



Center for International Private Enterprise

*To strengthen democracy around the globe through
private enterprise and market-oriented reform*

FINAL REPORT
TO THE
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RUSSIA SME ADVOCACY PROGRAM

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TIMELINE: KEY EVENTS

- **September 2002:** SME Policy Advocacy project begins with a USAID grant of \$2.2 million covering four years in an initial eight regions
- **February 2003:** RCCI completes diagnostic surveys of business associations and entrepreneurs that lay the groundwork for project's direction
- **May 2004:** Launch of the "Small Business 2004" national advocacy campaign
- **April 2004:** International Institute for the Management of Business Associations is founded in Moscow by CIPE and RCCI
- **October 2005:** Eight additional regional coalitions of business associations are included in the project bringing the total to 16
- **October 2006:** USAID grants a three-year, \$500,000 extension to the project with an emphasis on using advocacy to decrease corruption and developing an anti-corruption methodology
- **September 2007:** USAID grants a \$100,000 increase to the ongoing project in order to support SME associations in the North Caucasus region
- **October 2007:** North Ossetia Coalition of business associations becomes the 17th to take part in the SME Policy Advocacy Program.
- **June 2009:** CIPE introduces the Saratov Anti-corruption Methodology to regional coalition leaders at a Moscow workshop
- **September 2009:** USAID grants a \$300,000, one-year extension to support the application of the Saratov Anti-Corruption Methodology in at least seven regions
- **September 2010:** Eight coalitions present the results of their implementation of the Saratov Methodology at a national meeting of CIPE partners
- **September 2010:** USAID grants a \$300,000, one-year extension of funding to support the North Caucasus Coalition and the dissemination of the Saratov Methodology to Russia's 83 regions
- **May 2011:** Business association executives from seven North Caucasus regions travel to the United States for a seven-day study tour
- **September 2011:** U.S. Ambassador, USAID mission director and CIPE executive director take part in a final project conference in Moscow, "Closing Implementation Gaps Through Regional Advocacy"

EXECUTIVE SUMMARY

Key Accomplishments, 2002-2011

- The project helped launch 17 regional coalitions that counted as members 225 business associations representing firms with an estimated 2.2 million employees.
- The regional coalitions conducted 222 advocacy efforts related to 138 legislative changes on the regional level.
- All the regional coalitions were functioning at the project's end with many still performing legal analysis and advocacy efforts on their own.
- The more than 200 business associations represented by the coalitions reported a 30 percent increase in membership over the life of the project.
- On the federal level, CIPE's national and regional partners conducted 89 advocacy efforts related to 25 federal legislative changes.
- One federal law connected to the project's advocacy efforts gave Russia's 173 local chambers of commerce the right to take part in the review of all business-related legislation proposed on the municipal and regional level.
- Over 5,000 firms were protected annually from government interference and rogue bureaucrats by CIPE partner business associations, which provided membership services ranging from legal consultations to telephone hotlines.
- The International Institute for the Management of Business Associations, self-sustaining by the project's end, had trained over 1,800 professionals, including over 700 business association leaders trained in management techniques.
- Publications capturing the project's best practices have been published by CIPE in Arabic and French
- Anti-corruption and coalition-building techniques developed under the project have been applied by CIPE in Ukraine, Thailand and Lebanon.

Overview

The nine-year CIPE project funded by USAID was an effort to strengthen the role of small, private firms in Russia, both as forces within civil society and the free market. In the year of the project's beginning, 2002, the small- and medium-sized enterprise (SME) sector continued to grow in importance to the Russian economy as the influence of large, state-owned enterprises waned. However, the role of SMEs in the development of a healthy civil society had not kept pace with their growing economic clout, and, as a result, their development was not reaching its full potential.

While the Russian government took steps beginning in the late 1990s to encourage SME development through new policies and laws, SMEs themselves were often not prepared to demand implementation of new laws, or the reform of existing regional laws to bring them into line with the new federal versions. Frequently, the SME community had no input in drafting new policies and laws that affected it. The result was a legislative and regulatory framework often at odds with the requirements and needs of entrepreneurs, especially in the Russian regions. This *reality gap* between the laws and policies on paper and their actual administration could not be bridged without creating channels of communication between entrepreneurs and those who regulated them.

To help SMEs and the business associations that represent them to advocate for an improved business environment, CIPE worked with USAID to develop an initial four-year plan to train, to technically assist, to support policy reform and to mutually inform the entrepreneurial community in target regions. The project maintained this focus over the course of its implementation. It also grew to encompass other activities and priorities, including the creation of an institute for the training of business association leaders, the expansion of coalition work into Russia's restive North Caucasus region and the development of an analytical tool designed to flag laws and regulations with corruption potential. These adaptations sought to take advantage of developments in Russia's small and medium enterprise (SME) sector as well as the Russian government's evolving approach to economic development and corruption.

The life of the project coincided with a period of unprecedented economic growth in post-Soviet Russia that lasted until the 2008 world economic crisis. The growth was followed by a slow period of recovery that continued through to the project's end in September 2011. This ebb and flow of the Russian economy is reflected in the number of the business associations represented by CIPE's partner coalitions, as well as in their advocacy priorities as they sought tax relief during the recession. The project also spanned a period marked by a sharp increase in the perception of corruption in Russia. This trend was underway before the project began, as documented in a 2001 World Bank-funded academic analysis of the types of corruption extant in Russia from a sociological point of view.

Politically, the years spanned by the project were among the most stable of Russia's post-Communist history with president and prime minister Vladimir Putin effectively in control of the country's political elite. His successor as president, Dmitry Medvedev, launched modernization and anti-corruption campaigns that had a significant impact on the project's implementation, especially as related to advocacy performed by national groups representing SMEs, chambers of commerce and business associations. By the project's end in September 2011, Vladimir Putin had stated his intention to return to the country's top formal office, the presidency.

The combination of political stability and progressive policy promotion, however, did not have the expected dividends for SMEs in Russia's regions that it might have had in a more functional civil society. Because of the monopoly on power enjoyed by Putin's national political party, United Russia, and the 2004 cessation of direct elections for governors and mayors, regional power structures had less and less reason to be responsive to civil society, including coalitions of

entrepreneurs. In this environment, the central goal of the project – to strengthen the voice of the SME sector – was all the more relevant.

The impact of the project is most readily qualified through measurements of the number of participant SME associations and coalitions, through an assessment of advocacy priorities and changes in the legal and regulatory environment and through an examination of new advocacy tools developed by project participants. The project also had impact in ways that are less measurable and more difficult to connect to the project's goals. This type of impact was often connected to the capacity of CIPE partner organizations or changes in attitude. For example, the more than 200 organizations represented by the 17 regional coalitions reported a 30 percent increase in membership over the life of the program. This may be attributable, in part, to the organizations better representing their members' interests. In specific regions, such as Smolensk, CIPE partners credit the advocacy techniques emphasized by CIPE trainers as creating a more constructive and less adversarial working relationship between chambers of commerce, the region's executive branch and the regional ministry of justice.

The project started in 2002 with eight regional coalitions of business associations and chambers of commerce and grew to 17 by 2007. Collectively, the 17 coalitions represented 225 organizations which counted as members over 20,000 businesses. Those businesses employ an estimated 2.2 million employees. Since the inception of the project, the coalitions have conducted 222 regional advocacy efforts related to 138 regional legislative changes. Through legal consultations, telephone hotlines and representation, the coalitions protected more than 5,000 firms from government interference or rogue bureaucrats in the last full year of the project, according to CIPE estimates.

On the national level, over the life of the project, the Russian Chamber of Commerce and Industry (RCCI) and the Russian Union of Business Associations (OPORA) have worked with the coalitions on 89 national-level advocacy efforts related to 25 national legislative changes. One of the most significant legislative reforms came with a 2009 law that gives Russia's 173 chambers of commerce and industry the right to take part in the formal review of legislative and regulatory reforms under consideration by regional legislatures.

As the project evolved, so, too, did the approach to advocacy, growing more sophisticated as coalition staff specialists developed expertise in identifying the gaps between laws and their implementation and anticipating how such gaps lead to corrupt practices. This expertise, developed in the legal department of the Saratov Chamber of Commerce and Industry (CCI) that coordinates the Saratov Coalition, was fine-tuned in 2009 to become the Saratov Methodology and, by the end of the project, had been used by members of all 17 of the coalitions as part of a project-supported anti-corruption effort. The Saratov Methodology later gained the support of RCCI, which recommended that all chambers in its network adopt the program.

This report summarizes the project in varying levels of detail, ranging from the chronological narrative and analysis provided in this section to a detailed project history that offers a distillation of the 18 reports submitted to USAID by CIPE on the project's progress every six months, from October 2002 to September 2011.

Impact

Over the nine-year span of the project CIPE encouraged partners to advocate for change that would benefit broad categories of businesses rather than specific economic sectors or geographic regions. Generally, the 17 regional coalitions maintained this focus, although some of the advocacy efforts had aims specific to individual SME members, such as outdoor advertising agencies in Volgograd in 2009. The project's advocacy impact is presented in this report in two categories, federal and regional but - as illustrated by the following example - as the project and networks between its participants grew, advocacy results often could be found in different sectors of the project.

One of the project's accomplishments that came in its final year, 2011, shows how an initial impact on the regional level was successful enough to be adopted by a national organization and resulted in a significant federal-level accomplishment that is likely to extend beyond the end of the project. Beginning in 2009, the Saratov CCI developed an approach to measuring the degree to which laws on the books were being implemented. The regional application of the approach was designed to capture a common problem in Russia – the disconnect between often well-written, thoughtfully drafted laws and their enforcement by mid- and low-level officials. To give their findings a practical application, the Saratov CCI concluded an agreement with the regional Ministry of Justice and Prosecutor's Office under which the two government bodies would work together to find remedies through better implementation. Their joint work led to legislative reform in the areas of taxation, business activity regulation and state agencies competing jurisdictions. The Saratov approach and results were posted on the SME Policy Advocacy project's website, REACT, which serves as a clearinghouse of partner information.

Eventually, under the Saratov CCI's new approach, nine other regions adopted the same methods, first identifying implementation problems and then advocating for their resolution, sometimes in cooperation with local government bodies and sometimes not. In May of 2011, Russian President Dmitry Medvedev signed a decree calling for "Monitoring of Legal Implementation." That summer, the government published instructions on how to implement the order. Meanwhile, the president of the Saratov CCI, Maksim Fateev, held a September 2011 briefing for the leadership of the RCCI in which he detailed how, on the regional level, the Saratov CCI and local authorities were working together to identify and rectify implementation gaps. In January 2012, the RCCI and Ministry of Justice signed a formal agreement outlining an annual review process of laws that apply to customs, government procurement, and the work of the police. Under the agreement, RCCI pledged to support its affiliates in all Russia's regions to implement the agreement with regional branches of the Ministry of Justice. Meanwhile, the International Institute for the Management of Business Associations (IIMBA), that had been created in 2004 under the SME Policy Advocacy Project, was developing a course in early 2012 on the subject for CCI leaders. IIMBA's involvement added another dimension of sustainability to the effort that had begun in Saratov but, due partly to an infrastructure developed under this project, found a national application.

On the national level, the SME Policy Advocacy project included two efforts designed to identify and pursue advocacy priorities: "Small Business 2004" and "Small and Medium Business 2008." In both efforts, CIPE and its regional partners worked closely with two national, Moscow-based organizations, RCCI and OPORA. The first effort was part of the 2002-2006

period of the project and is connected reducing SMEs barriers to doing business through legislative and regulatory initiatives. The second effort focused on anti-corruption, one the project's top priorities from 2006 to 2011. The national impact of this work is often difficult to gauge because the process by which legislation was drafted and promoted is often far from transparent on the national level, especially given the dominance of the United Russia party in the Russian State Duma and ability to move legislation without compromising or debating with other political parties. That said, some examples of concrete legislative outcomes with a connection to national advocacy efforts include:

- Amendments adopted in 2005 to Federal Law 80, "On Licensing of Certain Business Activities," reduced the number of businesses required to obtain separate licenses and permits in order to do business. This change eliminated some overlapping licensing requirements that had been in place on the federal, regional and municipal levels, thus removing a barrier to doing business and an opportunity for corrupt practices.
- In 2005, Federal Law 45, "On Amendments to the Code of Administrative Delinquencies and to Other Laws of the Russian Federation," was enacted. Under the law, only a judge can decide to close a business and only then when clearly defined criteria are met. Previously, certain state agencies had the right to close a business without a judge's consent, thus giving officials substantial arbitrary power over entrepreneurs.
- In 2006, using federal budget allocations, 31 regional governments created SME development funds that supported 360 businesses with access to credit valued at 1.2 billion rubles.
- Federal Law 294, "On Protecting the Rights of SMEs and Individual Entrepreneurs During State and Municipal Inspections" was enacted in 2008. The law limited businesses' exposure to frequent and duplicate inspections by bribe-seeking officials by putting an annual cap on the number of hours that state agencies could devote to inspecting one business, by requiring that surprise inspections be coordinated with local prosecutors and by invalidating the results of inspections conducted illegally. Based on OPORA surveys conducted in 2009 and 2010, entrepreneurs reported that the number of inspections they experienced had dropped by half from one year to the next. The survey also found that 94 percent of businesses were aware of the new law.
- Two 2009 federal decrees, "On Approving a Methodology for the Expert Examination of Statutory Acts for Corruption Potential" and "On Approving Rules for the Expert Examination of Statutory Acts for Corruption Potential" created the basis for regional CCIs to review draft legislation for elements that might lead to corruption. To gain the right to review draft legislation, regional CCIs had to first become accredited with the Ministry of Justice. By the end of the project, 16 regional CCIs had such accreditation, half of them CIPE partners from the SME Policy Advocacy project.

On the regional level, there were measureable impacts from advocacy efforts in all 17 regions covered by the SME Policy Advocacy project. As detailed in the "Advocacy Impact" chapter of this report, results varied from region to region, often depending on the resources of the coordinating organization and the length of time – ranging from two to nine years – that the regional coalitions had received support from CIPE and USAID. Another major factor was the

degree to which the coordinating organization enjoyed a constructive relationship with regional authorities.

In the case of the Saratov and Novorossiysk CCIs, a combination of resources and positive relationships with local government allowed them to be among the most innovative and productive of leaders of regional coalitions. As the project progressed, the legal and advocacy specialists at the Saratov and Novorossiysk CCIs shared their expertise with counterparts nationwide by presenting case studies on the REACT website and leading training sessions at the IIMBA. Partly as a result, the advocacy efforts of regional coalitions grew more sophisticated, progressing from narrower to broader issues, as reflected in the example given above involving partnerships between CCIs and the Ministry of Justice.

The legislative and policy results achieved by the 17 regional coalitions cover a wide range of economic sectors and reform priorities. They include:

- The Smolensk Coalition objected to a higher business income tax rate imposed by regional tax authorities attempting in 2008 to compensate for tax revenue lost as a result of the economic crisis. Following the Coalition's advocacy for a simplified tax system for SMEs, the regional tax authorities lowered the rate from 15 percent to five percent. The change benefited 2,961 SMEs in Smolensk City and an additional 4,852 SMEs in Smolensk Region.
- The Primorsk Coalition revealed high levels of corruption during the privatization of municipal property in Vladivostok. As a result of unfair auctions more than 2,000 entrepreneurs lost their businesses. The Coalition raised the issue with the public and law enforcement. As a result of this, in 2007 the illegal privatization of 750 properties was stopped and 180 other improperly acquired properties were seized.
- The Kirov Coalition advocated against an arbitrary and non-transparent process governing the allocation of government-owned land for business use. Working with the Kirov City Prosecutor's Office, the Coalition introduced amendments to existing regulations. The changes were adopted in 2009 and resulted in a transparent, uniform and timely process that allowed 900 kiosks employing an estimated 2,700 people to remain in operation.
- The Krasnodar Coalition advocated against a law adopted in 2009 that banned food stores from selling alcohol within 200 meters of many public institutions. The law was vaguely written, fostering corruption and threatening 90 percent of the region's food outlets with closure. Due to the Coalition's advocacy efforts, the law was amended later in 2009 in a way that in one regional city alone allowed 470 food stores to stay open that had employed an estimated 3,100 people.
- The Irkutsk Coalition advocated for the right of private bus companies in Irkutsk City to determine their own schedules and routes rather than an operating in accordance with mayoral decrees. The Coalition proposed amendments to relevant regional legislation. In 2005, the regional legislature approved an agreement by which a new city agency and an association representing the bus companies coordinated routes, timetables and fees.
- The Volgograd Coalition advocated for changes in a local labor law that would reduce the legal obligations of SMEs hiring new employees. In 2003, the regional legislature adopted changes to the labor law that gave SMEs 12 days instead of three days to submit

new employee's labor contract to authorities. The changes also reduced the number of official documents required of new employees from nine to three.

- The Perm Coalition launched a court challenge to the regional tax inspectorate which had been penalizing local vendors for not having licenses to do business. The Perm Coalition's lawyer argued that such matters were outside the jurisdiction of the tax inspectorate. In 2007, the regional arbitration court ruled in favor of the Perm Coalition and negated fines levied by the tax inspectorate against vendors.

Aside from advocacy work centered on legislative and policy change, the regional coalitions also performed the function of defending members' rights, both individually and collectively, from predatory bureaucrats and arbitrary enforcement. Some of the coalitions' attempts to fend off threats to member businesses later evolved into formal legislative reform. That was the case with the advocacy efforts referenced above in Kirov and Perm. In other cases, the regional coalitions defended entrepreneurs' rights in specific circumstances that did not have a resonance beyond the businesses themselves. This was the case in Novorossiysk in 2006 when a butcher appealed to the local coalition for assistance with the city's plans to embark on a lengthy renovation of the butcher shop that would have driven it out of business. Coalition lawyers appealed to municipal and regional authorities and won alternate space for the butcher shop.

A full list of regional advocacy impacts can be found on page 26.

Sustainability

One other important dimension of the project's impact is substantially more difficult to gauge: the sustainability of the project's work through people and institutions that are likely to carry on its work without continued material support from a donor organization. As presented in more detail later in this report, CIPE's Moscow office remains in continuing contact with the network of coalitions, providing technical support as they continue the advocacy and anti-corruption work launched under this project. Of the 17 regional coalitions begun under the project, all remain open. Separately, members of the North Caucasus coalition are coordinating an ongoing, three-year USAID project that trains youth in the region in entrepreneurship and provides start-up capital for their business ideas. The youth entrepreneurship program relies, to a large extent, on the leadership and infrastructure established under the SME Policy Advocacy project.

Elsewhere, the Saratov Coalition is using the legal analysis and advocacy skills acquired in the SME Policy Advocacy project to implement an examination of the local property market under a CIPE-administered project funded by the National Endowment for Democracy (NED). In another project under development with anticipated support from NED, CIPE plans to work with four regional coalitions to train local experts who can use a 2009 federal law to gain the official standing to critique proposed laws and regulations for their corruption potential. This project would capitalize on the momentum and skill-base established under the SME Policy Advocacy project.

Two other significant sustainable dimensions of the project are the International Institute for the Management of Business Associations (IIMBA) and the REACT information-sharing project. The IIMBA is a self-sustaining educational institution based in Moscow that was co-founded by CIPE and RCCI in 2004 under the project. By the project's end, it had granted certificates in

organizational management and a range of other subjects to 1,840 participants, including those who took part in webinars. For those students from business associations and chambers of commerce, the training sessions stressed using advocacy skills as a means of better representing the interests of small- and medium-sized businesses in the participants' home regions. This approach is aimed at building the capacity of regional chambers and business associations to take an active role in Russia's democratic process. IIMBA's operating costs are covered by fees paid by participants or by the participants' organizations. Finally, the REACT website is being hosted and maintained, with no support from CIPE or any other donor, by the Saratov CCI. The site functions as a clearinghouse of information relevant to private sector and other NGOs pursuing legal reform, anti-corruption and property market analysis.

The project's impact extended beyond Russia to other former Soviet states, including CIPE programs in Kyrgyzstan, Ukraine, Armenia and Azerbaijan, where the project's model for chamber and association coalition building was adopted. Elsewhere, specifically in Iraq, Kenya and Nigeria, CIPE applied the regional business agenda model that was pioneered in Russia. In Thailand, CIPE worked with the Thai Institute of Directors to build a coalition of 50 Thai companies based on coalition-building experience in Russia. Translations into Arabic and French of publications generated by the SME Policy Advocacy project were used to assist CIPE partners around the world. One of the most popular such publications is "You've Got an Inspection," a heavily illustrated book written in comic-book style and designed as a guide to coping with inspectors and police. It was produced by the Novorossiysk Chamber of Commerce and Industry in 2006 and is used in Russia, Ukraine and Lebanon.

Diagnostics

To place the project's trajectory in context, it is helpful to understand the initial research that underpinned the project. Before work began in earnest on the project's activities, one of the project's first tasks in 2002 was to assess need in two areas: fundamental problems facing the SME community and the existing capacities of business associations and chambers of commerce. The assessments were conducted through detailed surveys administered by RCCI and produced results that guided the initial four-year term of the project. Because of the assessments importance in establishing a roadmap for the project's direction, they are presented in the "Regional Development" chapter in detail.

A February 2003 survey of 68 business associations in the eight regions found that the majority of associations did not actively pursue advocacy agendas. Instead, the majority of associations – 71 percent - fulfilled the more passive role of providing commentary on proposed legislation. These associations had prepared material for and taken part in regional legislative hearings on issues that included taxation, land use and transportation. One of the aims of the SME Policy Advocacy project was to give business associations a more active role by strengthening their ability to gauge the needs of their membership, formulate specific business agendas and pursue advocacy efforts based on those agendas.

The business association survey also sought to measure the priorities of SMEs in the regions. The top priority those SMEs cited was an increase in government financial assistance to SMEs. At the same time, respondents indicated the current and past government support for SMEs had

been inadequate and poorly administered. Legislative reform emerged as the second most important priority for business association leaders, who said that reforms should be aimed at creating a level playing field for SMEs. The survey noted that, “About two thirds of the surveyed leaders are convinced that it is extremely important to develop the legislative and normative base in order to ensure stable functioning and high economic and social efficiency of small business. Respondents unanimously agree that the measures taken during the past two years to improve legislation regulating small business—specifically, the federal laws “On State Registration of Legal Entities,” “The Protection of Right of Legal Entities and Individual Businessmen in Case of State Control,” and “On the Licensing of Some Types of Economic Activity”—have contributed to some improvement in business development overall, but have not solved the big picture of specific problems facing the business community.” This finding of overall satisfaction with the pace of legal reform but concern and frustration over implementation is a consistent theme in the life of the SME Policy Advocacy project.

Another survey, also released in February 2003 and conducted by RCCI in the eight regions, sought to measure the attitudes of individual SMEs, both those who were members of chambers and business associations and those who were not. The survey was designed to gauge perceptions of the effectiveness of business associations, as well as the needs of SMEs regarding collective representation. The results were intended for use in tailoring the assistance provided to the CIPE partner business associations in the initial eight regions.

The survey revealed that chambers of commerce and industry and other business associations had opportunities for increasing their membership bases, foremost among those businesses that have never been members of associations and unions. The majority of these entrepreneurs (55 percent) were familiar with the work of business associations and chambers of commerce. They reported that they had used services provided by such organizations, including the examination and certification of goods and services, exhibitions, business education, and dispute resolution. Aside from this familiarity with business associations’ work, about a third of respondents overall stated that they viewed the impact and influence of business associations as growing. It is important to note, however, that there was a wide regional variation in the entrepreneurs’ perception, with 86 percent of those surveyed in the Primorsky territory reporting that there had been an increase in influence and only 2 percent in the Krasnodar region.

The issues identified among individual entrepreneurs by the RCCI survey found that the SME community needed credible support organizations able to both address issues and provide necessary services. Viable business associations had to be able to competently provide a variety of services ranging from advocacy to training in writing business plans and devising marketing strategies. Business associations also had to fill the knowledge in the SME community by building capacities to serve as an information resource, including the development of databases and communication channels.

The findings of the two diagnostic surveys, in general, supported the initial direction of the project. Entrepreneurs had acute needs and an overall positive view of business associations. In order to fulfill the needs of entrepreneurs by effectively pursuing advocacy goals, business associations were in need of technical assistance and mutual support. Moreover, strengthening business associations would begin to break a cycle where the failure of the government to provide a stable legislative environment or remove burdensome inspection requirements forced businesses to disregard the laws. In this environment, a non-governmental organization such as a

business association could simultaneously address the concerns of the business community and educate government officials on the SME community's needs.

Project Stages

What follows is a concise description of the main stages of the project. For more detail about each activity described here and its impacts, consult those sections of the report that present detailed accounts drawn from the reports filed by CIPE to USAID every six months.

2002-2006

The geographic focus of the project was to work with business associations in eight regions of Russia: Irkutsk, Khabarovsk, Krasnodar, Perm, Primorsky, Samara, Saratov, and Volgograd. At USAID's request, the chosen regions were spread across four of Russia's seven federal districts, which are administrative units that encompass many regions. In choosing the eight regions, CIPE consulted with RCCI staff in an effort to choose business associations that had the capacity or potential to coordinate the planned activities of regional coalitions of business associations. RCCI coordinates and represents member chambers of commerce and industry in 173 regions and municipalities across Russia. As such, RCCI was an important, if often informal, partner on the project in the provision of advice and dissemination of information.

Among the factors weighed in choosing the eight regions were the following:

- The percentage of SMEs that were members of chambers and associations;
- The extent to which regional chambers and associations supported pursuing democratic and market-oriented reforms;
- The extent to which regional legislative and executive authorities were ready to support policy reforms; and,
- The readiness of the local business communities to participate in the politics to protect the interests of small businesses.

Russia's chambers of commerce and industry, in the years following the 1991 collapse of the Soviet Union, operated in an environment made especially challenging by numerous administrative barriers and weak institutional support, both in civil society and government. Like most of the former Soviet republics, Russia had no recent history of functioning markets and private sector activity. Those seeking to reform the SME environment confronted entrenched legal and institutional obstacles. The basic framework for this project emerged from discussions between CIPE and RCCI on how to address those needs.

CIPE brought to the new project association management techniques based on the U.S. Chamber of Commerce's experience and that of CIPE programs elsewhere in the world. CIPE staff also had experience drawing on the framework of new institutional economics, which aids in the identification of grassroots issues of importance to the SME community followed by an analysis of areas of potential reform. CIPE's expertise in administering small grants with a matching component offered the promise of simultaneously supporting and challenging potential Russian regional partners.

To help guide the project, CIPE set up a Moscow-based Project Advisory Board. The board functioned to advise CIPE program staff on advocacy strategies, reform issues, and the project

structures. The board, which was consulted by CIPE Moscow staff throughout the project, consisted of the following members:

- Alexei Bogachev—Deputy Director, Membership Department, RCCI (Chairman of the Project Advisory Board)
- Vladimir Brezhnev—President, Primorsky Chamber of Commerce and Industry (Vladivostok)
- Viktor Fedotov—Director General, Saratov Chamber of Commerce and Industry
- Alexander Belitsky—President, Volgograd Chamber of Commerce and Industry
- Alexei Kalashnik—Director of International Projects, OPORA
- Igor Mikhalkin—Director, Information Center, Russian Ministry of Antimonopoly Policy and SME Support
- Yuri Iakutin—Editor-in-Chief, "Economika i Zhizn" newspaper
- Vladimir Isakov—Director, Legislation Department, RCCI
- Viktor Ermakov—Director, Association of SME Support Agencies

The initial four-year USAID program had four components supporting the goal of strengthening the role of SMEs:

1. **Training** – CIPE set out to train the leaders and managers of local business associations and chambers of commerce to conduct effective advocacy work and improve organizational sustainability. Building on its own experience working with Russian association managers to implement training programs and volunteer technical assistance and other resources, CIPE provided the skills needed to improve the ability of associations to develop advocacy programs and build membership. This part of the program included small grants to allow local associations to undertake their own advocacy- and organizational-strengthening projects.
2. **Promoting Policy Reform** – To pursue this goal, CIPE used a Regional Business Agenda (RBA) approach that is modeled after the U.S. Chamber of Commerce’s National Business Agenda. In the target regions, CIPE worked to develop eight RBAs, which brought together elements of the business communities in each region (both associations and leading individuals) to develop an advocacy program for improved private sector growth.
3. **Building Information Networks** – CIPE provided local chambers with advocacy information and useful contacts through the REACT network hosted by the RCCI. The online network provides participants with internet-based access to information on reforms, policy proposals and other advocacy efforts around the country. CIPE and RCCI provided existing relevant materials to REACT and oversaw the development of new content for the information clearinghouse.
4. **Providing Technical Assistance** – Based on CIPE’s experience with coalitions of business associations in Central European countries including Bulgaria and Romania, CIPE developed business association advocacy coalitions in the eight Russian regions. The CIPE approach placed an emphasis on the process of building strong business coalitions, developing sound policy and working effectively with local government. Romanian and U.S. experts worked in the Russian regions to develop skills related to issue identification, policy development and advocacy.

2006-2009

In 2006, USAID extended the project for a three-year second phase, “Anti-corruption Advocacy Program.” In its proposal for the second phase, CIPE laid out a plan to continue the work of the initial, four-year program - with what had grown to 16 regional coalitions - while adding a strong anti-corruption component and establishing a permanent training institution in Moscow for associations and chambers. By 2006, it had become clear that the high level of corruption in Russia was one of the main obstacles to SME development. However, the business community did not have enough knowledge and experience in combating corruption, and more specifically in evaluating legislation and regulations for corruption capacity, developing and advocating for effective mechanisms of opposing corruption, and protecting entrepreneurs’ rights against administrative arbitrariness.

As studies by INDEM, the Moscow-based think tank and CIPE partner, have shown from 2001 on, Russian entrepreneurs viewed corruption as a clearly negative phenomenon but subconsciously approached it as something omnipresent and invincible. INDEM experts estimated that entrepreneurs in Russia spend a minimum of \$500 monthly on bribes to various officials. These payments were passed on to customers and clients of SMEs. In addition, corruption degraded the political system by widening the gap between government’s stated social policy and reality, thus potentially leading to instability. These observations, along with practical advice for SMEs on resisting corruption, were published in a 2007 project-related booklet “Business Without Corruption: An Action Guide.”

Under this phase of the project, CIPE’s anti-corruption strategy focused on business associations and civil communities in the 16 regions where CIPE has already strengthened local business community leadership through its work with coalitions and associations. In addition, to the eight regions included in the initial stage of the project, the other eight regions were Altai, Astrakhan, Kamchatka, Kirov, Nizhny Novgorod, North Ossetia, Rostov-on-Don, Sakha/Yakutia and Smolensk.

The primary activities for the project included:

- Training business association leaders in advocacy and corruption-fighting skills
- Information sharing with an anti-corruption focus through further development of the REACT website
- Supporting coalitions of business associations through grants to finance small projects designed to increase business associations’ anti-corruption capacity
- Advocating for federal-level policy and legal changes through partnerships with RCCI, OPORA and INDEM under a national business agenda effort, “Small and Medium Business 2008”
- Developing tools for regional coalitions to use in analyzing the corruption potential of legislation and regulations

2009-2010

In 2009, USAID funded a one-year extension of the project, which by this time had expanded to cover 17 regional coalitions, including one in the Republic of North Ossetia located in Russia’s

most volatile and corrupt region, the North Caucasus. Under the extension, CIPE expanded the project's reach into other regions of the North Caucasus, using the expertise of the North Ossetia coalition to conduct training for up to 20 leaders of local business associations. Trainees were drawn from Chechnya, Ingushetia, Dagestan, Kabardino-Balkaria, Adygea and Cherkessia, all areas where SME development faced severe challenges. Ultimately, those business association leaders who completed the training were stronger members of a broad North Caucasus coalition anchored by the North Ossetia CCI.

Aside from the geographic expansion of the project, this 2009-2010 stage of the project disseminated the Saratov Methodology, a methodical, anti-corruption approach developed in pilot form under the project's previous stage. Taking advantage of President Dmitry Medvedev's launch of an anti-corruption campaign that resulted in the passage of a host of new legislation at the federal level designed to counter corruption, CIPE planned the new approach that, based on previous monitoring work, predicted the corruption potential of proposed legislation.

2010-2011

In 2010, USAID approved a final, one-year extension of the project, which continued its focus on anti-corruption efforts throughout the network of 17 regional coalitions, strengthening the advocacy capacities of the North Caucasus Coalition including through a study tour to the United States. Topics included in the study tour to the Washington D.C. area consisted of association management, communications skills, membership development and conducting advocacy efforts. In addition, the final project year included funding for small grants to support the rollout of advocacy efforts developed by the North Caucasus Coalition.

In a new effort in the last year of the project, CIPE planned to work through its network of regional and federal partners to disseminate and encourage use of the Saratov Methodology. To do this, CIPE set out to gather up results from those coalitions that had applied the Saratov Methodology and, in cooperation with RCCI and OPORA, encourage other regional chambers and associations to study and implement the approach.

Lessons Learned

As the nine-year SME Policy Advocacy project came to a close, CIPE program staff examined the project's results with an eye towards extracting best practices and seeking to build upon some elements of the program. As detailed further in this report, some aspects of the program, such as the educational work of the IIMBA or information sharing of the REACT site, are already independent, self-sustaining and likely to continue functioning as they did under the project. The future of the 17 coalitions, however, is more difficult to predict. This was the subject of CIPE's internal review conducted in Moscow in the summer of 2010.

That review, combined with observations of CIPE program staff in Moscow and Washington, led to the following conclusions about the building and operating of coalitions of business associations in Russia. First, the number and longevity of staff at the coalition's coordinating business association is an important factor in their effectiveness. An experienced staff of a coalition's coordinating association accumulates experience over time, and this collective experience is crucial to building relationships with both business leaders and government officials. In the course of the project, those regions with weak business associations leading the

coalition had the poorest advocacy results. One example is in Nizhny Novgorod, where the coalition was led by a weak Union of Stores business association that was succeeded in leading the coalition by a series of relatively even weaker business associations. In another region, Sakha/Yakutia, the coalition's northern Siberian territory was too sparsely populated to produce strong business associations that could ably lead the coalition's work. Elsewhere, the Krasnodar coalition's strength and advocacy effectiveness grew when the Sochi CCI yielded its position as coalition coordinator to the Novorossiysk CCI, which had a larger, more experienced staff.

Second, a coalition's organizational structure and financing are key factors in determining effectiveness. Establishing clear lines of authority and project priorities helps assure efficient use of coalition staff, even when duties are divided between different coalition member organizations. CIPE research found that in coalitions with steady funding and rational organization, the coalitions were better able to weather leadership changes. For example, in Samara, the coalition worked effectively and achieved considerable authority in business and government circles as long as an effective leader and expert on advocacy remained in charge. When she departed, however, the coalition went through considerable tumult as it struggled organizationally to fill the gap, eventually with a local chamber of commerce.

Authoritative leadership was another crucial element in coalitions success, especially in the later years of the SME Policy Advocacy Project when, because of changing federal legislation, coalitions had more opportunities to take part in advisory bodies to regional governments and legislatures. The coalitions most successful in resisting corruption were the ones that built effective relationships with government and elected officials. In Krasnodar region, for example, one of the coalition's coordinators sat on the public advisory council to the mayor of Novorossiysk. When a local businessman faced prohibitively expensive and arbitrarily imposed demands from a local water company to open a business, the coalition coordinator used his relationship with the mayor to have the demands withdrawn. This sort of achievement enhances the authority of the coalition and makes it more attractive for prospective members. With enough trust from members and in the community, a strong leader can enhance an association's power and represent members' views without constant consultation. Constant changes in leadership or the loss of a charismatic leader reduce the effectiveness of the coalition and impede the cultivation of all-important personal relationships with officials.

Regardless of the staffing, funding or leadership of a coalition, coalition coordinators seeking lasting advocacy results must build the coalition's reputation as an expert representing small and medium business owners, with a footing equal to that of local civil society leaders and government. Too often, the business community is overlooked in the policy creation process. A coalition of business associations can change this perception. In Russia, CIPE observed that once coalitions began having an impact on policymaking, the business community in each region became more proactive about legislation. When businesspeople noted the results of advocacy, they were motivated to participate.

Over the course of the project, both in advocacy efforts and in training programs, CIPE staff were repeatedly reminded of the importance of coalitions focusing on the causes of corruption and not the practitioners. By targeting practitioners, the process becomes personal and it is possible to lose sight of problematic, systemic issues. As the Saratov Methodology demonstrated in this project, the drafting of well-conceived legislation and enforcement mechanisms is the most effective means of eliminating corruption.

Conclusion

Over the nine-year life of the SME Policy Advocacy project, Russia simultaneously experienced a roll-back of democratic freedoms and an increase in the level of corruption experienced by the populace. The government systematically eliminated voters' ability to choose their regional and municipal leaders and promoted the overwhelming dominance of one political party throughout the country. At the same time, participants in nearly every sector of economic and social activity, from health care and education to commerce, reported an increase in the everyday role of corruption.

In this constrained environment, the SME Policy Advocacy project sought to engage issues of both democracy and corruption by strengthening entrepreneurs' role in civil society. By taking a methodical and institutional approach, CIPE's partners at the regional and federal level achieved significant traction by empowering business associations to take action, by pushing for laws that provided the legal framework for change. Just as importantly, the project fostered a mentality among SME leaders that collective action could yield lasting benefits for all entrepreneurs. The project created institutions, such as the IIMBA for training and REACT for information sharing, that promise to strengthen the bulwark that entrepreneurs maintain against corruption.

By the project's end, powerful elements in the Russian government recognized the dire threat to the economy that corruption posed. New laws provided a promising foundation for the reduction of corruption. Policymakers also came to understand the benefits of promoting the kind of public-private cooperation fostered by the project. In the project's final year, new government initiatives laid the groundwork for an agreement between the RCCI and the Ministry of Justice that marked new levels of cooperation on monitoring legal implementation and corruption. That agreement was a direct outgrowth of this project's groundbreaking efforts. CIPE flourished

During a period when democracy and entrepreneurship were in retreat, CIPE succeeded through this project in achieving direct impact, creating sustainable institutions and energizing a once passive element of Russian society.

ADVOCACY IMPACT

The main goal of the SME Policy Advocacy project was to strengthen the role of SMEs in Russian civil society by giving them the tools to advocate collectively. To that end, CIPE worked to bolster the ability of business associations, chambers of commerce and the coalitions representing them to identify issues of importance to the SME community and then engage various branches of federal and regional government to push for legislative and judicial change. CIPE encouraged partners to advocate for change that would benefit broad categories of businesses rather than specific economic sectors or geographic regions. The impact of these efforts over the nine-year span of the project is the subject of this section. Subsequent sections will describe in detail the work that led up to the measureable impact presented here.

The project's impact is presented in two sections, both focusing on measureable legislative accomplishments. The regional section is broken down into subsections that correspond to the 17 regional coalitions that took part in the program. The federal section focuses on national legislation that was related to the regional coalitions' advocacy agenda, was supported by RCCI or OPORA, or served as the basis for subsequent achievements in the regions.

It is worth noting, however, that the project had impact in other ways that are less measurable and less easy to connect to the project's goals. This type of impact was often connected to the capacity of CIPE partner organizations or changes in attitude. For example, the 236 organizations represented by the 17 regional coalitions reported a 30 percent increase in membership over the life of the program. This may be attributable, in part, to the organizations better representing their members' interests. In specific regions, such as Smolensk, CIPE partners credit the advocacy techniques emphasized by CIPE trainers as creating a more constructive and less adversarial working relationship between chambers of commerce, the region's executive branch and the regional ministry of justice.

I. Federal Impact

Over the course of the SME Policy Advocacy project, CIPE and its regional partners worked closely with two national, Moscow-based organizations, RCCI and OPORA, to identify advocacy priorities and efforts. As compared to efforts made by the regional coalitions, the impact of this work is somewhat more difficult to measure because a far higher number of factors influence the Russian executive and legislative branches than influence their counterparts in the Russian regions. In addition, the process by which legislation was drafted and promoted was often less transparent on the national level, especially in those years of the project where the United Russia party controlled the Russian State Duma and had no need to compromise or debate with other political parties.

The national-level advocacy impact presented here can be divided into two stages. The first corresponds to the initial 2002-2006 stage of the project and is connected to legislative impact that reduced barriers to doing business for SMEs. The second reflects the latter half of the project's anti-corruption emphasis and is related to legislative reforms designed to reduce the level of corruption encountered by SMEs.

Some of the federal advocacy impact presented below falls neatly within one category, as is the case with the 2009 federal law, "On Approving a Methodology for the Expert Examination of Statutory Acts for Corruption Potential." Other federal laws fall into both categories, such as 2008's "On Changes in the Russian Federation Code on Administrative Delinquencies," which took away the power of police to enforce a wide range of health-, tax- and banking-related laws and regulations. To avoid confusion, the impact presented here is categorized according to the stage of the project to which it is most closely related. So, the series of legislative and regulatory reforms on the federal level are organized by key objectives, first the results of "Small Business 2004," and "Small and Medium Business 2008."

National Level Advocacy
Small Business 2004
Key Results of the Program

1. An improved framework for state support of small business.

- The Federal Law of July 24, 2007 #209-FL “On the Development of SMEs in the Russian Federation” was adopted;
- The subsection “Development of Small Entrepreneurship” was included in the Program of Social and Economic Development of the Russian Federation in 2006 – 2008. These efforts were aimed at improving the framework for state support of small business. The law “On the Development of SMEs in the Russian Federation” defines “small business,” “medium business,” “microbusiness,” and defines the kinds of state support of SMEs.
- The proposal of OPORA and RCCI on the need to adopt a federal law “On Basic Principles of State Regulation of Trade in the Russian Federation.” The concept of the law was developed, and the special Interdepartmental Working Group, in which business associations are represented, considered it. The law was issued in December 2009. It clarifies the definitions of different kinds of trade to include retail trade, wholesale trade, distribution networks for trade, trade space, stationary trade, non-stationary trade facility and others. The law also demarcates the powers of federal, regional, and municipal bodies to regulate business trade. The issuance of this law made it clear what entities can obtain state support, what kind of state support, and what state agencies regulate trade business.

