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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

YEAR 3 ANNUAL REPORT

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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

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1.0. INTRODUCTION AND EXECUTIVE SUMMARY

The third year of KSBD (October 2008-September 2009) was impacted by the global economic crisis. As the crisis gained momentum, Kazakhstan was obliged to implement a sudden 30% devaluation of the currency. The financial sector suffered severe liquidity problems, largely because of its reliance on overseas funding for lending, and two banks were nationalized. The economy and government finances were rocked by the precipitous decline in the price of Kazakhstan's principal export and source of taxes: oil. Foreign companies, particularly those in the oil and gas sector, were obliged to undertake extensive lay-offs and other cost-cutting measures, including cutting back or delaying vendor development and social programs.

The effects of the crisis on KSBD included the postponement of the financing of government programs to assist SMEs; diversion of government attention to developing emergency measures to deal with the crisis, such as in the construction and real estate sectors; delays in corporate sponsor programs to support SME development, severe constraints on access to credit for SMEs—only partially offset by Damu's loan program, reducing effective demand for SME services, particularly in the regions. At the same time, of course, the economic recessions made the need for support to the SME sector all the more urgent and acute.

Against the backdrop of the severe economic crisis, KSBD continued its four-year program to: 1) support the Government of Kazakhstan to apply international best practices to support SME development under Component 1 and 2) build the capacity of private and NGO sector Business Service Providers (BSPs) under Component 2. In addition, KSBD implemented a grant received from Baker Hughes and Chevron to provide entrepreneurship education to students in vocational education (lycees and colleges).

Component 1 GOK support focused on sustaining the achievements of the Entrepreneurship Development Department (EDD) originally in the Ministry of Industry and Trade (MIT) and now in the Ministry of Economy and Budget Planning (MEBP) and promoting the enhanced capacity of the Entrepreneurship Development Fund (EDF)/Damu. Both organizations, however, experienced institutional change and were furthermore impacted by GOK emergency efforts to mitigate the global economic slowdown of the Kazakhstan economy and its SMEs.

The following activities and outcomes should be highlighted:

- **Work with EDD, inter-ministerial committees, and Parliamentary committees:**
 - Technical assistance in drafting, submission and presentation of amendments to the Private Entrepreneurship Law (PEL) to Parliament regarding:
 - Adopting improved SME definitions in compliance with the OECD
 - Determining rights and duties of government SME bodies, particularly in coordination of SME policies
 - Management and reporting on impacts
 - Creation of a comprehensive Annual Report on SME development in the country
 - Liberalization of the procedures involving businesses in SME policy making and greater voice of the private sector in the process

- Technical assistance to EDD to improve its status and facilitate its transfer from MIT to MEBP
- Financial support for attending the microfinance conference in Belgrade, Serbia to negotiate, successfully, 2010 organization of the international microfinance conference in Astana. (KSBD also co-financed participation by representations of the Agricultural Financial Support Fund under the State-owned Corporation KazAgro.)
- **Work with Damu:**
 - Technical assistance to Damu in implementing an additional \$1 billion SME loan program through commercial banks, a program which has played an important role in the economic crisis as credit for SMEs dried up.
 - Co-financed US study tour to review programs and institutional framework of the Small Business Administration (SBA)
 - Short-term technical consultant to develop a loan guarantee program based on an SBA model
 - Assistance in getting the Financial Supervision Authority to approve an additional loan guarantee program with USAID's Development Credit Agency (DCA)
 - Short-term technical consultant to develop program for Damu support to SMEs competing for government procurements based on SBA model.
 - Technical assistance in developing Damu's Business Advisor program to complement Damu's access to credit programs with non-financial services to SMEs.
 - Publication of the electronic handbook on SME Policies: How it is Done in Kazakhstan and Other Countries
- Other KSBD work with the Government of Kazakhstan:
 - Consulting for the Prime Minister's Anti-Crisis Council established in April 2009
 - Work with the legislature on amendments to SME legal frameworks;
 - Support of the MEBP's Institute for Economic Research organization of the Astana Economic Forum, specifically its panel on Global Crisis and Entrepreneurship
 - Involvement of the President's Center for Strategic Research and Analysis in the efforts to improve SME policy making.

Under the Component 2 program for building the capacity of Business Service Providers (BSPs), KSBD accomplished the following during the year:

- 1,108 SMEs assisted
- 107 BSP partners assisted in all oblasts, Astana and Almaty
- 4,442 training participations
- ExxonMobil training program for women completed
- 16 local governments provide support for KSBD program
- Major companies agree to brand KSBD Business Essentials courses.

In April, of 2009, KSBD initiated a program with grant funding from two American companies active in the oil and gas sector: Chevron and Baker Hughes, to support the provision of a course in entrepreneurship in vocational schools (lycees and colleges) across the country. The course, "Know About Business (KAB)" has been developed by the International Labor Organization (ILO) to raise

understanding of entrepreneurship and improve employment opportunities for youth. By the end of the project year, KSBD has achieved the following milestones:

- 186 new teachers certified in KAB
- Over 357,000 additional students in over 140 vocational institutions receiving KAB this academic year
- 10 new teachers certified to train teachers in KAB

2.0. KSBD COMPONENT I: BUILDING GOVERNMENT OF KAZAKHSTAN (GOK) CAPACITY TO SUPPORT SMEs

2.1. Component I Indicators

Improved policy planning: KSBD's work on GOK SME policy planning during the year focused on working with the Enterprise Development Department (EDD), the Institute of Economic Research under the President's Administration, the Prime Minister's Chancellery and the Parliament.

