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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

BI-MONTHLY REPORT: APRIL – MAY 2010

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KAZAKHSTAN SMALL BUSINESS DEVELOPMENT PROJECT

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I.0. INTRODUCTION AND EXECUTIVE SUMMARY

During April-May 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) under the Ministry of Economic Development & Trade (MEDT) 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 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 Economic Development & Trade:

EDD has been provided with the Policy Framework and Evaluation of Kazakhstan SME Support. In addition the project developed a framework for a future national strategy for SME support. After approval of the proposed by KSBD draft content of the Policy Framework and Evaluation of Kazakhstan SME Support, work has began on the first part of the paper. An analysis of the existing SME support framework has been prepared.

As part of the ongoing work on EDF/Damu's Enterprise Development Center (EDC) concept, KSBD provided EDD with a table and charts to show main sources of income, split between earnings and donor programs and funding from the government. KSBD has been actively sharing concepts for EDCs for both Damu and EDD with the objective of compiling proposals for both the policy maker (EDD) and the implementer (Damu). At the request of the Ministry of Economic Development &

Trade Department of Financing Programs the project has reviewed and commented on programs included in the “Business Support Roadmap 2020.”

Work with EDF/Damu:

- **EDF/Damu Development Concept:** Exchange of information between Damu and KSBD has helped produce in addition to the Concept paper, descriptions of several services to be provided through the future EDCs.
- **Annual Entrepreneurship Report:** The content of the Annual Entrepreneurship Report has also been discussed at a meeting with the Director of the Center for Strategies Research & Analysis to the President. Work on the report has been finalized.
- **Information services:** Detailed technical Terms of Reference for the Business Portal has been produced and provided to Damu. The document will be used to develop a tender dossier for the selection of a contractor.
- **Round tables on women entrepreneurship:** Damu together with the Association of Women Entrepreneurs has organized several round tables on issues concerning women entrepreneurship and its specific needs for support. KSBD has been invited and participated with presentations on international best practices on those issues.

Building BSP capacity to support SMEs:

During April-May 2010 KSBD:

- Assisted 476 SMEs;
- Co-financed 1260 training participations.
- Received financial support from 2 local governments for the KSBD program activities in their localities.

“Know About Business Program” implementation:

KSBD continued to implement the “Know About Business” (KAB) entrepreneurship course for vocational schools with financing from Chevron and Baker Hughes. During April - May, KSBD has produced the following results:

- 204 additional teachers were certified in KAB, for a total of 597 certified teachers across the country.
- These 597 teachers will provide an estimated 109,000 students in 468 vocational institutions KAB each academic year.
- A total of 28 KAB teachers have been trained and certified 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)

After consultations with EDD the content of the paper has been finalized. The first part of the evaluation paper has been produced. It contains an analysis of the government framework for SME support and a methodology for the government to use when assessing SME needs for support. The methodology has been developed based on work done by the OECD SME Workgroup and in the paper KSBD has included examples of similar work done in OECD countries.

KSBD has provided information on the further development of the concept and the services to be provided by the future EDCs.

The Ministry for Economic Development & Trade through its Department for Program Financing has requested support for work they have been doing on the implementation of programs which are part of the Business Support Roadmap 2020. The project has reviewed procedures for provision of subsidies on the interest rate of loans to businesses. Four different types of subsidies were reviewed and comment were made on the structure of the procedures as well on some of the rules for monitoring and evaluation of projects that have received financing.

2.2. Cooperation with the Entrepreneurship Development Fund/Damu (EDF/Damu)

KSBD continues work on the **EDF/Damu Enterprise Development Center (EDC) Concept**. At the request of Damu the project has proposed a package of initial services to be provided by the EDCs. This package is mostly based on services complementing programs already being implemented by Damu. These are information services on the grants and subsidies being disbursed by Damu aimed at better understanding of their requirements and opportunities provided for the potential beneficiaries. We have proposed the manuals and guidebooks needed to accompany each of those services, which will make it easier for staff in the field to provide more uniform information and facilitate their training.