2. The reduction of administrative barriers in entrepreneurial activity.

- The list of licensed business activities was considerably reduced, the force of the law “On Protection of Entrepreneur’s Rights at Inspections” was extended to license control (Federal Law #80-FL “On Introduction of Amendments to the Federal Law “On Licensing of Certain Business Activities”, Federal Law “On Protection of Rights of Legal Entities and Individual Entrepreneurs at State Inspections”, and Code of the Russian Federation on Administrative Delinquency of July 2, 2005).
- Removing of perfume and cosmetic alcohol-containing produce from the force of the Federal Law #171-FL “On State Regulation of Production and Circulation of Ethyl Alcohol and Alcohol-containing Produce” of November 22, 1995. Launching of the State United Automatic Information System was suspended. The business community acknowledged that perfume and other cosmetics contain spirits, but they are not alcoholic. As a result, the State United Automatic Information System was created to make on-line reporting of alcohol and alcohol-containing companies possible. However, the system was imperfect and had defective software, creating difficulties for businesses to report appropriately and on time. In 2009, the State United Automatic Information System was updated under a new body to ensure a simple procedure.
- The draft law that will abolish payment for technical connection to electrical networks was submitted to the State Duma for consideration. In June 2008, Prime Minister Vladimir Putin said that payments for technical connections to electrical networks were halting economic growth. He announced that regional governments would abolish or decrease the payments

required of small business. In August 2008, the federal government adopted measures that reduced the payments required of small business and farmers.

- The results of the July 5, 2007 meeting of the Council for Competitiveness and Entrepreneurship of the Russian Government attracted the attention of state bodies to a number of other important problems for SMEs, and federal executive bodies were assigned to develop proposals on the:
 - Delegation of the right of NGOs to participate in judicial proceedings in the interests of an undefined group of individuals;
 - Specification of the regulations for suspending banking operations under entrepreneurs' accounts by taxation bodies;
 - Introduction of the voluntary use of cash registers by SMEs that pay imposed income tax. In July 2009, the Federal Law #162FZ was issued. It allows SMEs that pay imposed income tax to choose whether or not to use cash registers.
- The Federal Law #135-FL "On Protection of Competition" was adopted on July 26, 2006 and amendments to the Code of the Russian Federation on Administrative Delinquency aimed at higher responsibility for violation of antimonopoly laws were adopted;
- Amendments to Federal Law "On Basic Principles of Tourist Business in the Russian Federation" #12-FL from May 5, 2007 were introduced. Due to efforts of OPORA and the Russian Tourist Industry Union, the rate of financial guarantees was reduced.

3. Improving the system of taxation for small business

- A compromise was achieved regarding the size of the rate for fixed income taxpayers in 2007 (Letter of the Ministry of Finance of May 29, 2007). This document orders, as of January 1, 2007, the use of a lower rate;
- In dialogue with the Ministry for Economic Development and Trade and the Federal Tax Service, OPORA and RCCI substantially improved the Federal Law draft "On Amendments to the Law On State Registration of Legal Entities and Individual Entrepreneurs" and other laws. As a result, several proposals that did not comply with SME interests were excluded (access of tax officers to living spaces without a court order, long and non-transparent procedures for the suspension of registration);

4. Giving SMEs access to property and land, and providing access to economic information for tenders and government procurement

- The Federal Law #94-FL "On Placement of State and Municipal Orders for Supply of Goods, Execution of Work, and Rendering of Services" of July 21, 2007 fixed a 10 to 20 percent quota for SMEs;
- The Federal Law draft "On Specifics of SME Participation in Privatization of State and Municipal Property" was adopted in July 2008. It gives SMEs the right of first refusal for the privatizing of rental space of state and municipal property.

5. Developing effective loan mechanisms for small business.

- The requirements for commercial banks' minimum collateral for issuing credit to SMEs were eased in summer 2007, making available bank's reserve funds for the use by SMEs seeking favorable credit.
- There was an increase in the amount of state-guaranteed loans available to SMEs for business development in summer 2007. State-guaranteed funds can now provide up to 70% of needed collateral for loans to SMEs.
- With federal financial support, SME development funds were created in 31 regions and by April 1, 2006, more than 360 businesses had taken part with a total volume of credit and leasing at 1.2 billion rubles.

6. Fighting corruption and giving legal protection to small business.

- The order of the General Prosecutor's Office #29 "On the Introduction of Prosecutor's Control Over Enforcement of Laws on Protection of Entrepreneurs' Rights" was issued. It is used by business associations to protect members' rights;
- As a result of the dialogue with the business community, the Ministry of Economic Development and Trade developed and coordinated amendments to the Russian Code of Administrative Delinquencies with the Ministry of Internal Affairs. These changes deprived internal affairs bodies of control over compliance with sanitary regulations;
- Proposals of OPORA were taken into account in an examination of draft laws by draft of regulations and methods of anticorruption Experts. examination of draft laws;
- Information provided by OPORA, RCCI and other business associations was used by the Ministry of Economic Development and Trade for the development of measures for opposing corruption;
- The business community contributed to the development for the Russian State Duma of a draft law, "On Regulation of Procedures for the Seizure of Property Declared as Material Evidence."
- As a result of joint advocacy efforts of the business community, Federal Law #45-FL "On Amendments to the RF Code of Administrative Delinquencies and to Other Laws of the Russian Federation" was adopted on May 09, 2005. Under the law, only a judge can decide to suspend business activity in clearly defined cases resulting in the abolishment of extrajudicial procedures for the suspension of business activity.

Small and Medium Enterprise 2008 **Key Advocacy Results at the Federal Level**

An important element of conducting systematic anticorruption work is obtaining the input of the business community. This is especially the case when creating a comprehensive public policy that is aimed at eliminating the root causes of corruption, rather than fighting isolated instances of corruption after the fact.

In 2008, the Chamber of Commerce and Industry of the Russian Federation (RCCI) and the Union of Business Associations of Russia (OPORA) united their advocacy efforts under the SME 2008 agenda that included six priorities for lowering the level of business corruption:

1. To assist in the creation of a state system of anticorruption measures.
2. To ensure control over the implementation of an anticorruption policy.
3. To ensure more transparency and fairness in public procurement and other processes which provide SMEs with access to facilities and state and municipal contracts, as well as access to the purchases and contracts emanating from state-owned enterprises.
4. To provide non-discriminatory access to state infrastructure and networks.
5. To simplify administrative procedures (administrative regulations, standards for the provision of state services, issuance of permits), and to provide feedback on the performance of law enforcement in monitoring state administration.
6. To improve and broaden the mechanisms for the protection of entrepreneurs' rights during state inspections.

1. Assisting in the creation of a state system of anticorruption measures.

A Federal Law, "On Countering Corruption" #273-FL, was passed on December 25, 2008. The law, for the first time, defined countering corruption as the work of all citizens and NGOs, as well as a government priority. It defined the principles of countering corruption and required cooperation with international initiatives.

The Russian Federation President's Decree #460 of April 13, 2010 introduced the National Strategy for Opposing Corruption and the National Anticorruption Plan for 2010 – 2011. The plan included:

- introducing a procedure for starting a business;
- optimizing state services for businesses;
- improving procedures for starting, operating and closing down a business.

2. Ensuring control over the implementation of an anticorruption policy.

The Federal Law, "On Opposing Corruption" #273-FL, was supported by:

- Federal Decree #196, "On Approving a Methodology for the Expert Examination of Statutory Acts for Corruption Potential," was issued on May 3, 2009.
- Federal Decree #195, "On Approving Rules for Expert Examination of Statutory Acts for Corruption Potential," was also issued on May 3, 2009.

In compliance with the decrees, the drafts of statutory acts must be placed on official websites to ensure an independent anticorruption examination by experts.

Impact: In January 2012, based on Federal Law #273, the Russian Ministry of Justice and RCCI signed an agreement launching a national program to identify implementation gaps between existing laws and regulations and their actual application. The program calls for a formal annual review process of laws that apply to customs, government procurement, and the work of the police. The 2012 agreement was preceded by a 2011 presentation to RCCI

leadership by Maxim Fateev, the president of the Saratov CCI, where the methodology for identifying implementation gaps had been developed under the SME Policy Advocacy project.

3. Ensuring more transparency and fairness in public procurement and other processes which provide SMEs with access to facilities, state and municipal contracts, as well as purchases and contracts emanating from state-owned enterprises.

In 2009 – 2010, the state and municipal procurement systems were redesigned to be based on open electronic auctions conducted on the following websites:

- www.roseltorg.ru;
- www.etp-micex.ru;
- www.zakazrf.ru;
- www.sberbank-ast.ru;
- www.rts-tender.ru

On November 3, 2010, a Federal Law on state and municipal procurement procedures was passed. Under the law, the size of the guarantee deposit required for small businesses to take part in auctions was reduced from 5 percent of the maximum bid to 2 percent of the maximum bid.

4. Providing non-discriminatory access to state infrastructure and networks.

In 2009 – 2010, based on the input of the business community, a number of state initiatives were implemented to ensure the transparency of pricing, as well as the simplification of contracting procedures by providing equal access to information networks. As a result of this private sector input, key initiatives included:

- Providing reduced-cost connections to electronic networks and interest-free payments by installment (Federal Decrees #118, 119 and 334 in February and April 2009);
- Imposing liability for network owners for the violation of information disclosure standards (Federal Law #160-FL of June 17, 2009 “On Changes in the Federal Code on Administrative Infractions and Other Federal Laws”);
- Simplifying the requirements for applications for connection to electronic networks (Federal Decree #759 of September 24, 2010, “On Improving Procedures for Technological Connection of Consumers to Electronic Networks”);
- Expanding and detailing the information that is mandatory for disclosure by electronic network providers, including fees for connection to electronic networks (Federal Decree #609 of September 8, 2010, “On Changes in Information Disclosure Standards for Electronic Networks”);
- Introducing standard contracts for SMEs for connection to electronic networks (Federal Decree #129 of March 1, 2011, “On Changes in Regulations for Technological Connection to Electric Networks”).

Federal Law #159-FL of July 22, 2008, “On the Disposal of State and Municipal Real Estate Leased by SMEs,” introduced preferences for SMEs on the privatization of state and municipal real estate, including the right to purchase property without an auction and the ability to make payments in installments. Federal Law #149-FL of July 17, 2009 reduced the required lease term

of such real estate from three to two years. With that legislation, SMEs with rental debts have one month to pay off the debt without losing the right to purchase the leased premises. These changes had a retroactive effect requiring state entities to revise previous refusals to allow SMEs to make such purchases.

Impact: In 2009, the federal authorities registered 16,373 purchases of premises by SMEs. In 2010 this number rose by more than 2.5 times, indicating a high demand among SMEs. Furthermore, official information shows that SMEs frequently choose to pay by installment.

5. Simplifying administrative procedures (administrative regulations, standards for the provision of state services, issuance of permits), and providing feedback on the performance of law enforcement in monitoring state administration.

Federal Law #294-FL of December 26, 2008, “On Protecting the Right of SMEs and Individual Entrepreneurs During State and Municipal Inspections,” introduced a notification procedure which was aimed at reducing unjustified administrative limitations on business startups and the resultant instances of corruption. The new notification procedure limited the number of supporting documentation required, made registration of new businesses free of charge, and ensured that the possibility to register is open to all entrepreneurs.

Impact: This notification procedure proved to be effective. Based on an OPORA survey of 375 entrepreneurs from 10 regions (conducted in October 2010), 87.5% of entrepreneurs knew about the new procedure, and 66.8% considered it simple. Federal Law #210-FL of July 2010 “On Providing State and Municipal Services to Businesses” included provisions that:

- Prohibited the reclaiming of documents from databases of state and municipal bodies;
- Allowed state and municipal bodies to receive documents electronically;
- Introduced services based on the “one-stop shopping” principle;
- Ensured that state officials were not allowed to take payments for services that were not listed in official documents.

Federal Decree #336 of May 15, 2010, “On Changes in Certain Statutory Acts of the Russian Federal Government,” mandated the expert examination of draft laws to evaluate their expected effect on business. The purpose of this decree was to identify and eliminate excessive administrative limitations that can cause unjustified expenses both for businesses and for state budgets. The decree was also aimed at encouraging the business community to take an active role in the expert examination of laws.

6. Improving and broadening the mechanisms for the protection of entrepreneurs’ rights during state inspections.

Federal Law #294-FL of December 26, 2008 “On Protecting the Rights of SMEs and Individual Entrepreneurs during State and Municipal Inspections,” introduced additional guarantees for SMEs during state inspections, including the:

- Limit of unplanned inspections of SMEs, which can be executed only by agreement with the Office of the Prosecutor;
- Placement of an annual limit on the number of hours that most state agencies can devote to inspecting either a small business (up to 50 hours) or those run by individual entrepreneurs (15 hours);
- Invalidation of inspection results in cases where the inspectors themselves violated guidelines for conducting inspections;
- Prohibition of different state agencies with the same requirements for a business duplicating inspections.

Also, Federal Law #239-FL of July 27, 2010, “On Changes in the Federal Code on Administrative Delinquencies,” introduced administrative fines for specific violations during inspections executed by state officials.

Impact: OPORA surveys conducted from 2009 to 2010 showed that twice as many entrepreneurs reported a drop in the number of inspections over the previous year. During this period, the number of businesses reporting that they did not make informal payments increased from 40 to 60 percent. The surveys found that the majority of businesses were aware of the new law (94.3%) and had noted relevant improvements (63.4 %).

- Federal Law #293-FL of December 28, 2008, “On Changes in Certain Statutory Acts that Eliminate Non-Procedural Rights of Internal Affairs Bodies during Inspections,” eliminated certain police powers. Thus, police can execute their duties only in the framework of the Code of Criminal Procedure and the Federal Law #144-FL “On Investigation Procedures.”
- Federal Law #380-FL of December 28, 2008, “On Changes in the Russian Federation Code on Administrative Delinquencies,” took away the authority of police to draw up reports on administrative delinquencies in 70 areas, including sanitation and epidemiological, ecological, tax, banking control, technical regulation, and the registration of real estate ownership.

Impact: OPORA’s monitoring of the implementation of this law in November 2010 demonstrated that the majority of businesses (57.9%) noted a reduction of administrative pressure, with an even more significant reduction among companies that owned real estate. Respondents stated that police pressure on business had decreased.

As a result of all these systemic efforts initiated and advocated for by the business community, the number of instances of corruption reported by respondents has fallen significantly. Based on OPORA’s research presented in “OPORA Index 2010-1011,” the portion of business profits dedicated to the payment of bribes has fallen by half and does not exceed 5 percent.

II. Regional Impact

The regional impact in the following subsection presents a detailed inventory of advocacy efforts in the 17 regions and results that are related to those efforts. Some coalitions, such as those lead by the Saratov and Novorossiysk CCIs, achieved greater results than other regional coalitions. This is typically a function of both the amount of resources devoted by the coordinating CCIs and their relationship with the local government and judiciary. Other disparities are the result of the length of time that regional coalitions began receiving support from CIPE, some as early as 2002 and others as recently as 2009.

CIPE supported the regional coalitions beginning in 2002 through technical assistance, focusing on technical assistance and capacity building. Later, after a collective grassroots decision was made by the coalition participants to focus on anti-corruption work, the project shifted in 2006 in that direction. The coalitions used an anti-corruption methodology to monitor regional-level implementation and the effectiveness of national legislation regulating business activities.

Advocacy for policy changes to improve the business environment had a measurable impact in all 17 of the regions represented by SME Policy Advocacy coalitions. These regional coalitions united as collective voices for reform and contributed to a better business climate and stronger economies on the local level. Additionally, the coalitions strengthened democratic governance by learning how to build effective public-private dialogue and ensure that the private sector and business support organizations have a voice in the policy-making process.

Since the inception of the project, the coalitions have conducted 222 regional advocacy efforts and submitted 222 regional policy recommendations, leading to the adoption of 138 regional legislative changes. Through legal consultations, telephone hotlines, and representation, these coalitions protected more than 5,000 firms from arbitrary and potentially damaging bureaucratic action by the project's final full year of operation, according to CIPE estimates. As documented in the federal section, the coalitions were instrumental in supporting

national organizations, OPORA and RCCI, in advocacy efforts that lead to 25 national legislative changes.

Below is a summary list of the regional impacts organized by region (in alphabetical order):

Altai

- The Altai Coalition advocated for the introduction of the following amendments to the regional draft law “On SME Support in the Altai Region”: (1) administrative and disciplinary liability for officials for illegal actions (or failures to act) that create obstacles for the business activities of SMEs or cause losses to SMEs; (2) creation of and assistance to business support organizations; and (3) creation of an interdepartmental commission to eliminate administrative barriers and monitor the implementation of state policy on the support of SMEs. The Coalition’s recommendations were included in the draft law, which passed in its second hearing in the regional legislative assembly in December 2008. As a result, the number of small businesses receiving government support rose from 27,628 in 2009 to 124,070 in 2011.
- The Coalition advocated against corrupt provisions in a 2006 decision of the Barnaul City Duma “On Temporary Regulations for City Development,” which: (1) allowed officials excess discretion; and (2) did not ensure equal access to information on municipal development. The City Duma approved the Coalition’s recommendations, and abolished this statutory act in April 2009.
- The Coalition advocated for the elimination of contradictions between two regional statutory acts regulating control over forests. In October 2008, the regional prosecutor issued a decree eliminating these contradictions. In May 2009, a government decree that removed these contradictions was issued, thus reducing opportunities for corrupt forest inspectors.

Astrakhan

- The Coalition advocated for the introduction of a Regional State Program for Opposing Corruption in Regional Executive Bodies. The Program was adopted on June 29, 2006 by regional government decree #213-P. The important impact of this is that the regional authorities admitted that corruption impedes economic development of the region. This raises the status of the business community in the process of development of public anticorruption policy. According to the Anti-corruption Program, the Regional Government places a high emphasis on the transparency of activities of executive authority. The role of Astrakhan business associations is: to examine laws and regulations for corruption potential; to inform the business community and civil society on corruption cases; to popularize intolerance of corrupt behaviour and unethical conduct; and, to develop information resources to provide equal access to economic and legal information.

- The Coalition represented interests of SMEs that need micro-credits but that do not have collateral to get these credits. Coalition experts identified three problems that hinder SME access to bank credits: high bank rate; lack of assets, complicated procedure. The coalition considered credit consumers' co-operative as alternative credit source. The Coalition took part in development of the Regional Program "Development of credit consumers' co-operation in Astrakhan Region." As a result, the Coalitions' agreed to abolish collateral as a requirement for issuing micro credits. Also, in September 2006, the Regional Program, "Development of Credit Consumers' Cooperation in Astrakhan Region" was adopted. Now nine credit consumers' cooperatives exist in the region. Coalition experts managed to develop a study program for cooperative specialists.
- The Coalition advocated against the decision of the Astrakhan City Council on procedures for municipal property rental which contradicted the antimonopoly legislation and the Civil Code. The 2006 decision did not envisage the right of lessees to recoup renovation expenditures, imposed insurance obligations, and allowed the city to increase rental costs without economic justification. The Coalition took this decision to court. In 2011, the court abolished the decision because it contradicted the antimonopoly legislation and the Civil Code provisions.
- The Coalition advocated for changes to the procedure for the privatization of premises rented by SMEs. In May 2008, the procedure for privatizing municipal premises rented by SMEs was suspended until the end of 2009. Under the old system, SMEs faced unreasonably high rental costs that led to bankruptcies. This measure boosted SMEs' financial viability and gave the Coalition time to develop and advocate for permanent changes to improve relevant privatization rules, thereby making such rules more transparent and less likely to be abused in corrupt privatizations. Based on the Coalition's recommendations, the three-year installment plan was included in the law.
- In August 2008, a Federal Law came into force giving SMEs preferences in the privatization of state and municipal premises that they rent. This law allowed the regions to establish the maximum size of premises targeted for privatization, as well as the installment period for such privatization. The regional administration offered up to 500 square meters for up to three years. As a result of the Coalition's advocacy, these terms were changed to 2,000 square meters and an installment period of three years (rather than up to three years). As a result, 650 businesses won the right to privatize the premises they rented. These changes were introduced by a regional law adopted in September 2008, and as of January 1, 2009, over 1,000 firms won the right to buy out their rented premises. Firms not able to buy out premises were able to rent as before.
- The Coalition advocated for improving the official procedure for obtaining permits to use bodies of water in the region. The Coalition's experts analyzed the procedure and identified legal gaps. They recommended that relevant authorities provide free information on the procedure on official websites and develop official regulations regarding time constraints for issuing refusals and approvals. The recommendations were forwarded to authorities in the legislative and executive branches of the regional government in late 2011.

Irkutsk

- The Irkutsk coalition took an active part in developing and advocating the “Program of Support and Development of Small Business in the Irkutsk Region (2003-2005).” The Legislative Assembly of the Irkutsk Region adopted the Program in September 2003. The program regulates regional SME support policy and gives the business community a chance to participate in policy processes in the region.
- The Coalition advocated for simpler and shorter licensing procedures for alcohol retail trade and developed amendments to licensing regulations. Contradictions between regional and federal regulations caused abuse of authority by regional officials – they forced businesses to pass paid training sessions in labor protection regulations. These amendments were forwarded to the Irkutsk regional administration for consideration. In March 2004, the list of documents envisaged by the regional regulators was adjusted in accordance with the list of documents required by federal legislation.
- The Coalition advocated for the rights of Irkutsk City passenger traffic companies to independently determine routes and itineraries for minibuses, whereas existing procedures were regulated by Mayoral Decree, which authorized the City Administration to impose changes of routes and itineraries. The Coalition therefore developed amendments to the “Regulations on Passenger Traffic in Irkutsk.” The amendments were forwarded to the City Administration of Irkutsk and to the regional legislative assembly for consideration. In 2005, the Mayor established the City Dispatcher Service, and traffic companies created an Association of Public Carriers. These two bodies coordinated routes, timetables and tariffs, and thus the conflict between authorities and businesses was settled.
- The Coalition advocated for improvement of regional legislation related to the protection of entrepreneurs’ rights and transparency of legislation and executive authorities. The Coalition has developed a Concept of Entrepreneurial Security that was forwarded to the Governor’s Council on Entrepreneurship for consideration. It was submitted to the relevant Regional Duma committees in autumn 2005.
- The Coalition advocated for repeal of compulsory paid training sessions of entrepreneurs in preventive fire measures, a known source of local corruption. The coalition developed amendments to the Irkutsk regional law “On Preventive Fire Measures.” These amendments on the repeal of compulsory training sessions were forwarded to the legislative assembly and administration of the Irkutsk region for consideration. At the fall 2005 session, the assembly declined the amendments. The Coalition created a hotline to monitor complaints of SMEs in regards to the fire measures training sessions and planned to present the results of the monitoring to the public and the assembly early in 2006. In 2009, changes were made to the Irkutsk regional law, “On Preventative Fire Measures.” One of the changes ensures that training sessions in preventative fire measures are only required in accordance with federal law.

- The Coalition advocated for more transparent procedures for SMEs to participate in municipal contract tenders. In April 2008, related amendments were introduced into the municipal regulation of the city of Bratsk “On Procedures for Developing, Placing, Executing, and Monitoring Municipal Tenders.” These amendments helped ensure that SMEs have equal access to state and municipal contracts in Bratsk and served as a model for other municipalities in the region.
- The Coalition advocated for clearer criteria to be applied to business support organizations participating in regional development programs. The Coalition’s amendments were included in the Irkutsk “Regional SME Support Program,” which was adopted in April 2008. Business organizations in the region now have access to information about the funding, implementation, and monitoring of regional development programs. This increased transparency and reduced the likelihood of corruption in such programs.
- The Coalition advocated for clearer regional budgeting procedures. The regional law “On the Administrative Liability of Officials for Violations of Budget Legislation” was adopted in April 2008. This law has helped prevent the misallocation of regional budget funds and the illegal provision of preferences for crony businesses through corrupt mechanisms.
- The Coalition advocated for the introduction of liability for officials found in violation of regional legislation on budgetary issues. The regional law “On Administrative Liability for Violation of Budget Legislation” was adopted and came into effect on January 1, 2009, closing important loopholes that could be a source of corruption.
- The Coalition advocated for the introduction of liability for officials found in violation of regional legislation on budgetary issues. The regional law “On Administrative Liability for Violation of Budget Legislation” was adopted and came into effect on January 1, 2009, closing important loopholes that could be a source of corruption.
- The Coalition opposed an uncompetitive tender to build dwellings for people living in dilapidated housing. The region’s First Deputy Governor awarded the contract before the tender to a construction company that did not meet the mandatory requirements of the tender. As a result of the Coalition’s efforts, the tender results were canceled in 2009 by a decision of the regional Antimonopoly Ministry, and a new tender with the consolidated participation of several construction companies was ordered.
- The Coalition advocated for more transparent procedures for participation of SMEs in municipal contract tenders. In April 2008, the related amendments were introduced into the Municipal Regulation for the Bratsk City “On Procedures for Developing, Placement, Execution and Control of Municipal Tenders.”
- The Coalition advocated for clear criteria applied to business support organizations participating in regional development programs. The Coalitions’ amendments were included in the Irkutsk Regional SME Support Program adopted by the regional law in April 2008.

- The Coalition advocated for clear budgeting procedures in the region. The regional law “On Administrative Liability of Officials for Violation of Budget Legislation” was adopted in April 2008.
- The Coalition advocated for introducing criteria for the definition of SME support infrastructural organizations to the Regional Law on SME Development. In June 2008, the amendments to the law were adopted by the Legislative Assembly of the Irkutsk Region.
- The Coalition advocated to ensure that officials would be held liable if found to be in violation of budget legislation in the region. The regional law “On Administrative Liability for Violation of the Budget Legislation” was adopted and came into effect as of January 1, 2009.
- The Coalition developed a program for opposing corruption in business. This program became the Regional Anticorruption Program for 2008-2009. The mandatory anticorruption expert examination of statutory acts became the most important provision of the program. As of September 2011, the Irkutsk Government and business community started working on regional implementation of the anti-corruption package of laws of the Russian Federation.
- The Coalition opposed an unfair tender for building dwellings for people living in dilapidated housing. The First Deputy Governor of the region had distributed the contract beforehand, and the tender was won by a construction company that failed to meet the mandatory requirements of the tender. As a result of the Coalitions’ efforts in April 2009, the tender results were abolished by a decision of the regional Antimonopoly Ministry. A new tender was held with the participation of several construction companies.

Kamchatka

- The Kamchatka Coalition advocated for the creation of a unified information system on issuing permits for entrepreneurial activities in Petropavlovsk-Kamchatski City. The Coalition, in cooperation with the Mayor’s office, developed a proposal on the establishment of an information service and forwarded it to the City Administration in late 2011.
- The Coalition advocated for better regulation of fishing activities in the region and for the creation of equal opportunities for all fishing businesses. The Coalition developed a draft law “On Fishing and Biological Resources in Kamchatka Region” and submitted it to the Regional Legislative Assembly. The Assembly adopted the law in December 2006. The law was adopted to replace an outdated law first implemented by Soviet authorities, who did not regard fishing as a business. The new law established the rules governing the business of fishing, thus reducing the potential for corruption.

Khabarovsk

- The Khabarovsk Coalition developed recommendations for the introduction of a “single window” procedure for small business registration. The Khabarovsk mayor signed a decree

introducing the “single window” procedure on November 30, 2003, which considerably reduced administrative barriers and simplified the paperwork process for small businesses.

- The Coalition developed recommendations for the reduction of a transportation tax. Amendments and addenda have been introduced into the “Law on the Transportation Tax in Khabarovsk Region” in Fall 2004. Tax rates for transport organizations providing services for pensioners and disabled persons have been reduced.
- The Coalition led an advocacy campaign to amend the regional income tax rate. Amendments have been introduced into the Khabarovsk Region Law “On The Taxation System Based on the Single Tax On Imputed Earnings,” which resulted in reducing the tax. As one example, the tax rate on retail trade of the medical products was reduced by 10% in October 2003.
- The Coalition developed mechanisms that provide SMEs with access to credits for business development. On July 30, 2004, these recommendations were included into the “Decree on Crediting Policy for Small Businesses” and “Decree on Microfinancing of Small Businesses.” As a result, in July – September 2004, businesses received credits in the amount of 9.7 million roubles (\$346,000).
- In connection with the consideration by the State Duma of the Federal Law draft “On Self-Regulated Organizations” the Khabarovsk Coalition in June 2004 held a regional conference to discuss problems that may emerge with delegation of some state rights and authority to business community. The Coalition developed recommendations to the draft law on definition of legal status for self-regulated organizations. This included development of codes for such organizations, legal mechanisms for solving disputes, standards of business practice and monitoring of their enforcement. As a result of the activity of regional business communities including Khabarovsk, a decision was made on the federal level to develop a Federal Law on self-regulating organizations. On December 1, 2007, this law was signed by President Vladimir Putin.
- The Coalition advocated for improvements to the official procedure for obtaining construction permits in the region. The Coalitions’ experts analyzed the existing procedure, identified legal gaps in it, and issued recommendations on what information should be made available on the website of the Khabarovsk Regional Ministry of Construction and elsewhere. They also recommended giving developers the right to submit supporting documentation from non-governmental experts and establishing specific requirements regulating actions of officials. The recommendations were forwarded to the regional legislative and executive authorities in late 2011.
- The Coalition advocated for improvements to the official procedure for issuing permits to set up markets in the city of Khabarovsk. The Coalitions’ experts analyzed the existing procedure and identified legal gaps in it. The experts issued recommendations to establish time constraints for considering applications and issuing permits; to abolish obligatory notarizing of application documents; and to eliminate conflicts between regional and federal

laws on the issue. By late 2011, the recommendations had been forwarded to the legislative and executive branches of the regional government.

Kirov

- The Kirov Coalition advocated for the simplification of application procedures for SME participation in state and municipal contract tenders. The Coalition developed amendments to regional regulations and forwarded them to the Regional Administration. Since late 2011, local working groups had been discussing ways in which to adopt these amendments in accordance with federal law.
- The Coalition advocated against the existing procedures for compensation of renovation expenditures during payments of rental of municipal property. According to these procedures, officials could make arbitrary decisions about compensation. In February 2008, as a result of the Coalition's advocacy efforts, the Kirov City Duma established the criteria for determination of compensation costs.
- The Coalition advocated for the protection of small businesses that cannot compete with big companies in privatization of municipal property. This was leading to a rapid increase in rental costs after buildings were privatized, thereby putting small entrepreneurs out of business. On June 27, 2007 the Kirov City Duma made a decision not to privatize municipal property being leased by small businesses.
- The Coalition advocated against existing privatization practices that did not provide free access to the database of the facilities that were subject to privatization. The Regional Interdepartmental Commission for Opposing Corruption approved of the Coalitions' recommendations in December 2008 and forwarded them to the Kirov City Duma recommending that it introduce mandatory publishing of the list of real estate facilities subject to privatization. As of 2009, this registry of property to be privatized is now publicly available.
- The Coalition advocated against the existing tender procedures for allocation of city routes to private passenger transportation companies that didn't provide free access to the official tender database. The Regional Interdepartmental Commission for Opposing Corruption approved of the Coalitions' recommendations in December 2008 and forwarded them to the Head of the Kirov City Administration recommending that it introduce mandatory public discussions on the tender terms for private companies.
- The Coalition advocated against the existing arbitrary procedures for compensation of renovation expenditures incurred during the rental of municipal property. In February 2008, as a result of the Coalition's advocacy efforts, the Kirov City Duma established specific criteria for determining tenant compensation.
- During the economic crisis, the Coalition advocated for an increase of the period for SMEs to purchase rented municipal premises from three to five years. On November 9, 2009, these recommendations were introduced as amendments in Kirov Regional Law #309.

Entrepreneurs who decide to buy out rented municipal premises won additional time to make the necessary payments.

- The Coalition advocated for transparency and greater access for SMEs to state contracts. In December 2009, a special Commission under the Regional Administration was set up to develop technical requirements for awarding state contracts. Coalition members became part of this Commission, which will help ensure greater public control over the transparency of contracting procedures.
- The Coalition advocated against merging auction lots when distributing passengers traffic routes for private transport companies in the city of Kirov, which could have blocked many small firms from the market. In October 2009, the Kirov City Administration adopted the Coalition's recommendations and lot sizes remained unchanged, while the number of traffic routes was not reduced.
- The Coalition advocated for the protection of businesses that rent land for temporary structures, such as retail trade kiosks. Land was offered on a competitive basis, and the local administration planned to announce a new tender, although firms had already paid for marketing expenses. In January 2010, the Administration issued a decision to preserve these structures and extend land rental contracts with firms that were already renting the space.
- The Coalition advocated for greater transparency in statutory acts regulating retail trade at temporary sales outlets (kiosks) in the city of Kirov. Based on the Coalition's recommendations (which were supported by the city Prosecutor's Office), the Kirov Municipal Duma adopted amendments to the statutory acts on August 25, 2010 regulating such sales. The amendments included time constraints for issuing licensing decisions and a requirement that any refusals be justifiable.
- The Coalition advocated against unreasonable government refusals to allot land plots for use by retail trade kiosks and pavilions. Through the Kirov City Prosecutor's Office, the Coalition introduced amendments to existing regulations. The proposed changes would strictly regulate timeframes for decisions on land use and require the authorities to explain refusals. As a result, 900 kiosks and an estimated 2,700 jobs were saved in October and November of 2010.
- The Coalition advocated for improving the official procedure for licensing educational activity in the region. The Coalition's experts analyzed the procedure and identified legal shortcomings. They also recommended the adoption of administrative regulations governing compliance with fire safety requirements. In order to increase the timeliness of the release of sanitary and epidemiological inspection results, the experts also recommended amending the existing regulation. In late 2011, the recommendations were forwarded to the regional legislative and executive branch authorities in late 2011.

- The Coalition advocated for improvement in the official procedure for providing transport carriers access to bus routes in the city of Kirov. The Coalition's experts analyzed the procedure and identified legal shortcomings. They recommended the adoption of administrative regulations to govern how carriers were granted access to existing bus routes as well as the creation of an open competition among carriers for access to bus routes. The recommendations were forwarded to the regional legislative and executive authorities. The related amendments to the "Regulations on providing carriers access to the bus routes in the Kirov City" were adopted in January 2011.
- The Coalition advocated for improvements to the "Regulations on Placing Outdoor Advertising in Kirov City." As a result of the Coalition's actions, the Kirov City Administration introduced procedures for registering outdoor advertising, and specified criteria for their designs in October 2011.

Krasnodar

- The Krasnodar coalition led an advocacy campaign in support of retail businesses that had temporarily lost their retail space due to reconstruction of certain public areas. The Krasnodar regional administration issued a decree in July 2003 that amended the previous regulations, providing retail businesses affected by reconstruction with retail space in the same municipal district as their permanent location.
- The Coalition continued advocacy efforts aimed at improving the municipal level taxation system regarding the rate of imposed income tax. In autumn 2003, the tax rate for food retail trade small businesses was reduced by 48%.
- The Coalition advocated for transparency and access to legislation and regulations on regional and local level. In late 2011, all municipalities adopted decrees that ordered placement of all newly adopted laws and regulations in the Russian electronic database, "Consultant Plus."
- The Coalition led an advocacy campaign to give access to small- and medium-sized business to information on municipal properties that can be rented or sold. As of late 2011, Krasnodar region had open registers of municipal properties for rental or sale of municipal properties.
- The Coalition submitted proposals on developing mechanisms of crediting to small business. Krasnodar region now has municipal funds that serve as guarantors for small business. The head of the Krasnodar regional administration issued a Decree that established procedures for partial compensation from regional budget of credit interest payments. Since 2005, the regional budget included a budget line for backing interest rates on credits obtained by entrepreneurs.
- The Coalition led an advocacy campaign to provide SMEs access to information on state contracts. The Krasnodar coalition developed a Program on providing state and municipal contracts through systems of electronic trade at Centers for SME development in the

Krasnodar region. In 2006, the first internet based tenders on cement sale were held, thereby bringing transparency into the government contracting process.

- The Coalition advocated against a regional law introducing restrictions on retail trade operations as it contradicted related federal legislation. In July 2011, Federal Law #218 was passed, recognizing the restriction of trade as outdated. Officials lost the ability to impose unfair restrictions on the locations of businesses and to extort bribes from businesses that did not comply with such restrictions.
- The Coalition advocated for lower administrative barriers for entrepreneurs that pass permit procedures. The head of the Krasnodar regional administration issued Decree #715 “On Overcoming Administrative Barriers and Simplification of Conciliation Procedures for Business Activity” in 2011. The decree introduced a clear scheme for passing permit procedures, and assigned persons on the regional level in charge for observance of introduced regulations in every municipality.
- The Coalition advocated for the official involvement of the business community on law-making processes and to expert evaluation on acting legislation. On November 23, 2006, the Governor of the Krasnodar Region issued a Decree on including chambers of commerce and industry comments in the local legislative process. The Decree specifically recommended the involvement of CCIs in expert evaluation of laws and regulations, and it is still the legal basis for public-private dialogue in the region.
- The Coalition advocated for greater involvement by the business community in the regional legislative process. Starting August 2008, the Krasnodar chamber (a Coalition member) has the right to introduce draft laws to the regional assembly. This unique decision will allow for direct private sector input into and monitoring of the legislative, policymaking, and law enforcement processes, and is a major boost to the standing of the chamber among entrepreneurs. In August 2008, an amendment to the Krasnodar Regional Charter has passed the 2nd hearing in the Regional Legislative Assembly that will authorize the Krasnodar Chamber of Commerce and Industry with legislative initiative.
- The Coalition advocated for the provision of a preference for SMEs to purchase premises that they rent. The Coalition developed buyout terms for premises of over 2,000 square meters, based on a five-year installment plan. This rule was adopted and came into effect as of January 1, 2009, making it significantly easier for SMEs to secure premises at reasonable prices.
- In April 2009, the mayor of Sochi issued a list of temporary retail locations that were to be dismantled and removed within 30 days. The list included 400 shops employing 1,150 people. The criteria for selecting the outlets and the reasons for their closure were unclear. The Coalition discovered that newly-available sales locations had already been distributed to other entrepreneurs, though the criteria for such distribution were not made public. As a result of Coalition’s advocacy efforts, the mayoral decree was abolished and a commission including Coalition representatives was set up to investigate the situation. The commission

included Coalition representatives. The Coalition's efforts resulted in 320 sales outlets employing 800 people being allowed to continue operation.

- On January 1, 2009, a law came into force banning consumer goods and food stores located within 200 meters of educational, welfare, healthcare, or other social institutions from selling alcohol. Since such institutions are located throughout the city, to comply with the law, most stores would have had to discontinue alcohol sales. However, such sales provide the majority of these stores' profits, so many applied for a licensing exemption. Because nearly 90% were refused an exemption, many residential areas were effectively left without food stores. The law was also a potential source of corruption, as it did not establish clear criteria to measure the required distance, giving officials licensing discretion and allowing for possible demands for bribes. Due to the Coalition's advocacy efforts, in May 2009, the law was amended. It now includes clear measurement criteria, and the distance was reduced to 100 meters. According to statistics, in the city of Novorossiysk alone, 470 shops were saved, employing 3,100 people, and paying annual taxes of 36.5 million Rubles (approximately \$1,216,500) as taxes.
- The Novorossiysk CCI, which serves as the coordinator of the Krasnodar Coalition, advocated for the improvement of a draft version of the Municipal Program for Business Competition Development. CCI's experts analyzed the draft for corruption potential and identified a number of factors that rendered the procedure for issuing construction permits non-transparent. The experts issued recommendations to correct the draft. All these recommendations were taken into account by the Novorossiysk Municipal Administration, which, in October 2010, adopted "Approval of Municipal Program Development of Competition in the Novorossiysk 2010-2012."
- The Novorossiysk CCI, in cooperation with coalition coordinators from the Saratov, Samara and Volgograd coalitions sharing information on the REACT website, advocated for an end to the Russian Central Bank's requirement that all businesses be required to construct and maintain a separate room for the storage of cash. For small businesses, like cobbler shops, the size of the vaults sometimes exceeded the size of the business. The legal requirement, dating from the Soviet era, was selectively enforced by regional law enforcement authorities. In October 2011, the Russian Central Bank abolished the requirement.
- The Novorossiysk CCI advocated for the improvement of the official procedure for privatization of municipal property rented by SMEs in the city of Novorossiysk. The Chamber's experts analyzed the procedure and identified legal gaps. They recommended establishing time constraints for assessing the market value of property, specifying and publishing the list of documents provided by applicants for privatization, and setting time constraints for officials to consider and decide on applications. The recommendations were forwarded to authorities in the city's legislative and executive branches of government in late 2011.

Nizhny Novgorod

- Due to the outbreak of hepatitis A in the region, the administration issued a decree aimed at complete elimination of street catering points. The Nizhny Novgorod Coalition advocated for the creation of a self-regulating business association that would establish requirements for street catering and control the business activity of its members. Based on the Agreement with the City Administration, the operation of street catering business resumed in summer of 2005. Only those catering businesses were allowed that had agreed to comply with the safety requirements established by the created business association.
- The Coalition advocated for abolishing the Decree of the City Administration on the complete elimination of temporary trade premises. In summer 2005, the city administration issued a Decree #2070 that determined a list of 339 places in the city where temporary trade premises were allowed.

