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Final report

On the Contract NO 2001/041 between United Nations Industrial Development Organization and Russian Small Business Support Agency for the provision services relating to organization of the International Panel for the « Second National Conference of SME representatives in Russia» 19 – 21 March 2001

Moscow, Russia

UNIDO Project No.: UB/RUS/00/020

**PLEASE BE AWARE THAT
ALL OF THE MISSING PAGES IN THIS DOCUMENT
WERE ORIGINALLY BLANK**

According to the Contract provisions the Russian Small Business support agency (RA) assumed provision of support services for the preparatory work prior to the conference and smooth running of the International Panel within the conference frameworks.

In particular RA:

- Prepared a list of on-going international assistance programmes/projects in the sphere of SME support in the Russian Federation, including a short description for each one;
(see attached)
- Assisted UNIDO in drawing up a list of participants to be invited and the agenda of the International Panel;
(see attached)
- Contacted selected donor organizations who would make presentation at the International Panel;
- Provided conference premises, facilities and equipment including conference support staff;
- Provided interpretation services English-Russian during the International Panel;
- Translation and publishing of documents/papers presented at the International Panel and their dissemination
- Provided logistic and communication support during the conference, including transportation of participants;
- Published proceedings of the International Panel;
- Finalized the report which will contain the presentations at the International Panel, the conclusions and recommendations of the Panel
(see attached)

Explanatory Notes

Acronyms

RA: Russian Small Business Support Agency

MAP: Federal Ministry for Antimonopoly policy and entrepreneurship support

FF: Federal Fund for small business support

SME: Small and Medium enterprises

SB: Small business

1. Background

The UNIDO Integrated Programme to support sustainable development of the industrial sector of the Russian Federation economy was developed in 1999 taking into account agreements between the Russian Federation and UNIDO concluded during the visit of the Director General to the Russian Federation in October 1998 and further bilateral consultations in 1999. A new component «Support to SME development» was incorporated within the Integrated Programme in 2000. During the consultation meeting held in Vienna on 29/30 January 2001 the action plan for the SME component was agreed upon which (the Federal level) includes two elements:

- UNIDO technical support in designing the Federal Programme of State Support to Small Enterprises in the Russian Federation 2002-2004
- Co-organizing the Panel on International Programmes for Small Business Support within the framework of the II All-Russian Conference of SME Representatives

Three goals are defined as major to be discussed at the Panel, namely:

- to identify sources of excessive administrative barriers in international projects implementation in Russia and exchange experience on how to overcome such barriers
- to present ongoing projects of international assistance to SME development in Russia
- to recommend appropriate policies to simplify regulatory and administrative procedures that constraint development of the Small business sector

The expected results from the Panel will be Recommendations to State and other organizations how to create favorable environment for SME and improve international projects' implementation in Russia.

As a result of reports and presentations on the Panel, it is expected to prepare the materials for the Parliamentary Session in the State Duma concerning Small Business development in Russia (international projects' part).

History note:

October, 1999. The Second National Congress of SME's representatives was held in Moscow. More than 1,000 delegates from 86 Russian regions and other SME's representatives took part in this event.

The Congress showed the objective position of the Small Business in Russia economy and the barriers on its following development. It could be said that the Congress

achieved its own goal – made the regime to look at Small Business problems and to make the essential arrangements to improve the situation.

One of the main decisions adopted at the Congress was to held annually special National Conferences on Small Business problems.

In this connection, the *1st National SME's representatives Conference* was held on March, 15, 2000 in Moscow. Its main point was to control implementation of the decisions made on the Second Congress. Deputy Russian President, V.Putin, joined that Conference. Delegates discussed the information received, and looked at the current realization of the Second Congress decisions and made the Final documents.

On 19- 21 March 2001 at the Moscow International Trade Centre *the 2nd National SMEs representatives Conference* took place. The key purpose of the Conference was to identify administrative barriers to enterprise development and to develop a strategy for these barriers removing.

The slogan of the Conference – « *Smart regulation – to the smart entrepreneurship*».

The Conference was organized by a Committee under coordination of **Victor Ermakov**, President of Russian Agency for SME support, co-chairmen **Stanislav Smirnov**, President of the Russian Chamber of Commerce and Industry, and **Ilya Yuzhanov**, Russian Minister of Antimonopoly Policy and Entrepreneurship Support.

The Conference was attended by more than 600 delegates and guests from 83 regions of the Russian Federation and 32 Federal associations of entrepreneurs. The Conference was highlighted by over 80 mass media representatives.

Prime-Minister of the Russian Government **Mikhail Kasyanov** attended the Conference. In his presentation, he informed the delegates of the Government current steps to implement recent decisions on eliminating major administrative barriers to entrepreneurship development. He noted that the Government considered and endorsed a package of measures aimed at economy deregulating, provision of registration procedures simplification, reducing the quantity of inspections, a considerable reduction of types of activities subjected to licensing.

Presentations and reports were made by the Conference Coordinator **Victor Ermakov**, **Petr Latyshev**, plenipotentiary of the Russian Federation President in the Urals Federal Area, **Yuri Luzhkov**, Major of Moscow, **Ilya Yuzhanov**, Minister of Antimonopoly policy and entrepreneurship support, **Stanislav Smirnov**, President of the Russian Chamber of Commerce and Industry, **Alexander Runov**, Chairman of the Federal Fund for SME Support, **Svetlana Gvozdeva**, Vice-President of the RF State Duma Committee on Economic Policy and Entrepreneurship, directors and representatives of SMEs, leaders of SME support organizations, regional authorities.

Among foreign guests there were senior officers from the UNIDO, World Bank, European Commission in Brussels, EBRD Russia SME Fund, USAID, CIS Executive Committee, EC delegation in Moscow, Eurasia Foundation, DFID (United Kingdom). The crush-room of the Congress Hall of the International Trade Center was turned into an exhibition area with stands of Russian Agency for SME Support, RF Ministry of Antimonopoly Policy and entrepreneurship Support, Russian Chamber of Commerce and Industry, Moscow Association of Entrepreneurs and other enterprise support entities.

The Conference was organized as follows:

19 - 20 March – Section work

21 March – mutual plenary session

The Conference was divided into 7 sections :

1. Cooperation of the legal entities and Small Business subjects (Steering Committee and Russian Ministry of Internal Affairs were responsible);
2. Registration, liquidation, licensing and controlling of Small Business subjects (Steering Committee and Russian Ministry of Economy Development and Trade were responsible);
3. Certification (Steering Committee and Russian State Committee for Standardization and Metrology were responsible);
4. Taking over the administrative barriers arisen from use of the federal, regional and municipal property for Small Business needs (Steering Committee, Russian Ministry of State Property, Russian Ministry of economy Development and Trade, Federal land management service, Russian State Committee for Building and Living Complex were responsible);
5. Sanitary and ecology control for Small Business subjects activity (Steering Committee, Russian Health Care Ministry, Russian Ministry of Natural Resources were responsible);
6. Administrative barriers in agriculture (Steering Committee, Russian Farmer Association, Russian Agricultural Ministry, Russian Ministry of Taxation, Russian Ministry of Finance, Russian Ministry of Justice were responsible);
7. International programs for Small Business support (Steering Committee, Russian Small Business Support Agency, Russian Ministry for Anti-monopoly policy and entrepreneurial support, United Nations Industrial Development Organization were responsible).

The Panel on International Programmes for Small Business Support (RA, UNIDO, MAP)

Objective:

Three goals were defined as major to be discussed at the Panel, namely:

- to identify sources of excessive administrative barriers in international projects implementation in Russia and exchange experience on how to overcome such barriers
- to present going projects of international assistance to SME development in Russia
- to recommend appropriate policies to simplify regulatory and administrative procedures that constraint development of the Small business sector

One of the main purpose of the Panel was also to discuss major issues of international programmes for SME development and make concrete steps towards practical interaction of the Federal and regional authorities and public institutions with International Organizations (based on UNIDO experience) in creating favourable environment for SME development in Russian Federation.

The expected results from the Panel will be issued as **Recommendations** for State and other organizations on how to create favorable environment for SME and improve international projects implementation in Russia.

As a result of reports and presentations on the Panel, it is expected to prepare the materials for the Parliamentary Session in the **State Duma** concerning Small Business development in Russia (international projects' part).

The Panel was held in **the Congress Hall of the International Trade Center** (Moscow, Krasnopresnenskaya nab. 12)

The Panel was chaired by: Mr. **Victor Ermakov**, President of the Russian agency for SME support
co-chairman – Mr. **Vladimir Podshibyakin** - representative of UNIDO.

The panel output

Making an assessment to the panel we should say that it was a success. The event was attended by more than 100 representatives from international organizations and programmes, embassies and national organizations from different countries acting in Russia. Entrepreneurs and other delegates from 83 regions of the Russian Federation also took part in the event.

(See the list of participants attached)

At the panel there were discussed problems retarding the SME development in the Russia, obstacles to international programmes implementation and presentation of ongoing programmes of international assistance to SME development in Russia.

The participants adopted the panel **Recommendations**.

(See attached the information on selected ongoing international programmes/projects in support of SMEs in the Russian Federation)

At the panel there was also taken the decision to set up a **Co-ordination Council** on international projects (programmes) for SME development in Russia.

According to decision the Council should be made up of representatives of several federal ministries and regions, RF State Duma, FF, RA , as well as representatives of international organizations, programmes and projects in Russia.

The creation of such a Council marked a serious step towards arranging the real interaction and co-ordination of collaboration between Russian federal/regional agencies and international organizations/foreign companies.

The Conference resolutions (and the panel recommendations in particular) were discussed and adopted at the Parliament Hearings in the RF State Duma (April 15, 2001).

Compilation of the Co-ordination Council has begun at the moment.

