

she will serve as the sole staff person for the Volkhov Business Association. The Association and the Incubator will co-sponsor the credit union.

Similar stories could be told about a majority of the Incubator tenants and many of the leasing clients. This business network continues to grow through the initiative of an alert staff and the now self-perpetuating efforts of the clients.

The Incubator overall Contract final objectives include the following goals

- The creation of a financially sustainable small business Incubator that provides space, business consultation and office services at any one time to at least 10 - 15 newly created or newly expanded businesses
- 60% of the businesses will be managed or owned by women
- The development of credit mechanisms to provide at least 15 loans of \$100,000 and leases for about \$400,000
- The establishment of an educational institution that prepares 1,700 local people to open and operate small and medium businesses in the region
- The development of a team of trained small business consultants
- The phasing out of ex-pat involvement, and the transfer of the Incubator to Russian management and governance
- The development of a fully tested methodology for establishing a small business Incubator to foster new business in a provincial town

The total estimated cost to accomplish these objectives was \$3,993,000

Objective 1 Small business Incubator: Create an economically self-sufficient small business incubator that provides space, business consultation and offices services at any one time to at least 10 - 16 newly created or newly expanded businesses by October 1998.

Expected Results

Small business in Russia faces many hurdles, which cause bankruptcy within the first year. These include difficulties locating suitable office or production space, insufficient business knowledge, a lack of credit mechanisms affordable for small business and difficulties with the local Mafia. The Volkhov Incubator will support small business by providing solutions to these obstacles. Office space, business services, consultation, secretarial services, 24-hour security and a credit program will be available to Volkhov Incubator tenants.

The Incubator is designed to last well beyond the duration of the USAID grant. The USAID grant was awarded to set up operations of the Incubator in Volkhov. It will then be the responsibility of the Incubator through earned income, grants, and Russian government subsidies to become self-sufficient.

Final Results

The Volkhov Business Incubator has fulfilled its targeted goal to create an economically self-sufficient business incubator that provides 10 - 15 small businesses

office space, consultation, and business services

The business incubator

The Volkhov International Business Incubator (hereafter referred to as the Incubators) was founded in 1995 by the city of Volkhov and by the Alliance of American and Russian Women (AARW) to support the development of small businesses in the Volkhov region, with a particular emphasis on women-led businesses. The incubator, located in an 1800 square meter building, offers secure office and production space for rent, business training, computer training, office services, business consultation, a program for women's empowerment in business, access to credit for qualified small business, plus a wide network of commercial, non-profit, and political contacts among Russian and international agencies and organizations.

The Incubator is registered as a Russian educational foundation. It has received licenses to conduct business training from the Leningrad oblast Ministry of Education, as well as the Federal Ministry of Education in Moscow. The former certifies Incubator business training in the oblast, while the latter certifies training throughout the Federation. The Incubator was also the first nonprofit organization in the entire Russian Federation to be granted a leasing license from the Ministry of Economics in Moscow, as well as the first organization of any kind in the Leningrad oblast to receive a leasing license. In 1998, the Incubator received another license from the oblast ministry to conduct professional accounting/bookkeeping training through computers.

The Incubator is located in an 1800 square meter building, contributed rent-free by the city of Volkhov. It is managed by a Russian staff and overseen by an independent Board of Trustees. The Board consists of senior incubator staff, local entrepreneurs, representatives of two St. Petersburg financial institutions, and two representatives of the Alliance of American and Russian Women. The Mayor attends Board of Trustees meetings without the right to vote.

Through the Leasing Program 60 new businesses were established, creating 190 new jobs. It sustained an additional 70 businesses and 260 new jobs.

Tenants

# Tenants	11
% start-ups	45%
% expanding businesses	55%
# Employed by tenants	58 people
Tenants' combined annual sales	3,580,000 rubles
\$ value of loans/leases received by 3 tenants	\$61,500
# hours of consultation received from the incubator	1184

The business incubator manager's first task was to attract and support tenants and then work with them to create profitable businesses and to sustain jobs. The incubator has established a rigorous policy of recruiting tenants through a process of analyzing clients' business plans, financial credentials and personal character. The Incubator accepted its first tenant in 1996. Natalya Zakharova opened a small cafe "Liza" which was ultimately forced out of business by the new cash register legislation. Soon after, a mini-bakery "Kentavr" moved in. It is worth describing this business in more detail, because it is illustrative of other tenant

businesses Kentavr was a business, run by three men, which had gone bankrupt in a previous location Liana Kozlova, the wife of a previous owner, took it over because of her experience in retail trade She sold her apartment and car to raise capital for the business, and worked with the Incubator staff business consultants to develop a business plan and locate suitable equipment The Incubator redesigned space for Kentavr and helped solve other problems, including identifying a source for raw materials at reasonable prices and flour storage space The bakery now employs 15 people, works two shifts, has expanded its product line, and sells wholesale and retail In 1997 it opened a second bakery in a neighboring town The Incubator leased equipment for the subsidiary also Kentavr is now a stable small business in Volkhov, providing jobs and tax revenues

By the end of 1997 the Incubator had reached its goal to provide space and office services to at least ten tenants a knitwear manufacturer, bakery, home appliance repair shop, mushroom manufacturer, print shop, real estate and automobile appraisal bureau, Delta Telecom, an interior design and home remodeling business, an accounting and auditing firm, an advertising and display firm, and a car alarm systems installation service In 1998, two additional tenants joined the incubator a garment manufacturer and tailor, and a branch of St Petersburg 90, a firm providing sales and service of cash registers and scales 60% of the tenants are women led businesses

The Incubator provides tenants with a full catalogue of services, including 24 hour security, secretarial and telephone services, free business consultation and a 20-50% discount on training and office services The Incubator advertises for the tenant businesses, represents them and helps them participate in trade fairs to showcase their products

Tenant interaction

At first, the tenants operated as separate entities and were resistant to group activities Regular tenant meetings were instituted in 1998, as a direct result of the Incubator staff experiences at the NBIA convention in the US The monthly meetings have strengthened interaction and cooperation among the tenants, one of the Incubator's original objectives Tenants now share expertise, refer clients to one another and exchange services to increase their individual and collective revenues One example of this is the following At a monthly meeting, tenants agreed the Incubator required more exterior signage They raised funds among themselves and have installed the signage on the front of the building They all participate in frequent business presentation to visitors, in seminars and training programs, exhibitions and trade fairs, and holiday festivities The tenants are also active participants in the Noncommercial Partnership, a local small business association which they helped to establish

Towards the end of 1998, tenant annual contracts were revised to include substantial rent increases and a sliding scale of rents, increasing each year over three years to market rates Several tenants requested a reduction in square meters of leased space as a result of the economic crisis, but an additional tenant moved in and three others are in the pipeline

Three tenants have graduated out of the building, in keeping with Incubator Policy Two of these are operating successfully in the city

Office Services

The Incubator was the first institution in Volkhov to offer access to copying machines, faxes,

and other office services. One of the Incubator employees was trained to manage the office services department. In 1995, the Incubator launched its office services department by offering telephone service to the tenants. Products were expanded in 1996 to include copying, faxing, and computer facilities. The department became a means by which to draw the community into the incubator. The department now offers graphic design, desktop publishing, logo/trademark design, transparencies, design and printing of business and accounting forms, Codex legal database, payment orders, price tag design, lamination, scanning, and electronic mail with discounts for school children and teachers. **Over 4400 clients have purchased offices services**

Financial Sustainability

Financial sustainability is difficult to forecast as of this writing, because of current financial and economic developments in Russia. Like other private institutions in Russia, the Incubator has had to cut expenses drastically to live within its means. The Incubator has always operated at a bare bones level, The only fungible area is staffing. The staff has agreed to salary cuts of up to 80% in dollars (60% in rubles), and three people have been let go (driver, maintenance personnel).

