and formal questions, the latter being used as a quantitative basis for analysis. Questions generally concern areas such as national strengths and weaknesses as it pertains to entrepreneurial activity as well as which policy recommendations will benefit entrepreneurs and which policies are hindering growth in the entrepreneurial community.

7.4.1.3 Data usage

The qualitative and quantitative data collected across this range of countries is of interest to policy makers, commercial organizations and academics alike since it provides the world's richest source of evidence on comparative entrepreneurial behavior. The data cover the following areas:

- Total entrepreneurial activity (TEA) by age, gender, income levels, employment status, sector, groups of countries or country, region and locality. TEA can also be looked at in terms of opportunity entrepreneurship and necessity entrepreneurship.
- Attitudes towards entrepreneurship by the same classifications. These “cultural” variables include fear of failure, skills, knowing entrepreneurs and seeing good opportunities and hence are an excellent indicator of differences in culture between nations.
- Analysis of entrepreneurial behavior by types of business and by “newness” of firm. For example, the characteristics of more established businesses against very new businesses and compare sectors and countries within these categories.
- Analysis of start up financing including business angel activity, bank finance and formal venture capital.
- Analysis of the specific characteristics of technology based firms.
- Analysis of family firms.
- Analysis of social entrepreneurial activity.

7.4.2 Policy implications

The GEM survey provides a comprehensive description of entrepreneurial activity around the globe. This, in turn, provides a platform for debate in member countries concerning policy implications and best practices. Kazakhstan stands to benefit from benchmarking SME and entrepreneurial activity against international best practice, and from offering guidance on key areas for government support for entrepreneurial activity.

The institutional environment in Kazakhstan directly affects the vitality of the Kazakh SME sector, factors such as; property rights, monetary stability, rule of law, legal and financial transparency, and a fair competitive environment. The GEM survey presents Kazakhstan with an opportunity to monitor the impact of institutional environment reforms, and targeted SME support programs, to the SME sector on a global comparative scale.

GEM divides participating countries into two clusters; Middle-Income/High-growth, and High-income/Low-growth. Kazakhstan will sit within the former cluster, alongside GEM members such as Croatia, Hungary, Jamaica, Latvia, Slovenia and Venezuela. Countries within this first group have an average per capita GDP of \$6,252, and average GDP growth of 4.5%. Although Kazakhstan reports a lower GDP per capita of \$4,708, it reports a higher growth rate of 8.3%, suggesting that the Kazakh economy will soon be on a par to other GEM members in the middle-income category.⁴

GEM data supports the findings that there is a strong correlation between a country's level of economic development and its level and type of entrepreneurial activity. Countries with similar levels of GDP tend to exhibit similar levels of entrepreneurial activity.

At low levels of per capita GDP in countries such as Kazakhstan, there is a prevalence of many very small enterprises. As per capita income increases, industrialization and economies of scale allow larger and established firms to satisfy the increasing demands of growing markets and to increase their relative role in the economy. This early-stage entrepreneurial activity is generally higher in those countries with lower levels of GDP, it is expected that Kazakhstan will fit in this category.

GEM has highlighted a range of policy constraints common to Middle-Income countries. It is expected that highlighted constraints for Middle-Income countries will be applicable to varying degrees to the Kazakh model. The following are examples of key constraints highlighted by GEM:

- Middle-Income countries should pursue a strong commitment to entrepreneurship education and to instill fundamental aspects of an entrepreneurial culture to students at a formative age.
- Financial constraints, including access to affordable credit, and a lack of definition for property rights have been shown to be common issues for Middle-Income countries which greatly hinder entrepreneurial development.
- Government SME support initiatives in Middle-Income countries are often cumbersome, and unable to respond to the inherent dynamism of entrepreneurial activity.

7.4.3 Promotion

The profile of GEM Global is promoted in the following ways:

- Launch conference. This conference alternates bi-annually between London and Boston and is the biggest single entrepreneurship event in the world. The main global report is presented and the event is synchronized with national launch events around the world. International press, policy makers, business executives, commentators and academics attend the event. Each country within the study produces a short summary of their national findings for this event, although some may choose to launch their full reports at a later stage.

⁴ Data source: World Economic Outlook Database www.imf.org

- The GEM Global report: This is a substantial and authoritative statement of global entrepreneurial activity and is used by policy makers across the world to inform their own decisions on how to promote entrepreneurship. After the launch it is available in hard copy and pdf format.
- Individual briefing papers: The GEM Global team produces summary briefings by subject area, (e.g. access to finance, social entrepreneurship, regional development, technology, and women), and by country groupings, (e.g.: G8, EU, EU Accession countries, Asian Tigers, and Celtic nations). The target audience for these briefings is senior level policy makers in national governments and supra-national organizations (such as the EU, Davos, the WTO or the UN).

The website (www.gemconsortium.org): This is the source of any information about GEM or the participating countries.

7.4.4 Innovative University of Eurasia – overview of London GEM forum and planning meeting

The Global Entrepreneurship Monitor (GEM) annual forum and training took place in London from January 10-15th 2007. This event was attended by representatives of the Kazakh GEM team from the Innovative University of Eurasia (InEU), namely; Guzal Baimuldinova, Head of the International Department and GEM team leader, and Zhanat Altaibayeva, Head of the “Accounting and Audit” department and GEM team coordinator.

Key Note speakers at the Forum were: Rebecca Harding, Executive Director of GEM and The Global Entrepreneurship Research Association (GERA), representatives from the US and British Governments, University leaders, and representatives from the Private Sector. Each presentation was followed by a Questions and Answers session, addressing issues such as problems of entrepreneurial development in low income countries, and gender inequalities in entrepreneurial development.

The GEM training comprised of; short presentations from all participating countries, presentations from directors of GEM and GERA about the procedures for conducting entrepreneurship monitoring, the requirements for presenting findings to the GEM Consortium, and the process of data analysis and report writing. During these presentations and the discussions that followed, great attention was paid to:

1. The quality questionnaire translation from English into native languages;
2. Meeting deadlines;
3. Data analysis in SPSS (statistical software)

Two years following acceptance of a new country into the GEM Consortium, the country’s team leader can be nominated to the Board of GERA (with non-voting rights). In 2007 four countries have been nominated: The Philippines, Finland, Israel, and The United Arab Emirates.

