



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

## **Quarterly Performance Report**

with Summary Results Tables

**October 1, 2003 to December 31, 2003**

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**Winrock International  
Counterpart International  
Center for Investment and Support (Prognoz)  
Sakhalin Association of Business People  
Counterpart Enterprise Fund**

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## 1. Background

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

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

In addition, the ESD Project will be demand driven, ensure women and remote people have benefit, and will work to ensure collaboration between business support institutions and other businesses development projects with open and free information.

The project began August 1, 2003 and will continue until August 3, 2006. This report covers activities and results for the period from October 1 to December 31, 2003.

### Project Administration

November 18, 2003 ESD Program conducted a press conference in Khabarovsk. This event announced the start of Winrock's ESD Program, highlighted planned activities and mentioned accomplishments to date. The press conference was opened by Mr. Terry Myers, Mission Director, USAID/Russia. The event was attended by Mr. Paul Mulligan, Office Chief, Economic Growth Office, USAID/Russia, Ms. Yulia Shevchenko, Project Management Specialist, Economic Growth Office, USAID/Russia, Ms. Elizaveta Telushkina, Director of Department of Entrepreneurship of the Economic Development and Foreign Trade Ministry of Khabarovski Krai, Mr. Vitaliy Dzhiudichi, First Deputy Minister of the Economic Development and Foreign Trade Ministry of Khabarovski Krai.

A Partners' Meeting was conducted November 18-20 in Khabarovsk. ESD partners – Sakhalin Association of Business People, Counterpart Enterprise Fund, Center "Prognoz" as well as a prospective partner Makon from Buryatia presented their activities and results to that date. The participants learned more about program and financial reporting and got acquainted with the new ESD resources – the project website ([www.esdproject.ru](http://www.esdproject.ru)) and database of Russian trainers. Yulia Shevchenko from USAID/Moscow and Erin Hughes from Winrock International were also present and participated in the discussions of various program issues. Everyone agreed that this second Partner's Meeting was extremely valuable and worthwhile.

ESD program and financial managers provided additional field training for partners SABP and Prognoz in November and December 2003.

Counterpart International consultant, Dan Berkshire, traveled to Sakhalin in December and spent a week with SABP to help them create a detailed training plan for year one. The training plan built on the previously approved workplan for year one and includes more information based on assessments of our central regulatory reform partners. Mr. Berkshire also helped SABP brainstorm and document broad ideas for activities and results in the last two years of the program. These ideas will be used to develop future workplans.

New ESD staff, Nadezhda Arkhipova, was hired by Counterpart International in November. As a Program Manager, she is responsible for helping the access to credit and the regulatory reform components in Sakhalin and Yakutia. Nadezhda's strong background in banking and microfinance adds additional value to the ESD staff expertise.

## 2. Progress Indicators

### 2.1. Improving Regulatory Environment

In November 2003, Prognoz, SABP and Makon conducted **assessment of selected business associations** to ascertain their level of development and their strengths and weaknesses. Based on the assessment they will work out training and activity plans for these associations. Based on the assessments ESD has noted that overall, the business associations are not sustainable, they have a lack of advocacy skills, and have no negotiating or public relations experience. Lastly, the leaders are not strong.

Although they have been started, not all of the **training and Technical Assistance plans** with each partner business association have been completed. On Sakhalin our partner business associations are located in remote areas and do not have sufficient staff capacity or time to assist SABP in creating their plans. These business associations are in need of and are anxious to receive institutional capacity building and training but working with them to implement these plans is proving to be a challenge. Prognoz found that business associations are interested in trainings such as: Financial Sustainability and Fundraising, Creating a Positive Public Image, and How to Become and Run a Sustainable business associations, in addition to sector specific trainings. These plans will be completed during the next quarter. Through cooperation with the ESD project, the business associations will work to raise their image and train personnel of the organizations to increase its sustainability. Once the training and technical assistance plans are finalized in early January, we will begin conducting **organizational development training** sessions for each partner business association.