The Incubator will not engage in deficit spending. The 1999 budget anticipates expenditures of approximately \$7,000 a month, compared to \$18,000-\$20,000 a month in 1997-98.

Incubator earned income in 1999 will be derived approximately 54% from interest payments on leases, 12% from tenants rental payments, 8% from training and 2% from office services. An IREX grant will contribute 25% of Incubator revenues in 1999. **Thus, the Incubator is 75% financially self-sustainable**

Nevertheless, original expectations for sustainability in three years were overly optimistic. It should be noted that less than 80 percent of the incubators in the US are financially self-sustaining. Sustainability for micro-credit programs in other parts of the world requires capital in excess of \$3 million.

The key to sustainability of the Volkhov incubator will be an increase in its capital pool for leasing. The first step toward this end will be to implement the TUSRIF agreement. In subsequent years, additional funds will need to be raised to establish a several million dollar leasing capital pool. Meanwhile, the Incubator is establishing a national and international reputation for consultation and training, which is expected to yield additional revenues. While local government is not able to provide any additional capital for the incubator, it has provided the Incubator a number of tax exemptions for 1999 including property tax, road tax, land tax, etc.

Incubator Earned Income, 1998 Showing Effect of Economic Crisis

Category	Average exchange rate 12.5			
	First 9 Months of 1998		1998	
	Rubles	US\$	Rubles	US\$
Income	998,340	\$ 124,793	1,389,752	\$ 111,180
Expense	409,546	\$ 51,193	808,662	\$ 64,693
Net Income Before Tax	588,794	\$ 73,599	581,090	\$ 46,487
Profit Tax	175,605	\$ 21,950	212,755	\$ 17,020

Property Tax	30 094	\$ 3,762	32,975	\$ 2,638
VAT				
Road Tax	32,930	\$ 4,116	29,826	\$ 2,386
Land Tax	855	\$ 107	2,130	\$ 170
Net Income	349,310	\$ 43 664	303,404	\$ 24 273

Objective 2. Empowerment of women in business By October 1998, at least 60% of the business incubator tenants will be businesses managed or owned by women and at least 40% of the business incubator lending/leasing clients will be women owned/managed businesses.

The majority of Incubator seminar attendees are women, however, women do not represent the majority of Incubator tenant and credit applications. As a result, the Incubator has decided to make special efforts to encourage women in the transition from classroom to entrepreneurship. These include women's empowerment classes to help women re-evaluate themselves and their abilities and a women's entrepreneurship program that specifically deals with the internal barriers which impede women from starting a business. The optimal result should be a more equal number of men and women applying to the Incubator for tenancy and credit.

Final Results

The Volkhov Incubator has fulfilled its goal to support women's business in the Volkhov region. It is the first and only institution in the region to focus on women-led businesses, to offer a women's business empowerment program, to encourage and support women to start and manage businesses and to offer credit and leasing to women entrepreneurs.

Women's Business Support Program

The Incubator was founded by the AARW and one of Russia's few women mayors with the objective of making a special effort to work with women entrepreneurs. This was advertised publicly from the beginning, and the staff has adhered to this objective with great success. **Today, a majority of Incubator tenants and over half of the dollars outstanding to leasing clients have gone to women-led businesses.**

In the first year of operation, the Incubator noticed that women constituted 80 percent of the participants in Incubator training programs, but only 20 percent of business clients. It became clear early on that the Incubator would not meet its stated goal of having more than 60 percent of its clients be women-led businesses unless the Incubator took special measures to support and encourage potential women entrepreneurs.

Early in 1996, the Incubator developed a training program unique to the region to help women gain the realization, self confidence and mutual support to successfully start a small business. The Women's Business Support Program starts with a ten week seminar, which gives women an opportunity to explore their inner barriers, business dreams and ideas, and provides basic business skills. The course is led by Incubator staff and local experts. The participants are required to do a great deal of work outside class, report back at each session, and critique and support each others' efforts. The program is repeated twice a year and the

graduates have formed an alumnae organization which meets several times a year at the Incubator. Graduates go on to other Incubator courses to learn more financial and management know-how.

Over the past three years, six seminars have been conducted, with 57 participants. Twenty-two businesses and 56 jobs were created. One of the businesses is a successful Incubator tenant.

Outreach for women entrepreneurs

In June 1998, the Incubator and the city of Volkhov co-sponsored a major conference for women entrepreneurs. As a result of their experience in participating in USAID-sponsored meetings, the staff conceived, organized and managed the conference. Over 100 women attended and speakers came from Moscow, St. Petersburg, oblast and city governments and the USA. The conference resulted in a series of resolutions presented to the local and oblast administrations demanding that more women be appointed to higher government positions, that a concrete mechanism to provide financing to small business be devised, and that measures be undertaken to protect entrepreneurs from criminal elements. It raised the profile of business and professional women in the Volkhov area and received extensive press coverage in the region and in St. Petersburg.

Objective 3. Improving access to credit and finance. The Volkhov Incubator will develop credit mechanisms that increase the accessibility to credit for qualified small business candidates in the Volkhov region.

Expected results

The Volkhov Incubator will provide an additional credit mechanism for those businesses that wish to finance equipment through leases. No leasing companies have opened in the Leningrad oblast, therefore, the Volkhov Incubator will occupy a unique niche in the market. Through the introduction of this program, businesses will be able to expand faster and become more sustainable enterprises.

Final Results

The Volkhov Incubator has fulfilled its goal of providing access to credit to small businesses in the Volkhov region. The Volkhov Incubator set up four loan/lease products to meet the market demand for capital in the Volkhov region.

Equipment leasing

When USAID released the RFA in 1994, it encouraged incubators to incorporate equipment leasing as a step toward sustainability. This was at a time when small business leasing was unknown in Russia. In August 1996, after a year of research and planning, the Incubator launched its equipment lease-financing program, targeting light manufacturing, services and agricultural enterprises in the Volkhov region. The new program offered qualified, registered small businesses and sole proprietors two-year capital leases, up to \$25,000 (recently raised to \$60,000), at a 50% annual ruble interest rate (recently raised to 60 - 90%), with 12.5% of the purchase price as a down payment and a requirement that the equipment be covered by insurance in the name of the Incubator. At the end of two years,

assuming all the lease requirements had been met, the lessee received title to the equipment. The lease application process includes a complete business plan, on-site visits by the Incubator staff, and approval by a credit committee consisting of senior staff and the co-chairs of the Board of Trustees. For select clients, the incubator developed an extremely popular arrangement -- the lease buy-back agreement. In a lease buy-back, the Incubator may purchase title to the clients building, equipment, or transport to provide working capital. The client then repurchases the equipment overtime as with a regular lease.

The Incubator pioneered in obtaining a leasing license from the Russian Federation Ministry of Economics. **In April 1997, the Volkhov Incubator became the first organization in the Leningrad Oblast and the only nonprofit organization in Russia to be awarded such a license. The Incubator remains the only organization in the oblast to offer leases to small businesses. The Incubator has also successfully lobbied for a reduction in the taxes levied on lessors and lessees of vehicles. The reduction of this tax from 20% to 2% has opened up a promising avenue for leasing vehicles.**

Under an agreement signed in April 1997, The US-Russia Investment Fund (TUSRIF) agreed to invest \$250,000 in the Incubator leasing program, by making funds available in \$50,000 tranches through Baltusky Bank at 4% interest in \$U S. Unfortunately, TUSRIF has not yet implemented this agreement-- first, because of a disagreement re the default of a jointly-guaranteed loan to an Incubator client, and secondly, because of the financial crisis.

