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# KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

BI-MONTHLY REPORT: DECEMBER 2009 – JANUARY 2010

**February 12, 2010**

This report was produced for review by the United Agency for International Development. It was prepared by the USAID KSBD Project implemented by The Pragma Corporation.

# **KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT**

**CONTRACT NUMBER: I 15-C-00-06-00014**

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

## **DISCLAIMER**

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## **I.0. INTRODUCTION AND EXECUTIVE SUMMARY**

During December 2009 – January 2010, 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
- 2) Build the capacity of private and NGO sector Business Service Providers (BSPs) to support SMEs, under Component 2.

In addition, KSBD continues implementing a grant received from Baker Hughes and Chevron to provide entrepreneurship education to students in vocational education.

KSBD support for the GOK under Component 1 focuses on sustaining the achievements of the Entrepreneurship Development Department (EDD) in the Ministry of Economy and Budget Planning (MEBP) and promoting the enhanced capacity of the Entrepreneurship Development Fund/Damu (EDF/Damu) to deliver a set of nation-wide programs, services and products to support SMEs.

Under Component 2, KSBD has launched the last Training-of-Trainers in the remaining oblasts, and its BSP network is retailing SME trainings in the respective oblasts. Having established a nation-wide network of BSPs capable of providing SME training, KSBD is focusing this year on assisting BSPs to complement that training by providing consulting assistance based on the training and SME management tools, particularly to targeted groups of enterprises. KSBD is also strengthening its BSP network performance evaluation through adding quantitative key monitoring ratios collected from the recipient SMEs, thus measuring the business affect of the SME trainings provided.

Under the Baker Hughes/Chevron grant, KSBD continues its program to train teachers in every oblast and Almaty and Astana to provide the International Labor Organization's "Know About Business" course in entrepreneurship for vocational institutions.

The following activities and outcomes during the period should be highlighted:

### **Work with EDD, Ministry of Economy and Budget Planning:**

To support the development of the EDD, in the Ministry of Economy & Budget Planning (MEBP), KSBD continued working on the definition of SME categories when programming activities supporting SMEs. The definition of SME categories is critical since it determines eligibility for SME programs and support provided by the Government of Kazakhstan (GOK). Several Business Support organizations have been proposing changes in the SME definition used in the law on Private Entrepreneurship. KSBD has been asked to consider and suggest different options for such changes.

As part of the ongoing work on an Enterprise Development Center (EDC) Concept, the EDD has requested information on a sample budget for such an organization, which was provided together with information of the potential for financial sustainability of an EDC.

## **Work with EDF/Damu:**

KSBD continued consulting on:

- Enterprise Development Centers (EDC) program focusing mostly on its functions and services based on the legal framework regulating the business.
- EDF/DAMU Development Concept, focusing on the services to be provided by the future EDCs.
- Assisting and coordinating compilation of the comprehensive Annual Entrepreneurship Report between EDD, EDF/Damu and other involved government agencies
- Information services: After a meeting with the Business Development Manager of DAMU, KSBD have started preparing the framework and concept content for a future service oriented SME portal.

## **Building BSP capacity to support SMEs:**

During December 2009 – January 2010 KSBD:

- Assisted 330 SMEs;
- Co-financed 1462 training participations.
- Received financial support from 4 local governments for the KSBD program activities in their localities.

## **“Know About Business Program” implementation:**

KSBD is continuing implementation of the “Know About Business” (KAB) program. During December - January, KSBD has achieved the following milestones:

- 74 new teachers certified in KAB.
- Over 13,826 additional students in over 63 vocational institutions are receiving KAB this academic year.
- 2 new teachers have been certified by ILO to train teachers in KAB.

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

### **2.1. Co-operation with the Enterprise Development Department (EDD)**

To support the development of the new EDD, which has been transferred from the Ministry of Industry & Trade (MIT) to the Ministry of Economy & Budget Planning (MEBP), KSBD continued working on the **definition of SME categories** which determine eligibility criteria for government activities supporting SMEs. Several business support organizations have been proposing changes in the SME definition used in the law on Private Entrepreneurship. KSBD has been asked to consider and suggest different options for such changes. Steps for further consolidation on a final position concerning the definition were also discussed, as well as the involvement of additional international consultant for this purpose who will come in February.

As part of the ongoing work on an Enterprise Development Center (EDC) concept, the EDD requested information on a sample budget of such an organization, which was provided together with information of the potential for financial sustainability of an EDC.