Annual Entrepreneurship Report (AER): KSBD has consulted the draft of the Annual Entrepreneurship Report with representatives of the Center for Strategic Research and Analysis under the President and has proposed small changes in the structure of the report before finalizing the text. Damu produced a final version which was printed in May, with special thanks to the project for initiating the preparation of such a document, which will be used for evaluation and comparison of SME policy and program achievements.

Information services: Damu has accepted in full our proposal for a concept of the future Business Portal which will be complementing the work of their “Non-financial Services Department”. Based on the concept the project has produced a term of reference to be used by Damu for a tender to select a developer of the website. KSBD has also prepared all the criteria to be used in the selection procedure.

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

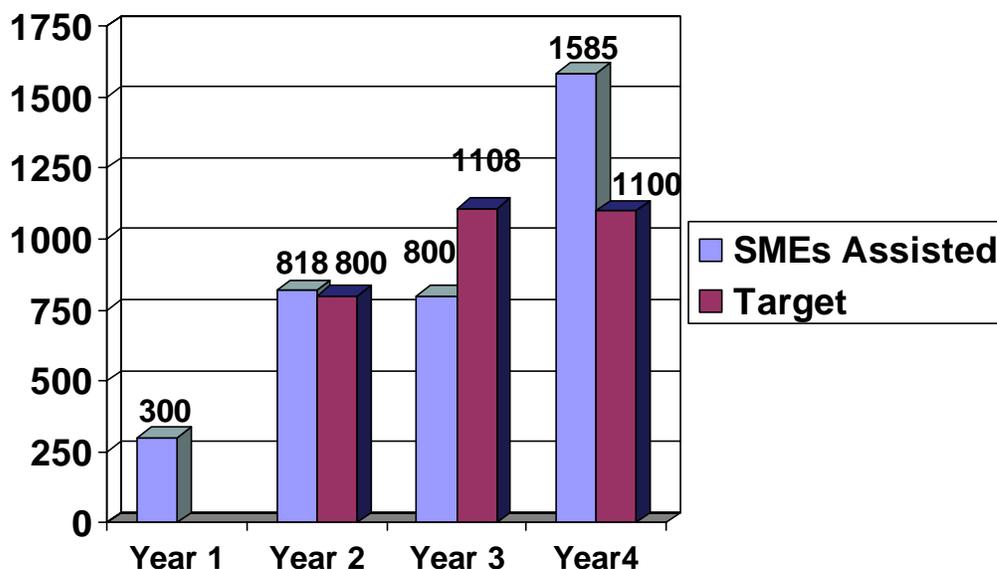
Under the Component 2 program for building the capacity of Business Service Providers (BSPs), KSBD accomplished the following during April-May 2010:

- 476 SMEs assisted
- 1260 training participations
- 3 local governments provided support for KSBD program: Aktau Akimat, Almatinskaya oblast (PF Kazygurt) and Koshchi akimat, Akmolinskaya oblast (Turan Profi).