Equipment Leasing Program (launched September 1996)

Leases approved to date	44
Dollar amount approved to date	\$410,000
Average lease size	\$10,000
Maximum dollar amount	\$29,492
Interest	66% (rubles)
Leases Repaid	5 leases, 6% of total
Clients current in payments	36 clients, 90% of total
Clients more than 45 days past due	2 clients, 4% of total
Defaults	1
Jobs created	310
Women leaseholders	45% of total

VBI Leasing Clients by Gender

Activity	Number of Leases			Revenue to Incubator		
	Total	Women-led Businesses	Women-led as % of Total	Total \$US	Women-led Businesses	Women-led as % of Total
Agriculture	6	2	5%	\$44,723	\$8,138	2%
Production	4	4	9	37,514	37,514	9
Services	13	6	14	182,156	142,856	32
Trade	21	9	20	176,213	45,525	10
TOTAL	44	21	48%	\$440,606	\$234,033	53%

VBI Tenants, Loan and Leasing Clients by Business and Gender

Activity	Number of Enterprises	Percent of Total	Percent of Women Managers	Percent of Women Workers
Agriculture	6	11%	33%	50%
Production	8	14.5	100	95
Food	4	6.8	100	90
Clothing	3	5.2	100	100
Other	1	1.7	100	50
Services	23	40	54.5	38
Photo lab	3	5.2	100	60
Hairdresser	1	1.7	100	100
Car repair	3	5.2	30	5
Other	16	27.5	66.7	30
Trade	21	36.2	42	90
TOTAL	58	100%	64%	70%

Micro-Loan Program

Credit is not available to small business in Russia, especially start-ups. The Incubator set aside \$100,000 for this purpose. Without a banking license, the Incubator could make loans directly, so it established a relationship with Baltiysky Bank for this purpose. Loans were made up to a maximum of \$10,000, at an 18% annual interest rate in dollars, over two years, payable in quarterly installments. Registered small businesses and sole proprietors were required to have an acceptable business plan, adequate collateral and an account at Baltiysky Bank. The application process included consultation with staff, site visits and credit committee approval.

The Incubator assumed the financial risk of the loan and was required to place on deposit with the bank sufficient funds to cover the principal, interest and bank fees. The credit program was terminated by mid-1998, because assuming all the risk while sharing the profit with the bank did not produce sufficient revenue for the Incubator.

Loan Program (terminated 1998)

# of loans issued	17
Dollar amount of loans issued	\$112,900
Maximum dollar amount	\$10,000
Interest	18%

Final Results

The Volkhov Incubator consulted with 2,749 individuals and companies during the life of project 1,115 or 41 percent consultations were women-led businesses (cf 1300 planned) The Volkhov Incubator expended 2,607 hours of consulting with these clients The Volkhov Incubator in-house consulting team provided these hours of consulting

Initial Incubator Training

The Incubator is the staff. Maintaining their high level of motivation and increasing their skill set is essential to the Incubator's future sustainability. The incubator staff was first trained by June Lavelle and her Polish partner Krzysztof Zasiadly. The Incubator invited the CCI and OI Incubators to participate in this training which was funded by the Eurasia Foundation. June Lavelle is a nuts and bolts person with 14 years of experience running a large inner city incubator in Chicago and oversight of 35 nascent incubators in Poland.

The training accomplished all its objectives. In order to achieve sustainability, the trainers emphasized the importance of cash flow management, including accrual accounting, cash accounting, basic cash flow formats, forecasting, comparison of forecasted and actual expenses, collection, disbursements, and cost-benefit analysis. Following the training there was a visible increase in cooperative efforts among the participants from the three incubators, which has continued to the present day.

Ongoing Training

Staff have been encouraged to avail themselves of as many useful training opportunities as possible. This is considered particularly important for staff in a remote provincial city. They have attended courses in micro-credit, small business lending, credit analysis and loan management, asset management, customer service, incubator management, land privatization, market research, communication, how to organize a women's support group, leasing and new tax laws.

The CFO spent three weeks in the Minnesota studying a Farm Loan Training program, and the staff business consultant was selected to attend an Entrepreneurship Education Conference in Slovenia, sponsored by the World Bank.

In the spring of 1997, the General Director and future Executive Director attended the National Business Incubator Association (NBIA) Convention in Milwaukee and visited entrepreneurs, small businesses, banks and leasing organizations in five states.

A testament to the quality of staff and of staff training was that after one and a half years the chief bookkeeper, was appointed by the Mayor as Director of the Municipal Transport System. The Administrator was promoted to Executive Director. She is now second to the General Director and fully in charge of the Incubator in his absence.

Consulting with Clients

The Incubator establishes long-term, nurturing relationships with most of its clients, which distinguishes it from a number of other micro-credit programs. This is a time-consuming but worthwhile activity when dealing with small, provincial businesses, especially start-ups. The Incubator has trained several members of the staff to operate as in-house business consultants to advise clients on business planning and on financial management of their

businesses One staff member is always designated to function both as the in-house consultant and as the financial trainer in the education program

Initially, consulting services were granted free of charge and consisted chiefly of business plan preparation and financial management More recently, the Incubator has instituted fees for consulting services, and additional services have been added such as market research and analysis, analysis of marketing strategies, development and analysis of marketing questionnaires, and financial analysis of enterprises

Objective 6. Building an institutional environment supportive of private business Through a voluntary business association: At least one independent, voluntary business association will be formed to represent small business in the Volkhov region.

Expected results

The legal and tax infrastructures of the city of Volkhov are major barriers to the development of small and medium-sized businesses in Volkhov A viable local economy would require changes to these legal and tax infrastructures A primary objective of a business association is to lobby for reform in this area

Final Results

The Incubator played a leading role in the establishment of the first independent non-profit organization in Volkhov, the "Non Commercial Partnership " The Partnership was formed to bring together small business leaders for purposes of information sharing, networking and mutual support, as well as lobbying and representation of their interests to city hall and the oblast The Partnership is a registered organization, has its own officers and bylaws, **over fifty members** and meets monthly at the Incubator Members are seeking funding for the staff, who are currently operating in a volunteer capacity

In the third quarter of 1997, the Partnership, the Incubator and the city's Small Business Department of City Hall conducted a two day roundtable with government officials, local banks, and regulatory agencies to improve relations with small businesses **Fifty-seven entrepreneurs participated in the first Public event sponsored by the Small Business Association and modeled sifter a similar program presented by the Incubator in 1996** The event offered entrepreneurs the chance to ask questions in a non-confrontational atmosphere and allowed government agencies and financial organs the ability to explain their programs and perspectives on small business This is now an annual event

The Volkhov Incubator is also involved in lobbying at a regional level to support small business Current projects include

- Negotiations with the oblast government for a reduction of income, property and road taxes for small businesses
- Training oblast business center representatives to work with small businesses
- Training for regional and oblast government representatives in managing small business incubators and leasing programs

The Incubator has also brought about marked improvements in government support for small

business The Incubator helped create oblast laws in the areas of

- Support for small business entrepreneurs in the Leningrad Oblast
- A tax system small business entrepreneurs
- Credit unions
- Folk art trades

Objective 7. Transfer of incubator to Russian management: Put in place governance and management structure to transition the incubator into the post-USAID funding period.

