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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

BI-MONTHLY REPORT: APRIL-MAY 2008

June 17, 2008

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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

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CTO/USAID/CAR:	Svetlana Golovatskaya
PROJECT MANAGER:	Mohammad Fatoorechie
CHIEF OF PARTY:	Greg Hemphill

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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1.0 EXECUTIVE SUMMARY

During the past two months, KSBD continued moving forward with assistance to both the Government of Kazakhstan (GOK) and Business Service Providers (BSPs) in support of SME development.

After changes in the GOK personnel and leadership at the beginning of the year, the reporting period coincided with the intense preparation of somewhat delayed reforms in SME frameworks. Notably, the working group on micro finance resumed its operation; the SMEF/DAMU has witnessed the first quarter outcomes of its new 2008 work approach with outsourced SME credit lines; and different government bodies, like the President's Gender Commission, National Analytical Center (NAC), Ministry of Industry and Trade (MIT) Entrepreneurship Development Department (MITED) and President's Center for Strategic Research and Analysis sought updates of their SME support activities and needed KSBD services.

In April and, especially May, KSBD facilitated the organization of two study tours (ST) to familiarize Kazakhstan SME officials and micro lending community to best international practice.

KSBD completed piloting the Core Consultancy Skills Training-of-Trainers program in partnership with EBRD-Business Advisory Service (BAS) regional offices in Almaty, Kostanai and Shymkent. In May KSBD initiated the fourth Business Essentials (BE) Training-of-Trainers program in West Kazakhstan (Uralsk, Aktobe, Atyrau) and which will be completed in June 2008. Through KSBD's continuous assistance four BSP partners delivered nine BE retail training modules to 144 SME participants in four oblasts. Additionally, KSBD's through its partnership with ExxonMobil and its two grantees (Turan-Profi Academy, SME Federation) provided continued technical assistance to the grantees in reporting. The grantees trained 401 target group participants, primarily women, in Astana and Akmolinskaya region during the period.

KSBD officially launched its internal Knowledge Management Initiative by developing an electronic library and project database. Both of these tools have been developed to increase reporting efficiency and ensure a higher level of internal project coordination. This necessitated improvements in the web-based SME Navigator and other information disseminated via KSBD website.

At the same time, KSBD continued to build public awareness in the regions through different media organizations by publishing eleven press articles and giving two interviews. Additionally, KSBD addressed and presented a model on monitoring regional business developments at the Karaganda Investment Forum

2.0 REPORTING PERIOD HIGHLIGHTS: APRIL-MAY 2008

2.1 Component I: Building GOK capacity to support SMEs

2.1.1 Working Groups and GOK consultations

MIT Working Group on Micro Finance met on April 1 to outline next reform steps and finalize organization on then provisional study tour to Hungary.

The amendments to the Micro-Credit Organizations (MCO) law, which KSBD helped drafting in mid-2007 and which aimed at liberalizing MCO registration requirements to boost efficiency and growth, were reconfirmed by the new representatives of the Ministry of Agriculture, the Agency for Financial Supervision, the Central Bank and recently elected members of Parliament. KSBD was requested to make a presentation on best practices of savings cooperatives and the World Council of Credit Unions, thus providing for an informed decision on further reform steps.

The Working Group decided that it is necessary to develop rules, frameworks of self-regulation and development for MCOs. After the drafting of MCO amendments, the next step is to amend regulations on credit unions (“kreditnye tovarishchestva”) and convert them into saving cooperatives, i.e. to allow them to attract deposits from non-members. This move is believed to be of benefit for SMEs and farmers in underdeveloped regions of Kazakhstan, who would have easier access to finance in local environments that are not particularly attractive for the existing commercial banks. For Kazakhstan’s financial system it would mean improved competition and mediation, provided adequate supervision and risk management (and loan guarantees) are in place. In order to make all these possible, the Working Group outlined the priorities and selected participants for the study tour (ST) in Hungary, the ex-communist country with best developed savings cooperatives. Last, but not least, the session outlined the reform plan that envisaged a ST to Hungary (for early June), a summary of the lessons learned by the end June, and drafting amendments before the Parliament resumes its sessions after summer vacations.

The President’s Gender Commission (PGC) at the end of March became aware of KSBD’s partnership with ExxonMobil on training business women and established a working relationship with the KSBD Director and Astana team.

KSBD took part in an April PGC brainstorming session with government officials and NGOs to assess activities of gender business programs and outline further steps in this area. In May, KSBD and USAID were asked to provide information on both Kazakhstan and global best practice in such programs that will be useful for PGC activity planning and will be presented at a conference in June. Responding to this request, the KSBD Astana team prepared an 80-page summary of the women business support experience of USA, Canada, Finland, Germany, Russia, Kazakhstan and other CIS countries.

Ministry of Industry and Trade (MIT) and its Entrepreneurship Development Department (MITED) in particular have been assigned by Prime Minister Massimov the task of coordinating reforms of SME taxation, business environment and financial support. This led to an intensified consultation process between MITED and KSBD. Some of the occasions were related to specific BEI agendas but were overlapping with SME policy matters.

For the period KSBD has made fifteen ad hoc consultations on the following topics:

- provisional tax code amendments:
- the international practice in taxing SME’s;

- regulatory impact analysis (RIA),
- how international practice relates to requirements of the Kazakhstan private entrepreneurship law and the law on normative acts;
- international best practice in business licensing and inspections,
- available sources and comments on their applicability to Kazakhstan;
- SMEF/DAMU's outsourcing experience with intermediary banks in the first quarter of 2008; concepts to outsource micro credit;
- compulsory membership in chambers of commerce:
- Austrian experience and the traditions of new Europe countries;
- origins and developments of the current international financial crises: its provisional impacts on SME financing in Kazakhstan and respective SME policy implications.

Some of these topics were motivated by changing GOK SME policy priorities and often the consultation with other GOK agencies focused on the same issues. E.g. RIA issues and materials were discussed with and disseminated to National Analytical Center (NAC) and to BEI partners in Kazakhstan; the subject of chambers of commerce membership was also of interest to the President's advisors and SMEF/DAMU experience was one of the topics of the meeting with the Center for Strategic Research and Analysis. Above mentioned women business summary for PGC was also of interest to MITED. For better communication and impact, KSBD drafted and/or translated information materials and articles that were pasted on the website, some of which were subsequently reprinted in the press (see topics in Annex I).

President's Center for Strategic Research and Analysis (CSRA) has a new chairman, Mr. Maxat Mukhanov, who attended the KSBD November 2007 ST to Bulgaria to gain experience in international best practice in outsourcing government SME services and education to private sector providers. The Center is responsible for outlining key economic policies for the President of Kazakhstan and in this capacity it had received a KSBD Report to SMEF/DAMU, for review and comments.

During the reporting period KSBD was asked by CSRA to facilitate a follow up of the Bulgaria ST and to explain its assessment of SMEF/DAMU capacities as non-banking financial institution (the so-called "micro"-aspect of the Report). We expect that after the visit to US SBA scheduled for July 2008, the Fund will organize a public hearing of the report and that CSRA will be a key participant.¹

¹ Originally, the hearings were scheduled for end of April and then for mid-May, but did not actually take place due to the unavailability of the minister of industry and trade.

As to the Bulgaria ST follow up, CSRA requested KSBD's assistance on two provisional activities that will be financed by the GOK and other non-USAID sources:

- Rethinking social welfare policies of GOK, the Center intends to pursue a program similar to the Bulgaria's JOBS (Job Opportunities through Business Support). In fact, this is an international program, in many countries supported by UNDP and reviewed by ILO and it is considered a success in Bulgaria.² CSRA's idea is to working with JOBS Bulgaria and mobilize local players like SMEF/DAMU to provide for adequate public private partnerships supporting entrepreneurship in underdeveloped regions of Kazakhstan;
- Another Bulgaria ST follow up regards the experience of USAID supported Centers for Entrepreneurship and Executive Development in Bulgaria and Slovenia in business education, which is based on using networks, mentor-protégé programs, internationalization of SME and participation of successful business executives in training junior entrepreneurs.³

KSBD has started a facilitation of SCRA efforts working with its subcontractor for the ST, CEED-Bulgaria.

2.1.2. International Study Tours

Visit to Hungary, studying saving cooperatives

One of the peculiarities of Kazakhstan practice is the development of micro lending with governmental budget assistance. These policies have resulted in seven-fold increase of micro credit organizations (MCOs). The future, however, is in the independent development of MCOs without direct GOK financial support. As mentioned before, some part of the preparation work has already been done by the inter-department working group on micro lending under MIT. Through the study of Bosnia's and Herzegovina's practice, and during meetings of participants of KSBD-supported Kazakh participation in the International Microfinance Center Conference in May-June 2007, the Hungarian experience and best practices were referred to for developing the acting legislation of Kazakhstan but the reform process remained unfinished. Right now there is the possibility to complete the process of micro lending system establishment in Kazakhstan based on the widely-admired Hungarian model which allows "creditnye tovarushchestva" to become savings institutions and small banks in economic niches and regions where a typical commercial bank would hesitate to operate.

During April and May KSBD selected the Hungarian partners, signed commitments with ST participants and found ways of cost-effective organization of the tour. The MIT working group members differ in their assessment of the provisional impact of the amended framework: it is undoubtedly positive, since the new savings cooperatives will be able to attract and allocate to

² See ILO and JOBS Bulgaria web pages: http://www.ilo.org/public//english/employment/skills/hrdr/init/bul_4.htm and <http://www.jobs-bg.org/whatis.htm> .

³ See description on the sites of Bulgaria and Slovenia centers at www.ceed.bg/en/index.cp2 and www.ceed-slovenia.org, especially: <http://www.ceed.bg/en/networking.cp2?cid=78810ABA-B287-EE37-637F-71F61E1BF564&linkid=networking> .

efficient ends between 30 and 50 million US dollars in the first eighteen months after the reform is launched.

SMEF/DAMU and SCRA visit to US SBA

As a result of 2007 and early 2008 KSBD technical assistance to SMEF, including conferences, a ST to Poland and the “macro” segment of the Report on general SME policy issues), SMEF started looking for examples of best international practice.

The US Small Business Administration (SBA), as one of the oldest and most experienced public sector SME support institution, has been on the priority list as an example to study and learn from. The SMEF Chairman, Mr. Amrin, based on his participation on one of the KSBD STs, was already aware that SBA has been a model institution for SME reform in Poland and other countries. Thus, in January-February 2008, he initiated a correspondence between the Government of Kazakhstan (GOK) and the SBA that resulted in the idea to organize a ST to the SBA, specifically tailored to the reforms of GOK SME policies and of SMEF/DAMU in particular.

SMEF/DAMU requested KSBD to help arrange the ST. The number of counterpart participants comprises 11, of which KSBD supports five, the Fund five and one (from Turan Profi University, an Exxon Mobil grantee and KSBD partner) is traveling at their own expense.

The design of the SBA ST aims at deriving as much practical and reform experience from the visit as possible. Organization of the ST includes implementing the following inter-related set of preliminary activities:

- Studying the available sources on SBA experience by the SMEF/DAMU corporate development department and senior staff (using KSBD guidance and materials);
- Setting priorities for the ST and drafting the agenda with KSBD, communicating it to SBA well in advance of the visit, in order to ensure maximum preliminary understanding on behalf of both SBA and SMEF/DAMU and other GOK participants.
- Discussing this provisional program with SBA and adjusting it accordingly particularly to learn about: SBA’s Office of Advocacy, Mason Entrepreneurship Center, online services, etc.;
- Equipping the participants with relevant material to ensure their preliminary preparedness for the meeting; and, as it is already a practice with all STs, signing agreements that commit participant to use the lessons learned during the ST;
- Envisaging follow-up to disseminate and utilize these lessons, including:
 - o Follow Up Workshop after the ST
 - o KSBD tracking system for participant actions

Summarizing the lessons in the SMEF/KSBD' Handbook on SME Policies that is due in mid-2008, after the ST⁴ including the lessons in the new GOK SME policy plans; publications and interviews

Additionally, SMEF/DAMU is planning its own, larger, 15-member-strong visit to the US SBA.