Prognoz organized and held a meeting with leaders of business associations of Amur region and local authorities. They identified **key priority areas in the area of regulatory reform**: 1) Decreasing pressure on SMEs from regulatory institutions - in licensing, registering business, sanitary and fire inspecting and others; 2) Increasing image of social and business responsibility of SMEs; 3) Improving business infrastructure support in the region (support and creation of new BSIs, foundations, Small Business Administrations). As a first step Prognoz will focus on trying to help decrease the pressure on SMEs from the regulatory institutions. Prognoz plans to conduct a roundtable with the representatives of the regional government and business

associations to design a draft for the new decree by the Governor of the Amurskaya Region. This Decree will reiterate the importance of and recommend that officials act in accordance with the Federal Laws on licensing, registration and inspection. This Governor's Decree, with the help of BAs, will be distributed among the region's entrepreneurs so that they understand their rights. In February 2004 Prognoz will continue discussions with business associations and SMEs to identify the most typical violations of regulations made by businesses and the most typical claims from inspectors. They will then conduct specific trainings for entrepreneurs on how to conduct their businesses with a minimum of violations.

**ESD selected three partnering business associations in Buryatia:** Chamber of Commerce, Association of Timber Producers and Association of Catering Enterprises. The assessment of these associations showed that many of them were created as a result of a specific campaign. For example, they were created in response to a law or resolution that would have a negative impact on a particular business. Such associations do not have a well-developed organizational structure and their leaders are quite inexperienced in business association management. This is similar to what has occurred in the other regions as well.

Each region **established baseline data on the regulatory environment and identified priority areas** of what SMEs would like to see changed in their regions. Results of these assessments will be used to address the specific issues regarding reform of regulations. According to surveys conducted by Makon, the level of regulatory burden imposed by the government agencies on SMEs in the Republic of Buryatia did not change a lot compared to the situation in 2002. There were still frequent inspection, sanitary fire safety and police inspections. However, 98% of entrepreneurs state tangible improvements in the dialogue with tax inspectors. They prefer to hire auditing companies or qualified accountants to deal with financial reporting. In their turn tax authorities, taking into account the fact that tax money received from SMEs make up a good portion in the local budget, prefer a constructive dialogue with them.

According to surveys conducted by Prognoz, the assessment level of administrative pressure in the Amurskaya Oblast on small business in 2003 was the same level as in 2002 year. More often inspections were made by tax authorities (24.87%), fire service (14.14%), sanitary inspection (12.57%) and trade inspection (11.26%). Some companies were checked by inspections three to four times a year. According to the law inspections should occur once every two years. We found it necessary to control not only time of inspection but quality also. Duration of some checks was 30 minutes only and inspectors only came to issue a penalty.

The situation on Sakhalin looks different: entrepreneurs do not indicate visits by inspectors as an administration barrier. SABP surveyed 76 small enterprises operating at least one year and 20 enterprises operating for less than one year on Sakhalin. The survey revealed that since Federal Law #134 was enacted the number of inspections has decreased considerably in accordance with legislation requirements. Of the participants who had operated a business on Sakhalin for at least one year, 74.85% said that inspections were only a minor problem for them. Some individual services, such as police, remain at the same level as in 2002 but overall the situation has improved significantly.

For entrepreneurs who have operated on Sakhalin for less than a year, 75% of respondents said they spent no more than five days on registration procedures and that the climate for operating a

business is "more favorable" than it was before. The only problems that were mentioned were that they still experience certain problems in dealing with tax inspections: entrepreneurs must stand in long lines and submit paperwork not directly related to their registration. SABP plans to conduct a roundtable on January 23 with representatives of inspections, business associations and entrepreneurs to discuss results of assessment and to develop resolution about following the Law about checks. This resolution will be lobbied to deputies of City and regional Dumas.

The regulatory reform priority for small businesses on Sakhalin is the tax burden and through the ESD project, the Sakhalin Association of Business People (SABP) worked successfully with the Duma to allow rural catering enterprises to pay less tax and become more profitable. There are many entrepreneurs involved in catering services in the rural areas of Sakhalin and they asked SABP to help them advocate to the local legislators to make changes to the oblast's law on taxation. The rural entrepreneurs were paying the same rate of tax as urban entrepreneurs but explained that because people in rural areas have less income and buying power than cities, it makes sense to reduce the level of taxation on imputed earnings for businesses located in the countryside. Through technical assistance from SABP and the ESD project, in September the entrepreneurs introduced a motion into the Sakhalin Duma to address this issue. On November 6<sup>th</sup> the Duma Council adopted a special amendment to the law and rural catering businesses on Sakhalin will now pay less tax than their colleagues in towns. This will increase the incomes of small catering businesses in rural areas and help them to be more profitable.