Expected results

- Recruit, hire and train a Russian General Director to replace the American General Director of the Volkhov Incubator by August 1997
- Create an active, supportive Board of Directors to govern the incubator
- The Incubator staff will join the AARW as official founders of the Incubator

Final Results

Transfer of the Volkhov Incubator to Russian management proceeded on schedule Igor Gruzdev has taken over leadership of the Incubator and serves as General Director

Staff Recruitment

Recruiting the first resident incubator manager with experience in Russia and in small business, and willing to live and work in Volkhov was critical to the Incubator's success Rachel Freeman met all the criteria A University of Michigan MBA with fluent Russian and three years work experience in Russia, Ms Freeman turned out to be an effective and successful manager, due to her tenacity, enthusiasm, business skills, and the prodigious amount of hard work that she invested in the Incubator

The process of staff recruitment brought the Incubator to the attention of the Volkhov citizenry- It was the first time most of them heard about the Incubator, and it was the first time any of them witnessed a transparent recruiting process Job descriptions were distributed widely and advertised in the local media Candidates were requested to submit resumes, write essays and undergo three levels of interviews

The Mayor had designated as her representative to the Incubator, Valery Vandyshev, director of the Adult Retraining Center He was hired as Deputy Director for Training All the other employees emerged from the transparent recruiting process It was necessary to search as far as St Petersburg to hire a CFO, because the skills required could not be found locally

The second major recruitment effort was to transfer the Incubator to Russian management after the expiration of Ms Freeman's two year contract A search for a Russian General Director was begun early in 1997 and ended in March with the hiring of Igor Gruzdev Mr Gruzdev holds a Master's degree from the Leningrad Mechanical Institute and was previously Chief Economist of the Bank of St Petersburg After four months of working

with Ms Freeman, he took over full management responsibility when Rachel Freeman left in August 1997

Since start-up, there has been minimal staff turnover. The staff continues to be a cohesive and motivated unit. Clients and Russian visitors to the Incubator comment on the unusual teamwork, lack of hierarchy, dedication and responsiveness of all staff members. With the expiration of USAID grant and the advent of the economic crisis, the staff agreed to severe salary cuts. Mr. Gruzdev instituted a system of management by objective, so when the economic situation improves and the Incubator becomes more profitable, there already exists an agreed upon system for compensation increases.

There are currently eight professional staff:

- General Director
- Executive Director, in charge of tenant relations and the women's business support program
- Chief Financial Officer, manages leasing program
- Deputy Director for Training, organizes and manages seminars, coordinates the IREX program
- Chief Accountant
- Deputy Accountant, with special responsibility for credit and leasing program
- Manager of Office Services
- Trainer and Business Consultant

Governance

An Advisory Board, consisting of two city officials, two local entrepreneurs, three Western entrepreneurs from the region and from St. Petersburg, was established in the fall of 1995. However, with the expiration of the USAID grant and a view toward future sustainability, the Incubator established an independent Board of Trustees in 1997. The Board of Trustees, according to its bylaws, meets at least twice a year and has authority to hire and fire the General Director, reviews the budget and the strategic plan of the Incubator, and supports and advises the staff on all matters under its purview.

The only American trustees are the Board's two co-chairs, who founded and supervised the Incubator and are officers of the AARW. Other members include four local entrepreneurs, a bank executive from St. Petersburg, a representative from TUSRIF, St. Petersburg, and senior Incubator staff. The Mayor is a non-voting member. One of the objectives is to ensure that control over the Incubator is not centered only in city hall. The General Director and the co-chairs meet with each trustee at least once a quarter between board meetings to be sure they stay informed on all events in a timely manner and to seek their advice and support on important issues.

It should be noted that the Incubator Board of Trustees is the only independent board in the oblast. Members were initially quite skeptical of the procedures and prospects, but have become active and interested trustees.

Staff Participation in Incubator Governance

The Incubator obtained the Mayor's agreement to an amendment to the Incubator founding documents, adding the Incubator staff as founders. The staff have a large stake in the

Incubator and have made the greatest commitment to achieving its objectives successfully to promote a market economy and support the creation and development of businesses in the region Officially including the staff as founders serves as a precaution to give the staff and the AARW control on fundamental issues The Mayor also acceded to the creation of an independent Board of Trustees where she serves as a non-voting member

Objective 8. Methodology for using a business incubator to foster new business in a provincial town A fully tested methodology for using a business incubator to foster small business in a provincial city will be refined and available by October 1998

Expected results

The Volkhov Incubator was designed as a model Incubator for provincial Russian towns Volkhov is a prototype of a small Russian town that was founded to supply labor to one factory There are many Volkhovs in Russia, most of which face the same hardships as Volkhov The success of the Volkhov Incubator in fostering small business in an environment hostile to business development is a valuable story to tell to similar cities

Final Results

Handbook

The manual, A Model Small Business Incubator, subtitle Prakticheskoe Rukovodstvo, is in its second draft This manual is a practical guide to establishing and running a small business incubator, and covers such issues as how to select space, recruit management, the role of a Board of Directors, financial analysis pricing, fund raising, the role of the local administration, tenant relations, training, business consultation, office services, a leasing program, and a women's business support program An appendix includes sample documents, forms and contracts

The manual has been used and tested by participants in three week-long seminars by participants from ten Russian cities and from ten cities in Belarus The final draft, based on their comments, is under preparation,

Video Component

The only Incubator objective that was not completed according to plan was to have been a video documentary to be shown on Russian television The market economy in general, and incubators in particular, were still very confusing to the average Russian, and this was deemed to be an important way to inform the Russian viewing public

A prize winning TV host and program director from St Petersburg television was selected and did some preliminary shooting in the early days of the Incubator But it soon became clear that the producer, the Incubator and USAID were not in agreement on the approach and the process It became obvious that the producer would not fulfill USAID plans to fit satisfaction, and it was deemed better to terminate the video component early on

National Business Incubator Association

The Incubator took the initiative and played the lead role in establishing the Russian National Incubator Association. The potential of such an association became clear to the Russians during the first incubator staff training in 1995, because June Lavelle was one of the founders of the NBIA and her partner founded the Polish association. The Incubator promoted the initiative during the USAID Sochi conference, and subsequently the Volkhov Incubator, the Zelenograd incubator and the Morozov Project carried it to completion.

Volkhov Business Incubator technology transfer initiatives

The Incubator and AARW were awarded, by IREX and USAID/Moscow, a SPAN grant, to enable the organizations to work together to promote business development in Russia, with particular support for women entrepreneurs. Under this grant, the Incubator has developed and conducted two week-long seminars for 40 representatives from the following cities: Norilsk, Novgorod, Murmansk, Taganrog, Baikalsk, Shadrinsk, Saratov, Pervouralsk, Petrozavodsk, and Ekaterinburg. The seminars will be followed by week-long, on site consultations in the five or six cities having made the most progress toward implementing the seminar objectives. These objectives include establishing small business incubators, leasing programs, and women's business support programs, as well as replicating the Volkhov training program locally with an eye to involving the local administration and local experts.

One of the program objectives is for the participants to stay in touch with each other and with the Volkhov Incubator via Internet. The grant is enabling the Incubator to sign on to electronic mail. The Incubator is in the process of establishing a web site and creating linkages among the participants.

The World Bank Committee of Donor Agencies for Small Enterprise Development invited the Incubator to submit a paper for presentation at its conference in Brazil, March 1999. This paper, entitled "The Role of the Business Incubator as an Economic Development Tool in Provincial Russia: A Case Study", was accepted for publication by the World Bank and for presentation at the conference.

In 1998, the Incubator was recognized as the outstanding model incubator in Russia, by a federation wide competition conducted by the Morozov Project and the National Incubator Association.

Problem Areas and Ways to Address Them

1 Financial Self-Sufficiency

Financial self-sufficiency is a major challenge that the Incubator has had to meet. The Incubator is located in a depressed area of rural Russia. Incubators in the U.S. (where they are viewed as efficient, cost effective generators of profitable businesses and jobs) receive direct and indirect financial support from the federal, state and local governments. Government in Russia at any level is not prepared to offer such support.