The performance of the Kazakh GEM team at the Forum and Planning Meeting resulted in formal acceptance of Kazakhstan into the GEM Consortium, the first Central Asian country to achieve this prestigious honor. This means that the 2007 entrepreneurship monitor study in Kazakhstan will be included into the Global Entrepreneurship Development report available in early 2008.

Acceptance into the GEM consortium sees Kazakhstan stand alongside some of the worlds most dynamic economies, and for the Innovative Eurasian University, they join GEM teams drawn from some of the worlds leading universities, such as the Russian team from Saint-Petersburg State University and Moscow School of Economics.

The GEM project confers many benefits on InEU. Firstly, the GEM research project presents an expansive and challenging field for statistical research. Secondly, InEU will be the primary source of information on entrepreneurial development in Kazakhstan, meaning that leading entrepreneurs and experts from Kazakhstan, and beyond, will be approaching InEU for information on the state of

entrepreneurship in Kazakhstan. Additionally, InEU will be using materials and findings from the GEM survey for teaching purposes. Finally, the standing of InEU will be improved amongst students, parents, employers, and foreign investors.

*Report compiled by Guzal Baimuldinova,
Kazakh GEM Team Leader*

7.5.5 GEM acceptance letter



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Ms Guzal Baimuldinova
Head, International Relations
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Pavlodar
140003 Kazakhstan

15th January 2007

Dear Ms Baimuldinova

I am delighted to tell you that at its meeting on the 13th January 2007, the GERA Board formally approved your membership of the GEM Consortium starting with the annual cycle in 2007.

I very much look forward to working with you and please do not hesitate to contact me if you need any further information or assistance.

With best wishes

A handwritten signature in cursive script that reads 'Rebecca A. Harding'.

Dr. Rebecca Harding
Executive Director

Email: rharding@london.edu
Mobile: +44-7966-908164

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7.4.6 GEM National Expert Interview Questionnaire

SECTION I

The following statements assess national conditions influencing entrepreneurial activity in your country. Please circle the most appropriate option.

Not Applicable (NA)								
Do Not Know (DK)								
Completely True (5)								
Somewhat True (4)								
Neither True Nor False (3)								
Somewhat False (2)								
Completely False (1)								
Topic A								
A0 1	In my country, there is sufficient equity funding available for new and growing firms.	1	2	3	4	5	D K	N A
A0 2	In my country, there is sufficient debt funding available for new and growing firms.	1	2	3	4	5	D K	N A
A0 3	In my country, there are sufficient government subsidies available for new and growing firms.	1	2	3	4	5	D K	N A
A0 4	In my country, there is sufficient funding available from private individuals (other than founders) for new and growing firms.	1	2	3	4	5	D K	N A
A0 5	In my country, there is sufficient venture capitalist funding available for new and growing firms.	1	2	3	4	5	D K	N A
A0 6	In my country, there is sufficient funding available through initial public offerings (IPOs) for new and growing firms.	1	2	3	4	5	D K	N A
Topic B								
B0 1	In my country, government policies (e.g., public procurement) consistently favor new firms.	1	2	3	4	5	D K	N A
B0 2	In my country, the support for new and growing firms is a high priority for policy at the national government level.	1	2	3	4	5	D K	N A
B0 3	In my country, the support for new and growing firms is a high priority for policy at the local government level.	1	2	3	4	5	D K	N A
B0 4	In my country, new firms can get most of the required permits and licenses in about a week.	1	2	3	4	5	D K	N A
B0 5	In my country, the amount of taxes is <u>NOT</u> a burden for new and growing firms.	1	2	3	4	5	D K	N A
B0 6	In my country, taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.	1	2	3	4	5	D K	N A
B0 7	In my country, coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms.	1	2	3	4	5	D K	N A
Topic C								
C0 1	In my country, a wide range of government assistance for new and growing firms can be obtained through contact with a single agency.	1	2	3	4	5	D K	N A
C0 2	In my country, science parks and business incubators provide effective support for new and growing firms.	1	2	3	4	5	D K	N A
C0 3	In my country, there are an adequate number of government programs for new and growing businesses.	1	2	3	4	5	D K	N A

C0 4	In my country, the people working for government agencies are competent and effective in supporting new and growing firms.	1	2	3	4	5		D K	N A
C0 5	In my country, almost anyone who needs help from a government program for a new or growing business can find what they need.	1	2	3	4	5		D K	N A
C0 6	In my country, government programs aimed at supporting new and growing firms are effective.	1	2	3	4	5		D K	N A
Topic D									
D0 1	In my country, teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.	1	2	3	4	5		D K	N A
D0 2	In my country, teaching in primary and secondary education provides adequate instruction in market economic principles.	1	2	3	4	5		D K	N A
D0 3	In my country, teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.	1	2	3	4	5		D K	N A
D0 4	In my country, colleges and universities provide good and adequate preparation for starting up and growing new firms.	1	2	3	4	5		D K	N A
D0 5	In my country, the level of business and management education provide good and adequate preparation for starting up and growing new firms.	1	2	3	4	5		D K	N A
D0 6	In my country, the vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.	1	2	3	4	5		D K	N A
Topic E									
E0 1	In my country, new technology, science, and other knowledge are efficiently transferred from universities and public research centers to new and growing firms.	1	2	3	4	5		D K	N A
E0 2	In my country, new and growing firms have just as much access to new research and technology as large, established firms.	1	2	3	4	5		D K	N A
E0 3	In my country, new and growing firms can afford the latest technology.	1	2	3	4	5		D K	N A
E0 4	In my country, there are adequate government subsidies for new and growing firms to acquire new technology.	1	2	3	4	5		D K	N A
E0 5	In my country, the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area.	1	2	3	4	5		D K	N A
E0 6	In my country, there is good support available for engineers and scientists to have their ideas commercialized through new and growing firms.	1	2	3	4	5		D K	N A
Topic F									
F0 1	In my country, there are enough subcontractors, suppliers, and consultants to support new and growing firms.	1	2	3	4	5		D K	N A
F0 2	In my country, new and growing firms can afford the cost of using subcontractors, suppliers, and consultants.	1	2	3	4	5		D K	N A
F0 3	In my country, it is easy for new and growing firms to get good subcontractors, suppliers, and consultants.	1	2	3	4	5		D K	N A
F0 4	In my country, it is easy for new and growing firms to get good, professional legal and accounting services.	1	2	3	4	5		D K	N A
F0 5	In my country, it is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).	1	2	3	4	5		D K	N A