2.1.3. KSBD partnership with Small and Medium Enterprise Fund (SMEF/DAMU)

During the reporting period, besides the already mentioned preparations for a public hearing of the MSBD report to SMEF/DAMU, this partnership proceeded as follows:

The original March version of the report was reviewed by the Fund senior staff and in April Chairman Amrin requested some amendments to the report, to reflect:

- the first quarter of 2008 experience with intermediary banks,
- the GOK new anti-crisis (financial) measures as they were updated in January – March 2008
- comments on the contracts with intermediary banks
- clearer recommendations on the way forward.

Since the hearings were postponed but report amendments were prepared by mid-April, the Astana KSBD team and SMEF/DAMU corporate development department concentrated on developing the information services of the Fund; on the other hand, it has been decided to include in the upcoming SMEF/KSBD Handbook on SME Policies new chapters on US SBA products and services (especially education), on saving cooperatives, and one providing an overview of the SME-related public procurement practice and some other topics.

Following KSBD recommendations, the Fund uploaded four analytical documents on its website, which considerably improve the SME statistics of the country⁵.

2.2. Component 2: Building BSP capacity to support SMEs

2.2.1. ExxonMobil GDA Implementation Support:

KSBD signed a Memorandum of Cooperation on April 4th with the SME Federation outlining each party's respective roles and responsibilities in implementing the GDA program.

KSBD assisted Turan-Profi Academy and SME Federation (ExxonMobil GDA Grantees) to develop and submit its Astana EDC Interim report for approval by ExxonMobil.

⁴ Final version has been delayed, in order to reflect the knowledge gained from the ST.

⁵ See: <http://www.frmp.kz/ru/analytics.php> .

During April-May Turan-Profi Academy trained 242 participants (rural women, students and unemployed) while SME Federation trained 159 participants, using KSBD's Business Essentials Course modules.

KSBD participated in a round-table on April 24th organized by the SME Federation in Astana to promote adoption of the Business Essentials course modules as part of the standard undergraduate management and business curriculum.

2.2.2. Public-Private Partnerships (PPPs)

During April 21-22, KSBD met with KPO (Karachaganak Petroleum Operating) and British Gas in Uralsk and Samruk Kazakhstan in Astana (three potential corporate sponsor partners) to outline KSBD's program objectives and discuss areas for potential collaboration.

On April 25th, KSBD met with the Association of SMEs and the regional SME Department in Petropavolsk to discuss each organizations role in fostering SME development in North Kazakhstan. Furthermore, KSBD provided a description of our partnership with Business Master (Business Service Provider in Petropavlovsk).

On April 30th KSBD participated in a round-table hosted by the National Commission on Family Affairs and Gender Policy in Astana. Participants included representatives from the Ministry of Industry and Trade, SME Business Associations, Chamber of Commerce, Ministry of Agriculture, Kazyna and Karaganda regional Akimat. The purpose of this event was to discuss potential mechanisms to increase the employment of women in rural areas, as well as solicit proposals from roundtable participants.

On May 5th, KSBD submitted a proposal and best practice reference materials about female entrepreneurship to the Gender Commission. KSBD promotes the creation of a national coalition of public-private partnerships (PPPs), comprising government agencies, development organizations and private companies, to improve the economic knowledge and skills of women across Kazakhstan. To support such an initiative KSBD would outsource training materials and business tools to private sector Business Service Providers.

In April, KSBD signed a Memorandum of Cooperation (MOC) with 3 Business Service Providers to formalize adoption of the Business Essentials and Consulting Essentials course modules to train regional SME participants:

- Association of Barmen and Virtuallers (Karaganda-April 5)
- Caspian Development Initiative Fund (Atyrau-April 11)
- Zhezkazgan SME Development Department (Karaganda-April 17)

2.2.3. BSP Training-of-Trainers Program (Phase I)

During the period, KSBD completed three pilot Core Consultancy Skills (CCS) Training-of Trainers (TOT) sessions and one Business Essentials (BE) Training-of-Trainers with partner BSPs.

- April 17-19 CCS TOT in Almaty – 13 SME consultants attested (including 5 regional BSPs from Karaganda, Shymkent, Pavlodar, Petropavlovsk and Uralsk). Co-funded by EBRD-BAS.
- April 25-30 BE TOT: Strategic & Business Planning; Finance for Non-Financiers modules completed in Uralsk with the BSP partner “Damu” – 15 SME Trainers/Consultants attested
- May 13-16 CCS TOT in Kostanai – 13 SME Consultants attested. Co-funded by EBRD-BAS.
- May 27-29 CCS TOT in Shymkent – 17 SME Consultants attested. Co-funded by EBRD-BAS.
- May 19-24 BE TOT: Marketing & Sales; Quality Management completed in Uralsk with the BSP partner “Damu” – 15 SME Trainers/Consultants attested

2.2.4. BSP Retail Training Program (Phase II)

During the period KSBD’s Business Service Providers (BSP) retailed nine training courses to SMEs throughout Kazakhstan. All training were offered on a commercial basis, however partial contributions were provided by KSBD and regional SME Departments.

- April 14-16 “Marketing & Sales” offered in Karaganda by the Association of Barmen and Virtuallers – 22 participants trained;
- April 14-16 “Human Resource Management” offered in Uralsk by “Energetic” Training Center – 16 participants trained;
- April 19-20 “Human Resource Management” offered in Shymkent by IE Petrova – 10 participants trained;
- April 26-27 “Marketing & Sales” offered in Shymkent by IE Petrova – 10 participants trained;
- May 14-16 “Finance for Non-Financiers” offered in Uralsk by “Energetic” Training Center – 15 participants trained;
- May 13-16 “Marketing & Sales”, “Human Resource Management” offered in Balkhash by the Institute of Professional Accountants – 15 participants trained;
- May 14-16 “Finance for Non-Financiers” offered in Uralsk by “Energetic” Training Center – 12 participants trained;
- May 21-22 “Tax & Law” offered in Balkhash by the Institute of Professional Accountants – 15 participants trained;

- May 26-29 “Marketing & Sales”, “Human Resource Management” offered in Zhezkazgan by the Institute of Professional Accountants – 29 participants trained;

2.2.5. SME Toolkit (Phase III)

In May KSBD began developing Strategic Action Plans for Sodbi Business Incubator (Shymkent), Business Masters (Petrovsk), Energetic Training Center (Uralsk) and Association of Financial Organizations of Kazakhstan (AMFOK). In addition, KSBD began collecting financial data from each of the aforementioned organizations in order to generate key monitoring ratios.

2.3. Media Coverage of KSBD Activities:

KSBD published five articles and gave two interviews to the national and regional media outlets:

- The Role of SMEs in Kazakhstan (Business Life magazine) – Almaty, Astana
- Altyn Kazan – Customer Recruitment Tips (Alma TV) – Karaganda
- The USAID Project – Priorities and Perspectives (interview for Pulse newspaper) – Uralsk
- Business Consulting Makes Miracles (interview for Marketing magazine) – national
- KMR Model as a Solution of Your Financial Problems (Ya rukovoditel magazine) – national
- Quasi-tax in Kazakhstan economy (Delovoi Mir magazine) – Astana
- Time is Your Negotiations Tool (Pulse Pogoda newspaper) - Uralsk

2.4. Global Entrepreneurship Monitoring

In April the GEM Kazakhstan Final Report was submitted to the Ministry of Industry and Trade, SME Fund, National Commission on Family Affairs and Gender Policy and various international donor organizations for review and to garner interest for future funding. On May 22-23 the GEM Final Report was presented at a Conference on “Intellectual property: management and an estimation” organized by the SME department of Pavlodar region and Pavlodar Innovative University.

2.5. Knowledge Management

KSBD developed a centralized electronic project library: In May, KSBD completed development of an electronic library to store all key project documentation. By using this tool, KSBD staff can quickly download templates, partner-specific documentation, media information and/or technical reports from any location by accessing the library via <http://itg.pragma.kz>. This not only is beneficial to Business Advisors whom regularly need key documents when working with partner organizations in different oblasts, but also strengthens the ease of reporting key performance indicators to USAID on a bi-monthly basis. Although KSBD began populating the electronic library in late May, it is envisioned that all required documentation will be entered by the end of June. KSBD has developed standardized procedures for the submission and uploading of documents and assigned responsibility for management of the electronic library to KSBD’s Project Assistant. To ensure the electronic library is comprised of current documentation, all KSBD staff will submit additional items for uploading directly to the Project Assistant on a weekly basis.

Built a project database to monitor and report project performance: KSBD designed and built a Microsoft Access database to use as its' centralized reporting tool. This database is comprehensive and can be used to generate monthly reports to reflect:

- Public-Private Partnerships initiated/established
- Memorandums of cooperation signed
- BE/CE training of trainer sessions conducted
- CCS training sessions conducted
- TOT participants trained
- Trainer evaluation scores
- BSP retail training sessions conducted
- Retail participants trained
- SME toolkit assistance provided
- Media coverage
- KMR improvement

KSBD plans to retroactively enter all relevant data from the project's inception and then enter additional data weekly. By doing so, KSBD will maintain the ability to report cumulative and monthly totals to be used in the bi-monthly reports sent to USAID for review.

KSBD website (www.ksbd.kz)

The KSBD website continues to be updated on a consistent basis. New information is updated regularly on the SME Navigator. There is now information on the Study Tours located on the site as well as other information in support of SME Development.

As mentioned in the summary, the KSBD website has been improved to accommodate the greater volume of SME related information, improve services to BSPs, GOK and the public interested in SME affairs. As one could judge from the Annex I, the materials serve all these three areas. For some important materials, e.g. for the GEM Report, KSBD website is the most often used source.

Almost all consultation materials were re-edited and converted into articles and analytical materials. KSBD associates work in an information field, looking for and publishing interesting for SME articles of famous economists, conduct analytical comparisons and present the results on the sub-pages of website. The analytical and translated materials deal with challenges of SMEs doing business in Kazakhstan, financing, studying economic and business opportunities. For the reporting period there are twelve new such materials, three of them were republished by the press, others will probably find their way to the media as well.

April-May KSBD Web Articles:

1. Problems of SME financing: the US Experience
2. "Regional Barometer" of Business Expectations
3. Diagnostics of SME Needs (Updated Lessons for Kazakhstan)
4. SME and Quasi-taxes in Kazakhstan (an International Comparison)
5. A Trillion Dollar "Crisis" (translation of Anthony de Jassey)
6. Fiscal and Non-fiscal Impact on SMEs
7. General Trends in Micro Finance (Summary of Karol Boudreaux and Tylor Cowen)

8. The Fraser Institute and Tax Reforms in Canada
9. SME and Their Role in Kazakhstan (an International Comparison)
10. The US SBA: Elements of Good Practice
11. Christopher DeMuth of the American Enterprise Institute on the Role of Think Tanks in Economic Policy Debate
12. Staying in Line for One Million and Hundred Thousand Days a Year

3.0 KSBD UPCOMING ACTIVITIES (JUNE-JULY 2008)

- Launch SME Toolkit pilot program in Shymkent with the Sodbi Business Incubator.
- Complete Strategic Action Plans development with four BSP partners
- Continued delivery of BE/CE TOT and retail courses in the regions
- Develop and pilot “Start your business” training program for Enterprise Support Centers in Shymkent as agreed with the city Akimat
- US Small Business Administration Study Tour (July 6-15,08)
- Micro lending Workgroup Session – Hungarian Study Tour Follow-up
- Adjusting amendments to micro lending laws and regulations
- Review of SME public procurement practices
- Facilitation of job opportunities through business support for the CSRA - Center for Strategic Research and Analysis
- Finalizing the Handbook on SME Policies.