It should also be noted that micro-credit programs in other parts of the world typically require five or more years of operation and capital in excess of \$3 million to attain operational self-sufficiency. The Volkhov Incubator micro-credit program was launched three years ago with little over \$400,000 in capital.

Today, the Incubator is 75% self-financing and has successfully raised the additional 25% in Russia. Management made some brutal decisions to ensure the continuing functioning of the Incubator, including reducing staff, cutting staff salaries, while simultaneously increasing staff responsibilities. Management and procedures were analyzed from a fresh perspective and streamlined to allow for an increase in services with decreased resources. The goal is to raise increased capital to expand the leasing program and to obtain additional funds to expand the education and training components to ensure financial self-sufficiency over the next two years.

2 Small Market Base

Volkhov is a small, provincial city, so the initial client pool did not provide enough revenue to support the Incubator. This problem has been resolved by increasing the geographic area to be served to include all neighboring regions and most of the Leningrad oblast. First, training and educational services were offered to this expanded region. Subsequently, the leasing program was expanded to include clients from the oblast and from St. Petersburg. Additionally, training is being undertaken in ten cities throughout Russia, Belarus, and under contract with international organizations.

3 Relationship with Government

Maintaining excellent relations with the local government continues to be a significant challenge. The Incubator has been an important voice for the business community, at times critical of the municipality's ownership of local businesses, demanding policies which would be supportive of privately owned business, agitating for more open government, transparent contracting policies, and transparent and accurate reporting to the public.

The Incubator has succeeded in walking a fine line by maintaining frequent and open communication with the local authorities, by keeping them informed about all Incubator activities, by educating them as to the role that municipalities can play in a market economy. While cooperating with the government in every way possible to help grow the local economy and support small business, the Incubator has to fight regularly to maintain its independence and not allow the government to dictate its policies, activities or clients.

Practical Suggestions for how others can learn from our experience and build on/replicate our efforts:

The Volkhov Incubator is a classic, small business incubator, insofar as it offers space and services to a variety of small businesses tenants. However, it differs from the classic model as developed in the US and subsequently in Western Europe in two important respects: there is a special focus on services to women entrepreneurs, and, because of the special circumstances in developing a market economy in provincial Russia, it offers a much wider variety of services to its tenants and to the community at large than would be available in a Western incubator.

1 How the Volkhov Business Incubator Differs from Traditional Incubators

The common definition of a business incubator is that its mission is to grow profitable businesses and create jobs. The businesses are expected to graduate from the incubator after

approximately two years incubation and to survive and prosper in the community. The primary task of the incubator staff, which in the US typically consists of two to three people, is to service and nurture tenant businesses.

Micro-enterprise or empowerment incubators have the additional challenge of incubating businesses in an economically depressed region, where business owners may require additional support services and where an articulated goal may include invigorating the local economy or strengthening minority or gender-based business ownership, as well as creating profitable businesses. Such an approach requires additional skills, and may incur additional costs.

In the US, as incubators have developed over the past thirty years, and in Western Europe, where they have developed more recently, an economic support infrastructure has evolved among federal, state and local governments. Incubators have proven to be flexible, cost-efficient tools to develop and grow businesses, to create local employment and to strengthen and diversify local economies. Incubators may qualify for a broad array of government grants, tax incentives, contributions of underutilized land, buildings and utilities, university and corporate support and participation. By the 1990s, it was generally recognized that small businesses were a major factor in the GNP and that policies to enhance small business development contributed to national and local economic growth.

None of these features exist in Russia. The environment in Volkhov when the mayor invited the AARW to establish an incubator was as follows:

- In 1993, when the project was first considered, the concept of growing small businesses was novel. The concept of a business incubator was nonexistent.
- In 1994 when the feasibility study was undertaken, and in 1995 when the incubator opened, it was greeted with great skepticism by most city officials, potential staff, potential tenants and future clients.
- Transparency, in recruiting and hiring staff and in recruiting tenant businesses was a new practice for Volkhov. The mayor assumed that her appointees would be the staff and her favored municipal businesses would be the tenants.
- No one in the region had been exposed to Western business training or practices.
- No one in the region had prepared business plans or kept their books in accordance with international accounting standards.
- There were few computers, no computer training or sales, no E-mail, few fax machines, and no business services available.
- There was no access to credit for small businesses.
- There were no independent non-profit organizations or associations.
- There was no particular help focused on women, despite the fact that they constituted 80 percent of the unemployed.

Today, similarities between the VBI and business incubators in the West include the following:

- The Incubator is located in a building contributed by the city.
- There are ten business tenants in the Incubator.
- Two former tenants have graduated and relocated in the city.
- The Incubator collects rent, provides security, maintains the building and grounds, provides telephone answering and mail collection services.

- The Incubator staff have developed a special relationship with the tenant businesses

The list of differences is longer

- The Incubator has major social and economic objectives that do not encumber traditional Western incubators. It serves as a catalyst for entrepreneurship and business development for the entire community. The intended outcome is that individual citizens in the region and the local city administration have a stake in the success of a market economy.
- It is a training ground for international business practices. Finance, accounting, management, marketing, communications, human resources, customer service and common office practices. This entails formal courses, conferences, seminars, private consultation and day-to-day interaction among staff and clients.
- It offers office services, business planning and business consultation, as well as training to the entire region, not just to tenant businesses.
- It offers credit and equipment leasing to small businesses at reasonable interest for long periods.
- It offers computer training and courses on the computer.

2 Partnership with the city of Volkhov

A good relationship with the local administration and city support for the goals and activities of the incubator is essential to successful operation in the current Russian environment. The initiative for an incubator in Volkhov originated with Mayor Nonna Mikhailovna Volchkova, who in 1993 approached the AARW with a request to help start a women's incubator in the city of Volkhov. The Incubator has had a close working relationship with the Mayor since its inception.

As a tangible manifestation of city support for the Incubator, the Mayor contributed an industrial building, empty except for an appliance repair facility and an Adult Education Center. She agreed to repair the building at city expense and contribute an apartment for two years for an American General Director. It took several months to evict the repair business, two and a half years to evict the Adult Education Center, and funds to repair the building and the apartment were never forthcoming. In view of these difficulties, the incubator convinced the Mayor in 1997 to sign a 49-year rent-free lease on the building.

It became apparent that the Mayor's ready adoption of the rhetoric of the market economy belied a lack of understanding of its functioning and that the administration's concept of partnership implied an unacceptable degree of control. Since the beginning, it has been necessary to demonstrate that the Incubator was an independent institution and not an extension of city hall. The Mayor was surprised to learn that she could not appoint the Incubator staff, nominate tenants or leasing clients, and have her choices accepted as a matter of routine.

The Mayor remains in many ways an old-fashioned Soviet style city manager, who gives lip service to market economics, but continues to operate old style. The Incubator is engaged in a constant, and so far successful, struggle for its independence and for city policies and practices more supportive of small business.

Despite these issues, the Mayor is proud to showcase the Incubator in her city and the

Incubator and the administration cooperate on a large number of projects to promote small business. She has created a new department on Small Business Development with which the Incubator works closely. She is eager to have the Incubator expand to an additional building, once all the rental space is occupied.

3 Community Relations

The Incubator has always put a high priority on community outreach. As a visible enterprise in a provincial region, it was crucial for the Incubator to have good relations with local, regional and oblast government officials and with the community at large. The Incubator combined the functions of landlord, business support center, training facility, women's center, leasing and credit facility--and eventually, community leader. As such, it offered a variety of services to all residents: training, consultation, communication services and access to credit.