Topic G								
G01	In my country, the markets for consumer goods and services change dramatically from year to year.	1	2	3	4	5	D K	N A
G02	In my country, the markets for business-to-business goods and services change dramatically from year to year.	1	2	3	4	5	D K	N A
G03	In my country, new and growing firms can easily enter new markets.	1	2	3	4	5	D K	N A
G04	In my country, the new and growing firms can afford the cost of market entry.	1	2	3	4	5	D K	N A
G05	In my country, new and growing firms can enter markets without being unfairly blocked by established firms.	1	2	3	4	5	D K	N A
G06	In my country, the anti-trust legislation is effective and well enforced.	1	2	3	4	5	D K	N A
Topic H								
H01	In my country, the physical infrastructure (roads, utilities, communications, waste disposal) provides good support for new and growing firms.	1	2	3	4	5	D K	N A
H02	In my country, it is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.).	1	2	3	4	5	D K	N A
H03	In my country, a new or growing firm can get good access to communications (telephone, internet, etc.) in about a week.	1	2	3	4	5	D K	N A
H04	In my country, new and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer).	1	2	3	4	5	D K	N A
H05	In my country, new or growing firms can get good access to utilities (gas, water, electricity, sewer) in about a month.	1	2	3	4	5	D K	N A
Topic I								
I01	In my country, the national culture is highly supportive of individual success achieved through own personal efforts.	1	2	3	4	5	D K	N A
I02	In my country, the national culture emphasizes self-sufficiency, autonomy, and personal initiative.	1	2	3	4	5	D K	N A
I03	In my country, the national culture encourages entrepreneurial risk-taking.	1	2	3	4	5	D K	N A
I04	In my country, the national culture encourages creativity and innovativeness.	1	2	3	4	5	D K	N A
I05	In my country, the national culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life.	1	2	3	4	5	D K	N A
Topic K								
K01	In my country, there are plenty of good opportunities for the creation of new firms.	1	2	3	4	5	D K	N A
K02	In my country, there are more good opportunities for the creation of new firms than there are people able to take advantage of them.	1	2	3	4	5	D K	N A
K03	In my country, good opportunities for new firms have considerably increased in the past five years.	1	2	3	4	5	D K	N A
K04	In my country, individuals can easily pursue entrepreneurial opportunities.	1	2	3	4	5	D K	N A
K05	In my country, there are plenty of good opportunities to create truly high growth firms.	1	2	3	4	5	D K	N A
Topic L								
L0	In my country, many people know how to start and manage a high-	1	2	3	4	5	D	N

1	growth business.									K	A
L0 2	In my country, many people know how to start and manage a small business.	1	2	3	4	5				D K	N A
L0 3	In my country, many people have experience in starting a new business.	1	2	3	4	5				D K	N A
L0 4	In my country, many people can react quickly to good opportunities for a new business.	1	2	3	4	5				D K	N A
L0 5	In my country, many people have the ability to organize the resources required for a new business.	1	2	3	4	5				D K	N A
Topic M											
M0 1	In my country, the creation of new ventures is considered an appropriate way to become rich.	1	2	3	4	5				D K	N A
M0 2	In my country, most people consider becoming an entrepreneur as a desirable career choice.	1	2	3	4	5				D K	N A
M0 3	In my country, successful entrepreneurs have a high level of status and respect.	1	2	3	4	5				D K	N A
M0 4	In my country, you will often see stories in the public media about successful entrepreneurs.	1	2	3	4	5				D K	N A
M0 5	In my country, most people think of entrepreneurs as competent, resourceful individuals.	1	2	3	4	5				D K	N A
Topic N											
N0 1	In my country, the Intellectual Property Rights (IPR) legislation is comprehensive.	1	2	3	4	5				D K	N A
N0 2	In my country, the Intellectual Property Rights (IPR) legislation is efficiently enforced.	1	2	3	4	5				D K	N A
N0 3	In my country, the illegal sales of 'pirated' software, videos, CDs, and other copyrighted or trademarked products is not extensive.	1	2	3	4	5				D K	N A
N0 4	In my country, new and growing firms can trust that their patents, copyrights, and trademarks will be respected.	1	2	3	4	5				D K	N A
N0 5	In my country, it is widely recognized that inventors' rights for their inventions should be respected.	1	2	3	4	5				D K	N A
Topic P											
P0 1	In my country, there are sufficient social services available so that women can continue to work even after they start a family.	1	2	3	4	5				D K	N A
P0 2	In my country, starting a new business is a socially acceptable career option for women.	1	2	3	4	5				D K	N A
P0 3	In my country, women are encouraged to become self-employed or start a new business.	1	2	3	4	5				D K	N A
P0 4	In my country, men and women get equally exposed to good opportunities to start a new business.	1	2	3	4	5				D K	N A
P0 5	In my country, men and women are equally able to start a new business.	1	2	3	4	5				D K	N A
Topic Q											
Q0 1	In my country, there are many support initiatives that are specially tailored for high-growth entrepreneurial activity.	1	2	3	4	5				D K	N A
Q0 2	In my country, policy-makers are aware of the importance of high-growth entrepreneurial activity.	1	2	3	4	5				D K	N A
Q0 3	In my country, people working in entrepreneurship support initiatives have sufficient skills and competence to support high-growth firms.	1	2	3	4	5				D K	N A
Q0 4	In my country, potential for rapid growth is often used as a selection criterion when choosing recipients of entrepreneurship support.	1	2	3	4	5				D K	N A

Q0 5	In my country, supporting rapid firm growth is a high priority in entrepreneurship policy.	1	2	3	4	5		D K	N A
Topic R									
R0 1	In my country, companies like to experiment with new technologies and with new ways of doing things.	1	2	3	4	5		D K	N A
R0 2	In my country, consumers like to try out new products and services.	1	2	3	4	5		D K	N A
R0 3	In my country, innovation is highly valued by companies.	1	2	3	4	5		D K	N A
R0 4	In my country, innovation is highly valued by consumers.	1	2	3	4	5		D K	N A
R0 5	In my country, established companies are open to using new, entrepreneurial companies as suppliers.	1	2	3	4	5		D K	N A
R0 6	In my country, consumers are open to buying products and services from new, entrepreneurial companies.	1	2	3	4	5		D K	N A

BACKGROUND INFORMATION

To help us form a picture of the background and experience of our informed respondents, please answer the following questions.