2.1.1. Co-operation with the Enterprises Development Department (EDD)

Transfer of the EDD from MIT to MEBP: During the reporting period EDD, a key KSBD counterpart, was scheduled for re-allocated from the Ministry of Industry and Trade (MIT) to the Ministry of Economics & Budget Planning (MEBP). The philosophy of the reform has been borrowed the best practice of US SBA and some SME agencies of New Europe countries. Some of the GOK senior public servants and business association representatives, who supported the reform, previously participated in the KSBD study tours. The three main pillar of the new department were formulated as:

- SME Policy Making,
- SME Related Regulatory Improvements
- SME/entrepreneurship Representation (at the level of the executive branch).

As mentioned, KSBD initiated talks with the respective minister in early June 2009, briefed him on the best practice and policy options and after his approval and intensive discussion with EDD and other stakeholders and additional dissemination of information on the organization of similar government departments of other countries, in end-July finalized the basic organizational outline of the new Department. The most important points are the following:

- EDD will consist of four divisions (Policy Planning, Regulatory Reform, Business Licensing Reform, and Business Inspection Reform) and will oversee a Committee to Protect Entrepreneurs;
- EDD's functions are formulated as policy development and coordination;
- EDD will realize the functions of the entrepreneurship-related "competent body" of GOK in terms of PEL and will draft respective legal frameworks, test draft bill on impacts on private entrepreneurship, oversee state controls and report regularly on entrepreneurship development.

- The Committee to Protect Entrepreneurs functions are to protect private property rights, rights to justice, rights to engage in business, legal execution of contracts

To support the development of the new EDD, KSBD was asked to draft a new **Concept for Entrepreneurship Development** in Kazakhstan. KSBD submitted the first draft on July 30th but there is subsequent request to facilitate information on similar SME development strategies of other countries, in order to allow informed decision making by *Pravitel'stvo*. (The second draft is being worked on by KSBD, Damu and the Prime Minister's Office and discussion on it is scheduled for the end of October 2009.)

KSBD has been advocating a higher status for the transferred EDD in order to facilitate improved programs and policies for SME development. KSBD launched a concentrated campaign to explain to Ministers (particularly the Minister of the MEBP and the responsible Deputy Prime Minister) the best practice for such elevated SME agencies worldwide and especially in the OECD and new Europe countries.

Meanwhile, as a result of the transfer, KSBD has had to deal with two challenges:

- To ensure both the continuance of the SME policy improvements of the past two years and the stability of the assigned GOK entities to the tasks in this area
- To begin to assist the new structure formulating and defending its mission, administrative organization and standing in the GOK context.

By the end of this project year however, the GOK had not fully decided on the precise role, status and institutional configuration of the new EDD, beyond the basic overall general concepts cited above.

Other KSBD work with EDD: During the year EDD (then still with MIT) requested KSBD's assistance in applying international best practices to policy issues regarding micro finance, business associations, government SME support institutions, SME definitions and statistical measures,

2.1.2. Institute of Economic Research (IER) and the Astana Forum:

In February-March 2009, KSBD became the key consultant to the Institute of Economic Research (IER)/MEBP for the preparation of the annual Astana Forum, hosted by the President. The Forum was held on March 11-12 and featured two Nobel Prize Laureates, Edmund S. Phelps and Robert A. Mundell.

KSBD assisted IER in several ways: improving the agenda, corresponding with speakers/participants, reviewing applications to speak, etc. KSBD's moderated the Forum's March 11 session on Entrepreneurship and the Global Crisis.

The session was designed to highlight the role of entrepreneurship in economic recovery and economic development and emphasize the principle policies that allow enterprises to perform this role effectively. The KSBD Session benefited first of all from the appearance of Dr. Horst Soboll Vice Chair of the European Research Advisory Board of the European Commission and former DaimlerChrysler AG Director of Research Policy and Communications, Dr. Joachim Ahrens, who is

now Professor of International Economics at the private University of Applied Sciences in Goetingen (a leading German expert on business reform in Central Asia) and Igor Gutan, long-term consultant for USAID/BEI and government reform advisor for several former Soviet Union countries.

Other contributors were representatives from the United Nations Industrial Development Organization (UNIDO), a Deputy Minister from the Bulgarian Ministry of Economy and Energy, the Kyrgyz Government Task Force on Innovation, the Governor of the Afghanistan Central Bank and a professor of applied economics from Perm University in Russia. The underlying message of the session was that the pivotal role of entrepreneurship in economic recovery can be secured via liberating entrepreneurial “spirit,” and through sustained monetary and macroeconomic stability.

(Professor Mundell’s presentation on the roots of the crisis and Dr. Sobell’s and Dr. Ahrens’ presentations are uploaded on the KSBD website: www.ksbd.kz.)

2.1.3. Work with the Prime-Minister’s Chancellery

KSBD’s Senior Government Advisor was involved in consulting the Prime Minister’s Anti-Crisis Council on SME anti-crisis programs in OECD and EU countries. KSBD believes he managed at least to inform the debate on policy measures applicable to Kazakhstan.

2.1.4. SME policy Frameworks and KSBD work with the Parliament:

At the request of EDD, KSBD participated in public hearings on SME/entrepreneurship-related draft bills, thus providing technical assistance to the Mazhilis, Kazakhstan’s lower chamber in the Parliament. This consultation focused on discussion of amendments to three laws covering micro-credit organizations, credit partnerships, and private entrepreneurship. KSBD presented its assistance through the relevant Parliamentary Working Groups.

With regard to **microcredit regulations**, the Mazhilis lifted all restrictions and significantly simplified registration formalities and the standardized reporting and publicity requirements for micro lenders. The only restriction that remains in place that is contradictory to common international practices of typical microcredit organizations is the prohibition to attract savings from members, but this restriction is attenuated since members can increase their shares.

Significant progress was made in SME policy through KSBD-assisted amendments to the **Private Entrepreneurship Law (PEL)**, although the Parliamentary discussion departed on occasion from best practice, especially in the area of SME definitions.