The Incubator conducted active press and public information campaigns, advertising and marketing to the region on a continuous basis. During its first year, a series of informational meetings were held with businesses and associations to introduce the Incubator staff and explain Incubator objectives. The directors made personal visits to numerous businesses that could benefit from incubator participation. The Mayor hosted open meetings to give the staff an opportunity to make presentations and respond to questions from interested citizens.

The grand opening of the Incubator took place in February 1996, attended by over 100 local citizens and distinguished representatives from the US Embassy, US Consulate, AARW, USAID grantees, and oblast, city and regional officials. **It was an important step in putting the Incubator on the map and attracted many first-time visitors.**

A number of seminars, lectures and meetings were held on a continuous basis to continue this effort over the years, including open roundtables with city officials responsible for small business activities.

In October 1996, the AARW sponsored a conference in Novgorod funded by The World Bank and attended by 130 Russian business women from all over the country. Incubator staff members actively participated and led workshops on starting and managing an incubator and preparing a business plan.

4 National and International Relations

The Incubator officers and staff have consistently aimed to create a broad network of friends and supporters, who could provide access to information, resources and expertise.

Regions like Volkhov have historically been isolated from centers of power and information, so it was important to train the Russian staff to take the initiative in networking beyond the region.

The Incubator is appreciative of the excellent working relationships it has had over the years with US government agencies, including USAID/Moscow and Washington DC, the US Embassy in Moscow, the US Consulate General in St. Petersburg, the US Commercial Offices in St. Petersburg and Moscow, the Department of Commerce in Washington, nonprofit organizations, such as CDC, IESC, CCI, Caresbac, OI, TUSRIF in Russia and the US. Among the latter, special mention should be made of CDC and TUSRIF who have provided expertise, support and counsel to both the Incubator staff and clients.

The Incubator has established and maintained a growing list of relationships with oblast and federal government officials, with Russian banks, leasing organizations and equipment suppliers, and more recently, with international organizations seeking to do business in the oblast

5 Recognition

The Volkhov Incubator is a model of its kind for economic development and support and training for a market economy in rural Russia. Recognition in the first instance should go to USAID/Moscow for having the vision to fund this unique and risky enterprise.

Secondly, it should be noted that Ida F S Schmertz and Grace Kennan Warnecke, on behalf of the AARW, developed the concept, managed the feasibility study, wrote the proposal, supervised the project, recruited the management and co-chair the Board of Trustees. They continue to devote untold volunteer hours to supporting the Incubator.

The Incubator staff deserves special recognition. Rachel Freeman's inspired and dedicated leadership as General Director launched the Incubator on its current trajectory. Igor Gruzdev, as the first Russian General Director, has built on the Incubator's strengths, developed his own leadership style, and together with the dedicated staff is building it into an evolving and stronger institution, which is a credit to the city and the oblast. Lyuba Galakhova was critical in the Incubator gaining credibility among the local populace and will continue to be the essential glue that holds the matrix together. Maxim Vishnyevsky put his considerable financial skills at the disposal of the Incubator in its early years. And, of course, the Mayor continues to support the Incubator as its influence grows.

Names and contact details on key organizations or individuals that USAID or its grant recipients may benefit from contacting.

USA-based

Ida F S Schmertz
90 Riverside Drive
New York, NY 10024
Tel 212-877-3284
Fax 212-877-3476
Email ischmertz@aol.com

Grace Kennan Warnecke
Winrock International Institute for Agricultural Development
vul Zankovetskaya 5-2-49
Kyiv, Ukraine
Tel 38044-229-6543
Fax 38044-228-0685
Email grace@training.winrock.kiev.ua

Rachel Freeman
1846 N Damen

Chicago, IL 60647
Tel 773-235-8849
Email rnf4708@worldnet.att.net

Russia-based

Igor Gruzdev/Lyuba Galakhova
Volkhov International Business Incubator
Tel/Fax 7-81263-26326
Email vbizinc@mailbox.alkor.ru

Nonna Mikhailovna Volchkova, Mayor, City of Volkhov
Svetlana Kishirina, Small Business Department,
Tel 7-81263-23212
Fax 7-81263-23747

Final Accounting of How Funds Were Spent

All of the expenses for the Volkhov Incubator Project made with USAID funds were kept in very close alignment with the budget. The largest discrepancy in any one line item of the budget was for the Equipment Leasing Fund, which was 8% under budget. The Incubator re-budgeted near the end of the term of the grant, as it became less and less reliant on USAID funds, and more financially self-sufficient. Under these conditions, the Incubator found itself obligated under Russian tax laws to pay more in taxes. However, payments for Equipment Leasing Fund were less heavily taxed. Therefore, it requested and was granted a budget amendment to focus USAID funds on its Equipment Leasing Fund and focus other sources of income on its training and consulting initiatives.

In August 1998, however, the financial crisis occurred, and the Incubator became more conservative in issuing leases, cash became largely unavailable to nearly all citizens and businesses, which would have made any repayment schedules impossible for most enterprises to meet. Therefore, in the last 2 months of the project, the issuing of leases was expected to be at its peak, but actually fell off, lowering the actual expenses somewhat for this line item of the budget, and increasing most of the other line items of the budget slightly, as other initiatives were emphasized instead.

The Volkhov Incubator was highly successful in obtaining cost sharing for the project. While the Agreement requires 66% cost sharing, the Incubator actually spent 72% of USAID's contribution from non-Federal sources towards the project.

Disposition of Equipment

Equipment was purchased with project funds for office use, training, and for the leasing program. All of this equipment was located in Russia. Upon completion of the agreement, and with the Contracting Officer's approval, title to this equipment was transferred to the Volkhov International Business Incubator. The Incubator has signed a statement that it will continue to use this equipment only for the purposes for which it was originally purchased under the agreement with USAID.

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B ADMINISTRATIVE INFORMATION			
Contract Data		1 Estimated cost (Life of Project) USAID Funds (\$)	\$ 1,991,915 00
		2 Expenditure of USAID Funds During Reported Period (\$)	\$ 78,546 83
		3 Cumulative Expenditure of USAID Funds Including the reporting period (\$)	\$ 1 991,915 00
		4 Average Expenditure Rate of USAID funds (\$/month)	\$ 45 270 80
Number of US employees receiving salaries from USAID grant funds			3
Number of Russian employees receiving salaries from USAID grant funds			11
Schedule of Positions			
No	Position Title	Position Description	US or Rus
1	Project Director	project oversight	US
2	Co-Principal Investigator	oversight of Incubator staff and activities	US
3	Co-Principal Investigator	oversight of Incubator staff and activities	US
4	General Director	general management of Incubator	Russian
5	Executive Director	management of administrative issues tenants, and Women's Support Program	Russian
6	Director for Finance and Leasing	financial management of Incubator and leasing program	Russian
7	Director for Education and Training Program	education program, building management	Russian
8	Chief Accountant	Incubator's accounting, monitoring of financial clients' accounting	Russian
9	Office Services Department Manager	rendering office services to tenants and general public	Russian
10	Business Consultant	business consulting education and training program	Russian
11	Accountant	assistance for Chief Accountant	Russian
12	Electrician	maintenance of electrical equipment	Russian
13	Cleaner	cleaning of building	Russian
14	Building Manager	building administration	Russian

SUMMARY TABLES FOR QUARTERLY REPORT

All numbers in the Summary Tables should represent summary & numerical data in support of information provided in the textual description of your activities. These tables show what you have accomplished before this quarter during this quarter and to date (including this quarter) and for comparison what you aim to accomplish over the Life of Project (LOP). Please use exactly the format provided below. If you do not do some of the activities reflected in the Tables just leave the respective cells blank. After each Table you may add any explanations which you think may help understand the tables and eliminate ambiguity in interpreting the numbers. Please do not delete auxiliary text as it helps to understand the content of tables.