## **2.2. Co-operation with the Entrepreneurship Development Fund/Damu (EDF/Damu)**

EDF/Damu requested KSBD to develop a more detailed **Concept on the Enterprise Development Centers (EDCs)**, focusing mostly on its functions and services. The Concept submitted by KSBD has been complemented with more information services based on the legal framework regulating business. EDF/Damu has also requested a brief review of innovation support measures in Finland, which we have provided to them.

KSBD continues work on the **EDF/Damu Development Concept**, suggesting a different approach to the existing Concept. The main difference regards the services to be provided by the future EDCs. A meeting was organized at the Damu headquarters to discuss further the two concepts. It was agreed that both organizations prepare a presentation to be shared with a wider audience at the First National Seminar on the results achieved by the “Business Advisor Program” which was held on the 28<sup>th</sup> of January in Karaganda. Both presentations were widely commented on at the meeting and KSBD has been asked to develop its Concept in more detail.

**Annual Entrepreneurship Report (AER):** KSBD has suggested that the Annual Report of Damu and its Strategic Aspects for Development could be a very good basis for the future Annual Entrepreneurship Report. The project team is currently working on the draft content of such a report.

**Information services:** After a meeting with the Business Development Manager of DAMU, KSBD has started preparing the framework and concept content for a future service oriented SME web portal. This concept will be provided in the coming month for further discussion and development.

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

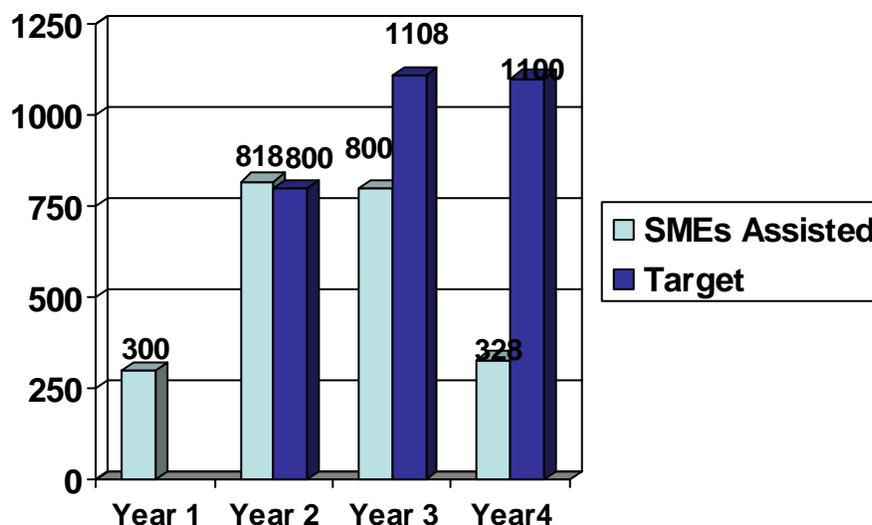
Under the Component 2 program for building the capacity of Business Service Providers (BSPs), KSBD accomplished the following during December 2009 – January 2010:

- 330 SMEs assisted
- 1,462 training participations
- 4 local governments provided support for KSBD program (Aktobe City Entrepreneurship Department; Mangistau Oblast Municipal Service Business Center; Talas Raion Akimat in Jambylskaya oblast; Kabanbai Batyr raion Akimat in Akmolinskaya oblast)

KSBD in the fourth project year is focusing on complementing training with more consulting to enterprises from BSPs. The consulting is based on the content of the KSBD Business Essentials (BE) and International Labor Organization (ILO) Start Your Business (SYB) courses.