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

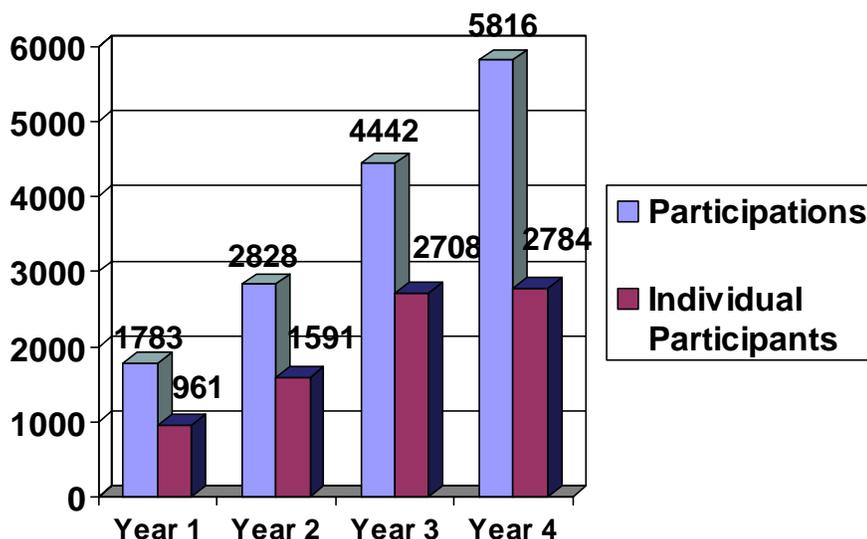
INDICATOR	April - May		Year 4 TOTAL		Year 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
	total	New	Total	New						
Total number of organizations	502	410	1700	1435	N/A	N/A	1391	1000	366	4457
SMEs	476	390	1585	1348	1100	144.09%	1108	818	300	3811
NGOs	6	5	36	25	N/A	N/A	118	68	10	232
GOK Entities	6	6	23	21	N/A	N/A	66	43	25	157
HEIs	2	0	14	10	N/A	N/A	25	25	10	74
Vocational/ Technical	6	6	16	15	N/A	N/A	24	20	6	66
Financial Institutions	6	3	24	16	N/A	N/A	33	20	7	84
Large Companies (international)	0	0	1	0	N/A	N/A	3	0	1	5
Large Companies (domestic)	0	0	1	0	N/A	N/A	10	5	6	22
Development Organizations	0	0	0	0	N/A	N/A	0	1	1	2



As a result of these efforts, KSBD has now provided technical assistance to 3,881 SMEs throughout all 16 oblasts/administrative districts since project inception.

3.2. Total training participations and participants

INDICATOR	April - May	YEAR 4 TOTAL	YEAR 4 TARGET	% OF YEAR 4 TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total participations	1260	5816	4500	101.24%	4442	2828	1783	14869
Total unique participants	697	2784	N/A	N/A	2708	1591	961	8044
Female unique participants	488	2099	N/A	N/A	1960	1105	725	5889
Male unique participants	209	685	N/A	N/A	748	486	236	2155

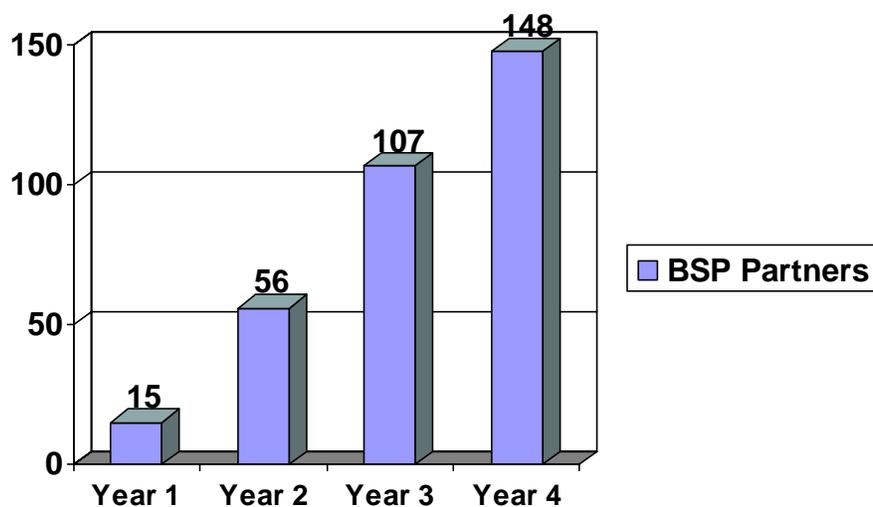


KSBD generated 1,260 participations in April-May, thus exceeding its respective year 4 target. KSBD has also successfully increased the number of individuals receiving training this year by assisting 697 unique participants. The volume of training participations and participants has continued to grow throughout year 4. KSBD has now generated over 14,869 participations from 8,044 unique participations since the project started.