1 Gender (tick one): Male Female

2 What year were you born? (year)

3 Please indicate your educational attainment (tick all that apply)

Vocational or Technical Training

University or College Degree

Professional training (e.g., MSc, MBA, LLB, MD)

Graduate scholarly work (e.g., MA, PhD)

When did you complete your most recent educational degree program?

(year)

5 Nature of professional training emphasis:

(e.g., engineering, general business, law, accounting, public administration, finance, economics, etc)

6 Current work responsibilities or job description:

7 For how long, in total, have you worked for your current organization? (years)

8 How long have you worked in your current position? (years)

9 For how long, in total, have you worked in areas connected to entrepreneurship? (years)

10 In which types of entrepreneurship do you feel you have strong expertise? (tick all that apply)

Technology-intensive _____

Low or medium technology

Manufacturing

Service business

High-growth

Low growth

Urban

Rural

Internationally oriented

Home country oriented

Other, what?

11 Which of the following describes you best?

			<i>might be used silly.</i>			<i>duties within the process</i>
iii	<i>“insufficient quality of accredited entrepreneurs (AES)”, ergo: 16 grants to help AES to hire lawyers</i>	<i>KSBD Proposed solution unacceptable, in principal and as process</i>	<i>linked to the assessment of “ii” & “iv”; AES contribute to lack of feedback; complete is unfeasible and unnecessary, and there might be special interest motivating proposals; there is focus on new but not existing drafts</i>	<i>See “ii”. KSBD role - to get its BSP involved (some have already proposed useful idea as pert of the recent tender).</i>	<i>Study the implementation, rethink the institutional set up; collect feedback from regions; training in basic RIA for both government and business</i>	<i>Combine with “ii” & “iv”. Use modified OECD and the Russian anti-corruption diagnostic. Summarize local and intl good practice into a handbook. Involve education partners that are already in the loop.</i>
iv.	<i>Train PA and potential Entrepreneurs</i>	<i>KSBD, linked to “vii”.</i>	<i>Most unclear demand but good and suitable long term communication channel, via established academia, guide training into the private sector; seem MIT key worry is training in regions and villages, the lack of course and programs in Kazakhi</i>	<i>Read their Power Point explanadum again. Discuss further MIT needs; check the local/Kazakhi dimension of the problem. (MIT came up with additional request on vocational training.)⁷</i>	<i>KSBD in the overall economic/SME policies affairs and related areas; tie into BEI as necessary</i>	<i>Build up on existing capacity and partners. Try encouraging private sector and mainstream academia involvement. Discuss further, especially on the need on local level and involve local BSP.</i>
v.	<i>“Lack of finance for MLO, their inefficiency in rural</i>	<i>KSBD</i>	<i>SMEF needs its operations and reporting systems, ST</i>	<i>SMEF and ST plans set to CTO for approval, first</i>	<i>KSBD, wait and see, keep discussing, Use RCI/KSBD conferences in</i>	<i>Step up: a) ST organization, b) check out SMEF survey;</i>

⁷ The initiative came again from Atamken and again envisaged some sort of monopoly. Krassen and Kairat commented and drafted set of solutions based on the experience with other countries. MIT may follow up on this correspondence.

	<i>areas”: study best practice and attract non- government funding; incentives for rural</i>		<i>that involve not only SMEF but MIT & clients (their reps, associations) . Incentives issue to be addressed via ST and policy advice. Agro Credit might be a case in point</i>	<i>comments (of ST) received. Some other rural project are in pipeline</i>	<i>April</i>	<i>c) combine RCI with KSBD priorities, e.g. bring over provisional ST organizers and/or policy advisors. d) check out expectations for policy advice; e) check out possibilities for SME top guns from all over the globe.⁸</i>
<i>vi.</i>	<i>SMEF credit guarantees malfunction</i>	<i>KSBD</i>	<i>All these – in pipeline</i>	<i>Wait and see</i>	<i>Wait and see</i>	<i>Explain again to MIT</i>
<i>Vii</i>	<i>KZ Franchise System is underdevelo ped, sent PSA to fairs and exhibitions</i>	<i>KSBD, by mandate – work with BSP; Some opportunity possibly for BEI crossover with contract enforcement, as side issue</i>	<i>It is matter of good contract law. Use KFA as BSP. Check whether there are other programs. Carefully explain what has been said. The original comment was “No, but...</i>	<i>“Perhaps, if MIT insists we should talk to KFA & partners about impediments.</i>	<i>TBD, past experience in Russia has been very positive. Could it be the case for KZ – should be discussed, internally.</i>	<i>Wait and further study and discuss, move it for the future, perhaps 2008</i>

Abbreviations

AES – accredited entrepreneurs associations

BC - business climate)

DB – doing business

MLO – micro lending associations

OSS – one stop shops

PA – public administration

PEL - Private Entrepreneurship Law

POTUS – President of the United States

Recs – recommendations

Regs - regulations

RF – Russian federation

RIA – regulatory impact analysis

⁸ Krassen will check it’s attractiveness with MIT, first feed back – positive; Krassen is to collect contact details for those people.

SBA – Small Business Administration
ST – study tour(s)
TBD – to be discussed (determined)
WB – World Bank

7.5.1.2 Newly emerged opportunities (circumstances)

Top-level policy advisor:

As mentioned, the idea was well received – both in its general version, as suggested by Krassen, and communication.

There is some difference in perception, however. MIT thinks of advisors as persons occupying a desk in the ministry. My view is that we have short visits of experts, followed by senior but not so high level consultants and we do facilitation on the ground between visits.

Using partners we could prepare issues and policies both inside and outside the country and then communicate those to MIT and local partners for successful implementation.