The **SME definitions** issue revolved around two conflicting ideas: use of Russia-type thresholds to distinguish between different categories of SMEs, with respective draft provisions being supported by some parliamentarians and business associations), and the use OECD and EU-like approach, advocated by KSBD, MIT, Agency for Statistics and Ministry of Finance, and another group of business associations. The Russian thresholds are generally higher and would therefore tend towards assigning eligibility to programs to support SMEs to bigger private enterprise and state owned medium size enterprises, than is allowed in most other countries. This more generous set of definitions was approved by the lower chamber but eventually repealed by the Senate.

KSBD argued against adopting the Russian thresholds, which threatened both diverting portions of support to more needy SMEs and also potentially threatening reforms accomplished by other USAID projects and Kazakhstani leaders, like the ease of SME registration, lowering and simplification of taxes, reduced reporting burden, diminished state controls over private contracts, etc. The fact that KSBD's policy recommendations based on global best practices were eventually approved by the Senate was therefore a very positive outcome.

Meanwhile KSBD's SME policy recommendation, advocated since October 2008, to streamline and improve SME policies and programs via drafting, disseminating and discussion of an **Annual Report** on entrepreneurship development was enshrined in the PEL's Article 15 as an obligation of the "competent SME policy body" to submit such a report to the Government. The competent body will likely be the new EDD. This amendment provides the legal background for both better coordination and planning for GOK SME policies.

Additionally, the KSBD work with the parliament resulted in the following in the following enhancements of business participation SME policy making:

- The legislators **rejected proposal for compulsory membership of all enterprises in one business association** as well as proposals to establish privileged business associations. KSBD policy notes to MIT and the President's Administration on best practices regarding Chambers of Commerce and compulsory membership traditions in Europe were used in the course of the debate.
- **Unnecessary government interference with private SME service providers** like regulation of business incubators were deleted from the law, although some ambiguity remains.
- The Parliament **liberalized the principles of establishment of business associations**, with a hierarchy of "regional" and "national" associations. Regional associations can now take part in hearings at the national level, though the hierarchy is technically retained.
- Accreditation of business associations with GOK and Parliamentary bodies in order to take part in consultation on policies and draft bills, as part of the so called Expert Councils, has been retained but **amendments opened the door to the Expert Councils** to all interested parties at the discretion of the GOK bodies responsible for developing policies and regulations.

2.1.5. Co-operation with the Entrepreneurship Development Fund/DAMU (EDF/DAMU)

In 2008-2009 KSBD continued its close collaboration with EDF/Damu during the period. In March EDF/Damu Bolat Mukushev became the new Chairman of the Board, replacing Gosman Amrin, who became head of an emergency government fund to assist distressed real estate properties.

The February the 30% devaluation of the *tenge* had an impact on EDF/Damu's SME credit lines via intermediary banks and micro credit organizations and on EDF/Damu's operations as a state-owned non-banking financial institution.

These developments have affected the KSBD/Damu Memorandum of Understanding (MOU) in terms of delaying some activities, now rescheduled for the end-2009 and 2010.

The MOU outlines the following activities that progressed during the reporting period in the following manner:

- Assistance in studying, designing, establishing and implementing the **Enterprise Development Centers (EDC)** program. This program has been transferred to 2010 while testing first steps through nation-wide 2-day “Business Express” seminars around the country which will include a survey of participants to identify priority needs. (The effort is financed by Kazakh sources.) Based on the draft EDC concept Damu signed in September MOU with the Government of India regarding an establishment of a pilot EDC in Almaty. Damu will provide in-kind contribution while India will provide \$300,000. Efforts to expand the EDC program will continue in 2010.
- **Reform of SME participation in public procurement.** At the request of the previous Damu Chairman, KSBD provided a short-term technical assistant to develop a program for Damu to assist SMEs to qualify for government procurements more effectively. The economic crisis and government efforts to deal with it have delayed Damu’s follow-up regarding this program.
- Technical assistance in developing an **SME loan guarantee system**: KSBD provided a short-term technical assistant to Damu who designed a loan guarantee program for Damu based on the SBA model relevant to the situation in Kazakhstan. This program will be implemented in the new 2010 financial year.
In addition, KSBD worked with USAID and Damu to support Damu’s adoption of a USAID **Development Credit Agency (DCA)** loan guarantee program, which will complement the SBA-model provided by the KSBD short-term consultant.
For both Damu’s loan guarantee programs to be implemented, Damu needed to get the **Kazakhstan Financial Supervision Authority (FSA)** to modify certain regulations regarding guarantee percentages and participation of foreign partners such as USAID. An important evidence of Damu’s improved capacity is that the Damu assigned its own group of three experts to work with the KSBD expert and to advocate and negotiate these changes with the FSA. Damu with technical support from KSBD and other USAID staff and an expat financial specialist from another project were able successfully to persuade FSA to adopt the necessary changes. KSBD expects that in the first year of operation the Loan Guarantee Program will generate at least \$ 15 million guarantees to newly extended credits to SME.
- **Updates on best SME practice and improved use of internet by Damu.** Overviews of US, EU, OECD and New Europe practices were incorporated in the **SME Policy Handbook**. The content includes:
 - Financial support to SMEs
 - SME definitions and surveys on SME competitiveness
 - Fiscal and non-fiscal support to SME development
 - Use of EDC and SME support networks

- SME policy dialogue and business community participation
- Best practice of EU, US and Australia in public procurement for SME
- The role of entrepreneurship reports for SME development and economic policy planning in different countries (US and New Europe)
- The overall design of government SME support institutions in US, Poland and other new EU member state.