### 3.1. Number of organizations assisted through KSBD BSP Program

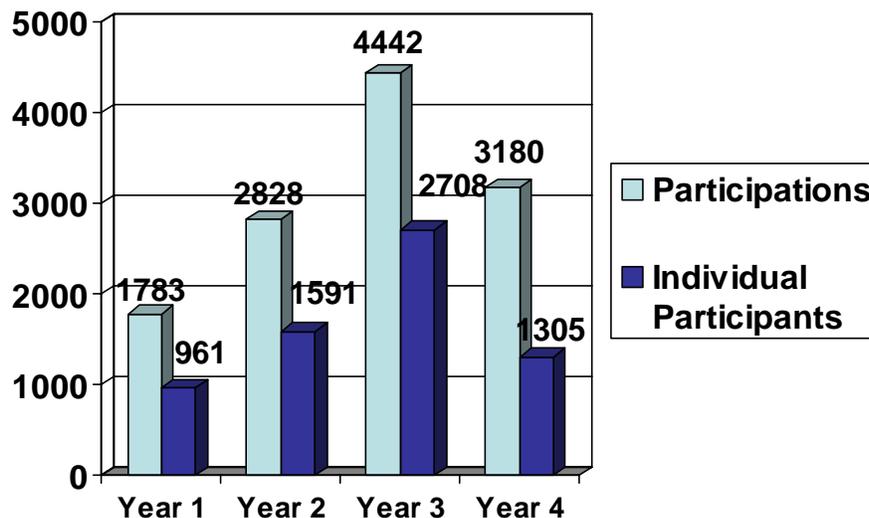
INDICATOR	December - January		Year 4 TOTAL		Year 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
	Total	New	Total	New						
Total number of organizations	344	290	725	595	N/A	N/A	1391	1000	366	3482
SMEs	330	280	658	546	1100	59.8%	1108	818	300	2884
NGOs	2	2	25	16	N/A	N/A	118	68	10	221
GOK Entities	2	1	14	12	N/A	N/A	66	43	25	148
HEIs	1	1	8	6	N/A	N/A	25	25	10	68
Vocational/ Technical	5	5	8	8	N/A	N/A	24	20	6	58
Financial Institutions	4	1	11	7	N/A	N/A	33	20	7	71
Large Companies (international)	0	0	1	0	N/A	N/A	3	0	1	21
Large Companies (domestic)	0	0	0	0	N/A	N/A	10	5	6	2
Development Organizations	0	0	0	0	N/A	N/A	0	1	1	5



During December 2009 – January 2010 KSBD achieved 59.8% of its year 4 SME assistance target by providing training and consulting to 330 SMEs. As a result of these efforts, KSBD has now provided technical assistance to 2,884 SMEs throughout all 16 oblasts/administrative districts since project inception.

### 3.2. Total training participations and participants

INDICATOR	December - January	YEAR 4 TOTAL	YEAR 4 TARGET	% OF YEAR 4 TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total participations	1462	3180	4500	70.66%	4442	2828	1783	12233
Total unique participants	529	1305	N/A	N/A	2708	1591	961	6565
Female unique participants	405	1006	N/A	N/A	1960	1105	725	4796
Male unique participants	124	299	N/A	N/A	748	486	236	1769

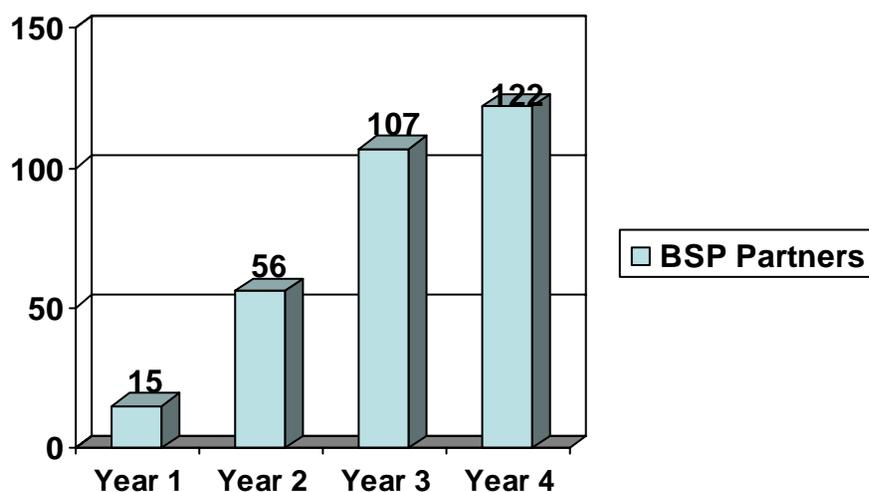


KSBD generated 1,462 participations in December-January and achieved 70.66% of its respective year 4 target. KSBD has also successfully increased the number of individuals receiving training this year by assisting 529 unique participants. The volume of training participations and participants has continued to grow throughout year 4. KSBD has now generated over 12,233 participations from 6,565 unique participations since the project started.