Perm

- The Perm Coalition made recommendations aimed at reducing tax rates paid by owners of pavilions, stands, and kiosks regarded as permanent retail spaces, but that do not have a sales area. In August 2003, the Perm coalition's recommendations were incorporated as amendments to the regional law "On Taxation in the Perm Region."
- The Coalition spearheaded an arbitration case to demonstrate the lack of jurisdiction of the local tax inspectorate over the permits that allow local vendors to trade. The Perm Coalition argued that trading in Perm without paying a duty for the right to trade or without having the patent fee is not a matter connected to tax regulations. The case was approved as a precedent by arbitration decision N A50-400/2004 A11 in fall 2004. The case was won, and on June 15, 2007 the court issued a decision that abolished the tax inspectorate's decision.
- The Coalition litigated amendments to the regional tax law that negatively impacted some taxpayers. Those amendments removed a tax rate reduction that taxpayers previously enjoyed. Arbitration decision N A50-9760/2003-A3 determines that the amendments to the regional law bearing the negative effect on the legal medium cannot be applicable.
- The Coalition developed mechanisms to provide SMEs with access to credits. The regional government set up seven municipal micro-crediting foundations were set up in the region that gave credits to SMEs from budgetary funds in 2003 and 2004. This legislative change served as a model for other Russian regions. The Perm Coalition's experience became the basis for the creation of microcredit funds, which, by 2007, had been established in all regions.
- The Coalition analyzed the draft Federal Law "On Self-Regulated Organizations" for its compliance with the Federal Constitution and other Federal Laws that regulate activity of professional organizations. Based on this analysis the coalition held a roundtable, which developed amendments to the draft law. Amendments developed by the Perm Coalition were forwarded to the State Duma and Federal Assembly Deputies from the Perm region for consideration. Partly as a result of the activity of regional business communities, a decision

was made on the federal level to develop a Federal Law on self-regulating organizations. In late 2007, this law was signed by the Russian President.

- The Coalition spearheaded an arbitration case to provide the transparency of Perm City general layout that is needed by entrepreneurs to plan construction. On October 26, 2006, come into effect a court decision that demanded free access to unclassified materials to the Perm City general layout.
- The Coalition spearheaded an arbitration case to provide free access of entrepreneurs to official information on the cadastral cost of land that is used to determine tax obligations. Perm City administration issued a decision in 2011 granting this access.
- The Coalition spearheaded an arbitration case that gave priority land rights to owners of the buildings residing on that land. The case won, and on June 15, 2007, the court issued a decision that abolished transaction of land rights to other parties.
- The Coalition spearheaded an arbitration case to demonstrate the impossibility of collecting signatures of all shareholders for the closing down of business. The court agreed in November 2006 that closing a business required a legitimate assembly that approved of the liquidation balance.
- The Coalition participated in the developing of the Budget of Perm Region and suggested allocating funds to SME microfinancing. As of late 2011, the Regional Budget included specific allocation for microfinancing of small businesses.
- The Coalition advocated for the adoption of regional anticorruption legislation. In May 2008, the Perm regional assembly passed the law “On Opposing Corruption,” and gave the Coalition official duties in carrying out the regional anticorruption strategy. This allowed the Coalition to monitor violations of local laws on corruption and raise public awareness of specific cases.
- The Coalition advocated for a simplified tax for SMEs providing domestic services, proposing that the tax be paid through the purchase of a license to render services. As a result, in October 2009, a regional law introducing a simplified taxation system based on the purchase of such licenses was adopted.
- The Coalition successfully advocated against illegal inspection procedures at the regional and municipal levels. In July 2010, the Perm regional governor issued a decree establishing state inspection procedures that did not comply with the time constraints set by the related federal legislation. In addition, several Perm municipalities adopted similar regulations that violated entrepreneurs’ rights. Based on Federal Law #294, such inspections must not be more frequent than once in two years, but the Governor’s new decree and municipal regulations allowed for inspections at any time. The Coalition brought this issue to attention to the Prosecutor’s Office, and both the decree and regulations were abolished.

- The Coalition advocated for improvements to the official procedure for issuing permits for hauling large and heavy cargo on the region's roads. The Coalition's experts analyzed the existing procedure and identified legal gaps. They recommended adopting regulations for this procedure, eliminating conflicts in relevant regional laws, requiring officials to justify refusals to issue permits, and specifying time constraints for considering and deciding upon applications for permits. In 2011, the recommendations were forwarded to the regional legislative and executive authorities.
- The Coalition advocated for improvements to the official procedure for leasing forest land owned by federal and regional authorities in the region. It identified the relevant government body as the most corrupt one in the region. An examination of the government agency charged with leasing forest land and the Perm Coalition's recommendations were forwarded to the regional Legislative Assembly, Prosecutor's Office, Internal Affairs and Antimonopoly Agency. In January 2011, regional law enforcement agencies inspected the Agency for Nature Management and discovered that it was controlled by two companies owned by close relatives of the head of the agency. These results were forwarded to the Regional Government with a recommendation to dismiss the head of the agency.
- The Coalition advocated for improvements to the Legal Relationships in Land Lease. As a result of the Coalition's action, the Perm Regional State Agency in charge of managing land plots and holding lease tenders defined the criteria for refusing to hold a tender, provided information on regional tenders, including the conditions under which a state agency may conduct a tender, and passed a regional administrative act regulating procedures for providing a right to lease a forest plot based on a tender in 2010.
- The Coalition advocated for improvements to the legal relationships in transferring land from one category of use to another. As a result of the Coalition's action, the Perm Regional Government defined the criteria for refusing to consider an application to transfer land from one category to another, and requirements to such application, specified procedure for applicant's participant in taking of a decision, and adopted an administrative regulation of this service in late 2010.

Primorsk

- The Primorsk Coalition advocated amendments to a decree issued by the Vladivostok Administration that allowed changing calculation rates for rental of municipal premises by small and medium enterprises. The Vladivostok Administration amended its decree in May 2003; thus, small businesses in Vladivostok avoided increases of rental rates that were stipulated by the original decree. The Vladivostok Administration amended its decree in May 2003, abolishing increases in rental rates that were stipulated by the original decree. In September 2004, Vladivostok City Duma issues a new decree "On the Approval of a Methodology for the Calculation of Rates for Municipal Property Renting" that further reduced rental rates for SMEs. The situation was repeated in 2005 when a new mayor was elected. The Coalition provided calculations that demonstrated how the increase would influence the development of entrepreneurship and the regional economy in general. The

Coalition proposed an adoption of preferences for small businesses. That Coalition initiated protest actions, and the Vladivostok City Duma adopted reduction by 30 percent.

- The Coalition led an advocacy campaign to amend the regional law on imposed income tax. The regional assembly adopted amendments to the Law of Primorsk Region “On Imposed Income Tax,” which made the tax rate 2.5 times lower in November 2003. From the beginning of 2006, the authority to approve imposed income tax rates was transferred from regional to municipal level. Municipal authorities adopted the maximum possible rates. The Coalition again began substantiating tax rates, this time in each municipality of the region. In late 2007, the Coalition managed to reduce rates and to preserve these rates for 2008.
- The Coalition advocated for the participation of SMEs in state procurement and tenders. The governor of the Primorsk Region adopted a regulation “On Participation of SMEs in Manufacturing and the Supply of Commodities and Services for State Needs of the Primorsk Region.” A procurement committee was established, and representatives of the Primorsk coalition were appointed in 2011 to the committee to ensure fair competition.
- The Coalition advocated for the introduction of the “one window” procedure of registration for companies’ and individual entrepreneurs’ registration. The Coalition initiated a special meeting of the Public Council of Entrepreneurs under the governor of the Primorsk Region to discuss introduction of the “one window” registration procedure. In November 2004, the proposed legislative changes were partially taken into account in a decree of the governor.
- A Primorsk regional law required daily income statements in alcohol retail trade, which was impossible, especially for small businesses. The Coalition proposed monthly statements instead. In November 2007, the Administration issued a decree that supported the Coalition’s proposal.
- The Coalition revealed high levels of corruption during the privatization of municipal property in Vladivostok City. As a result of unfair auctions more than 2,000 entrepreneurs lost their businesses. The Coalition attracted public attention to this issue, appealed to the Federal Security Service, and created a working group on privatization. As a result of its work in 2007, four criminal investigations were launched, 180 premises were seized, and former lessees received a priority right to use them. The privatization of more than 750 real estate facilities was suspended pending reform of the relevant laws.
- The Coalition advocated against excessive regulation of retail alcohol sales. In May 2008, the regional administration adopted a decree simplifying related procedures, reducing firms’ expenditures and considerably lessening opportunities for corruption.
- The Coalition advocated against a decree of the Vladivostok mayor providing for the transfer of municipal property to a government-affiliated firm. As of April 2008, the decree was abolished by the prosecutor’s office, creating an important precedent against corruption and giving local SMEs better access to the rental and purchase of municipal property.

- The Coalition advocated for the elimination of contradictions between the Vladivostok City Duma decree on taxes and the Russian Tax Code. As of April 2008, local tax officials can no longer force firms to adhere to local tax requirements that conflict with federal ones.
- The Coalition advocated against the excessive regulation of the procedure for declaring the retail trade of alcohol products. In May 2008, the Regional Administration adopted the Decree that considerably simplified this procedure.
- The Coalition advocated against the Vladivostok Mayor's Decree that provided corruption transfer of the municipal property to its affiliated company. The Decree was abolished by the Order of the Prosecutor's Office in April 2008.
- The Coalition advocated for elimination of the legislative contradictions in the Vladivostok City Duma Decree on Taxation and the RF Tax Code. The officials lost the opportunity to force the businesses that use the simplified taxation system to switch to the regular taxation system in April 2008.
- In August 2008, a Federal Law that provided preferences to SMEs for the purchase of state and municipal premises came into effect, but the law contained a provision with high corruption potential. This provision called for a unclear level of "honesty" of a business participating in the purchase, giving officials considerable discretion in reviewing applications. The law had also allowed regions to limit the maximum size of premises eligible for privatization and to set time constraints for privatization. As such, by May 2009, only 5 of 137 applications for purchasing state and municipal property in Vladivostok were granted. In response to this, the Coalition advocated for amendments to the privatization regulations. The Regional Administration had offered up a 100 square meters within a one-year period and the proposed amendments were adopted by the City Duma. The new regulations include clear criteria for what makes a business "honest" and therefore eligible for privatization preferences. As a result, the remaining 132 applications were approved and 500 more businesses now had the opportunity to apply to take part in the privatization. Additionally, the terms of the size and time constraints of the property purchase were changed to 1,000 square meters and a five-year installment period. Based on this, 650 businesses got the right to privatize the premises that they had previously rented.

North Caucasus Coalition

- The Republic of North Ossetia-Alanya Chamber of Commerce and Industry (CCI), the coordinator of the North Caucasus Coalition, advocated for improvements in the regulations and procedures governing state contract tenders. In January 2009, the republic's government issued a decree that set up a state commission for control over the effectiveness of the tenders for state contracts. The commission was tasked with monitoring law enforcement, revealing corruption cases, considering complaints, and developing anticorruption measures.
- The Republic of North Ossetia-Alanya Chamber of Commerce and Industry (CCI) advocated for greater access to credit for SMEs. In January 2009, Coalition members were included in a commission for SME development under the Russian Ministry for Economic Development.

The commission set up two foundations in North Ossetia: The Republican Guarantee Fund (credits secured on the state property) and Micro-Crediting Fund (credits under 1 million rubles).

- The Stavropol CCI advocated for improvements to legal relationships regarding the municipal service “Allocation of municipal land for construction purposes with prior approval of layout of constructions.” As a result of the chamber’s action, the regional administration introduced amendments to the regulation of this service that specified administrative procedures, eliminated corruption factors in the legal relationships, and provided free access to official information related to this municipal service in April 2011.
- The Stavropol CCI advocated for improvements to the state service, “Licensing education activities.” As a result of the chamber’s action, the regional administration introduced amendments to the regulation of this service that eliminated legal and linguistic ambiguity, and limited considerably opportunities for taking decisions by officials at their own discretion in March 2011.
- The CCI of the Republic of Ingushetia advocated for improvements to the state service “Approval of selection of land plots for entrepreneurial needs.” As a result of the CCI’s action, the regional administration adopted the administrative regulations for this service that specified administrative procedures, services and requirements for this service in October 2011.
- The CCI of the Chechen Republic advocated for improvements to the state service “Issuing property rights on land plots for entrepreneurial needs in Grozny City.” As a result of the chamber’s action, in late 2011 the city administration adopted amendments to the administrative regulations for this service that specified administrative procedures, standards, and provided free access to the official information and eliminated corruption factors in this service.
- The CCI of the Republic of Karachaevo-Cherkessia advocated for improvements to regulations connected to the issuing of construction permits. As a result of the CCI’s action, the regional administration adopted amendments in 2011 to the regulations that specified administrative procedures, standards, and provided free access to official information and eliminated corruption factors in this service.
- The CCI of the Republic of Ingushetia, the CCI of Karachaevo-Cherkessia, and the Chechen Republic all advocated for improvements to regional regulations governing the conversion of residential property to commercial use. As a result of the CCIs’ actions, in 2011 each respective administration adopted amendments to the administrative regulations for this service that specified administrative procedures, standards, and eliminated corruption factors in this service.

Rostov-on-Don

- The Coalition, coordinated by the Rostov Chamber of Commerce and Industry (CCI) advocated for the elimination of contradictions between federal and regional legislation related to transportation costs. The Coalition's recommendations were submitted to the regional legislature for consideration in the fall of 2007.
- The Coalition advocated against corrupt provisions of the regional law on SME development allowing the regional branch of the Federal Statistics Agency to charge for services financed by the regional budget, which violates federal law. In October 2008 this provision was excluded from the draft law.
- The Coalition advocated against the illegal imposition on SMEs of the requirement to fund social programs, which had arisen under an agreement among the regional administration, the Federation of Trade Unions, and the Union of Employers for the years 2008-2011. Thanks to the Coalition's efforts, in October 2008 the regional administration excluded this provision from the agreement.
- The Coalition advocated against a provision in an agreement among the regional administration, the Federation of Trade Unions, and the Union of Employers for the years that excluded from state and municipal tenders certain small firms. In October 2008, the regional administration excluded this provision from the agreement, agreeing with the Coalition that it represented a violation of federal law.
- The Coalition advocated for the simplification of procedures that allowed for the conversion of residential real estate to commercial use. In the fall of 2006, a one-stop-shop principle for these procedures was introduced in Shakhty City in the Rostov region. This new approach significantly simplified the process of opening a business.

Sakha (Yakutia)

- The Coalition, coordinated by the Yakutia Chamber of Commerce and Industry (CCI), advocated for the introduction of a mechanism for paying pensions to the members of credit cooperatives through the cooperatives themselves rather than third parties. In the fall of 2005, the Coalition joined efforts with credit cooperatives of the Primorsk region and developed recommendations aimed at simplifying procedures related to pension payments
- The Coalition developed a mechanism of interaction with the Republic of Sakha's Prosecutor's Office on the pre-trial settlement of disputes related to the violation of entrepreneurs' rights by officials. In April 2006, the Prosecutor's Office issued an order on the creation of a public council that would include the participation of coalition representatives and prosecutors. The Coalition forwarded cases of violations of entrepreneurs' rights to the council. The council's expert evaluation of these cases contributed to the pre-trial settlement of disputes.

Samara

- The Samara Coalition, coordinated by the Samara Chamber of Commerce and Industry (CCI), led an advocacy campaign to amend the regional tax law on business income. In August 2003, the Samara Regional Duma adopted amendments to the regional tax law, cutting the tax rate in half and resulting in the emergence of individual entrepreneurs from the shadow economy into the formal sector.
- The Coalition took an active part in the development of the Samara Regional Program of SME Support. At the end of 2003, the regional administration adopted a regional law “On the Samara Regional Program of SME Support, 2004-2010.”
- The Coalition advocated for introduction of exceptions regarding working hours for women with children. The Samara Governor signed a Decree on March 18, 2004, “On Introduction of Reduced Working Hours for Specific Categories of Employees.”
- The Coalition developed a mechanism of support of local SMEs through the regional budgetary funds. The Coalition’s proposal was forwarded to the regional administration in 2005.

Saratov

- The Saratov Coalition, coordinated by the Saratov Chamber of Commerce and Industry (CCI), led an advocacy campaign to amend the regional tax law. In autumn 2003, the Saratov Regional Duma adopted the suggested amendments, considerably reducing the tax rates for SMEs. From the beginning of 2006, the authority to approve imposed income tax rates was transferred from the regional to the municipal level.
- The Coalition developed a concept of an electronic trade system to provide entrepreneurs with equal access to state and municipal contracts and a draft law “On Distribution of State and Municipal Contracts through E-trade.” The draft law was forwarded to the Saratov Region Legislative Assembly and is expected to be adopted later in 2005. However, because of a recent adoption of the Federal Law “On Placing of Orders for Supply of Goods, Operation and Rendering of Services for State and Municipal Needs,” the Coalition is amending its recommendations to make them compatible with the law. On July 28, 2006, the Governor of Saratov region signed a decree establishing a regional electronic system for state contract tenders.
- The Coalition advocated simplification of procedures for the conversion of living quarters into non-residential premises for entrepreneurial activity. The Coalition developed amendments to the “Regulations on Conversion of Living Quarters into Non-residential Premises.” These amendments were partially incorporated into the Decree of the Saratov Regional Duma on July 14, 2004.
- The Coalition advocated for adoption of the “Regional Development Program for 2005 – 2007” On December 25, 2004 the Regional Duma passed the law on the “Regional

Development Program for 2005 – 2007”. The program addressed the following issues: 1) the improvement of legislation regulating SMEs; 2) the creation of a development fund for SMEs; 3) the creation and support of a specialized branch of SME centers, including those supporting industry, innovation, handicraft, construction, and personal services.

- At the beginning of 2007, the Saratov Coalition advocated for the protection of minibuss transport companies that took part in tenders for transport route licenses in Saratov City. The Coalition found that the tender was conducted unfairly and the tender results were cancelled. The Coalition was assigned to conduct an anticorruption expert examination of tender regulations. Based on the Coalition’s recommendations, the City Administration eliminated all corruption factors from the regulations in 2007. New tender regulations, based on advice from the Coalition, were adopted in January 2008, making the process more fair and transparent to all bidders and eliminating the corruption potential from the law.
- Based on a review of the Saratov law governing regulation of marketing trade, the Saratov Coalition revealed contradictions to federal law regarding regulation of trade expositions. According to federal legislation, trade expositions were not markets. According to the existing Saratov regional law, trade expositions were included in the market category. In April 2007, a new law was adopted in Saratov based on the Coalition’s recommendations. Temporary fairs held outside the territory of markets were not included in the market category, thereby removing contradictions in the law and a mechanism for corruption.
- The Coalition advocated against the decision of the Saratov Regional Duma that had established municipal land rental rates. The rates were established arbitrarily in contradiction with the Federal Constitution and Civil Code. Based on the Coalition’s appeal, the Saratov City Prosecutor’s Office demanded the elimination of those rental rates from the law. In November 2007 a new decision was made based on economic justification and the rental rates were reduced by 50% on average.
- The Coalition advocated eliminating a potentially corrupt element from the Saratov Administration Decree, “On Rental Rates for SMEs,” which allowed officials to raise, at their own discretion, the rate of the lease of municipal premises. Based on the Coalition’s recommendations and an objection to the decree from the Prosecutor’s Office, the Saratov region governor introduced in 2011 an amendment to the decree that eliminated that element.
- The Coalition advocated against the illegal practice of consumer rights protection organizations attempting to carry out inspections of businesses and levy fines. As a result of the joint efforts of the Coalition, the regional Prosecutor’s Office, and the Regional Ministry of Justice, the Public Organization “Committee for Public Control of the Protection of Consumers’ Rights and Human Welfare” was prosecuted and shut down in 2010. To prevent similar groups from carrying out such schemes, the Coalition and Prosecutor’s Office subsequently issued a set of instructions for entrepreneurs that explicitly laid out which government authorities are responsible for consumer welfare inspections. These instructions were disseminated among business in the city and Saratov region.

- The Coalition advocated for a reduction in tax rates for businesses using the simplified taxation system. On December 25, 2009, the Saratov Regional Duma adopted a reduction of one type of simplified taxes from 15 percent to 7 percent.
- The Coalition eliminated contradictions in regional and federal legislations regarding the regulation of retail markets. According to the new regional legislation adopted in April 2008 the trade fairs will not be considered as retail markets and will not be subject to the regulation of the retail market activity.
- The Coalition advocated for effective monitoring of law implementation in the region. On September 10, 2010, the Public Council under the Office of Prosecutor of the Saratov Region adopted a decision to use the Methodology to monitor the Effectiveness and Implementation of Legislation for annual monitoring of implementation of the regional legislation in the area of rendering state services to businesses. The Methodology was developed by the Saratov Chamber of Commerce and Industry.
- The Coalition advocated for the improvement to the official procedure for cadastral registration of land in the region. Coalition experts analyzed the procedure and identified legal shortcomings. They recommended publishing administrative regulations governing the state agency that is authorized to carry out cadastral registration of land; specifying fees for providing cadastral information; and requiring relevant officials to explain their actions related to the cadastral registration of land. In 2011, the recommendations were forwarded to the regional legislative and executive authorities.
- The Coalition advocated for improvements to the legislation covering the lease and sale of municipal land and buildings. The Coalition forwarded to the regional administration recommendations aimed at clarifying administrative procedures, eliminating corruption factors, and providing free access to relevant official information. The regional administration adopted these recommendations and introduced amendments to relevant regulations in December 2011.

Smolensk

- The Coalition, coordinated by the Smolensk Chamber of Commerce and Industry, advocated for giving SMEs the right to rent municipal property in Smolensk City on a transparent and competitive basis. The Coalition developed amendments to local regulations and forwarded them to the Smolensk City Administration. In 2011, the Smolensk City Assembly created a commission to look into the issue.
- The Coalition advocated for introduction of the simplified tax system for one-person businesses with no employees. A regional law was adopted that introduced a simplified taxation system by which micro-entrepreneurs purchase short-term business licenses in lieu of paying more complex business taxes. The law came to effect on January 1, 2007.

- The Coalition advocated for creating a regional Commission for SME Support and Development for the more effective use of state funds for SME support. In May 2008, the regional administration signed a decree creating the Commission and including the Coalition on the Commission. This decision gave the business community a direct role in setting priorities for and enforcing spending decisions regarding regional SME support. This, in turn, may help restrict the ability of officials to channel budget funds to crony businesses, opening up the system to legitimate SMEs.
- The Coalition developed and advocated for regional policy changes to support SMEs engaged in retail trade. As of January 1, 2009, the simplified tax rate was reduced by approximately 20-30 percent. For SMEs providing domestic services, this rate was reduced by 30 percent. Based on 2008, statistics 933 SMEs in the city of Smolensk and 1,357 SMEs in the region of Smolensk benefited from these changes.
- During the economic crisis, the Coalition advocated for a reduction in the tax rate for small businesses using the simplified taxation system. In December 2009, a regional law was adopted to reduce the tax rate from 15 percent to 5 percent, benefiting nearly 3,000 businesses.
- Ineffective regulation of gambling business in the region led to a growth of crime and an unfavorable image of entrepreneurs. Based on Coalition recommendations, the Smolensk Regional Duma adopted a law, “On Placement of Gambling Businesses in Smolensk Region” in April 2006. Based on it, gambling businesses cannot be located in apartment buildings, at retail trade, market or restaurants and cafes.
- The Coalition advocated for simplification of procedures of obtaining licenses for different business activities. The “one-stop shop” licensing procedure was established in the summer of 2005.
- The Smolensk Regional tax authorities attempted to increase tax pressure on SMEs to compensate the reduction of the number of businesses during economic crisis. The Coalition advocated for and managed to reduce the tax rate for the businesses that use a simplified taxation system. The tax rate was reduced from 15% to 5% as of January 1, 2009, which affected 2,965 SMEs in Smolensk City and 4,852 in the Smolensk Region.
- The Coalition advocated against holding non-transparent tenders for state and municipal contracts and limiting access of SMEs to these tenders. As a result, the tender procedures and regulations became more transparent. In 2008, SMEs in Smolensk got contracts for 991 million rubles (about \$33 million), which is 73.6% of the entire amount of the contracts. On July 1, 2009 e-trade tenders were held in the Smolensk region.
- The Coalition advocated for improving the official procedure for issuing permits for holding lotteries in the region. The Coalition’s experts analyzed the procedure and identified legal shortcomings. They issued recommendations to establish clear time constraints for the consideration of applications, to issue permits and to register drawings by officials. In 2011, the recommendations were forwarded to the regional legislative and executive authorities.

- The Coalition identified potential corruption factors in the “Regulations on Subsidies to SMEs for Compensation of Crediting Rates” and advocated for their elimination. In January 2011, the Coalition introduced through the Prosecutor’s Office amendments to the Regulations that eliminated corruption potential, and created more transparent application procedures, including list of required documentation.
- The Coalition advocated for improvements to a regional law, “Providing Information on State-owned Real Estate Intended for Lease.” In July 2011, the Coalition forwarded recommendations to the regional administration aimed at specifying and simplifying administrative procedures, developing regulations for this municipal service, eliminating corruption factors in the legal relationships, and providing free access to official information related to this municipal service.
- The Coalition advocated for improvement to the legal relationships in the state service “Providing Access to the Registration of State-owned Real Estate.” As a result of the Coalition’s action, the regional administration adopted amendments to the regulations aimed at providing free access to the register, and specifying procedures for issuing extracts from the register in July 2011.

Volgograd

- The Volgograd Coalition, coordinated by the Volgograd Chamber of Commerce and Industry (CCI), advocated for amendments to the regional income tax law. In May 2003, the Volgograd Regional Duma adopted amendments to the regional tax law based on the Coalition’s recommendations. Tax rates were reduced on a wide variety of SMEs by 4 to 12 percent.
- The Coalition advocated for changes in regulations regarding labour contracts. In September 2003, the regional Duma adopted amendments to the regional law reduced the number of required documents from 9 to 3.
- The Coalition advocated for simplification of licensing for pharmacies. In September 2003, a regional decree regulating licensing of pharmacies was amended based on the coalition’s recommendations.
- The Coalition advocated for simplification of licensing for pharmacies. In September 2003, a regional decree regulating licensing of pharmacies was amended based on the coalition’s recommendations.
- The Coalition advocated for reduction of electric energy tariffs for SMEs. The Coalition proposed to cancel electric energy consumption limits for SMEs and to introduce more flexible tariffs. The Coalition developed and forwarded to the regional Duma the proposal to amend federal legislation that regulates electric energy retail supply. In response, the Volgograd Duma identified in 2011 three regional laws where these recommendations could

be incorporated and requested relevant Duma committees to work on incorporating the proposals.

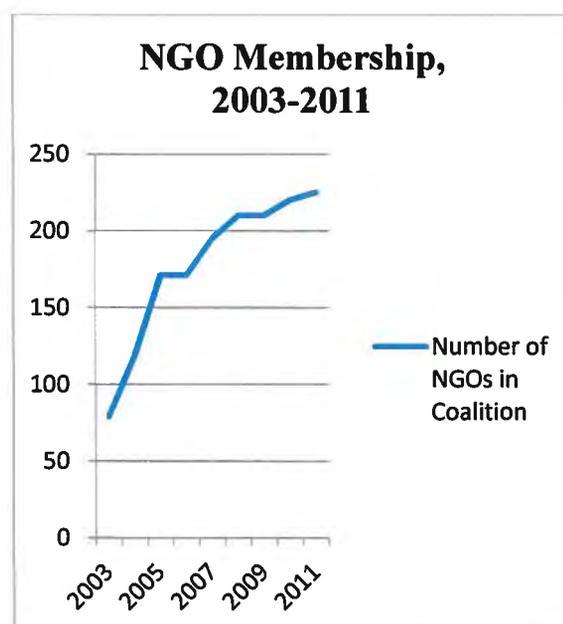
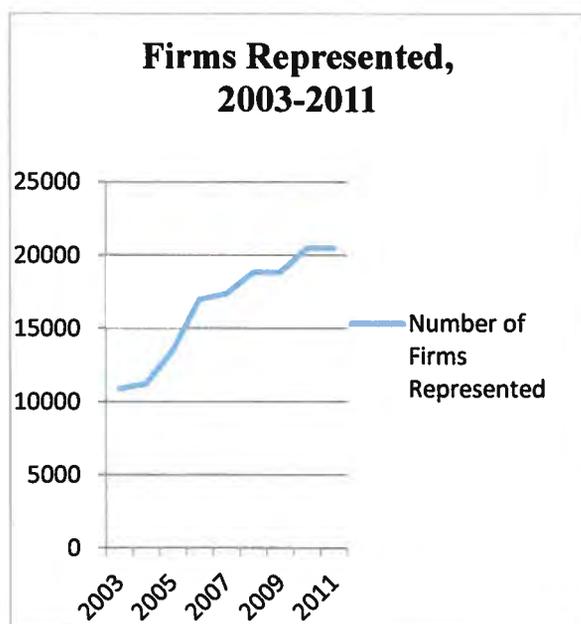
- The Coalition submitted to the regional Duma a draft law “On Amendments to Several Volgograd Regional Tax Laws” that advocates for tax benefits to be granted to enterprises and entrepreneurs investing in fixed assets. The draft law was reviewed by six relevant committees of the regional Duma in 2006.
- The Coalition advocated for the suspension of the privatization of municipal real estate, as a newly-adopted law on privatization had made municipal premises too expensive for SMEs. In late 2008, the mayor of Volgograd signed a decree suspending the privatization of municipal property, revising the privatization program and identifying local premises that will be made available to SMEs.
- The Coalition advocated for the inclusion of SMEs operating in repairing outdoor advertising in the list of businesses allowed to use the simplified taxation system. As a result, the Volgograd City Duma issued a decree in December 2009, reducing the total tax paid by small businesses in the advertising market by 40 percent.
- During the economic crisis, the Coalition advocated for a reduction of rental rates for outdoor advertising space on municipally-owned buildings. In December 2009, the Volgograd City administration introduced a measure reducing such rental payments by 25 percent.
- The Coalition developed a mechanism for access to credit. The Coalition proposed to issue bonds for the unused property of the Volgograd Regional Administration and to use these bonds on the equity market. The Coalition developed a draft law “On Mortgage Fund” and forwarded it to the Regional Duma. The law was adopted early in 2007. In 2008, a guarantee fund was established to provide up to 70 percent of the collateral for SMEs seeking credit.
- The Coalition advocated for protection of SMEs rights that are violated by telephone communication and electrical energy supply monopolies that impose unacceptable forms of contracts, reduce limits, and introduce penalty provisions. The Coalition introduced a “hotline service” for entrepreneurs who suffered from violation of their rights by administration and inspections. The Coalition and the Volgograd Regional Duma developed amendments to related federal legislation and amendments were forwarded to the federal government in 2006.
- After the authority to approve imposed income tax rates had been transferred from regional to municipal level the Coalition resumed its advocacy efforts aimed at improvement of rates for small businesses. The Coalition in 2011 managed to reduce imposed income tax for retail trade in districts remote from the Volgograd City center.
- In the regional there was no legal regulation of agricultural production in the area of bee keeping products, reproduction of bees, effective use of bees for pollination of crops and of all pollinated flora. The new law of the Volgograd region entered into force in May 2006. It

was intended to introduce to the region a system of state guarantees for producers of honey and other bee products, and of mechanisms for state support of agricultural producers.

- In order to save businesses and jobs during the financial crisis, the Coalition advocated for a reduction in rental rates for municipal land and property, as well as for an alleviation of tax pressure on business. As a result, the Volgograd City Duma adopted law which resulted in: 1) Land rental rates increasing by a factor of up to two rather than the factor of five that had been originally considered; 2) The imposed income tax for advertising SMEs was reduced by 80%; 3) Temporary reductions by 25% to the cost of installing advertising on municipal buildings in late 2011.
- The Coalition advocated for the inclusion of SMEs operating in repairing outdoor advertising in the list of businesses allowed to use the simplified taxation system. A decree of the Volgograd City Duma, adopted in December 2009, reduced by 40% the total tax paid by small businesses in the advertising market.
- During the economic crisis, the Coalition advocated for a reduction of rental rates for outdoor advertising space on municipally-owned buildings. In December 2009, the Volgograd City administration introduced a measure reducing such rental payments by 25 percent.
- The Coalition advocated for improvements to the official procedure for licensing pharmaceutical businesses in the region. The Coalition's experts analyzed the procedure and identified legal gaps. They issued recommendations aimed at eliminating references to defunct laws, introducing time constraints for actions performed by officials, and eliminating conflicts in relevant laws. The recommendations were forwarded in 2011 to the regional legislative and executive authorities.
- The Coalition identified conflicts between the land legislation of Volzhsky City and the Federal Land Code related to procedures of site planning and demarcation. As a result of the Volgograd Coalition's action, the Municipal Regulations on Land Use and Building were suspended. In October 2010, amendments were introduced in the local legislative body that eliminated the conflict.
- The Coalition advocated for improvement of municipal service "Endorsement of Plans of Land Plots' Boundaries." As a result of the Coalition's action, the Regional Government adopted and introduced regulations for rendering this municipal service specifying sequence of administrative procedures in May 2011.

REGIONAL DEVELOPMENT

CIPE's work with regional coalitions of chambers and business associations was the largest and most constant element of the project. To help coalitions and their members advocate for a better business environment in Russia's regions, CIPE, beginning in 2002, initiated a multi-faceted program to train, to technically assist, to support the development of policy reform and to mutually inform the entrepreneurial community in target regions. The project maintained this focus over the course of its implementation. The project's work in the regions grew to encompass other activities and priorities, including the expansion of coalition work into Russia's restive North Caucasus region and the development of an analytical tool designed to flag regional laws and regulations with corruption potential. These adaptations sought to take advantage of developments in Russia's small and medium enterprise (SME) sector as well changes in the Russian government's evolving approach to economic development and corruption.



This section is divided into three sections: Diagnostics, Technical Assistance and Capacity Building, Advocacy and Impact. The text consists of excerpts from the 18 reports filed every six months to document the project's progression.

The following program objectives for regional development were laid out at the September 2002 opening of the project and remained relevant over its duration:

PROGRAM OBJECTIVES

The program supports USAID/Russia's Strategic Objective 1.3: "Strengthened and Expanded Small and Medium Enterprises" and contributes to the achievement of the Intermediate Result "1.3.1. Strengthened Small and Medium Enterprise Policies;"

USAID/Russia has identified the following components of the program:

- Transfer of Policy Advocacy Skills: business associations shall be assisted in finding their own voices, to learn to speak effectively on their own behalf and to maximize the practical impact of their message. The beneficiary business associations will have the skills (such as public speaking, public relations, research and analysis, legislative drafting) and the knowledge (for example of available resources and other interested organizations) to become a dynamic part of civil society in their regions, advocating energetically and effectively for sensible policy change and an improved business environment for SMEs.
- Creation of Information Clearinghouse: a structure shall be in place and working that will serve as a clearinghouse for information and ideas regarding small and medium enterprises, their problems and the associations that represent them, and this structure effectively facilitates information flow both to and from the clearinghouse.
- Small Grants Program: small grants program to business associations shall provide financing to business associations for small projects of their own devising that will either increase the business associations' own capacity with respect to advocacy or further the interests of the SME sector by taking practical steps to encourage administrative and regulatory reform and/or reduce corruption.

To meet these USAID objectives, CIPE in partnership with the Russian Chamber of Commerce and Industry (RCCI) and its local affiliates will implement a multi-faceted program of training seminars, technical assistance, grants support, and information resources. Activities include:

- assessment of business community needs and business association capabilities through diagnostics in eight regions of Russia;
- business association training seminars to strengthen regional associations and equip them for policy advocacy on behalf of their members;
- association coalition building;

- development of Regional Business Agendas;
- regional and national policy advocacy efforts;
- creation of REACT information clearinghouse (Russian Enterprise, Association and Chamber Terminal); and
- dissemination of Russian-language materials providing on-going tools for associations; and grant support to associations and chambers of commerce.

Although not specifically delineated within CIPE's Cooperative Agreement with USAID, CIPE's project activities are also contributing to USAID-Russia's strategic objective of building a more open and participatory society. Through the public-private partnerships initiated as part of the coalition advocacy process, business associations and organizations are improving citizen participation in democratic culture and creating lasting advocacy institutions.

I. Diagnostics

As a part of the program activities proposed in 2002, CIPE Moscow planned to use CIPE's Business Association Management Training program to transfer policy advocacy skills to business associations and chambers. A diagnostic period preceded the training seminars. CIPE Moscow described the two types of surveys that would be used to examine the organizational capacities of the participating business associations. The diagnostic and needs assessment surveys were employed to examine the organizational capabilities of the participating groups in order to ensure that the training program would be as effective as possible.

Diagnostics and Training Sessions

CIPE shall transfer policy advocacy skills to business associations and chambers of commerce through its Business Association Management Training program, which is given to executives and directors of these organizations. In order to ensure that the most useful information is imparted, and thus that the training program is as effective as possible, CIPE shall conduct surveys of the associations and chambers themselves, as well as the business communities they represent. Below is a detailed description of the surveys and the training program.

Prior to conducting training programs, CIPE shall conduct two types of assessment surveys that allow instructors to deliver a training program that addresses the particular needs of the recipient groups. This approach looks at both the supply and demand side of association development and policy development. Through a *Needs Assessment*, CIPE surveys the demands and perceptions of the local business community to better understand the dynamics of the business community the project will serve. Through a *Diagnostic Survey* of associations and chambers, CIPE examines the organizational capacities of the groups participating in the program and their ability to supply creative solutions and representation to the business community.

Needs Assessment Surveys

CIPE shall conduct Needs Assessment surveys targeting a random sample of the following four segments of society in the eight selected Russian regions:

- **Local association and chamber members** – This survey will contact active members of local associations and chambers (those paying dues), and investigate their views towards their associations/chambers, including the services offered, responsiveness to members' needs, inquiries, and views. The survey will also gauge members' understanding of associations/chambers as an advocacy tool, and how associations/chambers could better represent their interests to local and national governments.
- **Former association and chamber members** – This survey will contact those who have previously been dues-paying members of associations or chambers and will explore the reasons behind their departure from the organizations. This group will also be asked how associations/chambers could attract former members and how they view associations/chambers on advocacy.
- **The business community** - This survey will target those members of the eight regional business communities which have never joined an association or chamber, to better understand how they view the roles these organizations play in promoting private sector development and in representing private sector interests in policy and regulatory matters. The survey will also determine how associations/chambers can adjust their activity to attract higher membership levels.
- **Business association and chamber of commerce executives** – Local and regional association/chamber executives will be surveyed to determine what they perceive to be the biggest challenges facing their organizations and how they could better attract higher levels of business community support. Additionally, executives will be asked to comment on the current legislative environment and how this can best be adapted to serve their needs. Management attitudes towards advocacy programs and strategies will also be explored.

Diagnostic Survey of Associations and Chambers

After surveying the business communities within the eight Russian regions to determine the market for association and chamber advocacy and services, CIPE shall conduct a survey of the eight regions' business associations and chambers to determine how CIPE's training program can specifically address small- and medium-sized enterprise needs of each region.

CIPE's Business Association Diagnostic Review, is a 31-page, ten-criteria instrument constructed to assess indicators that can be used to measure and evaluate the direction, structure and process of business associations. The findings will be reviewed with the key staff of the associations and chambers to assist them in developing an organizational improvement plan that identifies areas for strengthening the structure and governance of the organization and improving

advocacy and membership services. This diagnostic will also provide an important baseline for assessing the organization's improvement over time.

The Project Advisory Board will use the results of the Business Association Diagnostic and the Needs Assessment, as well as its own members' knowledge of the regions and the organizations, to determine which associations and chambers will be invited to participate in the Business Association Training events.

During the first reporting period, from September 2002 to March 2003, CIPE Moscow recorded the following activities pertaining to the diagnostic portion of the project:

SURVEYS

CIPE signed a partnership contract with the Chamber of Commerce and Industry of the Russian Federation (RCCI) at the outset of the SME Policy Advocacy program, which, among other activities, calls for RCCI to conduct the Needs Assessment survey and the Business Association Diagnostic in the eight regions in which CIPE has selected to work. RCCI has conducted these surveys and has produced reports detailing their findings. The findings of each are summarized below.

NEEDS ASSESSMENT SURVEY

At the end of 2002 and beginning of 2003, The Chamber of Commerce and Industry of the Russian Federation (RCCI) conducted a survey in eight Russian regions—Irkutsk, Khabarovsk, Krasnodar, Perm, Primorye, Samara, Saratov and Volgograd—using methodology recommended by the Center of International Private Enterprise (CIPE).

The following target groups were surveyed:

- active members of regional/local business associations and chambers;
- former members of regional/local business associations and chambers;
- representatives of business communities (businessmen) who are not members of business associations;
- leaders of business associations and chambers.

Select survey findings are summarized in the sections below.

Survey of Current Local Association and Chamber Members

- 44.9% of members of local business associations and chambers evaluated the impact of small entrepreneurship on the economic development of their regions as “significant” and “noticeable.”

Examples of regional responses to this question: Khabarovsk (78.8%); Volgograd (66.7%)

- Respondents were asked: Are you satisfied with the development of small business in the region?
- 40.4% of chambers in all eight regions answered this question positively;
- 32.2% of associations in all eight regions answered this question positively;
- The most positive responses came from those surveyed in Volgograd (56.6%) and Krasnodar (46.7%).

- 38.8% responded that in 2002, their business communities managed to strengthen their influence in the development of small entrepreneurship
- Respondents were asked: What are the obstacles for small business dialogue with the authorities in your region? Possible responses:
 - “There are no mechanisms for this dialogue.” (There are no developed procedures for discussing problems and their solutions, such as regular public hearings, referendums, roundtables, joint working groups. These activities and procedures for implementing recommendations must be developed and approved.)
 - “Authorities’ stake in big business.” (Authorities tend to meet the interests of big business in the first place.)
 - “Passivity of the authorities.” (The authorities often are interested in learning about SME problems but are not able to implement reforms to solve these problems.)
 - “Lack of authorities’ trust in SMEs.” (Sometimes authorities do not understand the role of small business in economic development, and they also consider it to be an unstable part of the economy.)