List of participants

«International programmes for SME support» Panel

International organisations, projects and financial institutes

EC delegation

Mr. Jyrki Torni – Task manager, European Commission
 Mr. Andrea Matteo Fontana – TACIS advisor
 Mr. Ershov D.N. – expert

TACIS Monitoring programme, Russian Federation

Mr. Yury Yurishev - Monitoring Unit
 Mr. David Oldfield – Monitoring Unit

UN Industrial development organization (UNIDO)

Mr. V. Podshibyakin – Special advisor on economies in transition

The World bank institute Moscow office

Mr. Igor Zimin – Projects officer

EBRD Russia Small Business Fund

Mr. Bryan Nielsen – Senior Bank Advisor
 Mrs. Nina Vexler – Head expert

Department for International Development (DFID), UK

Mrs. Olga Moreva– Small Business Development officer

US AID

Mr. Kevin Armstrong – Office of Business Development and Investment, Director
 Ms. Carol Peasley – Mission Director

Moscow regional office of “Eurasia” Foundation

Mr. Clifford Kupchan – Regional Vice-President for Russia
 Mrs. Elena Vasileva – Senior Program Officer, Private Sector Development
 Mrs. Julia Timofeeva –Grant Manager
 Mrs. Irina Lapidus – Expert, Private Sector Development
 Mr. Alexandre Solomkin - Expert

Israel SMEs Authority

Mr. Yaakov Livshits – Director General - ISMEA
 Mr. Boris Lemper – Legal advisor
 Mrs. Olga Levin - Legal advisor

US Embassy in Russia

Mr. James Collins – Ambassador
 Mr. Jean Smith – Assistant Administrator for International Trade, U.S. Small Business Administration

UNIDO Moscow Centre

Mr. Y. Burmistrov – Director

Focus consultancy LTD(UK)

Mr. Chris Mullard – Chairman

Mr. Allan Murray – Director, TACIS SMERUS 9802 Project Manager

Mr. Christian le Blanc – Team Leader, TACIS SMERUS 9802 Project

Mr. Vladlen Sigaev – Expert, TACIS SMERUS 9802 Project

TACIS Project “Taxation reforms”

Mrs. Diana Juzaitis – Head expert

TACIS SMERUS 9803 Project

Mr. Charles Dufault – Team leader

Whyte Reynold International, Inc

Mr. Don O. Syrnik

Mr. S. Kopeyko

Non-commercial partnership “Integra”

Mr. Neil Lessman – Director

Mr. Anton Malkov – project manager

Embassies officers

France, Netherlands, Germany, Austria, Finland, Sweden, Denmark, Japan, Canada, Italy, Spain, Yugoslavia, Republic of Korea.

RF Ministries and institutions officers**Ministry for Anti-monopoly Policy and Support to Entrepreneurship**

Mr. Andrei Tsyganov – Deputy Minister

Mr. Vladimir Egorov - Head of international cooperation division

Mrs. Lesya Davydova – Deputy head, international cooperation division

Mrs. Zhanna Setyukova – Head specialist, international cooperation division

Russian Ministry on economy development and trade

Mr. V. Paryguine – Deputy head, International technical assistance department

Ministry of foreign affairs

Mr. Stanislav Tolkach – 3rd secretary, International organisations department

Mr. Vyacheslav Shapovalov – Advisor, Department of economic cooperation

Mr. Vasily Nebenzya – Head, International organisations department

Mr. Alexandre Alimov – Advisor, International organisations department

Federal custom committee

Mr. Alexey Kaulbars – Deputy Chairman

Mr. Yury Khramov – Deputy Head, division of federal custom payments

Mrs. Ekaterina Butorina – Officer, division of federal custom payments

Russian Ministry of taxation

Mr. Vladimir Oskin – Deputy Head, International taxation relations division

Mrs. Elena Sorokina – Officer, International taxation relations division

Russian Ministry of Finances

Mr. Sergey Ignatiev – 1st Deputy Minister

Mrs. Ludmila Rozhkova – Deputy Head, foreign exchange and economy department

Mr. Boris Fedorov – Head, foreign exchange and economy department

Mr. Alexey Volkov – Head expert, foreign exchange and economy department

Russian Agency for SME support

Mr. Victor Ermakov – President

Mr. Alexandre Jidkov – Project Manager

Mr. Dmitry Veselovsky – Head, business links support department

Mrs. Nadezhda Popova – Expert, business links support department

Mrs. Irina Starostina - Expert

Federal Fund for SME Support

Mr. Anton Kolesnitchenko – Deputy Chairman

Mr. Mark Markin – Head of international cooperation division

Mr. Yevgeny Sazonov – Deputy head of international cooperation division

Mrs. Svetlana Tsvetkova – Head specialist, international cooperation division

Mrs. Maria Savostina – Head specialist, international cooperation division

Mr. Gapur Tatiev - Head specialist, international cooperation division

Mr. Vyacheslav Milovidov - Head specialist, international cooperation division

Mr. Vladimir Reshetnyak - Head specialist, international cooperation division

Mr. Valery Zagirov – Director, “Aqua-automatic”

Unit of investors

Mr. Ruben Yavryan - President

Komi Republic Committee for Entrepreneurial support and development

Mr. Vladimir Pystin – Chairman

Moscow Region Committee for Entrepreneurial support and development

Mr. Ruslan Vichnevsky – Chairman

CIS representatives

Belorussian Ministry of entrepreneurship and investments

Mr. Anatoly Skorbezh – Minister

Ukrainian Committee for entrepreneurship development

Mr. Vladimir Zagorodniy – Deputy Chairman

CIS Executive Committee

Mr. Shukhrat Sultanov – Deputy Chairman

Mr. Nikolai Gushel – Deputy Director, Department of the sectoral programmes and technical standards

Mrs. Valeria Vyazankina – expert, Department of the sectoral programmes and technical standards

Mr. Alexandre Belenkov – Secretary, Council for small business support in CIS

Agenda

Panel on International Programmes for Small Business Support

Moscow, March 19, 2001
International Trade Center
Conference-hall

9.00 – 10.00 Registration

10.00 – 10.30 Introduction:

Mr. A.Tsyganov – Ministry for Anti-monopoly policy and support to entrepreneurship, Deputy Minister

Mr. V. Ermakov – President, Russian agency for SME support

10.30 – 11.30 Presentations

International programmes for SME support in Russia: essence and problems

Integrated Programme of Cooperation “Russia – UNIDO” (Mr. V.Podshibyakin, Special Advisor on economies in transition)

TACIS Programmes – (Mr. Andrea Matteo Fontana – TACIS advisor)

Programmes of the Eurasia Foundation – (Mrs. Elena Vasilieva – expert of the Moscow Regional Office)

Programmes for SME support of the United States Agency for International Development (Mr. Kevin Armstrong – Office of Business Development and Investment, Director)

11.30 – 12.00 Coffee-break

12.00 – 14.00 Presentations

European Bank for Reconstruction and Development. Programme “Small business in Russia» (Mr. Nina Vexler, Head Expert)

Mr. A.Tsyganov – Ministry for Anti-monopoly policy and support to entrepreneurship, Deputy Minister

Interaction of federal and regional SME support programmes and international organizations. Practical steps towards integration and cooperation.

(Mr. A. Kolesnichenko – Federal Fund for SME support, Deputy Chairman of the Board)

International Technical Assistance in Russia

(Mr. V.Paryguine – Federal Ministry for economic development and trade)

International programmes for SME support in the Komi Republic

(Mr. V. Pystin – Committee for Entrepreneurship support and development of the Komi Republic, Head)

Communication and sharing experience among international support programmes at regional level (Mr. S.Balanev – Director of the S.-Petersburg fund for SME support and development)

Discussion. Panel Conclusions and Recommendations.

Resolution of “International SME Support Programmes” Section

The Section delegates noted intensive collaboration between Russian public and non-governmental agencies and international organisations, and foreign government agencies and private companies in promoting SME development in Russia, in particular, in creating its support infrastructure at federal and regional levels.

Major input in the process is made by the EU TACIS and also USAID, EBRD Russia Small Business Fund, UNIDO and a host of other international and national donor organisations.

It is worth to note that, as recent practice reveals, provided technical assistance is truly beneficial if priority directions of enterprise development are set, and prerequisites for co-operation in investment, consulting, training and other areas appropriate for foreign partners are created (both at federal and regional levels).

The Section participants believe that top on the list now are a regular data exchange, assistance in establishing partnerships between agencies and individual companies from Russia and abroad, a closer involvement of Russian SMEs, especially on regional and municipal level, in international programmes and projects.

Accordingly, it would be reasonable to set up a Co-ordination Council on international projects (programmes) for SME development in Russia to be charged with co-ordinating collaboration between Russian federal/regional agencies and international organisations/foreign companies. The board should be made up of representatives of several federal ministries and regions, RF State Duma, Federal Fund for SME Support, Russian Agency for Small Business Support, other associations of entrepreneurs, as well as representatives of international organisations, programmes and projects in Russia.

The Co-ordination Council should focus on arranging interaction between organisations, associations and other entities of collaborating parties, promoting a regular informational exchange, lobbying SME interests in executive and legislation bodies as regards international co-operation.

The priority objectives of the board are, no doubt, determination of the status of SME-related technical assistance programmes and resolving issues of their taxation.

Hence, the Co-ordination board should be instructed to:

- approach the Commission on international technical assistance under the RF government with a request to give SME technical assistance programmes a priority status;
- request the Ministry on Taxes and Charges and the Ministry of Finance of the RF to consider the issue of concessional taxation of SME technical assistance

programmes with a view to a more effective use of funds provided through donor programmes and organisations.

The Section delegates request the Russian Agency for Small Business Support and the Federal Fund for Small Business Support to set up a working group for the preparation and finalisation of suggestions on Co-ordination board composition, and to prop up its early activities.