During the quarter, ESD partners **consulted with and gained buy-in from government officials**. In October Prognoz provided consultations to deputy Head of Administration of Mikhailovski District and to chairman of Investments and Small Business Development Department of regional administration about advantages of SME in districts and the region to participate in implementing ESD project. Both reacted positively to the meetings.

In November, SABP and local entrepreneurs involved in the construction business consulted with the Vice-mayor of Yuzhno-Sakhalinsk, the city's main architect and other architects and officials involved in management of municipal property to resolve problems of administrative barriers in the construction industry in particular. At the meeting those present decided to create a working group to study this question of streamlined procedures of coordination of building on the ground. Government officials agreed to work with the entrepreneurs and SABP to solve the problems around land tenure and to simplify access to information.

In October a **regional advocacy roundtable** was conducted by SABP with representatives of regional administration, Duma, and representatives of SMEs. Issues discussed include how the state can better support SMEs, the frequent changing of legislation related to SMEs, the lack of a list of which documents are required by the government for SMEs and the high tax rates for food-related businesses in rural areas. The roundtable produced recommendations to the Sakhalin Regional Duma. One result already achieved was that the level of taxation for food-related businesses in rural areas was reduced.

In October Prognoz worked to **build coalitions and networks** by hosting a meeting with leaders and members of business associations of Amur region: Union of Manufacturers and Entrepreneurs of Amur Region, Chamber of Commerce of Amur Region, Amur Regional Branch

of Association of Entrepreneurial Organizations of Small and Medium, Amur Guild of Culinary and Restaurateurs, Amur Union of Women. Associations agreed to establish a coalition to have more influence on business policy and strengthen connections for advocating businesses to change existing problems.

With the help of Counterpart consultant, Dan Berkshire, the **life of project workplan** is completed for SABP. This document provides ideas of what activities to do in years two and three of the project in support of achieving stated results. This workplan is very broad and will be updated each year based on the progress made in the previous years. The life of project workplan for Prognoz will be developed in late January.

Counterpart International has drafted a system and manual for the **advocacy microgrants** activity and other key ESD staff has provided comments on it. Progress continues on this draft and it will be ready for USAID approval in the next quarter.

## 2.2. Improving Access to Credit

**Assessment of micro-finance** markets was done by CEF and Russian Microfinance Centre in four targeted regions (Vladivostok, Sakhalin, Yakutia and Chita). On the basis of these assessments CEF, together with ESD staff, developed training plans for financial institutions and SME for the first year. Special approaches have been developed, for each region based on the differences in the regions. For example, the financial market in Chita is not very well developed. There are no leasing companies and only a few branches of big Moscow banks. These branches cannot create their own lending policies, they must obey the rules and policies of their headquarters. Since the Chita Region is predominantly agricultural, ESD will focus on the training of agricultural credit cooperatives and organizing general trainings and events for the rest of the financial institutions.

In Sakha Republic, credit cooperatives are the biggest group of Micro Finance Institutions (MFIs). In addition, there are several new groups that are in the process of being registered as credit cooperatives. The Republic's banks and two existing leasing companies have difficulties with developing micro leasing products and adopting new technologies to serve SMEs. Also leasing companies lack of qualified personnel. ESD will work build the capacity of existing associations of credit cooperatives, their associations, and newly emerging credit cooperatives. The program will also provide the necessary trainings for the bank and leasing organizations and invite them to participate in the program's round tables to share their experience and discuss existing problems with others.

The Primorsky Region's credit and leasing market seems to be relatively developed but not necessarily satisfying small entrepreneurs' needs. The banks are more or less active in crediting entrepreneurs, especially European Bank Reconstruction Development (EBRD) partner banks. The project will facilitate SME access to finance by providing these bankers with training (mostly psychological and client relations) and involving them in conferences and roundtables to address issues regarding SME financing. Credit cooperatives are quite active, providing credit to entrepreneurs in the Primorsky region. However, the main problem with this group of financial institutions is lack of resources. The ESD project will help credit cooperatives with training on

how to attract members and increase their financial resources. The Project will engage credit cooperatives and SMEs first, then other financial institutions - banks and leasing companies – will gradually become involved in general project activities.

