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BIOECONOMY  
*MOSCOW*



Government of Moscow

NQ485

# Business Plan

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## **BIOTECHMART MOSCOW BUSINESS PLAN**

### **IMPORTANT NOTE**

This business plan supersedes the 'Draft Business Plan' produced immediately after the initial meeting of the organising committee in early 1997. At that time, the event was scheduled for autumn 1998, but re-timing of related events meant that it had to be put back until mid 1999. Both plans were produced by UNIDO's main partner on the organising committee, NIMTECH, St Helens, UK. The present plan takes account of discussions and research undertaken by UNIDO and NIMTECH, separately and jointly, up to late 1997. The future of BIOTECHMART was then becoming uncertain due to signs of economic difficulties in the Former Soviet Union and impending changes in UNIDO.

The present business plan draws, in particular, on information from a draft document on BIOTECHMART MOSCOW produced by Dr G Tzotos, UNIDO, in May 1997, and from the initial business plan produced by NIMTECH. The figures are an amalgamation of best estimates from UNIDO and NIMTECH available in late 1997; they do not represent any commitment by either or both parties.

If, as seems increasingly likely, BIOTECHMART is delayed beyond mid-1999, the business plan will have to be reformulated in the light of requirements of the biotechnology sector at that time.

## **BIOTECHMART MOSCOW**

### **1.0 Introduction**

#### **1.1. Background**

Biotechnology is one of the fastest growing sectors in most countries across the world. In the Former Soviet Union, the sector overall has huge potential, but like many other sectors, it is languishing from the effects of adjusting to the new market economy. A wealth of new biotechnology companies have been formed in recent years, many from the prestigious state funded research institutes which are under threat of closure due to much reduced state funding. These new companies operate at the interface between academia/research and industry and are not yet even approaching their full potential. They have much to offer the West in terms of innovative technologies, products and services. Equally, the Former Soviet Union needs Western technologies to complement its own, and Western equipment, services and products to meet its short and medium term needs.

#### **1.2. Pharmaceutical Industry**

Statistics for the Russian biotechnology sector reflect the difficulties in adjusting to a market economy (It is believed that similar figures apply to the other countries of the Former Soviet Union). In 1995, output in the pharmaceutical industry fell by 5.4%. The few Russian manufacturers of primary materials used in producing medicines suffered a decline of 50% due to inefficient equipment and fast growth in energy costs. There are several major factors which undermine the industry's competitive position:

- Many plants have technologically obsolete production lines installed over 30 years ago;
- The average rate of depreciation is 70 - 90%;
- Not all plants have production facilities that meet GMP (UN Good Manufacturing Practice code) standards.

These factors have led to industry capacity utilisation as low as 30 - 65%; some 66% pharmaceutical companies closed due to bankruptcy.

State regulation has been the crucial factor in the development of Russia's pharmaceutical market. The government uses three main types of regulation to protect and foster domestic industry:

- Industrial support of pharmaceutical companies in various forms;
- Price controls in both the wholesale and retail markets;
- Import tariffs (new tariffs pending).

In addition, domestic pharmaceutical companies enjoy various benefits such as tax exemption, some protection against rapidly increasing energy costs, elimination of export tariffs etc. On import tariffs, although the 'Law on Pharmaceuticals' was approved by the state Duma in December 1995, the bill did not pass the upper chamber of parliament (the Federal Council). The bill sought to protect the domestic pharmaceuticals market by increasing import tariffs. Those on imported pharmaceuticals would be 30 - 50% if the product could be produced domestically, while for those not produced in Russia or manufactured in small, insufficient quantities would have low or even no tariffs. Adoption of this Law could result in significant retail price increases for some imported pharmaceuticals thereby strengthening domestic producers competitive positions as well as increasing the attractiveness of the industry's top performers' shares to portfolio investors. It would also provide increased incentives for foreign pharmaceutical companies to establish their own production bases in Russia.