### 3.3. Business Service Provider (BSP) Capacity Building Program

#### BSP partner breakdown

INDICATOR	December - January	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total	122	122	N/A	N/A	107	56	15	122
Status 1 (Attended TOT)	95	95	N/A	N/A	87	35	10	95
Status 2 (SME Too kit Self-Application)	1	1	N/A	N/A	1	1	0	1
Status 3 (Retail Training)	19	19	N/A	N/A	14	14	5	19
Status 4 (Retail SME Toolkit)	7	7	N/A	N/A	5	6	0	7
Oblasts with 1 BSP	16	16	N/A	N/A	16	14	3	16
Oblasts with at least 2 BSPs	16	16	N/A	N/A	16	12	2	16
Average BSPs per 16 oblasts	7,6	7,5	N/A	N/A	N/A	3,3	N/A	7,6



During October-November KSBD has expanded its BSP network and added 1 new BSP in Kostanaiskaya region. Current BSP network consists of 122 partner organizations in all 14 oblasts and two administrative districts of Kazakhstan. KSBD has now attained national coverage and has an average of 7.6 partners per oblast:

<b>Oblast/Administrative District</b>	<b>Number of BSP Partners</b>
Akmolinskaya	3
Aktubinskaya	13
Almaty City	5
Almatinskaya	9
Astana City	3
Atyrauskaya	10
East Kazakhstan	13
Karagandinskaya	10
Kostainskaya	5
Kzyl-Ordinskaya	2
Mangistauskaya	8
North Kazakhstan	8
Pavlodarskaya	12
South Kazakhstan	10
West Kazakhstan	8
Zhambylskaya	3

### 3.4. BSP TOT Business and Consultant Training and Attestation Program

#### KSBD TOTs for BSPs

INDICATOR	December - January	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
BE TOTs	0	2	2	100%	6	3	1	12
CE TOTs	0	0	N/A	N/A	2	5	0	7
CCS TOTs	0	0	N/A	N/A	0	3	0	3
SYB TOTs	1	1	3	0,00%	4	1	0	6

In December-January KSBD completed 1 SYB training-of-trainer session for its BSP partners in 9 regions of Kazakhstan.

### KSBD full attestations of individual consultants and trainers

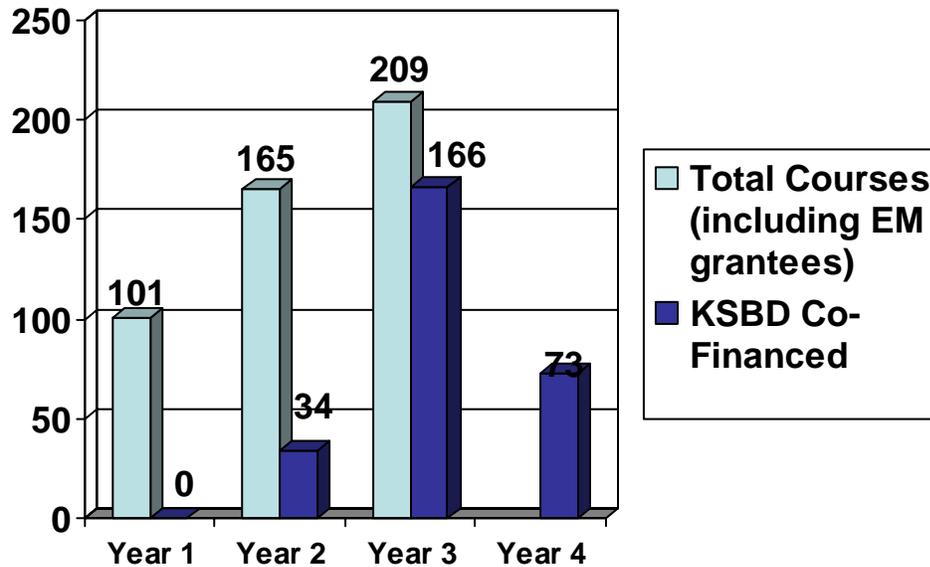
INDICATOR	December - January	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total # of full BE attested	0	23	80	28,75%	74	49	16	144
Total # of CE attested	0	0	85	0,00%	26	86	0	112
Total # of BE+CE attested	0	0	65	0,00%	7	55	0	55
Total # of SYB attested	15	15	56	26,7%	45	14	0	64

KSBD attested additional 15 business trainers/consultants in Start Your Business. This represents a 26.7% of year 4 attestations target.