In the Sakhalin Region there are only two credit cooperatives and two leasing companies. ESD will help the credit cooperatives' development, not only in Yuzhno-Sakhalinsk but also in other cities where some of the banks have branches and would like to develop microcredit programs (e.g. "Okha-Bank"). To help the banks make this work more effective the program will conduct trainings not only for banking personnel but also for entrepreneurs with the help of regional business associations and SME consulting centers.

ESD plans to engage RMC experts to conduct a training of trainers to achieve the above-mentioned plans. The assessment that was conducted showed growing interest toward the non-banking financial institutions such as credit cooperatives, credit unions and funds.

**CEF compiled data and developed a web-accessible database of financial institutions** (leasing companies, credit cooperatives, banks and funds for small business support), through which SMEs in the project target regions can receive financing. The database is located on CEF's website ([www.microfinance.khv.ru](http://www.microfinance.khv.ru)) and is linked to other ESD project resources. Now the resource is being improved and tested. This resource will be on ESD's website as soon as the testing phase is over and appropriate improvements have been made.

On November 18<sup>th</sup>, 27 people from 17 local credit cooperatives of Chita region attended a **credit cooperative training** that covered topics such as: how to attract financing, how to organize lending activities, accounting procedures, and legal issues regarding operation of credit cooperatives. The following two days were used for individual consultations, the workshop trainer spent one-on-one time with those who attended the training and who had specific questions. Now that these credit cooperatives have received training and technical assistance, they will be able to effectively manage their loan funds and will increase tremendously the amount of credit available to SMEs in Chita.

On December 9-12, 2003 Elena Vasilieva, CEF's ESD Program manager, together with the CEF's lawyer, Sergei Vasiliev, conducted a **training for banks, leasing companies, credit cooperatives and business associations** from Yakutsk and Ulusy (districts) on the legal issues of working with SMEs. The seminar took place on the premises of Consulting Plus Business School and was attended by 18 participants (4 - from credit cooperatives, 5 - from leasing companies, 4 - from banks and 5 - from Funds for Small Business Support). The training covered both theoretical and practical legal issues.

In October the Director of CEF attended a **Regional SME Finance Conference**. The conference participants put together a number of recommendations and suggestions to the local and federal authorities on how to facilitate the formation of MFI-friendly environment in the RFE and Zabaikalye, which will ultimately lead to SMEs', and thus better economic, development. Besides adopting the resolution, the conference participants reported on their MFI activities and successes, and shared their experiences. This conference was a great opportunity for Aleksei

Shumilov to network with the representatives of the regional microfinance institutions and credit cooperatives, which will be ESD project beneficiaries.

Two ESD project representatives attended the **RMC Micro Finance and SME Finance Conference** in December. Because of a family emergency, the CEF Director was not able to speak at the RMC microfinance and SME Finance conference as planned. However, the Chief Accountant for CEF and the Program Manager for the ESD program were able to attend. More than 200 participants from all parts of Russia attended this forum. They represented all kinds of institutions involved in microfinance activities: SME support funds, credit cooperatives, international technical assistance programs, and federal and regional authorities. This was a very important event for the micro and SME finance community to exchange ideas, information, and opinions on important topics. Conference attendees participated in the development of strategies to promote the quality and outreach of microfinance and SME finance services in Russia.

## 2.3 Advanced Businesses and Sector Specific Training

### 2.3.1 Advanced Business Skills Training Assessment

To achieve the enhance SME in the Russian Far East, Winrock hired local consultants to work with local training providers in all the regions to **conduct market assessment and pricing structure** in the five targeted regions. Through this process we identified **training priorities** and key training centers in the regions. The most popular of them are the following:

#### *Khabarovski Krai:*

- Human Resources Management
- How to Conduct Negotiations
- Quality Management

#### *Primorsky Krai:*

- Marketing and Distribution
- IT Technologies in Business
- Delegation, Motivation and Control (HRM)

#### *Amursk Oblast:*

- Business Planning for Business Expansion
- HR Management
- Marketing and Planning

#### *Sakhalin Oblast:*

- HR Management
- Export Operations
- Team Building

#### *Sakha Republic:*

- Managing Relations with Clients
- Sales Techniques
- Marketing and Sales

#### *Buryatia Republic:*

- HR Management
- Marketing
- Strategic Planning

The ESD project developed **training plans** for Year 1 of the project. This includes training schedule, list of trainings to be developed and training of trainer needs. ESD will invite the most qualified trainers from Russia and the US to conduct the courses.