We could propose and do the following:

Use RCI/KSBD events to bring at least Polish team.

From SBA of the POTUS received the contacts of Tom Grey, who was one the principle drafters of the SBA Annual Report and has a profound experience in transition and other countries.

Re Ireland analogous agency, Bulgarian partners believe there will be little problem inviting a proper person.

All three could be used in a later stage and in relation to potential to KSBD and BEI crossover to improve SME opportunities.

Provisional SME program

I perceived that program as more or less simple communication tool between business associations and GOK. It is:

A sort of write up of the activities of MIT as part of GOK administration, and, does not deal exactly with SME's, or at least does not envisage a significantly detailed attention to area, and, does not pay specific attention to business environment affairs, and, is, inevitably, a central planning exercise. Usually, SME programs are separate from the government programs and deal with three sets of issues:

Financing and subsidization, Competition, Business environment and costs of dealing with the government. “B” and “c” are overlapping issues for KSBD (and other USAID programming). We shall try our best to utilize the program as a tool to discuss and outline long term institutional change in these two areas. The SME top policy advisors are expected to send clear messages on these two fronts.

Side effects and instruments

The side effects of the communication to date with MIT are the following:

- We have had the opportunity to influence the demand and we used it so far successfully.
- We have set a climate of responsiveness.
- The same process should used push for better responsiveness on behalf of USAID.
- Thus, this is an important instrument of the programs.
- But there are other options we should aware of and could insist on their better use by MIT:
- Education and training, building up on partners and the EDC/GDA,
- Use of our websites,
- Use of public discussions on SME program,
- Use of policy and regulation hearing and analysis.

7.5.1.4 Timing

The following general timeframe seem reasonable:

- End of 2007, 2008
- Immediately, as tool for better BC change over time;
- It is a process, it could start now but will take few years to see positive impacts;
- The Fall of 2007, continuing;
- In fact, has taken off, stalled in bureaucracy;
- See “v”
- Needs clarification, activities possible in the Fall and in 2008.

7.5.1.5 Moving forward

We shall respond to MIT in a written form in March.

Before that we shall discuss this internally and formulate a general picture on the cooperation.

For the sake of facilitation of doing so, Krassen will compile a list possible supply activities on behalf on KSBD, as they were selected by provisional consultants who took part in the proposal. The way of doing this is similar to the way we proceeded with UNILOB.

7.5.2 March 2007

<i>No</i>	<i>MIT Requests</i>	<i>Brief SWOT</i>		<i>Response</i>	<i>Action</i>
<i>i.</i>	<i>KSBD helps look at SME policy effect of tax/custom codes</i>	<i>Focus on business climate</i>	<i>Done by IMF/WB, MOF</i>	<i>We welcome: Business climate and tax admin focus, the commitment to ease SME (average tax payer) reporting costs</i>	<i>We could Help assessing those from this point of view, Develop methods (train) to measure tax reporting, document flow and queues and tax inspections</i>
		<i>They seem to have missed the business climate dimension, we and MIT could compensate</i>	<i>MOF could envy the work we do; need to cooperate</i>		
<i>ii.</i>	<i>KSBD helps look at SME policy and effect on Private Entrepreneurship</i>	<i>Key law to set G2B communication; Far reaching potential policy impacts</i>	<i>Focus on funding the expertise and hire lawyers</i>	<i>We welcome the idea, started working and suggest discussing: a) deadlines, b) the assessment with the MIT and interested organizations.</i>	<i>a)Krassen Stanchev will do the assessment, b) will create additional materials that could be use for training public and private members of expert committees in analysis of such laws and regulation, c) will recommend amendments if needed</i>
		<i>Option to improve, channels esp.; clarify notions and processes</i>	<i>Tradition of close policy processes, selection of privileged groups to take part</i>		
<i>iii.</i>	<i>MIT notes to KSBD that Insufficient quality of</i>	<i>Focus on (AES) voice, link to BPS and other Pragma</i>	<i>See “ii”, the issues is most likely not in the funding, as our experience with</i>	<i>All possible kinds of cooperation are welcome,</i>	<i>We suggest: a) discussing ways to speed up the process;</i>

	<i>accredited entrepreneurs (AES)", 16 regional grants</i>	<i>partners</i>	<i>BSP proves</i>	<i>funding will be provided to BSP, as well as expertise in all possible ways and MIT policy advice</i>	<i>b) link these to "iv", speed up policy advising.</i>
		<i>1) link to "ii", 2) GOK (including president) commitment; 3) chance to involve BSPs and 4) make difference, linking to "iv".</i>	<i>See "ii", delays in USAID funding delivery, "culture stickiness"</i>		
<i>iv.</i>	<i>MIT notes to KSBD that need to train of (TOT) Public administration and potential Entrepreneurs</i>	<i>Recognition of need to train about 1,800 individuals (1/6 - entrepreneurs), coincides with Pragma vision completely</i>	<i>The process takes time, TOT should involve private sector/academia as TOT providers, no agreement on curricula</i>	<i>Response: Shall start work immediately, envisage a two—three years set of activities; we should tame into account the policy dimension as well</i>	<i>We could help resolve issues like: a) what is provided (curricula), b) by whom and c) how. Some TOT courses, e.g. feedback from public, PIA and RIA, should be provided by us. Cost sharing has been proposed by Jonathan</i>
		<i>Reach long lasted agreement, build a strategy and political will to reform; chance to implement BEI/KSBD supply programs</i>	<i>MIT background document is somewhat narrow – linked to central planning/ micromanagement, feed back mechanism - missing; there is a need for top policy approval</i>		
<i>v.</i>	<i>MIT notes to KSBD that lack of finance for MLO, their inefficiency in rural areas</i>	<i>The formula indicates a problem, link to other activities in pipeline, e.g. SMEF, policy development, reduction of quasi-taxes and entry barriers</i>	<i>MLO efficiency is difficult to measure, financing is never sufficient in any country</i>	<i>We try our best to help via working with AMLO (AMFOK, in Russian, there are other USAID programs to garnish funding</i>	<i>We could help with ST, World Microfinance conference, and SMEF restructuring and soundness</i>
		<i>Prospects to work long-term, take into account macro-economic and fiscal environment and have good partners.</i>	<i>Pouring money tradition, SMEF and other institutional strategies must be first fixed.</i>		