3.3. Business Service Provider (BSP) Capacity Building Program

BSP partner breakdown

INDICATOR	April – May	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total	148	148	N/A	N/A	107	56	15	148
Status 1 (Attended TOT)	114	114	N/A	N/A	87	35	10	114
Status 2 (SME Toolkit Self-Application)	1	1	N/A	N/A	1	1	0	1
Status 3 (Retail Training)	26	26	N/A	N/A	14	14	5	26
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	9.25	9.25	N/A	N/A	N/A	3,3	N/A	9.25



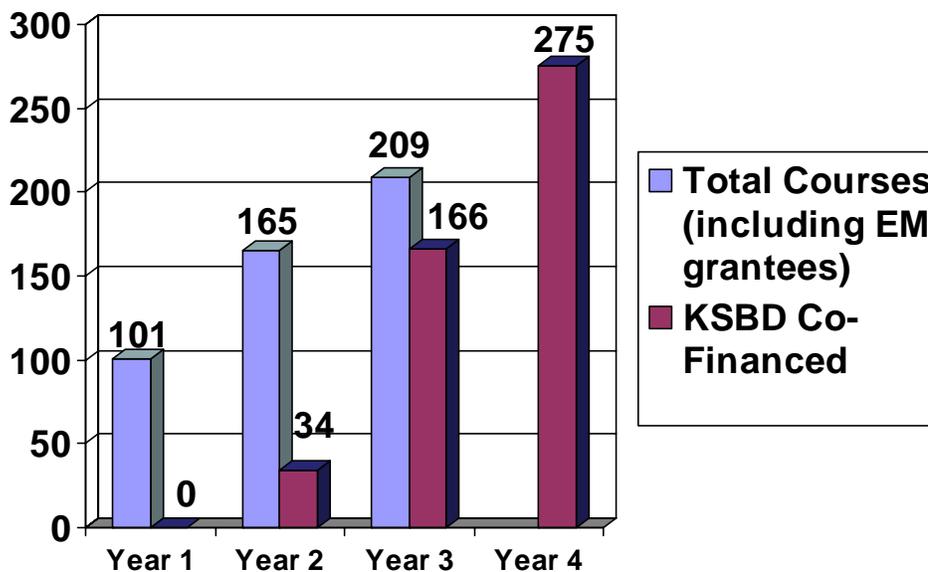
During April-May KSBD has maintained its BSP network. Current BSP network consists of 148 partner organizations in all 14 oblasts and two administrative districts of Kazakhstan. KSBD has now attained national coverage and has an average of 9.25 partners per oblast:

Oblast/Administrative District	Number of BSP Partners
Akmolinskaya and Astana City	21
Aktubinskaya	13
Almatinskaya and Almaty City	14
Atyrauskaya	10
East Kazakhstan	13
Karagandinskaya	10
Kostainskaya	5
Kzyl-Ordinskaya	10
Mangistauskaya	9
North Kazakhstan	8
Pavlodarskaya	13
South Kazakhstan	10
West Kazakhstan	9
Zhambylskaya	3

3.4. BSP partners providing retail training to SME clients and participants

All retail courses provided by BSP partners

INDICATOR	April – May	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total courses given	66	275	N/A	N/A	209	165	101	750
Average value of each retail course (including EM grantees)	\$1,570	\$1614	N/A	N/A	\$1,543	\$1,720.01	\$1,720.01	\$1,649.68
# of KSBD co-financed retail courses	66	275	N/A	N/A	166	34	0	475
# of fully commercial courses	0	0	N/A	N/A	2	0	0	2
Total value KSBD co-financed retail courses	\$103,665	\$444,097.6	N/A	N/A	\$261,846	\$72,240.32	\$0	\$778,184.42
KSBD contribution	\$43,133	\$197,841	N/A	N/A	\$130,835	\$31,622.00	\$0	\$360,298.22
BSP contribution	\$30,633	\$148,011.33	N/A	N/A	\$72,895	\$26,905.08	\$0	\$247,810.91
Sponsor contribution	\$4,760	\$20,157	N/A	N/A	\$12,142	N/A	N/A	\$32,299
Participant fees	\$25,139	\$78,088.27	N/A	N/A	\$45,975	\$13,713.02	\$0	\$137,776.29



KSBD's BSP network delivered 66 retail training courses in the reporting period. Since this reporting period KSBD adds SME consulting function to monitoring the affect of the retail trainings. Each BSP has been providing key monitoring ratios for the SMEs trained, at the beginning and in three months period after getting trained. This is a measure for the market efficiency and application of the KSBD training package.