(Some of the activities depend on partners' contribution and may proceed into the next reporting period.)



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Annex I: Summary of KSBD Partners

I.0 EXECUTIVE SUMMARY

During the past two months, KSBD continued moving forward with assistance to both the Government of Kazakhstan (GOK) and Business Service Providers (BSPs) in support of SME development.

I.1 Assistance to the GOK.

In June and July, two international study tours (STs) have taken place. They are intended to have a positive long-term impact on the GOK's SME policy framework, particularly regarding increased SME access to financing and state-of-the-art knowledge and consultancy.

The ST to Hungary arranged by KSBD at the request of MIT, which provided co-financing, focused on how microcredit savings cooperatives operate and compete with commercial banks, mobilize private savings in underdeveloped regions, and contribute to easier access to finance for small business and municipal projects (May 31-June 6).

The ST to visit the US Small Business Administration (SBA), which was requested and co-financed by the EDF/Damu (formerly SMEF/Damu), focused on review of the SBA's programs, services, internal structure, and media outreach, especially its highly-developed website (July 6-15).

I.2 Work with BSPs

KSBD completed the fourth Business Essentials (BE) Training-of-Trainers program in West Kazakhstan (Uralsk, Aktobe, Atyrau), having attested 15 SME trainers/consultants with both Business Essentials and Consulting Essentials in June. During June-July, KSBD's Business Service Providers (BSPs) retailed ten training courses and trained 192 SME participants throughout Kazakhstan. All trainings were offered on a commercial basis, however partial contributions were provided by KSBD and regional SME Departments.

Additionally, KSBD through its partnership with ExxonMobil and its two grantees (Turan-Profi Academy and the SME Federation) trained 630 target group participants, primarily women, in Astana and Akmolinskaya region during the period, which brings the total to 1527 individuals trained since implementation of these two grants began.

In July 2008, KSBD launched the SME Toolkit pilot program in Shymkent with the Sodbi Business Incubator as well as pilot "Start your business" training program for Enterprise Support Centers in Shymkent as agreed with the city Akimat.

At the same time, KSBD continued to build public awareness in the regions through different media organizations by publishing five press articles and giving two interviews.

2.0 REPORTING PERIOD HIGHLIGHTS: JUNE-JULY 2008

2.1 Component 1: Building GOK Capacity to Support SMEs

2.1.1 Working Groups and GOK Consultations

The ST to Hungary (first week of June) examined how savings cooperatives operate and compete with commercial banks, mobilize private savings in underdeveloped regions, and contribute to easier access to finance for small business and municipal projects. The ST lessons were summarized by the Ministry of Industry and Trade (MIT) Working Group (WG) on microfinance of which KSBD is a member. KSBD was asked to contribute a first draft concept for introduction of similar practice in Kazakhstan (July 2nd and 4th).

The National Gender Commission (NGC) asked KSBD to present both its Business Service Provider (BSP) program and a report “International Practice to Counteract Gender Discrimination in Business and Credit” for the Commission’s Round Table on Women Entrepreneurship (June 24)

Ministry of Industry and Trade (MIT) and its Entrepreneurship Development Department (MITED). During the period KSBD has met MITED seven times, and continued providing ad hoc consultations on the following topics from an SME policy perspective: final version of the tax code and Inspections Reform Scope of Work for the period of July – September 2008.

President’s Center for Strategic Research and Analysis (CSRA): KSBD continued facilitating CSRA’s access to international expertise on Job Opportunities through Business Support; Mr. Maxat Mukhanov was briefed on the activities related to KSBD’s component 2 (BSP support program).

EDF/DAMU: Immediately after the SBA ST, KSBD prepared for the Fund Board and Independent Advisory Board a concept paper and presentation for establishing a network of Enterprise Development Centers across Kazakhstan.

2.1.2. International Study Tours

Microcredit Study Tour to Hungary, Studying Savings Cooperatives

The objective of the ST was two-fold:

- To study how the Hungarian microcredit system functions, based on information on the Hungarian banking and macro lending system provided through a KSBD-sponsored expert visit by Mr. Lajos Varadi of the Hungarian National Federation of the Saving Cooperatives (OTSz) and summarized in Russian for the needs of the Kazakhstan MIT Working Group on Microlending by USAID/KSBD;
- To outline needed reforms for Kazakhstan during wrap-up sessions and discuss these plans immediately after the trip, as a result of talking to key Hungarian stakeholders, visiting savings cooperatives and interviewing customers of the system.

We would like to share the following impressions and recommendations:

- The ST covered the complete complexity of the credit cooperatives system and presented alternative ways of organizing them.
- All participants were extremely committed and active, asked many questions and willingly brainstormed on issues raised and information received.
- Mr. Lajos Varadi, the Federation’s consultant for the ST and KSBD, and his colleagues did their job at the level of best standards and we recommend him and OTSz as partners for other USAID-backed initiatives.

The ST provided extensive information on best practices of Hungarian Savings Cooperatives (SCs), which has led to some findings regarding possible reforms that could benefit Kazakhstan. These findings include:

Background:

- The operation of institutions similar to Hungarian SCs is expected to benefit financial intermediation for those Kazakhstan regions with underdeveloped banking and non-banking financial services.
- These institutions are likely to mobilize savings of the population that are currently untapped by existing financial intermediaries and also boost development of other financial services and improve access to credit.

Regulatory Frameworks:

If the emergence of such institutions is to be stimulated, amendments and changes to the current framework need to be implemented that:

- Allow credit cooperatives to attract savings from non-members;
- Allow existing credit cooperatives and micro credit organizations to change their organizational form;
- Allow these cooperatives to participate in joint guarantee, risk management and protection funds, like OTIVA, and in a cooperative bank, like TAKAREKBANK;
- Set rules for operations and supervision but which would not differ significantly from existing “rules of the game”.

Government Input:

Besides the regulatory part of the process, the government should consider:

- Supporting one-time-and-over capitalization of a Joint Fund;
- Using the existing network of EDF/Damu branches across the country to support reforms and operations;
- Utilizing on a competitive basis the incumbent fiscal system to streamline the fiscal efficiency and the provisional services of the cooperative.

Next Steps:

Discussions during wrap-up sessions of the Study Tour and working group brain storming on the provisional follow-up have outlined the following strategies going forward:

- Proceed with amendments that allow for organizational flexibility, in order to allow credit cooperatives and micro credit organizations to attract funds and grow (these amendments are already drafted);
- Draft and discuss amendments that allow credit cooperatives to attract saving from non-members;

- Draft a concept paper for a comprehensive reform of credit cooperatives and micro credit organizations towards becoming institutions capable of providing a wide range of banking services;
- Present the concept paper at the Regional Micro Finance Conference scheduled for September 18 and 19, in Astana; (the First Draft was completed by KSBD on July 29; now experts of EDF/DAMU, AMFOK and Credit Union Association are working on revising this first version);
- Invite Mr. Varadi to comment on this concept paper and make a presentation at the Conference and before other audiences, as appropriate, to support a more comprehensive reform. Mr. Varadi has been invited and as far as we are informed has agreed to take part in the effort.

EDF/DAMU, MIT and CSAR visit to the US SBA

The KSBD's technical assistance to EDF/DAMU has centered on the Report "New Kazakhstan SME and Entrepreneurship Policies and the Role of EDF/DAMU" which comprises a comprehensive review of the challenges and opportunities for EDF/DAMU (the Fund) to apply OECD and new European best SME practices.

The US Small Business Administration (SBA), established 55 years ago and now one of the most experienced and effective public SME institutions, attracted the attention of the Fund's Chairman, Mr. Amrin, who requested USAID assistance to organize a visit to SBA to be jointly funded by the Fund and KSBD. The Fund participants included both top managers and several branch managers from the regions.

USAID agreed for KSBD to finance up to three out of ten participants and provide logistical and organizational support both in Kazakhstan and Washington, provided EDF/DAMU committed to pay attention to the entire range of SBA services to SME's, including the establishment of business education and entrepreneurship development centers.

The Fund agreed and revised the provisional program. Since the formal status of the Fund (as government-owned non-bank SME financial institution) might limit the impact of the broadened scope of the tour, KSBD recommended with USAID's approval to include two additional participants: the head of the MIT's Entrepreneurship Development Department (EDD) and the head of Economic Strategies Division of the Center for Strategic Research and Analysis (CSRA) in the Administration of the President of Kazakhstan.

As a result a 10-member delegation, five of them sponsored by KSBD, plus two KSBD staff-coordinators visited the Washington D.C. metropolitan area, from July 6 to 15, where they met and discussed SME policies and services with US government and non-government experts, including those who regularly testify on SME issues in the US Congress.

Following is a summary of the SBA Study Tour:

- The group met 27 experts, mostly from the SBA but also key leaders and analysts from George Mason University's (GMU's) Enterprise Center, GMU's Mercatus Center, the Hudson Institute and GMU's Department of Economics.
- Seven SBA experts, including its Chief Economist, Chad Mutrey, its loan guarantee analyst and its Senior Policy Advisor made presentations to the group, answered questions and provided additional materials.
- The SBA nominated a liaison for the ST, Ms. Jane Boorman, who worked closely with KSBD to prepare for the ST. She has indicated that she is still available for follow-up consultations after the visit.
- The SBA generously helped with the provision of rooms for meetings even with non-SBA experts. All but four meetings took place on SBA premises. A number of non-SBA experts contributed their time to brief the group and answer follow-up questions pro bono.
- The Kazakhstan Embassy in Washington provided in-town transportation; the Kazakh Ambassador met with the group; hosted a dinner with EDF/DAMU Chairman and the Head of MIT's EDD, attended the meeting with Jovita Carranza, SBA Acting Administrator and organized a meeting regarding micro-lending issues between Mr. Amrin and the Rumsfeld Fund and its founder former Secretary of Defence Donald Rumsfeld.
- SBA provided each participant with extensive SBA print materials. EDF/DAMU's head office and five branch managers were equipped with Annual Small Business Economy Reports, Small Business Advocacy reports, statistics, legislation samples, regulatory analysis statements, etc.
- Perhaps, the most valuable assistance for enhancing performance of EDF/DAMU's SME credit lines came in the form of the Internal Manual on Selecting Intermediary Banks,¹ which SBA shared with the Fund.
- Practically all experts and speakers committed to a follow-up and agreed to waive copyright requirements if participants use/translate materials for SMEs and the Fund's training purposes.
- The Kazakhstan Embassy's provision of transportation greatly simplified the logistics and reduced USAID costs. Direct costs of the visit were shared roughly equally between KSBD and GOK (which does not factor in the current 45% GOK contribution to KSBD's funding) ; if one counts the costs of organization and logistic preparations, the cost-sharing is roughly 60% KSBD to 40% GOK (excluding the GOK's share of KSBD funding).

Here is a summary of expected follow-up activities from the ST:

- **EDF/DAMU concept on entrepreneurship development centers:** these centers will be attempting a public-private partnership approach, matching public and private funding and initiatives; cooperating with private sector on competitive basis; public funding is likely to be secured from the Fund operating profits.
- **EDF/DAMU relations with intermediary banks could be improved** thanks to background materials acquired from the SBA.
- **All key programs of EDF/DAMU and some definitions for statistical purposes used by the Fund could be improved,** including micro lending and loan guarantees.

¹ SBA uses the Manual in its loan guarantee programs; EDF/DAMU will make use of it for improving contracts with intermediary banks for SME lending. The person responsible for utilizing the Manual, Mr. Dilmukhamed Seidildayev, Risk Management Department, Head of the Financial Risks Analysis Unit, is a proven EDF reformer: he has already improved the Fund's Risk Management System according to the experience gained during his training in UniCredit Bulbank in Sofia, and EDF/DAMU sponsored follow up of the Bulgaria ST of November 2007.