### 3.5. BSP partners providing retail training to SME clients and participants

#### All retail courses provided by BSP partners

INDICATOR	December - January	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total courses given	73	149	N/A	N/A	209	165	101	624
Average value of each retail course (including EM grantees)	\$1,573	\$3,287.45	N/A	N/A	\$1,543	\$1,720.01	\$1,720.01	\$2,067.82
# of KSBD co-financed retail courses	73	149	N/A	N/A	166	34	0	349
# of fully commercial courses	0	0	N/A	N/A	2	0	0	2
Total value KSBD co-financed retail courses	\$114,835	\$245,106.	N/A	N/A	\$261,846	\$72,240.32	\$0	\$579,193.42
KSBD contribution	\$51,666	\$113,202	N/A	N/A	\$130,835	\$31,622.00	\$0	\$275,659.22
BSP contribution	\$39,266	\$83,194	N/A	N/A	\$72,895	\$26,905.08	\$0	\$182,993.91
Sponsor contribution	\$6,628	\$11,830	N/A	N/A	\$12,142	N/A	N/A	\$23,972.00
Participant fees	\$17,275	\$36,880	N/A	N/A	\$45,975	\$13,713.02	\$0	\$96,568.29



KSBD’s BSP network delivered 73 retail training courses in the reporting period, which is already 35% of the year 3 result. Since this reporting period KSBD adds SME consulting function to monitoring the affect of the retail trainings. Each BSP shall be providing key monitoring ratios for the SMEs trained, at the beginning and in three months period after getting trained. This will be a measure for the market efficiency and application of the KSBD training package.

### 3.6. Public-Private Partnership (PPP)/Sponsor Program

#### Total Sponsor (PPPs) by Status

INDICATOR	December - January	YEAR 4 TOTAL	YEAR 3 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total	71	71	N/A	N/A	59	28	1	71
Status 1 (initial meeting)	23	23	N/A	N/A	23	12	0	23
Status 2 (signed MOC/proposal submitted)	20	20	N/A	N/A	20	7	0	20
Status 3 (Direct/In-kind contribution)	28	28	N/A	N/A	16	9	1	28

The number of organizations designated as sponsors of KSBD activities increased to 71. 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 for the reporting period and achieved the following:

- Secured \$2070 from Aktobe City Entrepreneurship Department for delivery of “Start Your Business” training for over 15 SMEs in Aktobe

- Secured \$1158 from the Mangistau Oblast Municipal Service Business Center for delivery of “Business Essentials” retail training for over 60 SMEs in Kuryk, Mangistauskaya oblast;
- Secured \$400 from Talas Raion Akimat in Jambylskaya oblast for delivery of “Start Your Business” retail training for 20 start-ups in Karatau;
- Secured \$2400 from Kabanbai Batyr raion Akimat in Akmolinskaya oblast for delivery of “Business Essentials” training to 120 SMEs in Kabanbai Batyr region.

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

KSBD continues implementation of the Know About Business 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 (lyceums and colleges) across the country. During December - January, KSBD has achieved the following milestones:

- 74 new teachers certified in KAB
- Over 13826 additional students in over 63 vocational institutions receiving KAB this academic year
- 2 new teachers certified to train teachers in KAB

Table I							
Summary of key KAB program outputs against original targets	Additional this month	Actual to date*	Original target	% increase of original target	Planned or projected total	% increase over original target	% of planned or projected total completed
Training of Facilitators (Teachers) courses	3	19	7	271%	20	286%	95%
Teachers certified to teach KAB	73	393	150	262%	395	263%	99%
Number of schools with at least one certified KAB teacher	63	314	77	408%	312	405%	101%
KAB classes expected to be delivered annually	608	3,059	155	1974%	3,050	1967%	100%
Students expected to get KAB annually	13826	74,204	3,100	2394%	74,204	2394%	100%
Key Facilitators (teachers of teachers) certified by ILO**		15	-		20		75%

\*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 I** shows the KAB outputs for December-January, cumulative and planned/projected for the entire program.

Table 2							
Summary of key KAB program outputs to Kazakhstan total	Situation before KAB program in Kaz	KAB program	Total in Kaz to date	% increase from KAB program	Projected/planned KAB program total	Target total in Kazakhstan	% increase from KAB program
Training of Facilitators (Teachers) courses	2	19	21	950%	20	22	1100%
Teachers certified to teach KAB*	40	393	433	983%	395	435	1088%
Number of schools with at least one certified KAB teacher	40	314	354	785%	312	352	879%
KAB classes expected to be delivered annually**	311	3,059	3,370	983%	3,050	3,361	1079%
Students expected to get KAB annually	7,553	74,204	81,757	983%	74,204	81,756	1082%
Key Facilitators (teachers of teachers) certified by ILO***	1	15	16	1500%	20	21	2100%

\* Includes 10 teachers certified by ILO in 2003 and still teaching and 30 teachers certified in Almaty under GTZ course

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

\*\*\*only one teacher of teachers had been certified in Kazakhstan prior to beginning of program

**Table 2** shows the additional KAB assets the program is providing for Kazakhstan. For example, before the program started, there was only one Key Facilitator qualified to train other teachers in KAB. Now there are 15 more for a total of 16 and 15 more are going to be qualified in April.

