



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

22723



**RUSSIAN AGENCY FOR SMALL AND
MEDIUM BUSINESS SUPPORT**

117330, Moscow, Mosfilmovskaya str., 17B, Tel.:(095)

143-73-20 Fax. (095) 247-62-52

E-mail: ermakov@delo.ru

TECHNICAL REPORT

on UNIDO Project US/RUS/01/085 Seminar:

Feasibility study of the project and business plan

January 29, 2002, Voronezh, Russia

UNIDO Contract No. 2001/349

Moscow
February, 2002

Report on Subcontract implementation

In accordance with the provisions of Contract No. 2001/349 in its part concerning the preparatory works in the Voronezh region, Russian agency for small and medium business support (RA) has assumed an obligation to hold a Seminar on "Preparation of Business Plan; general rules and specific features". It was anticipated that representatives of approximately 100 small and medium businesses located in Voronezh region would take part in the Seminar.

In view of that RA in cooperation with Voronezh regional Administration, have selected over 130 private companies engaged in manufacturing industry or agriculture, all listed as small or medium businesses, and sent out participation invitations.

Following recommendations from Moscow offices of UNIDO and World Bank Institute RA has invited two experts, Mrs. Elena R. Orlova and Mr. Stanislav Ye. Cherkassky, who are rated as experienced consultants on the subject, to be the main speakers at the Seminar.

* * *

Thus we report that

1. The Objective of the Seminar has been reached: the topic was presented to the participants on a high professional level. The Agenda of the Seminar and short minutes of presentations are set forth in Annexes No. 1 and No. 2 respectively.
2. 108 representatives of small and medium enterprises located in Voronezh region have participated in the Seminar. List of participants is set forth in Annex No. 3
3. Preparatory work: RA has rented a suitable hall in the center of Voronezh, outfitted it with hired equipment (a PC, Xerox machine, slide projector), and arranged for the supplies of foods and beverages for coffee breaks and lunch.
4. Results: representatives of at least 42 enterprises have committed to present their respective business plan documentation within 8 weeks.

Enclosures:

Annex No. 1 - Agenda of the Seminar

Annex No. 2 - Short minutes of the presentations made

Annex No. 3 - List of participants

Annex No. 4 - Short reference on Voronezh region

Agenda of the Seminar

January 29, 2002

Voronezh, Russia

- 10:00 – 10:10 a.m. - Greetings to the participants made by Mr. Arkady R. Mozhaitov, vice governor of Voronezh region;
- 10:10 – 10:30 a.m. - Opening speech made by Mr. Alexander V. Zhidkov, vice president of Russian agency for small and medium business support;
- 10:30 – 11:30 a.m. - Principles of business evaluation under current market conditions – by Mrs. Elena R. Orlova, expert;
- 11:30 – 12:00 a.m. - Coffee break;
- 12:00 – 01:30 p.m. - Evaluation of business development prospects – by Mrs. Elena R. Orlova, expert;
- 01:30 – 02:30 p.m. - Lunch break;
- 02:30 – 04:30 p.m. - Calculation of cash flow – by Mr. Stanislav Ye. Cherkassky, expert;
- 04:30 – 05:30 p.m. - Panel discussion;
- 05:30 p.m. - Closing speech made by Viktor V. Novikov, director of Entrepreneurship support department, Voronezh regional Administration.

Short minutes of the presentations

The key features of Business plan:

- It determines the necessity of working out the concepts of business and examining business strategy on paper rather than committing mistakes in practice;
- It helps to forecast and evaluate actual results of future activities, to fix the enterprise's budget and to simulate other important characteristics of business;
- It will facilitate the task of attracting necessary funds for investment.

The Business plan contents:

- Executive résumé;
- General description of the company;
- Description of products and services;
- Marketing plan;
- Production plan;
- Management and organizational structure;
- Corporate capital and legal statute of the company;
- Financial plan;
- Enclosures:
 - Short review on competitors;
 - Sales volume forecast in the context of markets and products;
 - Products profitability analysis.