vi.	<i>MIT and KSBD discuss SMEF credit guarantees malfunction</i>	<i>Very correct observation, need to redress SMEF products and its mission, strategy and structure</i>	<i>Improvement would not happen without broader addressing of the issue</i>	<i>We suggest that we agree on the broader approach and address the issue of the ST jointly</i>	<i>We could follow up in three directions: 1) TA on SMEF products, incl. guarantees; 2) on structure and strategy; 3) ST to check experience in Poland (best on guarantees and regional outreach) Cost sharing, if needed</i>
		<i>Links to policy advice, ST and TA in pipeline, And SMEF evolution into SME advice and policy body</i>	<i>Misunderstanding the strengths and opportunities, delays by USAID</i>		
vii.	<i>MIT indicates to KSBD underdeveloped franchising; sent public servant to franchising fairs</i>	<i>The challenge is deep and institutional, most likely in contract law, enforcement of contracts</i>	<i>The solution proposed does not contains guarantees that the challenge will be resolved</i>	<i>We propose: Study the challenge further, explore the opportunities to address institutional background, and decide later</i>	<i>It is possible to meet and plan with interested parties, for the second half of 2007 and 2008</i>
		<i>Link the issue to business environment and SME's in particular, survey of instructional grounds and recommend solution; work with respective guild and sent officials along with them</i>	<i>Refusal to accept more profound approach or implement solutions</i>		
<i>Cross cutting activities</i>					
viii.	<i>SME policy strategy needed from KSBD</i>	<i>Links all above and other activities into a package</i>	<i>Subject to approaches of central planning</i>	<i>We propose 1) due diligence policy advice (its actually started; 2) a list of areas, where we could supply experts on best practice; 3) study tours</i>	<i>Agree on principles and time schedules, List of supply side activities must be</i>
		<i>Allows planning and adjustment of policies</i>	<i>May lead to privileges to interest groups</i>		
ix.	<i>SME Policy Advisor(s) with KSBD</i>	<i>Allows for direct policy learning and deliberation</i>	<i>Should take place at more less clear policy will, there is need to work with highest possible level</i>	<i>We suggest that we agree: using the advisor(s) for "viii", ST and advisor to/from Poland,</i>	<i>Review of other countries experiences, inclusion of those in "iv".</i>

		<i>Brainstorming with experienced policy maker; identification of solutions</i>	<i>Follow up is always very difficult, availability problem</i>	<i>on country experiences to be reviewed for identifying those fitting to KZ vision</i>	
<i>x.</i>	<i>Information exchange with GOK and dissemination of information to public (KSBD)</i>	<i>Regularity of contact and best practice shared; The process has started</i>	<i>No significant weaknesses</i>	<i>We suggest starting bi-weekly meeting</i>	
		<i>Use of website for dissemination, regular meeting with MIT to set a tradition; outsourcing the information dissemination</i>	<i>No significant threats</i>		

7.5.3 Minutes of KSBD / MIT meeting Feb 13-14, 2007

7.5.3.1 Background

1. The meeting took place in two shots, on February 13 we went there as a large group, as planned: Jonathan Crum, Guljan Karbayeva (translating to Jonathan) and Krassen Stanchev; on the second day, February 14 – Krassen went to MIT.

On the MIT side, for both days, we have had as counterparts Nasima Nurmadieva (Acting Head of Entrepreneurship Department) and Zharkin Zhangaziev (Department official).

The purpose was two-fold: a) introduce KSBDP and ourselves (some parties already known), check out their general view on KSBD program, and b) receive their feedback on the idea to hold the RCI/KSBD Competitiveness Forum and have the MIT (the Department) involved in the organization.

7.5.3.2 Constellations

The first-day meeting was lengthily – about two and a half hours – but useful for exchanging vocabularies and fixing the “halo-effects”; although the conversation was about everything, with some confusion, we finished with a promise on their behalf that for the next period they would put on paper their vision of KSBD-related activities and expectations. The confusion was due, partly, to an unfortunate constellation: they were neither prepared nor briefed about the overall concept of the Forum (previous USAID meetings on the matter did not leave any trace in their files).

The first day’s meeting was also heavily dominated by cross-points relating to sore-spots from MIT’s perspective (or the GOK), relating to economic development assistance and advice and other interactions. By the end, MIT seems to understand that we are here to listen and deal with them rationally, even if we disagree sometimes—valuable diplomacy; this evaluation seems born-out by the tone and productivity of the second day.

7.5.3.3 Overall description:

The meeting was constructive and down to business; we received a list of seven topics (“set-up questions”, in Russian) for cooperation; the first two are direct requests and the rest consist of problem-identification and suggested action(s). We went through the list and commented on different problem constellations and proposed actions, attempting to better understand their visions, priorities, and background reasoning, and separately discussed the Competitiveness Forum (on which they received from me a comprehensive explanation).

In general, we got the feeling that we accomplished much more than originally aimed at, including the fact that we discussed a Snap-Shot on SMEF financing, System of Training and Retraining Trainers for government officials. (See point “v” below.) I will give an assessment of the meeting in the last paragraph. Here I introduce the context of the deliberations on the MIT ideas list, using my notes and the follow up brain storming between us and Jonathan.

Summary of Deliberations

KSBD on SMEs and effect of tax/customs

“Assessment of tax and custom codes and working out of specific recommendations to improve the business climate in KZ”.

Comment (on the spot): we shall see; currently we follow development re: the tax code; custom code amendments and/or implementation follow-up should follow the WTO rules; perhaps procedures and reporting could be improved, but it requires special expertise; program look at the costs of international trade, and they are high – an action should implemented to lower them. This can be tied into the work of BEI at a later date most probably as the programs learn areas to collaborate and synergize.

7.5.3.5 KSBD on Policy and Laws effect on SMEs development and capacity

“Assessment of the Private Entrepreneurship Law, working out specific recommendations to improve business climate in KZ”.