- **Online services of the Fund are likely to enter a new development stage.** The Fund wants to provide public information services via its GIS link to the Statistics Agency and other information and education tools.
- **EDF/DAMU will attempt to take necessary political steps to enhance its public standing.** The Fund is seeking to play a greater role in channeling public funds into SME programs and to mobilize private sector resources and initiatives.
- **The Enterprise Development Department (EDD) of MIT is particularly interested in the SBA Office of Advocacy and the relevant instructions for regulatory impact analysis.** MIT wants to revive the idea to train public officials in such analysis. Relevant materials will be made available through BEI. We expect a greater role of EDD in addressing the need to reduce barriers to starting a business (at least while the incumbent head of the Department is in office).
- **The President's Center for Strategic Analysis and Research will support EDF/DAMU efforts to improve its information services and support entrepreneurship centers.**
- **The visit to SBA and GMU contributed to the participants' awareness of the opportunities to improve SME policies and business environment.** It is likely there will be numerous follow-up activities and partnerships.
- **The Handbook on SME policies will include a chapter on the US SBA Programs and Services, which is to be written by EDF/DAMU.**

2.1.3. KSBD Information Dissemination

During the reporting period, KSBD continued providing its GOK and private sector partners and the general public with updated information on SME policies and frameworks.

Besides the above-mentioned ST-related background materials and reporting on activities in June and July, KSBD disseminated information on:

- Best practices to overcome gender discrimination in business operations and credit;
- Swiss models to facilitate trade and public participation;
- Overview of SBA programs and services;
- International micro lending best practices and lessons;
- News in international SME practices and training.

KSBD Website (www.ksbd.kz)

The KSBD website is updated on a continuing basis. New information is uploaded regularly on the SME Navigator. There is now information on the Study Tours located on the site as well as other information in support of SME Development.

As mentioned in the summary, the KSBD website has been improved to accommodate the greater volume of SME related information, improve services to BSPs, GOK and the public interested in SME affairs. For some important materials, e.g. for the GEM Report, KSBD website is the most often used source.

Almost all consultation materials were re-edited and converted into articles and analytical materials. KSBD identified, translated and published SME development articles by famous economists, addressing challenges of Kazakhstan SMEs and presenting the results on the sub-pages of website. The analytical and translated materials deal with challenges of SMEs doing business in Kazakhstan, financing, studying economic and business opportunities.

KSBD Web Articles Posted in June-July:

1. Problems of SME financing: the US Experience
2. The Term Entrepreneur by Mark Casson
3. The Global Show Must Go On by Tyler Cowen
4. Free Trade and Tolerance by Victoria Kurzon Price

2.2. Component 2: Building BSP Capacity to Support SMEs

2.2.1. ExxonMobil GDA Implementation Support:

During June-July, Turan-Profi Academy trained 213 participants while SME Federation trained 417 participants using KSBD's Business Essentials Course modules.

On July 29th, KSBD met with ExxonMobil in Astana and reviewed the grant program for women in business. Lessons learned and areas for future improvement were identified and KSBD agreed to provide ExxonMobil greater assistance in designing and managing its programs in this area in the future. Of particular importance, ExxonMobil asked KSBD to prepare a proposal for funding both follow-on activities in Astana, as well as development of a new Enterprise Development Center (EDC) in Atyrau.

2.2.2. Public-Private Partnerships (PPPs)

On June 23rd, KSBD met with the Association for Promotion of Entrepreneurship in Kostanai (Aspredko) to discuss increasing public awareness of the value of management consulting. Through this meeting, Aspredko agreed to publish a series of articles provided by KSBD in its newsletter, as well as a Kostanai-based newspaper. During a follow-up trip on July 22nd, KSBD delivered an article to Aspredko on strategic planning for initial publication in September.

On June 26th, KSBD presented an overview of our training materials during a conference co-chaired by the Forum of Entrepreneurs and Almaty Association of Entrepreneurs.

On July 24th and July 30th, KSBD held focus groups in Uralsk and Karaganda with BSP partners and SME training participants. In doing so, KSBD received extensive feedback on improvements to specific courses and ideas for making delivery more convenient for retail participants. KSBD also provided recommendations to BSPs on improving their ability to approach and work with sponsors, such as GOK Entrepreneurship Departments, and major corporations active in their regions.

On July 25th, KSBD received confirmation that KPO has agreed to accept proposals from local BSP partners to utilize KSBD products as part of its vendor development program.

On July 25th, KSBD signed a Memorandum of Cooperation (MOC) with the Uralsk branch of Atameken, the National Business Association. This branch has a budget of \$14 million dollars and is interested in financing KSBD activities in this region. This event was covered by local TV and was followed by a press conference with several regional newspapers.

On July 28th, KSBD met with Mr. Azat Peruashev, Chairman of the Board of the Atameken Union, to discuss the pilot MOC in Uralsk and the basis for a national MOC with Atameken. Mr. Peruashev indicated he supported the KSBD program and would promote it among all Atameken branches throughout Kazakhstan.

On July 28th, KSBD met with Mr. Rustam Akberdin, Head of the Entrepreneurship Development Department, to gain endorsement for KSBD activities. It is anticipated that a letter of support will be sent to Entrepreneurship Departments at both the oblast and rayon-level in August.

On July 29th, KSBD met with Mr. Rustam Duspayev, Head of the Economic Growth Department of the Center for Strategic Research and Analysis under the President's Administration, who expressed interest in our BSP support program and agreed to look for ways to work with KSBD to incorporate our program into a new national plan for SME development.

On July 29th, KSBD received confirmation of BG's (British Gas) interest to implement our program. BG asked KSBD to work with BSP partners and submit proposals for review.

On July 30th, KSBD recruited four BSP partners in Karaganda to become the first members of an Advisory Council to work on continuous improvement of KSBD's products and programs. Additional partners and stakeholders will be recruited to the Council in the near future.

On July 30th and 31st, KSBD met with Mr. Erbulat Kargin, Head of the Karaganda oblast SME department, and Ms. Margarita Blok, Deputy Akim of Saran rayon. KSBD presented its program and objectives and discussed the role and funding situation of both organizations. KSBD received support from both to promote our program activities in the region.

On July 31st, KSBD met with Mr. Tarun Porwal, General Director of the Arcelor Mittal SME Resource Department, to discuss the KSBD program and objectives and explore areas for potential collaboration. Mr. Porwal agreed to refer us to the Human Resource department which manages the Arcelor Mittal training center in Karaganda.

2.2.3. BSP Training-of-Trainers Program (Phase I)

During the reporting period, KSBD completed one Business Essentials (BE) and one Consulting Essentials (CE) Training-of-Trainers (TOT).

June 9-10 BE TOT: HR Management module completed in Uralsk with BSP partner "DAMU"-15 SME trainers/consultants attested

June 11-12 BE TOT: Tax and Law module completed in Uralsk with BSP partner “DAMU”-15 SME trainers/consultants attested

July 1-3: CE TOT completed in Uralsk with BSP partner “DAMU”-14 SME trainers/consultants attested

2.2.4. BSP Retail Training Program (Phase II)

During June-July, KSBD Business Service Providers (BSPs) retailed ten training courses and trained 192 SME participants throughout Kazakhstan. All trainings were offered on a commercial basis, however partial contributions were provided by KSBD and regional SME Departments.

June 4-6 “Human Resource Management” offered in Karaganda by the Association of Barmen and Restaurateurs – 42 participants trained;

June 18-20 “Finance for Non-Financiers” offered in Petropavlovsk by Business Masters – 15 participants trained;

July 2-3 “Strategic and Business Planning” offered in Zhezkazgan by the Institute of Professional Accountants – 24 participants trained;

July 2-4 “Quality Management” offered in Petropavlovsk by Business Masters – 14 participants trained;

July 4-5 “Tax and Law” offered in Zhezkazgan by the Institute of Professional Accountants – 23 participants trained;

July 7-9 “Strategic and Business Planning” offered in Uralsk by Energetic Training Center – 12 participants trained;

July 9-10 “Quality Management” offered in Zhezkazgan by the Institute of Professional Accountants – 19 participants trained;

July 10-12 “Marketing and Sales” offered in Uralsk by Energetic Training Center – 13 participants trained;

July 14-16 “Human Resource Management” offered in Uralsk by Energetic Training Center – 13 participants trained;

July 22-24 “Finance for Non-Financiers” offered in Karaganda by the Association of Barmen and Virtuallers – 44 participants trained.

2.2.5. SME Toolkit (Phase III)

During this period, KSBD completed development of 3 Strategic Action Plans for Business Masters (Petropavlovsk), Energetic Training Center (Uralsk) and GMZ Consulting (Kostanai). In addition, KSBD collected quarterly sales and productivity data from its BSPs for future reporting and also provided GMZ Consulting with the Human Resource Workbook to help build additional competence in this discipline. Lastly, KSBD completed all preparation for launching its pilot SME toolkit program in Shymkent in early August.

2.3. Media Coverage of KSBD Activities:

KSBD published 5 articles, participated in one TV program and gave one TV interview during the reporting period:

- The Role of Think Tanks in Economic Policy Debate (Business Life magazine) – Almaty, Astana
- Time Management (Business Life magazine)
- How to Increase the Professionalism of Cooks? (Alma TV newspaper) – Karaganda
- SES would Like to Announce! (Avitrek newspaper) – Karaganda
- Business Elite of Kazakhstan (Priuralie newspaper) – Uralsk, West Kazakhstan
- Signing of Memorandum of Cooperation (MOC) between KSBD and Atameken (TDK 42 TV channel) – West Kazakhstan
- Interview on KSBD Activities and Objectives (TDK 42 TV channel) – West Kazakhstan

3.0 KSBD UPCOMING ACTIVITIES (AUGUST-SEPTEMBER 2008)

Component I: Work with GOK

- Based on Hungarian microfinance ST, MIT Microfinance Working Group has asked KSBD to draft a concept paper. This paper is to be revised during August and early September and presented on the International Micro Finance Conference scheduled for September 18 and 19.
- Drafting amendments to micro lending laws and regulations
- Finalizing the Handbook on SME Policies.
- Facilitation of job opportunities through business support for the CSRA - Center for Strategic Research and Analysis (CSRA Chairman discussed potential expert visit from JOBS, Bulgaria).
- The internal GOK debate on regulatory impact for entrepreneurs is scheduled for September.