### 1.3. Agro-Food Industry

Investment in Russia's agriculture is riskier than investment in food production. The most serious disadvantages are as follows:

- Lack of legislative guarantees. Russia does not have sound regulations on the ownership of land. Moreover, Russian public opinion opposes granting property rights to foreigners.
- Poor soil and climate. More than 66% of Russia's agricultural land is too dry. It is also significantly deficient in phosphorus, potassium and humus content.
- Ineffectiveness of production. Russia's agriculture operates at a rather low technical level and has an underdeveloped infrastructure. A Russian farm is 5 - 6 times less capital-intensive and 3 - 5 times less energy-intensive than a Western farm.

The food industry looks more attractive and has enormous growth potential. Anticipated tightening of foreign trade regulations, especially the curbing of food imports, will encourage the rapid production and growth of various food items. Even so, for the period 1990 to 1995 growth in output ranged from a minimum of 23% (diary products) to a maximum of 61% (vegetable oil).

However, the competitive position of national food producers remains weak because:

- Only 16% of Russia's food producers are equipped with modern production lines.
- About 60% of the equipment used in the food industry has a rate of depreciation of more than 50%.
- Russia's food enterprises have average productivity 2.0 - 2.5 times lower than Western ones.
- Only 10% of domestic food products are properly packed.

Several federal programs have been recently worked out: 'Dairy Products', 'Pasta', 'Bread', and 'Baby Nutrition' to ensure a rapid growth of production of quality, western-type foodstuff.

Russia's foreign investment regulations provide preferential treatment for investments greater than US\$100 million. Mars and Cadbury, investing in 'Greenfield' projects, are already enjoying these advantages.

#### 1.4. The Market

Russia's pharmaceutical market has enormous growth potential due to the large population (148 million) and current low per capita consumption. Today pharmaceutical consumption in Russia is only 33% of the German level and 20% of the US consumption.

Estimates of the size of the Russian pharmaceutical market differ significantly depending on the source. The Russian Ministry of Health estimates \$3.6 bn, some foreign companies consider it about \$1.6 bn; A/O Pharmimex, the successor company to the Russian pharmaceutical import/export apparatus, about \$4 bn. Experts in the Russian Duma estimate the market at about \$5 bn. In any case, the Russian market is currently only about 1% of the world market for pharmaceutical products, although it could grow quickly with an increase in the purchasing power of the population.

Changes in the Russian demand structure for pharmaceuticals are underway. The ineffective national health care system forces people to self-diagnose and buy their own medications. This has resulted in a surge of demand for over-the-counter drugs (such sales increased 21% from 1992 to 1995). Combined annual sales for these products were \$900 m in 1995. Some forecasts suggest that from 1995 to 2000 vitamin sales will grow 80%, sales of cough and cold medicines 60%, painkillers 25% and gastric medicines 20%.

Demand for pharmaceuticals in Russia has historically depended upon government health care policy. Currently about 60% of pharmaceutical sales are still paid for out of federal and local government budgets. Current budget deficits are limiting growth in Russia's pharmaceutical consumption. Nevertheless, an anticipated improvement in state finances in the medium term could allow the huge additional demand for pharmaceuticals to encourage market development. One important feature of Russian consumption: Russians prefer domestically produced pharmaceuticals, a preference confirmed in a recent Gallop Media Russian poll.

The market supply structure has recently changed as the already high share of imports in total supply grew rapidly in 1994 and 1995. The effect of the general recession on the domestic pharmaceutical industry, aggressive sales strategies of foreign companies, and higher margins on imported pharmaceuticals contributed to the trend. Commercialisation of biotechnology in the Former Soviet Union has stagnated for a number of reasons, including lack of investment, inefficient macro-policies on intellectual property, safety standards and enterprise development. At the same time, state enterprises had little time to re-adjust to the requirements of market liberalisation.

Russia's agro-industrial sector, which comprises agriculture and related industries, is a major sector in the Russian economy and accounts for around 33% of GDP and 25% of total fixed capital. It has great investment potential that is worth exploiting. Products manufactured out of agricultural raw materials account for 70% of Russia's consumer goods market.