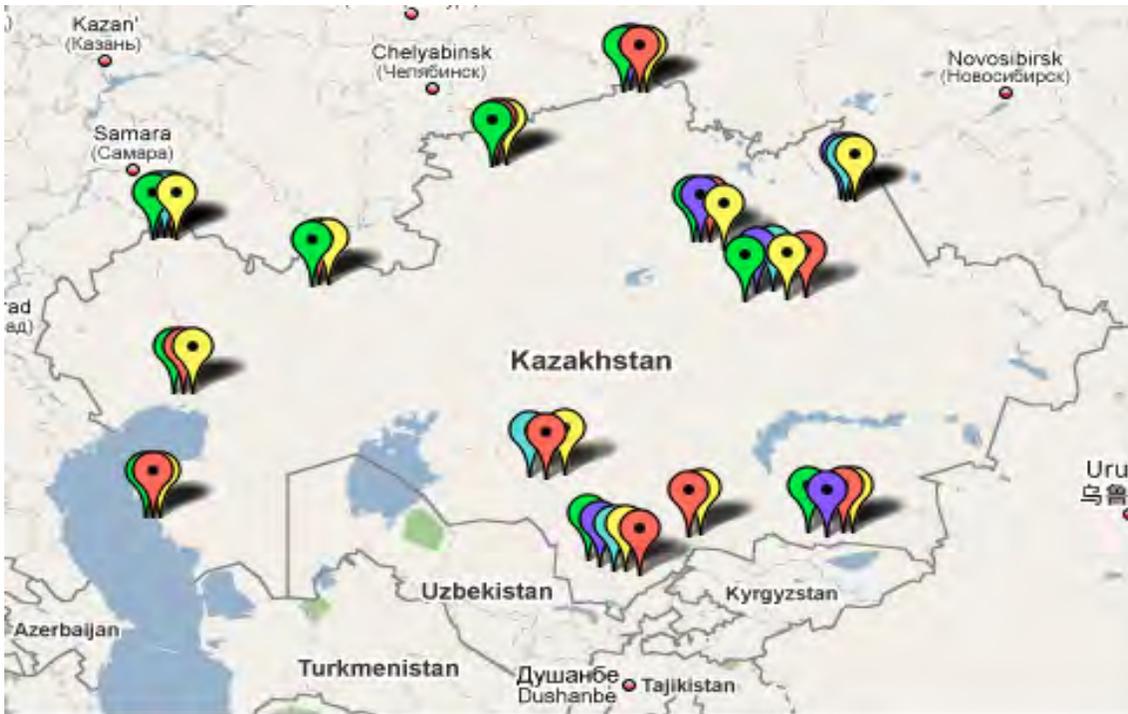
Additionally, Damu requested a review of SME support institutions based on best practices of Hungary. Based on the earlier KSBD-sponsored study tour to Poland, in September 2009 Damu sent its key personnel to Warsaw to launch cooperation with the Polish SME Development Agency, Polish development Bank and other KSBD partners from Poland to continue initiatives for knowledge transfer regarding SME loan guarantees and SME sectoral support.

As a result of Damu's familiarization with SBA (a study tours to the US of July 2008 and February 2009 plus the review of practice of state agencies web portals by KSBD), Damu's management decided to structure and content of their own website (<http://www.fund-damu.kz/>) based on the SBA model.

- Toward the end of the year, the Government has decided to launch via DAMU a sectoral support finance program of roughly \$ 0.3-3.5 million, to be become effective in 2010. All funds were channeled back into the economy through commercial bank intermediaries – a scheme which design was supported by KSBD end-2007 – early-2008 TA to DAMU. We are proud to report that the key outcomes on this front were:
 - An **increase of DAMU-originated share in SME finance** from 1% (for the period up to 2007) of the total commercial banks SME credit portfolio to 25%, with an excellent reporting and risk management on behalf of DAMU and positive spin-off effect on the banking industry
 - **Diversification of DAMU financial services to SMEs**, adding a state of the art **SME loan guarantee** program
 - Further effort was made to **improve DAMU non-financial** services to SMEs.
- In term of **access to finance**: due to the economic slowdown and debt challenges of key Kazakhstani commercial banks, SME's access to credit sharply deteriorated. Damu, however, managed to sustain and improve its lead role, after additional funds (\$1 billion) allocation by GOK in November 2008 and the recent (September 2009) proposed supplemental funding.

2.2. KSBD Website and Information Dissemination

KSBD created a virtual map outlining all project activity in each of the 16 oblasts/administrative districts. This tool allows key stakeholders to quickly and easily stay abreast of activities such as



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project” map via <http://maps.google.com/maps>.

KSBD also re-designed its website during year 3 to increase the breadth of material available to users and improve site navigation. KSBD has proposed that its electronic library of materials be transferred to DAMU during year 4 to ensure they remain available to SMEs throughout Kazakhstan.

In the process, KSBD improved its subscriber-base to internet updates regarding SME best policy practice to comprise about 2 000 organizations and individuals, supporting or providing content to private and GOK entrepreneurship related websites.

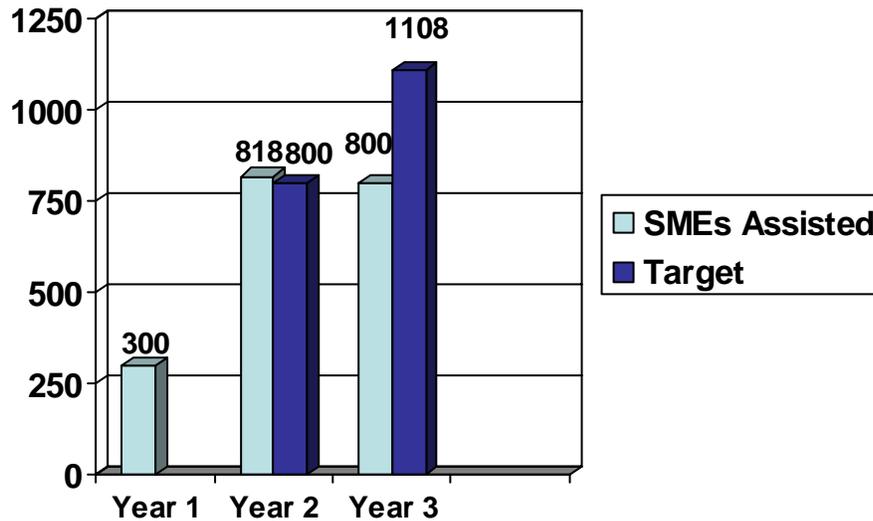
3.0. KSBD COMPONENT 2: BUILDING BSP CAPACITY TO SUPPORT SMEs