**Information on selected ongoing international
programmes/projects in support of SMEs in the Russian
Federation**



Delegation of the European Commission in Moscow

Tacis support to SME in Russia

Contents

- SME: economic growth and stability
- Obstacles to SME development in Russia
- Tacis supports SME development in Russia
- The European Commission and SME
- Ongoing Tacis projects for SME support



SME: Economic growth and stability

- Growth of the private sector
- Major source of employment
- Break-up of obsolete big enterprises through down-sizing and out-sourcing
- Strengthening of a pluralistic and democratic society
 - Competition mechanisms
 - Rule of law
 - Stable and predictable environment



Obstacles to SME development in Russia

- Regulatory environment
- Tax policy
- Lack of affordable finance
- Lack of key management skills:
 - business planning
 - financial management
 - marketing and sales
 - human resources



The European Commission and SME in Russia

European Commission Objectives:

- To increase transparency and the spread of best practices in simplifying and improving the administrative and regulatory environment
- To support initiatives which improve the access of SME to finance



Tacis supports SME development in Russia

Over 60 mln. Euro:

- To improve the business environment
- To provide advice and training
- To promote partnerships with EU SMEs
- To cooperate with some credit programmes



Main ongoing Tacis projects for SME support

- SME infrastructure development in monocompany towns
- Consolidation and strengthening of the SMEDA network
- Support to the development of small entrepreneurship
- Providing Technical Assistance to EBRD Russian Small Business Fund and KMB Bank



TACIS PROJECT

SME infrastructure development in monocompany towns

Objective: support the transition to a market economy in monocompany towns through SME development

Amount: 3 mln. Euro

Duration: 2 years

- Restructuring of monocompany towns
- Development of infrastructure for SME support
- Micro financing for the start-ups
- Development of local consultancy services market, business centres and business incubators
- Pilot towns: Anzhero-Sudzhensk, Cherepovets, Volzhski



TACIS PROJECT

Consolidation and strengthening of the Small Enterprises Development Agencies network

Objective: support of Regional Small and Medium Enterprises Development Agencies (SMEDA)

Amount: 3 mln. Euro

Duration: 2,5 years

- Tacis consistent SMEDA support: over 23 mln. Euro since 1993 for about 40 regions of Russia
- Consultancy services, Training entrepreneurs, drafting business plans
- Promotion for direct partnership



Regional Development Agencies services to SMEs

<u>Services / Year</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Consulting services	17 000	18 000	20 000
Registration services	4 500	5 000	5 000
Management training	12 300	13 500	11 000
Information services	13 000	28 000	48 000
Business plans	1 259	1 120	1 365



TACIS PROJECT

Support to the Development of Small Entrepreneurship

Objective: improvement of environment for SME development

Amount: 1,9 mln. Euro

Duration: 2 years

- Tacis consistent support: 4 mln. Euro since 1995 for 4 projects aimed at SME development
- Russian partners: Ministry for Antimonopoly Policy and Support to Entrepreneurship and the SME Resource Centre
- Resource Centre created by Tacis in 1995 as a SME observatory
- Technical assistance to:
 - legislation and tax regulations reform
 - overcoming of administrative barriers
 - business development services and training
 - public relations



TACIS PROJECT

KMB Bank

Objective: Training of credit specialists for the EBRD owned bank for small business lending

Amount: 3,5 mln. Euro

Duration: 2 years

- Tacis consistent support: 14,5 mln. Euro since 1996 to the EBRD Russia Small Business Fund
- Personnel training
- Contribution to the regional expansion of KMB Bank
- Long-term sustainability of the Russian Small Business Fund



EBRD RUSSIA SMALL BUSINESS FUND

The Russia Small Business Fund (RSBF) was established by the European Bank for Reconstruction and Development (EBRD) in 1994 to provide financial support to the Russian small businesses sector. Supported by the G-7 countries, the EBRD established a US\$ 300 million fund, half of which was funded from the EBRD's own resources and the half by the G-7 countries.

The goals of the RSBF are:

- to finance micro and small enterprises which often find it difficult to get loans;
- to strengthen the SME lending capacity of Russian banking institutions, so as to create sustainable long-term access to financing for SMEs.

To implement these goals, the EBRD provides on-lending funds directly to Russian partner banks which in turn make loans to small businesses. The Russia Small Business Fund currently works with the following partner-banks: Sberbank of Russia, Nizhegorodsky Bankirsky Dom (NBD-Bank), Dalnevostochny Bank, Petrovsky Narodny Bank of St.Petersburg, Small Business Lending Bank (KMB-Bank), co-founded by the EBRD.

Loans are currently being issued in 66 cities and towns (from Pskov to Magadan) in over 25 regions across Russia, to entrepreneurs in all sectors of the economy, from kiosk retail to high-tech medical manufacturing.

Since 1994 the Russia Small Business Fund has disbursed more than 47,000 loans totaling more than US\$ 530 million. Currently, the outstanding loan portfolio consists of approximately 10,600 loans for US\$78 million. Loans under \$5,000 constitute approximately 60% of the portfolio. The suitability of the credit technology implemented within the framework of the Programme is confirmed by a stable low arrears rate not exceeding 1% of the total outstanding loan portfolio and a large number of disbursements. At present, the average monthly disbursement rate under the RSBF Programme constitutes more than 1,500 loans (e.g. 1,800 loans were disbursed in February 2001). The RSBF's goal is to disburse 3,000 loans per month across Russia within the next one to two years.

RSBF loans

Micro loans

- No minimum loan sum; maximum US\$ 30,000 or the equivalent in RUR;
- Terms up to 3 years, average 9 months.
- Eligible sectors are trade, services and production.
- Clients are sole proprietors and firms up to 30 employees, but no strict limit.
- Interest rates depend on partner banks and the market situation.

Small loans

- Maximum US\$ 200,000 or the equivalent in RUR
- Eligible sectors are services and production for the financing of fixed assets and working capital, and trade for the financing of fixed assets.
- Terms up to 3 years; in many regions this is the only "medium- and long-term" finance available to small firms.
- Clients are individuals and firms with up to 100 employees, but exceptions are possible.
- Interest rates depend on partner banks and the market situation.

RSBF PROJECT CITIES, February 2001

1. Irkutsk - January
2. Miass (Chelyabinsk)
3. Pskov
4. Gorodets(Nizhny)
5. Asbest (Yekaterinburg)
6. Zheleznogorsk (Krasnoyarsk)
7. Balakhna (Nizhny)
8. Snejinsk (Chelyabinsk)
9. Belovo (Kemerovo)
- 10.Sarov (Nizhny)
- 11.Voljsky (Volgograd)
- 12.Seversk (Tomsk)
- 13.Azov (Rostov-on-Don)
- 14.Kamyshin (Volgograd)
- 15.Pereslavl-Zalessky (Yaroslavl)
- 16.Borovichi (Novgorod)
- 17.Artem (Vladivostok)
- 18.Krasnodar
- 20.Kujbyshev (Novosibirsk)
- 21.Ussurijsk (Vladivostok)
22. Bogoroditsk (Tula)
- 23.Shekino (Tula)
- 24.Kstovo (Nizhny)
- 25.Arzamas (Nizhny Novgorod)
- 26.Yujno-Sakhalinsk (Vladivostok)
- 27.Mejdurechensk (Novokuznetsk)
- 28.Volgograd
- 29.Rostov (Yaroslavl)
- 30.Rybinsk (Yaroslavl)
- 31.Magadan
- 32.Khabarovsk
- 33.Barnaul
- 34.Suvorov (Tula)
- 35.Belev (Tula)
- 36.Rostov-on-Don
- 37.Yurga (Kemerovo)
- 38.Yefremov (Tula)
- 39.Kisselevsk (Novokuznetsk)
- 40.Nakhodka (Vladivostok)
- 41.Omsk
- 42.Vladivostok
- 43.Chelyabinsk
- 44.Krasnoyarsk

45. Chkalovsk (Nizhny)
46. Yaroslavl
47. Tver
48. Pavlovo (Nizhny)
49. Nizhny Tagil (Yekaterinburg)
50. Leninsk-Kuznetsky (Kemerovo)
51. Novokuznetsk
52. Zavoljie (Nizhny)
53. Novgorod
54. Vacha (Nizhny)
55. Togliatti Alexin (Tula)
56. Novomoskovsk (Tula)
57. Uzlovaya (Tula)
58. Yekaterinburg
59. Samara
60. St.-Petersburg
61. Moscow
62. Novosibirsk
63. Dzerjinsk
64. Nizhny Novgorod
65. Tula
66. Tomsk