Two **new training modules** have been developed by the ESD partner Prognoz – “Planning and Assessment” and “Organizational Development”. These trainings have been conducted in Blagoveschensk by a local trainer Elena Kharchenkova who is a member of Prognoz team. The developed materials are available from the ESD office to other training centers in the region.

ESD developed a **training provider procurement process** approved by WI’s headquarter. Partners or Training Centers in need of assistance (such as a trainer, a training module, materials or subsidies for the fees) can request assistance from ESD project. The Project will assess the need as it relates to our project’s goal and proceed with a identifying a trainer or developing a service agreement with the training center or BSI. Seven organizations have already requested training assistance.

A database **registry of SME Trainers** has been developed and posted on the [www.esdproject.ru](http://www.esdproject.ru) website. The database includes more than 260 trainers from Moscow, St. Petersburg and the RFE. Trainers can be searched by region and by expertise. We will continue to build on this registry for the life of the project.

### ***2.3.2 Advanced Business Trainings Conducted***

ESD Support local partners – Association of Business People of Sakhalin (SABP), Center “Prognoz” in conducting advanced business skills trainings. In October-December 2003, ESD worked with partnering organizations and provided **9** advanced business trainings for 183 participants from SMEs.

Below are examples of some trainings that have been conducted during the reported period:

*Sakhalin* -- The advanced business skills training on human resource management was organized at the request of Nevelsk entrepreneurs in November. The goal was to train the participants in application of the Labor Code, to analyze frequent mistakes in relations with personnel, to educate managers in skills of business communication and managing the personnel. Sixteen managers took part in the training (10 of them were women). Russian American Education Center of Business provided two highly qualified trainers: N. Virolanen and O. Sirokha. SABP facilitated the event. As a result of the training, the managers will better handle administrative and program issues in their relations with personnel; they will decrease the manpower drain and violation of labor law.

*Amursk Oblast* -- According to the assessment, in the Amur region the majority of companies and entrepreneurs lack cash flow, so many of them need to attract funds for their business. However, the Amur region is not so favorable for investors, only very successful and big companies are able to attract investment.

Training provided by ESD partner "Prognoz" taught entrepreneurs about opportunities for investment, to encourage them to take advantage of opportunities and teach them how apply for resources in ways to be attractive to investors.

Most of the participants were the members of "the Union of Manufacturers and Entrepreneurs of Amur Region", people who have their own private business. One company "Rovena," a producer of packed milk and juice, wanted to apply for financing to develop and expand their manufacturing plant. They had problems in writing a convincing application. Trainers and consultants helped them in doing this and expect financing to be approved so that at the beginning of 2004, they expect to open the new manufacturing line to produce flavored milk drinks to meet the demand of Amur market.

*Khabarovski Krai* -- On November 10-11, the seminar "Problems in Export-Import Operations with Foreign Partners" was conducted. Several issues were addressed at the seminar: corporate law of China; peculiarities of Russian-Chinese joint ventures; and peculiarities and problems of export-import operations with foreign partners. The seminar was organized by Russian-American Education Center located in Khabarovsk. The trainers were specialists in international law. Six participants of the seminar received the required knowledge on how to deal with foreign partners.