A regional breakdown of responses to this question is as follows:

- Irkutsk—There are no mechanisms for this dialogue (78%)
 - Khabarovsk—Authorities’ stake in big business (90.9%)
 - Krasnodar—Passivity of the authorities (74.2%)
 - Perm—There are no mechanisms for this dialogue (80.8%)
 - Primorye—There are no mechanisms for this dialogue (85.7%)
 - Samara—There are no mechanisms for this dialogue (91.2%)
 - Saratov—Authorities’ stake in big business (75.8%)
 - Volgograd—Lack of authorities’ trust in SMEs (85.5%)
- 27% of respondents in the examined regions have participated in the examination and discussion of programs of regional development at the regional level. More than 60% listed such reasons as inertness of small business.
 - 70% say it is necessary to advocate business interests in both branches of power – legislative and executive.
 - 32.6% of the respondents consider promotion of their representatives to government bodies to be very important;
 - 30.4% support the organization of business forums with participation of authorities;
 - 30.1% back the creation of special consultative institutions attached to the government;
 - 18.8% point to the necessity and utility to make reports, analytical materials especially for authorities;
 - 12.7% think that it is worth establishing permanent contacts with the Plenipotentiary of the President of the Russian Federation of the federal territory; and, 29% of the respondents find it very important to “attract members of chambers and associations to the development of regional and local legislation” on entrepreneurship.

The survey revealed the interest of small enterprises in establishing “firm interaction with big business” (34.7%). Research reveals that monopolies sometimes impose barriers for small entrepreneurship using their experience of bureaucracy. For example, Khabarovskenergo, which is a monopolist energy supplier in the Far East, introduced a new requirement for energy accounting that required small enterprises to purchase a specific meter model. This specific model was expensive (approximately \$1,000), and installation of other models of meters was not

allowed. However, the survey does demonstrate some positive examples of cooperation between small and big businesses.

- 17.4 % of members of chambers of commerce and industry noted positive moves in financial and credit support of small business;
- 52% said that nothing had changed;
- 27.0% of respondents noted deterioration.

The most negative answers to this issue came from respondents in Volgograd (34.2%) and Primorye (40%) regions.

Respondents consider the following factors to be the reasons for SMEs' difficulties in accessing financial and credit resources:

- high credit rates;
- extremely tough demands to guaranteed credit security;
- inefficient utilization of budgetary funds assigned for financial and credit support for small entrepreneurship; and
- unfavorable tax treatment for creditors and borrowers.

40.2% of the respondents name "SME access to finance" as the issue that should be one of the top priorities of associations and chambers. This group of association/chamber members believe that these associations/chambers should take the initiative to create an efficient system of finance and credit for SMEs.

Survey of Former Local Association and Chamber Members

52% of the respondents say that their reason for terminating their association/chamber membership is that they do not believe in capability of business associations to advocate for SME interests. Others name other important reasons for terminating membership:

- dissatisfaction with financial and credit support for small business and inability of associations to influence the situation;
- high cost of services and high dues;
- lack of services provided.

Approximately 42% of respondents said that the "corruption of public authorities," controlling business activity and its licensing, was the main indicator of crime in small business.

Respondents were asked: Has the role of business associations in SME development increased or declined? Regional responses:

- Krasnodar: Increased (33%); Declined (67%)
- Perm: Increased (12.5%); Declined (87.5%)
- Saratov: Increased (6%); Declined (94%)

Respondents were asked: Is the current infrastructure of SME support effective?

- Yes (16.4%)
- No (65%)

Respondents were asked to evaluate the situation with administrative barriers. Responses:

- Better (19.7%)
- No changes (54.1%)
- Worse (16.4%)

Of the eight regions, Krasnodar and Samara gave the highest percentage of negative responses to this question.

Survey of Local Business Communities

Respondents were asked: Do you use services of business associations or chambers of commerce? Responses:

- Yes (55.6%)—consultations, certification, exhibitions, arbitration
- Yes, regularly (14%)

Respondents were asked if the role of business associations in SME development increased or declined? Regional responses:

- Irkutsk: Increased (43.8%); Declined (56.2%)
- Khabarovsk: Increased (36%); Declined (64%)
- Krasnodar: Increased (2.2%); Declined (97.8%)
- Perm: Increased (9.3%); Declined (90.7%)
- Primorye: Increased (85.7%); Declined (14.3%)

Business community respondents name high taxation as the biggest barrier to small entrepreneurship (88%).

Respondents were asked to evaluate the situation of state support and financing for SMEs. Responses:

- Better (25%)
- No change (45.9%)
- Worse (24.4%)

Respondents were asked about their willingness to join business associations.

- 20% responded with a flat “no”;
- 20% responded that “they do not believe in the prospects”;
- 10% responded that high dues and expensive services did not encourage them to join.

67% of the business community respondents say that they have never taken part in a discussion of draft laws.

Survey of Association and Chamber Leaders

Respondents were asked: Are you satisfied with the state of SME development in your region?

- 81.5% answered “no.”
- 61.7% of the respondents believe the role of SMEs in the economy will increase.
- 67% say that “improvement of legislation” is needed for higher SME development.

Respondents were asked to evaluate whether state regulation of small business has improved.
Responses:

- Yes (7.2%)
- No changes (76.1%)
- It has become worse (20%)

54.1% of the respondents say that business associations should play a leading role in advocating legislative reform. When asked about the state tax policy, 50% of the respondents say there has been “no improvement,” while 22.9% say that the tax policy “became worse.”

BUSINESS ASSOCIATION DIAGNOSTIC

RCCI surveyed 68 business associations in the eight regions covered under this project: Irkutsk, Khabarovsk, Krasnodar, Perm, Primorye, Samara, Saratov, and Volgograd. The survey demonstrates that an infrastructure for small business development has been created in Russia in the past several years, and that governmental, non-governmental, and commercial entities are all taking part in providing small businesses with access to resources (i.e. financial, information, consulting, educational, etc.). However, the survey also highlights the following five challenges that small business across these eight regions face:

1. absence of stable, clear legislation and legal vulnerability of businessmen;
2. lack of financial assets;
3. unfair taxation system with contradictory laws and arbitrary implementation;
4. administrative barriers;
5. lack of access to official information on government contracts, real estate, and available credits.

Overall findings as a result of the Business Association Diagnostic survey include the following:

- 82.4% of the surveyed associations belong to coalitions or other associations that have SME advocacy programs, while 17.6% of them work independently.
- 80.8% of the sub-regional associations belong to coalitions and other associations, which have SME advocacy programs. The rest (19.2%) of these associations work independently. (14.5% of sub-regional associations do not have advocacy strategies.)
- Almost all associations (92.6%) show their interest in SME policy advocacy activities. They study advocacy experiences gained by associations that work in other regions (except for 7.4% of associations).
- Only four associations that took part in the survey (5.9 %) reported that they do not allocate funds for SME policy advocacy programs.

- 26.5% of the associations have employees whose work is dedicated to small enterprise development issues. 38% of the associations do not have such employees. The remaining 35.5% reported either having part-time employees or ad-hoc working groups that deal with small enterprise development.
- Almost 9% of associations have part-time employees or employees who devote themselves to problems of small business only half of time. Still 26.5 % of associations have employees engaged in problems of small business on a voluntary basis. They devote from 10 to 100% of their work time to small business issues. In some associations there are several employees who deal with SME advocacy issues.
- 36.8 % of associations have committees on representation and protection of interests of small business. 73.5% of the associations have SME advocacy programs. Only 40% of the associations publish their programs and business plans.
- In their own assessments, more than 82% of the associations have the potential to carry out SME advocacy collective actions. These associations are members of coalitions or other associations dedicated to advocacy.
- 54.4% of the associations said that they participate in coalitions in order to change public policy or to solve specific legislative problems related to small business. However, only 50% cited real examples of their activity in this area.
- 64.7 % of the associations have experience in organization of public discussions of small business problems and organization of public support for SME advocacy activities. However, only 47 % of associations indicated specific actions in this field.
- According to the survey, 70.6% of the associations actively participate in the lawmaking process. Representatives of these associations prepared materials and participated in hearings and in expertise of regional legislation for its compliance with federal legislation. 60.3% of the associations took part in the development of regional small business development programs, and 63.2% in the implementation of these programs.
- 55.9 % of the associations report that they work for improvement of business climate for small business. 48.5 % say they pay attention to such issues as competitiveness of enterprises and quality assurance systems.
- When developing SME policy advocacy programs, the following percentage of associations proceed with their programs based on:
 - analysis of their members' opinions (94.1%);
 - recommendations of management/board (58.8%);
 - recommendations of Committee (26.5%);
 - resolutions of their Congresses (41.2%);
 - inquiries of their members (70.6%).

The success of SME advocacy efforts depends greatly on the success of work with governments and legislatures. 100% of the associations report that they work with the authorities, but the following statistics show that they use different techniques and activities to do so:

- 79.4% through joint participation in working groups;
- 72.1% through correspondence;
- 95.6% through meetings and contacts;
- 83.8% through phone calls;
- 72.1% through publication of articles in printed editions;
- 80.9% through participation in events;
- 10.3% through other possibilities for dialogue with authorities.

94.1 % of associations work with mass media. The analysis of use of specific types of mass media gives the following picture:

- 61.8 % of associations use TV;
- 48.5 % of associations use radio;
- 94.1 % of associations use newspapers;
- 33.8 % of associations use magazines;
- 29.4 % of associations use their own editions.

It is necessary to note that only 4.4 % of associations mentioned the use of the Internet in advocacy activities, though 22 % of associations have websites.

Following the diagnosis of the business associations, CIPE Moscow concluded that the infrastructure for small business development exists in Russia and that government, non-governmental organizations and private enterprise are all taking part in providing small businesses with access to resources.

However, as shown through this data, the diagnostic project also highlighted major challenges that small businesses still faced. The next stages of the program, technical assistance and capacity building, began in April 2003, seven months after the program start date.

II. Technical Assistance and Capacity Building

After surveying the business communities within the eight Russian regions to determine the market for association and chamber advocacy and services and of the business associations and chambers specifically, CIPE determined how the training program could specifically address the small- and medium-sized enterprise needs of each region. The program objectives were decided upon are detailed here that supported the technical assistance and capacity building component of the \$2.2 million, three-year cooperative agreement by USAID/Russia. These objectives initially applied to eight regions (Irkutsk, Khabarovsk, Krasnodar, Perm, Samara, Saratov, Vladivostok, and Volgograd). These following objectives describe CIPE's approach to technical assistance and building the capacity of business associations through the Business Association Training and Small Grants programs, as well as through continued technical assistance (provided both on- and off-site).

Business Association Training Program

Using its successful business association training program, CIPE shall deliver introductory and advanced training programs for association and chamber managers from the eight regions selected. The program will provide senior association/chamber managers with the skills they need to successfully serve as the voice of the business communities they serve and to conduct effective advocacy programs to improve the climate in which their members do business.

CIPE shall train approximately 10 to 15 association and chamber leaders from each of the eight regions selected—a total of approximately 100 individuals. CIPE shall hold four training programs, each of which will train representatives of two regions. The number of participants for each training program will be limited to 30.

Weeklong programs of 10-12 sessions will be created, based on the above-mentioned Needs Assessment survey findings. USAID shall be consulted on the final training program topics.

Technical Assistance

Small Grants Workshop

On the last day of the Business Association Training programs, CIPE's staff shall conduct a Small Grants Workshop, in which the leaders of the grant recipient organizations will be informed of CIPE's reporting and financial requirements. Organizations in the Russian regions often have not received grants from international organizations and are limited in their knowledge and experience of how to report on project activities and impact, document project expenses and manage project finances, etc. The Small Grants Workshop will provide them with face-to-face orientation with the CIPE's staff and answers to their specific questions on grant management. In addition, all grant recipients will receive Russian-language copies of CIPE's Financial Management Handbook developed to assist financial staff of non-profit organizations. Moreover, CIPE's Moscow staff will stay in frequent contact with the grantee organizations by phone, email, and select site visits, and will be available to guide them on grant management issues at any time.

On-Site Technical Assistance

Following the Business Association Training programs, CIPE shall deploy both volunteers and consultants to visit each of the coalitions and provide on-site technical assistance. This assistance shall include guidance on

- Formulation of strategy for a policy advocacy campaign;
- Division of labor among coalition members;
- Development of a workable public/private dialogue on priority reform issues;
- Conducting focus groups, research and roundtables related to the development of a Regional Business Agenda (RBA).

In guiding each coalition on how to build a Regional Business Agenda (RBA), the advocacy expert shall transfer know-how and lessons learned from his/her experiences in leading focus group meetings in order to determine the business community's priorities.

Seminar on Public/Private Dialogue

During the development phase of the RBAs in the eight Russian regions, CIPE shall host a seminar on public/private dialogue. This seminar, which will bring together representatives of all eight regional coalitions, will take place around the time when all eight regions are finalizing their Regional Business Agendas. Prior to the time when the coalitions of associations and chambers will unveil their RBAs to the policymakers, local/regional governments, and the public, CIPE shall instruct them on how to develop effective policy stances and to engage the local/regional government in dialogue on those policy stances.

CIPE shall send a consultant who is an expert on National/Regional Business Agendas, as well as two to four qualified volunteers to provide instruction at this seminar. The consultants will be tasked with leading the overall instruction at the seminar. The volunteers will lead break-out sessions with the regional coalitions, providing advice to them as they finalize the development of their respective RBAs.

The Public/Private Dialogue seminar will be a two-day event, taking place in a central location in Russia that is easily accessible from all eight regions.

SMALL GRANTS PROGRAM

CIPE shall award eight small grants during Year One of the project to support the eight regional coalitions in their development and advocacy of Regional Business Agendas. In order to encourage a multiplier effect of the successes of the eight RBA initiatives, CIPE shall sponsor a second round of small grants projects. Under Round Two, CIPE shall award twenty (20) small grants of up to \$20,000 each to local and regional chambers of commerce and business associations from throughout Russia to implement projects to improve the business climate in their communities by advocating for policy reform, spearheading coalitions, promoting Regional Business Agendas. (Round One of the small grants—the initial eight RBA projects—shall be implemented within the first eighteen months of the project; Round Two small grants projects shall begin in the second half of Year Two.)

Organizations from the original eight regions, as well as from other Russian regions, will be eligible for the small grants to be issued under Round Two. Should proposed projects from the original eight regions be selected, CIPE shall continue to provide technical assistance to these regions during the Round Two project. For the small grants projects selected in other regions, CIPE will call on leaders of the eight regions' coalitions to transfer their knowledge and expertise to the new regions through site visits, provision of materials, and correspondence.

Applicants will be encouraged to use the previous eight RBA initiatives as a model in developing their own proposed projects. Applicants will be asked to demonstrate:

- The capabilities of their association(s) and/or chamber(s) to implement such a project;
- The readiness and willingness of their regions' business communities to participate in such an advocacy project;
- The policy issues that negatively affect small- and medium-sized enterprises in their region and would potentially be addressed in their advocacy program.

CIPE shall base the Small Grants program, including selection, monitoring and reporting procedures, on lessons learned in its two previous partnerships programs with RCCI (funded by USAID through IREX and The Eurasia Foundation). Small grants shall be awarded according to the following procedures.

The Project Advisory Board shall solicit and then review proposals from regional chambers of commerce and business associations. The Advisory Board shall establish criteria for selecting small grant proposals. The criteria should include the following:

- *Project focus.* Projects must have clearly identified objectives and activities, which directly relate to small- and medium-sized enterprise policy advocacy.
- *Potential project impact.* Projects must provide a list of specific evaluation criteria by which the applicant organization plans to demonstrate the impact of the project.
- Geographic, ethnic and gender *diversity* of the small grants program as a whole.
- Ability of small grants projects to serve as *models* for other business support organizations throughout Russia.
- Willingness and ability of applicant organization to make a *matching contribution* to the project. CIPE will require each recipient organization to contribute at least a 25% match. CIPE believes that this matching contribution demonstrates and helps to solidify local business community commitment to the small grant program objectives.

The Project Advisory Board shall review all small grants proposals, recommending the best-proposed projects to the Executive Committee of CIPE's Board of Directors. The Executive Committee shall make final selection of small grants recipients in both Rounds One and Two.

Once the small grant projects are selected, CIPE shall draw up a Grant Agreement for each sub-recipient organization specifying the scope of work, deliverables, program activities, evaluation criteria and financial and programmatic reporting requirements. Funding will be disbursed in tranches, rather than in a single lump sum.

Subgrantees shall be required to submit quarterly narrative and financial reports. CIPE shall disburse additional tranches of funding only after verifying that the subgrantee has submitted all required reporting documents. In addition, to request a new disbursement of funds, subgrantees must complete a form specifying current balance, expected costs, and the requested advance for the forthcoming financial period. CIPE shall work with subgrantees to explain any shortcomings and to assist them in meeting reporting requirements.

CIPE shall perform due diligence on each potential small grant recipient during the proposal review process. This due diligence process shall include, but not be limited to, a careful review of the following:

- Completed Accounting Questionnaire form.
- Risk Ranking document.
- Questionnaire on advocacy activity.

CIPE Technical Assistance to Small Grant Recipients

CIPE shall provide technical assistance to the small grant recipients in the areas of advocacy and grant management.

Advocacy

CIPE shall determine the level of experience in which each small grant recipient organization has been involved, based on the above-mentioned questionnaire and additional correspondence with the organization (if necessary). Based on this, CIPE shall provide tailored instruction to representatives of each grant recipient organization through an Advocacy Training program. One to two of each organization's leaders will attend the five-day training program.

Grant Management

Organizations in the Russian regions often have not received grants from international organizations, and thus, are limited in their knowledge and experience of how to report on project activities and impact, document project expenses and manage project finances, etc. Via its Moscow office, CIPE shall provide technical assistance to the small grant recipients on how to properly report on activities and expenses. CIPE shall provide specific instruction to the subgrantee organizations through a Grants Management session at the time of select grantees' advocacy training sessions, as well as through frequent phone calls, email, and select site visits.

Depending on the specific projects selected during Round Two, CIPE shall provide technical support similar to that provided to the Round One grantees: site visits, seminars, and email correspondence, as the grantees actually implement the projects. Where appropriate, CIPE shall send a consultant or a volunteer to the grantee's region to impart their knowledge and experience regarding forming coalitions, formulating policy recommendations, promoting business community involvement in advocacy, etc.

RBA Case Studies Book

CIPE and RCCI shall work together to produce a publication titled *Regional Business Agendas: Case Studies*, based on the programs implemented in Rounds One and Two of the small grants. The case studies will provide other groups with a model for advocacy work, help publicize the project's impact, and serve as instructive aid for other business support organizations initiating similar programs.

Approximately 2,000 copies of this book shall be printed in Russian, and 1,000 in English. The Russian-language copies shall be disseminated throughout Russia to associations and chambers, other civil society groups, federal and regional governments and legislatures, media outlets and

libraries. The English-language books shall be made available to the volunteers who helped to establish “sister organization” linkages with one of the eight regional coalitions for distribution to those communities’ leaders, as well as to interested groups in Washington, and CIPE’s partners around the globe that are promoting similar advocacy efforts. These case studies also shall be made available electronically on the CIPE/RCCI *REACT* site.

During the first reporting period, from September 2002 to March 2003, CIPE Moscow recorded the establishment of the Project Advisory Board and listed its members. The Project Advisory Board was created in late 2002 at the beginning of the program to advise project management in advocacy strategies and reform issues, as well as to ensure collective ownership and collaboration among associations.

CIPE also launched the first two Business Association Management and Advocacy training events in Samara and Sochi. These training events were customized for the Russian program and are based on the U.S. Chamber of Commerce’s Business Association Management training program, which CIPE had conducted worldwide for over 15 years. These training seminars had proven to be good opportunities for participants to deepen their knowledge of other business associations’ operations and build a stronger network among the participating organizations. The focus is on both association management issues such as strategic planning, marketing strategies, small business development, business ethics, etc., as well as curriculum on advocacy.

PROJECT ADVISORY BOARD

The Project Advisory Board, which was established at the start of the project to advise project management on advocacy strategies, reform issues, project structure, etc., consists of the following members:

- Alexei Bogachev—Deputy Director, Membership Department, RCCI (Chairman of the Project Advisory Board)
- Vladimir Brezhnev—President, Primorskaya Chamber of Commerce and Industry (Vladivostok)
- Viktor Fedotov—Director General, Saratov Chamber of Commerce and Industry
- Alexander Belitsky—President, Volgograd Chamber of Commerce and Industry
- Alexei Kalashnik—Director of International Project, OPORA
- Igor Mikhalkin—Director, Information Center, Ministry of Antimonopoly Policy and SME Support
- Yuri Iakutin—Editor-in-Chief, "Ekonomika i Zhizn" newspaper
- Vladimir Isakov—Director, Legislation Department, RCCI
- Viktor Ermakov—Director, Association of SME Support Agencies

The first Project Advisory Board meeting took place at RCCI on December 18, 2002. The Board invited chamber leaders from most of the eight regions to attend the meeting as observers, as they were in town on other business. The meeting's agenda included the following:

- Briefing on the project and the workplan (Alexander Raevsky, CIPE).
- Briefing on surveys and development of the *REACT* website (Alexander Rybakov, RCCI).
- Discussion on principles and prospects of forming advocacy coalitions in the eight regions.

During this session, the Board agreed that at the end of each training session, participants representing business associations of each region will have a meeting to:

- form a coalition out of business associations that take part in the training session;
- elect a coalition leader/coordinator (a business association that will coordinate coalition activities in view of developing Regional Business Agenda).

The Board also discussed the fact that other regional associations should have the opportunity to join the regional coalitions throughout the course of the Regional Business Agenda initiatives, if they so desire.

- Discussion on the venues of upcoming training sessions. The Board agreed that training sessions should be held in:
 - Samara—for Samara, Saratov and Perm regions;
 - Sochi—for Krasnodar and Volgograd regions;
 - Khabarovsk—for Khabarovsk, Primorye and Irkutsk regions.

The Project Advisory Board's second meeting was planned for January 2003, at which time the members would review surveys results and approve the approach for selecting training program participants. As it was problematic for many Board members to attend a meeting at the end of January 2003, RCCI sent out its survey findings and a list of proposed business association training program participants to all Board members for approval. In early February 2003, the Board members approved the surveys; they also approved the recommended approach of selecting training seminar invitees—that preference should be given to business associations with a higher potential for results due to their advocacy efforts and some experience in SME advocacy. (Approximately 95% of the associations in this category were able to take part in the CIPE's training sessions—see Training Event section below.)

BUSINESS ASSOCIATION MANAGEMENT AND ADVOCACY CAPACITY BUILDING

To date, CIPE has conducted two of the three Business Association Management and Advocacy training events that it plans to conduct in the foundation phase of the SME Policy Advocacy program. Training events have been held in the following locations on the following dates:

- Training Event #1: Held in Samar, Russia, on February 25-March 1, 2003
 - Participants represented business associations and chambers of commerce from the Perm, Samar, and Saratov regions).
- Training Event #2: Held in Sochi, Russia, on March 24-28, 2003
 - Participants represented business associations and chambers of commerce from the Krasnodar and Volgograd regions.
- Training Event #3: Held in Khabarovsk, Russia, on April 21-25, 2003
 - Participants will represent business associations and chambers of commerce from the Irkutsk, Khabarovsk, and Vladivostok regions.

Format

CIPE's Russian training program is based on the U.S. Chamber of Commerce's Business Association Management training program, which CIPE has conducted worldwide for over 15 years. The Samara and Sochi sessions were five days in duration, as will be the upcoming Khabarovsk event. Both sessions to date have been held at locations outside the cities where training participants work, because in CIPE's experience, events like this have greater impact if participants are able to get away from their places of business and focus fully on the topics at hand. Participants in both Samara and Sochi attended full eight-hour sessions during the day and were lodged at the same site for throughout the weeklong event. As a result, mealtimes, evenings, as well as a social event held during the course of the week proved to be good opportunities for participants to deepen their knowledge of other business associations' operations and to build a stronger network among the participating associations. Participants also informally met in small groups some evenings to prepare for upcoming sessions and exercises, and to discuss readings and other materials.

The training curriculum was customized for the Russia program, and focuses on both association management issues such as strategic planning, marketing strategies, small business development, business ethics, etc., as well as curriculum on advocacy. CIPE training experts have incorporated substantial material on advocacy-related issues into the Russia training curriculum, based largely on successful advocacy initiatives that have been undertaken both in the West and in a number of transition countries. The advocacy curriculum customized for Russia is geared towards leading the regional association representatives to developing coalitions among other local associations in order to jointly advocate for needed reforms. Specifically, instructors trained the participants about all steps of organizing advocacy campaign, including

- advocacy strategic planning,
- starting from the mission statement,
- determining advocacy objectives,
- preparing the strategic plan, and
- preparing the program of work for the campaign.

The training sessions also included discussions on team building, management of advocacy campaign, direct advocacy and public relations.

All training sessions began with an instruction period, but included time for a question-and-

answer session during which participants sought help from the training experts to apply the skills and lessons being taught. The advocacy-related sessions also incorporated group exercises related to development of advocacy campaign steps and elements. Throughout the week-long training course, participants were increasingly involved in presentations.

Instructors

CIPE generally employs instructors that have had at least ten years' experience in association management and/or advocacy in order to serve as instructors at training sessions such as those held in Russia under this program. For the training sessions in both Samara and Sochi, CIPE instructors were highly qualified with extensive experience in association development and advocacy efforts, and they were well received by the Russian training participants. Below are synopses of the trainers' bios:

- **Mark McCord** (instructor at Samara event; scheduled instructor for Khabarovsk event)
Mark McCord is an expert in both US and international business association development. As Chief of Party for CIPE in Romania, Mr. McCord has met every performance milestone in a comprehensive project supporting business associations -- forming alliances to improve trade in targeted sectors, designing innovative internet programs for trade missions and association programs, and establishing an advocacy academy to ensure that private sector participation in legal and regulatory reform is effective. As a Certified Chamber Executive and former executive for the Greater Colorado Springs Chamber of Commerce as well as for three city chambers in Oklahoma, Mr. McCord has extensive experience in communications, public relations, organizational diagnostics, personnel management, membership development, and public policy advocacy. He has conducted seminars on strategic planning, trade development, competitiveness, organizational management, and public policy advocacy for business association executives in over 14 countries.
- **Mieczyslaw Bak** (instructor at Samara event; scheduled instructor for Khabarovsk event)
Mieczysław Bak works as CEO at the Institute for Private Enterprise and Democracy (IPED), an independent think tank in Warsaw, Poland, affiliated with the Polish Chamber of Commerce. During the last 10 years, IPED's activities have focused on advocacy, development of the civic society, promotion of business ethics and SME development. Recommendations proposed by the Institute were implemented into Polish legislation, including tax laws, labor code, custom laws, and business register. Mr. Bak has worked with regional business associations, assisting in public policy issues and developing member services. He also has advised the Ministry of Economy on SME development issues, and has participated in drafting national business development strategies. As an instructor Mr. Bak has executed training programs for business associations and NGOs in Russia, Georgia, Central Asia, Croatia and Poland. He is a graduate of Warsaw University's Social Sciences Department, and he received a Ph.D. at the Polish Academy of Sciences.
- **Edward Priola** (instructor at Sochi Event)
Edward Priola is an expert in NGO and business association advocacy. He has worked for the past year and a half in Romania as the CIPE technical advisor on USAID's

Strengthening Business Support Organizations program where he has assisted with the design and instruction of a business advocacy curriculum that covers campaign planning, public relations, and member recruitment. In addition, Mr. Priola has provided consultation in organizational development, public relations, and advocacy under the project. He has also worked as a public relations consultant and political campaign manager for a number of different organizations and U.S. and local government agencies. Mr. Priola holds a Bachelor of Arts degree in Political Science from SUNY-New Paltz and a Masters of Organizational Communications from Bowie State University.

- **Fred Whiting** (instructor at Sochi event)

Fred Whiting has over 35 years of experience in international business, public policy, and business and civic associations. Formerly a State Senator in the South Dakota Senate and a member of the South Dakota House of Representatives, Mr. Whiting has been Vice Chairman of the Rapid City Area Chamber of Commerce, and Chairman of the American Chamber of Commerce of the Philippines, and has served on the boards of directors of numerous civic organizations. From 1981-87, Fred Whiting was the President of Sime Darby International Tire Company (formerly BF Goodrich Philippines), an overseas company with 3,000+ employees engaged in manufacturing and agriculture. He has also been President of Philippine Cocoa Estates; Founder and Chairman of Hawaiian Hatcheries Inc.; and General Counsel of Sime Darby Berhad, Malaysia. Mr. Whiting's international experience spans short-term assignments and/or long-term residence in more than 25 countries around the globe, and he was a Peace Corps Volunteer in Nigeria. A lawyer, Mr. Whiting is a graduate of Yale University Law School, the College of Europe (Bruges, Belgium), and Carleton College in Minnesota.

CIPE worked closely with all instructors prior to the training events. The instructors reviewed CIPE's suggested training schedule and curricula in advance of the events and made suggestions for additions and deletions. CIPE sought to utilize the talents and skills of each individual instructor by encouraging each to incorporate his examples, case studies, etc., where such materials appropriately complemented CIPE's modules and readings.

Prior to each training event, CIPE put the two instructors in touch with each other via conference calls and face-to-face meetings, so that they could coordinate how they would team teach certain modules and complement each others' styles and materials. The chief of party and other CIPE staff met with the instructors on-site prior to both the Samara and Sochi events at least one day prior to the start of each training program to review the schedule, curriculum, test equipment, and make last-minute preparations.

Participants

Participants of the two training sessions conducted to date represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Twenty-eight participants from Samara, Saratov and Perm regions participated in the Samara training event. These 28 participants represented 4 chambers of commerce and industry, 2 OPORA regional branches and 14 business associations. At the second session (held in Sochi), 37 participants from Krasnodar and Volgograd regions represented 22 chambers of commerce and industry, 2 regional OPORA branches and 10 business associations.

In their written evaluations of the training events, both the Samara and Sochi training participants indicated that the programs were extremely useful to their work, that the curriculum was helpful, and the instructors excellent.

Building Regional Advocacy Coalitions

At the end of each training session, participants were ready to form their regional coalitions and work on strategy plans for their Regional Business Agenda initiatives. The training instructors coached them on the basics of coalition-building and strategy development. The training exercises that were used highlighted the importance of the development of the associations' membership base, thorough identification of their businesses communities' needs, and the provision of services to members and potential members. The last training exercise required participants to split into regional groups and to draft their regional advocacy strategies. Then, the instructors asked each regional coalition to present their advocacy plans to the entire group. As a result of the two training sessions, five regions have formed coalitions and elected coalition coordinators. These coalitions and their members are as follows (coalition coordinators are indicated with asterisks):

- Krasnodar coalition (26 member associations):

Anapa Chamber of Commerce and Industry
Apsheron Chamber of Commerce and Industry
Armavir Chamber of Commerce and Industry
Belorechensk Chamber of Commerce and Industry
Brukhovetsk Chamber of Commerce and Industry
Galerea Trade Association
Gelenzik Chamber of Commerce and Industry
Gulkevichi Chamber of Commerce and Industry
Kropotkin Chamber of Commerce and Industry
Krylovsk Chamber of Commerce and Industry
Kurganinsk Chamber of Commerce and Industry
Kushchevsk Chamber of Commerce and Industry
Novorossiysk Chamber of Commerce and Industry
Primorsk-Akhtarsk Chamber of Commerce and Industry
Regional Agency of Economic Security
Seversk Chamber of Commerce and Industry
SME Support Center, Seversk
Sochi Chamber of Commerce and Industry*
South Region NGO
Temruk Chamber of Commerce and Industry
Tikhoretsk Chamber of Commerce and Industry
Union of Entrepreneurs, Industrialists and Traders, Novorossiysk
URAMA, Novorossiysk
Ust-Labinsk Chamber of Commerce and Industry
Vyselki Chamber of Commerce and Industry
Yeisk Chamber of Commerce and Industry

- Perm coalition (7 member associations)

- Business Club “Edinenie”
- Dobryansk Small Business Support Organization
- Entrepreneurs Support Organization
- Nytvensk Small Business Fund
- Perm Chamber of Commerce and Industry*
- Perm Entrepreneurship Initiatives Development Organization
- Small Business Support Fund

- Samara coalition (6 member associations)

- Business Cooperation Organization “Sozidanie”
- Public Movement “Entrepreneurship Development”
- Samara Chamber of Commerce and Industry
- Samara Handicraft Association
- Samara OPORA Regional Branch*
- Togliatti Chamber of Commerce and Industry

- Saratov coalition (7 member associations)

- Association of Entrepreneurs
- Businesswomen’s Association “Osen”
- Saratov Chamber of Commerce and Industry*
- Saratov Consumer Services Association
- Saratov OPORA Regional Branch
- Saratov Region Businesswomen’s Club
- Small Business Trade Union

- Volgograd coalition (6 member associations)

- Kamyshin Fund of SME Support
- Regional SME Trade Union, Volgograd
- Surikov District Business Association
- Volgograd Chamber of Commerce and Industry*
- Volgograd OPORA
- Volzhsky Chamber of Commerce and Industry

CIPE expects that, in the course of the Regional Business Agenda development, more business associations will join the existing coalitions, which would be welcomed by these coalitions.

Each coalition is currently conducting meetings with its business community, identifying advocacy issues and developing an action plan as a result of input from its business community. In the next phase of the project, CIPE will provide 1) small grants to each coalition for the

implementation of a Regional Business Agenda; and 2) technical assistance to coalitions through short-term volunteer and consultant visits to each region.

Recommendations for Future Training Sessions and Regional Projects

Following every CIPE training program, CIPE requires a written report from each instructor that includes his/her observations and suggestions for future programs. Generally speaking, all four instructors evaluated the training events to have been effective, the participants attentive and enthusiastic, and CIPE-Moscow's management of the event highly professional.

The instructors' reports also provided CIPE with several recommendations for enhancement of training materials and the events themselves. As part of CIPE's ongoing quest for quality management of its business association training program, CIPE has taken into account most of the recommendations made by the instructors and have already implemented improvements in the program based on those recommendations. Recommendation and action taken include:

- A public speaking module should be considered as additional curriculum provided at future events.
CIPE action: CIPE translated its existing "Leadership Best Practices: Effective Meetings and Presentations" into Russian for use at the Sochi event.
- Combine the small grant initiative in Samara with technical assistance geared toward developing a stronger membership base among the Samara region's business associations. The region's associations' membership base is relatively weak. Participants of the Samara training seminars recognize the importance to any advocacy efforts of developing their membership base.
CIPE action: CIPE consultants/volunteers who travel to Samara to provide on-site technical assistance to the Samara coalition will make membership development a primary focus of their assistance to this particular coalition's associations.
- Follow-up meetings would be useful and were, in fact, requested repeatedly by the Sochi participants, in order to review their strategic planning processes. This should be arranged if funding is available for it.
CIPE action: CIPE will send consultants/volunteers to the southern Russia regions who are highly qualified to discuss specific strategic planning issues with the coalitions of these regions, as part of the proposed on-site technical assistance component of this project.

Training of Trainers

CIPE invited a highly experienced and respected regional chamber leader to the Samara training event as a "trainer-in-training." This individual, Igor Zharinov, has served as Chairman of Novorossisk Chamber of Commerce and Industry since 1997. Prior to that, he was managing director of the Novorossisk Chamber. Mr. Zharinov has led the Chamber's transition from an unrecognized institution to a highly respected one representing the interests of local businesses. Throughout the course of the five-day Samara event, CIPE instructors and staff members provided one-on-one technical assistance to Mr. Zharinov, to equip him to serve as an instructor at a future CIPE business association training event. Mr. Zharinov then attended the Sochi

session as a participant, as the Novorossisk Chamber is located in the Krasnodar region. He received additional one-on-one training in Sochi. Mr. Zharinov will attend the upcoming Khabarovsk training event, at which he will team teach several sessions with Mr. McCord and Mr. Bak.

During the second reporting period, from April 2003 to September 2003, CIPE conducted a third training event in Khabarovsk, Russia in late April 2003. During this period, CIPE staff and consultants also began work on implementing the Regional Business Agenda (RBA) stage of the project. The Regional Business Agenda is a modification of the U.S. Chamber of Commerce's National Business Agenda and is one of CIPE's most effective models for small enterprise policy advocacy, having seen success around the world.

BUSINESS ASSOCIATION MANAGEMENT AND ADVOCACY TRAINING SESSIONS

Training Event in Khabarovsk, Russia

As reported in the previous semiannual report, CIPE conducted its Business Association Management and Advocacy training sessions during the first six months of the project. Those two events took place in Samara and Sochi, and involved leaders of business associations and chambers of commerce from the Perm, Samara, Saratov, Krasnodar, and Volgograd regions. During this project period, CIPE conducted the third and final of these initial training events. It was held in Khabarovsk, Russia, on April 21-25, 2003. Participants in this third training event represented associations and chambers from the Irkutsk, Khabarovsk and Vladivostok regions.

Format

Like at the Samara and Sochi training events held during the previous reporting period, participants attended full eight-hour sessions during the day and were lodged at the same site throughout the week-long event. As a result, mealtimes, evenings, as well as a social event held during the course of the week proved to be good opportunities for participants to deepen their knowledge of other business associations' operations and to build a stronger network among the participating associations. Participants also informally met in small groups some evenings to prepare for upcoming sessions and exercises, and to discuss readings and other materials.

The training curriculum used at the Khabarovsk event focused on both association management issues such as strategic planning, marketing strategies, small business development, business ethics, etc., as well as curriculum on advocacy. CIPE training experts incorporated substantial material on advocacy-related issues into the Russia training curriculum, based largely on successful advocacy initiatives that have been undertaken both in the West and in a number of transition countries. The advocacy curriculum is geared towards leading the regional association representatives to developing coalitions among other local associations in order to jointly advocate for needed reforms. Specifically, instructors trained the participants about the steps of organizing an advocacy campaign, including:

- advocacy strategic planning,
- starting from the mission statement,
- determining advocacy objectives,
- preparing the strategic plan, and
- preparing the program of work for the campaign.

Sessions also included discussions on team building, management of advocacy campaign, direct advocacy and public relations. The Khabarovsk event had the advantage of being the third of a series of identical training events, benefiting from feedback gained in Samara and Sochi through participants' evaluations and trainers' suggestions.

All training sessions began with an instructional period, but included time for a question-and-answer session during which participants sought help from the training experts to apply the skills and lessons being taught. The advocacy-related sessions also incorporated group exercises related to development of advocacy campaign steps and elements. Throughout the week-long training course, participants were increasingly involved in presentations.

Instructors

CIPE generally employs instructors that have had at least ten years' experience in association management and/or advocacy in order to serve as instructors at training sessions such as those held in Russia under this program. For the training event in Khabarovsk, CIPE employed two highly qualified individuals with extensive experience in association development and advocacy efforts: Mark McCord and Mieczyslaw Bak. Both were well received by the Russian training participants.

Participants

Participants of the training session in Khabarovsk represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Thirty participants from Khabarovsk, Primorsk and Irkutsk regions participated in the Khabarovsk training event. These 30 participants represented 6 chambers of commerce and industry, 2 OPORA regional branches and 19 business associations.

In their written evaluations of the training events, participants indicated that the programs were extremely useful to their work, that the curriculum was helpful, and the instructors excellent.

Training of Trainers

In continuation of the train the trainer activity CIPE invited a highly experienced and respected regional chamber leader to the Khabarovsk training event as a "trainer-in-training." This individual, Igor Zharinov, has served as Chairman of Novorossiysk Chamber of Commerce and Industry since 1997. Prior to that, he was managing director of Novorossiysk Chamber. Mr. Zharinov has led the Chamber's transition from an unrecognized institution to a highly respected one representing the interests of local businesses.

Throughout the course of the five-day Khabarovsk event, Mr. Zharinov team-taught several sessions with both Mr. McCord and Mr. Bak. CIPE instructors and staff members provided one-on-one assistance to Mr. Zharinov, continuing to equip him to be able to serve as an instructor at a CIPE business association training event.

DEVELOPMENT OF REGIONAL BUSINESS AGENDAS (RBAs)

The Regional Business Agenda program is modeled after the U.S. Chamber of Commerce's National Business Agenda, a tool through which a business community can become a leading advocate for market-oriented reform and democratic governance because it focuses business, policy, and media attention on a set of immediate action priorities that the business community has defined. The National Business Agenda is one of CIPE's most effective models for small enterprise policy advocacy, and one that CIPE has used around the world.

Small Grants

As mentioned above, CIPE issued a small grant to the leading association of each regional coalition for the implementation of a Regional Business Agenda following the completion of the Spring 2003 training events. The purpose of these small grants is to support the eight regional coalitions in their development and advocacy of Regional Business Agendas. Each grant is \$20,000, and each coalition has pledged a matching contribution to the project. These matching contributions average \$6,800, with the largest one being \$13,100 and the smallest \$5,000.

Technical Assistance to Regional Coalitions

CIPE Volunteer

In September 2003, John Garman, the retired President of the Anderson Area Chamber of Commerce (South Carolina), traveled to three of the eight regions covered under this project to provide pro bono technical assistance to the business association coalitions there. The three regions and the dates of Mr. Garman's technical assistance visit to each are

- Samara region—September 29 to October 3;
- Saratov region—September 21 to September 28;
- Volgograd region—September 15 to September 21.