CREDIT PRODUCTS

MICRO LOANS

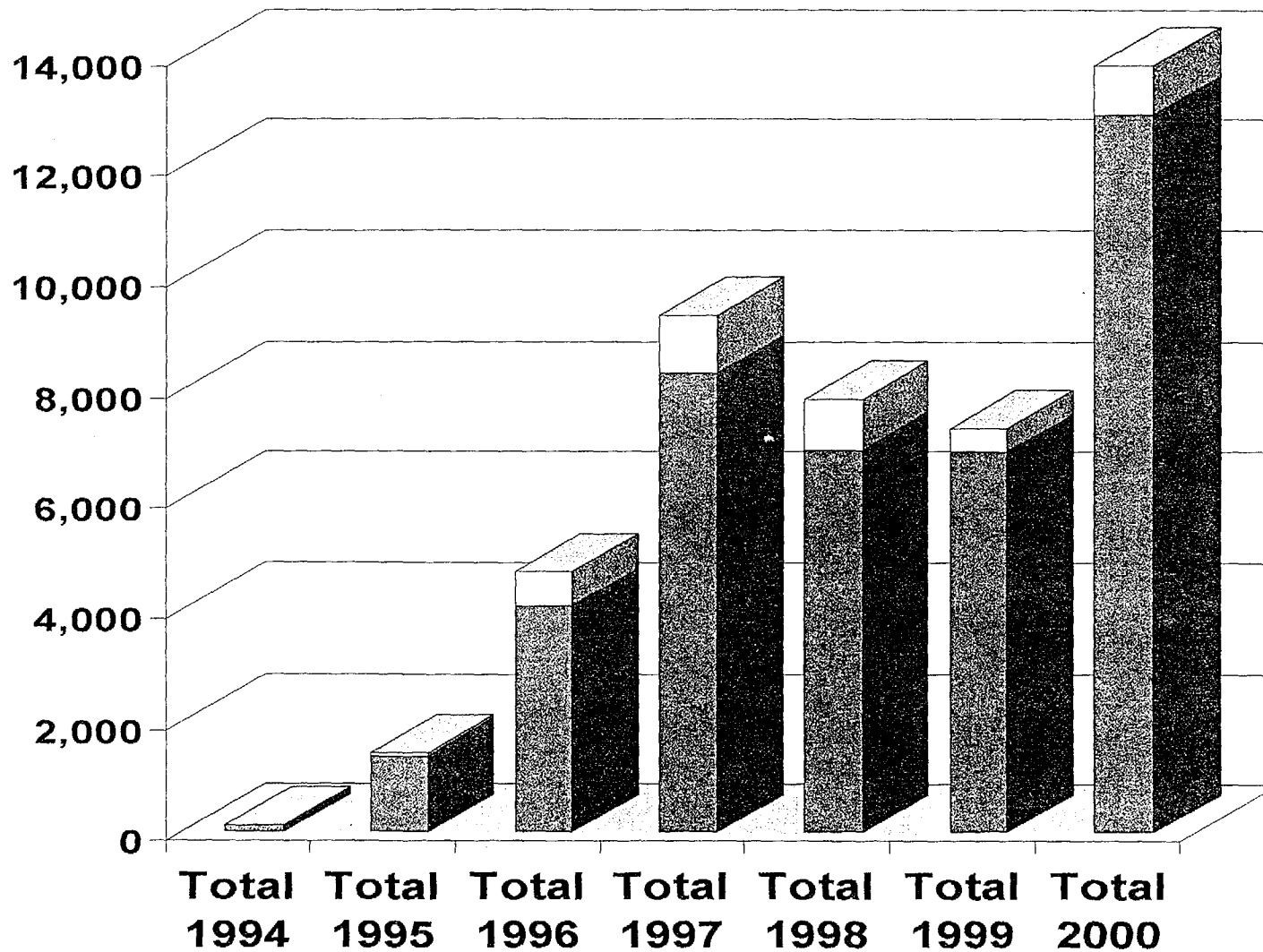
- **Amount:** No Minimum
Maximum \$30,000
- **Term:** Up to Three Years
- **Target Group:** SMEs, Including SPs
With up to 30 Employees
- **Business Type:** Retail / Wholesale Trade,
Production and Services

CREDIT PRODUCTS

SMALL LOANS

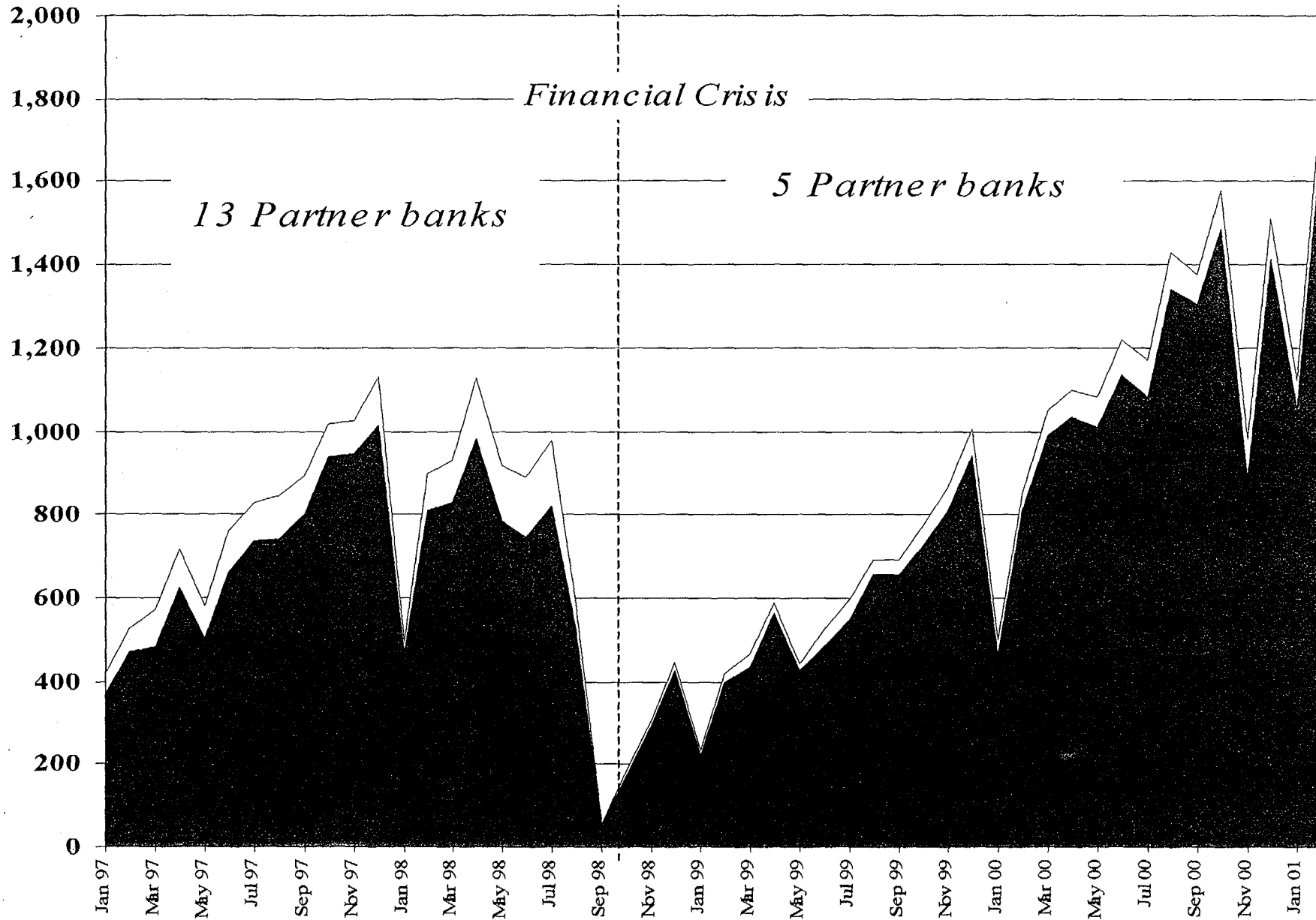
- **Amount:** Minimum: \$20,000
Maximum: \$200,000
- **Term:** Up to Three Years
- **Target Group:** SMEs, Including SPs
With up to 100 Employees
- **Business Type:** Production & Services
Trade (Fixed Assets Only)