### Aggregate results of the KAB program implementation as of January 30 include:

- 393 teachers from over 314 vocational institutions certified in 13 oblasts and Almaty and Astana
  - 1 teacher sent by ILO to Italy for special training
  - Over 70,000 students receiving KAB in this academic year (2009-10)
  - 15 Key Facilitators ILO-certified
  - KAB 80-hour Academic program has been approved by MES
  - Received 4 letters of appreciation from Educational Institutions
  - About 20 media publications have been secured throughout Kazakhstan
- **Additional Training of Know About Business (KAB) teachers in Aktau.** Aktau secondary schools and the Mangystau Institute for Upgrading Teachers' Qualifications jointly funded an additional course to certify secondary school teachers in the International Labor Organization's KAB course in entrepreneurship. KSBD provided only the teaching materials from the grant funds from Chevron and Baker Hughes. Mangystau Oblast has accomplished three additional trainings for teachers with only minimal support from the Chevron/Baker Hughes grant, substantially increasing the number of students receiving the course.
  - **KAB teacher forms business club in Astana vocational college.** One of the KAB teachers in Astana certified under the Baker Hughes/Chevron grant program has created a business club

for students in his college, Innovative Technologies College. His College agreed to pay him an extra 30 hours a month to work with this club. He will assist the student member of the club to prepare business plans for starting new businesses.

## 5.0. MEDIA COVERAGE OF KSBD ACTIVITIES

INDICATOR	December - January	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total # of media occurrences	8	22	N/A	N/A	50	51	N/A	123
TV	0	3	N/A	N/A	4	7	N/A	14
Magazines	0	0	N/A	N/A	3	13	N/A	16
Newspapers (print)	5	13	N/A	N/A	27	29	N/A	69
Newspapers (electronic)	3	6	N/A	N/A	16	2	N/A	24

KSBD activities is being regularly disclosed and marketed via regional newspapers and media channels, as well as KSBD website and monthly newsletters distribution.

## 6.0. KSBD UPCOMING ACTIVITIES

### 6.1. Component 1

- In the following two months work will continue on the SME definition, the information and proposed methodology will be used for statistical methods of determining the state of SMEs in RoK, to achieve better planning and programming of SME support activities and instruments. Meeting with all potential stakeholders will be held, together with discussions of this methodology.
- The first draft of the EDC Concept has been presented and further work and discussion will follow to bring it to a ready to implement model. Selection of services to be provided by the pilot EDC is to be determined as well as drafting the content of the basic functions for an EDC.
- Initial version of the structure of the future SME web portal is to be prepared and agreed with DAMU. Work on the content of the main pages of the portal will then start.

### 6.2. Component 2

- “Know About Business” Training of Facilitators will be held in vocational schools of Shymkent, Karaganda, Atyrau, Semey and Kzylorda (February-March 2010), within implementation of the Baker Hughes/Chevron grant.
- Complete “Business Essentials” Training of Trainers program for business trainers / SME consultants in Astana (February 2010) and Kzylordinskaya (March 2010)
- Complete the ILO “Start Your Business” Training program for startup entrepreneurs in Atyrau, Pavlodar, Karaganda, Aktau, Kostanai, Oskemen, aimed to generate more competent ILO certified SYB Master Trainers in Kazakhstan.
- Retail SME training on “Business Essentials” and “Start your business” will be continued throughout 2010 but with the new SME consulting function incorporated. Each BSP shall

be providing key monitoring ratios for the SMEs trained, at the beginning and in three months period after getting trained. This will be a measure for the market efficiency and actual application of the KSBD training package.

- KSBD has been requested technical support of the long-term training for restaurants and hotels staff in Karaganda by Karaganda Oblast SME Department and Barmen Association. “Business Essentials” training will be complimented with the development and introduction of the Customer Service Standards on the basis of the Barmen Association member organizations, as well as long-term consulting including Strategic Action Plans development based on financial analysis of their businesses.