3.1. Component 2 Indicators

3.1.1. Number of organizations assisted through KSBD BSP Program

INDICATOR	August-September		YEAR 3 TOTAL		YEAR 3 TARGET	% OF TARGET	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
	Total	New	Total	New					
Total number of organizations	350	293	1391	989	N/A	N/A	1000	366	2757
SMEs	308	267	1108	823	975	114%	818	300	2226
NGOs	21	14	118	66	N/A	N/A	68	10	196
GOK Entities	8	6	66	52	N/A	N/A	43	25	134
HEIs	3	1	25	12	N/A	N/A	25	10	60
Vocational/ Technical	4	2	24	8	N/A	N/A	20	6	50

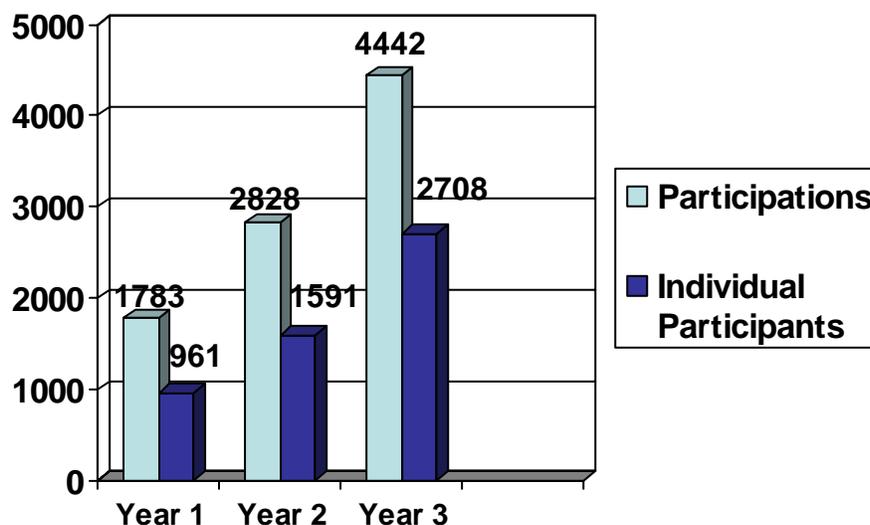
Financial Institutions	4	2	33	18	N/A	N/A	20	7	60
Large Companies (international)	0	0	3	1	N/A	N/A	0	1	4
Large Companies (domestic)	1	1	10	8	N/A	N/A	5	6	21
Development Organizations	0	0	0	0	N/A	N/A	1	1	2



This year, KSBD achieved 114% of its annual assistance target by providing training and consulting to 1,108 SMEs. This is an increase of nearly 200 SMEs assisted this year and represents a 35% increase from year 2 and a 270% increase from year 1. As a result of these efforts, KSBD has now provided technical assistance to 2,226 SMEs throughout all oblasts/administrative districts since project inception. Of particular importance, KSBD helped the largest number (308) of SMEs ever during August-September and has achieved consecutive increases each bi-monthly period since December 2008. This trend is extremely impressive and illustrates accelerating demand by SMEs for KSBD's portfolio of products and services.

3.1.2. Total training participations and participants

INDICATOR	AUGUST-SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR TOTAL 2	YEAR TOTAL 1	PROJECT TOTAL
Total participations	1152	4442	4000	111%	2828	1783	9053
Total unique participants	520	2708	N/A	N/A	1591	961	5260
Female unique participants	392	1960	N/A	N/A	1105	725	3790
Male unique participants	128	748	N/A	N/A	486	236	1470

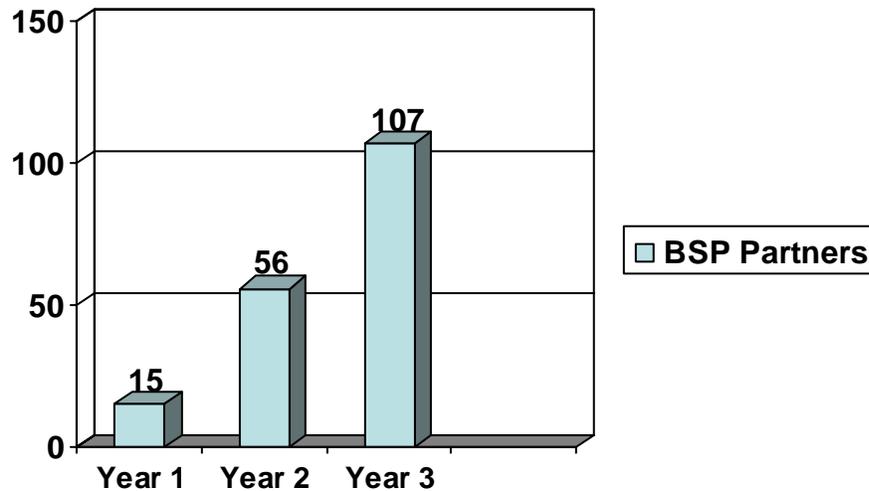


KSBD generated 4,442 participations this year and achieved 111% of its respective year 3 target. This again is indicative of rising demand with KSBD increasing total participations by 57% from year 2 and 150% from year 1. KSBD has also successfully increased the number of individuals receiving training this year by assisting 2,708 unique participants. This is a 70% increase over year 2 and a 181% increase over year 1. The volume of training participations and participants has continued to grow throughout year 3, with August and September being the most productive period ever for the project. KSBD has now generated over 9,000 participations from 5,260 unique participations since the project started.