Comment: We discussed the issue privately the previous day when it first came up and decided it is a good occasion to convey the message and somewhat open communication channels.

problem identification: “insufficient quality of accredited entrepreneurs’ organizations’ expertise to understand draft regulations due to lack of funding to hire qualified experts”, and suggested action(s): 16 USAID grants to 16 regions and assistance to compile requirements for regulatory expertise.

Comment: The problem is linked to the assessment of “ii”; it is very [un]likely that such grants would resolve the problem plus we do not see a direct link between hiring experts and valuable comments on draft regulations. However, organizations supporting SME’s might be willing to assist; we do not rule out the option, it needs further discussion.

In brainstorming later, we discussed how the communication channel itself and material provided to these “accredited entrepreneurs’ organizations” may be a significant contributor to lack of feedback; this, compounded by informal channels of influence into legislation, may be rendering the whole process an irrelevant distraction to the very entrepreneurs who would provide valuable comments. MIT also seems fixed on acquiring complete responsiveness from organizations, which may be both practically unfeasible and unnecessary (not every party has an interest in each law). A review of what actually happens, practically-speaking, at each step of a draft-law distribution for comment, may be valuable to identify stumbling-blocks for these organizations, first (and take little time).

7.5.3.6 Education and Public Servants

“System to Train Public Servant and Potential Entrepreneurs – idea explained in power point slides”

Comment: the slides do not answer what exact type of education is need and how it should be provided, via established academia, schools for public servant, business schools/associations or via a combination of those; discuss the issue further; we see the conference in April as type of a rather advance training.

There may be an opportunity here to guide the training into the private sector, providing services to government servants. This has already taken place with some BSPs in Astana, which provide training on law to the public and private sector alike (albeit at a small scale). Consider possibilities to create “core” trainings to be handed to BSPs for further refinement and use as their products. Side-information indicates that the GOK is on-board with the idea of external trainers, at least.

This fits exactly with what we told Neal Nathanson concerning Education being an important linchpin. Kacebi (Uralsk) is now certified to do Fastrac and then there is IAB (Almaty) which is working with University of Michigan. These institutions could potentially be leveraged.

7.5.3.7 SMEF

problem identification: “lack of financial resources for micro-lending organizations (MLO) and insufficient MLO development in rural areas”, and suggested action(s): “following the suggestion of USAID consultant, it is necessary to study other countries’ experience in attracting non-government funding (for MLO’s) and setting incentives for them working in rural areas”.

Comment: there are two initiatives underway: 1. micro lending seminars and round tables organized this (in Almaty) and perhaps next week (in Astana) that we are attending to understand what is going on and what are the plans, etc.; 2. our own review and assistance to SMEF, its operations and reporting systems, since we believe there are complex institutional, capacity and systemic issues (e.g. banking sector operations, the treasury, capital mobility) that affect micro lending. At this point we were given the above

quoted Snap-shot with the claim that that's the analysis and we explained that it is rather a summary of the cash-flow.

Patrick informed me, that there will be a new large USAID project on Agriculture most likely coming out in next 3-6 months. MIT could talk to USAID under the PED to include their ideas.

This point is tied as well to the Assessment done by the People's Group, as well as Steve Moody's work with SMEF. If KSBD provides 'strategic assistance' to SMEF, this will automatically be part of it.

problem identification: "SMEF credit guarantee system does not work", and action(s): "find out why, justify, and recommend solutions, e.g. tax tenge SMEF funding increased by 15 billion".

Comment: Yes, we've been thinking on this, this is why we suggested the study tour (ST) to Poland (project/study tour declined by USAID), because they have the best possible – though far from perfect system of guarantees among the transition countries; however, we attempted to orient ourselves on previous ST's and we think that few if any lessons were learned and/or implemented. For this reason, we would like to help on STs: the key idea is to have SMEF reps (local branches incl.), MIT servant and business reps taking part jointly, in order to have them monitoring what is being learned and used after the ST.

Proceed in our job working with SMEF, this will be taken care of.

7.5.3.8 Franchising affair

Problem identification: "KZ Franchise System is underdeveloped; the reason: insufficient information", and action(s): "trips of public servants, akimats, etc. to the four key Franchise Fairs (Washington D.C., Moscow, China).

Comment: Fail to understand why public servants should be involved if they cannot sign franchise contracts; this form of business depends on the freedom and security of contracts, treatment of companies, etc. The counter explanation was that franchising is obviously needed but if private entrepreneurs go to these fairs, "they keep the information for themselves, while a government servant will disseminate it". We suggested that there is option to pursue the dissemination via a focused business association; that it is quite unlikely to have public servants (incl. akimats) going to business fairs on such a mission. But we must think how to promote the franchising prerequisites and information.

If information is the problem, then brochures, advertisements, and established training channels on the topic are good first-steps. Raise awareness and provide easy access to the information in a form that entrepreneurs will understand/take seriously. If the contracting system is robust enough to handle franchising well, then information on how to work with it may only be needed in that area. Anecdotal feedback indicates that (at least in the past) large "black" barriers to entry have been raised against the traditionally most-enthusiastic, and wealthiest, franchising companies (example: McDonalds), reducing their interest in KZ considerably.

It is recalled by the consultant that Russia was asking for the same thing 12 years ago. If we bring in some future TA, I don't see why we could not add it to a SOW that the person do some additional research on Franchising and we have a one day seminar. This would be just from an educational perspective. Franchises from Russia already exist here – Patio Pizza, Planet Sushi, and Rostiks. We might be able to get some knowledge from there as well.

In the past, have sent 2 Gov people (generally 1 Regional and 1 Federal) on the trade exhibitions (with 10 private enterprises) because it helps the Gov people to understand the private sector. Understood on point of Franchising – comment is more in general oriented to matching private sector businessmen with 1-2 Gov people. It promotes better understanding we have found. Without it, the Gov people are lost and the same issues will come up time and time again. The Gov will try and dictate to business. If we don't educate, no change will occur. When I have sent these Gov people, it has had profound effects ... even in Russia.

7.5.3.9 RCI/KSBD Forum

We think that MIT, at this level, is totally into the event. They would report to some of the deputies or the minister this Friday or at first convenience. Today, they agreed that they should invite Kazuna/Atamiken Competition Council to cover the respective topic and they would be eager to host a “private” (off the main venue) tea-cup-discussion with speakers, and the brought about the issue of the press and media, insisting that they must be invited.