Component 2: BSP Support

- Submit a proposal to ExxonMobil for funding a follow-on activity in Astana and establishing an Enterprise Development Center in Atyrau
- Submit a proposal to Chevron for funding a corporate social responsibility program
- Submit a proposal to KPO for funding a vendor development program
- Submit a proposal to BG for funding a corporate social responsibility program
- Sign MOC with the national Atameken office
- Work with EDF-DAMU to elaborate design of the Entrepreneurship Development Center program
- Develop the national training and education strategy with AmCham working groups
- Develop and submit a year 3 work plan with the PMP
- Finalize the KSBD contract modification
- Make a presentation at the Young Entrepreneurs Forum in Uralsk
- Sign MOCs with two BSP partners in Atyrau
- Complete the SME Toolkit pilot program with selected companies in Shymkent (in collaboration with BSP partner “Sodbi Business Incubator”)
- Complete “Start your business” pilot training program for Enterprise Support Centers in Shymkent (as agreed with city Akimat)
- Complete the development of 4 Strategic Action Plans with BSP partners
- Continue delivery of BE/CE TOT and retail courses in the regions

ANNEX 1: SUMMARY OF KSBD PARTNERS

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
1	Association of entrepreneurs and producers of Akmola region	Implementing partner	BSP	Akmolinskaya	Yes	No	1	1	0	0	Participants of Karaganda TOT group	Send CE/BE version 3 when ready, follow up (September); include in MyConsultant network
2	PE Kaliev	Implementing partner	BSP	Aktubinskaya	Yes	No	1	1	0	0	Participants of Uralsk TOT group	Send CE/BE version 3 when ready, follow up (September); MOC; BE retail; include in MyConsultant network
3	Dialog Agency	Implementing partner	BSP	Aktubinskaya	Yes	No	1	1	0	0	Participants of Uralsk TOT group	Send CE/BE version 3 when ready, follow up (September); MOC; BE retail; include in MyConsultant network
4	Caspian Development Initiative Fund	Implementing partner	BSP	Atyrauskaya	Yes	Yes	0	1	0	0	Participants of Almaty CE TOT group	Potential BE/CE retail and/or partner BSP for extractive industry projects; include in MyConsultant network
5	Chevron	Sponsor	Company International	Atyrauskaya	Yes	No	0	0	0	0	The proposal under development; identifying implementing partners	Meeting before sending proposal; send ready proposal; include in MyConsultant network as a buyer
6	TCO	Sponsor	Company International	Atyrauskaya	No	No	0	0	0	0	Key person identified, sponsor letter sent, identifying target groups and implementing partners	Send the Atyrau TOT proposal to TCO Mariya Karazhigitova along with TOT administrator BSP; include in MyConsultant network as a buyer
7	Agip	Sponsor	Company International	Atyrauskaya	Yes	No	0	0	0	0	2 meetings held: Local Content development and Training department. Fields of interest indentified	Exchange BSPs database; prepare Atyrau TOT proposal and send; send CE/BE/SYB products (their students' training program); include in MyConsultant network as a buyer
8	ZUBR Consulting	Implementing partner	BSP	East Kazakhstan	Yes	Yes	1	2	1	0	active partner in East Kazakhstan; no retail trainings now due to summer season	Send CE/BE version 3; activate retail in autumn, consulting services development assistance, potential TOT partner for East KZ region; include in MyConsultant network
9	Center for the Development of Local Management	Implementing partner	BSP	East Kazakhstan	Yes	No	2	1	0	0	potential BSP partner in East Kazakhstan	Send CE/BE version 3; include in MyConsultant network; follow up about potential future activity in KSBD products retail

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
10	Real Estate Center	Implementing partner	BSP	East Kazakhstan	Yes	No	1	1	0	0	potential BSP partner in East Kazakhstan	Send CE/BE version 3; include in MyConsultant network; follow up about potential future activity in KSBD products retail
11	Zhambul Center of Small Businesses	Implementing partner	BSP	Zhambylskaya	Yes	No	1	1	0	0	potential BSP partner in Zhambul oblast, provided application for BE retail (under consideration)	Send CE/BE version 3; include in MyConsultant network; follow up about potential future activity in KSBD products retail; review BE retail application
12	DAMU Consulting	Implementing partner	BSP	Zhambylskaya	Yes	No	1	1	0	0	Potential BSP partner from Zhambul oblast	Send CE/BE version 3; include in MyConsultant network; follow up about potential future activity in KSBD products retail
13	SMEF Branch	Sponsor	Other	Zhambylskaya	Yes	No	1	0	0	0	Potential co-sponsor for KSBD activities in the region	Send CE/BE version 3; include in MyConsultant network as a buyer; follow up about potential future activity in KSBD products TOT and/or retail
14	KPO	Sponsor	Company International	West Kazakhstan	Yes	No	0	0	0	0	Under negotiations; meeting scheduled with Vendor development and PR-departments; as well as meetings planned with SCR Manager and General director	Meet and discuss potential joint activities for vendors and SMEs in West Kazakhstan (Uralsk. Aksai); send proposals from partner BSPs; include in MyConsultant network as a buyer
15	BG	Sponsor	Company International	West Kazakhstan	Yes	No	0	0	0	0	Under negotiations; waiting for proposals from KSBD certified partners in products retail	Review proposals with partner BSPs and provide to Public Affairs advisor (Zhana Rustem); meet with active partners of BG in West Kazakhstan - KACEBI and IBC group for their current activities expansion; include in MyConsultant network as a buyer
16	Atameken-Uralsk Department	Sponsor	Other	West Kazakhstan	Yes	Yes	0	0	0	0	Under negotiations; new branch manager appointed	Develop an action plan for joint activities; participate in next board meeting; meet with new branch manager; include in MyConsultant network as a buyer

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
17	DAMU Association	Implementing partner	BSP	West Kazakhstan	Yes	Yes	2	2	0	0	Complete BE/CE TOT in West Kazakhstan; developing proposal to KPO vendor development and BG rural entrepreneurs BE and SYB retail	Meet and discuss proposals; SAP development; potential SYB and CCS TOT partner; Send CE/BE version 3; include in MyConsultant network; follow up about potential future activity in KSBD products TOT and/or retail
18	KACEBI	Implementing partner	BSP	West Kazakhstan	Yes	Yes	1	1	0	0	Implementing partner of BG Kazakhstan in Uralsk	Meet and discuss potential expansion of BG existing program; send CE/BE version 3; include in MyConsultant network; follow up about potential future activity in KSBD products TOT and/or retail
19	SMEF Branch	Sponsor	Other	West Kazakhstan	Yes	No	1	1	0	0	Potential sponsor for joint KSBD activities in West Kazakhstan	Meet and discuss potential joint activities (SYB and CCS TOTs); MOC signing; send CE/BE version 3; include in MyConsultant network as a buyer
20	Atiso Center	Implementing partner	Other	West Kazakhstan	Yes	No	1	1	0	0	Potential partner (university and qualification center) in West Kazakhstan	Send CE/BE version 3; include in MyConsultant network as a buyer; follow up about potential future activity in KSBD products TOT and/or retail
21	SME Department	Sponsor	Other	West Kazakhstan	Yes	No	0	0	0	0	Provided premises and informational support though BE/CE TOTs in West Kazakhstan; will have budget for entrepreneurs trainings in 2009	Discuss future support from SME department to KSBD activities in the region; MOC signing; include in MyConsultant newsletter
22	Energetic Training Center	Implementing partner	BSP	West Kazakhstan	Yes	Yes	2	2	1	1	Active partner in West Kazakhstan; SAP and HR practical consulting sessions scheduled	Deliver SAP and HR practical sessions; final version of SAP to be discussed; proposal review to BG Kazakhstan; send CE/BE version 3; include in MyConsultant network
23	Arcelor Mittal	Sponsor	Company International	Karagandinskaya	Yes	No	0	0	0	0	Initial meeting done	To be follower up by KSBD staff for SCR events and training center services expansion in business training; to send CE/BE version 3; include in MyConsultant network as a buyer;

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
24	Association of Entrepreneurs of Karaganda Oblast	Implementing partner	BSP	Karagandinskaya	Yes	Yes	4	3	0	0	CE/BE TOT partner in Karaganda oblast; follow up meeting with the group just done	Send CE/BE version 3; include in MyConsultant network; discuss CCS and SYB TOTs in the oblast; follow up with CE/BE retail
25	Association of Barmen and Virtuallers	Implementing partner	BSP	Karagandinskaya	Yes	Yes	1	1	0	1	SAP development; BE retail implementing under subcontract	Send CE/BE version 3; include in MyConsultant network; discuss CCS and SYB TOTs in the oblast; follow up with CE/BE retail
26	Institute of Professional Accountants	Implementing partner	BSP	Karagandinskaya	Yes	Yes	2	2	1	0	BE retail active partner; local government liason functions	Send CE/BE version 3; include in MyConsultant network; discuss CCS and SYB TOTs in the oblast; follow up with CE/BE retail
27	institute of Quality	Implementing partner	BSP	Karagandinskaya	Yes	No	2	2	0	0	Suggested their assistance in KSBd services expansion (QM practical sessions)	Send CE/BE version 3; include in MyConsultant network; discuss CCS and SYB TOTs in the oblast; follow up with CE/BE retail
28	Central Association of Entrepreneurs	Implementing partner	BSP	Karagandinskaya	Yes	No	1	1	0	0	Potential partner in Karaganda oblast	Send CE/BE version 3; include in MyConsultant network; follow up with CE/BE retail; MOC signing
29	Association of Entpreneurs of Ba khash City	Implementing partner	BSP	Karagandinskaya	Yes	No	1	1	0	0	Potential partner in Karaganda oblast, small town	Send CE/BE version 3; include in MyConsultant network; follow up with CE/BE retail; MOC signing
30	Association of Entrepreneurs of Kazakhstan (Temirtau)	Implementing partner	BSP	Karagandinskaya	Yes	No	1	1	0	0	Potential partner in Karaganda oblast, small town	Send CE/BE version 3; include in MyConsultant network; follow up with CE/BE retail; MOC signing
31	Association of Entrepreneurs of Abai District	Implementing partner	BSP	Karagandinskaya	Yes	No	0	1	0	0	Potential partner in Karaganda oblast, small town	Send CE version 3; include in MyConsultant network; follow up with CE retail; MOC signing
32	IP Kroval	Implementing partner	BSP	Karagandinskaya	Yes	No	1	1	0	0	Delivered SAP to their clients; newly formed consulting company	Send CE/BE version 3; include in MyConsultant network; follow up with CE/BE retail; MOC signing; consulting toolkit practical delivery sessions
33	IP Yakovenko	Implementing partner	BSP	Karagandinskaya	Yes	No	1	1	0	0	Delivered SAP to their clients; newly formed consulting company	Send CE/BE version 3; include in MyConsultant network; follow up with CE/BE retail; MOC signing; consulting toolkit practical delivery sessions

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
34	Entrepreneurship Department-Satpayev City	Sponsor	Other	Karagandinskaya	Yes	Yes	0	0	0	0	MOC signed with the participation of KSBD active BSP partner	Send CE/BE version 3; include in MyConsultant network newsletter; follow up with CE/BE retail;
35	Entrepreneurship Department-Saran City	Sponsor	Other	Karagandinskaya	Yes	Yes	0	0	0	0	MOC signed with the participation of KSBD active BSP partner; KSBD visited and met the head of the department	Send CE/BE version 3; include in MyConsultant network newsletter; follow up with CE/BE retail; SYB TOT discussion; SYB/BE retail discussion for next year
36	Entrepreneurship Department-Zhezkazgan City	Sponsor	Other	Karagandinskaya	Yes	Yes	0	0	0	0	MOC signed with the participation of KSBD active BSP partner; financed the Zhezkazgan EDC for 2008	Send CE/BE version 3; include in MyConsultant network newsletter; follow up with CE/BE retail; involve into EDC development
37	Entrepreneurship Department-Kostanaiskaya Region Akimat	Sponsor	Other	Kostanaiskaya	Yes	Yes	0	0	0	0	Discussion of participation in BE/CE TOT in the region (premises input and informational support)	Finalize agreement about input into CE/BE TOTs; invite for participation of their reps; include in MyConsultant network newsletter
38	PREKO Consulting	Implementing partner	BSP	Kostanaiskaya	Yes	No	0	0	1	0	Participated in CCS co-financed by KSBD; discussion about participation in BE/CE TOTs; potential partner in Kostanay oblast	Invite for BE/CE TOTs; include into MyConsultant network; MOC signing; BE/CE retail after trained
39	GMZ Consulting	Implementing partner	BSP	Kostanaiskaya	Yes	Yes	1	2	0	1	Active implementor of BE retail subcontract; SAP development	Send CE/BE version 3; include in MyConsultant network; follow up with CE/BE retail; final version of SAP to be provided
40	Burkeeva MCO	Implementing partner	BSP	Kostanaiskaya	Yes	No	0	0	0	0	Participant of KSBD training activities in the region	Invite for BE/CE TOTs; include into MyConsultant network; MOC signing; BE/CE retail after trained in combination with their lending services
41	SMEF branch	Sponsor	Other	Kostanaiskaya	Yes	Yes	0	0	0	0	Discussion of participation in BE/CE TOT in the region (handouts printing)	Finalize agreement about input into CE/BE TOTs; invite for participation of their reps; include in MyConsultant network as a buyer
42	Association of Kostanai Business Women	Implementing partner	BSP	Kostanaiskaya	Yes	Yes	0	0	0	0	Initial meeting done	Invite for BE/CE TOTs; include into MyConsultant network; BE/CE retail after trained and certified