Yearly Disbursement of Loans under RSBF of EBRD Totals 1994 - 2000

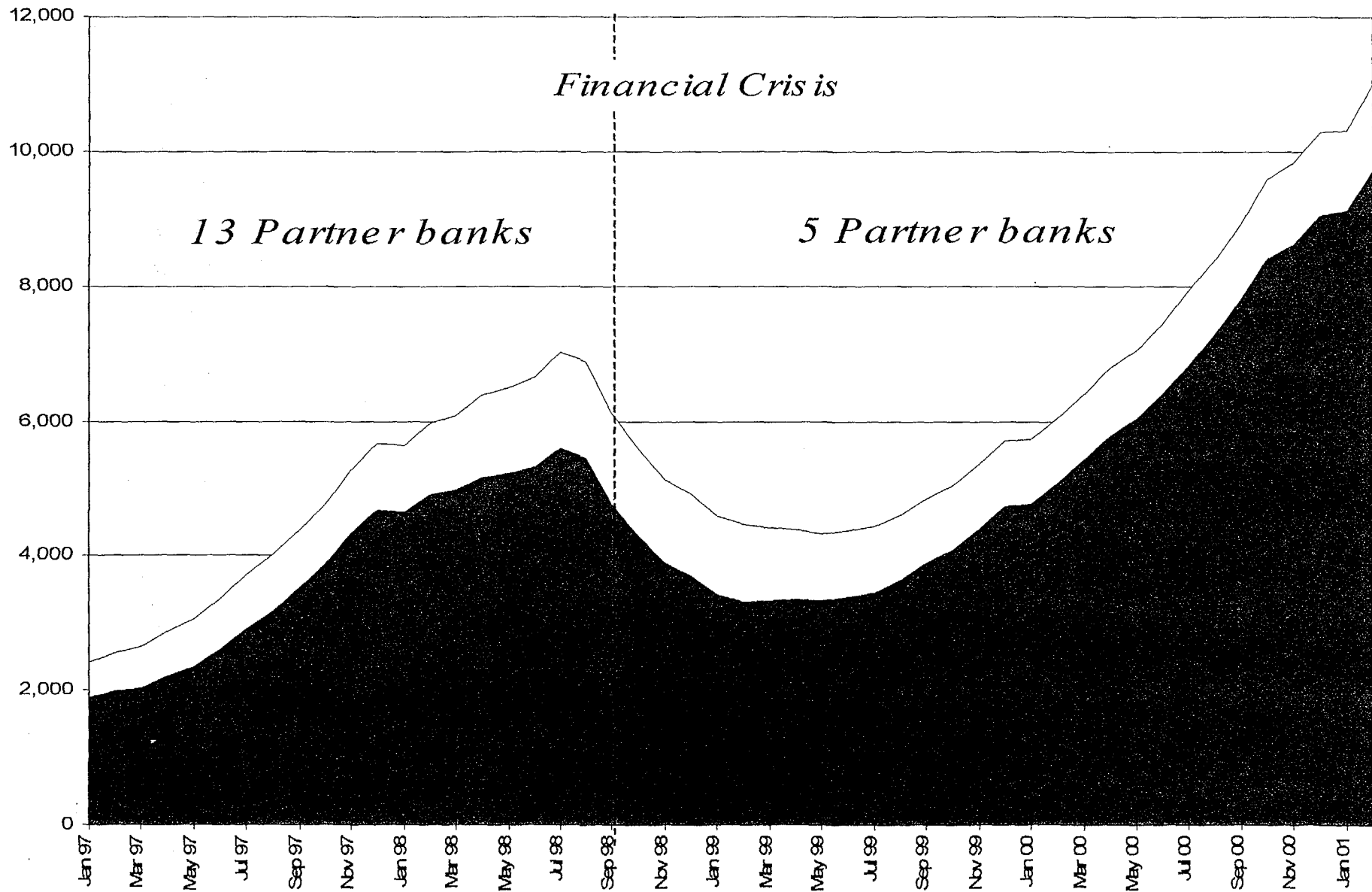


upper board - small credits
lower board - micro credits

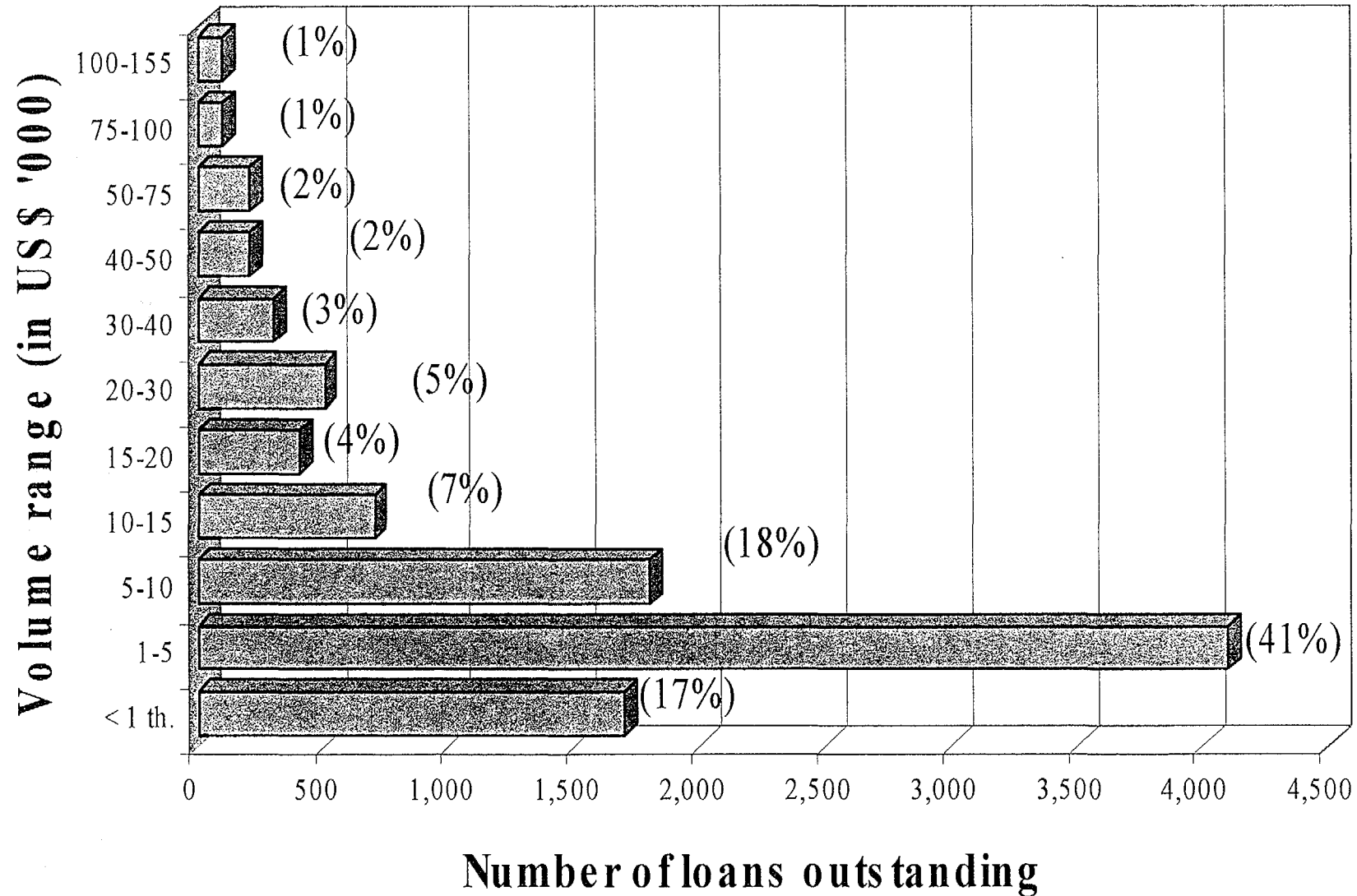
Loans Disbursed under RSBF 1997 - 2001



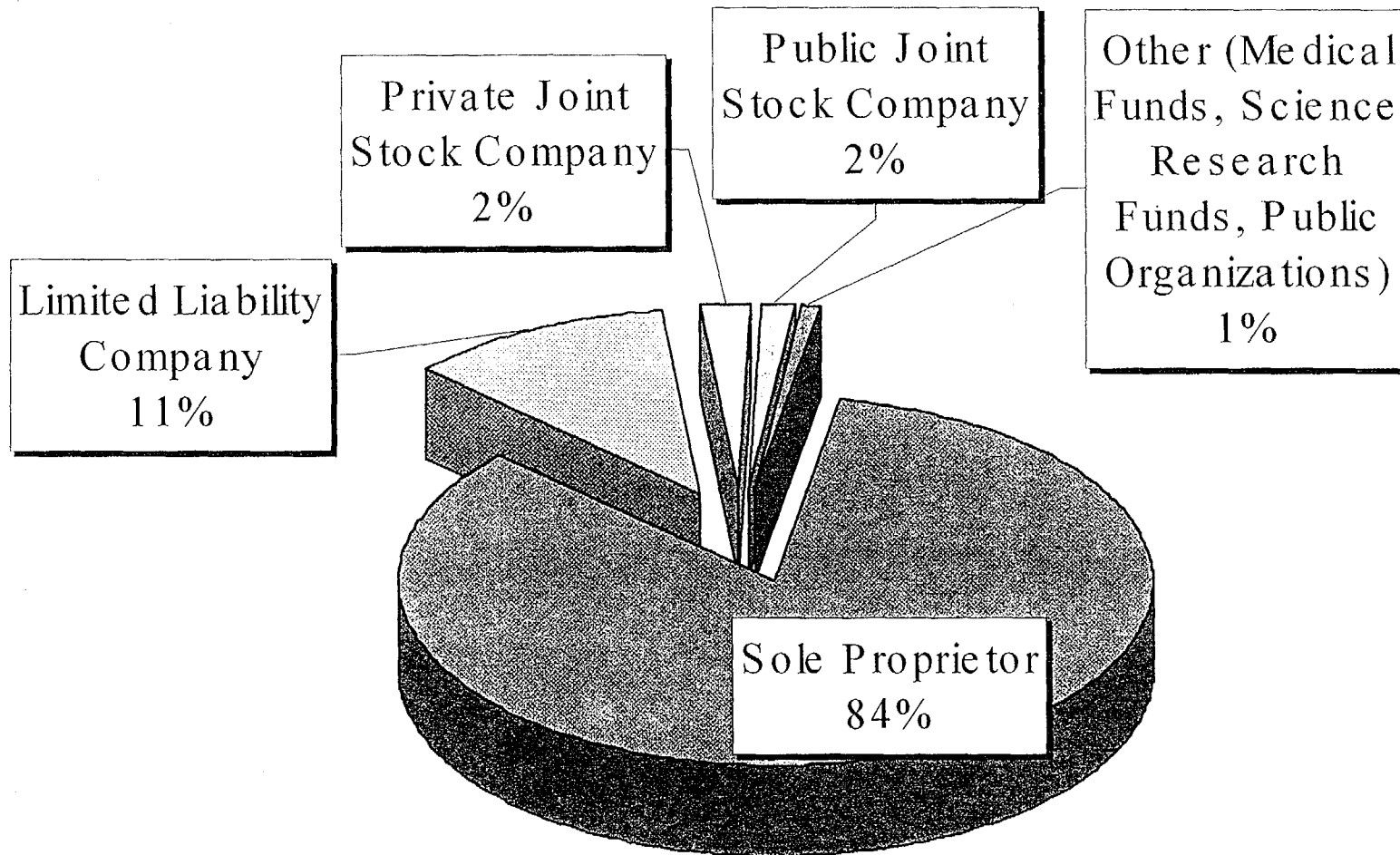
Number of Loans Outstanding under RSBF 1997 - 2001