During his volunteer trip to these three regions, Mr. Garman provided instruction and consultation to each coalition on how to involve the business community in the policy process, develop policy proposals, and run a policy advocacy campaign. Following Mr. Garman's visit to all three regions, he was debriefed at a meeting in Moscow with CIPE's Moscow office staff and a Washington-based senior program officer.

Mr. Garman's work on-site with the Samara, Saratov, and Volgograd regional coalitions served several purposes:

- Confirmed that the regional associations and chambers are working together as a true coalition;
- Confirmed that the coalitions are actively seeking input of their business communities in the development of the policy issues;
- Provided each coalition with hands on assistance in the policy recommendations development process from a seasoned chamber of commerce executive.

Observations made by Mr. Garman include the following:

- The lead organizations of each coalition have arranged for designated individuals to be the project coordinator, and have made staff resources and funds available to carry out the coalition's advocacy work.
- The lead organizations know that the initiative rests with them to move the project along. Sometimes coalition members are slow to respond because of lack of staff or other reasons. Motivating these associations to do what they agreed to do has been a learning experience for the coalition coordinators.
- It appears as though the coalitions' biggest challenges relate to working with the local-level government (i.e. city), and that their work with the oblast or regional governments is smoother and easier. This is a topic that should be pursued during CIPE's future technical assistance efforts to these regions.

CIPE evaluates Mr. Garman's visit to the three regions as a strong contribution to the work of those three regional coalitions. Nevertheless, there are lessons to be learned from his experiences in Russia that will help CIPE ensure that future volunteer/consultant on-site visits are even more beneficial to the local groups. Mr. Garman provided several recommendations to CIPE on how to do this, which include the following:

- Inclusion of a "How To Use A Volunteer/Consultant On Site" session at CIPE's Business Association Management and Advocacy training program, to better prepare the Russian coalition representatives for their role in receiving the expert who is providing the on-site technical assistance.
- More in-depth exchange of information about expectations prior to the visit. Specific areas that should be addressed ahead of time are public relations visits (Russians should be clear about how the volunteer/consultant can contribute to the project through meetings with local and regional officials; consultants should be briefed more thoroughly on how to encourage Russian coalitions to discuss operation plans, strategy, etc.)
- Two-step visit process for volunteers/consultants should be considered. The first visit could take place during the formation stage of the coalition that would allow the consultant to offer ideas on how to achieve the greatest possible participation and buy-in from all possible stakeholders (this is key to the long-term effectiveness and strength of the coalition, and to government cooperation in the advocacy process). The second visit could entail a combination of public relations efforts as well as continued consultations on coalition management and operations.

CIPE plans to send more consultants and/or volunteers on similar technical assistance visits at the beginning of 2004. The first quarter of 2004 is the best time for more of these trips to take place, because it will be after the coalitions will have come together for a five-day seminar on public/private dialogue (scheduled for November 2003), after the holiday season, and before

most of the coalitions unveil their Regional Business Agendas and kick off their advocacy campaigns.

CIPE Materials

Throughout the course of this period of the project, CIPE discerned that the eight regional coalitions of business associations could benefit from information about a similar CIPE program in Southeastern Europe. Under a USAID-funded program in Montenegro, CIPE has worked with the local business community there to develop a Business Agenda. The Montenegro project was a success and serves as an excellent case study for this type of activity. Thus, CIPE translated material regarding the Montenegro Business Agenda into Russian and disseminated it to each of the eight Russian regional coalitions during this crucial stage of the project when they are in the process of developing their RBAs.

During the third reporting period, from October 2003 to March 2004, CIPE held a seminar on public-private dialogue in November 2003. The seminar built on the initial advocacy assistance provided to representatives of all eight original regional coalitions and provided further support to the regional coalitions in their work to create their Regional Business Agendas (RBAs). Emphasis was on the practical application of advocacy skills in the regions and, eventually, on the federal level.

The seminar was augmented with technical assistance provided to the regional coalitions. In February 2004, CIPE experts visited all eight regions to provide further support for the development of the business agendas and to write case studies analyzing each coalition's RBA development and advocacy campaign, as well as to provide customized recommendations to the coalitions.

SEMINAR ON PUBLIC-PRIVATE DIALOGUE

In November 2003, CIPE hosted a seminar on public-private dialogue. This seminar brought together representatives of all eight regional coalitions and featured facilitators who provided initial advocacy training sessions to these participants (held during the previous reporting period). The seminar was timely, because it took place at the phase in the project when all eight regional coalitions were finalizing their Regional Business Agendas and prior to the time when they planned to unveil their RBAs to policymakers, local/regional governments, and the public.

Format

In developing the agenda, curriculum, and materials for the public-private dialogue seminar, CIPE focused on maximizing the facilitators' and participants' advocacy experiences through participatory discussions and activities. Though some training modules were taught during the

five-day event, less focus was placed on technical assistance and more on practical use of the advocacy skills that were taught in the previous training events and through CIPE's ongoing technical assistance to the regional coalitions. The participants benefited from a range of instruction techniques that made the event both useful and interesting, from participating in role-playing exercises to receiving one-on-one consultations from the facilitators on public presentation of an advocacy plan.

In addition to refining advocacy skills, the participants heard presentations from representatives of national-level research and advocacy organizations, as well as a government representative. These presentations were designed to begin to set the stage for advocacy efforts aimed at the federal government, which will be based on the regional level advocacy issues and initiatives. Representatives from the INDEM Anti-Corruption Foundation, Center for Economic and Financial Research (CEFIR), RCCI, OPORA and Russian Anti-Monopoly and SME Support Ministry made presentations on SME surveys and policy advocacy case studies and fielded questions from the participants. Representatives of these institutions stayed throughout the week and were part of the ongoing dialogue.

The entire event culminated in each regional coalition's presentation of its Regional Business Agenda (RBA) and its initial advocacy results. Additional skill building instruction was provided. The coalition presentations provided evidence of the success of the overall program. Using the small grants and technical assistance provided by CIPE, each of the eight coalitions achieved impressive results and, at the same time, gained the confidence necessary to become sustained players in public policy dialogue.

Facilitators

In order to provide the highest level of facilitation for the public-private dialogue seminar and advocacy efforts, one facilitator with significant overseas experience in transition country advocacy work (Mark McCord), and another whose experience as a state legislator (Fred Whiting) provided insight for both the "giving" and "receiving" sides of advocacy.

Participants

Participants in the Public public-private dialogue seminar in Sochi represented all eight regional coalitions. Thirty six participants from Khabarovsk, Primorsk, Irkutsk, Perm, Samara, Saratov, Volgograd and Krasnodar regions participated in the seminar. These 36 participants represented 11 chambers of commerce and industry, 2 OPORA regional branches, and 19 business associations. The majority of the participants at this seminar also previously attended one of the three training sessions that CIPE organized in the early months of the project.

In their written evaluations of the training events, participants indicated that the programs were extremely useful to their work, that the curriculum was helpful, and the instructors excellent.

TECHNICAL ASSISTANCE TO REGIONAL COALITIONS

In February 2004, CIPE experts visited all eight regional coalitions, as reflected in the following schedule:

Region:	Dates of Assistance Visit:	CIPE Expert who visited:
Irkutsk	February 25-28, 2004	Mark McCord
Khabarovsk	February 22-25, 2004	Mark McCord
Krasnodar	February 12-15, 2004	Fred Whiting
Perm	February 7-11, 2004	John Garman
Primorsk	February 18-22, 2004	Mark McCord
Samara	February 11-15, 2004	John Garman
Saratov	February 15-19, 2004	John Garman
Volgograd	February 6-11, 2004	Fred Whiting

(John Garman is the retired President of the Anderson Area Chamber of Commerce in South Carolina. Biographical information on Mark McCord and Fred Whiting can be found in the previous section.)

Prior to the February 2004 on-site visits, each regional coalition had implemented the following activities to develop their RBAs:

- Held focus groups with business community representatives;
- Conducted research to determine what the most crucial administrative barriers are to small- and medium-sized enterprises in its region;
- Organized roundtables at which these barriers have been discussed;
- Developed its Regional Business Agenda document, based on its findings during the above-described development phase.

By scheduling the on-site technical assistance visits at this particular time of the project, CIPE was able to provide more one-on-one consultations for each coalition on advocacy techniques (following the November 2003 seminar) and to help the coalitions prepare for their upcoming unveiling of their business agendas, scheduled for Spring 2004.

The tasks for each consultant in each location were as follows:

1. Assess the to-date successes and challenges of each regional coalition.
2. Assist each coalition in refining its policy advocacy message.

3. Provide examples of how each coalition should measure project results and assist each in beginning this process.
4. Assess each coalition's plans for its advocacy campaign's next steps.

In addition, the CIPE experts wrote case studies documenting each coalition's RBA development and advocacy campaigns. CIPE is currently working to compile these case studies into a future publication. CIPE will detail the case studies activity in the next report.

RECOMMENDATIONS TO THE COALITIONS

Based on CIPE's experience in assisting advocacy coalitions worldwide, as well as CIPE's efforts to prepare the eight Russian regional coalitions of business associations for business advocacy under this project, CIPE has provided practical help to these coalitions in their approach and implementation of their advocacy plans. CIPE consultants and staff members have also made general recommendations on strategy to the regional coalitions during this reporting period, which include (but are not limited to) the following:

- The coalitions should carefully select the first few advocacy issues based on these criteria:
 - The issue(s) is/are supported by a vast majority of the business community. It is important to have the backing of a large and visible group of businesses, in order to raise more awareness that the issue needs to be addressed.
 - The issue(s) directly affect the associations' members, and a win of the issue(s) will benefit their members. It is important to prove to the members that the coalition's efforts are in their interests; this is also an important tool for the recruitment of additional members to the associations.
 - The issue(s) is/are potential "quick wins." It is crucial that the coalition realizes a few initial successes fairly quickly after the coalition begins its work, both for its members' confidence and for its reputation in the community.
 - A Regional Business Agenda (RBA) is a framework that outlines priority issues and provides broad policy goals of the business community. The coalitions should refine the policy messages in their RBAs with policy position papers. Complementing the RBA document, a policy position paper should succinctly detail the problem, provide some statistics or other proof of how business is negatively affected by the problem, and then provide specific steps to solve the problem through policy reform and implementation. These position papers should be disseminated to government officials and the media.
- Vital to the coalitions' work is their contact and relationship with decision-makers. Though cultivating and maintaining such contacts is important, the coalition members must:
 - also be willing to hold those same decision-makers accountable for their actions;
 - not build their advocacy programs in such a way that they are dependent on one or a few "personalities" within the legislature or administration. Rather, the coalition's advocacy efforts should provide a model that can potentially be used to institutionalize the advocacy process.

- The Coalitions need to draw attention to their policy successes. It is vital to document the coalition's contribution to the policy process and to make the public aware of the coalition's impact on this process. CIPE has provided the coalitions with assistance on tracking policy reform issue and communicating with the press.

During the fourth reporting period, from April 2004 to September 2004, CIPE organized a study tour to Romania for a group of the coalition's representatives to identify effective strategies for advocating small business policy concerns by observing successful models that CIPE had developed in Romania.

Within the same month, CIPE organized the conference "Russian Business Associations Advocacy for Reforms: Achievements and Future Strategy," linking 16 representatives of all eight regional coalitions with two national-level business support organizations, OPORA and the RCCI, creating connections within Russia that would mark a significant shift in the project's network and sustainable hold in Russia. This conference was designed to synthesize the various RBAs, formulate policy recommendations and plan advocacy campaigns. Through this conference the "Small Business Campaign 2004" was born (detailed further in the Federal Advocacy chapter).

COALITION LEADERS' STUDY TOUR

In partnership with advocacy-oriented partners in Romania, CIPE organized a three-day study tour to Romania for a group of coalitions' representatives. This study tour took place on May 19 - 21, after the unveiling of the regional RBAs and during the advocacy phase of the coalitions' work. The purpose of the study tour was to identify effective strategies for advocating small business policy concerns by observing successful models that CIPE had developed as part of a business advocacy campaign supported by USAID/Romania during 2000-2003. Study tour participants examined several models of business advocacy including the business-oriented "Advocacy Academy" established in 2002, the "Open Doors" business advocacy campaign (a national grass roots advocacy effort), and the Strategic Alliance of Business Associations (SABA) a coalition of 45 business groups working on policy issues. A CIPE staff member accompanied the group of 15 on this study tour to Romania.

During three days in Romania, the tour participants met with representatives of the following Romanian groups:

- Business Coalitions formed under CIPE's previous USAID effort (Tech 21, ProGlobe, T3, and Coalition of Business Women's associations)
- Members of the Advocacy Academy Association
- Representatives of Regional Chambers of Commerce
- Representatives of the National Liberal and Social Democratic parties

- Members of the Romanian Economic Development Alliance
- Representatives of the Strategic Alliance of Business Association

During each session, the participants were introduced to the advocacy experiences of their Romanian colleagues and then engaged in discussions during question-and-answer sessions. The tour participants also had the opportunity to have one-on-one discussions with Romanian colleagues whose experience was most useful for them.

On the last day of the tour, the participants had time to reflect on their experience in Romania, and they indicated that the tour was extremely useful for their work, it provided them with networking opportunities, and gave them a detailed picture about Romania's experiences regarding coalition building, public-private dialogue, and policy advocacy efforts. The tour participants stated that they would try to implement some of the tactics used by Romanian coalitions in their advocacy activities in the Russian regions. They also said the Romanian colleagues inspired them with their persistence in advocacy efforts even though the impact of their activities was not visible immediately. In their written evaluations of the training program, the participants gave the tour very high marks.

THE "RUSSIAN BUSINESS ASSOCIATIONS ADVOCATING FOR REFORMS: ACHIEVEMENTS AND FUTURE STRATEGY" CONFERENCE

On May 23 – 26, 2004, CIPE hosted a conference "Russian Business Associations Advocating for Reforms: Achievements and Future Strategy" in Moscow. This conference brought together 16 representatives of all eight regional coalitions, as well as representatives of CIPE's project partners – the national-level business support organizations OPORA and Chamber of Commerce and Industry of the Russian Federation.

Following the individual unveiling of the RBAs at the regional level, CIPE organized this conference to synthesize the various experiences of the regional business agenda initiatives in developing their regional business agendas, formulating policy recommendations, and planning advocacy campaigns. While the development and promotion of the RBAs generated grassroots support for policy change, the conference meetings encouraged support from the top as well – asking federal level groups such as the Russian Chamber of Commerce and Industry and OPORA to incorporate elements of regional RBAs in their initiative. The conference also generated debate among participants on policy issues brought out by RBAs that need to be addressed by the federal government and legislature.

Format

During the first day of the conference, each regional coalition made a presentation of its Regional Business Agenda (RBA) and its intermediate advocacy results. Using the small grants and technical assistance provided by CIPE, each of the eight coalitions achieved good results in their region and, at the same time, gained the confidence necessary to become important players in public policy dialogue.

At the conference, in an effort to improve the operating environment for the country's small and medium businesses, the Russian Chamber of Commerce and Industry (RCCI) and the Union of

Business Associations (OPORA) announced a new joint campaign to promote a six-point reform program to improve the regulatory environment and access to credit. Announcing their new “Small Business 2004” campaign, RCCI and OPORA stressed the need for quick action from the government and for small business throughout the country to advocate before regional and federal authorities to implement the new agenda.

Developed as a result of a grassroots business advocacy project in eight regions of Russia, the “Small Business 2004” program represents the first example of a national campaign combined with local advocacy efforts. Key policy issues to be addressed by the effort include:

1. Improved framework for state support of small business.
2. Reduction of administrative barriers in entrepreneurial activity.
3. Improvements in the small business taxation system.
4. Equal access to economic information.
5. Development of more effective credit systems for small business.
6. Elimination of corruption and protection of entrepreneurs’ rights.

The Program will be carried out during a one-year period from July 2004 to June 2005 and will include the following activities:

- Assessment of federal-level policy recommendations provided by regional coalitions;
- Development of national advocacy strategy through roundtables and conferences,;
- National policy advocacy efforts;
- Development of new materials for the *REACT* information clearinghouse.

At the end of the first day of the conference, CIPE, RCCI, and OPORA held a press conference on RBAs and the “Small Business 2004” program with 12 representatives of the Russian media, including one TV channel. The purpose of the press conference was to inform the media of the national advocacy campaign being launched by RCCI and OPORA. In addition, CIPE Executive Director John Sullivan was interviewed by TV station Moscow-1 regarding CIPE's Russia project.

The presentation of the RBAs was followed by presentations of RCCI and OPORA on advocacy activities at the federal level, presentations on IOM Certification Program, and on the *REACT* information clearing house.

Each conference participant received an information kit that included the May 24 press release, background information on the project, background information on 8 RBAs, information on the “Small Business 2004” initiative, and conference logistics documents.

Among the participants at the conference were Paul Mulligan, Director of the Office of Economic Growth at USAID’s Moscow mission, as well as Natalia Usoltseva, Cognizant Technical Officer at USAID responsible for CIPE's project. Both Mr. Mulligan and Ms. Usoltseva expressed their satisfaction with the conference itself and with the accomplishments of CIPE's partners thus far.

Participants

Participants at the conference represented all eight regional coalitions as well as representatives of CIPE's project partners – the national-level business support organizations the Russian Chamber of Commerce and Industry and OPORA.

Sixteen participants, from Khabarovsk, Primorsk, Irkutsk, Perm, Samara, Saratov, Volgograd, and Krasnodar regions, participated in the conference. These 16 participants represented seven chambers of commerce and industry, one OPORA regional branch, and four business associations. All the participants at this conference also previously attended one of the three training sessions that CIPE organized in the early months of the project.

The Conference enabled CIPE's partners under the project to synthesize various experiences of the regional business agenda initiatives and to develop recommendations for advocacy strategy on a federal level, which resulted in the launching of the "Small Business 2004" initiative. Below are several comments from the conference participants:

- OPORA President, Sergei Borisov: "The Small Business 2004 program comes at an important time for Russian business, without these fundamental changes in policy, President Putin's goals to improve private sector development will be almost impossible to achieve."
- RCCI Vice President, Sergei Katyrin: "It's important that leaders at all levels of government understand that the business community is united in its desire to see these reforms go forward, and are implemented fully by our regional and local governments."
- Perm Chamber Vice President, Elena Mironova: "Coalition activities under this project helped us see business groups in the regions for what they are worth. Now business community understands that there is a force [Perm Coalition] that can advocate for its interests in real terms."
- Sochi Chamber Chairman, Vadim Levchenko: "SME support should be based on public/private dialogue. Policy advocacy is successfully done by groups that unite to represent business and to develop solutions for existing problems."

During the fifth reporting period, from October 2004 to March 2005, CIPE and the RCCI hosted a one-day conference, "Russian-American Cooperation of NGOs for Private Enterprise Development in Russia: Achievements and Prospects" to bring together leaders of the RCCI, OPORA, CIPE, the regional coalitions, representatives of the USAID Moscow Office, and the media.

The conference was designed to encourage a wider base of support for the activities of the regional coalitions, for the federal-level advocacy of issues, and for the discussion of opportunities for the coordination of activities under various USAID-funded projects.

On February 18, 2005, CIPE and RCCI hosted in Moscow a one-day conference, “Russian-American Cooperation of NGOs for Private Enterprise Development in Russia: Achievements and Prospects.” This conference brought together leaders of RCCI, OPORA, CIPE, regional coalitions, as well as representatives of the USAID Moscow Office, and the media.

The purpose of the Conference was to raise public awareness on the policy advocacy activities of the regional coalitions of business associations and federal level advocacy issues; to present CIPE’s concept of activities aimed at promotion of democratic principles of governance on regional and municipal levels through further consolidation of civil communities to provide much broader support to regional development initiatives; and to discuss opportunities for coordination of activities under different USAID-funded projects and programs.

The conference was the latest activity in this four-year business advocacy program. For the past two years, the eight regional coalitions have worked to identify the local business barriers faced by their members and have organized local advocacy campaigns to push regional governments to implement reforms. Working with RCCI and OPORA, these groups have organized a national advocacy campaign “Small Business 2004” to affect needed reforms and change at the federal level, and their implementation at the local level.

Format

During the first session of the Conference, the three representatives of the regional coalitions of business associations from Perm, Samara, and Krasnodar have shared their experiences and achievements in such areas as:

- the role of coalition building in SME policy advocacy activity in the regions;
- regional efforts in protection of entrepreneur’s rights;
- coordination of SME policy advocacy efforts on local and regional level, and bringing regional recommendations to the federal level.

Representatives of RCCI and OPORA spoke about the “Small Business 2004” Program for improvement of business climate for entrepreneurship development in Russia that brings recommendations of the regional coalitions to the federal level

Developed as a result of a grassroots business advocacy project in eight regions of Russia, the “Small Business 2004” program represents the first example of a national campaign combined with local advocacy efforts. Key policy issues to be addressed by the effort include:

- Improved framework for state support of small business.
- Reduction of administrative barriers in entrepreneurial activity.
- Improvements in the small business taxation system.
- Equal access to economic information.
- Development of more effective credit systems for small business.
- Elimination of corruption and protection of entrepreneurs’ rights.

The second part of the Conference was fully devoted to CIPE’s strategic concept of activities aimed at promotion of democratic principles of governance on regional and municipal levels

through further consolidation of civil communities in coordination of activities under different related USAID-funded projects and programs. The Concept issues were fully supported by the participants, and the representatives of the Center for Financial and Economic Research (CEFIR), the Russian Institute of Directors (RID), INDEM Foundation, RCCI, and OPORA called on other NGOs and to join their efforts and resources for further consolidation of national and regional civil communities based on CIPE's experience of coalition building.

At the end of the first session of the conference, USAID, CIPE, RCCI, and OPORA held a press conference with 32 representatives of the Russian media, including two TV and one radio channel. The purpose of the press conference was to inform the media of the regional and national advocacy campaigns being launched by the regional coalitions of business associations, RCCI and OPORA.

Each conference participant received an information kit that included the press release, background information on the project, background information on the eight RBAs achievements, information on the "Small Business 2004" campaign that had just been launched, information on the related USAID-funded projects, and conference logistics documents.

Participants

Participants at the conference represented three regional coalitions (Samara, Perm, and Krasnodar); representatives of CIPE's project partners; national-level business support organizations - Russian Chamber of Commerce and Industry (RCCI) and OPORA; as well as representatives of the USAID Russia Office and other USAID-funded projects.

The Conference enabled CIPE's partners under the project and representatives of other projects to share various experiences of the national and regional policy advocacy initiatives and to discuss possibilities for joining efforts of civil communities in order to promote democratic principles of governance.

Among the participants at the conference were Terry Myers, USAID Russia Mission Director; Chris Brown, Director of the Office of Democratic Initiatives; Inna Loukovenko, Chief of the Civil Society Unit at the Office of Democratic Initiatives; Carol Pierstorff, Director of the Regional Development Office; Natalia Usoltseva, Cognizant Technical Officer at USAID responsible for CIPE's project; and Andrew Wilson, Senior Program Officer, CIPE Washington.

Below are several comments from the conference participants:

- USAID Russia Mission Director, Terry Myers: "I appreciate the initiative of the Center for International Private Enterprise and the Chamber of Commerce and Industry of the Russian Federation to organize this conference and to provide a timely opportunity to exchange ideas and discuss possible ways of cooperation utilizing our experience and achievements."
- RCCI President, Yevgeny Primakov: "We are sincerely interested in the proposal of our American partners concerning continuation of our cooperation and participation in implementation of a new project, whose essence is working out and efficient model of furthering democratic principles of management at the regional and local levels by way of consolidating and strengthening both the business communities and civil society as a whole."

- OPORA President, Sergei Borisov: “The new CIPE’s initiative comes at an important time for Russian business and civil society, without the democratic changes in policy, the task to improve third sector development will be almost impossible to achieve.”
- RCCI Vice President, Sergei Katyrin: “Joining our efforts under the current project has contributed to a 10% growth of the number of Russian small- and medium-sized companies in 2004.”

During the sixth reporting period, from April 2005 to September 2005, CIPE began the second round (Round Two) of training events that would be attended by representatives of four regions (Smolensk, Kamchatka, Kirov, and Nizhny Novgorod). The format was the same as that used in the training seminars held during the first and second reporting periods.

BUSINESS ASSOCIATION MANAGEMENT AND ADVOCACY TRAINING

Training Event in Smolensk, Russia

During this project period, CIPE conducted the first Round Two training event. It was held in Smolensk, Russia, on April 18 - 22, 2005. Participants in this training event represented associations and chambers from the Smolensk, Kamchatka, Kirov, and Nizhny Novgorod regions.

Format

Like the Round One training events, the participants attended full eight-hour sessions during the day and were lodged at the same site throughout the weeklong event. As a result, mealtimes, evenings, as well as a social event held during the course of the week provided good opportunities for participants to deepen their knowledge of other business associations’ operations and to build a stronger network among the participating associations. Participants also informally met in small groups some evenings to prepare for upcoming sessions and exercises and to discuss readings and other materials.

The training curriculum used at the Smolensk event focused on both association management issues such as strategic planning, marketing strategies, small business development, and business ethics, as well as curriculum on advocacy. CIPE instructors used training modules developed by CIPE and used in CIPE programs worldwide. In addition, the instructors incorporated substantial material on advocacy-related issues into the Russia training curriculum, based largely on successful advocacy initiatives that have been undertaken both in the West and in a number of transition countries. The advocacy curriculum is geared towards leading the regional association representatives to developing coalitions among other local associations in order to jointly advocate for needed reforms. Specifically, instructors trained the participants about the steps of organizing an advocacy campaign, including

- advocacy strategic planning,
- mission statement,

- determining advocacy objectives,
- preparing a strategic plan, and
- preparing a program of work for the campaign.

The training seminars also included discussions on team building, management of advocacy campaign, direct advocacy, and public relations. The Smolensk event had the advantage of being the fourth of a series of identical training events, benefiting from feedback gained in Round One through participants' evaluations and trainers' suggestions.

All training sessions began with an instruction period, but included time for a question-and-answer session during which participants sought help from the training experts to apply the skills and lessons being taught. The advocacy-related sessions also incorporated group exercises related to development of advocacy campaign steps and elements. Throughout the weeklong training course, participants were increasingly involved in presentations.

Instructors

CIPE generally employs instructors that have had at least ten years' experience in association management and/or advocacy in order to serve as instructors at training sessions such as those held in Russia under this program. For the training event in Smolensk, CIPE employed two highly qualified trainers with extensive experience in association development and advocacy efforts: former South Dakota state senator Fred Whiting and association management expert, Charles Rumbarger. Both were well received by the Russian training participants.

Participants

Participants of the training session in Smolensk represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Twenty-five participants from Smolensk, Kamchatka, Kirov, and Nizhny Novgorod regions participated in the training event represented three chambers of commerce and industry, one OPORA regional branch, and 21 business associations.

In their written evaluations of the training events, participants indicated that the programs were extremely useful to their work, that the curriculum was helpful, and that the instructors were excellent.

In the seventh reporting period, from October 2005 to March 2006, CIPE expanded the program to include eight new regions as part of Round Two to encourage a multiplier effect of the Round One successes of the original coalitions.

CIPE held the second Round Two training session in Sochi, Russia. The session itself followed the format of the training sessions that preceded it, but included

four new regions (Altai, Astrakhan, Rostov, and the Republic of Sakha (Yakutia)).

Following the training session in November, CIPE held a workshop on public-private dialogue in March 2006. This workshop brought together representatives of all eight original coalitions and featured speakers and facilitators who provided analytical information and additional advocacy assistance while the first four coalitions of the second round were finalizing their RBAs. The training session was the fourth of a series of identical training sessions. It culminated in each of the regional coalitions presenting their RBAs and initial advocacy results.

BUSINESS ASSOCIATION MANAGEMENT AND ADVOCACY TRAINING

Training Event in Sochi, Krasnodar Region, Russia

During this project period, CIPE conducted the first Round Two training event. It was held in Sochi, Russia, on November 23 - 25, 2005. Participants in this training event represented associations and chambers from the Altai, Astrakhan, Rostov regions, and Republic of Sakha (Yakutia). Several participants from the Round One Krasnodar Coalition also took part in the session to share their experience in coalition building and RBA development.

Format

The format was the same as that used in the Round Two training program held in April 2005 in Smolensk.

Participants

Participants of the training session in Sochi represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Twenty participants from Altai, Astrakhan, Rostov regions, Republic of Sakha (Yakutia), and Krasnodar region took part in the training event represented five chambers of commerce and industry, three OPORA regional branches, and 12 regional business associations.

In their written evaluations of the event, participants indicated that the programs were extremely useful to their work that the curriculum was helpful, and the instructors were excellent.

Workshop on Public/Private Dialogue in Sochi, Krasnodar Region, Russia

In March 2006, CIPE held a workshop on public-private dialogue. This workshop brought

together representatives of all eight Round Two regional coalitions and featured speakers and facilitators that provided analytical information and additional advocacy assistance to the participants. The workshop took place at the phase in the project when the four regional coalitions were finalizing their Regional Business Agendas and prior to the time when they planned to unveil their RBAs to the policymakers, local/regional governments, and the public.

Format

In developing the agenda, curriculum, and materials for the public-private dialogue workshop, CIPE focused on maximizing the facilitators' and participants' advocacy experiences through participatory discussions and activities. More focus was placed on practical use of the advocacy skills that were taught at the previous training events and through CIPE's ongoing technical assistance to the regional coalitions. The participants benefited from various approaches that made the event both useful and interesting, ranging from participating in role-playing exercises to receiving one-on-one consultations from the facilitators on public presentation of an advocacy plan.

In addition to refining advocacy skills, the participants heard presentations from representatives of national-level research and advocacy organizations, as well as a government representative. These presentations were designed to set the stage for advocacy efforts aimed at the federal government, which will be based on the regional level advocacy issues and initiatives. Representatives from the CIPE-Moscow Office, INDEM Foundation, OPORA, Russian Federation Ministry of Economic Development and Trade, and from two Round One regional coalitions (Krasnodar and Samara) made presentations on policy advocacy case studies and fielded questions from the participants. Representatives of these institutions stayed throughout the workshop and were part of the ongoing dialogue.

The entire event culminated in each regional coalition's presentation of its Regional Business Agenda (RBA) and its initial advocacy results. Using the small grants and technical assistance provided by CIPE, each of the four coalitions undertook initial steps in the advocacy campaign and, at the same time, gained the confidence necessary to become sustained players in public policy dialogue. The representatives of other regional coalitions actively participated in all workshop discussions and activities and gained unique knowledge and experience that they would take advantage of in RBA development and implementation.

Participants

The participants of the public-private dialogue workshop in Sochi represented all eight coalitions. These 23 participants represented six chambers of commerce and industry, two OPORA regional branches, and 15 business associations. The majority of the participants previously attended one of the two training sessions that CIPE organized in the early months of the Round Two project activity.

In their written evaluations of the training events, participants indicated that the programs were extremely useful to their work that the curriculum was helpful, and the speakers/instructors were excellent.

During the eighth reporting period, from April 2006 to September 2006, CIPE and the RCCI conducted the second pilot training session. This IIOM training retreat in Kaluga, Russia is a part of a certification program for chamber and association professionals and NGOs.

BUSINESS ASSOCIATION MANAGEMENT AND ADVOCACY TRAINING

IIOM Pilot Training Session in Kaluga, Russia

During this project period, CIPE conducted a second pilot training session as part of the creation of a Certification Program for chamber and association professionals and other not-for-profit membership organizations through the International Institute of Organization Management. It was held in Kaluga, Russia, on November 22 - 24, 2006. Participants in this training event represented associations and chambers from the Kaluga region.

Format

The training curriculum used at the Kaluga event focused on both association management issues, such as strategic planning, marketing strategies, public relations, opposing corruption, and on advocacy. CIPE instructors based their training modules on CIPE training materials used in its programs worldwide. In addition, the instructors incorporated substantial material on advocacy-related issues based on successful advocacy initiatives undertaken in the West, in a number of transition countries, and by the Russian regional coalitions. Specifically, instructors trained the participants about the steps of organizing an advocacy campaign, including:

- advocacy strategic planning
- developing mission statement
- determining advocacy objectives
- preparing the strategic plan
- preparing the program of work for the campaign

The training also included discussions on team building, management of advocacy campaign, direct advocacy, and public relations. The Kaluga event had the advantage of being the second of the IIOM pilot training sessions, benefiting from feedback gained in the first pilot session in Sochi (November 2005) through participants' evaluations and trainers' suggestions.

All training sessions began with a presentation and followed by question-and-answer sessions during which participants sought help from the training experts on how to apply the skills and lessons taught. The advocacy-related sessions also incorporated group exercises related to development of advocacy campaign steps and elements.

Participants

Participants of the pilot training session in Kaluga represented regional and local business associations and chambers of commerce and industry. Twenty one participants from Kaluga

region took part in the training event represented one chamber of commerce and industry, and 12 regional business associations and business support NGOs. In their written evaluations of the event, participants indicated that the programs were extremely useful to their work that the curriculum was helpful, and the instructors were excellent.

During the ninth reporting period, from October 2006 to March 2007, USAID granted CIPE a three-year extension to the existing Cooperative Agreement, changing the scope and focus of advocacy assistance and activities. CIPE conducted two training sessions for association chamber leaders from each of the 16 regions.

BUSINESS ASSOCIATION MANAGEMENT AND ADVOCACY TRAINING

CIPE received a three-year extension to the Policy Advocacy component of the existing Cooperative Agreement No. 118-A-00-02-00168. At this stage of the project CIPE will engage in a range of activities aimed at decreasing corruption affecting the business community and civil society, while simultaneously reforming governance, building institutions, and combating corruption and undemocratic control mechanisms.

The main objectives are as follows:

- To equip regional business communities with skills and knowledge to analyze the corruption potential of legislation;
- To promote regional mechanisms for combating corruption effecting small- and medium-size business;
- To increase access to anti-corruption information.

CIPE will hold 2 training sessions for association and chamber leaders from each of the sixteen regions.

The topics of the training sessions are as follows:

- Analysis of corruption potential of regional legislation and regulations;
- Regional anticorruption strategies;
- Business ethics;
- Corporate governance;
- Advocacy and Public/Private Dialogue;
- Russia anticorruption case studies.

CIPE's training instructors are INDEM and OPORA experts with proven methodological and organizational expertise. CIPE held the first anticorruption training session in April 2007 in Sochi (Krasnodar Region) for representatives of the Round One eight regional coalitions of business associations, as described in the tenth reporting period.

During the tenth reporting period, from April 2007 to September 2007, CIPE conducted the first of two planned training sessions entitled “Regional Anticorruption and Strategies for Business Communities.”

Anticorruption Training Workshop in Sochi, Russia

During this project period, CIPE conducted one out of two planned training sessions, entitled “Regional Anticorruption Strategies for Business Communities”, for association and chamber leaders from the Round One eight regions of the project. It was held in Sochi, Russia, on April 18 - 20, 2007. Participants in this training event represented associations and chambers from the Primorsk, Khabarovsk, Irkutsk, Perm, Samara, Saratov, Volgograd and Krasnodar regions.

Format

The participants attended eight-hour sessions during the day and were lodged at the same site throughout the event. As a result, mealtimes, evenings, as well as a social event held during the course of the workshop provided good opportunities for participants to deepen their knowledge of other business associations’ operations and to build a stronger network among the participating associations. Participants also informally met in small groups some evenings to prepare for upcoming sessions and exercises and to discuss readings and other materials.

The training curriculum used at the Sochi event focused on anticorruption strategies of business communities and advocacy techniques. The advocacy curriculum was geared towards leading the regional association representatives to developing coalitions among other local associations in order to jointly advocate for needed reforms.

The topics of the training sessions were as follows:

- Corruption potential of regional legislation and regulations;
- Regional anticorruption strategies;
- Business ethics;
- Advocacy and Public/Private Dialogue;
- Russia anticorruption case studies.

All training sessions began with an instruction period, but included time for a question-and-answer session during which participants sought help from the training experts to apply the skills and lessons being taught. The advocacy-related session also incorporated group exercise related to development and presentation of Anticorruption Regional Business Agenda (ARBA) issues.

Instructors

For the training workshop in Sochi, CIPE employed highly qualified experts with proven methodological and organizational expertise from the INDEM Foundation: Georgy Satarov and Sergey Parkhomenko; and from OPORA, Dina Krylova. All of them were well received by the Russian training participants.

Participants

Participants of the training session in Sochi represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Thirty-one participant from the Round One regions represented 10 chambers of commerce and industry, two OPORA regional branches, and 19 business associations.

In their written evaluations of the training events, participants indicated that the programs were extremely useful to their work that the curriculum was helpful, and the instructors were excellent.

During the eleventh reporting period, from October 2007 to March 2008, CIPE held two consecutive events, both in Solnechnogorsk, Moscow Region in early October 2007. One event was an anti-corruption workshop, the second of two planned workshops, entitled “Regional Anticorruption Strategies for Business Communities” for the eight regions of Round One. The second event was a training session on “Methods of Expert Examination of Drafts and Acting Laws and Regulations for Corruption Potential.” This training curriculum focused on the methodology of the anticorruption expert examination of the statutory acts developed by the Center for Strategic Research. In connection with the second event, CIPE expected the Russian Government to recommend that the methodology be included in the mandatory anticorruption expert examination of proposed laws and regulations at the federal and regional level.

Anticorruption Workshop in Solnechnogorsk, Moscow Region

During this period of the project, CIPE conducted the second of two planned anticorruption workshops, entitled “Regional Anticorruption Strategies for Business Communities” for association and chamber leaders from Round One’s eight regions of the project. It was held in Solnechnogorsk, Moscow Region, on October 3 - 5, 2007. Twenty coalition leaders participated in this event from the Smolensk, Kirov, Kamchatka, Nizhny Novgorod, Altai, Astrakhan, Rostov regions, as well as the Republics of Sakha (Yakutia) and North Ossetia - Alania.

Format

The participants attended eight-hour sessions during the day and were lodged at the same site throughout the event. As a result, mealtimes, evenings, as well as a social event held during the course of the workshop provided good opportunities for participants to deepen their knowledge of other business associations' operations and to build a stronger network among the participating associations. Participants also informally met in small groups some evenings to prepare for upcoming sessions and exercises and to discuss readings and other materials.

The schedule used at the Solnechnogorsk event focused on anticorruption strategies of business communities and advocacy techniques. The advocacy sessions were geared towards leading the regional association representatives to developing coalitions among other local associations in order to jointly advocate for needed reforms.

The topics of the workshop were as follows:

- Small Business 2004: Program Outcome. Prospects of Advocating for Reform on Federal Level;
- Causes of Corruption;
- Concept of State Measures for Opposing Corruption;
- Corruption Techniques of Authorities;
- Strategies for Collective Protection of Legal Rights and Interests of Businesses;
- Business ethics.

All sessions began with an instruction period, but included time for a question-and-answer session during which participants sought help from the training experts to apply the skills and lessons being taught. The advocacy-related session also incorporated group exercise related to development and presentation of Anticorruption Regional Business Agenda (ARBA) issues.

Instructors

For the workshop in Solnechnogorsk, CIPE employed highly qualified experts with proven methodological and organizational expertise from the INDEM Foundation, Georgiy Satarov and Sergey Parkhomenko; and from OPORA, Dina Krylova. All of them were well received by the Russian training participants.

Participants

Participants of the workshop in Solnechnogorsk represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Twenty participants from the Round Two regions represented six chambers of commerce and industry, one OPORA regional branch, and 13 business associations.

In their written evaluations of the training events, participants indicated that the programs were extremely useful to their work that the curriculum was helpful, and the instructors were excellent.

“Methods of Expert Examination of Drafts and Acting Laws and Regulations for Corruption Potential” training session in Solnechnogorsk, Moscow Region

During this period of the project, CIPE conducted a training session entitled “Methods of Examination of Drafts and Acting Laws and Regulations for Corruption Potential” for association and chamber leaders from Round One’s eight regions of the project. It was also held in Solnechnogorsk, Moscow Region on October 3 - 4, 2007. Participants (legal experts) in this training event represented associations and chambers from all the 17 regions of the project.

Format

The participants attended eight-hour sessions during the day and were lodged at the same site throughout the event. As a result, mealtimes, evenings, as well as a social event held during the course of the workshop provided good opportunities for participants to deepen their knowledge of other business associations’ operations and to build a stronger network among the participating associations.

The training curriculum used at this training event focused on the methodology of the anticorruption expert examination of the statutory acts developed by the Center for Strategic Research (CSR). It is anticipated that the Russian Government will recommend this methodology for use in the mandatory anticorruption expert examination of the drafts of the statutory acts at the federal and regional level. CIPE chose CSR based on the recommendations RCCI, OPORA, and INDEM and on CSR’s unique experience in developing the methodological expert anticorruption examination of statutory acts and CSR’s previous experience holding training sessions for legal experts.

The two-day training session began with an instruction period, but most of the two days were devoted to practical exercises on the anticorruption examination of the samples of the drafts laws and regulations selected by CSR instructors. Statutory acts that were examined included the Federal Law #129 “On State Registration of Legal Persons and Individual Entrepreneurs,” the Federal Government Decree #783 “On Procedures of Determining by State Executive Authorities of Needs for Employing Foreign Workers and on Forming Quotas for Employment of Foreign Workers in the Russian Federation,” as well as several other pertinent laws and regulations.

Instructors

For this training session in Solnechnogorsk, CIPE employed highly qualified experts from CSR: Vladimir Yuzhakov and Elvira Talapina. Both of them were well received by the Russian training participants.

Participants

Participants in the training session represented regional and local business associations, chambers of commerce and industry and regional OPORA branches. Nineteen legal experts from

all 17 regions of the represented 6 chambers of commerce and industry, two OPORA regional branches, the OPORA Head Office, CIPE Russia Office and 9 business associations.

In their written evaluations of the training events, participants indicated that the program was extremely useful to their work that the curriculum was helpful, and the instructors were excellent.