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
43	Kzyl-Orda Association of Entrepreneurs	Implementing partner	BSP	Kyzlordinskaya	Yes	No	1	1	0	0	Potential partner in Kzyl-Orda oblast	Meet and discuss cooperation when visiting the oblast; MOC signing; send CE/BE version 3; include in MyConsultant network; follow up about BE/CE retail; possible partner for TOTs in the oblast
44	Preko Kzyl-Orda	Implementing partner	BSP	Kyzlordinskaya	Yes	No	0	1	0	0	Potential partner in Kzyl-Orda oblast	Meet and discuss cooperation when visiting the oblast; MOC signing; send CE/BE version 3; include in MyConsultant network; follow up about BE/CE retail; possible partner for TOTs in the oblast
45	Decenta	Implementing partner	BSP	Pavlodarskaya	Yes	Yes	1	2	1	0	BE retail and BE/CE TOTs application provided for consideration; meetings assistance for governmental units in the oblast and stakeholders	send CE/BE version 3; include in MyConsultant network; follow up about BE/CE retail; possible partner for TOTs in the oblast; consulting toolkit practical sessions; CCS/SYB potential partners; publishing of articles in their journal; review their applications
46	Delta-Credit	Implementing partner	BSP	Pavlodarskaya	Yes	No	1	0	1	0	Works closely with Decenta to combine different SME services	send CE/BE version 3; include in MyConsultant network; follow up about BE/CE retail; possible partner for TOTs in the oblast; consulting toolkit practical sessions; CCS/SYB potential partners;
47	Business Masters	Implementing partner	BSP	North Kazakhstan	Yes	Yes	1	2	1	1	Implementing subcontractor of BE retail in the region; SAP services delivered but additional correction needed due to the company's development	send CE/BE version 3; include in MyConsultant network; follow up about BE/CE retail; possible partner for TOTs in the oblast; consulting toolkit practical sessions; CCS/SYB potential partners; SAP correction (September)
48	SME Department	Sponsor	BSP	North Kazakhstan	Yes	Yes	0	1	0	0	Active participant of consulting training; initial meeting done	send CE/BE version 3; include in MyConsultant network newsletter; possible partner for TOTs in the oblast; CCS/SYB potential partners;
49	NAP Branch	Implementing partner	BSP	North Kazakhstan	Yes	No	0	1	0	0	Active participant of consulting training	send CE version 3; include in MyConsultant network; follow up with CE retail; MOC signing
50	Union of Entrepreneurs of Esil Rayon	Implementing partner	BSP	North Kazakhstan	Yes	No	0	1	0	0	Active participant of consulting training	Send CE version 3; include in MyConsultant network; follow up with CE retail; MOC signing

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
51	Technopark	Sponsor	Other	North Kazakhstan	Yes	No	0	1	0	0	Active participant of consulting training	Send CE version 3; include in MyConsultant network as a buyer; follow up with CE retail; MOC signing
52	Chamber of Industry and Trade in North KZ	Implementing partner	BSP	North Kazakhstan	Yes	No	0	1	0	0	Active participant of consulting training	Send CE version 3; include in MyConsultant network; follow up with CE retail; MOC signing
53	League of entrepreneurs of the North KZ	Implementing partner	BSP	North Kazakhstan	Yes	No	0	1	0	0	Active participant of consulting training	Send CE version 3; include in MyConsultant network; follow up with CE retail; MOC signing
54	SODBI Business Incubator	Implementing partner	BSP	South Kazakhstan	Yes	Yes	1	1	0	1	Implementing KSBD subcontract for ESCs network development; MyConsultant operator; SAP developed and delivered; SAP practical session piloted; SYB TOT piloted; CCS delivered	send CE/BE version 3; MyConsultant network joint development; follow up about BE/CE retail; consulting too kit practical sessions continuation (financial sustainability of the products); SAP update in September
55	SODBI Finance	Implementing partner	BSP	South Kazakhstan	Yes	No	1	1	0	0	Potential partner in South Kazakhstan; SODBI affiliated company for financial services	send CE/BE version 3; include in MyConsultant network; MOC signing; follow up about CE/BE retail; financial services practical sessions from BE
56	IP Petrova	Implementing partner	BSP	South Kazakhstan	Yes	Yes	1	1	1	0	Involved into SAP practical sessions as active junior consultant	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; consulting direction development in the company; SAP development (November)
57	M&C Group	Implementing partner	BSP	South Kazakhstan	Yes	No	1	1	0	0	Potential partner in South Kazakhstan;	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; MOC signing
58	STP Company	Implementing partner	BSP	South Kazakhstan	Yes	No	1	1	0	0	Potential partner in South Kazakhstan;	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; MOC signing
59	Bereke	Implementing partner	BSP	South Kazakhstan	Yes	No	1	1	0	0	Potential partner in South Kazakhstan;	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; MOC signing
60	League of entrepreneurs of South	Implementing partner	BSP	South Kazakhstan	Yes	No	2	1	0	0	Potential partner in South Kazakhstan;	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; MOC signing

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
61	Zerde NPO			South Kazakhstan	Yes	No	1	1	0	0	Potential partner in South Kazakhstan;	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; MOC signing
62	Shymkent Akimat	Sponsor	Other	South Kazakhstan	Yes	Yes	0	0	0	0	Co-financing ESCs network; informational support to KSBD services	send CE/BE version 3; include in MyConsultant newsletter; discussion about further development of ESCs and BE/CE/SYB retail in South Kazakhstan; publish articles in the local oblast newspapers
63	Entrepreneurs' rights association	Implementing partner	BSP	Astana (City)	Yes	No	1	2	0	0	Potential partner in Astana and oblast	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; MOC signing; potential partner BSP for ExxonMobile grants
64	SME Federation	Implementing partner	BSP	Astana (City)	Yes	Yes	3	2	0	0	ExonMobile implementing grantee	send CE/BE version 3; include in MyConsultant network; reporting about grant implementation
65	Turan Profi	Implementing partner	BSP	Astana (City)	Yes	Yes	2	3	0	0	ExonMobile implementing grantee	send CE/BE version 3; include in MyConsultant network; reporting about grant implementation; SAP development in September
66	ExxonMobil	Sponsor	Company International	Astana (City)	Yes	No	0	0	0	0	Grants to BSPs to train women and girls in KSBD products; further expansion discussion	Provide approximate plan and budget for joint activities in next contract/grant year; current grantees reporting monitoring
67	AMFOK	Implementing partner	BSP	Almaty (City)	Yes	Yes	1	1	0	0	SAP development has been postponed due to the very intensive internal activity of the BSP	send CE/BE version 3; include in MyConsultant network; follow up about CE/BE retail; SAP development follow up (September)
68	Association of Franchising	Implementing partner	BSP	Almaty (City)	Yes	No	0	1	0	0	Potential partner in Almaty	send CE/BE version 3; include in MyConsultant network; follow up about CE retail; MOC signing
69	New Leaders Learning	Sponsor	Company International	National	Yes	Yes	0	0	0	0	Joint activities discussion in training and consulting services in Kazakhstan	send CE/BE version 3 for review; include in MyConsultant network; develop an action plan for future joint activities
70	EBRD Business Advisory Services	Sponsor	Other	National	Yes	No	0	1	3	0	Joint activities discussion in training and consulting services in Kazakhstan; CCS promotion and delivery in Kazakhstan regional cities	Meet with CCS certified trainers and develop a strategy for product promotion, delivery and diversification from CE

#	Name of Partner Organization	Category	Type	Oblast	Initial Meetings	MOC	BE Attested	CE Attested	CCS Attested	SAP	Status	Next Steps
71	National Gender and Family Affairs Commission	Sponsor	Other	National	Yes	Yes	0	0	0	0	Discussion and creation of women professional growth center in Atyrau within the gender equality strategy	Submit joint proposals to Exxon Mobil Kazakhstan and UNDP to establish the center in Atyrau
72	Ministry of Industry and Trade (MIT)	Sponsor	Other	National	Yes	No	0	0	0	0	Meeting to review component 2 activities done; SBA ST participation	Send CE/BE version 3; send summary of results achieved; include in MyConsultant newsletter; letter of support
73	Atameken	Sponsor	Other	National	Yes	No	0	0	0	0	Meetings with regional branches; MOC with Head Office under development	Develop an action plan for joint activities with regional branches, MOC signing with PR-event; send CE/BE version 3 as well as SYB updated version
74	President's Administration	Sponsor	Other	National	Yes	No	0	0	0	0	SBA ST participation; initial meeting done; KSBD products sent; GEM report sent	Discuss possible participation in national SME development program; GEM follow up; letter of support



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FROM THE AMERICAN PEOPLE

KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

YEAR 3 BY-MONTHLY REPORT: OCTOBER - NOVEMBER 2008

December 24, 2008

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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

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CTO/USAID/CAR: Svetlana Golovatskaya
PROJECT MANAGER: Mohammad Fatoorechie
CHIEF OF PARTY: Greg Hemphill

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1.0 EXECUTIVE SUMMARY

During October-November, KSBD continued moving forward with assistance to the Government of Kazakhstan (GOK) in support of SME development.

Assistance to the GOK proceeded with three main partners; the Ministry of Industry and Trade (MIT) Department of Entrepreneurship Development (EDD), the Entrepreneurship Development Fund/DAMU (DAMU) and the president's Center for Strategic Research and Analysis (CSRA); and focused on deepening partners' confidence through planning activities, establishing cooperation agreements and securing completion of initiatives in the pipeline.

One new working group was formed, on the provisional launching of the Annual Entrepreneurship Report to the President; one additional partner, the Institute of Economic Research (IER) of the Ministry of Economy and Budget Planning, asked for planning assistance of major SME event in 2009, and a Work Group between KSBD and DAMU was established by signing an Memorandum of Understanding (MOU) for future cooperation.

In November, the GOK approved an additional \$1 billion of SME credit lines via DAMU. Equally important are some DAMU policy amendments KSBD suggested in its April report to DAMU, which were confirmed by experience gained during the July 2008 US Small Business Administration (SBA) Study Tour (ST), namely:

- creation of an Enterprise Development Center (EDC) network
- designing a program to create better SME access to public procurement
- elimination of sector preferences in DAMU credit lines

KSBD also provided technical assistance via training/consulting to 222 SMEs. Another important development is the level of assistance provided to SMEs by non-grantee (ExxonMobil) BSPs, who provided 28 retail courses at an estimated value of \$34,193. KSBD continued to assist BSPs to use its SME Toolkit on a retail basis by helping 3 BSPs complete 5 Strategic Action Plans (SAPs) and 3 Quality Management Process Flowcharts.

KSBD actively pursued the development of additional Public-Private Partnerships (PPPs) by submitting a total of 5 new proposals with a cumulative value of over \$1,200,000. Finally, the ExxonMobil grant program for women in business in Astana is beginning to wind down, with SME Federation exceeding its annual goals and Turan-Profi estimated to finish by the next reporting period.

2.0 Component I: Building GOK capacity to support SMEs

2.1 Year 3 indicators

2.1.1 Additional GOK investment in KSBD activities

The final budget is not determined, however the trip planned to the US would cost DAMU about \$120 thousand, plus an estimated \$6,000 thousand for a preliminary conference in Almaty.