Period from 10/1/98 till 10/31/98

TABLE 1 1 PROGRESS IN CREATING/SUSTAINING PRIVATE BUSINESSES AND JOBS through Leasing and Lending Programs

Please give explanations under the table as to how you track/estimate numbers in this table

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
# New Businesses Created	49	6	55	50
# Businesses Sustained	70	14	84	70
TOTAL # Businesses Created and/or Sustained	119	20	139	120
# New Jobs Created	190	6	196	200
# Jobs Sustained	260	36	296	300
TOTAL # Jobs Created and/or Sustained	450	42	492	500

TABLE 1 2 PROGRESS IN CREATING/SUSTAINING PRIVATE BUSINESSES AND JOBS through education program

Please give explanations under the table as to how you track/estimate numbers in this table

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
# New Businesses Created			636	
# Businesses Sustained			1911	
TOTAL # Businesses Created and/or Sustained			2547	
# New Jobs Created			1272	
# Jobs Sustained			3822	
TOTAL # Jobs Created and/or Sustained			5733	

TABLE 2 PROGRESS IN PROVIDING TRAINING AND CONSULTING TO PRIVATE BUSINESSES

Please list training programs developed within your activity in Table 3. If some positions are not applicable to your Program, leave respective cells blank.

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
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TRAINING (also list training programs in Table 3)

US based training

Academic (for degree)

- Training Programs held (# of programs)
- Person hours (hours)
- Total # of participants
- Total # of women participants
- % of women participants

Technical (other)

- Training Programs held (# of programs)
- Person hours (hours)
- Total # of participants
- Total # of women participants
- % of women participants

Third country based training

Academic (for degree)

- Training Programs held (# of programs)
- Person hours (hours)
- Total # of participants
- Total # of women participants
- % of women participants

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
----------	----------------	-------------	-------------	----------------------

Technical (other)

25

Person hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

Russia based training

Academic (for degree)

Training Programs held (# of programs)
 Person hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

Technical (other)

Training Programs held (# of programs)
 Person hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

115	5	120	120
3928	136	4064	3800
1445	49	1494	1500
1160	41	1201	1200
80%	84%	80%	80%

TOTAL TRAINING

Training Programs held (# of programs)
 Person hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

115	5	120	120
3928	136	4064	3800
1445	49	1494	1500
1160	41	1201	1200
80%	84%	80%	80%

CONSULTING

In country consulting

Consulting sessions (#)
 Person hours of consulting (hours)
 Total # of participants
 Total # of women participants
 % of women participants

2542	65	2607	2500
2658	91	2749	2600
1062	53	1115	1300
39%	58%	41%	50%

TOTAL TRAINING AND CONSULTING

Programs / consulting sessions (# of them)
 Person hours (hours)
 Total # of participants
 Total # of women participants
 % of women participants

6470	201	6671	6300
4103	140	4243	4100
2222	94	2316	2500
54%	67%	55%	60%

TRAINERS / CONSULTANTS

US Trainers/Consultants

Long term (> = 12 mo in host country with program)
 Short term (< 12 mo in host country with program)

6	0	6
14	1	15

Third country Trainers/Consultants

Long term (> = 12 mo in host country with program)
 Short term (< 12 mo in host country with program)

0	0	0
2	0	2

Host country Trainers/Consultants

Long term (> = 12 mo in host country with program)
 Short term (< 12 mo in host country with program)

26	0	26
54	1	55

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
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TOTAL TRAINERS / CONSULTANTS

Long term (> = 12 mo in host country with program)
 Short term (< 12 mo in host country with program)
 Long term + Short term

32	0	32
70	2	72
102	2	104

TABLE 3 TRAINING PROGRAMS DEVELOPED WITHIN YOUR ACTIVITY

List training programs developed within your program in the following table Keep updating this table on a cumulative basis keep all past programs developed and available in it

No	Training Program Title	Program Length (days)	Program Length (hours)	Expected Number of Listeners Per Class	Training Manual (Yes/No)	Program Cost Est (\$)
1	My Business	2	8	10	yes	17
2	Business Plan Preparation	2 months	32	13	yes	34
3	Advertising	2	8	15	yes	17
4	Controlling	1	4	10	yes	15

5	Strategic Management + Page 3	2	8	10	yes	17
6	Financial Management	2	8	10	yes	68
7	Accounting via computer	4 months	400	20	yes	200
8	Marketing sales advertising	1	8	0	yes	17
9	How to start your business	1	8	15	yes	17
10	Customers service	1	8	13	yes	17
11	Women Support Group	10 weeks	24	10	yes	free
13	Basic business skills for senior schoolchildren	1 month	20	15	yes	14
14	Basic Marketing skills for senior schoolchildren	1 month	20	10	yes	free
15	Computer training	every two months	32	5 groups with 10 attendees in each	yes	68
16	Small Business Incubator Model	one week	40	10	yes	400
17	Real Issues Entrepreneurs Face	one day	8	50	No	free

TABLE 4 DEVELOPING FINANCIAL INTERMEDIARIES SUPPORTIVE OF BUSINESS (if applicable)

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
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Created/Strengthened organizations providing training/consulting to private business financing institutions (# of such organizations)

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Created/Strengthened training courses adopted by organizations providing training/consulting to private business financing institutions provide list of these courses in Table 5 (here indicate # of such courses)

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New mechanisms of financing private businesses developed and applied e.g. manuals published and adopted by institutions financing private businesses provide list of such manuals in Table 6 (here indicate # of such manuals)

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Private business financing institutions recipients of training/consulting (# of such financing institutions)

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Private business financing institutions specialists recipients of training/consulting (# of such specialists)

--	--	--	--	--

TABLE 5 TRAINING PROGRAMS DEVELOPED FOR FINANCIAL INTERMEDIARIES

List training programs developed for financial intermediaries in the following table Keep updating this table on a cumulative basis keep all past training programs developed and available in it

No	Course Title	Course Length (days)	Course Length (hours)	Expected Number of Listeners	Training Manual (Yes/No)	Program Cost Est (\$)
1						
2						

TABLE 6 MANUALS DESCRIBING NEW FINANCING MECHANISMS

List manuals describing new financing mechanisms developed by your program in the following table Keep updating this table on a cumulative basis keep all past mechanisms developed and available in it

No	Manual Title	Manual Size (pages)	Date of Issuance	Available in English (Yes/No)	Available in Russian (Yes/No)	Manual Cost Est (\$)
1						
2						

TABLE 7 PROGRESS IN IMPROVING ACCESS TO CREDIT AND FINANCE (if applicable)

If the program has several branches in different locations such a table should be provided for each location and a summary table should be provided for all locations

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
----------	----------------	-------------	-------------	----------------------

FINANCING PROGRAMS (micro lending programs lending programs lease programs direct investment programs etc)
 # of micro lending programs
 # of lending programs
 # of lease programs
 # of direct investment programs

	2		2	2
	1		1	1

CAPITAL IN FINANCING PROGRAMS

\$ capital in micro lending programs
 \$ capital in lending programs
 \$ capital in leasing programs
 \$ capital in direct investment programs
 Total \$ capital in financing programs (sum of above)

\$ 70 248	\$	\$ 70 248	\$ 73 261
\$ 276 739	\$ 67 406	\$ 344 145	\$ 376 739
\$ 346 987	\$ 67 406	\$ 414 393	\$ 450 000