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

Total Sponsor (PPPs) by Status

INDICATOR	April – May	YEAR 4 TOTAL	YEAR 3 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total	76	76	N/A	N/A	59	28	1	76
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)	33	33	N/A	N/A	16	9	1	33

The number of organizations designated as sponsors of KSBD activities is 76. Sponsorship has been attained from both private sector and local and regional GOK stakeholders and has resulted in expanded project impact.

4.0. “Know About Business” 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 April-May, KSBD has achieved the following milestones:

- 204 new teachers certified in KAB
- Over 35315 additional students in over 165 vocational institutions receiving KAB this academic year
- 9 new teachers certified to train teachers in KAB

Table 1 shows the KAB outputs for April-May, cumulative and planned/projected for the entire program.

Summary of key KAB program outputs against original targets	Additional April-May	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	9	28	7	400%	29	414%	97%
Teachers certified to teach KAB	204	597	150	398%	556	371%	107%
Number of schools with at least one certified KAB teacher	165	468	77	608%	501	651%	93%
KAB classes expected to be delivered annually	1,626	4,685	155	3023%	4,825	3113%	97%
Students expected to get KAB annually	35,315	109,519	3,100	3533%	112,785	3638%	97%
Key Facilitators (teachers of teachers) certified by ILO**	14	28	-		34		82%

*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 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 9 more for a total of 28 qualified.

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	4	28	32	700%	29	33	825%
Teachers certified to teach KAB*	23	597	620	2596%	615	638	2773%
Number of schools with at least one certified KAB teacher	35	468	503	1337%	501	536	1531%
KAB classes expected to be delivered annually**	124	4,685	4,809	3778%	4,825	4,949	3991%
Students expected to get KAB annually	2,399	109,519	111,918	4565%	112,785	115,184	4801%
Key Facilitators (teachers of teachers) certified by ILO***	1	28	29	2800%	34	35	3500%

* 70 teachers were certified prior to Baker Hughes/Chevron KAB program. Our survey showed only 23 still actively teaching

**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

Aggregate results of the KAB program implementation as of April-May include:

- 620 teachers from over 503 vocational institutions certified in 14 oblasts and Almaty and Astana
- Over 111,918 students receiving KAB in this academic year (2009-10)
- 32 Key Facilitators ILO-certified

5.0. MEDIA COVERAGE OF KSBD ACTIVITIES

INDICATOR	April – May	YEAR 4 TOTAL	YEAR 4 TARGET	% OF TARGET	YEAR 3 TOTAL	YEAR 2 TOTAL	YEAR 1 TOTAL	PROJECT TOTAL
Total # of media occurrences	7	41	N/A	N/A	50	51	N/A	142
TV	0	5	N/A	N/A	4	7	N/A	16
Magazines	1	1	N/A	N/A	3	13	N/A	17
Newspapers (print)	6	28	N/A	N/A	27	29	N/A	84
Newspapers (electronic)	0	7	N/A	N/A	16	2	N/A	25

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. Building Government of Kazakhstan Capacity to Support SMEs

- Fine tuning functions and procedures of the EDC after the first one opens in June.
- Proposing content for an initialization training of newly appointed staff of the EDCs.
- Finalizing the tender dossier to be used for the selection of web developers. Evaluation of tender proposals.
- Preparation of the second part on policy setting and planning of the Policy Framework and Evaluation of Kazakhstan SME Support.
- Additional work on the procedures for implementing programs under the Business Support Roadmap 2020 if requested.

6.2. Building Business Service Providers Capacity to Support SMEs

- ILO “Know About Business” (KAB) Training of Facilitators will be held in Karaganda in June.
- Initiation of the Monitoring & Evaluation program for the KAB program.
- Finalizing version 4 of the Business Essentials (BE) courses.
- KSBD Wrap-Up and compilation of the Final Report.