Russia continues to lag behind developed countries on the basis of consumption per capita of main food items. A Russian consumes 52 kg of meat annually in comparison with 100-110 kg in the USA and Canada. Russian consumption per capita of vegetable oil is 6 kg annually in comparison with 19 kg in Great Britain and 26 kg in the USA. Moreover, Russia's consumption per capita of a number of food items is lower than recommended rates. In 1990-1995 the daily caloric intake of the Russian population fell dramatically. Now it stands at about 2400-2500 thousand cal. in comparison with 3300-3400 thousand cal. in the early 1990s. Russian people prefer Russian food products. This has been reaffirmed by recent surveys which show that 40% of the population think that domestic food items are of better quality than imports.

Because Russians usually spend about 50% of their income on foodstuffs, the average income is an important influence on Russia's food market potential. In fact, it has grown from \$22 per month in 1992 to \$106 in 1995.

Recently, the Federal government has moved to increase support to Russia's agro-industrial complex. As well as helping food producers, it is hampering the expansion of food imports which presently account for 40%-50% of the market. The shift in government policy was encouraged by a massive growing dependency on food imports and the poor economic and financial positions of Russian enterprises.

#### 1.5. Prospects for Biotechnology Industry in the Russian Federation

Overall, although the prospects of commercial applications of biotechnology in the health care and agro-food sectors remain extremely promising, the translation of this promise into reality requires the removal of several regulatory barriers and the introduction of investment and strategic alliances at the government level and at the enterprise level. However, recent changes in regulatory policies, the acceleration of market liberalisation through the enforcement of GATT/TPIPS and a number of fiscal incentives are likely to open the market to high added value biotechnology products. This is likely to weaken further the market share of the domestic industries. In addition, the diminishing role of the centralised welfare state and its gradual replacement by privatised providers of health care services, pharmaceutical and agricultural commodities require new approaches to maintain and enhance health standards and improve agricultural productivity and improve export potential.

Prominent amongst these are partnerships between the domestic industries and know-how providers from advanced biotechnology companies in the developed world. Competitiveness and in many cases, industrial survival, will be dependent on the ability to restructure, absorb state-of-the-art technology and provide adequate incentives for investment and the repatriation of scientists working outside their countries of origin.



### 1.6. Russian Federation Strategy

The statutory document of the Russian Federation (21.07.1996 No. 2727P-PS) recognises biotechnology as one of the crucial technologies needed at the Federal level. In addition, the Government Act of the Russian Federation (No.102) dated February 1 1995 established a Government Commission on Scientific and Technical Policy mandating it inter alia to:

‘stimulate the introduction of scientific and technical achievements into manufacturing, determining ways to reform the realm of science and technology, to adapt it to the conditions of the market economy’; form and develop ‘new forms of state support in the realm of scientific and technical activity, creating conditions for attracting domestic and foreign capital to investment’.

### 1.7 Project Strategy

It is now opportune to establish greater co-operation between East and West in the biotechnology field. Accordingly, the Russian Ministry of Science and Technology requested UNIDO to organise a BIOTECHMART as a means of sourcing foreign technology and investment from advanced industrialised countries as well as enabling domestic enterprises to restructure through strategic alliances. A smaller number of enterprises will benefit from licensing proprietary technologies to companies outside the Former Soviet Union. The target beneficiaries will be mainly pharmaceutical and agro-food enterprises in the Former Soviet Union, but the benefits accruing to companies in the West in terms of increased commercial activities in the short, medium and long term should not be overlooked.

## **2.0.BIOTECHMART**

### **2.1.Structure**

It is envisaged that BIOTECHMART will bring together some 400 specialists from the West and the Former Soviet Union for a four day event which will include:

- A one-day high level conference to be addressed by leading international biotechnology scientists and business specialists;
- A prestigious biotechnology dinner, - an ideal 'networking' opportunity to cement relations with potential collaborative partners;
- A two day exhibition supported by one-to-one business meetings and satellite clinics / workshops / tutorials;
- A full day of visits to be arranged in advance to leading Russian biotechnology companies keen to establish new collaborative partnerships.