MICRO LENDING

Micro lending annual interest rate used (%)
 # of micro loans (< \$300)
 # of micro loans (\$300 through \$1 000)
 # micro loans (> \$1 000)
 Total # micro loans (sum of above)
 Total # micro loans to women
 % of # micro loans to women (%)

\$ value of micro loans
 \$ value of micro loans to women
 % of \$ value of microloans to women (%)
 \$ min size of micro loan made
 \$ max size of micro loan made
 \$ average size of micro loan made

Category	Cum Previously	This Period	Cum To Date	Life of Project Goal
----------	----------------	-------------	-------------	----------------------

LENDING

Lending annual interest rate used (%)
 # of loans (< \$1 000)
 # of loans (\$1 000 through \$10 000)
 # loans (> \$10 000)
 Total # loans (sum of above)
 Total # loans to women
 % of # loans to women (%)

18%		18%	18%
	-		
14		14	14
2		2	2
16		16	16
5		5	5
31%		31%	31%

\$ value of loans
 \$ value of loans to women
 % of \$ value of loans to women (%)
 \$ min size of loan
 \$ max size of loan
 \$ average size of loan

\$163 200		\$163 200	\$163 201
\$76 809		\$ 76 809	\$ 76 810
47%		47%	147%
\$ 1 000		\$ 1 000	\$ 1 001
\$ 48 000		\$ 48 000	\$ 48 001
\$ 10 200		\$ 10 200	\$ 10 201

LEASING

Annual leasing payment as % of leased amount leasing rate (%)
 # of leases (< \$5 000)
 # of leases (\$5 000 through \$20 000)
 # leases (> \$20 000)
 Total # leases (sum of above)
 Total # leases to women
 % of # leases to women (%)

60%		60%	60%
16	0	16	16
23	0	23	30
3	0	3	5
42	0	42	51
19	0	19	23
45%	0%	45%	45%

Type of equipment

- Mayonnaise processing equipment
- Sewing machines
- Bakery equipment
- Car service
- Kodak photo labs
- Car service
- Computers
- Counters refrigerators for cafes and retail stores
- Sound and light equipment
- Hairdresser equipment
- Refrigerator
- Retail stores
- Trading equipment
- Combine for farm
- Farm equipment
- Tractor
- Light trucks

\$ value of leases made
 \$ value of leases to women
 % of \$ value of leases to women (%)
 \$ min size of lease made
 \$ max size of lease made
 \$ average size of lease made

\$ 432 162	0	\$ 432 162	\$ 450 000
\$ 225 200	0	\$225 200	\$ 225 000
52%	0 00%	52%	50%
\$ 938	0	\$ 938	\$ 1300
\$ 29 492	0	\$ 29 491 80	\$ 70 000
\$ 10 000	0	\$ 10 000 00	\$ 15 000

DIRECT INVESTMENT

of direct investments
 Average annual yield generated by direct investment (%)

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USAID AND COUNTERPART CONTRIBUTIONS COMPARED

FUNDING SUMMARY	USAID	Counterpart	Total
Original Obligation (\$)	\$ 1 991 915 00	\$ 2 007 708 00	\$ 3 999 623 00
Amendment No 1 (\$)			
Amendment No 2 (\$)			
Total Obligation (\$)	\$ 1 991 915 00	\$ 2 007 708 00	\$ 3 999 623 00

No	Grant/Coop Agr Budget Line Item Description	USAID Budgeted Amount (\$)	USAID Total Expended (\$)	USAID (%) Expended of Line Item (%)	Counterpart Contributed Amount (\$)	Counterpart Total Expended (\$)	Counterpart (%) Expended of Line Item (%)
1	Personnel	\$ 809 307 00	\$ 845 559 52	104%	\$ 484 427 00	\$ 378 425 13	78%
2	Subaward and Consultants	\$ 15 462 00	\$ 15 461 54	100%	\$ 147 467 00	\$ 8 797 26	6%
3	Travel and Transportation	\$ 131 660 00	\$ 134 676 19	102%	\$ 66 956 00	\$ 5 960 46	9%
4	Equipment and Supplies	\$ 108 363 00	\$ 108 333 68	100%	\$ 61 515 00	\$ 14 382 95	23%
5	Building Rentals	\$ 4 524 00	\$ 4 523 55	100%	\$ 989 773 00	\$ 713 872 70	72%
6	Equipment Leasing Fund	\$ 460 000 00	\$ 414 262 22	92%	\$ 50 000 00	\$ 5 570 06	11%
7	Other Direct Costs	\$ 227 978 00	\$ 228 031 82	100%	\$ 26 306 00	\$ 90 585 81	344%
	TOTAL DIRECT COSTS	\$ 1 747 294 00	\$ 1 750 848 52	100%	\$ 1 826 444 00	\$ 1 217 594 37	67%
8	Indirect Costs	\$ 244 621 00	\$ 241 066 48	99%	\$ 175 056 00	\$ 221 365 66	126%
	Totals	\$ 1 991 915 00	\$ 1 991 915 00	100%	\$ 2 001 500 00	\$ 1 438 960 03	72%

No	Grant/Coop Agr Budget Line Item Description	USAID & Counterpart Expended To Date on Line Item (\$)	(%) Expended by USAID on Line Item (%)	(%) Expended by Grantee/Recipient on Line Item (%)
1	Personnel	\$ 1 223 984 65	69%	31%
2	Subaward and Consultants	\$ 24 258 80	64%	36%
3	Travel and Transportation	\$ 140 636 65	96%	4%
4	Equipment and Supplies	\$ 122 716 63	88%	12%
5	Building Rentals	\$ 718 396 25	1%	99%
6	Equipment Leasing Fund	\$ 419 832 28	99%	1%
7	Other Direct Costs	\$ 318 617 63	72%	28%
	TOTAL DIRECT COSTS	\$ 2,968,442 89	59%	41%
8	Indirect Costs	\$ 462 432 14	52%	48%
	Totals	\$ 3 430 875 03	58%	42%

TABLE 13 SOURCES AND USES OF REVENUES GENERATED BY THE PROGRAM

SOURCES OF REVENUES

No	Sources of Revenues	R/\$ Exchange Rate (approx)	Cum Previously (\$)	This Period (\$)	Cum To Date (\$)	Life of Project (\$)
1	Space rent	17 00	25 536 72	500 00	26 036 72	\$26 036 72
2	Leasing	17 00	238 417 87	5 882 35	244 300 22	\$ 244 300 22
3	Education Program	17 00	28 169 53	411 76	28 581 30	\$28 581 30
4	Office services department	17 00	8 204 58	147 06	8 351 64	\$ 8 351 64
	Total	17 00	300 328 70	6 941 18	307 269 88	\$ 307 269 88

USES OF REVENUES

No	Uses of Revenues	R/\$ Exchange Rate (approx)	Cum Previously (\$)	This Period (\$)	Cum To Date (\$)	Life of Project Goal (\$)
1	Personnel	8 9473	\$ 19 015 50	\$ 3 326 08	\$ 22 341 58	\$ 25 000 00
2	Subaward and Consultants	9 7624	\$ 1 316 21	\$ 286 34	\$ 1 602 55	\$ 2 000 00
3	Travel and Transportation	3201 303	\$ 22 47	\$ 788 61	\$ 811 08	
4	Equipment and Supplies	5432 652	\$ 4 806 95	\$ 47 54	\$ 4 854 49	\$ 5 000 00
5	Equipment Leasing Fund	6 6942	\$ 8 636 34	\$ 2 447 90	\$ 11 084 24	\$ 12 000 00
6	Other	2792 828	\$ 69 318 29	\$ 16 394 32	\$ 85 712 61	\$ 76 000 00
	Total		\$ 103 115 76	\$ 23 290 79	\$ 126 406 55	\$ 120 000 00