Sensitive points in Business planning:

- Good business reputation;
- Efficient cash flow;
- Sufficient security (pledge);
- Share of own funds in total investment.

Common errors in Business planning:

- Disregarding the strategic planning as a stage that precedes the Business planning;
- Business plan is not supported by the real resources available;
- Business plan is made to order;
- Business plan is made counting on the outside investments, however providing for no prior preparatory work, such as restructuring or reengineering;
- Steep demands in funds.

1. Executive résumé

Goal: to give the potential investor clear ideas of the investment project.

Therefore,

- a. The Executive résumé is, in essence, a brief summary of Business plan;
- b. The Executive résumé is to be written after the final version of Business plan has been prepared;
- c. The Executive résumé must contain all most attractive features of the project;
- d. The Executive résumé should be written in a compressed, businesslike style, not, however, without some emotionality.

2. General description of the company

Goal: to give description of the company.

The emphasis should be made upon:

- a. Geographical whereabouts of the company;
- b. Sphere of activities;
- c. Level of business development;
- d. Description of the company's products, level of respective market research;
- e. Targets of the company's development (increase of sales, new markets development).

3. Description of products and services

Goal: description of products' sales appeal on the selected markets.

This chapter should contain

- a. Physical characteristics of the product accompanied by a photo, sketch or sample;
- b. Potential attractiveness of the product in respect of its functions or design;
- c. Product development process: experience and prospects, readiness of product for marketing;
- d. Experts' and customers' references on the product.

4. Marketing plan

Goal: to describe how the company will influence the market and how it will respond to changing market conditions.

The description should include:

- a. Demand and market capacity: particular market segments and their quantitative evaluation;
- b. Market competition – its intensiveness, trends and other factors;
- c. Marketing strategies (expenditures and expected returns by items – distribution, advertising, promotion, price formation);
- d. Market research;
- e. Product sales forecast (amounts, market share in the context of time periods, products and customers);
- f. Additional information of the market (industry statistics, experts' opinion, publications).

The quality of a marketing plan will be acceptable if the answer to the following questions is positive:

- Whether the market size and market demand are defined clearly;
- Whether the considerations on sales techniques are clear and convincing;
- Whether the marketing plan looks realistic and objective;
- Whether the marketing plan has a good readability and attracts interest;
- Whether the marketing plan can serve as a basis for practical realization of marketing strategies.

5. Production plan

Goal: to describe production process in the whole.

- a. Product development: conception, processes, results, forecasts;
- b. Production: technological equipment, raw materials, manpower resources, documentation;
- c. Quality control: inspection methods and systems, internal certification;
- d. Service and maintenance (after-sales service, its conditions and level, technical maintenance);
- e. External limitations: sanitary code, state standards control, state engineering supervision;
- f. Legal assistance measures: patents, trademark and author's rights.

Special attention here should be given to the following:

- General approach to production process;

- Sources of raw materials;
- Technological operations making up production process;
- Requirements to the manpower;
- Relations with suppliers and resellers.

6. *Management and organizational structure*

Goal: to characterize personnel engaged in the business having in mind the investor's position: investing funds in managers rather than ideas.

- Data on the key persons in the company (owners, managers);
- Organizational chart (internal links, responsibilities distribution);
- Manpower policy and strategy (selection and training of personnel, salary).

Specific features should be emphasized:

- Whether management of the company is carried out on the joint basis or on the basis of undivided authority;
- Whether the personnel will participate in the profits or will be considered as wage earner;
- Whether a strict allocation of responsibilities will be used or some more flexible method of management will be prevailing.

7. *Financial plan*

Goal: to present full and reliable system of calculation that reflects the expected financial results of the company's activities.

The main principles of such presentation are:

- Reliability of data used and calculations made since the obtained figures will surely be rechecked;
- At least two scenarios of business development, optimistic and pessimistic, are taken for the calculations;
- Calculations should be based primarily on the data contained in the business plan;
- Realistic forecast of the sales volumes;
- Annual financial report should be drafted for the first five years of activity;
- Cash flow assessment should also be drafted for a period of five years, the first two years being described in detail;
- Latest statement of accounts as well as calculated statements of accounts for the next five years must be the part of financial plan;
- Minimal volume of sales securing full compensation of expenses (make-out analysis).