2.1.2 Government programs improved

There are signs of positive change in SME policy planning. MIT and DAMU communicated in writing their initiatives for the next year and expressed a commitment to establish a regular policy review process, utilizing new Europe SME agencies and the US SBA practice of compiling annual state of entrepreneurship reports (AER). One of the key topics to be reviewed and discussed is the government efficacy in implementing SME policies. The topic has been suggested to USAID by business associations (by the Forum of Entrepreneurs) and with KSBD's assistance, MIT and CSRA, GOK agreed to include the topic in the regular SME policy reviews. (The first ad hoc consultation was already requested by MIT and delivered during the reporting period, see below.)

MOUs with all key partners are in process of being agreed upon and signed (EDD of MIT, CSRA, EDF)

- DAMU requested assistance from KSBD to disseminate best SME practice via publications (by DAMU)
- The Entrepreneurship Development Department (EDD) of the Ministry of Industry and Trade (MIT), supported by some business associations like the Forum, Karaganda Association of Entrepreneurs and NAP, asked KSBD assistance in improved use of Internet pages for government, including private sector dialogue on SME policies
- Initiatives related to other bilateral agreements, like with EU (the Kazakhstan's Road to Europe Program), coordinated by Ministry of Foreign Affairs; consultation on best practices was provided to EDD of MIT
- MIT's Study Tour (ST) lessons learned from a ST to Denmark and cooperation with Japan's Ministry of Economy, Trade and Industry were consulted with KSBD, to avoid duplication, provide for synergies and improved exposure to best SME policy practices. We expect that in this way GOK will manage to tap more resources to achieve objectives first outlined within the Kazakh-US bilateral Program for Economic Development (PED) and promoted by KSBD in fulfilling its objective to facilitate access to SME policy best practice.
- MIT's EDD has agreed in principle the directions of cooperation with KSBD for the next period. The MOU is in a process of being agreed upon and signed.
- During the reporting period KSBD continued to provide access to best practices related to both challenges and reforms of SME/entrepreneurship policies. KSBD's April report to DAMU proposed removing restrictions to finance SME commercial enterprises and SME turnover (as well as other unnecessary policy regulations, e.g. on business incubators) from the private entrepreneurship law. In November, draft amendments have passed by the GOK and were submitted to Parliament.

2.1.2.1 Study Tours, Expert Visits, Conferences, Work Shops, etc

- The GOK's efforts to create an Annual Small Business Report (AER) has resulted from two previous KSBD sponsored STs, to Bulgaria and Poland. This effort is currently being led by the Committee.
- The May-June 2007 visit to Microcredit Conference in Sofia (EDD, MIT, Chancellery of the Prime Minister) has led to a follow up study of saving cooperatives and drafting of a law concept on saving cooperatives for Kazakhstan (planned for discussion in December, for presentation to Mazhilis in January 2009 and for law drafting in late 2009 – early 2010).

2.1.2.2 Work Groups

MIT Work Group on Microfinance

In October, based on the comments from the September Regional Conference on Micro Finance in Central Asia, additional consultation was requested from Hungarian expert Lajos Varadi on best legal practice on liquidation and mergers of Savings Cooperatives in EU. This consultation allowed for completion of the draft Savings Cooperatives Law concept, which was submitted to the WG in early November. During the period there were two meeting on the previous drafts of the WG (also assisted by KSBD) with relevant parliamentary committees.

The next session to discuss the Savings Cooperatives concept is scheduled for mid-December, including presentations in the Mazhilis in the end of December or early January. In November, KSBD also worked on the outline feasibility study of the concept. The draft bill is included in the GOK 2010 legislative program.

Work Group on Annual Small Business Report

Center for Strategic Research and Analysis (CSRA) group works on Annual Small Business Report (ASBR) with KSBD GOK advisor (see below, Cooperation with CSAR).

2.1.3 Government capacity to design, manage and evaluate programs improved

While most of KSBD's efforts are still focusing on improving GOK SME-related policies, some efforts are starting to be made to improve the management capacity for designing, managing and evaluating SME support programs.

Most of these efforts center on DAMU, which is currently the main implementer of SME programs. These activities are further described under 2.2, but include during the period:

- Signing of a Memorandum of Understanding between DAMU and KSBD which provides for KSBD assistance in developing DAMU institutional capacity to implement its Enterprise Development Center program and related programs, such as SME loan guarantees and procurement assistance
- Summary of the initiatives related to Global Entrepreneurship Week, celebrated in seventy seven countries

- Comparison of different countries' Annual Small Business Report (ASBR) processes
- Consultation on standards and SME policies in the European Union (EU) to be utilized by the Road to Europe program

Other ad hoc consultations during the period that relate to GOK institutional capacity, efficiency and effectiveness include:

- Review of the recent international initiatives to improve SME access to public procurement for MIT (included in the Handbook on SME policies)
- Review of the best practice (of Canada, Australia and UK) government SME service provision with a focus on government efficiency, which was disseminated to business associations as well
- Review and comments on the most recent (dated 18 of November) OECD concept on Entrepreneurship Measurement
- Internet use by SME policy bodies in the EU and US
- SME field surveys' best practices and patterns

Most of these reviews served the working groups formed with or by MIT EDD and DAMU but were also disseminated to the public at large via KSBD's website; popular versions of these were included in the Handbook on SME Policies (see below).

2.2 Cooperation with DAMU

Cooperation with DAMU has entered a new stage. DAMU and KSBD signed a Memorandum of Understanding (MOU) and created a Work Group to ensure close cooperation as DAMU begins to implement its Enterprise Development Center and related programs. The MOU covers cooperation in a number of areas including launching new DAMU programs and building DAMU's capacity to design, manage and evaluate its programs.

2.2.1 EDCs: Assist DAMU to develop overall EDC concept

After the July 2008 Study Tour (ST) to the US to visit the Small Business Administration and related entities, and as a result of discussions with its Advisory Board, in which KSBD participates, on the concept of launching Enterprise Development Centers (EDCs), DAMU requested KSBD to advise and help with the design of a new ST to study the US system of EDCs under the SBA. The new ST is in the process of facilitation by KSBD in agreement with DAMU, which handles logistics on its own. The provisional estimated costs are USD 120,000. The ST will be financed by DAMU. KSBD committed to support the participation of three – four representatives of business associations to attend the ST.

2.2.2 EDCs: Assist DAMU to develop specific EDC programs and services

In order to finalize previous cooperation agreements with DAMU, KSBD in November intensified its part of the work on the SME Handbook, which compiles international best practices regarding SME programs and policies.

The work included: updates of macroeconomic data, comments (chapters) on the global crisis impact on Kazakhstan, definitions and measurements of entrepreneurship, SMEs and public procurement best practices, specific examples of public law chambers of commerce, SME service portals and other issues were drafted and included in the book. It was sent to DAMU on November 29. Some editorial work remains to be done, mostly by DAMU on their input, and, then, jointly on the final version.

2.2.3 EDCs: Assist DAMU with conference on EDC management systems and programs.

This conference is scheduled for December 22.

2.2.4 EDCs: Assist DAMU to create EDC Advisory Councils.

These Councils will be established at the pilot EDC sites when the pilot program begins after the January, 2009 SBA Study Tour.

2.2.5 Assist DAMU to launch pilot EDCs

This will begin after the SBA Study Tour scheduled for January 2009.

2.2.6 SBA Study Tour: Assist DAMU to recruit other participants.

DAMU has asked KSBD to fund up to four GOK officials from other SME stakeholder organizations. The actual officials have not yet been determined.

2.2.7 Management: Assist DAMU to improve reporting, management and evaluation programs

The DAMU program is being reshaped, in consultation with the Samryk-Kazyna Executive Director, who has requested a meeting on December 12th

2.3 Cooperation with Center for Strategic Research and Analysis

2.3.1 Annual SME Report: Assist CSRA to develop report with other stakeholders

As a follow up of the ST to Poland and Bulgaria which is a part of KSBD FY3 WP the first organizational meeting on AER took place at the President's CSAR on October 22 to discuss the composition of the Drafting Committee / Working Group, provisional structure of the report and supporting activities to launch the effort. For the time being the WG includes the following active member-organizations: CSAR, MIT's EDD, DAMU and KSBD.

The WG requested KSBD assistance in the following issues: to draft operation rules for the WG, to review the options for a field survey, to check and analyze different AER models and practices and disseminate them to members. During the reporting period three sessions were held at the premises of CSAR with the following outcomes:

- Justification document for the President's chancellery
- Draft work schedule for the group
- Principal agreement on roles: CSAR – endorsement and oversight, EDD – government coordination and dialogue with the private sector; DAMU – statistics and bank coordination, macro analysis; private sector – assessment of government SME program effectiveness; KSBD – facilitation and access to international best practices. Other members are all important business associations and leaders, NAC, ministry of finance, ministry of economy and budget planning, and statistics agency of Kazakhstan.

2.4 Cooperation with Ministry of Industry and Trade

2.4.1 SME definitions: Prepare analysis of Kazakhstan's definition issues and recommendations

(See above)

2.4.2 MIT Website: Submit recommendations to MIT on ways to improve SME-related website components.

KSBD will ask MIT to prepare a letter requesting specific assistance in this area.

2.5 Other GOK counterparts

2.5.1 Ministry of Budget and Planning/Institute of Economic Research (IER).

The IER has requested KSBD to participate in its planned forum on SME topics in the spring of 2009.

2.6 Other activities:

2.6.1 Sponsorship of SME Navigator

The KSBD Senior Government Advisor created the SME Navigator as an innovative internet-based library of SME-related articles and papers from a variety of websites. KSBD currently maintains the SME Navigator on its website, but its goal is to find a sponsor that will maintain it as a resource on a sustainable basis. During the period, KSBD has begun discussions with two business associations and DAMU as potential sponsors.

2.6.2 Sponsorship of GEM:

KSBD successfully established the technical capacity in Kazakhstan to participate in the Global Entrepreneurship Monitoring Program through a partnership with the Innovative Eurasian University in Pavlodar. KSBD is currently seeking GOK support to continue Kazakhstan's participation on at least a biennial basis.

3.0 KSBD COMPONENT 2: BUILDING BSP CAPACITY TO SUPPORT SMEs

3.1 NOVEMBER-DECEMBER INDICATORS

3.1.1 Number of organizations assisted through KSBD BSP Program:

INDICATOR	OCTOBER-NOVEMBER		YEAR 3 CUMULATIVE		YEAR 3 TARGET	% OF YEAR 3 TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
	Total	New	Total	New				
Total number of organizations	259	164	259	164	N/A	N/A	1000	1259
SMEs	222	146	222	146	975	22%	818	1040
NGOs	7	5	7	5	N/A	N/A	68	75
GOK entities	8	5	8	5	N/A	N/A	43	51
HEIs	5	0	5	0	N/A	N/A	25	30
Vocational/ Technical	5	0	5	0	N/A	N/A	20	25
Financial Institutions	8	5	8	5	N/A	N/A	20	28
Large Companies (domestic)	4	3	4	3	N/A	N/A	5	9
Development Organizations	0	0	0	0	N/A	N/A	1	1

KSBD achieved 22% of its year 3 SME target by assisting a total of 222 SMEs this period. It's important to note that both existing and new SMEs are counted, as KSBD's ongoing assistance is a crucial component in building sustainability. Furthermore, KSBD continues to work closely with its BSP partners to ensure the overwhelming majority of organizations receiving KSBD sponsored assistance are SMEs (85% this period), in accordance with USAID's stated objective.

Another important development this period is the level of assistance provided to SMEs from non-ExxonMobil grantees, which provided 13 more retail courses (28 versus 15) collectively than Turan Profi. While this in no way minimizes Turan Profi's importance to our program, it does indicate KSBD's success in generating interest among SMEs in many oblasts via an increasing portfolio of BSP partners. KSBD's level of SME assistance is even more pronounced when taking into consideration that SME Federation had already exceeded its annual training objective and as such offered no new courses this period. With similar gains in the future, KSBD is well-positioned to meet its year 3 target of assisting 975 SMEs.