3.2. Business Service Provider (BSP) Capacity Building Program

3.2.1. BSP partner breakdown

INDICATOR	AUGUST-SEPTEMBER	YEAR 3 TOTAL	YEAR 3 TARGET	% OF TARGET	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total	107	107	N/A	N/A	56	15	107
Status 1 (Attended TOT)	87	87	N/A	N/A	35	10	87
Status 2 (SME Toolkit Self-Application)	1	1	N/A	N/A	1	0	1
Status 3 (Retail Training)	14	14	N/A	N/A	14	5	14
Status 4 (Retail SME Toolkit)	5	5	N/A	N/A	6	0	5
Oblasts with 1 BSP	16	16	16	100%	14	3	16
Oblasts with at least 2 BSPs	16	16	16	100%	12	2	16
Average BSPs per 16 oblasts	6.7	6.7	N/A	N/A	3.5	N/A	6.7



This year, KSBD nearly doubled its' BSP network from year 2 to 107 partners working in all oblasts/administrative districts of Kazakhstan. This represents a 234% increase over the initial project target of 2 BSP partners (32 total) in each oblast/administrative district. KSBD has now attained national coverage and has an average of 6.7 partners per oblast:

<i>Oblast/Administrative District</i>	<i>Number of BSP Partners</i>
Akmolinskaya	2
Aktubinskaya	13
Almaty City	5
Almatinskaya	9
Astana City	3
Atyrauskaya	10
East Kazakhstan	4
Karagandinskaya	10
Kostainskaya	4
Kzyl-Ordinskaya	2
Mangistauskaya	7
North Kazakhstan	8
Pavlodarskaya	9
South Kazakhstan	10
West Kazakhstan	8
Zhambylskaya	3

3.2.2. BSP TOT Business and Consultant Training and Attestation Program (Status I)

- KSBD TOTs for BSPs

INDICATOR	AUGUST-SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR TOTAL 2	YEAR TOTAL 1	PROJECT TOTAL
BE TOTs	1	6	7	86%	3	1	10
CE TOTs	0	2	7	29%	5	0	7
CCS TOTs	0	0	N/A	N/A	3	0	3
SYB TOTs	0	4	3	133%	1	0	5

This year, KSBD completed a total of 12 training-of-trainer sessions for its BSP partners:

Business Essentials

- Kostanai
- Almaty
- Petropavlovsk
- Atyrau
- Aktau
- Aktobe

Start Your Business

- Aksai
- Kzyl-Orda
- Karaganda
- Pavlodar

Consulting Essentials

- Almaty
- Pavlodar

KSBD successfully exceeded (133%) its' year 3 Start Your Business (SYB) training-of-trainer target through completion of its' fourth such course in Pavlodar. This course continues to be in high demand, from both our BSP partners and their SME clients. To build upon this momentum, KSBD successfully negotiated with the International Labor Organization (ILO) to recognize BSPs that are attested using the 10-day version of the course. KSBD also doubled the number of Business Essentials training-of-trainers given from year 2 by completing 6 this year. Although 7 such courses were originally planned, it should be noted that KSBD started an additional 2 Business Essentials TOT courses in September. In accordance with project guidelines, these courses will not be counted until completed in October and December respectively. KSBD conducted only 2 Consulting Essentials TOTs this year, after recognizing the need for BSP partners to gain more experience in delivering retail training to SMEs prior to developing their consulting acumen. Furthermore, KSBD prioritized delivery of Start Your Business in lieu of Consulting Essentials, based on feedback attained from BSPs. As such, KSBD will need to re-align its delivery targets for this course during year 4.

- KSBD full attestations of individual consultants and trainers

INDICATOR	AUGUST- SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total # of full BE attested	16	74	112	66%	49	16	139
Total # of CE attested	0	26	117	22%	86	0	112
Total # of BE+CE attested	0	7	90	8%	55	0	60
Total # of SYB attested	0	45	42	107%	14	0	59

This year, KSBD achieved 107% of its Start Your Business attestation target by attesting 45 participants in this course. KSBD also fully attested 74 consultants in Business Essentials. Although below the projected target, this represents a 50% increase in attestations over year 2. It should be

noted that full attestation requires active participation for 16 days in all modules of Business Essentials. With this in mind, KSBD did attest a much greater number of participants in each module this year:

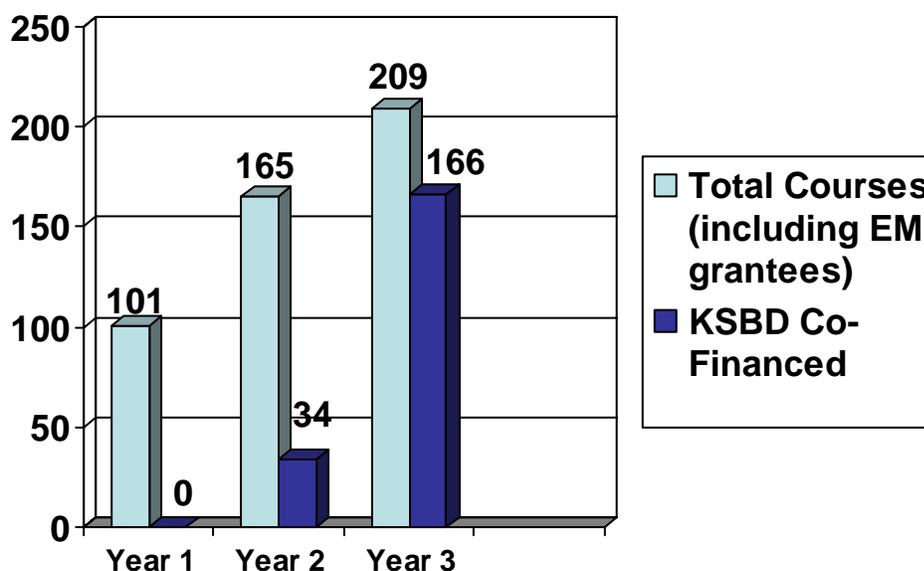
Business Essentials Module	Year 3 Number Attended
Strategic and Business Planning	120
Finance for Non-Financiers	120
Marketing and Sales	94
Quality Management	92
Human Resource Management	104
Tax and Law	106

Regarding Consulting Essentials attestations, KSBD, as noted earlier, decided to postpone delivery of most modules and as such only conducted 2 such TOTs this year.