Draft of financial report represents in generalized form the financial results of activities in the context of profitability. It is based on:

- Calculation of the volumes of sales;
- Calculation of the prime cost and operational expenses;
- Calculation of the expected pre-tax profit and after-tax profit.

Cash flow assessment represents in generalized form earnings (and their sources) and allocation of funds.

Draft financial statement represents financial position of the company as on a given date. It shows in detail the company's assets and liabilities. On its basis major financial ratios (liquidity, solvency, asset management, etc.) are calculated.

List of participants

No.	Participants		
	Name	Company represented	Position
1	Alexey I. Abrossimov	Stomel, Ltd.	Director, finance
2	Tamara V. Aleshnikova	Pavlovsky regional department of agriculture	Expert
3	Igor A. Alimenko	Intechsavn, Ltd.	General director
4	Natalia L. Arkhipova	Regional agency for SME support, Voronezh	Manager
5	Andrey V. Assessorov	Intechsavn, Ltd.	Manager
6	Victor E. Avdeyev	Garden, Ltd.	Director
7	Konstantin V. Babakin	SAAS, Ltd.	Manager
8	Dmitry G. Babakov	MARZ, plc.	General director
9	Igor F. Banov	Development, Ltd. (Agricultural production)	Director
10	Vassily M. Beliavtsev	Rossoshansky, Ltd. (Agricultural production)	Farmer
11	Alexander Y. Belkin	Novotroyenskoye, Ltd. (Agricultural production)	Director
12	Serguey D. Belousov	Cooperative farm "Kolos"	Director
13	Alexander P. Bereznev	Lisky-Metallist, plc.	General director
14	Nikolay I. Bezougly	Gribanovsky machinery building enterprise, plc.	General director
15	Mikhail I. Biryukov	Model Shop "Izmeron-B", Ltd.	Director, finance
16	Valery A. Blazhko	Tselit, Ltd.	Director
17	Serguey V. Bobrovnikov	Thesis, Ltd.	General director
18	Oleg S. Bocharov	ATM, Ltd.	Manager
19	Aleksey V. Borissov	Collective farm "Bratkovsky"	Director
20	Oksana P. Boukhonova	ATM, Ltd.	Manager
21	Olga A. Bykova	Private enterprise "Bykova"	Director
22	Vitaly N. Chertkov	Collective farm "Dolgoye"	Director
23	Petr N. Dimintiyevsky	Prominvest, Ltd.	Director
24	Vadim A. Dmitriev	Private works "Obryvkov"	Manager
25	Alexander A. Dolia	Rossoshansky district, Agricultural administration	Deputy director
26	Sergey M. Filimonov	Voronezh regional guild of bakers and confectioners	President
27	Igor N. Filippov	PKF Courier, Ltd.	Director
28	Pavel G. Golovin	Mechanical works "Mitrofanovka", Ltd.	Director
29	Vladimir N. Goncharov	Cooperative farm "Yantar"	Director
30	Nikolay A. Goryushin	Technosystems, Ltd.	Director
31	Evgeny V. Goubin	Etalon, plc.	General Director
32	Valery L. Goussev	Municipal Fund for SME support	Manager
33	Tatiana I. Grigorievskaya	AVA Plast, Ltd.	Director
34	Ivan V. Ignatiev	Cooperative farm "Ramon"	Director
35	Viktor Ya. Kamagourov	Cooperative farm "Vostok"	Director
36	Grigory A. Khalfin	Aqua-Svar, plc	Director
37	Polina K. Khoroshilova	Cooperative farm "Sopka"	Director
38	Sergey A. Khoudiakov	Cooperative farm "Vskhody"	Director
39	Larissa I. Khoudiakova	Agroiskra Construction Co., Ltd	Manager
40	Eugeny M. Kochnev	Kantemirovsky ИПИИ	Director
41	Vladimir E. Kolesnikov	Loutch, Ltd.	Director
42	Natalia N. Komova	Cooperative farm "Lira"	Director
43	Irina M. Kosmatykh	Cooperative farm "Ramonsky"	Manager
44	Viktor M. Kostylev	Avtogen, Ltd	Director
45	Alexander N. Kouleshenko	Cooperative farm "Lada"	Director
46	Artur M. Kouleshov	Private enterprise "Obryvkov"	Manager
47	Andrey T. Kourilenko	Cooperative farm "Iskra"	Director
48	Serguey V. Koustovinov	Technika-Service, Ltd.	General Director