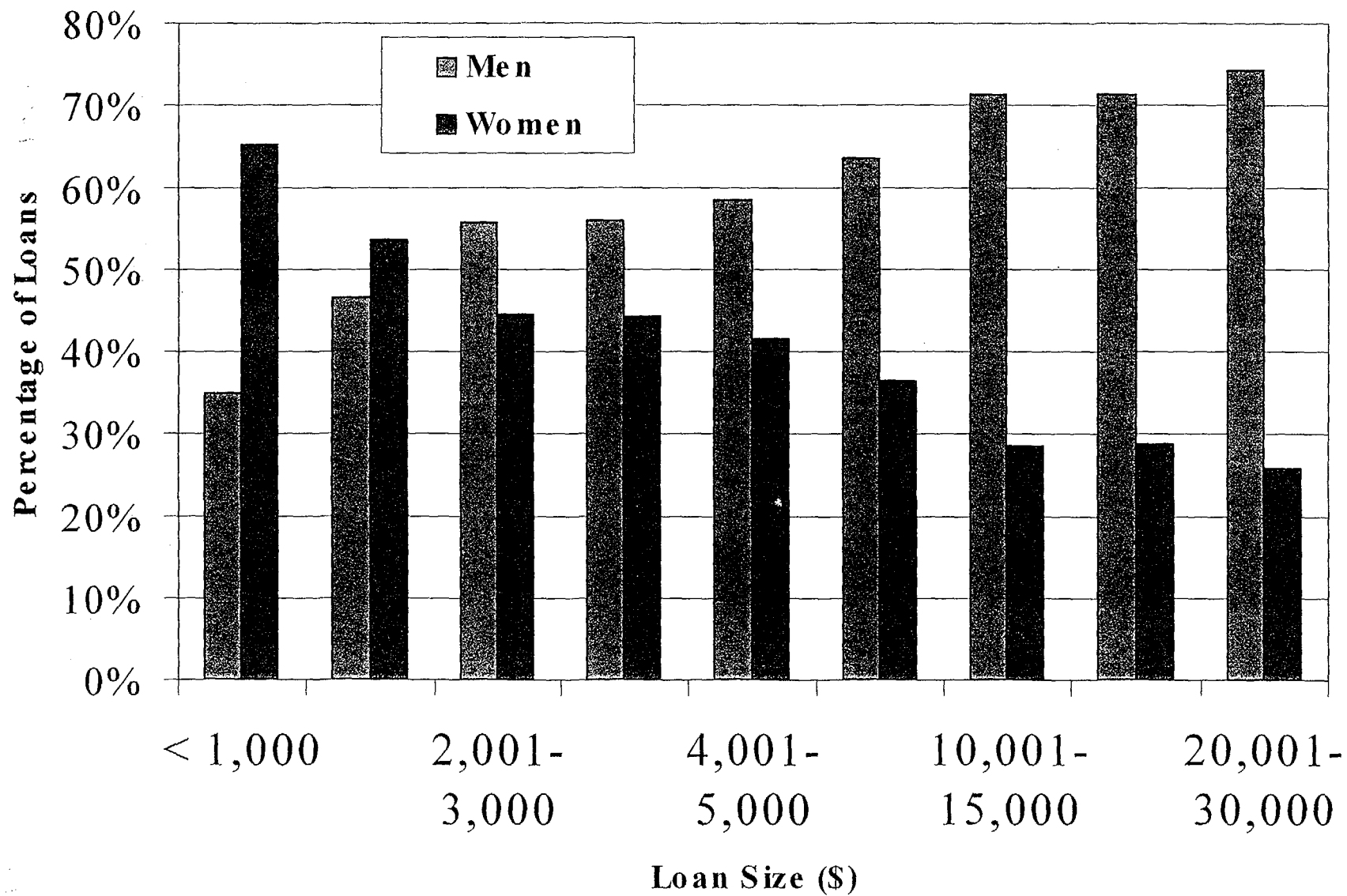
Frequency Distribution of Loans by Size



Distribution of RSBF Clients by Legal Form



Cross Tabulation of Micro Loan Size with Gender



**UNIDO – Russian Federation
Programme of Cooperation
for 1999-2002**

General principles and modalities of co-operation

- Strengthening of co-operation with the federal ministries and development of co-operation with the Russian regions;
- Partnership with the private sector with the aim of securing its involvement in the development process;
- Transition from single projects to full-scale programmes;
- More effective use of the possibilities of the UNIDO Moscow Centre for co-ordination of the technical co-operation projects;
- Strengthening of co-operation with Moscow representatives of UNDP on the basis of the UNDP-UNIDO general agreement;
- Extensive involvement of Russian experts in the process of technical co-operation projects implementation;
- Activization of the fund mobilisation for implementation of the programme

Structure of the programme – module approach

**Institutional Capacity Building &
Regional Policy Formulation**

**Investment Promotion & Training
Private Sector Partnership**

Entrepreneurship Development

Industrial Sector's support

Industrial Infrastructure Development

**Environment, Cleaner Production &
Waste Management**

Industry & University Links

Federal Sub-programme
(estimated total budget – US\$ 2.412,000)

Environment, Cleaner Production & Waste Management

- assistance for establishment of a Cleaner Production Centre for oil & gas industry (established & is operational in Astrakhan, Kaspian Sea, Orenburg, Bashkortostan & Komi)
- ecological seminar on persistent organic pollutants in St. Petersburg, October 2000

Institutional Capacity Building & Regional Policy Formulation

- support of SME's development
- assistance in establishment of the Interregional Centre for subcontracting exchange & partnership in Moscow (established & is assisting in developing network at the regional level)
- assistance in strengthening system of quality management, standardization & certification of the industrial products (under reformulation)
- organization of workshops & seminars on industrial policy & implementation

Commercialization of technologies and technology management in co-operation with Moscow State University

Programme for Moscow Oblast
(estimated total budget – US\$ 1.474,000)

Partnership development for knowledge based industry

- **Industrial policy framework**
- **Strategy for Industrial development on the base of S & T resources of science cities in Moscow oblast**
- **SME development framework**
- **Assistance in establishing Business Centre**

Commercialization of R & D

- **Assistance in development of the International Centre on Medicine Biotechnology in Obolensk**
- **Strengthening the information capabilities (data based & network) on biotechnology support to established Biosafety Information Centre**

Municipal waste management

- **water & waste management for the Dmitrov Food Park**
- **strategy on waste management for the Moscow oblast**

Restructuring Agro-Industrial Complexes

- **promotion of the Dmitrov Food Park**

**Regional programme for St. Petersburg
(estimated total budget – US\$ 2.445,000)**

Environment, Cleaner Production & Waste Management

- Assistance in establishing of International Centre for Environmental Protection of the Baltic Sea, training in toxic waste management, projects design & appraisal, eco-audit & eco- management (pilot for North-West region)

-

Quality, Standardization, Metrology & Conformity Assessment

- Assistance to Regional Bureau of International Certification
(Regional ACERT Bureau established & registered)

Investment, Technology & Partnership Promotion

- venture funding for the SMI network in high-tech sector
(venture Fund established & registered; venture Fair to be held in Moscow in co-operation with Moscow Science Park, 7-8 December 200)

Private Sector Partnership Programme

- assistance in creating an institutional framework for automotive components manufacturing sectors using UNIDO's Partnership Model, expanding market network & access (under consideration)

Regional Programme for Republic of Bashkortostan
(estimated total budget – US\$ 1.059,000)

Industrial support system

**-assistance in setting up Agency for Industrial Development & Investment Promotion
(Agence established & is operational)**

Industrial Partnership Promotion

**- assistance in development of public-private partnerships schemes
(Ufa airport, Ishimbay petrochemical complex, JV for building materials)**
- assistance in assessment of the current status of uncompleted industrial complexes
**- promotion and selected industrial projects at the investment forums in Ufa
(September 1999 & April 2001)**

Environment, Cleaner Production & Waste Management

**- Assistance in establishing Cleaner Production Centre & regional systems of eco-audit and
eco-management**

Regional Programme for Republic of Komi (estimated total budget – US\$ 1.201,000)

Industrial Support System

- assistance in setting-up a mechanism for industrial development, investment promotion – national team established & trained in UNIDO methodologies and in investment promotion

Strategic Partnerships

- UNDP, EBRD, Flemming-Chase, CIDA (Canada), Association of Industries of Brasil, Federal Fund to support SME

Rational use of natural resources

- assessment of the wood & wool processing sector
- assistance in establishment of National Cleaner Production Centre

Energy efficiency

- assessment of barriers to Energy efficiency & the bio-diversity problems caused by the energy sector
- Formulation of a GEF proposal

UNIDO Strategy to Support SMEs in the Russian Federation

- **Identification and establishment of close links with the main actors to support SMEs development in the RF:**

Federal level:

- **Ministry for Antimonopoly Policy and Support to Entrepreneurship**
- **Federal Fund to Support SMEs**
- **Russian Small Business Support Agency**

Regional Level:

- **Committee for Support and Development of Small Entrepreneurship of Moscow Oblast**
 - **Committee for Support and Development of Small Entrepreneurship of the Republic of Komi**
 - **Agency for Support of Small and Medium Enterprises of the Republic of Bashkortostan**
- **Development of concrete actions based on demand from the regions in close co-operation with the Federal authorities:**
 - **Creation of the Business Centre in the Moscow Oblast**
 - **Seminar with participation of MAP, Federal Fund and RA resulting in identification of new project to be financed by local and Federal resources in the Republic of Komi**
 - **Seminar resulting in a set of recommendations for SME development in the Republic of Bashkortostan**

- **Establishment of close co-operation with international organizations active in the Russian Federation for SME development**
 - **UNDP, OECD, World Bank, EBRD etc.**

- **Full support to SME component of the UNIDO Integrated Programme in the RF from:**
 - **UNIDO investment and Technology Promotion Offices**
 - **UNIDO international Technology Centres**
 - **UNIDO Subcontracting Exchanges**

UNIDO INVESTMENT AND TECHNOLOGY PROMOTION NETWORK

Investment and Technology Promotion Offices (ITPO)

**Bahrain
Italy (Bologna and Milan)
Belgium (Walloon region)
Brazil (Pernambuco)
China
France
Greece
Japan
Poland
Slovakia
Republic of Korea
Russian Federation**

Investment Promotion Units (IPU)