To minimise the difficulties of organising a major international event 'at a distance', it is planned to set up a local implementation unit to assist UNIDO and other organisations involved in managing the project, especially immediately before and during the event.

### **2.2.Timetable for Organisation of BIOTECHMART**

The attached bar charts entitled 'BIOTECHMART MOSCOW' summarise the tasks which will have to be undertaken in preparation of the event. They are self explanatory; the right hand end of each bar represents a decision point or task completion stage. Note that as dates for BIOTECHMART are not yet fixed, the time table is split into quarters of a year (Q's) and each Q is split into three months.

BIOTECHMART MOSCOW

| ID | Task Name  | Q1         |    |    | Q2 |    |    | Q3 |    |    | Q4 |    |    | Q1 |    |    | Q2 |    |    |
|----|--|------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|    |  | 01         | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 01 | 02 | 03 | 04 | 05 | 06 |
| 1  | 1 Initial activities and general management              | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 2  | 1.1 Steering group / organising committee                | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 3  | 1.1.1 Selection of members of steering group             | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 4  | 1.1.3 Steering group activities                          | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 5  |  | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 6  | 1.2 Selection of dates for events                        | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 7  | 1.3 Venue  | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 8  | 1.3.1 Identify possible venues                           | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 9  | 1.3.2 Select 1st and 2nd choices                         | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 10 | 1.3.3 Book 1st choice venue and reserve 2nd choice venue | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 11 | 1.3.4 Organise catering                                  | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 12 | 1.4 Appoint local organising group (contractor)          | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 13 | 1.4.1 Write contract specification                       | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 14 | 1.4.2 Agreement with contractor                          | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 15 | 1.4.3 Contractor activities                              | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 16 | 1.5 Keynote speakers                                     | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 17 | 1.5.1 Identify potential keynote speakers and reserves   | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 18 | 1.5.2 Confirm keynote speakers and reserves              | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 19 | 1.6 Sponsorship  | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 20 | 1.6.1 Approach possible sponsors                         | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 21 | 1.6.2 Agreement with sponsors                            | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 22 | 1.7 General project management                           | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 23 | 1.7.1 Support / management activities for all tasks      | [Task bar] |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |

Project: [Biotechmart Moscow '98]  
Date: Fri 11/04/97

Task [Symbol] Milestone [Symbol]  
Progress [Symbol] Summary [Symbol]

[Symbol] Milestone [Symbol]  
[Symbol] Milestone [Symbol]

Rolled Up Task [Symbol] Rolled Up Progress [Symbol]

Rolled Up Milestone [Symbol]

BIOTECHMART MOSCOW

| ID | Task Name   | Q1 |    |    | Q2 |    |    | Q3 |    |    | Q4 |    |    | Q1 |    |    | Q2 |    |    |
|----|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|    |   | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 01 | 02 | 03 | 04 | 05 | 06 |
| 24 | 1.8 Prepare database of companies (to be distributed with final programme)                        |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 25 | 2. Presentations, exhibition, workshops, business meetings  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 26 | 2.1 Presentations   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 27 | 2.1.1 Preparation of brochure for call for papers and participants and other advertising material |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 28 | 2.1.2 Publication of brochure and advertisements  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 29 | 2.1.3 Selection of papers for presentation  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 30 | 2.1.4 Preparation of preliminary programme of presentations                                       |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 31 | 2.2 Exhibition  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 32 | 2.2.1 Develop information pack and booking form   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 33 | 2.2.2 Identify potential exhibitor organisations  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 34 | 2.2.3 Exhibition layout   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 35 | 2.3 Workshops   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 36 | 2.3.1 Identify workshop topics  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 37 | 2.3.2 Identify workshop managers  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 38 | 2.4 Business meetings   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 39 | 2.4.1 Arrange one-to-one business meetings  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 40 | 2.5 Programme   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 41 | 2.5.1 Company advertisements for inclusion in final programme                                     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 42 | 2.5.2 Production of final programme   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 43 | 2.5.3 Distribution of final programme to ALL participants   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 44 | 2.6 Miscellaneous   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 45 | 2.6.1 Registration / badging preparation  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| 46 | 2.6.2 Visitor questionnaire preparation   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |

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Task

Progress

Milestone

Summary



Rolled Up Task

Rolled Up Milestone

Rolled Up Progress






BIOTECHMART MOSCOW

| ID | Task Name  | Q1 |    |    | Q2 |    |    | Q3 |    |    | Q4 |    |    | Q1 '97 |    |    | Q2 '97 |    |    |
|----|--|----|----|----|----|----|----|----|----|----|----|----|----|--------|----|----|--------|----|----|
|    |  | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 01     | 02 | 03 | 04     | 05 | 06 |
| 47 | 2.6.3 Security and safety arrangements   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 48 | 2.6.4 Insurance  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 49 | 2.7 Conference proceedings preparation   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 50 | <b>3 Funding (income)</b>  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 51 | <b>3.1 Sponsorship</b>   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 52 | 3.1.1 Sponsorships received (US \$ look total)                                       |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 53 | <b>3.2 Exhibitor fees</b>  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 54 | 3.2.1 Invoices issued  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 55 | <b>3.3 Participants fees (basic US \$ 600 per person, assume 4,000 participants)</b> |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 56 | <b>3.4 Workshop fees</b>   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 57 | <b>3.5 Company advertisements</b>  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 58 | 3.5.1 Invoices issued  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 59 | <b>4 Payments</b>  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 60 | 4.1 Venue  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 61 | 4.2 Keynote speakers travel and subsistence  |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 62 | 4.3 Catering   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 63 | 4.4 Organising committee travel and subsistence and fees                             |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 64 | 4.5 Publications, including conference proceedings                                   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |
| 65 | 4.6 Contractor (local)   |    |    |    |    |    |    |    |    |    |    |    |    |        |    |    |        |    |    |

Project: [Biotechmart Moscow '98]  
Date: Fri 11/04/97

Task  Milestone   
Progress  Summary 

Rolled Up Task  Rolled Up Progress   
Rolled Up Milestone 

### 2.3. Project Outputs in Support of BIOTECHMART

The main outputs from the project in support of the event include (numbers in parenthesis at the end of the items below refer to the ID numbers in the attached 'BIOTECHMART MOSCOW' task/timetable bar chart):

- Detailed business plan and BIOTECHMART conference programme (23, 40);
- Preliminary list of sponsors and participating enterprises. Dedicated BIOTECHMART Web-site (19, 51; 27)
- An indexed compendium of technology offers and investment opportunities from industrialised and selected developing countries. The compendium will include offers of, and requests for, technologies from the Former Soviet Union. (24);
- Two sales publications on regulatory matters, the investment environment (IPR, bio-safety, GATT/TIPS, investment and fiscal laws, etc.), and market trends in the healthcare and agro-food biotechnology fields. (23, 64);
- BIOTECHMART report containing information on the outcome of individual enterprise consultations/partnering contracts and/or problems encountered by the participants. (64);

### 2.4. Funding

With any major international event of this nature, it is necessary to continuously 'fine tune' the initial business plan, particularly during the early organisational stages. The present business plan supersedes the outline plan produced by UNIDO's support organisation (NIMTECH) immediately after the initial meeting of the organising committee in early 1997. It takes account of discussions held by UNIDO and NIMTECH, separately and jointly, up late 1997, when the future of BIOTECHMART was becoming uncertain due to signs of economic difficulties in the Former Soviet Union and impending changes in UNIDO.

|  |         |
|--|---------|
| - Income                                       | US\$    |
| Participation / Delegate fees (400 x US\$ 600) | 240,000 |
| Sales publications (100 x US\$ 800)            | 80,000  |
| Exhibition fees                                | 50,000  |
| Workshop fees                                  | 30,000  |
| Web-site sponsorship and subscription fees     | 30,000  |
| TOTAL  | 430,000 |