49	Anatoly A. Kouznetsov	Interbid, Ltd.	Director
50	Anatoly V. Kouznetsov	Eprom, plc.	General director
51	Ernst G. Kouznetsov	Scientific research and manufacturing works "Mekhanotron-Alpha"	General director
52	Yulia A. Kovyrshena	Gheron, Ltd.	Manager
53	Alexander V. Kriuchkov	Semiloukskoye, plc.	Manager
54	Nikolay I. Krougliakov	Semiloukskoye, plc.	General director
55	Liudmila V. Lougovskikh	Scientific research and manufacturing works "Promtechcenter"	Manager
56	Olga V. Malkhova	Regional agency for SME support, Voronezh	Manager
57	Emma A. Mamontova	Gueron. Ltd.	Manager
58	Dmitry V. Markov	Hydrogas, Ltd.	General director
59	Ivan F. Maslov	Harvest, Ltd.	Director
60	Yulia A. Melnik	Topaz, Ltd.	Manager
61	Vladimir A. Morozov	Pischevik, plc.	Director
62	Tamara A. Naydenova	Travel agency	Manager
63	Nikolay I. Nesterenko	Cooperative farm association, Pavlovsky district	Chairman
64	Nikolay P. Nogin	Promavtoservice Mitrofanovsky, Ltd.	General Director
65	Valentin I. Novikov	Cooperative farm	Director
66	Roman S. Novikov	Travel agency	Manager
67	Alexey V. Panchuk	Agricultural enterprise "Sovkhoz Novousmansky"	Director
68	Irina N. Pavlenko	Cooperative farm "Nadezhda-3"	Director
69	Tatiana G. Pavliuk	Promavtoservice, Ltd.	Manager
70	Vera P. Pigareva	Cooperative farm association	Chairman
71	Alexander V. Ponomarenko	Trading company "Novy"	Manager
72	Alexander P. Popenko	Space-oil-gas-pole, Ltd.	Manager
73	Anton M. Pozhidayev	Cooperative farm "Kolos"	Director
74	Vasily V. Romanenko	Vitiazj, Ltd.	Manager
75	Marina A. Romanova	Agrotsentr, Ltd.	Manager
76	Natalia M. Roudakova	Cooperative farm "Borisoglebsky"	Director
77	Andrey B. Rykov	Atom-energouzapchastj, plc.	Director
78	Viktor A. Schetinin	Experimental mechanical works "Ertil", plc.	General director
79	Vladimir V. Severikov	Voronezh Stroygranit, Ltd.	General director
80	Alexander A. Shabanov	Liski-Kholod, Ltd.	Director
81	Igor G. Shakin	Manufacturing works "Ilona", Ltd.	Director
82	Valery I. Shatalov	TOZ, Ltd.	Manager
83	Alexander I. Shatalov	ATN, Ltd.	Director
84	Yury P. Shatalov	Cooperative farm "Fakel"	Director
85	Viktor V. Shvyrev	Grain elevator "Latnensky", Ltd	Director
86	Tamara I. Shyshkina	Pischevik, Ltd.	General director
87	Semen I. Shyshliannikov	Scientific research and manufacturing works "Tonap"	Director
88	Alexander V. Sinelnikov	Cooperative farm "Cheremouchki"	Director
89	Vadim A. Skripkin	Cooperative farm "Zaria"	Director
90	Georgy A. Smolianov	Cooperative farm "Petrovskoye"	Director
91	Alexander I. Sorokin	Cooperative farm "Mirazh"	Director
92	Nikolay V. Soukhochev	Cooperative farm association "Repievsky"	Chairman
93	Sergey A. Soumenko	Aqua, Ltd.	Deputy director
94	Vladimir A. Souvorov	TEP, Ltd.	Manager
95	Valery V. Tchmischenko	Scientific research and manufacturing works "Promtechcenter"	Manager
96	Sergey N. Tkachev	Agrosnab, Ltd.	Director
97	Mikhail P. Tkachev	Tselit, Ltd.	Manager
98	Nokolay P. Tkachev	Cooperative farm "Vant"	Director