**Egypt
Jordan
Uganda
Tunisia
Morocco**

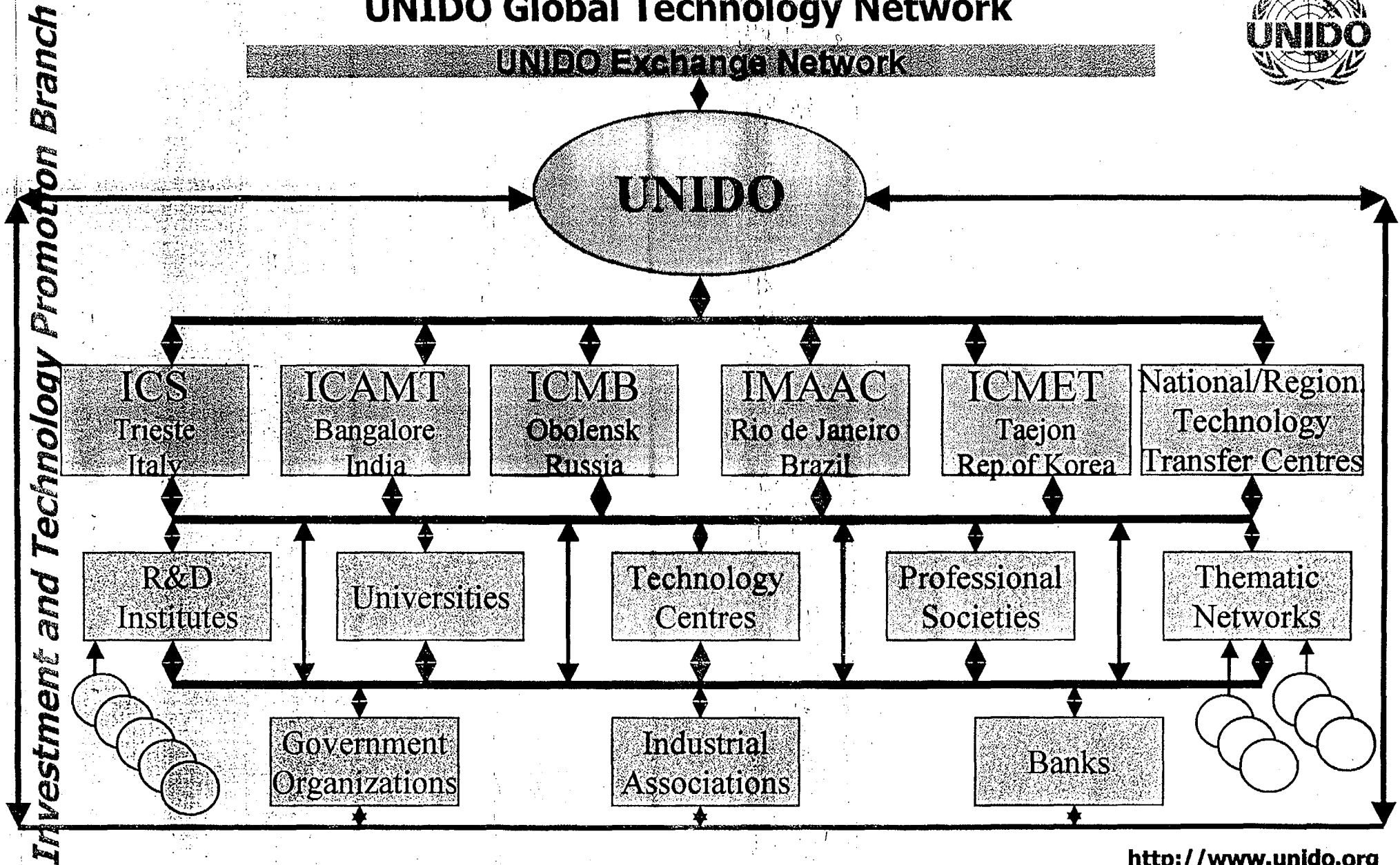
**Investment and technology
promotion focal office in the UK**

**North-West Development Agency
(NWDA) and NIMTECH**

UNIDO Global Technology Network



UNIDO Exchange Network



<http://www.unido.org>

vkozarnovich@unido.org

The Eurasia Foundation

The Eurasia foundation was established in 1993 to promote the development of democratic and market institutions in the twelve New Independent States (NIS) of the former Soviet Union. Its primary tool in pursuing these goals is a small grants program that responds quickly and flexibly to the needs of NIS organizations. In addition to its grant programs, the Foundation also administers projects in programmatic areas where the Foundation's goals can be better achieved through more comprehensive efforts. The Foundation currently operates several such projects, including a small business lending program, an economic education and research consortium, and an independent media initiative.

The Eurasia Foundation promotes the advancement of democratic institutions and private enterprise in 12 CIS countries - Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The Eurasia Foundation believes that societies function best when citizens take responsibility for their own civic and economic future. Foundation programs seek to promote the skills and necessary to bring the greatest social and economic benefits to individuals and their societies.

The Foundation operates through its network of offices located in Amaty, Baku, Kiev, Moscow, Saratov, Tashkent, Tbilisi, Vladivostok, and Erevan, with additional support from Foundation representatives in Ashqabat, Bishkek, Cnsinau, Dushanbe, Gyumri, Minsk and Yuzhno-Sakhalinsk.

The Eurasia Foundation is a privately-managed institution that receives significant funding from the United States Agency for international development (USAID) and additional support from other governments, foundations, corporations and individuals.

Through its network of offices, the Eurasia Foundation currently awards approximately 1,000 grants worth over \$ 20 million on an annual basis.

The Grantmaking program

The Eurasia Foundation's grantmaking program supports innovative projects with the potential to advance significantly one or more of the following goals:

- Accelerated development and growth of private enterprise;
- More effective, responsive and accountable local government; and
- Increased citizen participation in the political and economic decision-making process

Within each programmatic area, the Foundation supports projects aimed at strengthening human capital, developing locally sustainable forms of financing and promoting a favorable legal and regulatory environment. The Foundation encourage projects that cross over programmatic areas and geographic boundaries.

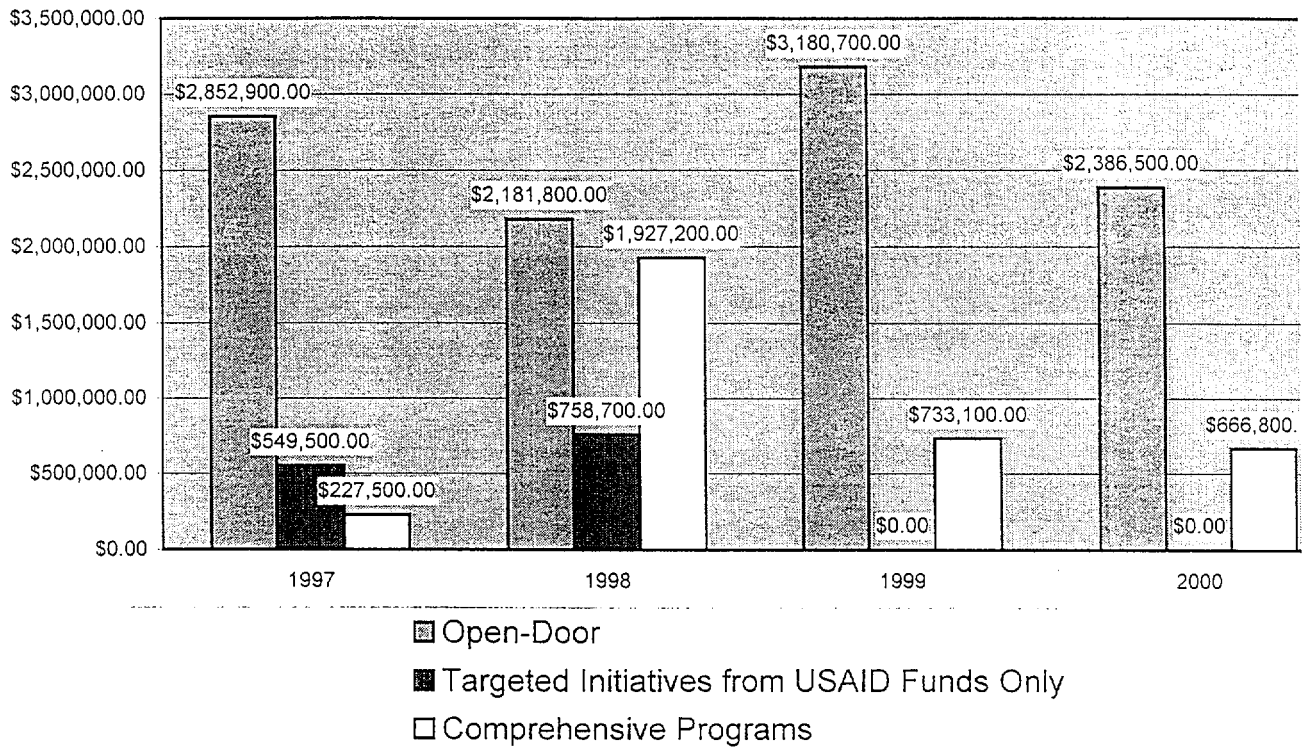
Regional field-officers are responsible for awarding grants directly to NIS organizations. Averaging \$ 20,000 these grants presently account for approximately 80% of the total grant dollars awarded by the Foundation.

In order to complement and augment the grantmaking programs of its field officers, the Washington office of the Eurasia Foundation supports partnership projects that are developed and implemented jointly between U.S. or other foreign institutions and NIS organizations. Partnership projects are aimed at transferring skills to NIS organizations that will strengthen their capacity to become self-sustainable,

while simultaneously promoting strong relationships between NIS organizations and their foreign counterparts. The Foundation currently supports approximately 40 partnerships every year, with grants averaging \$ 100,000.

The Foundation awards the majority of its grants for Russian SME's support (more than 70%) through an "open-door" policy in which unsolicited grant proposals are received and reviewed on a continual basis. To complement this open-door grantmaking, the Foundation also occasionally sponsors targeted initiatives, or competitions, in which multiple projects emphasizing a specific topic are funded.

Distribution of finances awarded by the Foundation Moscow regional office in 1997 – 2000 through targeted initiatives and in currently order.



Eurasia Foundation activity in Russia

Eurasia Foundation has its three regional offices in Russia:

Moscow Regional office:

Territory: Central and North-West Russia, Ural and Siberia (as far as the lake of Baikal).