During the twelfth reporting period, from April 2008 to September 2008, CIPE conducted a one-day anticorruption workshop “Identification of Typical Corrupt Practices and Strategies for Opposing Corruption” for 31 leaders of associations and chambers from 17 regions. The workshop took place in Solnechnaya Polyana, Moscow Region.

Later in the reporting period, CIPE held a conference on “Anticorruption Initiatives in Russia: Achievements and Prospects” at the Moscow main office of RCCI. CIPE partners discussed the project’s achievements and drafted a plan for future actions. There they also approved the “Small Business 2004” NBA which is described in Section III, Advocacy, of the Regional Development chapter of this report.

On April 7, 2008, CIPE conducted a one-day anticorruption workshop “Identification of Typical Corrupt Practices and Strategies for Opposing Corruption” for 31 leaders of associations and chambers from 17 regions. The workshop took place in Solnechnaya Polyana, Moscow Region.

Format

The participants attended an eight-hour session and were lodged on-site for the event. As a result, meals and evening activities allowed the participants to exchange information and learn about other coalitions’ anticorruption efforts, as well as to strengthen networks among the coalitions. Participants discussed their chambers’ and associations’ anticorruption strategies and focused on how to develop broader coalitions with other local business associations and NGOs for joint advocacy. Participants also analyzed typical local corrupt practices and mechanisms and generated strategies for the business community and civil society to combat corruption.

Instructor

OPORA’s Executive Director, Dina Krylova, a highly-qualified expert with proven methodological and organizational experience, led the seminar and was well received by the participants.

Participants

The 31 participants represented 12 regional and local business associations and NGOs, 13 chambers of commerce, and one regional branch of OPORA.

Conference on “Anticorruption Initiatives in Russia: Achievements and Prospects”

On April 11, 2008, at the Moscow office of RCCI, CIPE held a conference titled “Anticorruption Initiatives in Russia: Achievements and Prospects,” attended by national and regional project partners. 65 participants represented regional and local business associations, chambers of commerce, OPORA, RCCI, INDEM, think tanks, NGOs, the Russian State Duma, the Russian Ministry of Economic Development, USAID Russia, and CIPE’s Washington, DC, and Moscow offices.

At the conference, CIPE's partners discussed the project's achievements and drafted a plan for future action to reduce corruption in Russia. Participants approved of the results of the “Small Business 2004” NBA, which aimed to reduce administrative barriers and create a favorable climate for SME development. In addition, participants adopted the new anticorruption NBA “Small and Medium Business 2008,” which was developed by CIPE’s national partners, OPORA, RCCI, and INDEM, based on recommendations from the regional coalitions.

During the fourteenth reporting period, from April 2009 to September 2009, CIPE held a national conference in Moscow, “The Role of Business in Implementing Anticorruption Policy in Russia.” This conference, building on the advocacy and coalition building training conference held earlier in the program, focused on identifying innovative private sector-led initiatives to combat corruption, sharing experience among the regional coalitions and national partners, and building linkages among coalitions and partners.

Conference on “The Role of Business in Implementing Anticorruption Policy in Russia”

On June 8, 2009, CIPE, in cooperation with OPORA and RCCI, held a national conference in Moscow on “The Role of Business in Implementing Anticorruption Policy in Russia.” Among the over 60 participants were 40 representatives of CIPE’s regional coalitions and national partners, CIPE staff, USAID Russia representatives, and other Russian organizations. The conference aimed to identify innovative private sector-led initiatives to combat corruption; share experience among the regional coalitions and national partners, including the results of recent anticorruption efforts at the federal and regional levels; and to build linkages among the coalitions and partners.

The conference opened with remarks from USAID Russia Mission Director Leon S. Waskin and CIPE’s Regional Director for Eurasia and South Asia Andrew Wilson. Participants from 17 coalitions discussed their work with the business communities in their regions to advance pro-business reforms and anti-corruption efforts. The participants also discussed ways in which CIPE, OPORA, Transparency International, INDEM, and the National Anti-Corruption Committee can collaborate to fight corruption in Russia. Officials from the Ministry for Economic Development who attended the conference confirmed later that recommendations generated in the course of the conference will be taken under consideration.

During the fifteenth reporting period, from October 2009 to March 2010, CIPE added a North Caucasus coalition of business associations and chambers to the project. The Interregional Coalition of Business Associations of the North Caucasus began its capacity-building efforts through a CIPE workshop, “SME Policy Advocacy in the North Caucasus.” The workshop was held in in late October 2009 in North Ossetia for participants from seven regions - Adygeya, Chechnya, Dagestan, Kabardino-Balkaria, Karachaevo-Cherkessia, North Ossetia, and Stavropol.

Workshop “SME Policy Advocacy in the North Caucasus”

To begin building capacity among business associations in the North Caucasus, CIPE organized a workshop in North Ossetia for 19 leaders of 14 organizations from seven regions: Adygeya, Chechnya, Dagestan, Kabardino-Balkaria, Karachaevo-Cherkessia, North Ossetia, and Stavropol Krai. The workshop was held on October 19-22, 2009 in cooperation with the North Ossetia-Alanya Chamber of Commerce and Industry to examine the role of the business community in implementing anticorruption policy in Russia. The participants studied advocacy approaches, ways to develop effective private sector-led initiatives to combat corruption, and ways to build momentum for reform through public-private dialogue. The participants shared experiences on past efforts to improve the business climate for SMEs in the region.

CIPE contracted with Alexander Trus, a well-known business trainer in strategic planning and communication skills, as well as with two CIPE trainers, Yulia Rostovikova and Igor Zharinov of the Novorossiysk Chamber, which coordinates the Krasnodar Coalition. Ms. Rostovikova and Mr. Zharinov were able to share practical experiences in implementing anticorruption policy initiatives on the regional level. In addition, CIPE Russia staff members took part in the workshop as trainers.

To take a unified approach to common issues and to advocate jointly for needed reforms, the workshop participants developed and signed a Memorandum of Understanding, creating the Interregional Coalition of Business Associations of the North Caucasus, comprising 14 chambers and associations, and representing over 1,800 firms. The North Ossetia-Alanya Chamber, which had coordinated the North Ossetia Coalition, was elected as the new Coalition’s coordinator. The Coalition’s activities include:

- Studying the experience of other regional coalitions under the project and adapting it to the North Caucasus;
- Identifying common priorities and problems for SMEs in the region;
- Developing recommendations to address these problems through a regional business agenda;
- Engaging in public-private dialogue to improve the business environment in the North Caucasus regions;
- Holding a forum on SME development in the North Caucasus;
- Developing and launching a website on SME development issues;
- Organizing an international campaign against corruption in the region.

CIPE supported the Coalition with a small grant of \$34,974 to the North Ossetia Chamber, which allowed the Coalition to begin developing recommendations for necessary changes in regional laws to improve the business climate, focusing on the following areas:

- Facilitating access for small businesses to state and municipal contracts;
- Overcoming entrepreneurs' lack of legal literacy;
- Expanding state and municipal services for SMEs; and
- Developing information resources on SME development in the region.

Future Activities with North Caucasus Coalition

CIPE remains closely engaged with the North Caucasus Coalition, with a number of activities planned to support the Coalition further. First, the Coalition will finalize its advocacy recommendations by the end of July 2010 and submit them to the regional authorities for consideration. CIPE will seek to support these advocacy activities in the future. In addition, CIPE began the process of planning an additional seminar for the organizations in the Coalition, so as to cover the methodology previously developed by the Saratov Chamber on conducting anticorruption analysis of draft laws, an area in which CIPE partners have become particularly active in Russia in recent years. Finally, CIPE began to examine how to design future training seminars for the Coalition member organizations, building on the first seminar to improve their management capacity

During the sixteenth reporting period, from April 2010 to September 2010, CIPE continued its work with the North Caucasus Coalition by supporting the Coalition in drafting advocacy recommendations.

Building Capacity of Business Associations in the North Caucasus

The North Caucasus Coalition was finalizing its advocacy recommendations for submittal late in 2010 to the regional authorities for consideration. CIPE planned an additional capacity-building seminar for the organizations in the Coalition. As CIPE considered replacement of the coordinator of the Coalition with another chamber, given current difficulties with funding activities in North Ossetia. These difficulties led to a slight delay in finalizing the advocacy recommendations.

During the seventeenth reporting period, from October 2010 to March 2011, CIPE began organizing a study tour to the United States for representatives of North Caucasus business associations and chambers of commerce as part of the program's effort to boost management capacity and conduct anticorruption activities.

Building Capacity of Business Associations in the North Caucasus

CIPE began organizing a study tour to the United States for representatives of North Caucasus business associations, which are taking part in this program's effort to boost their management

capacity and conduct anticorruption advocacy activities. Participants will learn on how the study tour how business associations develop business agendas and advocate for them through public-private dialogue at the national, state and local levels. They will also study how government institutions support small business development at different levels.

The Russian participants will travel to Washington D.C. and other nearby destinations in the U.S. for a one-week study tour that is also focused on the SME policy advocacy activities of business associations in the United States. As a group, the participants will participate in meetings and discussions at CIPE headquarters, the U.S. Chamber of Commerce, local chambers, and other NGOs. Participants will be supported by CIPE DC and CIPE Russia staff while they are in the United States. The study-tour will be organized by CIPE's D.C. Office.

CIPE selected candidates for the study tour based on recommendations from chambers of commerce and industry and using a USAID-approved selection process. A selection committee was convened to review candidates' applications and to select final delegates. The Selection Committee consisted of CIPE Russia office head Alexander Raevsky, Program Officer Frank Brown, and Alexander Rybakov, vice-president of the Chamber of Commerce and Industry of the Russian Federation.

The applicants were evaluated according to their (1) professional experience in the field of business association management; (2) understanding of issues connected with SME policy advocacy and anticorruption activities of business associations in the Russian Federation; (3) and the ability to make an impact in their respective spheres, as well as their leadership experience and potential.

After the selection process, CIPE submitted the following names of seven candidates to USAID for approval:

1. Lyakisheva, Irina (Stavropol CCI);
2. Bliskunova, Natalia (CCI of Adygea Republic);
3. Guliev, Rafael (CCI of the Republic of Dagestan);
4. Adaev, Nurbek (CCI of the Chechen Republic);
5. Leymoev, Timur (CCI of the Republic of Ingushetia);
6. Sheozhev, Vladimir (CCI of the Republic of Kabardino-Balkaria);
7. Abitov, Vladimir (CCI of the Republic of Karachaevo-Cherkessia).

The study tour was planned to take place on May 22 - 29, 2011.

During the eighteenth and final reporting period, from April 2011 to September 2011, the seven selected candidates took part in CIPE's study tour. The participants were evaluated according to criteria detailed below.

Building Capacity of Business Associations in the North Caucasus

On May 23 – 28, 2011 CIPE organized a study tour to the United States for representatives of North Caucasus business associations. The study tour was part of a broader effort to boost the business associations' management capacity and support them in conducting anticorruption advocacy activities. The study tour participants learned how business associations develop

business agendas and advocate for them through public-private dialogue at the national, state and local levels. They also studied how government institutions support small business development at different levels.

During their visit to the Washington D.C. area, the study tour participants took part in meetings and discussions at CIPE headquarters, the U.S. Chamber of Commerce, local chambers, and other non-government organizations. They met with community development officials and received an informational briefing at the U.S. Small Business Association. At CIPE's main office, participants had training sessions on anti-corruption strategies and the role of local chambers of commerce in American civil society.

Participants were supported by CIPE DC and CIPE Russia staff while they were in the United States. The study-tour was organized by CIPE's DC Office.

III. Advocacy

As a part of the initial proposed program activities, CIPE Moscow described the process of forming regional coalitions of associations and chambers which will be ready, after technical assistance and capacity building, to advocate jointly for better business policies in their respective regions.

Implementation: Regional Advocacy Coalitions

Through its instruction on advocacy-related topics, CIPE shall cite the importance of coalition building among the associations and chambers in each particular region and shall give examples of where association coalitions around the world have realized immense success. The training sessions shall focus heavily on how to engage the business community in policy debate, formulate policy recommendations, and use a Business Agenda advocacy model. As a result, each regional training program will culminate in the formation of a regional coalition of associations and chambers ready to advocate jointly for better business policies in their region.

Each regional Coalition shall select one organization from its member organizations to serve as the Advocacy Coordinator. The Advocacy Coordinator, which will be an association or chamber, shall assume the leading role in coordinating the Coalition's activities.

Regional Business Agendas in Eight Regions of Russia

CIPE shall impart advocacy skills and know-how to Russian regional associations and chambers through the development of Regional Business Agendas. The Regional Business Agenda (RBA) component of the program will be based on one of CIPE's most effective models for small enterprise policy advocacy—the National Business Agenda. Modelled after the U.S. Chamber of Commerce's successful program, the National Business Agenda is a tool through which a business community can become a leading advocate for market-oriented reform and democratic governance by focusing business, policy, and media attention on a set of immediate action priorities that the business community has defined. National Business Agendas require business communities to use grassroots advocacy techniques to establish priorities and reach agreement

and then develop an effective advocacy strategy aimed at senior levels of policy. In essence, National Business Agendas are grassroots, broad-based tools for democracy.

CIPE shall introduce the RBA concept to the regional association and chamber participants at the training programs. Once the regional coalitions are formed, CIPE shall provide each with technical assistance in developing and implementing their regional agendas. The regional coalitions shall be guided on how to involve the business community in the formulation of each region's policy priorities, how to initiate dialogue between the private sector and regional policy-makers, and how to raise public awareness on the needs for policy reform.

CIPE may issue a small grant to the leading organization of each of the eight regional coalitions that will enable the coalitions to carry out the steps and activities necessary to develop and advocate Regional Business Agendas. These eight small grants might comprise Round One of the small grants program under this project.

Formulating the RBAs

Each of the eight regional coalitions will host two to four focus group meetings with small, representative groups of the local business community. These focus groups will identify the specific obstacles that association members face in doing business in each respective Russian region, and will assist the coalitions in the development of their RBAs.

CIPE shall encourage the coalitions to limit the size of the focus groups. Too few participants may mean that the group is not representative of the business community; too many and the meeting is likely to be unfocused and unproductive.

In addition to holding focus groups, each coalition will conduct research to determine what the most crucial administrative barriers are to small- and medium-sized enterprises in its region. The coalitions will seek guidance from private sector, economic, and policy experts as they formulate their RBAs.

Most importantly, the small- and medium-sized business communities must feel ownership of the RBAs that are developed in their regions. In order to promote business community buy-in, each regional coalition will hold a series of two to four roundtables that will bring together approximately 30 to 50 representatives of the business community to discuss the focus group and research findings and to determine what the priority policy issues of the RBA should be. Based on the conclusions of the roundtable discussions, each coalition will draft a written Regional Business Agenda.

Unveiling the RBAs

Once each RBA is formulated and published, the coalitions shall disseminate copies of the RBAs to government officials, representatives of the regional legislatures, and the region's leading media outlets. Each coalition shall hold a press conference to further raise public awareness of the initiative. CIPE shall work with each coalition to develop articles that highlight the policy recommendations made in the RBAs and are suitable for publication in both the regional and national press. RCCI shall work to get national media coverage of the eight RBA initiatives. Finally, each regional coalition will organize a high-profile conference at which the RBA will be introduced.

Federal-level Policy Working Group

Following the unveiling of the RBAs on the regional level, RCCI and CIPE shall organize a Policy Working Group in Moscow to synthesize various experiences of the regional business agenda initiatives. While the development and promotion of the RBAs will generate grassroots support for policy change, a meeting in Moscow will encourage support from the top as well. The Working Group meeting will generate debate on policy issues brought out by the eight RBAs that need to be addressed by the federal government and legislature. The Working Group meeting will bring together representatives from the eight regional coalitions, representatives of national-level business support organizations, national-level policy-makers and government officials, representatives of national-level policy institutes and the media.

RCCI's and OPORA's networks shall continue to raise the awareness of specific policy issues within Moscow and throughout the country, generating media coverage for the business agenda initiatives and the policy recommendations that emerged as a result of the Policy Working Group. RCCI and OPORA shall monitor the effects of the policy debate on both regional and federal laws and regulations.

The first reporting period largely focused on technical assistance and capacity building. During the second reporting period, from April 2003 to September 2003, CIPE completed the training sessions for business association leaders in Khabarovsk, Russia in late April and awarded small grants of \$20,000 to the lead organizations of each of the eight regional coalitions. Following these activities, three regions formed and elected coalition coordinators, as detailed below, and began to work on strategic plans for their Regional Business Agendas.

Building Regional Advocacy Coalitions

At the end of the training session, participants were ready to form their regional coalitions and work on strategy plans for their Regional Business Agenda initiatives. The training instructors coached them on the basics of coalition-building and strategy development. The training exercises that were used highlighted the importance of the development of the associations' membership bases, thorough identification of their business communities' needs, and the provision of services to members and potential members. The last training exercise required participants to split into regional groups and to draft their regional advocacy strategies. Then, the instructors asked each regional coalition to present their advocacy plans to the entire training group.

As a result of the training session, three regions formed coalitions and elected coalition coordinators. These coalitions and their members are as follows (coalition coordinators are indicated with asterisks):

- Khabarovsk Coalition (10 member associations):

Far East Chamber of Commerce and Industry*
 Komsomolsk Branch, Far East CCI
 Far East Association of Timber Processing
 Union of Businesswomen
 Association of Fish Industrialists and Exporters
 Khabarovsk Regional Association of Industrialists and Entrepreneurs
 Khabarovsk Region, Association of Light Industry
 SME Center
 Sovetskaya Gavan Chamber of Commerce and Industry
 Khabarovsk Association of Automobile Transport

- Irkutsk Coalition (8 member associations)

East Siberia Chamber of Commerce and Industry*
 Shelekhov Council of Entrepreneurs
 OPORA Irkutsk Regional Branch
 Baikal Regional Union of Businesswomen "Angara"
 Irkutsk Agency for SME Development
 Bratsk Chamber of Commerce and Industry
 Partnership "Small Businesses of Irkutsk Region"
 Independent Trade Union "Consolidation"

- Primorsk Coalition (9 member associations)

Vladivostok Association of Bakers
 League of Trade Entrepreneurs
 Nakhodka Chamber of Commerce and Industry
 Primorsky Advertising Council
 Primorsk Chamber of Commerce and Industry*
 Primorsk OPORA Regional Branch
 Vladivostok Association of Constructors
 Far East Fund for Economic Security
 Primorsk Association of Tools Manufacturers and Suppliers

CIPE expects that, in the course of the Regional Business Agenda development, more business associations will join the existing coalitions.

All eight regional coalitions which have now developed—these three and the five that formed in the previous reporting period—currently are conducting meetings with their business communities, identifying advocacy issues and developing action plans as a result of input from their business communities. During this reporting period, small grants were signed between CIPE and the leading organization of each coalition for the implementation of a Regional Business Agenda.

Developing the Regional Business Agendas

The coalitions began developing their Regional Business Agendas (RBAs) by hosting focus group meetings with small businesses and representative groups of their local business communities. These focus groups identified specific obstacles that association members face in doing business in the regions, which assisted the coalitions in the beginning stages of RBA

development. The coalitions also held roundtables that brought together approximately 30 to 50 representatives of the business community who discussed the focus groups' findings as well as relevant research on the issues. The roundtable discussion largely contributed to the determination of what the priority policy issues of the RBAs would be.

Issues that are priorities of all the eight regions' business communities include the following:

- Taxation: A potential specific recommendation will be the introduction of regional rates of Imposed Income Tax that are acceptable for SMEs;
- Development of mechanisms and procedures that provide participation of business communities in the lawmaking activity on a regional/local level;
- Equal access to public information resources (i.e. government procurement, renting land and premises, government development programs);
- Creation of a positive image of an entrepreneur;
- Access to financial support from regional micro-crediting programs.

During the third reporting period, from October 2003 to March 2004, CIPE continued to provide advocacy assistance and seven out of the eight regional coalitions attracted new members, indicating increasing business community support for the coalitions' advocacy activities.

DEVELOPMENT OF REGIONAL BUSINESS AGENDAS

The Regional Business Agenda program is modeled after the U.S. Chamber of Commerce's National Business Agenda, a tool through which a business community can become a leading advocate for market-oriented reform and democratic governance because it focuses business, policy, and media attention on a set of immediate action priorities that the business community has defined. The National Business Agenda is one of CIPE's most effective models for small enterprise policy advocacy, and one that CIPE has used around the world.

As detailed in previous reports, CIPE is supporting the eight regional coalitions in the development of Regional Business Agendas (RBAs). Prior to this reporting period, CIPE

- Trained leaders of chambers and associations from all eight regions and encouraged their efforts to coalesce;
- Provided the lead organization of each coalition with a small grant for support in the development of their RBA;
- Provided three coalitions with on-site technical assistance by a CIPE volunteer that aimed to help the coalitions formulate their advocacy goals.

During this reporting period, CIPE did extensive work in assisting the eight coalitions in the development of their RBAs and their advocacy strategies through the following activities:

- Public-Private Dialogue Seminar;
- One-on-one consultations on public presentations of RBAs; and
- On-site technical assistance visits to all eight regions.

Seven out of eight regional coalitions attracted new members to their coalitions during this reporting period, indicating increasing business community support for the coalitions' advocacy activities. The following is a list of all the coalitions and the numbers of new members they gained:

Irkutsk—5
Khabarovsk—1
Krasnodar—3
Perm—4
Samara—13
Saratov—1
Vladivostok—0
Volgograd—3

During the fourth reporting period, from April 2004 to September 2004, CIPE provided extensive assistance to the eight coalitions in finalizing their RBAs and advocacy activities. Further, the coalitions continued to attract new members.

IMPLEMENTATION OF REGIONAL BUSINESS AGENDAS

As detailed in previous reports, CIPE is supporting the eight regional coalitions in the development and implementation of Regional Business Agendas (RBAs). Prior to this reporting period, CIPE

- Trained leaders of chambers and associations from all eight regions and encouraged their efforts to coalesce;
- Provided the lead organization of each coalition with a small grant for support in the development of their RBA;
- Provided all eight coalitions with on-site technical assistance by CIPE volunteers that aimed to help the coalitions formulate their advocacy goals and develop action plans.

During this reporting period, CIPE provided extensive assistance through one-on-one consultations to the eight coalitions in finalizing their RBAs and advocacy activities regarding public presentations of the RBAs:

- CIPE Moscow provided day-to-day individual consultations to coalitions' coordinators to assist them in finalizing the RBAs, in developing presentations materials, and in planning the RBAs' unveiling and follow-up advocacy activities;
- Following the May conference "*Russian Business Associations Advocating for Reforms: Achievements and Future Strategy*," the CIPE Moscow office provided all coalitions with a set of materials on the regional advocacy activities and successes as well as on the federal level advocacy initiative "Small Business 2004" proposed by RCCI and OPORA. The coalitions will use these materials in their activities to further raise public awareness

in their regions of coalitions' efforts in improving business climate and to get grassroots support to the "Small Business 2004" campaign.

Three regional coalitions attracted new members to their coalitions during this reporting period, indicating increasing business community support of coalitions' advocacy activities in these regions:

- Perm coalition – 4 new members
- Saratov coalition – 4 new members
- Samara coalition – 1 new member

During the fifth reporting period, from October 2004 to March 2005, CIPE started a second round of small grants projects, planning to award another eight small grants of up to \$20,000 each to local and regional chambers of commerce and business associations from the selected 8 regions of Russia.

In December 2004, the Project Advisory Board reviewed all 10 small grants proposals and recommended four of them. They also planned to involve applicants from four new regions during a future stage of the project in 2006.

IMPLEMENTATION OF REGIONAL BUSINESS AGENDAS

Round One

During this reporting period, CIPE provided extensive assistance through one-on-one consultations to the eight coalitions in their policy advocacy activities; CIPE Moscow Office rendered day-to-day individual consultations to coalitions' coordinators to assist them advocacy activities. The eight small grants ended on March 31, 2005, and in the next report CIPE will provide a detailed description of the complete achievements in Round One.

Round Two

In order to encourage a multiplier effect of the successes of the eight Round One RBA initiatives, CIPE started a second round of small grants projects. Under Round Two, CIPE planned to award another eight small grants of up to \$20,000 each to local and regional chambers of commerce and business associations from the selected eight regions of Russia. These will support projects to improve the business climate in their communities through policy reform advocacy, coalitions, and Regional Business Agendas coordinated with the Round One coalitions.

Organizations from the eight regions were selected in consultations with USAID's Russia Office, as well as with CIPE's partners under the project. CIPE called on leaders of the Round One eight regions' coalitions to transfer their knowledge and expertise to the new regions through site visits, provision of materials, and correspondence. The selected regions for the Round Two activities were:

1. Republic of Yakutia (Sakha)
2. Kamchatskaya Oblast
3. Altai Krai
4. Nizhny Novgorod Oblast
5. Kirovskaya Oblast
6. Rostovskaya Oblast
7. Astrakhanskaya Oblast
8. Smolenskaya Oblast

Applicants were encouraged to use the previous eight RBA initiatives as a model in developing their own proposed projects and they were asked to demonstrate:

- The capabilities of their association(s) and/or chamber(s) to implement such a project;
- The readiness and willingness of their regions' business communities to participate in such an advocacy project;
- The policy issues that negatively affect small- and medium-sized enterprises in their region and would potentially be addressed in their advocacy program.

The Advisory Board established criteria for selecting small grant proposals. The criteria included the following:

- Project focus. Projects must have clearly identified objectives and activities, which directly relate to small- and medium-sized enterprise policy advocacy.
- Potential project impact. Projects must provide a list of specific evaluation criteria by which the applicant organization plans to demonstrate the impact of the project.
- Geographic, ethnic and gender diversity of the small grants program as a whole.
- Ability of small grants projects to serve as models for other business support organizations throughout Russia.
- Willingness and ability of applicant organization to make a matching contribution to the project. CIPE required each recipient organization to contribute at least a 25% match. CIPE believes that this matching contribution demonstrates and helps to solidify local business community commitment to the small grant program objectives.

In October – December 2004, CIPE solicited and reviewed 10 proposals from regional business associations and submitted them for consideration to the Project Advisory Board. In December 2004, the Project Advisory Board reviewed all 10 small grants proposals and recommended the following 4 best projects for funding:

- Kamchatka CCI (Kamchatka Region);
- Kirov CCI (Kirov region)
- Smolensk CCI (Smolensk Region);
- Nizhny Novgorod OPORA Branch (Nizhny Novgorod Region).

The Project Advisory Board decided to involve the applicants from the other four regions of the Round Two into the project activity at the next stage of the project – early in 2006. At that time, CIPE will provide technical assistance to the 4 regions and hold a business advocacy seminar for those four regions.

During the sixth reporting period, from April 2005 to September 2005, CIPE marked the end of the Round One grants to the regional coalitions. In September 2005, CIPE published a case study entitled “Strengthening Democracy in Russia: The Case for Business Associations” that summarizes Round One coalitions’ achievements in detail. Also during this reporting period, the Project Advisory Board included four regions from Round Two, equaling 16 regions. The last training session had prepared participants to draft their regional strategies. As a result, all four regions from the second group from Round Two formed coalitions and elected coalition coordinators.

IMPLEMENTATION OF REGIONAL BUSINESS AGENDAS

Round One

As detailed in previous reports, since February 2003 CIPE has supported eight regional coalitions in the development and implementation of Regional Business Agendas (RBAs). During this period, CIPE:

- Trained leaders of chambers and associations from eight regions and encouraged their efforts to coalesce;
- Provided the lead organization of each coalition with a small grant for support in the development and implementation of their RBA;
- Provided all eight coalitions with on-site technical assistance by CIPE volunteers that aimed to help the coalitions formulate their advocacy goals and develop action plans.

The Round One grants to eight regional coalitions ended on March 31, 2005. In September 2005, CIPE published a case study titled “Strengthening Democracy in Russia: The Case for Business Associations” that summarizes Round One coalitions’ achievements in detail.

CIPE Moscow office staff is maintaining regular communication with all Round One coalitions and is receiving progress updates from the regions on a monthly basis.

Round Two

Based on the quality of applications from the regions, the Project Advisory Board recommended to start Round Two with funding the following 4 regional coalitions of business associations:

- Kamchatka Region;
- Kirov region;
- Smolensk Region;
- Nizhny Novgorod Region.

The Project Advisory Board decided to involve the applicants from the other four regions of Round Two - Republic of Yakutia, Altai Krai, Rostov region, and Astrakhan region - into the project activity later in 2005. At that time, CIPE will provide technical assistance to the four regions and will hold a business advocacy seminar in those regions.

Building Regional Advocacy Coalitions

At the end of the training session, participants were ready to form their regional coalitions and to work on strategy plans for their Regional Business Agenda initiatives. The training instructors coached them on the basics of coalition-building and strategy development. The training exercises that were used highlighted the importance of the development of the associations' membership base, thorough identification of their businesses communities' needs, and the provision of services to members and potential members. The last training exercise required participants to split into regional groups and to draft their regional advocacy strategies. Then, the instructors asked each regional coalition to present their advocacy plans to the entire training group.

As a result of the training session, all four regions have formed coalitions and elected coalition coordinators. These coalitions and their members are as follows (coalition coordinators are indicated with asterisks):

- Kamchatka Coalition (5 member associations):

- Kamchatka Chamber of Commerce and Industry*
 - Association of Fishing Industries of Kamchatka Region
 - Kamchatka Association of Enterprises and Entrepreneurs
 - Kamchatka Regional Association of Small Size Fleet Owners
 - Union of Coastal and Fishing Settlement Companies

- Kirov Coalition (9 member associations)

- Vyatka Chamber of Commerce and Industry*
 - League of Kirov Region Entrepreneurs
 - Council of Entrepreneurs of Slobodskoy District
 - Council of Entrepreneurs of Kirovo-Chepetsk Town
 - Council of Industrialists and Entrepreneurs of Yaran District
 - Kirov Regional Foundation for SME Support
 - Union of Industrialists and Trade Companies of Kotelnich District
 - Union of Entrepreneurs of Sovetsk District
 - Kirovo-Chepetsk Municipal Foundation for SME Support

- Smolensk Coalition (15 member associations)

- Smolensk Chamber of Commerce and Industry*
 - Smolensk Regional Public Organization "Patronat"
 - Smolensk Association of Industrialists and Entrepreneurs
 - Association of Farmers "Assistance"
 - Foundation for SME Support and Development of Vyazma Town

Union of Entrepreneurs of Desnogorsk Town
Union of Entrepreneurs of Roslavl Town
Non-commercial partnership of Entrepreneurs of Safonovo District
Trade Union of Entrepreneurs of Rudnia Town
Yelnia Town Guild of Entrepreneurs
Smolensk Regional Foundation "Paritet"
Smolensk Regional Foundation for SME Support
Smolensk Association of Enterprises (Employers) "Scientific and Industrial Union"
Gagarin Town Union of Entrepreneurs
Non-Commercial Partnership "Smolensk Business Club

- Nizhny Novgorod Coalition (8 member associations)

Nizhny Novgorod Region OPORA Branch*
Union of Shops of Nizhny Novgorod Region
Nizhny Novgorod Region Chamber of Commerce and Industry
Vyksunki Business Support Center
Sarov Town Union of Entrepreneurs
Association of Entrepreneurs of Balakhninsky District
Nizhny Novgorod City Foundation for SME Support
Foundation for SME Support of Tonshaevsky District

CIPE expects that in the course of the Regional Business Agenda development more business associations will join the existing coalitions. All four Round Two regional coalitions are currently conducting meetings with their business communities, identifying advocacy issues and developing action plans as a result of input from their business communities. During this reporting period, small grants of \$20,000 were issued by CIPE to the leading organization of each coalition for the implementation of a Regional Business Agenda.

During the seventh reporting period, from October 2005 to March 2006, CIPE continued providing assistance to all 16 regions from both groups as was decided during the previous reporting period. Over this period, participants from the second group of Round Two formed coalitions and elected coordinators. All four Round Two regional coalitions are currently conducting meetings with their business communities, identifying advocacy issues, and developing action plans as a result of the input from their business communities.

IMPLEMENTATION OF REGIONAL BUSINESS AGENDAS

Round Two

Based on the quality of applications from the regions, the Project Advisory Board recommended starting Round Two with funding the following 4 regional coalitions of business associations (Group A):

- Kamchatka Region;

- Kirov region;
- Smolensk Region;
- Nizhny Novgorod Region.

The Project Advisory Board also decided to involve the applicants from the other four regions of Round Two - Altai, Astrakhan, Rostov regions, and Republic of Sakha (Yakutia) (Group B) - into the project activity starting Fall 2005. CIPE provided technical assistance to the Group B four regions and held a business advocacy seminar in those regions during the reporting period.

Building Regional Advocacy Coalitions

At the end of the training session, participants were ready to form their regional coalitions and to work on strategy plans for their Regional Business Agenda initiatives. The training instructors coached them on the basics of coalition-building and strategy development. The training exercises that were used highlighted the importance of the development of the associations' membership base, thorough identification of their businesses communities' needs, and the provision of services to members and potential members. The last training exercise required participants to split into regional groups and to draft their regional advocacy strategies. Then, the instructors asked each regional coalition to present their advocacy plans to the entire training group.

As a result of the training session, all four regions have formed coalitions and elected coalition coordinators. These coalitions and their members are as follows (coalition coordinators are indicated with asterisks):

- Altai Coalition (8 member associations):

- Altai Chamber of Commerce and Industry*
- Altai Regional OPORA Branch
- Altai Union of Entrepreneurs
- Altai Association of Credit Unions
- Altai Regional Union of Farming Businesses
- League of Small Business Women Entrepreneurs
- Association of Retail Trade Businesses and Entrepreneurs
- Altai Regional Branch of the "First Russian Association of Private Medical Practitioners"

- Astrakhan Coalition (9 member associations)

- Astrakhan Chamber of Commerce and Industry*
- Astrakhan Regional OPORA Branch
- Regional Union of Industrialists and Businessmen of the Astrakhan region
- Astrakhan Business Club
- Astrakhan Tourist Guild
- Astrakhan Regional Union of Constructors
- Astrakhan Regional Association of City and District Newspapers
- Astrakhan Union of Tourist Businesses
- Astrakhan Regional Association of Forwarders and Ship-Owners

- Rostov Coalition (4 member associations)

Rostov Chamber of Commerce and Industry*
 Taganrog District Chamber of Commerce and Industry
 Shakhty City Chamber of Commerce and Industry
 Rostov Regional Agency of SME Support

- Republic of Sakha (Yakutia) Coalition (3 member associations)

The First Association of Credit Organizations*
 The Chamber of Commerce and Industry of Republic of Sakha (Yakutia)
 Yakutsk City Association of Communal Services

CIPE expects that in the course of the Regional Business Agenda development more business associations will join the existing coalitions. All four Round Two regional coalitions are currently conducting meetings with their business communities, identifying advocacy issues, and developing action plans as a result of input from their business communities. During this reporting period, small grants of \$10,000 were issued by CIPE to the leading organization of each coalition for the development of a Regional Business Agenda.

During the ninth reporting period, from October 2006 to March 2007, CIPE continued to support all 16 regional coalitions and evaluated the success of the four anticorruption pilot programs.

IMPLEMENTATION OF REGIONAL BUSINESS AGENDAS

Round One and Two

As detailed in previous reports, since February 2003, CIPE has supported sixteen regional coalitions in the development and implementation of Regional Business Agendas (RBAs). During this period, CIPE

- Trained leaders of chambers and associations from sixteen regions and encouraged their efforts to coalesce;
- Provided the lead organization of each coalition with a small grant for support in the development and implementation of their RBAs;
- Provided all sixteen coalitions with on-site technical assistance by CIPE volunteers that aimed to help the coalitions formulate their advocacy goals and develop action plans.

The Round Two grants to four regional coalitions (Group B) ended in March 2007. In 2005 CIPE published a case study titled “Strengthening Democracy in Russia: The Case for Business Associations” that summarizes Round One coalitions’ achievements in detail. CIPE Moscow office staff is maintaining regular communication with all coalitions and is receiving progress updates from the regions on a regular basis.

Round Two (Group B)

In order to encourage a multiplier effect of the successes of the eight Round One RBA initiatives, CIPE has started a second round of small grants projects, expanding the project in eight new regions. Organizations from the new regions were selected in consultations with USAID's Russia Office, as well as with CIPE's partners under the project.

Based on the quality of applications from the regions, the Project Advisory Board recommended continuing Round Two with funding the following 4 regional coalitions of business associations (Group B):

- Altai Region;
- Astrakhan Region;
- Rostov Region;
- Republic of Sakha (Yakutia).

The Project Advisory Board also decided to involve the Coalitions from these four regions into the project activity for development of RBAs aimed at decreasing administrative barriers for SME development.

Anticorruption Pilot Projects

Under this project component, CIPE engaged in several activities in selected regions of Russia based on their unique experiences and aimed at decreasing corruption affecting small and medium-size business.

The four anticorruption pilot projects implemented by the coalitions of business associations of Perm, Samara, Krasnodar regions as well as INDEM and OPORA were centered on practical application of mechanisms and recommendations for opposing corruption for small and medium-size business.

The projects' principal goal was to decrease corruption affecting small and medium-size businesses (SMEs).

The main project's objectives were as follows:

- To introduce to business communities methods of analysis of the corruption potential of legislation and governmental acts.
- To promote the mechanisms for opposing corruption for small and medium-size business on the regional level, and recommendations for practical application of such mechanisms.

The anticorruption pilot projects were implemented along the following lines:

1. Collective defense of individual businesspeople in courts and in the executive branch departments by the business associations (Perm region);
2. Raising public awareness on corrupt state officials that hamper business activity by holding of a contest in several nominations (Samara region);
3. Development of a comic booklet of illustrated examples that visually explain to entrepreneurs the rights of inspection bodies and businesses during inspections (Krasnodar region);
4. Development of an anticorruption brochure "Public-Private Relations Guidelines" that include mini case studies illustrating anti-corruption strategies (INDEM and OPORA).

CIPE believes that implementation of these pilot projects will help contribute to public pressure on state power structures and individual politicians and will force all levels of regional administration to solve specific corruption problems in earnest.

The contracts to these four Russian partners end by May 2007. Updated information on implementation of these pilot projects will be included in the chart of the coalitions' accomplishments.

During the eleventh reporting period, from October 2007 to March 2008, CIPE added one more regional coalition, thus bringing to 17 the number of coalitions to which CIPE provided assistance. CIPE continued to support the regional coalitions with their Anticorruption Regional Business Agendas (ARBAs).

Further, each of the eight Round One regional coalitions hosted two to four group meetings with representatives of the local business community, identifying the specific corruption-related obstacles that association members faced in doing business. The coalitions also conducted research to determine what the most crucial corruption issues were that led to the creation of barriers for small- and medium-sized enterprises in their regions. Once each ARBA was formulated and published, the coalitions disseminated copies to government officials, representatives of the regional legislatures, and the region's leading media outlets.

ANTICORRUPTION REGIONAL BUSINESS AGENDAS (ARBAs)

Regional Coalitions of Business Associations

During the reporting period CIPE has supported all seventeen regional coalitions in the development and implementation of the Anticorruption Regional Business Agendas (ARBAs). During this period, CIPE

- Trained leaders of chambers and associations from seventeen regions and encouraged their efforts to coalesce;
- Provided the lead organization of each coalition with a small grant for support in the development and implementation of their ARBAs in all seventeen regional coalitions;
- Provided all seventeen coalitions with on-line consultations by CIPE Russia staff that aimed to help the coalitions formulate their anticorruption advocacy goals and develop action plans.

During the reporting period eight regional coalitions of the Round I have developed and implemented their ARBAs.

Each of the eight Round I regional coalition hosted two to four focus group meetings with representative groups of the local business community. These focus groups identified the specific corruption related obstacles that association members faced in doing business in their respective region in Russia. The focus groups then assisted the coalitions in the development of their ARBAs.

In addition to holding focus groups, coalitions conducted research to determine what were the most crucial corruption issues creating barriers for small- and medium-sized enterprises in their region. The coalitions sought guidance from private sector, economic, and policy experts as they formulated their ARBAs. In order to promote business community buy-in, each regional coalition held a series of two to four roundtables that brought together approximately 20 representatives of the business community to discuss the focus group and research findings and to determine what the priority policy issues of the ARBA should be. Based on the conclusions of the roundtable discussions, each coalition drafted a written Anticorruption Regional Business Agenda.

Once each ARBA was formulated and published, the coalitions disseminated copies of the ARBAs to government officials, representatives of the regional legislatures, and the region's leading media outlets. Each coalition held a press conference to further raise public awareness of the initiative. CIPE encouraged each coalition to develop articles that highlight the policy recommendations made in the ARBAs.

Based on the developed ARBAs, the regional coalitions of business associations focused their anticorruption advocacy efforts on the following issues that were common to all regional business communities:

- Improvement of legislation/regulation to remove of administrative barriers
- Equal access to economic development information
- Protection of entrepreneurs' rights against administrative arbitrariness

Meeting ARBA objectives was based on regional/local advocacy campaigns and business community participation in policy making, which are key tools in assuring that governments on all levels comply with the rule of law and respond to the needs of the communities. These advocacy efforts included:

- Expert evaluation of regional/local legislation and regulations for their corruption potential;
- Participation in working groups on legislative drafting and law enforcement;
- Holding roundtables to identify policy issues and to develop recommendations;
- Conducting advocacy campaigns to gain support of legislative deputies.

The Round One small grants to eight regional coalitions ended in March 2008. CIPE Russia office staff is maintaining regular communication with all coalitions and is receiving progress updates from the regions on a regular basis.

During the twelfth reporting period, from April 2008 to September 2008, eight of nine Round Two regional coalitions completed their ARBAs and continued with the wide range of advocacy activities from the previous reporting periods.