### **2.3.3 Sector-Specific Assessment and Training**

During October-December 2003, ESD hired local consultants and organizations to conduct **market assessments of SME sectors** and identify their training needs. ESD will focus activities to work through industry-specific associations in the area. The following sectors have been specified (by region):

<i>Khabarovski Krai:</i>	Timber Processing (Far Eastern Wood Processing Association); Fish Processing (Association of Fisheries)
<i>Primorsky Krai:</i>	Fish Processing (Association of Fisheries in Primorye), Construction (VLA STRA, Galaktika); Food Manufacturing (Association of Bakeries of Primorye)
<i>Amursk Oblast:</i>	Catering (The Guild of Cooks and Restaurants); Timber Processing (The Union of Timber Processors and Wood Exporters); Food Processing (Association of Soy Beans Processors); Construction (Association of Construction Companies)
<i>Sakha Republic:</i>	Transportation (Association of Transportation Companies, Automobile Service Association), Trade and Catering (Retail Trade Union), Manufacturing (Union of Commodities Producers)
<i>Sakhalin Oblast:</i>	Forestry (Sakhalin Association of NTFP and Forest Products Processors)

The sector analyses will be continued for Buryatia and Chita Oblast and will be completed by the end of January 2004.

### **2.3.4 Sector Specific Trainings**

**Forestry Certification.** December 2, 2003 ESD conducted a seminar on Forestry Certification. There is a great need to educate SMEs in the wood-processing field about timber certification as a means to reach specific niche export markets. This is especially true for companies in export-

oriented regions where there is a high incidence of illegal logging. Companies need to demonstrate legal and sustainable forestry practices to sell to some high-end European and US markets.

The goal of the seminar was to create a mechanism for interaction between the logging companies, government agencies and interested organizations and to educate timber industry enterprises about certification. .

Seminar 35 (four women) participants included the executives of the Khabarovsk and Primorsky Krai timber companies, representatives of the local government authorities for timber management and timber industry, the representatives of the companies engaged in timber certification and those offering consulting services in the field of timber certification and the research institutions.

Alexander Yakovlev (“SGS Vostok”, Novgorod), ESD Program consultant, covered the following issues:

- The requirements of the sustainable forest management standards;
- The requirements of the standards for tracing of the “from harvester to consumer” chain;
- Certification of the legitimate origin;
- Certification procedures from submitting the application to the awarding of the certificate;
- Auditing companies and their ratings.

As a result of the seminar several companies expressed willingness to start timber certification.

**Wood Frame Housing Construction.** November 24, 2003 a seminar “Wood-frame House Building as a Catalyst for Sakhalin Wood-processing Market Development” was organized in cooperation with the FOREST Project. The participants of the seminar included representatives of wood processing companies and construction companies. Twenty-six participants (two women) represented twelve construction companies.

The seminar covered: wood frame housing construction; technology of construction; implementation of construction within oil and gas industry of Sakhalin; standards and requirements for lumber. The participants visited a construction site to see the actual wood frame. Participants learned about the interest in wood framed houses as well as new technologies.

### ***2.3.5 Outreach to female trainers***

ESD is working with the Union of Women (Kholmsk, Sakhalin) and the Association of Business Women (Blagoveschensk, Amursk Oblast) to facilitate women’s participation in business trainings and also involve female trainers. Ten women trainers (and four men) have conducted seminars and business trainings in the reported period.

## **2.4 Sector-Specific Consultancies**

On October 27 – November 4, 2003 an American volunteer Aaltje van Zoelen, accompanied by Russian specialist Antonina Pronina consulted Chita and Buryatia eco-tourism companies. They developed an eco-tourism Resource Inventory List based on local and regional markets.

The volunteers gave consultations to the following companies and organizations:

1. The Panama Hotel – gave consultations on how to serve foreign clients;
2. The “Rosa Vetrov” travel agency – consulted on how to develop recreation zones;
3. Institute of Natural Resources of Russian Academy of Science – discussed methods of information gathering for the Resource Inventory List;
4. The Aginsky Datsan/ Sapsan Hotel – discussed the park’s resources, consulted on how to organize a research trip and put together an inventory list;
5. Ivano-Arahleyvsky Zakaznik (nature reserve) - discussed the park’s resources, research trip, inventory;
6. “Flamingo” travel agency – studied the agency’s resources and needs in trainings;
7. “MIR Corporation” – discussed the needs in training;
8. Ivolginsky Datsan - discussed the park’s resources, research trip, inventory;
9. “Ger” tourist company – consulted on how to better implement eco-tourism activities;
10. The Gesser Hotel’s tour company – studied recourses for the inventory.

These companies and organizations were assessed and added to the resource inventory. Ms. Van Zoelen consulted the companies on how to better implement eco-tourism activity in the region. The volunteers developed and recommended a complete program of eco-tourism sector development in both regions with a step-by-step action plan and training/consulting needs list. Ms. Van Zoelen developed a sample tour “Discover the Ghosts and Spirits of Zabaikalye”.