3.2.3. BSP partners providing retail training to SME clients and participants (Status 2)

- All retail courses provided by BSP partners

INDICATOR	AUGUST-SEPTEMBER	YEAR 3 TOTAL	YEAR 3 TARGET	% OF TARGET	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total courses given	53	209	200	105%	165	101	475
Average value of each retail course (including EM grantees)	\$1,570	\$1,543	N/A	N/A	\$1,720.01	\$1,720.01	\$1,661
# of KSBD co-financed retail courses	53	166	N/A	N/A	34	0	200
# of fully commercial courses	0	2	N/A	N/A	0	0	1
Total value KSBD co-financed retail courses	\$83,205	\$261,846	N/A	N/A	\$72,240.32	\$0	\$334,087
KSBD contribution	\$39,662	\$130,835	N/A	N/A	\$31,622.00	\$0	\$162,457
BSP contribution	\$29,402	\$72,895	N/A	N/A	\$26,905.08	\$0	\$99,800
Sponsor contribution	\$1,350	\$12,142	N/A	N/A	N/A	N/A	\$12,142
Participant fees	\$12,791	\$45,975	N/A	N/A	\$13,713.02	\$0	\$59,688



KSBD's BSP network delivered 209 retail training courses this year, resulting in KSBD achieving 105% of its target. This is a 26% increase over year 2 and a 106% increase over year 1. Of particular note, the number of non ExxonMobil GDA courses increased from 34 in year 2 to 166 representing a 388% increase. In addition, the efficiency of each course significantly increased from an average of 17 participants per course in years 1 and 2 to 21 participants in year 3. In total, KSBD has facilitated delivery of 475 retail courses, equating to \$334,087 in value, since the start of the project.

3.2.4. BSP self-application of SME Improvement Toolkit to improve performance (Status 3)

INDICATOR	AUGUST-SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR TOTAL 2	YEAR TOTAL 1	PROJECT TOTAL
Total from SME Toolkit	1	20	15	133%	12	0	32
# of SAPs developed	1	2	N/A	N/A	5	0	7
# of MPWs developed	13	13	N/A	N/A	0	0	13
# of KMRs reported	0	5	N/A	N/A	7	0	12

This year, KSBD achieved 133% of its SME toolkit target through completion of 13 marketing planning workbooks, 5 key monitoring ratio analysis and 2 strategic action plans with its BSP partners. In September, KSBD successfully piloted batch training in Shilik with representatives from 13 SMEs. This training focused on providing instruction on how to apply KSBD's marketing planning workbook tool to each of the participants own organization. Through completion of this training, KSBD has identified a more practical approach for BSPs to adopt to provide actual consulting assistance using several of the SME Improvement Toolkit products to a wider breadth of partners.

3.2.5. BSPs retailing SME Improvement Toolkit (Status 4)

INDICATOR	AUGUST-SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR TOTAL 2	YEAR TOTAL 1	PROJECT TOTAL
Total from SME Toolkit	0	16	21	76%	7	0	23
# of SAPs developed	0	6	N/A	N/A	7	0	13
# of KMRs reported	0	5	N/A	N/A	N/A	0	5
# of QM workbook developed	0	5	N/A	N/A	0	0	5

KSBD's BSP network retailed a total of 16 products from the SME Improvement Toolkit this year. Although fewer than targeted, it is a 129% increase from year 2. Feedback attained from BSP partners has revealed the need to expand the batch self-application method described above on a commercial basis. By doing so, it will permit BSPs the opportunity to more adequately learn to use each tool, as well as lower per unit cost to retail clients.

3.3. Public-Private Partnership (PPP)/Sponsor Program

3.3.1. Total Sponsor (PPPs) by Status

INDICATOR	AUGUST- SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total	59	59	N/A	N/A	28	1	59
Status 1 (initial meeting)	23	23	N/A	N/A	12	0	23
Status 2 (signed MOC/proposal submitted)	20	20	N/A	N/A	7	0	20
Status 3 (Direct/In-kind contribution)	16	16	N/A	N/A	9	1	16

In year 3, KSBD more than doubled the number of organizations designated as sponsors (status 1-3) to 59. Sponsorship has been attained from both private sector and local and regional GOK stakeholders and has resulted in expanded project impact. KSBD secured both direct and in-kind contributions throughout the year and of particular importance achieved the following:

- Secured \$450,000 from Baker-Hughes and Chevron to implement the Know About Business program
- Successfully completed the \$320,000 Exxon-Mobil program to help women in Astana. Through this initiative, KSBD generated over 2,400 participations through 170 retail trainings.
- Secured over \$16,000 from KPO to conduct the Start Your Business training-of-trainers in Aksai.
- Attained in-kind sponsorship for improvement of 5 of 6 Business Essentials course modules
 - Procter & Gamble: Marketing and Sales
 - Toyota: Quality Management
 - Headhunter: Human Resource Management
 - National Association of Accountants: Finance for Non-Financiers and Tax and Law
- Received letters of support including requests for further assistance from 16 local and regional government stakeholders
 - Akims: Aktobe City, Shymkent City, Atyrauskaya oblast, Shilik rayon
 - SME Departments: Pavlodarskaya oblast, Uspensky rayon, Pavlodar city, Kzyl-Ordinskaya oblast, West Kazakhstan oblast, Atyrauskaya oblast, Shaktinsk city, Satpaev city, Jezkazgan city