ANTICORRUPTION REGIONAL BUSINESS AGENDAS

Regional Coalitions

During the reporting period, CIPE has supported all 17 regional coalitions in the development and implementation of Anticorruption Regional Business Agendas (ARBAs).

Eight coalitions from Round One have implemented their ARBAs, with Round One small grants to those eight coalitions ending in May 2008. CIPE Russia office staff has maintained communication with all of the coalitions and received regular progress updates from the regions. Eight of the nine Round Two regional coalitions have completed their ARBAs. Each coalition hosted two to four focus group meetings with representatives of the local business community.

These focus groups identified specific corruption-related obstacles faced by chamber and association members in doing business, and then assisted the coalitions in developing the ARBAs. The coalitions also sought guidance from economic and policy experts in formulating their ARBAs. In addition, the coalitions conducted research to determine the key corruption issues affecting SMEs in particular.

To promote further buy-in on the part of the business community, each coalition held a series of two to four roundtables with approximately 20 business leaders to discuss the findings of the focus groups and corruption research and to set priorities for policy issues to be addressed in the ARBAs. Based on these roundtables, each coalition drafted its ARBA.

The coalitions next disseminated copies of the ARBAs to local government officials, representatives of regional legislatures, and the region's leading media outlets. Each coalition held a press conference to raise public awareness about the initiative. CIPE encouraged each coalition to write articles that highlight the policy recommendations made in the ARBAs and publish them in the local newspapers.

Based on the ARBAs, the coalitions focused their anticorruption advocacy efforts on the following issues common to the business communities in all 17 regions:

- Improving legislation and regulations by removing administrative barriers;
- Ensuring equal access to economic development information; and
- Protecting entrepreneurs' rights against arbitrary administrative decisions.

Meeting the objectives of the ARBAs will be based on regional and local advocacy campaigns and on participation by the business community in policymaking, which are key to assuring that governments at all levels uphold the rule of law and respond to the needs of the private sector. These efforts will include:

- Expert evaluation of regional and local legislation and regulations to assess their potential for generating corruption;
- Participation in working groups on legal reform and law enforcement;
- Roundtables to identify policy issues and develop recommendations; and
- Advocacy campaigns to gain the support of lawmakers.

The Round II small grants to nine coalitions will end in December 2008. The CIPE Russia office staff maintains communication with all of the coalitions, receiving regular progress reports and updates.

During the thirteenth reporting period, from October 2008 to March 2009, CIPE's regional and federal partners continued their advocacy efforts under the Anticorruption Regional Business Agendas.

ANTICORRUPTION REGIONAL BUSINESS AGENDAS

Regional Coalitions of Business Associations

During the reporting period, CIPE supported eight Round II coalitions in the implementation of Anticorruption Regional Business Agendas (ARBAs), including by:

- Providing a small grant to the lead organization of each of these eight Round II coalitions for support in implementation of ARBAs; and
- Providing all 17 coalitions with online consultations aimed at assisting the coalitions in the formulation of the anticorruption advocacy goals and development of action plans.

Based on the developed ARBAs, the coalitions focused their anticorruption advocacy efforts on the following issues that were common to all of the regional business communities:

- Improving legislation and regulation to remove administrative barriers;
- Guaranteeing equal access to economic development information; and
- Protecting entrepreneurs' rights against the arbitrary actions of bureaucrats.

The coalitions assess the degree to which they are meeting the objectives of their ARBAs on the visibility and success of their regional and local advocacy campaigns, as well as the extent to which the business community participates in policy making. Such participation is one key to ensuring that governments at the local and regional levels comply with the rule of law and respond to the needs of the business communities. Specific efforts included:

- Expert evaluation of regional and local legislation and regulations for corruption potential;
- Participation in working groups on legislative drafting and law enforcement;
- Roundtables to identify policy issues and to develop recommendations; and

- Advocacy campaigns to gain the support of local deputies for important reforms.

The Round II small grants to these eight regional coalitions ended in December 2008. The CIPE Russia office continued to maintain regular communication with all 17 coalitions and receives progress updates from the regions on a regular basis.

During the fourteenth reporting period, from April 2009 to September 2009, CIPE reported that all regional coalitions continued anticorruption efforts without direct CIPE grant support.

ANTICORRUPTION REGIONAL BUSINESS AGENDAS

Regional Coalitions of Business Associations

During the reporting period, the 17 regional coalitions continued to implement their Anticorruption Regional Business Agendas (ARBAs). Anticorruption advocacy efforts focused on the following issues, common to all of the project's target regions:

- Improving legislation and regulation to remove administrative barriers;
- Guaranteeing equal access to economic development information; and
- Protecting entrepreneurs' rights against the arbitrary actions of bureaucrats

The coalitions assess the degree to which they are meeting the objectives of their ARBAs based on the visibility and success of their regional and local advocacy campaigns, as well as the extent to which the business community participates. Such participation is one key to ensuring that governments at the local and regional levels comply with the rule of law and respond to the needs of the private sector. Specific advocacy efforts included:

- Expert evaluation of regional and local legislation and regulations for corruption potential;
- Participation in working groups on legislative drafting and implementation of laws;
- Roundtables to identify policy issues and to develop recommendations; and
- Advocacy campaigns to gain the support of local legislators for important reforms.

At this stage, the regional coalitions have been continuing anticorruption efforts without direct CIPE grant support. The CIPE Russia office has maintained communication with all 17 coalitions and has received progress updates on a regular basis.

At this stage in the project, also during the fourteenth reporting period, the Saratov Chamber of Commerce and Industry (CCI) developed and tested a methodology to evaluate the effectiveness of the implementation of national

legislation connected to supporting and developing small and medium enterprises (SMEs), including anticorruption legislation. This methodology was presented to the regional coalitions at a seminar held in Moscow as a follow-up to the June 2009 conference on “The Role of Business in Implementing Anticorruption Policy in Russia.” CIPE provided support to seven regional coalitions to use the methodology. It is detailed in a separate section of this report, and here:

Methodology for Evaluating the Effectiveness of Implementation of National Legislation

CIPE contracted with the Saratov CCI, which coordinates the Saratov Coalition, to develop and test a methodology to evaluate the effectiveness of implementation, at the regional and local levels, of national legislation on SME support and development. This methodology was presented to the regional coalitions at a seminar held in Moscow on June 9-10, 2009, following CIPE’s national conference. Thirty leaders of business associations from 16 Russian regions learned to use the methodology to analyze the implementation of such laws, to develop recommendations to improve implementation, and to increase the legal literacy of the business community. In the project’s next stage, CIPE plans to provide support to the regional coalitions to monitor the implementation of such laws in their own regions.

During the fifteenth reporting period, from October 2009 to March 2010, the regional coalitions continued their coalition-based advocacy activities without direct support from CIPE. As detailed below, a number of the coalitions advocated for regional legislative change. Other coalitions submitted recommendations for legislative change.

At this stage, 16 Russian Chambers were accredited by the Ministry of Justice to conduct anticorruption examination of draft laws statutory acts. Further, seven regional coalitions that were utilizing the Saratov Methodology exhibited success in evaluating government services.

Finally, CIPE has provided information to all of the regional coalitions on how to conduct expert anticorruption evaluation of draft laws, based on the experience of RCCI and the Saratov Chamber. To date, 16 Russian chambers have been accredited by the Ministry of Justice to conduct such anticorruption examination of draft laws statutory acts, including eight CIPE partner chambers.

Methodology for Evaluating the Implementation of National Legislation

CIPE contracted with the Saratov Chamber, which coordinates the Saratov Coalition, to develop and test a new methodology, allowing chambers and associations to evaluate the implementation,

at the regional and local levels, of national laws designed to support SMEs and reduce corruption. This methodology represents a unique approach to anticorruption analysis, by focusing not on the corruption potential of individual draft laws but on the implementation of whole systems of existing laws governing relations between the state and business. The methodology demonstrates whether laws are being implemented effectively, by looking for gaps that arise among laws at the national, regional, and local levels; and by identifying these gaps, it provides a roadmap for advocacy to improve related regulations and close loopholes. This methodology was presented to the regional coalitions at a seminar held in Moscow in June 2009. The attending business association leaders learned how the methodology can be used, develop recommendations to improve implementation, and increase the legal literacy of the business community. CIPE then provided support to seven regional coalitions to use the methodology in their own regions. These coalitions, from the Astrakhan, Volgograd, Kirov, Krasnodar, Perm, Smolensk and Khabarovsk regions were selected on a competitive basis, and received additional technical support from the Saratov Chamber.

During the current reporting period, approximately 50 experts in each region used a set of evaluation criteria to analyze 74 types of services provided by government agencies to businesses – 14 at the federal level, 37 at the regional level, and 23 at the municipal level. Such services may include licensing, registration, obtaining various permissions and so on. The methodology will reveal how federal law governing such services is or is not implemented regionally or locally, due to the presence or absence of the necessary guidelines or legislation. Currently, the Saratov Chamber is collating the results of this analysis, and these will be presented in a report produced by each coalition by July 2010. The coalitions will determine the causes of various problem area, taking into account: deficiencies in legislation (including potential sources of corruption, bureaucratic discretion, and contradictions or repetition); or the failure to implement legislation. The coalitions will also develop charts illustrating weakness in the legal relationship between business and the state.

Going forward, the regional partners will prepare recommendations for improving the identified problem areas, recommend changes to laws, plan advocacy campaigns to improve the private sector's capacity to monitor the implementation of laws affecting business, and develop recommendations to improve entrepreneurs' legal knowledge. In addition, CIPE and the Saratov Chamber will develop a final version of the "Comprehensive Methodology for Monitoring the Implementation and Effectiveness of Legislation," and develop recommendations on how the methodology can be applied by business associations and NGOs in other Russian regions and at the national level. CIPE also plans to provide information on the results of this project to the other regional coalitions in the project, as well as to the federal-level partners, to encourage dissemination across Russia.

During the sixteenth reporting period from April 2010 to September 2010, CIPE reported two major advocacy successes from the Perm and Kirov Coalitions. The Perm Coalition successfully advocated against illegal inspection procedures at the regional and municipal levels. The effects of this are detailed below. The Kirov Coalition advocated for greater transparency in statutory acts regulating retail trade at temporary sales outlets in the city of Kirov. The effects of this are

also detailed below. Further, as described in this section, several other coalitions submitted recommendations for regional legislative changes under the Anticorruption Methodology for Monitoring the Implementation of Legislation.

7 coalitions working with the Saratov Chamber on the Anticorruption Methodology, including over 450 practicing attorneys and local official, were surveyed regarding the effectiveness of regulations governing relationships between the state and business. This study revealed general patterns found at the federal, regional, and municipal levels which were taken into account as the coalitions prepared recommendations to improved identified problem areas, drafted recommended changes in laws, planned advocacy campaigns to close loopholes, and sought to improve the private sector's capacity to monitor the implementation of laws affecting business. 13 regional coalitions advocated. Details are found below.

Further, in late September 2010, CIPE organized a conference held at RCCI entitled "Improving Regulation to Reduce Corruption: The Role of the Russian Business Community." During this conference, eight coalitions presented the results of their work and argued for a wider adoption of the Saratov Methodology across Russia.

Advocacy by Regional Coalitions of Business Associations

Throughout the project, CIPE has supported the advocacy activities of the 17 regional coalitions of chambers and associations, including through the Anticorruption Regional Business Agenda (ARBA) and National Business Agenda process. These business agendas are modeled after the US Chamber of Commerce's National Business Agenda, a tool through which the business community can become a leading advocate for market-oriented reform and democratic governance, because it focuses business, policy, and media attention on a set of immediate priorities that the business community has defined. Such business agendas are one of CIPE's most effective models for SME policy advocacy, and have been used worldwide. The 17 regional coalitions' ARBAs focused on:

- Improving legislation and regulations to reduce administrative barriers;
- Guaranteeing equal access to economic development information; and
- Protecting entrepreneurs' rights against the arbitrary actions of bureaucrats.

As of the beginning of the project extension period (October 2009-September 2010), the regional coalitions had just completed a set of advocacy campaigns directly supported by CIPE. Under the work-plan for the current extension, CIPE did not plan to provide financial support for

regional advocacy; however, CIPE has maintained regular contact with the regional coalitions, receiving progress updates on advocacy activities that have continued in the absence of direct support.

As described below, under Anticorruption Methodology for Monitoring the Implementation of Legislation, several other coalitions have recently submitted recommendations for regional legislative changes. CIPE will report on these advocacy efforts in its next report.

Anticorruption Methodology for Monitoring the Implementation of Legislation

As previously reported, CIPE contracted with the Saratov Chamber, which coordinates the Saratov Coalition, to develop and test a new anticorruption methodology that enables chambers and associations to evaluate regional and local implementation of national laws regulating business activities. By carrying out such monitoring, this tool allows chambers both to support SMEs and reduce corruption. The methodology is unique, as it focuses not on the corruption potential of individual draft laws, but on practical implementation of systems of laws governing relations between the state and business. The methodology demonstrates whether laws are being implemented effectively, by looking for gaps that arise among laws at the national, regional, and local levels; and by identifying these gaps, it provides a roadmap for advocacy to improve related regulations and close loopholes.

CIPE has been working with the Saratov Chamber for over a year to roll out this methodology. First, the 17 coalitions took part in a seminar to learn how to use the methodology to develop advocacy recommendations, improve implementation of laws, and increase the legal literacy of the business community. Then, during the current period CIPE provided support to seven of the coalitions who demonstrated the strongest grasp of the material to pilot test the methodology in their own regions. These coalitions, from the Astrakhan, Volgograd, Kirov, Krasnodar, Perm, Smolensk, and Khabarovsk regions, were selected on a competitive basis and received additional technical support from the Saratov Chamber.

In those seven regions, plus Saratov, over 450 practicing attorneys and local officials were surveyed regarding the effectiveness of regulations governing relationships between the state and business. Such relationships were termed “the provision of government services to business,” which refers to the various licensing procedures that an entrepreneur must go through to launch a new business activity. These experts were asked to comment on the following elements that characterize the effectiveness of government and municipal services:

- **Quality of legal regulation** – Assessment of whether the regulations comply with legal standards and meet other criteria affecting the ability of applicants to exercise their rights in the process of obtaining government or municipal services.
- **Time of performance** – Assessment of whether the time allowed for government or municipal agencies to perform their functions and provide services is reasonably sufficient or excessively long.
- **Optimal procedure** – Assessment of whether the complexity of the procedures for government functions and/or services is justified or excessive.

- Effectiveness of regulations on granting licenses – Assessment of the extent to which existing regulations allow for a positive outcome for applicants.
- Effectiveness of implementation of laws on granting licenses – Assessment of the process by which applicants apply for licenses and the actual ability of applicants to exercise his or her relevant rights as defined by law..
- Level of corruption – Extent to which government officials use their positions to benefit unlawfully in the provision of services or performing their duties.

This study revealed general patterns found at the federal, regional, and municipal levels:

1. The effectiveness of laws is inversely proportional to the level of corruption.
2. The effectiveness of implementation of laws is inversely proportional to the level of corruption.
3. In terms of effectiveness, implementation of laws lags behind legal regulation.

Based on these analytical results, the regional coalitions prepared recommendations to improve identified problem areas, drafted recommended changes in laws, planned advocacy campaigns to close loopholes, and sought to improve the private sector's capacity to monitor the implementation of laws affecting business. In addition, CIPE and the Saratov Chamber developed a final version of the methodology, including recommendations on how the methodology can be disseminated across Russia and at the national level.

On September 24, 2010, CIPE organized a conference, held at RCCI, entitled “Improving Regulation to Reduce Corruption: The Role of the Russian Business Community.” Over 65 people attended, including regional and federal government officials, leaders of national and regional chambers and associations, academics and think tank representatives, CIPE staff from Washington, Russia and Ukraine, and CIPE partners from Belarus. The eight coalitions presented the results of their work, providing both concrete regional advocacy recommendations, as well as a number of federal-level recommendations, as well as arguing for the wider adoption of this approach across Russia. To date, the methodology has been approved by the regional authorities in Saratov and Smolensk regions, which plan to conduct regular monitoring on this basis.

The following national-level recommendations were made:

1. Enact a Russian Federation Law on Administrative Regulation.
2. Adopt regulations requiring the maintenance of a single registry of state and municipal services.
3. Conduct annual monitoring of the effectiveness of laws regulating state and municipal services.
4. Government agencies and local governments should use the methodology developed under this project to analyze administrative regulations pertaining to business activity.
5. The Ministry of Justice should use the methodology developed under this project to monitor regional and local implementation of laws pertaining to business activity.
6. Incorporate the concept of “transparency of government agencies and local governments” into relevant Russian legislation.

7. Establish a procedure for legislative bodies to review regulations issued by agencies of the executive branch in order better to implement enacted laws.
8. Involve the academic community more actively in drafting regulations at the federal and regional levels.

During the seventeenth reporting period, from October 2010 to March 2011, CIPE reported that four of the regional coalitions that advocated were successful (Kirov, Volgograd, Perm and Smolensk), resulting in eight changes (detailed below) on the regional level.

In January 2011, CIPE began provided support to 6 more of the chambers who demonstrated the strongest intention to introduce this methodology in their own regions (Stavropol Krai, Republic of Dagestan, Chechen Republic, Adygea Republic, Republic of Ingushetia, and Republic of Karachaevo-Cherkessia) and were subcontracted by CIPE and received additional technical support from the Saratov Chamber. CIPE now supported 14 regions with the Saratov Methodology and experts analyzed several elements to help measure the effectiveness of government and municipal services.

Advocacy by Regional Coalitions of Business Associations

At this stage of the project, CIPE has supported the advocacy activities of the eight legacy coalitions and six new partners which are chambers of commerce in the North Caucasus region. CIPE is supporting them in their use of the anticorruption methodology to monitor regional-level implementation and effectiveness of national legislation regulating business activities, as well as through implementation of their regional business agendas, which were focused on:

- Improving legislation and regulations to reduce administrative barriers;
- Guaranteeing equal access to economic development information; and
- Protecting entrepreneurs' rights against the arbitrary actions of bureaucrats.

Under the work-plan for this project extension, CIPE did not plan to provide financial support for regional advocacy. However, CIPE has maintained regular contact with the regional coalitions, receiving progress updates on advocacy activities that have continued in the absence of direct support.

As described below, under the Anticorruption Methodology for Monitoring the Implementation of Legislation, several coalitions and partners began analyzing state services in view of developing recommendations for regional legislative changes. CIPE will further report on these advocacy efforts in its next report.

Anticorruption Methodology for Monitoring the Implementation of Legislation

As previously reported, CIPE contracted with the Saratov Chamber, which coordinates the Saratov Coalition, to develop and test a new anticorruption methodology that enables chambers and associations to evaluate regional and local implementation of national laws regulating business activities. By carrying out such monitoring, this tool allows chambers both to support SMEs and reduce corruption. The methodology is unique, as it focuses not on the corruption potential of individual draft laws, but on practical implementation of systems of laws governing relations between the state and business. The methodology demonstrates whether laws are being implemented effectively, by looking for gaps that arise among laws at the national, regional, and local levels; and by identifying these gaps, it provides a roadmap for advocacy to improve related regulations and close loopholes.

CIPE continued working with the Saratov Chamber for another year to roll out this methodology. First, in December 2010 the seven chambers of commerce from seven North Caucasus regions took part in a seminar in Stavropol to learn how to use the methodology to develop advocacy recommendations, improve the implementation of laws, and increase the legal literacy of the business community. Then, in January 2011, CIPE began providing support to six of the chambers who demonstrated the strongest intention to introduce the methodology in their own regions. These chambers, from Stavropol Krai, Republic of Dagestan, Chechen Republic, Adygea Republic, Republic of Ingushetia, and Republic of Karachaevo-Cherkessia, were subcontracted by CIPE and received additional technical support from the Saratov Chamber. Also CIPE continued supporting the same activities in the eight initial pilot regions: Smolensk, Perm, Kirov, Saratov, Volgograd, Krasnodar, Astrakhan and Khabarovsk.

In those 14 regions, experts trained in detecting the corruption potential of legislation analyzed the following elements that help measure the effectiveness of government and municipal services:

- **Quality of legal regulation** – Assessment of whether the regulations comply with legal standards and meet other criteria affecting the ability of applicants to exercise their rights in the process of obtaining government or municipal services.
- **Timeliness of performance** – Assessment of whether the time allowed for government or municipal agencies to perform their functions and provide services is reasonably sufficient or excessively long.
- **Optimal procedure** – Assessment of whether the complexity of the procedures for government functions and/or services is justified or excessive.
- **Effectiveness of regulations on granting licenses** – Assessment of the extent to which existing regulations allow for a positive outcome for applicants.
- **Effectiveness of implementation of laws on granting licenses** – Assessment of the process by which applicants apply for licenses and the actual ability of applicants to exercise his or her relevant rights as defined by law..
- **Level of corruption** – Extent to which government officials use their positions to benefit unlawfully in the provision of services or performing their duties.

The previous pilot testing revealed general patterns found at the federal, regional, and municipal levels:

1. The effectiveness of laws is inversely proportional to the level of corruption.
2. The effectiveness of the implementation of laws is inversely proportional to the level of corruption.
3. In terms of effectiveness, the implementation of laws lags behind legal regulation.

Based on these pilot analytical results, the regional coalitions were working to identify the state and municipal services that would be analyzed based on the methodology. The final list of these services will be included in the report covering the next period.

In the next reporting period CIPE's partners will prepare recommendations to improve identified problem areas, draft recommended changes in laws, plan advocacy campaigns to close loopholes, and work to improve the private sector's capacity to monitor the implementation of laws affecting business.

The methodology unveiled at the September 2010 Moscow conference has been approved by the regional authorities in Saratov and Smolensk regions, which plan to conduct regular monitoring on this basis. Participants in the Moscow conference had earlier recommended that those employing the methodology focus on the effectiveness of laws regulating state and municipal services. In the next project period, CIPE will encourage the Chamber of Commerce and Industry of the Russian Federation to present the methodology at its Board meeting, recommend it for use in the chamber network (174 chambers in all regions of Russia), and develop a training program for chamber experts. This will help spread the methodology to a wider network of business associations.

During the eighteenth and final reporting period from March 2011 to September 2011, CIPE continued to provide support to the six chambers from the North Caucasus regions that had demonstrated the strongest intention to introduce the methodology in their own regions (Stavropol, Dagestan, Chechnya, Adygea, Ingushetia, and Karachaevo-Cherkessia). CIPE partners prepared recommendations to improve identified problem areas, drafted recommended changes in laws, planned advocacy campaigns to close loopholes, and worked to improve the private sector's capacity to monitor the implementation of laws affecting business as other regions did previously.

To date, the methodology has been approved by the regional authorities in Saratov and Smolensk regions.

On September 19, 2011, CIPE organized the final conference held at RCCI's Moscow Headquarters entitled "Closing Implementation Gaps through Regional Advocacy." 9 coalitions of business associations presented their work, provided

concrete regional advocacy recommendations, as well as a number of federal level recommendations.

Advocacy by Regional Coalitions of Business Associations

At this stage of the project, CIPE has supported the advocacy activities of the eight legacy coalitions and six partners which are chambers of commerce in the North Caucasus region. CIPE has been supporting them in their use of the anticorruption methodology to monitor regional-level implementation and effectiveness of national legislation regulating business activities.

Through advocacy, CIPE partners worked to:

- improve legislation and regulations to reduce administrative barriers;
- guarantee equal access to economic development information; and
- protect entrepreneurs' rights against the arbitrary actions of government officials.

As described below, under the Anticorruption Methodology for Monitoring the Implementation of Legislation, several coalitions and partners have been analyzing state services in order to develop recommendations for regional legislative changes.

Anticorruption Methodology for Monitoring the Implementation of Legislation

As previously reported, CIPE contracted with the Saratov Chamber, which coordinates the Saratov Coalition, to develop and test a new anticorruption methodology that enables chambers and associations to evaluate regional and local implementation of national laws regulating business activities. By carrying out such monitoring, this tool allows chambers both to support SMEs and reduce corruption. The methodology is unique, as it focuses not on the corruption potential of individual draft laws, but on practical implementation of systems of laws governing relations between the state and business. The methodology demonstrates whether laws are being implemented effectively, by looking for gaps that arise among laws at the national, regional, and local levels; and by identifying these gaps, it provides a roadmap for advocacy to improve related regulations and close loopholes.

CIPE continued working with the Saratov Chamber in 2010-2011 to roll out this methodology. First, in December 2010, chambers of commerce from seven North Caucasus regions took part in a seminar in Stavropol to learn how to use the methodology to develop advocacy recommendations, improve the implementation of laws, and increase the legal literacy of the business community. Then, from January 2011 to September 2011, CIPE provided support to the six chambers that had demonstrated the strongest intention to introduce the methodology in their own regions. These chambers in Stavropol, Dagestan, Chechnya, Adygea, Ingushetia, and Karachaevo-Cherkessia were subcontracted by CIPE and received additional technical support from the Saratov Chamber. Also, CIPE continued supporting the same activities in the eight initial pilot regions: Smolensk, Perm, Kirov, Saratov, Volgograd, Krasnodar, Astrakhan and Khabarovsk.

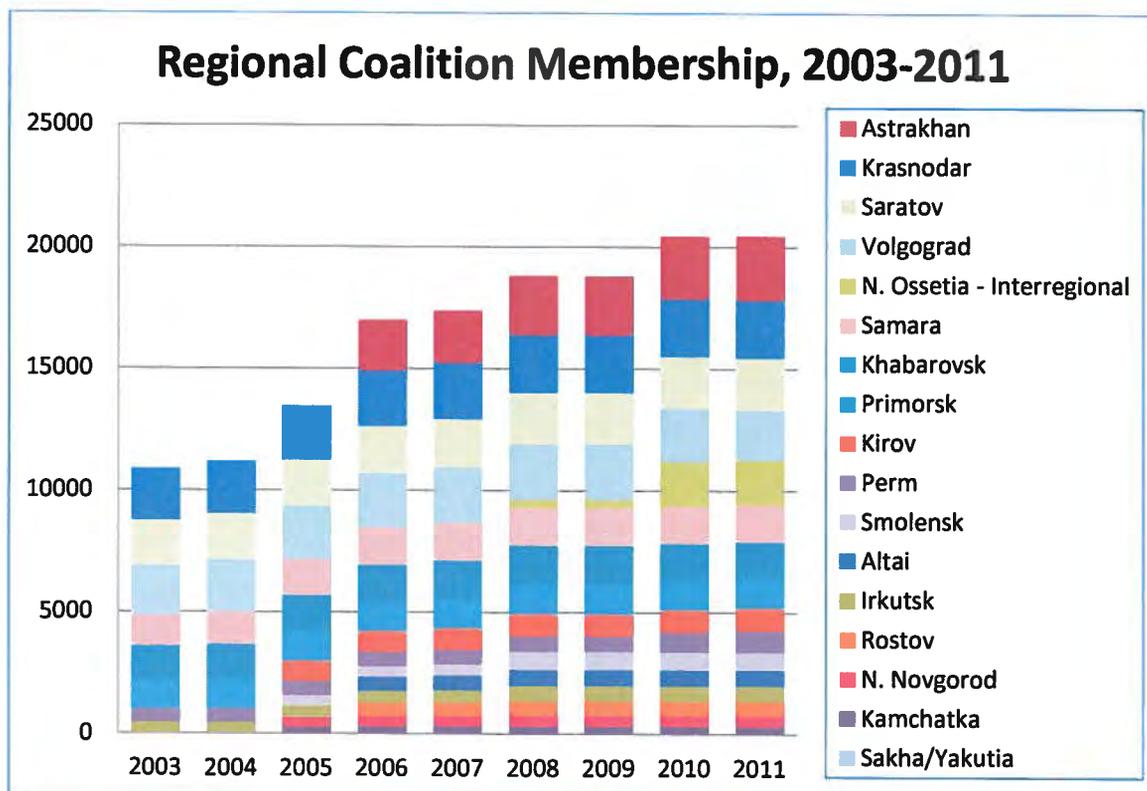
Previous application of the methodology had revealed general patterns at the federal, regional, and municipal levels:

1. The effectiveness of laws is inversely proportional to the level of corruption.
2. The effectiveness of the implementation of laws is inversely proportional to the level of corruption.
3. In terms of effectiveness, the implementation of laws lags behind legal regulation.

Based on similar results in this reporting period, CIPE’s partners prepared recommendations to improve identified problem areas, drafted recommended changes in laws, planned advocacy campaigns to close loopholes, and worked to improve the private sector’s capacity to monitor the implementation of laws affecting business.

In this project period, CIPE encouraged the RCCI to recommend the methodology for use in the chamber network (174 chambers throughout Russia), and develop a training program for chamber experts. This would help spread the methodology to a wider network of business associations. CIPE has also encouraged its partners to work with regional governments for adoption of the methodology. To date, the methodology has been approved by the regional authorities in Saratov and Smolensk regions, which plan to conduct regular monitoring on this basis.

On September 19, 2011, CIPE organized a conference, held at RCCI’s Moscow headquarters, entitled “Closing Implementation Gaps through Regional Advocacy.” Over 50 people attended, including leaders of national and regional chambers and associations, CIPE staff from Washington and Russia, U.S. Ambassador to Russia John Beyrle, and USAID/Russia officials. Nine coalitions of business associations presented the results of their work, providing concrete regional advocacy recommendations, as well as a number of federal-level recommendations.



SARATOV ANTI-CORRUPTION METHODOLOGY

Beginning in early 2009, the Saratov Chamber of Commerce and Industry (CCI), which coordinates the Saratov Regional Coalition of Business Associations, developed and tested a methodology to evaluate the corruption potential of proposed legislation relating to small- and medium-sized enterprises (SMEs). The methodology was based on an earlier approach that analyzed whether laws are being implemented effectively by looking for gaps and contradictions that arise among laws at the national, regional, and local levels. By identifying overlapping, contradictory or vaguely worded proposed legislation, the Saratov Methodology provided a roadmap for advocacy and the eventual formal involvement of all CCIs in reviewing proposed legislation. The Methodology was unveiled to the regional coalitions at a Moscow seminar that followed a June 2009 conference.

During the fourteenth reporting period, from April to September 2009, the Saratov methodology was presented at a June 2009 seminar in Moscow. Thirty leaders of business associations from 16 Russian regions learned to use the methodology to analyze the corruption potential of proposed laws, as well as to assess the implementation of laws, to develop recommendations to improve implementation, and generally to increase the legal literacy of the business community. CIPE then provided support to seven regional coalitions to use the methodology in their own regions. CIPE selected coalitions in the Astrakhan, Volgograd, Kirov, Krasnodar, Perm, Smolensk, and Khabarovsk regions to participate in the program. Under a contract with CIPE, the Saratov CCI provided technical support to the coalition partners.

I. Expansion of the Methodology

During the fifteenth and sixteenth reporting periods, from October 2009 to September 2010, approximately 50 experts in each of the seven regions used a set of evaluation criteria to analyze 74 types of services provided by government agencies to businesses. These services included 14 at the federal level, 37 at the regional level, and 23 at the municipal level. The services were related to licensing, registration, and obtaining various permissions necessary to operate a business. Partners in the seven regions surveyed over 450 practicing attorneys and local officials regarding the effectiveness of regulations governing relationships between the state and business.

The attorneys and officials were asked to comment on the following elements that characterize the effectiveness of government and municipal services:

- Quality of legal regulation – Assessment of whether the regulations comply with legal standards and meet other criteria affecting the ability of applicants to exercise their rights in the process of obtaining government or municipal services.
- Time of performance – Assessment of whether the time allowed for government or municipal agencies to perform their functions and provide services is reasonably sufficient or excessively long.
- Optimal procedure – Assessment of whether the complexity of the procedures for government functions and/or services is justified or excessive.
- Effectiveness of regulations on granting licenses – Assessment of the extent to which existing regulations allow for a positive outcome for applicants.
- Effectiveness of implementation of laws on granting licenses – Assessment of the process by which applicants apply for licenses and the actual ability of applicants to exercise his or her relevant rights as defined by law.
- Level of corruption – Extent to which government officials use their positions to benefit unlawfully in the provision of services or performing their duties.

This study revealed general patterns found at the federal, regional, and municipal levels:

- The effectiveness of laws is inversely proportional to the level of corruption.
- The effectiveness of implementation of laws is inversely proportional to the level of corruption.
- In terms of effectiveness, implementation of laws lags behind legal regulation.

Based on these analytical results, the regional coalitions prepared recommendations to improve identified problem areas, drafted recommended changes in laws, planned advocacy campaigns to close loopholes, and sought to improve the private sector's capacity to monitor the implementation of laws affecting business.

In addition, CIPE and the Saratov Chamber developed a final version of the methodology, including recommendations on how the methodology can be disseminated to other Russian regions and at the national level as well as flow charts detailing the analysis generated by the coalitions.

II. Regional and National Recommendations

During the sixteenth reporting period, from April to September 2010, the seven coalitions listed above and the Saratov CCI put forth regional and national recommendations based on the Saratov Methodology.

On September 24, 2010, CIPE organized a conference, held at RCCI in Moscow, entitled “Improving Regulation to Reduce Corruption: The Role of the Russian Business Community.” Over 65 people attended, including regional and federal government officials, leaders of national and regional chambers and associations, academics and think tank representatives, CIPE staff from Washington, Russia and Ukraine, and CIPE partners from Belarus. The eight coalitions presented the results of their work, providing both concrete regional advocacy recommendations, as well as a number of federal-level recommendations, as well as arguing for the wider adoption of this approach across Russia. To date, the methodology has been approved by the regional authorities in Saratov and Smolensk regions, which plan to conduct regular monitoring on this basis.

The following national-level recommendations were made:

1. Enact a Russian Federation Law on Administrative Regulation.
2. Adopt regulations requiring the maintenance of a single registry of state and municipal services.
3. Conduct annual monitoring of the effectiveness of laws regulating state and municipal services.
4. Government agencies and local governments should use the methodology developed under this project to analyze administrative regulations pertaining to business activity.
5. The Ministry of Justice should use the methodology developed under this project to monitor regional and local implementation of laws pertaining to business activity.
6. Incorporate the concept of “transparency of government agencies and local governments” into relevant Russian legislation.
7. Establish a procedure for legislative bodies to review regulations issued by agencies of the executive branch in order better to implement enacted laws.
8. Involve the academic community more actively in drafting regulations at the federal and regional levels.

The following regional recommendations were made based on the coalitions’ research using the Saratov methodology:

- **Astrakhan:** The Astrakhan Coalition advocated for improvements in the procedure for obtaining permits to use regional bodies of water for commercial purposes, including that the authorities provide, free of charge, information on the procedure on state websites and develop regulations on time limits for issuing refusals and approvals.
- **Khabarovsk:** The Coalition advocated for improvements to the official procedure for obtaining construction permits, particularly with respect to what information should be made available on the website of the Khabarovsk Regional Ministry of Construction
- **Khabarovsk:** The Coalition advocated for improving the procedure for issuing permits to set up markets in the city of Khabarovsk, including establishing time limits for considering applications and issuing permits; abolishing notarization of application documents; and eliminating conflicting clauses between regional and federal laws.
- **Krasnodar:** The Novorossiysk CCI, which serves as the coordinator of the Krasnodar Coalition, advocated for improvement to a draft version of the Municipal Program for Business Competition Development in the city of Novorossiysk. The program is expected to be adopted by the end of 2010.
- **Kirov:** The Kirov Coalition advocated for improvements in the procedure for licensing educational activity in the region, including adopting regulations governing compliance with fire safety requirements. To shorten the time period for issuance of the results of sanitary and epidemiological inspections, the Coalition recommended amending the regulation “Procedure for Conducting Sanitary and Epidemiological Expert Examinations, Investigations, Research and Testing, as well as Toxicological, Hygienic and Other Types of Testing.” The Coalition also called for amendments to the regulation “On Licensing Educational Activities” to reduce the time it takes to grant licenses.
- **Kirov:** The Kirov Coalition advocated for improving the procedure for providing carriers with access to bus routes in the city of Kirov by adopting new administrative regulations on existing routes, as well as increasing competition for new routes.
- **Krasnodar:** The Novorossiysk CCI advocated for improvements in the procedure for privatization of municipal property rented by SMEs in the city of Novorossiysk, including establishing time limits for assessing the market value of property, specifying and publishing the list of documents to be provided by bidders, and setting time limits for officials to consider and decide on applications.
- **Perm:** The Perm Coalition advocated for improvements in the procedure for leasing state-owned forest land, recommending that plot sizes be specified when a decision is made to lease forest land without holding an auction; among other changes.
- **Perm:** The Perm Coalition advocated for improvements in the procedure for issuing permits for hauling oversize and heavy cargo on regional roads.
- **Saratov:** The Saratov Coalition advocated for improvement in the procedure for cadastral registration of land in the region, recommending the publication of administrative regulations governing the state agency authorized to carry out registration of land; specifying fees for providing information; and requiring officials to justify decisions.
- **Smolensk:** The Smolensk Coalition advocated for improving the procedure for issuing permits for holding lotteries in the region, including through clear time limits for the consideration of applications, issuance of permits and registration of drawings.
- **Smolensk:** The Smolensk Coalition advocated for improvements in the procedure for issuing construction permits, including by specifying time limits for the consideration of applications and issuance of permits, and clarifying steps in registering applications.

- **Volgograd:** The Volgograd Coalition advocated for improvements in the procedure for licensing pharmaceutical businesses in the region.

During the seventeenth reporting period, from October 2010 to March 2011, CIPE expanded the Saratov Methodology to seven more pilot regions (Stavropol, Dagestan, Chechnya, Adygea, Ingushetia, North Ossetia and Karachaevo-Cherkessia). Coalition coordinators in these regions were subcontracted by CIPE and received additional technical support from the Saratov Chamber. CIPE continued supporting the same activities in the eight initial pilot regions: Smolensk, Perm, Kirov, Saratov, Volgograd, Krasnodar, Astrakhan, and Kharbarovsk.

In December 2010, the seven chambers of commerce from seven North Caucasus regions took part in a seminar in Stavropol to learn how to use the methodology to develop advocacy recommendations, improve the implementation of laws, and increase the legal literacy of the business community. In January 2011, CIPE began providing support to six of the chambers that demonstrated the strongest intention to introduce the methodology in their own regions. These chambers, from Stavropol Krai, Republic of Dagestan, Chechen Republic, Adygea Republic, Republic of Ingushetia, and Republic of Karachaevo-Cherkessia, were subcontracted by CIPE and received additional technical support from the Saratov Chamber. Also CIPE continued supporting the same activities in the eight initial pilot regions: Smolensk, Perm, Kirov, Saratov, Volgograd, Krasnodar, Astrakhan and Khabarovsk.

In those 14 regions, experts trained in detecting the corruption potential of legislation analyzed the same elements that help measure the effectiveness of government and municipal services, revealing the same general patterns found at the federal, regional, and municipal levels. In the next project period, CIPE will encourage the Chamber of Commerce and Industry of the Russian Federation to present the methodology at its Board meeting, recommend it for use in the chamber network (174 chambers in all regions of Russia), and develop a training program for chamber experts. This will help spread the methodology to a wider network of business associations.

On September 24, 2010, CIPE, USAID-Moscow, and the Saratov CCI published a document on the Saratov Methodology – an executive summary of the methodology, the results of the survey of 450 business and legal experts from the eight initial Russian regions regarding implementation of laws and corruption, and specific recommendations drafted by business leaders in eight regions on improving laws governing state and municipal services for business.

By the eighteenth, and final, reporting period, from April to September 2011, 174 chambers of commerce and industry associated with the Russian Chamber of

Commerce and Industry had access to the Saratov Methodology. Under the program, the Saratov CCI crafted a standard by which the local chambers could be accredited to review proposed regional legislation for its corruption potential. Once identified under the program, problematic legislation was brought to the attention of relevant government officials. A 2009 Russian federal decree and law had established the procedure by which accredited experts of organizations could voice such concerns.

During the final period of the project, CIPE encouraged the RCCI to recommend the methodology for use in RCCI's network of 174 chambers throughout Russia, and to develop a training program for experts. In June 2011, the RCCI followed suit and recommended that its 174 affiliates seek the accreditation from the Ministry of Justice that necessary to take part in the process. To date, the methodology had been approved by the regional authorities in Saratov and Smolensk regions, which both plan to conduct regular monitoring. Nationally, 16 of RCCI's 174 affiliates had been accredited. Of those 16, half of them were CIPE partners under the SME Policy Advocacy project.

FEDERAL ADVOCACY

By the end of 2004, CIPE's partners in the SME Policy Advocacy program – eight regional coalitions of business associations - were increasingly recognizing the benefits of joining efforts on issues of joint interest to members of all eight coalitions (Volgograd, Irkutsk, Krasnodar, Perm, Primorsky, Samara, Saratov, and Khabarovsk coalitions). Advocacy for policy changes to improve the businesses environments was taking place in all eight regions, and with notable success.

By expanding their work to the federal level, the associations and chambers in the eight coalitions came together to raise a collective voice to encourage reform by creating an improved national climate for businesses and, in turn, laying the groundwork for stronger local economies. Simultaneously, federal-level advocacy had the potential to push for reform on governance issues in a business regulatory environment that demonstrated growing implementation gaps and corruption.

To implement this federal-level advocacy, CIPE and the regional coalitions worked with CIPE's federal-level partners, RCCI (Russian Chamber of Commerce and Industry) and OPORA (Union of Business Associations of Russia). The RCCI and OPORA announced a joint campaign to promote a six-point reform program to effect needed reforms and change at the federal level, and their implementation at a local level, the "Small Business 2004" Campaign. This campaign marked the beginning of the regional coalitions' advocacy on the federal level – and also marked the first time that a national campaign was combined with local advocacy efforts simultaneously. The campaign was the first of a yearly effort to promote a coordinated small business advocacy strategy for Russia. Designed to complement CIPE's USAID-funded regional SME Policy Advocacy Program, Small Business 2004 was the first ever to build on the continued success of local advocacy efforts in Russia.