Additional issues

Before closing, I asked them a question with two sub-questions:

Whether they would need a top-level policy advisor? – the answer was “yes, definitely”;

Would they work on SME policy program, in general and with the advisor – they were positive;

And whether they opt for broad public discussion of the said program when it’s drafted – they were positive, and their understanding is that the ministry drafts the policies and then discusses it with the business community.

Making sense of it all

Issue	i	ii	iii	iv	v	vi	vii
KSBD	N/Y	Y*	Y	Y	Y	Y	Y
Strategy	Discuss, reduction of time-costs (tax)	Comment, clear cut message	Education, capacity building, procedures	Discuss further, collection of ideas has started	Discuss further	Discuss further, ST	Discuss further

Legend: “Y” – “rather yes”; “N” – “rather no involvement”; * only Krassen.

The brainstorming after the meeting led us to proposing the following:

- No direct refusal of any of the topic;
- Prompt response to their write up;
- Follow up on the “positives”, esp. policy advice, ST’s, etc.;
- Series of discussions, perhaps regular on the issues of different vision.
- Outcomes and assessment
- Both projects are firmly on the counterparts’ radar screens.
- It is likely that RCI/KSBD forum will be a success.
- Franchising debate and other exchanges have demonstrated rather extraordinary concepts, but they stem from political pressure to perform and find quick-fix solution without looking in systemic issues.
- This is a key risk for the use of outside consultants and the study tours.
- We received the ideas black on white and it was very helpful.

SMEs Data
(Government Statistic Register Data, dated 01.10.06.)

a) Oblasts Breakdown

	Small Business Enterprises										Medium Business Enterprises		units
	Registered					Acting					Juridical persons	Individual entrepreneurs	
	Total	Consisting of		Total	Consisting of		Juridical persons	Individual entrepreneurs	Juridical persons	Individual entrepreneurs			
		Juridical persons	Individual entrepreneurs		Juridical persons	Individual entrepreneurs							
KAZAKHSTAN	629901	168130	461771	564177	116550	447627	3299			3020			
Akmolinskaja	31491	5362	26129	29181	3891	25290	295			250			
Aktyubinskaja	28529	6432	22097	26500	4647	21853	158			136			
Almatinskaja	38471	7127	31344	35093	4345	30748	291			259			
Atyrauskaja	19567	4443	15124	18652	3671	14981	98			97			
East Kazakhstan	66486	10563	55923	62936	7588	55348	271			243			
Zhambylskaja	20335	4582	15753	18621	3005	15616	134			113			
West Kazakhstan	19892	3332	16560	19062	2820	16242	107			107			
Karagandinskaja	54252	10438	43814	45599	7402	38197	245			231			
Kostanaiskaja	38650	6121	32529	36050	4185	31865	222			214			
Kyzylordinskaja	19123	3143	15980	18190	2511	15679	167			154			
Mangistauskaja	23497	4736	18761	22354	3993	18361	82			78			
Pavlodarskaja	34541	7663	26878	31206	4762	26444	145			125			
North Kazakhstan	26386	3765	22621	23512	3051	20461	178			176			
South Kazakhstan	57763	14744	43019	52250	9539	42711	185			183			
Astana city	42900	16343	26557	37713	11486	26227	186			181			
Almaty city	108018	59336	48682	87258	39654	47604	535			473			

b) Urban and Rural areas

units

	Small Business Enterprises						Medium Business Enterprises	
	Registered			Acting			Juridical persons	Individual entrepreneurs
	Total	Consisting of		Total	Consisting of			
		Juridical persons	Individual entrepreneurs		Juridical persons	Individual entrepreneurs		
KAZAKHSTAN	62901	168130	461771	564177	116550	447627	3299	3020
Urban area	528447	152940	375507	469262	105563	363699	2450	2267
Rural area	101454	15190	86264	94915	10987	83928	849	753

c) Industries Breakdown

units

	Small Business Enterprises						Medium Business Enterprises	
	Registered			Acting			Juridical persons	Individual entrepreneurs
	Total	Consisting of		Total	Consisting of			
		Juridical persons	Individual entrepreneurs		Juridical persons	Individual entrepreneurs		
KAZAKHSTAN	629901	168130	461771	564177	116550	447627	3299	3020
Agriculture, hunting and forestry	24267	10186	14081	20914	7346	13568	649	564
Fishery	1413	362	1051	1277	241	1036	13	13
Mining industry	1182	1119	63	896	835	61	76	68
Manufacture industry	29146	15965	13181	23875	11257	12618	612	572
Production and allocation of electric energy, gas and water	482	289	193	404	216	188	90	77
Construction	31120	24967	6153	25414	19434	5980	525	489
Trade; cars maintenance, household goods and individual needs items	330855	75771	255084	294278	47690	246588	453	402
Hotels and restaurants	20459	2577	17882	18994	1640	17354	58	54
Transport and connection	70519	8941	61578	66386	6395	59991	264	254
Operations with real estate, renting and providing consumer services	63184	21252	41932	57671	16756	40915	362	344
Education	2082	1414	668	1675	1029	646	35	31
Public health service and social services	7993	2332	5661	7233	1737	5496	70	66
Provision of municipal, social and personal services	47199	2955	44244	45160	1974	43186	92	86

KSBD Comments on Statistics Received:

KSBD has been establishing the beginning of a relationship with the Statistics Agency. In this process and through consulting with the Bearing Point consultant, we have learned that many statistics can end up being politically-driven. This means that the regional representatives are all under immense pressure to show improvement of their regions in terms of development. As a result, there can be a propensity to fix the statistics to match which is being requested or required by each individual. The Bearing Point consultant noted he had directly seen this happening as well in the head office; it should be noted that this is in consideration to all statistics. As a result, these statistics must be questioned and yet at the same time, they are for now the best information we have. From a future direction standpoint, it is therefore clear that the Statistics Agency will need to probably move to an automated process, and as well, it will be important to have a political will for change to improve the current situation. As KSBD continues its work, it will be scheduling work with the Statistics Agency to look into SME data and reporting and at that time we will be able to comment with a much more fuller picture on the reality of the current SME data.