99	Aleksey I. Varfolomeyev	Mays, Ltd.	Manager
100	Tatiana I. Varfolomeyeva	Logos, Ltd.	Deputy director
101	Svetlana B. Vargo	Tselit, Ltd.	Manager
102	Valery L. Vargo	Stomel, Ltd.	Director
103	Rimma F. Voronina	Cooperative farm association "Kalachensky"	Manager
104	Mikhail M. Yegorov	Cooperative farm "Rossoshansky"	Farmer
105	Nikolay I. Yeletsky	Business Union, community of Upper Khiva	Chairman
106	Ilia D. Zartsyn	Manufacturing @ Trading firm "Unified furniture"	Director
107	Vladimir V. Ziazin	Liskinsky repair and engineering works, plc.	General director
108	Maria I. Zoubkova	Cooperative farm "Niva"	Director

Voronezh region is located in the center of the European part of Russia with the city of Voronezh being about 600 kilometers to southeast of Moscow. Territory of the region exceeds 52,000 square kilometers while its population is close to 2,500,000 of which urban population makes up 62%.

The Charter of Voronezh region determines its legal status. Regional power consists of legislative branch (regional Duma) and executive branch (Administration of the region). The region is divided into 32 administrative districts and two administrative territories.

Manufacturing industry is represented by 10 major branches among which are machinery construction and mechanical engineering, radio and electronics, chemistry and food industry. The region is traditionally distinguished due to highly skilled working, engineering and research personnel capable of carrying out complex scientific, research and production tasks.

Construction complex in Voronezh region is now on the rise. Industrial and civil construction have sufficient supply of raw materials of local manufacture. There is still considerable potential in production of small piece building materials, construction parts and frames. Only in the city of Voronezh about a dozen factories are located which produce ferroconcrete structures. Due to the deposits of local mineral raw materials (granite, clays, sandstone, chalk, cement stock etc.) the region has all necessary prerequisites for a large-scale production of building materials and structures.

A favorable geographic position of Voronezh region has made it a traffic center for numerous transport routes. A well-developed railway network makes it possible to carry passengers and freight to all regions of Russia and abroad. Some of the major automobile routes, such as Moscow-Rostov-on-Don, Moscow-Astrakhan, Kursk-Saratov, pass via Voronezh.

Voronezh region with its natural black earth is a major agricultural producer: it accounts for about 7 per cent of total Russian crops, 20 per cent of sugar, 10 per cent of vegetable oil. About 22 per cent of the working population is engaged in the agricultural sector. The leading agricultural branches are plant growing and husbandry. Due to the high agronomic potential, the region possesses advanced technologies in agricultural production.

Agricultural potential of the region is far from being used to the full extent. There is big room for increasing output of industrial crops provided that investments into related processing industries including small enterprises are made.

Voronezh region is involved in foreign economic relations with more than 80 countries. Total foreign trade turnover in 2000 reached US\$ 335,4 million with exports having a steady tendency for growth.

Commodity structure of foreign trade includes machinery, chemicals, and electronic industry goods. Mineral fertilizers and synthetic rubber of high quality meeting the requirements of international standards are particularly popular on the international commodity markets.

The principle imports are food products, consumer goods, chemical raw materials, and equipment for light and food industries.

SME sector is represented by about 28 thousand enterprises (legal entities) and over 63 thousand individual entrepreneurs. In the year of 2000 the value of SME's production exceeded 130 million US Dollars (20% of regional GDP).