I. The “Small Business 2004” Campaign

In May 2004, CIPE issued a press release, “Russian Small Business Announces Reform Priorities,” that marked the beginning of the joint campaign by RCCI and OPORA to promote a six-point reform program to improve the regulatory environment and access to credit.

The Small Business 2004 campaign grew out of the grassroots business advocacy project in the original eight key regions. Small Business 2004 was the first time that a national campaign had been combined with local advocacy efforts. The six key policy issues to be addressed by the effort were:

1. An improved framework for state support of small business.
2. The reduction of administrative barriers in entrepreneurial activity.
3. Improvements in the small business taxation system.
4. Equal access to economic information.
5. The development of more effective credit systems for small business.
6. The elimination of corruption, and the protection of entrepreneurs’ rights.

RCCI and OPORA advocated for legislative changes on the federal level as part of the Small Business 2004 campaign:

Improved Framework for State Support of Small Business

- RCCI and OPORA proposed to make changes to the Federal Law “On Privatization of State and Municipal Property to provide small businesses with the right to privatize rented property. RCCI and OPORA argued that this change would provide for business development, raise demand for bank services, stimulate investment processes, and encourage businesses to come out from the “shadow economy.” RCCI and OPORA’s working group prepared an amendment to the Law that OPORA’s President, Sergey

Borisov, submitted directly to the President of the Russian Federation, Vladimir Putin, at a meeting of business community representatives with the Russian President that took place on July 1, 2004. The recommendations were submitted to the Ministry for Economic Development and Trade upon its request. At present, the Ministry of Economic Development and Trade is reviewing these recommendations before submitting them to the Government.

- On May 31, 2004, the Government of the Russian Federation suggested to the State Duma to repeal the Federal Law dated June 14, 1995. According to RCCI and OPORA, the law is unique federal legislative basis for existence of small business in the Russian Federation and should not be repealed. The OPORA working group prepared the detailed analysis of the Law, and at a meeting on July 1st, 2004 with the President of the Russian Federation RCCI and OPORA raised a question about the necessity to preserve the Law. As a result, the State Duma did not consider abolishing the law but only amending articles that are applied in practice.
- In October, 2004, the Joint Working Group of the RCCI and the Council of Federation developed a concept for the draft federal law, “On State Policy for Development of Small Business in the Russian Federation.” The draft law was forwarded for consideration to the Ministry of Economic Development and Trade of the Russian Federation. The Ministry of Economic Development and Trade involved OPORA and RCCI into the Expert Committee work aimed at further development of the draft law prior to submitting it to the Government. The draft law included:
 - Definitions for small- and medium-sized business, microbusiness support organizations;
 - Main directions for activities of federal and regional state administrations on support and development of SMEs;
 - Statement that support and development of small business is a priority area of social and economic development of the country;
 - Main principles, types and forms of state and municipal support of SMEs;
 - Legal mechanisms for crediting, material and informational support of SMEs, as well as for development of small business support infrastructure.
- RCCI and OPORA took an active part in the development of the draft of the Federal Law “On the Development of Small- and Medium-Sized Entrepreneurship in the Russian Federation,” working in focus groups at the Ministry for Economic Development and Trade and providing their expertise in support to this process. The main features of the law’s concepts are: criteria for defining small, medium, and micro-businesses based on the number of employees, and on turnover and profit; mechanisms for development of these definitions; state policy on SME development support; legal basis for SME development; authorities of federal, regional, and municipal bodies related to SME development; coordination of activities of different state bodies; and the rights of SME support organizations to participate in state policy making activities. The law #209-FZ “On the Development of SME in the Russian Federation” was signed and adopted on July 24, 2007. The subsection “Development of Small Entrepreneurship” was included in the Program of Social and Economic Development of the Russian Federation in 2006-2008.
- The proposal of OPORA and RCCI on the need to adopt a federal law, “On Basic Principles of State Regulation of Trade in the Russian Federation” was put forward. The

concept of the law was developed, and the special Interdepartmental Working Group, in which business associations are represented, is considering it.

Improvements in the Small Business Taxation System

On January 1, 2003, two new chapters of the Tax Code of the Russian Federation come into force – “Simplified Taxation System” and “Consolidated Tax on Imputed Earnings for Specific Activities” – that became significant impediments to business development.

OPORA and RCCI’s working group prepared an analysis and proposed amendments to these two chapters and forwarded the documents to the Council of Federation Deputy, Mr. Chirkounov. The practice of application of these 2 chapters revealed failures and gaps of the current legislation (for example, one of the conditions of transition to the simplified taxation system is a turnover of no more than 15 million rubles that excludes an opportunity of application of the given mode of the taxation by many small business subjects; the Tax Code of the Russian Federation uses the definitions which are distinct from all other legislative documents, and that generates unceasing disputes between tax bodies and tax payers).

In the summer of 2004, the Ministry of Finance of the Russian Federation developed the draft of the federal law on amendments to chapters 26.2 and 26.3 of the Tax Code of the Russian Federation. (These chapters define the base profit rate for businesses that pay imposed income tax and regulate payment of imposed income tax).

In January 2005, RCCI and OPORA received official letters from the Ministry of Finance of the Russian Federation requesting RCCI and OPORA to present their proposals and remarks to a new version of the draft law. The analysis of the revised draft makes it possible to conclude that certain recommendations of RCCI and OPORA to the first version of the draft law were taken into account by the Ministry during the reconsideration of the draft. In particular, the draft proposes to increase the base profit rate, which will allow to decrease the imposed income tax rate in the regions by 1.5 times and to continue application of the simplified taxation system for non-commercial organizations, such as business associations.

On July 21, 2005, the President of the Russian Federation signed the law designed to improve the SME taxation system, including an introduction of amendments to the chapters 26.2 and 26.3 of the Russian Federation Tax Code. The amendments stipulate that:

- SMEs may use a reduced taxable income base for income tax calculations;
- SMEs retain the right to use a simplified taxation system;
- Individual entrepreneurs who use the simplified taxation system can choose to purchase a yearly business license in lieu of the imposed income tax payment

Since the summer of 2004, when the Ministry of Finance developed the first draft of the above mentioned law, both the RCCI and OPORA were involved in the working group analyzing the law and submitting recommendations to the Ministry. RCCI and OPORA’s recommendations to increase the base profit rate, which allows to decrease the imposed income tax rate in the regions by 1.5 times and to continue application of the simplified taxation system for non-commercial organizations, including business associations, were incorporated in the law signed by the President.

Lowering Administrative Barriers and Reducing Restrictions on Competitions

- The “State Register of Cash Technical Equipment” that businesses can use as guidance has not been officially defined by legislation and regulations. At the same time, due to the earlier decrees of the State Interdepartmental Expert Commission on cash machines (it has since been abolished) and to the regulations of the Ministry of Taxes and Tax Collection of the Russian Federation, the types of the cash machines that the businesses could use were repeatedly changed. Such restrictions are not based on the Law “On the Use of Cash Registers for Cash and Credit Card Payments” and even contradict its main provisions. Moreover, the purchase of cash technical equipment is a major cost for small businesses (approximately 20,000 rubles of \$710) and increases considerably the cost of business operations.
- At the end of 2004, the State Duma Deputy, Mr. Pastukhov (RCCI staff) submitted a draft of the Federal Law “On Introduction of Addenda to Article 2 of the Federal Law “On the Use of Cash Registers for Cash and Credit Card Payments” to the State Duma. According to the draft law, businesses that pay the imposed income tax are not required to use cash registers. At the same time, these businesses will issue receipts to confirm payments for goods and services in order to protect the rights on consumers. The draft is being reviewed by the relative committees of the State Duma.
- On July 2, 2005, President Putin approved amendments to three federal laws that regulate the licensing of specific business activities and provide legitimate businesses with protections from illegal inspections. The amendments incorporate recommendations from RCCI and OPORA, including:
 - Reducing the list of business activities that require licensing from 125 to 103, and amendments propose further reduction to 92 in 2006 and 87 in 2007;
 - Extending the protection of entrepreneurs’ rights to cover inspections by state licensing bodies.
- On August 17, 2005, the General Office of the Public Prosecutor of the Russian Federation signed a new decree “On Organizations of Public Prosecutors’ Directorate for Enforcement of Protection of Entrepreneurs’ Right.” The decree serves as a tool for entrepreneurs to fight illegal inspections. Based on the decree provisions, the entrepreneurs can address their complaints to the prosecutors’ offices. The decree was initiated by the RCCI in partnership with business associations across Russia (all 8 Round One Coalitions).

Providing Access for SMEs to Commercial Information and to Participation in Competitions on State Contracts

- In June 2005, the President of the Russian Federation signed a federal law that includes provisions addressing guarantees and mechanisms for SME involvement in the supply of goods for state and municipal needs. The law stipulates a state contract quote for SMEs of 15%. The law incorporated recommendations developed by RCCI and OPORA in partnership with Round One regional coalitions.

II. Small and Medium Business 2008

In 2008, the main concern that was raised by, and concerned the regional coalitions in Russia was the absence in Russian legislation of the interpretation of corruption as the use of authority for gaining personal or “corporate” economic benefits in the form of administrative or corruption payments. The primary aim of the business community in Russia became to ensure a stricter control over the enforcement of laws aimed at eliminating the administrative and corruptive pressure on business.

Concomitantly, the ratification by Russia of the international anticorruption conventions (the United Nations Convention against Corruption of October 31, 2003, and of the Criminal Law Convention on Corruption of the Council of Europe of January 27, 1999) required that Russia bring its legislation into compliance with the rules of these conventions. At this juncture, CIPE and its partners decided in 2008 that the large-scale administrative reform that was implemented in the first six years of the Russia SME Advocacy program would be more effective if a broad package of anticorruption measures were implemented.

In April 2008, RCCI and OPORA began to advocate for legislative changes on the federal level through the business community’s new federal anticorruption policy advocacy program, “Small and Medium Business 2008.” This program was based on the anticorruption activities of the 17 regional coalitions.

The main program objectives were:

1. To assist in creation of the state system of anticorruption measures.
2. To ensure civil control over implementation of the anticorruption policy.
3. To ensure higher transparency and fairness of the tenders and other procedures that provide SMEs with access to facilities, state and municipal contracts, purchases and contracts of the state monopolies.
4. To provide non-discriminatory access to infrastructure and networks.
5. To simplify administrative procedures (administrative regulations and standards of state services) and issuance of permits that are of interest to SMEs, and to provide feedback on law enforcement in the state administration area.
6. To improve and broaden the mechanisms for protection of the entrepreneurs’ rights during state inspections.

Once the regional coalitions came to the collective grassroots decision of objectives, they fleshed those objectives out by investigating the individual issues and then providing recommendations. This was done using the Saratov Methodology (For more information, see Chapter 2 of this report).

Objective 1: To assist in creation of the state system of anticorruption measures.

With the absence of any restrictions and bans for the use of authorities to gain personal benefits, the public officials abuse their large powers with perfect impunity because their responsibilities related to the law enforcement are minimal, diluted, and non-punishable. At the same time, entrepreneurs have every delinquency, and the protection of their rights is often very complicated.

Recommendations

- To initiate adoption of the law on opposing corruption that will introduce at the federal, regional and local level the system of control over public officials with regard to the use of their powers and resources in compliance with the legal restrictions and bans;
- To introduce direct legal bans on:
 - Personal financial interest that are in conflict with the execution of duties (conflict of interests);
 - Use of public powers and property for personal purposes, and also for own business, participation in elections, further job placement, etc.;
 - Gaining of any kind of lucre from the third parties beyond the legal standards, including presents, paid travels and trips, restaurants and banquets;
 - Having earnings in addition to those limited by the legal standards;
 - Offering preferences to any individuals or organizations.
- To disclose by all means the information on incomes and expenditures, both personal and of the family members;
- To ensure strict liability for the violation of each of these norms;
- To obtain the annual open reports on the results of activities of the authorities empowered to prevent corruption and control the officials.

Objective 2: To ensure civil control over implementation of the anticorruption policy.

The problem lies in the absence of control of the civil society in general and of the business community in particular aimed to prevent the use of powers by the officials for corruption purposes. Also there is no mechanism for elimination of corruption potential and loopholes in the legislation. Evidently, there is no effective regulation for preventing corruption in general and with regard to separate anticorruption policies. The task of the civil society is to ensure the efficiency of the authorities in addressing these issues.

Recommendations

- To ensure the participation of the civil society organizations in the development of the Federal Law “On Opposing Corruption”;
- To ensure immediate and adequate response of the authorities to corruption manifestations reported by civil NGOs, mass media, and citizens;
- To introduce the participation of civil institutions in the expert examination of the statutory acts and further use of the results in law-making practice;
- To control the effectiveness of the mechanism of pre-trial appeals against actions of officials, and especially in the areas with high corruption potential;

- To ensure transparency of the information on the on-budget expenditures at different levels, and involve civil institutions in controlling the transparency of these expenditures;
 - Businesses associations must:
 - Sign their representatives to work in the anticorruption public councils created under state bodies;
 - Assist in creation of independent civil organizations for support to anticorruption initiatives;
 - Train own experts to execute examination of statutory acts and their drafts for corruption potential.

Objective 3: To ensure higher transparency and fairness of the tenders and other procedures that provide access SMEs with access to facilities, state and municipal contracts, purchases and contracts of state monopolies.

Ensuring real participation of small businesses in tenders, including the tenders for purchase or lease of the real estate, is an important legal mechanism for protection of entrepreneurs' rights. The deficiency of working areas for small businesses is still urgent. Big business uses the administrative and financial resources, as well as the support of the local authorities to get illegal access to the real estate.

Allocation of state and municipal contracts is also accompanied by numerous violations of the entrepreneurs' rights. Quite often public officials give illegal preferences to certain businesses.

Recommendations

- To organize monitoring of the enforcement of the Federal Laws # 135 "On Protection of Competition" of 07.26.06 and # 94 "On Allocation of State and Municipal Contracts for Supply of Goods, Execution of Work, and Rendering of Services" of 07.21.05 by the authorities at different levels;
- To create under the federal authorities and their regional branches the coordination bodies (advisory boards, chambers, etc.) in order to involve NGOs in observing tenders, auctions, etc.;
- Business associations must consult entrepreneurs on the participation in tenders.

Objective 4: To provide non-discriminatory access to infrastructure and networks.

High cost for SMEs of the technological connection to the networks of the natural monopolies is still an urgent problem. Businesses are often forced to finance construction of the network projects, and then hand them over to the monopolies. The OPORA's monitoring results showed that 40% of the respondents considered increase of prices and tariffs of the natural monopolies as a threat to small businesses.

Development and implementation of a package of measures aimed at construction of infrastructure projects, and revision of regulations for connection to the networks will give a powerful incentive to development of small and medium business in Russia.

Recommendations

- To ensure introduction of reasonable prices of connection to the technological connection to electric networks;
- To protect property rights of the businesses that invest in the development of electric networks;
- To adopt a standard form of contract for technological connection;
- To support the initiative aimed at giving preference to small businesses to buy out of state and municipal property;

Objective 5: To simplify administrative procedures (administrative regulations and standards of state-services) and issuance of permits that are of interest to SMEs and to provide feedback on the law enforcement in the state administration area.

Today businesses often encounter obstacles when obtaining different permits including permits for construction, rearrangement, land transactions, connection networks, etc. Such situation is caused by the absence of clear and transparent regulations for issuance procedures, proper responsibility of public officials, and by illegal imposing of procedures and requesting documents. The most typical are the procedures especially at the municipal level that require going to the same officials several times at different stages to obtain permits. The obtained documents have shorter terms of validity than those stipulated by the current procedures, that require their repeated obtaining. In this situation obtaining permits is very difficult without using the corruption schemes. The single-window principle introduced by some administrations in fact leads to higher cost of corruption schemes. Any inaccuracy in submitted documents result in their return after expiration of the examination term, and all other possible inaccuracies are not identified. Businesses have to submit the documents for examination repeatedly.

Recommendations

- To continue implementation of the administrative reform
 - To conduct independent expertise of drafts of the administrative regulations and standards that regulate state functions and services;
 - To take part in the development of the mechanisms for continual identification of duplicating and redundant state functions, and for optimization of the state governance system;
- To ensure spreading of the administrative reform of the regional and municipal level (involvement of the business community in implementation of the regional and municipal programs of the administrative reform).

Objective 6: To improve and broaden the mechanisms for protection of the entrepreneur's rights during state inspections.

Effective protection of the entrepreneurs' rights against improper executing of duties and abuses of the state officials in charge of state inspections is still urgent.

The most common violations are: ignoring or direct abuse of law by representatives of the inspecting agencies (inobservance of the terms of visiting tax inspections; violation of the inspecting procedures); substituting the functions of the inspecting agencies (absence of authority for conducting inspections), etc.

Recommendations

- To introduce amendments to the Federal Law # 134 in order to introduce obligatory qualifying of the authority of inspectors;
- To improve the mechanism for pre-trial appeals of the actions of officials;
- To organize monitoring of enforcement of the Federal Law # 134 of 08.08.2001 “On Protection of Corporate and Individual Entrepreneurs during Executing of State Control (Supervision)”. To toughen the liability of state (local government) officials for neglecting of improper executing their duties, illegal actions (inaction), and to introduce amendments to the Federal Law # 79 “ On State and Civil Service in the Russian Federation” of 07.27.2004.

Under this program, RCCI and OPORA took an active part in development the following federal statutory acts during the thirteenth reporting period from October 2008 to March 2009.

The advocacy priorities established in the two campaigns described above were reflected in a series of legislative and regulatory reforms on the national level, as documented below in CIPE semi-annual reports.

1. Federal Law #294, “On Protection of Entrepreneurs’ Rights,” which introduced additional guarantees protecting entrepreneurs’ rights in the course of inspections (one scheduled inspection every three years, and off-schedule inspections only with the authorization of the prosecutor’s office);
2. Federal Law #313, replacing mandatory certification of the quality of goods with manufacturers’ declarations;
3. Federal Law #293, limiting the rights of militia during inspections of SMEs;
4. On January 10, 2009, Federal Law #273 came into force, “On Opposing Corruption” which was adopted on December 25, 2008. This law marks a new stage in the fight against corruption and the initiation of adoption of related regional statutory acts;
5. Government Decree #196, of March 5, 2009, “On Adoption of a Methodology for Conducting Anticorruption Expert Examination of Statutory Acts Drafts and Other Documents”;
6. Government Decree #195, dated March 5, 2009, to adopt rules and procedures for anticorruption expert examination of draft statutory acts;
7. Government Decree #118, dated February 14, 2009, introducing favorable rules for SMEs regarding access and connection to electricity networks; and
8. Government Decree #237, dated March 17, 2009, setting the initial (maximum) price of a state contract for SMEs at 15 million rubles, and introducing a list of goods and services for state and municipal needs for which SMEs are to be contracted.

During the fourteenth reporting period, from April to September 2009, the following federal statutory acts were developed.

1. Federal Law #172, dated July 17, 2009, "On Anticorruption Expert Examination of Statutory Acts and Drafts of Statutory Acts." The Law introduced the concept and principles of mandatory anticorruption expert examination of statutory acts in Russia.
2. A Ministry of Justice of Russia Decree, issued in May 2009, "On Accreditation of Experts (Companies and Individuals)" To Conduct Anticorruption Expert Examination of Statutory Acts." This decree followed the approval in March 2009 by the Federal Government of the "Methodology and Procedures for Anticorruption Examination of Statutory Acts." To date, the Saratov and Rostov Coalitions have officially accredited their legal experts to carry out the anticorruption expert examination.

During the fifteenth reporting period, from October 2009 to March 2010, RCCI and OPORA reduced administrative barriers to entrepreneurial activity by advocating successfully for Government Resolution #44, dated February 2, 2010, "On the Introduction of Changes in the Regulations on the Licensing and Use of Potentially Explosive or Flammable Sites," which freed bakeries and confectionaries from certain licensing requirements that had previously governed the processing, storing and transporting flour. Bakeries and confectionaries are now regulated less stringently as "hazardous" businesses. CIPE's partners advocated for the passage of Federal Law #310-FZ, dated December 17, 2009, "On the Introduction of Changes in Article 5 of the Federal Law 'On the Introduction of Changes in Part One of the RF Civil Code and Various RF Laws,'" which eliminated a requirement that limited liability companies change their charters before January 1, 2010. Finally, OPORA advocated for the facilitation of the privatization of premises rented by small businesses, developing a draft law was submitted to the State Duma in March 2010.

Finally, RCCI created a special council of independent experts to conduct anticorruption examination of federal draft laws. During this period, the council had already examined four draft laws and forwarded its recommendations to the relevant executive bodies.

RCCI created a special council of independent experts to conduct anticorruption examination of federal draft laws. In 2010, OPORA launched a similar group, which has already examined three draft laws and forwarded its recommendations to the relevant executive agencies. In addition, during the

current reporting period, OPORA successfully advocated for the following federal-level reform:

- Federal Law #171, “On Amendments to the RF Code on Administrative Violations” and to the Federal Law “On Industrial Safety at Dangerous Production Facilities,” adopted on July 23, 2010, placed an excessive administrative burden on businesses, and was passed without consultations with the business community. In practical terms, the law, which was set to come into force on January 1, 2011, would have allowed inspection agencies to interfere in a wide range of business activities, thus undermining key administrative reforms. OPORA brought this issue to the attention of the Government Commission for Administrative Reform, which on September 29, 2010, decided to develop amendments to the law, based on OPORA’s recommendations to eliminate its most excessive features.

During the seventeenth reporting period, from October 2010 to March 2011, RCCI and OPORA analyzed statutory acts and developed recommendations to streamline laws to reduce administrative barriers, reform technical regulations applicable to businesses, guarantee transparency and equal access to government program to support SMEs, and streamline government procurement procedures. This was done based on the anticorruption advocacy activities and expertise of the regional coalitions and in accordance with the “Small and Medium Business 2008” program.

RCCI and OPORA successfully advocated for five legislative changes at the federal level.

1. OPORA advocated for a significant change in the way companies bid for government business in Russia. The changed procurement law, which took effect on November 10, 2010, reduces the required security deposit bidders must place for all government bids, from five to two percent of the contract’s projected value. By reducing the deposit requirement, OPORA aimed to lower costs and increase competitions. The Russian statistic agency estimates that the change will free up to \$50 million in capital for SMEs. No, we don’t have additional info on this issue.
2. The Volgograd Coalition advocated – through the RCCI – for amendments to the federal legislation that governs the amount of insurance payments that are necessary to the Federal Pension Fund. Based on that advocacy, Federal Law #272 of October 16, 2010 implemented reduced rates of insurance payments for both small innovation businesses and IT companies between 2011 and 2019.
3. Through the RCCI, the Volgograd Coalition advocated through for amendments to the federal legislation dictating the size of insurance premiums required of businesses and individual entrepreneurs working in mass media outlets. With the implementation of Federal Law #339 on December 8, 2010, those premiums were reduced for the period from 2011 to 2014.
4. The Volgograd Coalition advocated through the RCCI for amendments to the federal legislation that governs the size of insurance payments that must be made to the Federal Pension Fund, the Medical Insurance Fund, the Social Insurance Fund and regional

medical insurance funds. On December 21, 2010, the State Duma adopted changes to the related federal laws and introduced reduced insurance payment rates of 26% for the period from 2011 to 2012 for small businesses that use the simplified taxation system.

5. The Kirov Coalition advocated, through the RCCI, for the introduction of amendments to Federal legislation that would abolish VAT compensations by businesses that purchased goods and services from companies that later went bankrupt. The Kirov Coalition's advocacy efforts result in the amendments being introduced in the State Duma in November 2011 to the Article 169 of the Federal Tax Code that would eliminate the gap.

REACT WEBSITE



Since the launch of the project, RCCI spearheaded a technical effort to create the ReACT Information Clearinghouse site on the Internet. This effort included the development of the site's concept and structure; development of the site's design; collection and processing of information, graphics and photographs; development of software; and providing technical support and maintenance. The site was intended as a clearinghouse of information about the project for current and potential partners. Over the course of the nine-year project, the ReAct website progressed in multiple ways: through an enhanced navigation system, elaborated information on news, projects, partners, training sessions, legislative support, forum and article library. The website also gained considerable momentum, registering 250,000 visitors by the close of the project in September, 2011.

In the spring of 2003, CIPE and RCCI launched the *ReACT* website, which was initially located at www.react.ru. The *ReACT* site was structured as follows:

- News – news and events of the Project;
- About Project – description of the Project and its workplan;
- Partners – information on USAID, CIPE, RCCI and OPORA, as well as information on the Project's staff and their contact information;
- Project Participants – Information on the regions, regional business associations – members of coalitions, contact information of coalition coordinators and main clauses of Regional Business Agendas;
- Legislative Support – federal laws and regulations related to small business, information on law making activities of business associations and chambers of commerce and industry;
- Training sessions – information on purposes and topics and on CIPE's trainers;
- Library – articles on international SME policy advocacy and surveys conducted as part of the Project;
- Forum – a basis for CIPE's Virtual Business Association, which was developed with separate funding from the National Endowment for Democracy. CIPE and RCCI plan to register and keep contact information of visitors, it is also planned to be a resource for the

exchange of ideas and promotion of best practices. During the initial stage of *REACT*'s existence, information on SME advocacy success stories of business associations are posted here.

CIPE and RCCI continuously worked together to compile useful materials to encourage business association and chamber representatives from throughout Russia to frequently visit the site. . From April 2002 to March 2003, CIPE and RCCI considerably improved the design and content of *REACT* during the Project period, adding two new sections to the site:

- “Exchange of Experience.”
 - CIPE and RCCI compiled international and Russian case studies on advocacy best practices and activities related to SME development and support for this section.

- Virtual Business Association.
 - Under separate non-USAID funding, CIPE also developed a Russian-language Virtual Business Association (VBA)¹, an on-line resource of valuable information for leaders and employees of associations, chambers, and other non-governmental organizations. The Russian VBA was modeled after CIPE’s award-winning English-language VBA, but its content tailored to the Russian context. The Russian VBA was fully integrated into the *REACT* site in February 2004.

Other updates were also made to the following sections:

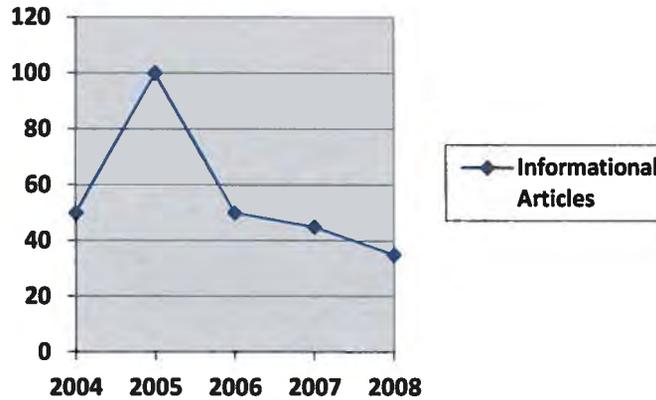
- The “Project Participants” section was supplemented with information about regional business associations of the Primorsk, Irkutsk and Khabarovsk regions. This section lists the members of these three coalitions, contact information of coalition coordinators, and the priorities as preliminarily developed in their Regional Business Agenda documents.

- The “Legislative Support” section includes updated information on advocacy activities of business associations and chambers of commerce and industry.

- “Training Sessions” section was updated with information on the purposes and topics of the Khabarovsk training session and on CIPE's trainers;

- The “Library” section has new articles on international SME policy advocacy efforts.

From 2003 to 2008, CIPE and RCCI continued compiling international and Russian case studies on advocacy best practices and activities related to SME development, creating a section on “International Experience.” Over the course of time, articles continued to be published and made available to all visitors.

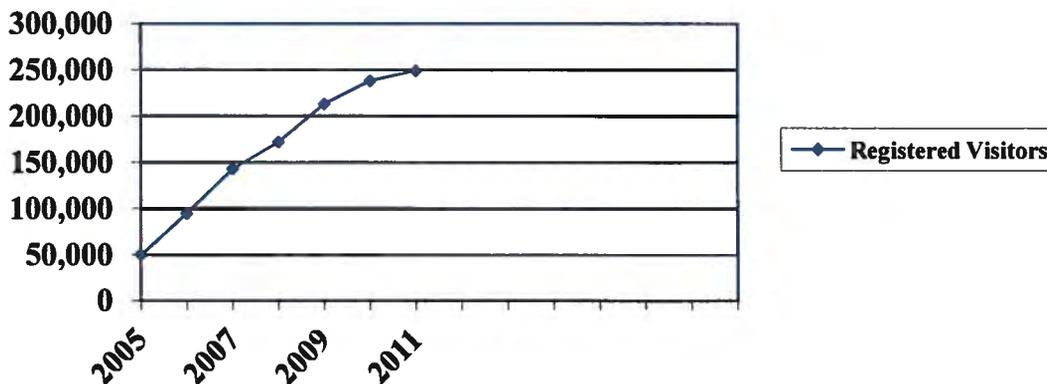


The REACT site reconstructed and re-launched to facilitate the process of updating information and to make navigation easier from April 2009 to March 2010. CIPE and OPORA introduced additional content to the site. In addition, CIPE also launched a new version of its Russian-language website, www.CIPE-Eurasia.org (or www.CIPE.ru), which also facilitates communication among partners.

In early 2011, the website was further restructured to simplify navigation and to contain more concise and targeted information to allow visitors to find resources more easily. The updated website as it exists now at the close of the USAID SME project includes more concise and targeted information with a better organization system. The website is now supported by the Saratov CCI and is a sustainable product of the Project.

The following chart shows the cumulative number of visitors to the site.

Increased Usage of REACT Website



International Institute for the Management of Business Associations

In 2004, CIPE began developing a certification program for not-for-profit membership organizations called the International Institute for Management of Business Associations (IIMBA). This program is based on the United States Chamber of Commerce's Institute of Management program and serves as a voluntary continuing education and certification program for chamber and association professionals and other not-for-profit membership organizations. IIMBA has grown into a unique professional organization that offers education, training and consulting services. Within the comprehensive program, participants engage in classroom instruction, develop strong ties with professional colleagues, and strengthen their skills through professional development opportunities outside the classroom.

IIMBA was founded as a non-commercial partnership founded by CIPE and the Russian Chamber of Commerce and Industry. The IIMBA certificate program consists of a four-part course of study designed by experts in chamber, association, and non-profit management to offer well-rounded management and leadership training for professionals. The program consists of four one-week sessions that take place once a year over a two-year period. The program also includes specific training programs designed and tailored by request from organizations as in-house training courses.

I. Development of IIMBA with USAID

From April to September 2004, CIPE began developing the organization that became IIMBA. CIPE presented a concept and a draft of the IIMBA curriculum to the May 2004 conference of participants who considered the concept a valuable educational and training tool to help chamber, association and non-profit leaders, and professionals strengthen their skills through professional development opportunities. The IIMBA program began and still exists as a voluntary continuing education and certification program. In 2004, CIPE selected four Russian trainers for the initial program: Alexander Raevsky

(CIPE), Nataliya Titova (CIPE), Igor Zharinov (Novorossiysk Chamber of Commerce and Industry), and Lyudmila Karelina (Northwest Association of Banks, St. Petersburg). In 2005, Yulia Rostovikova (Novorossiysk Chamber of Commerce and Industry) was added as an IIMBA trainer.

The five selected trainers developed course curriculums for the first pilot training session that took place in Sochi in November 2005. This training session included modules on the role of Chambers of Commerce and Business Associations in Civil Society, Business Associations Boards and Committees, Leadership of a Business Association, Business Association's Public Relations, Development of Targeted PR Materials and Publications, Membership Development, Marketing Strategies of a Business Association, Public Policy, and Advocacy Overview. Prior to the training seminar, CIPE staff reviewed several Russia-specific slide presentations prepared by IIMBA trainers. In the summer of 2005, CIPE Moscow staff and CIPE's Program Officer for Russia attended the U.S. Chamber of Commerce's Institute of Organizational Management training in Colorado Springs. The purpose of the training was to learn first-hand about the U.S. Chamber of Commerce's Institute program and explore which facets of the Institute model would work in Russia. Through 2006, another training session took place. CIPE invited representatives from the four remaining regions of Round Two to the training seminar. The description of IIMBA under the SME Policy Advocacy program is as follows:

Participants will learn how to plan initiatives for the maintenance and growth of an organization; ways to improve volunteer and staff management; innovative member service programs and ideas; programs and services to generate non-dues income; and techniques for strong decision-making.

Training instructors are experienced as association executives with proven organizational expertise; their real-life experiences enhance the curriculum provided by the IIMBA. Many of these instructors also have led advocacy initiatives. For this program, IIMBA will use United States, Central European and Russian instructors who bring invaluable lessons from differing perspectives. The IIMBA training program is designed for Russian-speaking members of business communities who represent chambers of commerce and industry, business associations, nonprofit organizations, business corporations that provide services to businesses, regional and local departments for business support, as well as potential executives and staff members.

The IIMBA curriculum is designed by experts in chamber, association, and nonprofit management to offer well-rounded management and leadership training for nonprofit

professionals. A number of core courses address the topics most essential to nonprofit management. Further, the classes are designed specifically for adult learners. Seating is limited to a maximum of 35 participants to ensure interaction and discussion. Participants are encouraged to bring materials and examples from their organizations to enhance the learning experience.

Upon successful completion of the program, participants received a Certificate of Chamber/Association Executive, and they are included in the Register of Certified Chamber/Association Executives, which is maintained by RCCI. The enrollment fee includes tuition, materials, scheduled meals, breaks, and receptions. Participants are responsible for transportation, housing, meals, and incidental expenses. RCCI and other business associations are encouraged to offer their members full or partial reimbursement of the expenses.

The IIMBA focuses on defining the roles of chief executive officers, the general management of organizations, corporate social responsibility, public relations/communications, as well as final evaluations of community impact.

The Chamber/Association Professional will challenge common myths about chamber/association work, learn the distinction between a job, a career, and a profession, and discover the motivations of those who work in the Chamber/Association field, investigate how power relations within and outside your organization have an effect and are impacted by the work that you do, and discuss how you can set a personal development path to develop greater personal influence and organizational effectiveness

The challenge that IIMBA addresses is the challenge to understand the differences between management and leading. From this challenge, the trainings focus on how to learn how to assess follower motives, satisfy their needs, and treat them as full human beings. In order to do this, IIMBA helps participants to identify personal leadership styles and learn to recognize as well as interact with other leadership styles. In learning to manage ourselves and lead others, the IIMBA focuses on learning the key dimensions of the self that impact interpersonal relations and leadership ability.

II. Advocacy Impact

Based on discussions with representatives of chambers of commerce, business associations, and coalitions of business associations across Russia, CIPE Moscow and the RCCI identified one of the core issues that has hampered the development of these organizations: limited access to tailored knowledge, training, and education. CIPE had benefited from its relationship with the RCCI to establish a certification program for chamber and association professionals. After two years of success with IIMBA under the SME Policy Advocacy Program, CIPE decided to further develop the program through the International Institute of Management (IIOM), also modeled after the U.S. Chamber of Commerce's Institute for Organization Management. When starting the IIOM training program, chamber executives believed that advocacy should only occur at the national level, but CIPE witnessed many cases of effective chamber advocacy on the regional level through its SME Advocacy Program in 17 Russian regions. Knowing this, CIPE moved forward with to support the creation of the IIOM in St. Petersburg with funding from the National Endowment for Democracy (NED).

The NED-funded “Building Capacities and Professional Skills – Creating an International Institute for Organization Management” program began in 2006. The program, a training and education institute brought together a network of qualified trainers and focused on strengthening business associations and increasing access to information through the “Building Capacities and Professional Skills” program. Through this 2006 project, an advisory board, officially the Council of Founders, was founded to advise on strategies, project structure, and other issues. CIPE Washington and Moscow staff worked with RCCI staff to develop curriculum for training seminars based on CIPE modules developed under other chamber and association training programs. In 2006, CIPE developed regulations and materials for a Unified System for Certification of Business Association Leaders and Personnel for the IIOM. This system will certify graduates of the program, thereby establishing the legitimacy of association and chamber management as a profession, and setting standards for the industry. Eventually, certified graduates of the program will have their names listed on an internet database, which will serve as a tool for recruiters and will generate greater incentive for professionals to attend and complete the program.

The certification system helps the IIOM to build sustainability by establishing the institution as the recognized leader in training association professionals, and thus, as the institution where such professionals will be prepared to study on a fee-paying basis. Soon after, the IIOM developed its Bylaws and Bylaws for its branches, to include: a Charter; registration documents; licensing documents; job descriptions for IIOM branch leaders and personnel; and a model agreement

between IOM and its branches. These documents built IOM's institutional strength, giving the organization a recognized set of operating procedures, improving its management, and helping to ensure sustainability after donor funding expires. Finally, by developing a Marketing Strategy and Sustainability model, including: strategic plans for achieving sustainability; a long-term budget; income-generating services; and a fundraising strategy, the IOM has taken concrete steps toward ensuring its future viability. In June 2007, the IOM was officially registered.

In the report covering the eighteenth and final period, CIPE noted the following:

By the end of this project, IIMBA had enrolled 1,840 paying students, including those who took part in webinars. The training sessions stressed using advocacy skills as a means of better representing the interests of small- and medium-sized businesses in the participants' home regions. This approach is aimed at building the capacity of regional chambers and business associations to take an active role in Russia's democratic processes. Simultaneously, IIMBA trained other, paying participants in business association management and certificate programs. By the end of the project's term, IIMBA's operating costs were covered by fees paid by participants or by the participants' organizations.

The IIMBA's program is unique in Russia in that it offers training that ultimately expands the capacity of chambers and associations. The training program helps the leaders and managers of chambers and associations to grow their organizations and advocate more effectively and credibly for policy goals that benefit SMEs, expanding the role of business leaders in the policymaking process. Among NGOs in Russia, IIMBA is also unusual in its high potential for achieving long-term financial self sufficiency, something accomplished by charging fees for services. This financial autonomy, achieved during the worldwide financial crisis, is a sign of the strong demand for the two programs' services. This demand, in turn, is a sign of the effectiveness of such advocacy skills in the context of democratic development in the sphere of SME concerns over specific policies.

CIPE staff monitored participants' post-graduation achievements to assess the project's long-term effect. A significant number of participants reported being promoted within their chambers and associations, as well as an increase in their organizations' membership. For example, a 2010 IIMBA survey of graduates, both in the CIPE-funded program and others run by IIMBA, showed 16 of the graduates' reported that their organizations had obtained federal Ministry of Justice accreditation.

As of September 2011, 57 business leaders had passed the comprehensive certificate program, "Management of CCIs." A register of certified professionals is available online at <http://www.iimba.ru>. By 2013, a total of 147 people are scheduled to complete the certificate program. Additionally, 650 business association executives passed other advanced training courses on membership development. Furthermore, 60 participants passed advanced training courses at the International Institute of Organizational Management in St. Petersburg.

Finally, the impact of IIMBA's work is being realized elsewhere in the Russian speaking world. This has been accomplished both through the enrollment by students from Belarus, Kyrgyzstan and Ukraine in the programs, and also by the degree to which instructors from the program are in demand to share their expertise outside Russia.

LIST OF PUBLICATIONS

- Russia Anti-Corruption Diagnostics: Sociological Analysis, 2001 – A World Bank-funded academic analysis of the types of corruption extant in Russia from a sociological point of view. The results are based on surveys of both business people and ordinary citizens.
- You've Got an Inspection, 2006 – A heavily illustrated, wittily written 55-page 'comic book' guide to how to cope with venal inspectors and police.
- Business Without Corruption: An Action Guide, 2007 – A concise, practical guide for business owners on how to cope with corruption. It features legal advice on dealing with bureaucrats and how to use collective action to bring about change. The prose is broken up with brief case studies.
- Russia Case Study, 2008 – A look at the evolution and accomplishments of the 17 Russian business coalitions that have been supported by a CIPE-administered USAID grant from 2002 to 2008. The case study offers specific examples to illustrate the coalitions' effectiveness in spheres ranging from tax reform to reducing the information gap.
- Russia-U.S. Joint Working Group on Investment and Institutional Integrity, 2010 – A group of a dozen U.S. and Russian business people, reformers and academics make recommendations on what can be done domestically and internationally to push forward President Medvedev's anti-corruption drive.
- Saratov Methodology, 2010 – A tool for monitoring laws' effectiveness and implementation in spheres connected to government's provision of services to businesses. It includes recommendations from business leaders in eight regions as well as the results of a survey of 450 business people and legal experts.
- Unpublished Research Paper, Ivan Perfilyev, 2010 – Based on research conducted in Moscow over the summer, CIPE intern Ivan Perfilyev has produced a description and analysis of the coalitions of business associations operating in 17 Russian regions. His research documents and examines the roots of some coalitions' failures, something not found elsewhere.
- Торгово-промышленная палата чеченской республики, г. Грозный, 2011 г. (Trade-Industry Platform of the Chechen Republic) - Защита прав и представление интересов малого и среднего бизнеса в органах государственной власти Чеченской Республики
- Диагностика российской коррупции: Социологический анализ (Russia Anti-Corruption Diagnostics: Sociological Analysis). Москва, 2004 г. Москва, 2004 г.
- Материалы конференции: совершенствование правового регулирования в целях снижения уровня коррупции: экспертный вклад делового сообщества. Москва, 2010.
- Методика проведения экспертизы нормативных правовых актов на коррупциогенность. 11 ноября 2008 г.
- Конференция "Улучшение делового климата путем представления и защиты интересов малого и среднего бизнеса." Москва, 2011

Strengthening Local Democracy in Russia: The Case for Business Associations. Economic Reform Case Study. No. 0505. September 7, 2005



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