3.1.2 Total Training participations and participants

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total Participations	806	806	4000	20.15%	2966	3772
Total Unique participants	548	548	N/A	N/A	1624	2172
Female participations	565	565	N/A	N/A	1129	1694

Male participations	241	241	N/A	N/A	495	736
Female unique participants	390	390	N/A	N/A	1129	1519
Male unique participants	158	158	N/A	N/A	495	653

KSBD continues to attract strong participation throughout Kazakhstan and achieved 20% of its year 3 targets this period. Similar to prior months, KSBD has successfully targeted efforts to assist female entrepreneurs who represent 69% of all participations this period.

As noted above, KSBD tracks both total participations (806) and unique participants (548) to reflect the fact that many individuals participate in more than one KSBD-sponsored course. This trend is extremely positive and highlights the value and usefulness of our course offerings to participants.

3.2 BUSINESS SERVICE PROVIDER (BPS) CAPACITY BUILDING PROGRAM

3.2.1 BSP partner breakdown (by highest Partner Status achieved)

INDICATOR	OCTOBER-NOVEMBER-INCREASES	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total	3	53	N/A	N/A	53	53
Status 1 (Attended TOT)	0	33	N/A	N/A	35	35
Status 2 (Self-Application of SME Toolkit)	1	2	N/A	N/A	1	1
Status 3 (Retail Training)	0	10	N/A	N/A	11	11
Status 4 (Retail SME Toolkit)	2	8	N/A	N/A	6	6

This period KSBD did not add any new BSPs to its portfolio, due to the fact that only 1 training-of-trainers (TOT) session was completed. However, KSBD helped the following 3 BSPs increase their status designation:

- M&C Group (Shymkent): Status 1 to Status 2 (SAP Self-Application)
- Dialog Agency (Aktobe): Status 1 to Status 4 (2 Retail SAPs)
- Business Masters (Petrovsk): Status 3 to Status 4 (3 Retail SAPs)

3.2.2 BSP Partner Breakdown (by Oblast/Administrative District)

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	PROJECT TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Oblasts with at least 1 BSP	N/A	N/A	16	87.5%	14	14

Oblasts with at least 2 BSPs	N/A	N/A	16	75%	12	12
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KSBD's target is to have an average of at least 2 BSPs in each oblast by the end of the project in 2010. This period, KSBD has at least one BSP partner in 14 of the 16 administrative districts (14 oblasts plus Astana and Almaty, which are separate administrative districts). Of these 14, 12 have at least two BSP partners and the average number of partners is already 3.3 across the country.

3.2.3 *BSP TOT Business and Consultant Training and Attestation Program (Status 1)*

- **KSBD TOTs for BSPs**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
BE TOTs	1	1	7	14.29%	4	5
CE TOTs	0	0	7	0%	5	5
CCS TOTs	0	0	N/A	N/A	3	3
SYB TOTs	1	1	3	33.33%	1	2

- 1 BE TOT delivered (Kostanai: September-November 2008)
- 1 SYB TOT delivered (Aksai: October-November 2008)

KSBD has now completed 5 BE TOTs with the completion of its most recent TOT in Kostanai in November. Furthermore, KSBD conducted a SYB TOT in Aksai in late October with funding from KPO. This is an important development in terms of potential future financing, as well as increasing our pool of attested consultants in the West Kazakhstan oblast.

- **KSBD attestations of individual consultants and trainers**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
BE Attested	6	6	112	5.36%	65	71
CE Attested	0	0	117	0.00%	86	86
BE+CE Attested	0	0	90	0.00%	55	55
SYB Attested	19	19	42	45.24%	14	33

Each BSP TOT includes an attestation component, which measures whether the participant has mastered the competencies targeted in each course. These attestation functions include problem sets and/or case studies and also take into consideration classroom participation. The attestation documents are evaluated by KSBD staff to ensure consistent quality.

This period, KSBD attested 6 consultants in BE via completion of the TOT in Kostanai, as well as 19 consultants in SYB. There were no additional consultants attested in CE, since KSBD did not hold any TOTs in this discipline. As of November, KSBD has delivered a cumulative total of 71 BE, 86 CE and 33 SYB attestations. KSBD is actively seeking partners to co-finance TOTs in remaining oblasts which should result in a dramatic increase of attestations during the next 6 months.

3.2.4 BSP Partners providing retail training to SME clients and participants (Status 2)

- **All Retail courses provided by BSPs partners**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total Courses given (including EM grantees)	43	43	200	21.50%	165	208
Average value of each retail course	\$1,221.20	\$1,221.20	N/A	N/A	\$1,720.01	\$1,470.61

KSBD calculates that its BSP partners using KSBD’s portfolio of courses to provide 43 retail courses to end-users this period have created over \$52,511 worth of training (based on the costs of the training). KSBD consistently updates its average per course cost and total value of KSBD courses provided on a retail basis by BSP partners based on its database of training course costs. Through the addition of this period’s courses, BSP partners have now delivered a cumulative total of 208 retail courses for an estimated value of over \$305,000.

- **Retail courses given by BSP partners with KSBD co-financing (excluding PPP financed)**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
KSBD co-financed retail courses	28	28	N/A	N/A	34	62
Total value of Retail Courses	\$34,193	\$34,193	N/A	N/A	\$72,240.32	\$106,433.42
KSBD contribution	\$18,036	\$18,036	N/A	N/A	\$31,622.22	\$49,658.22
BSP contribution	\$6,132	\$6,132	N/A	N/A	\$26,905.08	\$33,037.08
Sponsor contribution	\$1,418	\$1,418	N/A	N/A	N/A	\$1,418
Participants fees	\$8,607	\$8,607	N/A	N/A	\$13,713.02	\$22,320

As noted earlier, non-grantee (ExxonMobil) BSPs increased their delivery of retail courses this period, bringing the total now to 62. Additionally, such activity added an increase of nearly 50% in prior total value of retail courses delivered, resulting in a cumulative amount of \$106,433.

3.2.5 BSPs Self-Application of SME Toolkit to improve performance (Status 3)

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
SAPs developed	1	1	N/A	N/A	5	6
KMRs reported	N/A	N/A	N/A	N/A	7	7

This period, KSBD assisted M&C Group in Shymkent to develop a SAP for its own organization. KSBD encourages and assists its BSP partners to use the SME-tool kit on themselves for two reasons: to improve the management capacity of the BSPs, which will support sustainability and to provide the BSP consultants with the opportunity to practice using the tools in preparation for retailing them to SME clients. KSBD assists partner BSPs to commercialize its consulting services to the SMEs of the region. While providing retail training is also beneficial, the provision of actual consulting services in a cost-effective manner will be required for SMEs to reach the required levels of competitiveness.

3.2.6 *BSPs Retailing SME Toolkit to SMEs (Status 4)*

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
QM Tool	3	3	N/A	N/A	0	3
SAPs	5	5	N/A	N/A	7	12

- Business Masters (Petropavlovsk): 3 SAP retail clients
- Dialog Agency (Aktobe): 2 SAP retail clients
- SODBI Business Incubator (Shymkent): 3 Quality Management retail clients

This period, KSBD assisted 2 BSPs to complete 5 retail-based SAPs, bringing the cumulative total to 12. This represents nearly a 60% increase in retail delivery of this tool and resulted in \$7,500 generated. In fact, Dialog Agency successfully negotiated a retail price of \$3,000 per SAP. KSBD will continue to work with its BSPs to set up standardized prices to ensure they are in line with market rates. Lastly, KSBD expanded retailing of its SME Toolkit by providing assistance to SODBI Business Incubator to retail the Quality Management tool to 3 clients in Shymkent.

3.3 **PUBLIC PRIVATE PARTNERSHIP (PPP) /SPONSOR PROGRAM**

3.3.1 *ExxonMobil Public Private Partnership (PPP) grant program for women in business in Astana*

- **ExxonMobil grant program overview:**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	%OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total amount of grants	N/A	N/A	N/A	N/A	\$320,840	\$320,840
Retail Courses	15	15	N/A	N/A	131	146
Participations	151	151	N/A	N/A	1981	2132

- **Grantee BSP: SME Federation**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total amount of grant	N/A	N/A	N/A	N/A	164,088	164,088
Retail Courses	0	0	N/A	N/A	70	70
Participations	0	0	N/A	N/A	1200	1200

- **Grantee BSP: Turan Profi**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total amount of grant	N/A	N/A	N/A	N/A	156,752	156,752
Retail Courses	15	15	N/A	N/A	61	76
Participations	151	151	N/A	N/A	781	932

Only Turan Profi continued to deliver training (as an ExxonMobil grantee), since SME Federation has successfully utilized all grant funding and exceeded its targets. This period, Turan Profi delivered 15 retail courses resulting in 151 participations. It is envisioned that Turan Profi will soon too meet its use all grant funding (January 2009), bringing the current PPP arrangement to a successful completion.

3.3.2 Total Sponsor (PPPs) by Status (including ExxonMobil)

- **Sponsor breakdown by status (based on highest status attained)**

INDICATOR	OCTOBER-NOVEMBER INCREASES	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total	0	28	N/A	N/A	28	28
Status 1 (Initial Meetings)	0	N/A	N/A	N/A	12	12
Status 2 (Signed MOC)	1	N/A	N/A	N/A	7	8
Status 3 (Direct/in-kind contribution)	0	N/A	N/A	N/A	9	9

This period there was one change in sponsor status designation through KSBD signing an MOC with Balkhash Humanitarian Institute. However, KSBD spent considerable efforts in submitting new proposals to sponsor organizations:

- TCO: Proposal to conduct BE TOT in (proposed value of \$25,000)

- Baker-Hughes (via USAID): Proposal for vocational training (proposed value of \$294,000)
- KPO: Proposal to conduct retail training/consulting (proposed value of \$387,000)
- ExxonMobil: Proposal (with UNDP) to educate women (in Atyrau-proposed value of \$500,000)

3.3.3 Total Amount of PPP Investment in KSBD programs:

- \$16,000 KPO (funding of SYB TOT)
- \$6,132 BSP contribution to retail trainings

KSBD has leveraged its resources this period by raising over \$22,132 in cash and in kind from PPP partners.

3.4 **MEDIA COVERAGE OF KSBD ACTIVITIES**

INDICATOR	OCTOBER-NOVEMBER	YEAR 3 CUMULATIVE	YEAR 3 TARGET	% OF TARGET	YEAR 2 CUMULATIVE	PROJECT CUMULATIVE
Total # of Media Occurences	12	12	60	20.00%	51	63
TV	1	1	N/A	N/A	7	8
Magazines	0	0	N/A	N/A	13	13
Newspapers (print)	10	10	N/A	N/A	29	39
Newspapers (electronic)	1	1	N/A	N/A	2	3

4.0 **KSBD UPCOMING ACTIVITIES**

4.1 **Component I: Cooperation with GOK**

- Cooperation with MIT/EDD on amendment of SME definitions, SME programs, savings cooperatives, website development, criteria and other frameworks
- Design and participate in SBA Study Tour to collect information on establishment of Small Business Development Centers (SBDCs)
- Cooperation with EDF/DAMU on launching new EDCs and on the “macro” SME policy aspects and TA on issues related to EDF/DAMU operations
- Cooperation with CSAR on launching annual entrepreneurship report (AER)
- Knowledge dissemination on SME policies, frameworks and best practice (CI and cross-component)
- Finalize SME Handbook on SME development best practices
- Assist in development of pilot country brochures on SME development
- Submit scopes of work (SOWs) for retaining STTA in loan guarantees and SME procurement

4.2 Component 2: BSP Support

- Conduct BE TOT in Almatinskaya and North Kazakhstan oblast
- Continue delivery of retail courses/SME Toolkit in the regions
- Conduct sponsor meetings with Haliburton (Atyrau) and Schlumberger (Aktau)
- Update structure/content of KSBD and MyConsultant website
- Finalize and disseminate the upgraded version of BE (version 3.0) among BSPs