3.3.2. “Know About Business” (KAB) program with Baker Hughes and Chevron

Table 1

Summary of key KAB program outputs compared to original program targets	This Month	Actual to date*	Original target	% increase of original target	Planned or projected total	% increase of original target
Training of Facilitators (Teachers) courses	2	9	7	129%	20	286%
Teachers certified to teach KAB	43	186	150	124%	395	263%

Number of schools with at least one certified KAB teacher	28	141	77	183%	403	
KAB classes expected to be delivered annually	415	1,522	155	982%	3,232	2085%
Students expected to get KAB annually	10,270	37,642	3,100	1214%	79,939	2579%
Key Facilitators (teachers of teachers) certified by ILO**	2	10	-		20	

*number of classes and students are based on each teacher's estimates during TOFs

**only one teacher of teachers had been certified in Kazakhstan at beginning of program

Table 2

Summary of key KAB program outputs to Kazakhstan total	Prior to KAB program	KAB program	Total to date	% increase from KAB program	Projected/ planned program total	Total in Kazakhstan	% increase from KAB program
Training of Facilitators (Teachers) courses	2	9	11	450%	20	22	1100%
Teachers certified to teach KAB	40	186	226	465%	395	435	1088%
Number of schools with at least one certified KAB teacher	40	141	181	353%	403	443	1107%
KAB classes expected to be delivered annually	327	1,522	1,849	465%	3,232	3,560	1088%
Students expected to get KAB annually	8,095	37,642	45,737	465%	79,939	88,034	1088%
Key Facilitators (teachers of teachers) certified by ILO**	1	10	11	1000%	20	21	2100%

*number of classes and students are based on each teacher's estimates during TOFs

**only one teacher of teachers had been certified in Kazakhstan at beginning of program

Two companies, Chevron and Baker Hughes, have provided funds to KSBD through USAID to promote the implementation of the “Know About Business” (KAB) world-wide entrepreneurship course for vocational education institutions which the International Labor Organization (ILO) has developed to improve employment opportunities for youth. The ILO had introduced KAB to Kazakhstan in 2002-3 and certified a small number of teachers, but the implementation of the course across the country had not developed because of lack of training additional teachers.

With the funding of Chevron and Baker Hughes and the support of KSBD, an ambitious and unique program is underway make KAB available in every oblast and Almaty and Astana.

The goals of the KAB program include:

- Increase the number of KAB-certified teachers in Kazakhstan from about 40 to 400 teachers from every oblast and Almaty and Astana

- Increase the number of students receiving KAB in Kazakhstan from about 8,000 to about 80,000 students per year in KAB.
- Increase the number of Key Facilitators qualified to train and certify KAB teachers from 1 to 20 Key Facilitators.
- Create a pilot data base system for each school to track results of KAB students after graduation
- Link KAB teachers and vocational institutions through Kazakhstan’s network of 13,000 interactive video whiteboards.

Results of program as of September 30 include:

- 183 teachers certified in 11 oblasts and Astana and Almaty
- Over 35,000 students receiving KAB in this academic year (2009-10)
- 11 Key Facilitators certified

Importance of the KAB program for modernization of vocational education in Kazakhstan include:

- Improves entrepreneurship knowledge of vocational students which is important to improve employment for youth and develop a competitive, diversified, innovative, flexible and crisis-resistant economy
- Provides KAB teachers with modern inter-active teaching methods, which can serve as model for improving pedagogy in all disciplines
- Provides model for accelerated and broad-based modernization of vocational education which is necessary for improving Kazakhstan’s work force in the near- and medium- terms
- Provides example of effective public-private partnerships to develop the national work force, specifically in terms of employers investing in the creation of a skilled work force.

4.0. MEDIA COVERAGE OF KSBD ACTIVITIES

INDICATOR	AUGUST- SEPTEMBER	YEAR TOTAL 3	YEAR 3 TARGET	% OF TARGET	YEAR TOTAL 2	YEAR TOTAL 1	PROJECT TOTAL
Total # of media occurrences	12	50	60	83%	51	N/A	101
TV	1	4	N/A	N/A	7	N/A	11
Magazines	0	3	N/A	N/A	13	N/A	16
Newspapers (print)	6	27	N/A	N/A	29	N/A	56
Newspapers (electronic)	5	16	N/A	N/A	2	N/A	18

5.0. KSBD UPCOMING ACTIVITIES

5.1. Component 1

- Discussion on the second draft of the SME Concept Paper developed by KSBD and Damu and the Prime Minister's Office at the end of October 2009.
- Assistance to Damu to implement its pilot EDC in Almaty, as well as its loan guarantee programs (including the DCA program) and SME procurement assistance program
- Assistance to EDD and MEBP to determine role and status of EDD
- Discussion and commenting on Damu Development Strategy
- Pilot EDC funding mechanism based on best practices
- Web-site and Internet-based support for EDD and EDF "DAMU"

5.2. Component 2

- Press-conference on "Know About Business" (KAB) GDA implementation in Astana (November 2009)
- "Know About Business" Training of Facilitators in vocational schools of the West Kazakhstan (October 2009), Akmolinskaya (October 2009), Kostanaiskaya (October 2009), Karagandinskaya (November 2009), East Kazakhstan (November 2009), Aktubinskaya (November 2009), Pavlodarskaya (December 2009), North Kazakhstan (December 2009).
- "Business Essentials" Training of Trainers program for business trainers / SME consultants in the East Kazakhstan (October 2009), Pavlodarskaya (November 2009), Astana (December 2009 - March 2010), Kzylordinskaya (January 2010)
- "Start Your Business" Training of Trainers program for business trainers / SME consultants in the Aktubinskaya (November 2009), Astana (December 2009), North Kazakhstan (January 2010)
- Retail SME training on "Business Essentials", "Start your business", "Consulting Essentials" by the KSBD attested BSPs – throughout 2010.