#### ***2.4.1 Facilitating Business Linkage Missions***

October 6-13, ESD Project Program Manager Natalia Bessonova joined FOREST Project’s trade mission group to Tokyo, Japan. The goal was for the ESD Manager to get acquainted with the process of business trade mission organization and to accumulate business contacts for non-timber forest product processors, potential ESD Partners.

The exhibition brought together the leading Japanese and international health ingredient manufactures and traders. Russian exporters learned with the most effective way of accessing the Japanese health food industry. The trade show was designed to 1) promote Russian NTFPs at the Japanese and other Asian markets; 2) develop linkages with buyers in Japan and elsewhere in the world; 3) learn first-hand of their requirements, and 4) produce immediate results like signed sales contracts.

ESD will field Russian experts and US volunteers to assist regional SMEs to improve their production efficiency, identify cost savings measures and update technology. In October-December 2003, ESD completed the SMEs needs assessments and is now in process of receiving “Requests for Assistance” for trainings and consultations from companies.

#### **2.5 Outreach and Communication**

The ESD Project staff met with key Krai and Oblast administrative representatives to increase awareness about the project and to gain local administrative support. Olga Schetinina has met with:

Mr. Anatoly Seluga, Head of Department, Ministry of Timber Industry, Khabarovski Krai

Mr. Valery Guryev, Deputy Minister, Ministry of Timber Industry, Khabarovski Krai  
Ms. Nadezhda Zanabadarova, Director, Small Business Support Fund, Ulan-Ude  
Ms. Tatiana Dumnova, Minister, Ministry of Economics and International Relations, Buryatia  
Ms. Tatiana Vasilieva, Head of Committee for Small Business Support, Buryatia  
Ms. Ludmila Salmnikova, Head of Economics and Planning Department, Amursk Oblast

In addition, project staff have contacted potential partners and collaborators including:  
The Khabarovski Krai Chamber of Commerce, Mr. Vostrikov, Vice-President  
The Khabarovski Krai Union of Manufacturers and Entrepreneurs, Mr. Shulepov, Chairman  
Eurasia Foundation (Vladivostok), Mr. Rougle, Director  
Russian Microfinance Center (Moscow), Mr. Mamuta, Director  
Far Eastern Center for Economic Development, Mr. Abramov, Director  
Russian American Education Center (Khabarovsk), Ms. Kochemasova  
Russian American Education Center of Business (Vladivostok), Ms. Chupikova  
Russian American Education Business Center (Sakhalin), Ms. Molodtsova  
Business Consulting Plus (Yakutia), Ms. Sokolova  
Makon Business Support Center (Ulan-Ude), Mr. Badmaev, President  
Development Alternatives Initiatives (Washington DC), Ms. Mary Miller  
Citizens Development Corps (Washington DC), Mr. Levett, President  
Ecolinks Partnership Program (Washington DC), Ms. Hartshorn, Program Manager

The project website has been developed in Russian and English in November.

The ESD Quarterly Newsletter has been developed and distributed electronically to partners and collaborators. The printed version of the Newsletter will be available in January 2004.

### **3. Problems/Difficulties Anticipated in the Next Three Months**

Due to the lack of detailed legislation addressing all the aspects of microfinance activities, a lot of MFIs use different methods of problem solving. For example, credit cooperatives in the Primorsky region use a different way of tax reporting than the one used by the First Far Eastern Union from the Khabarovsk region, and the Primorsky Credit Unions have strong opinions against the First Far Eastern Credit Union practices. Thus, it will be inappropriate to bring the trainers from the First Far Eastern Union to the Primorsky Region, so the training resources should be either local or from some other independent parties.

We have encountered a problem with getting M&E numbers necessary for the project quarterly reporting from the regional financial institutions. It seems that most of lenders do not summarize their statistics quarterly, and/or do not single out entrepreneurs (or less so women entrepreneurs) from other borrowers in their monitoring. Therefore, to get the necessary numbers we intend to inform the financial institutions participating in our trainings about the needed indicators beforehand and if possible make it a condition of their participation in the project trainings.