Additional income may accrue from a number of sources:

- The Ministry of Science and Technology of the Russian Federation has promised to commit funds amounting to US\$ 50,000 towards activities pertaining to the preparation of market surveys in the former Soviet Union, the preparation of investment and technology profiles and meetings of the Steering Committee.
- Sponsorship from large Western organisations.
- Russian sponsors could provide contributions (financial or in-kind) to cover a major part of local expenditures such as rental of facilities for the event, local staff, etc.
- The EU BISTRO programme will be requested to support the event (Max. US \$100,000).
- Venture Capital organisations will be invited to be involved in the event. Indicative information on ways and means of setting up and accessing these funds is given in Appendix 1, based on the operational structures of UK systems.

It is difficult at this stage to give a reliable estimate of the likely total additional income from the above five sources but a figure in the range US\$ 100,000 - US\$200,000 might be reasonably envisaged.

| - Expenditure  | US\$           |
|--|----------------|
| <b>Project management/delivery</b>   |                |
| - International consultant to edit and prepare camera ready copy of the BIOTECHMART compendium   | 10,000         |
| - International consultant for the design and maintenance of BIOTECHMART   | 15,000         |
| - International consultant to assist the National Programme Co-ordinator and implementation agency in compiling and validating technology offers and requests from Former Soviet Union | 30,000         |
| - ITPD/TS backstopping officer to participate in meetings of the Steering Committee  | 20,000         |
| - International consultant to prepare compendium of technology offers and investment opportunities   | 30,000         |
| - Promotion, advertising, marketing and general conference management (sub-contract)   | 70,000         |
| - Administrative support to the Secretariat/Organising Committee in preparing, organising and following-up of BIOTECHMART  | 15,000         |
| - Office costs (post, telephone, telefax, stationery, etc.), included in miscellaneous expenses below  | 20,000         |
| <b>Travel and Subsistence</b>  |                |
| - Local travel to promote BIOTECHMART in the Former Soviet Union   | 10,000         |
| - Travel support for selected participants from the Former Soviet Union and Eastern Europe   | 20,000         |
| - Travel and subsistence for ITPD/TS staff to promote BIOTECHMART (travel and subsistence for consultants etc. included in consultant's fees etc.)                                     | 10,000         |
| <b>Staging BIOTECHMART</b>   |                |
| - Hire of conference centre  | 5,000          |
| - Exhibition shell scheme  | 20,000         |
| - Translation services   | 15,000         |
| - Non-expendable equipment for conference support  | 6,000          |
| - BIOTECHMART dinner and other hospitality   | 8,000          |
| - Speaker costs  | 15,000         |
| Miscellaneous expenses   | <u>20,000</u>  |
| <b>TOTAL</b>   | <b>339,000</b> |

Estimated income, excluding the additional sources mentioned above, exceeds expenditure by \$91,000. However, no allowance for expenditure on the following has been made:

- For some participants from the Former Soviet Union and Eastern Europe, the delegate fee of \$600 will be prohibitive and it will probably be necessary to offer them a reduced rate. Similar arguments will apply to the exhibition and workshop fees. Note that assistance with travel for such participants has already<sup>2</sup> been included in the expenditure figures above.

- Contingencies.



### **3.0 Risks**

- At this stage, the major perceived risk centres on the number of participants and the income from sponsorship. It would be prudent, therefore, to conduct a market survey in these areas as the next step in the organisational process.
- Changes in the political situation in the Russian Federation which result in a further 'tightening' of the rules and regulations on the release of know-how and technology to the West. The 'tightening' process began in mid 1996 and most political commentators in the West see the process continuing with the ongoing uncertainty about the current leadership.
- Uncertainty about the level of support from the new Ministry of Science and Technology of the Russian Federation.
- The worsening economic situation in the Former Soviet Union.