Russian Far-East Regional office:

Territory: Russian Far-East (including Buryatia, Chita and Republic of Sakha (Yakutia))

Russian Southern office:

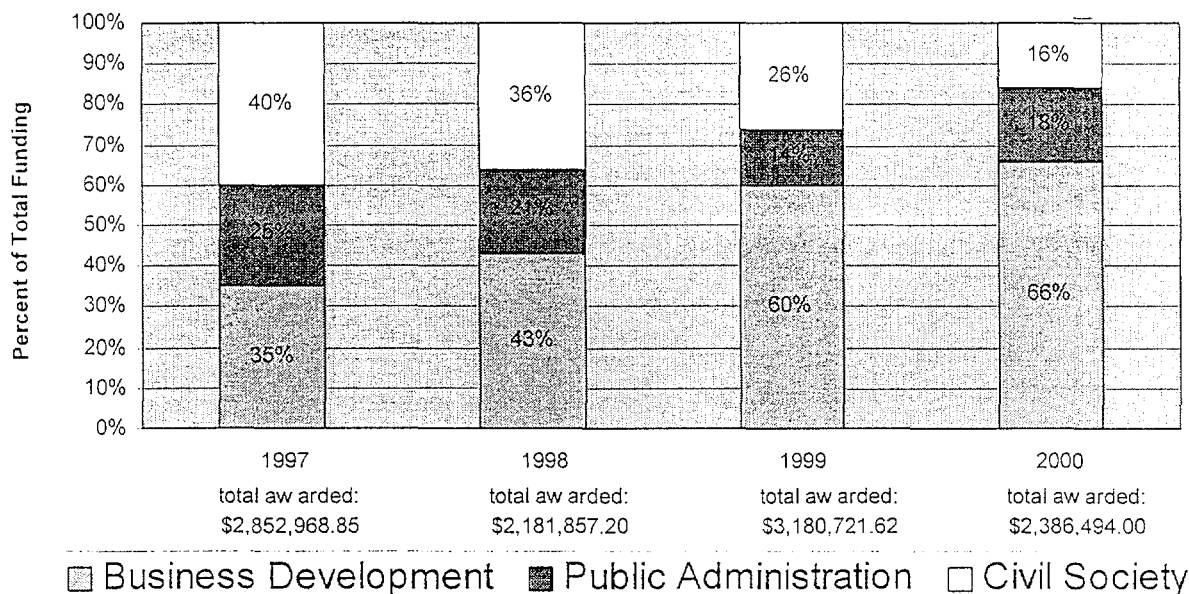
Territory: Volga and Central Black Soil Zones district and Northern Caucasus

Moscow Regional office

Acting in 59 Russian regions

Since 1993, Moscow regional office has supported more than 1200 projects with the total sum of more than \$20 mln., including \$10 mln. – for development of the private sector.

Chart 1. Dissemination of the grants in 1997-2000 (9).



Private Enterprise Development

Goal: Accelerated development and growth of private enterprises

Private enterprise serves as the primary engine of economic growth throughout the world.

While the percentage of private businesses in the economies of NIS countries has grown significantly over the past decade, this transition is not yet complete. New and aspiring entrepreneurs still need support and assistance in establishing and operating their businesses. The Eurasia Foundation's private enterprise development program supports projects that meet these needs, specifically by improving business practices, increasing access to capital, and reducing legal and regulatory barriers to business development. Given the great potential of small and medium-sized enterprises to spur economic growth, the Eurasia Foundation places priority on projects targeting this sector of economy.

Improved Business Practices

Establishing and running a successful business takes more than just a good idea – it requires leaders with management, marketing, finance, planning, accounting, and other critical skills. The Eurasia Foundation seeks to meet the demand for such skills by supporting the creation and development of high quality, sustainable business training and education programs that provide students, entrepreneurs, and business leaders with the skills they need to transform their ideas into successful enterprises. In addition to building skills, the Foundation promotes ethical practices in business and sound corporate governance.

Increased Access to Capital

Entrepreneurs also need access to capital to establish and grow their businesses. To increase the amount of capital that is available, the Eurasia Foundation supports the creation and expansion of financially sustainable credit mechanisms aimed at micro, small and medium businesses, both through innovative mechanisms, such as micro-lending programs, equity funds, credit unions, and saving and credit associations.

Reduced Legal and Regulatory Barriers to Business Development

Given the potential of central and local governmental policies to directly impact private sector development, the Eurasia Foundation supports projects aimed at creating a more favorable legal and regulatory environment for the growth of private enterprises. Projects aimed at reducing regulatory barriers, improving protection of economic rights, or developing more efficient mechanisms for resolving disputes fall into this category. The Foundation also promotes tax policies that enhance growth in the small business sector and regulations that enable credit mechanisms to emerge and prosper. Finally, the Foundation helps to build the capacity of business and professional associations to advocate for sound public policies.

The Foundation current priorities

Analyzing SME needs (following entrepreneurs' requests, the main problems relates with the bad legal environment), in 2001-2003 in the sphere of private sector development Eurasia Foundation will be concentrated on development of favorable environment for private sector and forming of the SME representation system.

We suppose that this aim could be achieved through establishment of systematic environment monitoring for SME development, problems and needs; and development of entrepreneur's self-organization through their associations, partnerships and units.

Moscow Regional office has already supported the couple of projects, aimed to decrease administrative barriers. This is carrying out of different researches, working out of recommendations solving the problems related with the registration, liquidation, licensing and auditing. Research materials represented to the Ministry of Anti-monopoly Policy and Entrepreneurship support, Ministry of Economic

development and trade; they are discussed in different "round tables" held by the Russian Agency for SME support with OP, authorities, expert group representation; they are published in Internet and Media. It is also regional OP, administrations and media initiatives such as Kaluga region, S.-Petersburg, Vladimir, Tomsk and Murmansk regions and Karelia Republic.

Besides the problem of administrative barriers decreasing, grant recipients also works for development of the legal base in the sphere of franchising, leasing, venture financing, credit cooperation.

New targeted initiative

In 2001 MRO begins to realize its targeted initiative, aimed to increase effectiveness of the entrepreneur's units and their role in private sector self-regulation development. It is 2,5 years long program and stipulated training courses of the OP leaders and personnel; development of business and authorities interaction; OP Network establishment; financing of OP regional initiatives in four regions: Nizny Novgorod, Novgorod, S.-Petersburg, Tomsk. The programme is expected to be held step-by-step and corrected on its realization; and final result evaluation.

Positive results of the Foundation Moscow regional office activity:

The Foundation gives support to the projects aimed at concrete and remarkable results obtaining. For example, thanks to the Foundation Moscow regional office support:

- More than 50 000 entrepreneurs were trained for different business aspects
- More than 100 specific study programs on economy and business (including video-programs for entrepreneurs), 11 special courses for distance consulting were worked out and implemented
- 10 Internet web-sites on information and consulting for SME are created
- 2 regional programs on microfinancing were developed in Kaluga and Smolensk regions. In 5 more regions such the programs are under implementation.
- The special programs on leasing for SME's are initiated and implemented in 4 regions(Smolensk, N.Novgorod, Orel, Irkutsk and Tomsk)

United States Agency for International Development

(Activity in SME's support in Russia)

USAID Strategic Objectives:

- USAID support the development of a market economy where all Russian citizens have greater opportunities to improve their standard of living.
- USAID responds to the tremendous unemployment needs by providing model programs that support micro, small and medium enterprises (SMEs) in Russia through improvement of the legal and regulatory environment practices, access to finance and training.
- Impediments to the growth of SMEs have been gathered through the following:
 1. Discussions among small businesses, business associations, Business support Institutions.
 2. Evaluations and assessments in connection with business training and development programs.
 3. Conversations with donors such as TACIS, which is conducting the SMEDA project with the Russian Agency for SME Support, OECD, Eurasia, U.N.D.P. and United Kingdom's DFID.
 4. The business climate survey results of SMEs in 8 regions of Russia performed by Institute of Private Sector Development and Socio-Economic Analysis (IPSSA).
- As a result of this information, four broad areas as the main barriers to improving business in Russia were identified:
 1. Government Policies
 2. Lack of Access to Finance
 3. Lack of Information
 4. Lack of Training

Let's now examine these areas and how USAID has worked in collaboration with the Russian Government, business associations and private non-profit agencies to support the expansion of SMEs in Russia.

Government:

- A major obstacles to the growth of SMEs in the Russian Federation are the numerous administrative barriers at the different levels of government: a burdensome tax structure; excessive needs for licensing, regulating and registering business; direct control over monitoring business functions; and the overburdensome need for reporting.
- USAID works closely with the Ministry of Antimonopoly Policy for Entrepreneurship at the federal level through the U.S. and Russian Small Business Working Group (SBWG) to coordinate mutual activities in the field of improvement of legislation, finance and credit, regional aspects of SME, and availability of business training for Russian small business development.

- Through the U.S. – Russia Bilateral regional Initiative (RI), four regional governments are working with the United States Government (USG) to introduce programs promoting in civil society, small business and social sector development/ USG representatives and programs in these regions provide policy advice to regional governments and support policies, which assist small business and facilitate investment.
- At the regional level, USAID-funded local regional business support institutions (BSIs) conducted pilot advocacy programs during the implementation of the SME Network Strengthening activity in the cities of Voronezh and Krasnoyarsk.
- This year, USAID plans to support grants to regional business associations with the aim of promoting public/private dialogue in the Regions that will lead to positive growth of small and medium-sized business at the local level.

Access to Finance:

- The Russian-American Lending program provides non-bank loans through 26 agricultural credit cooperatives, which in turn, have lent to more than 530 member farmers. To date, the repayment rate is 98,5%. The interest rate for 12-month term loans currently is 28%. The average individual loan size is approximately \$ 2,100.
- Under a new Loan Portfolio Guarantee (LPG) program, USAID guarantees Russian commercial banks 50% of the net loss of a portfolio of loans made to the SME sector.
- Networks of microfinance institutions (MFI) now operate in 13 regions in Russia, including Nizhni Novgorod, Novgorod Veliki, Rostov on Don etc. This network has cumulatively provided micro entrepreneurs with over 16,000 loans (of which over 72% are women) for the total amount of over \$16,600,000. These MFIs disburse 10,000 loans per year which amount to \$9,800,000.

Information

- Lack of information is recognized as a problem to the SME sector. Two types of information are critical for this sector: the exchange and the use of information for market decisions and policy decisions.
- Business climate survey information provides general markets conditions in which businesses operate. This type of information must be shared between entrepreneurs, business support institutions and federal and regional governments to provide a basis for strategic planning and improved policy provision.
- USAID has been able to participate in collaborating three networks that disseminate business information to Local Russian Business Service institutions: 1) Morozov Project centers 2) business support institutions participating in the SME Network Strengthening Project and 3) A network of business organizations facilitating the support of U.S. business volunteers.
- SME Resource Centers developed by TACIS is providing ground banking information in the sector.

Training

- Training is still considered a constraint to the growth of the SME sector. Lack of management skill has been widely recognized as an area needing attention for

both the private sector to better operate businesses and to government to better facilitate the growth of small businesses. Specifically, the needs for training and technical assistance are in the areas of business climate improvement, general management, marketing, accounting, production scheduling and quality control.

- Currently USAID/Russia targets its activities in three strategic areas: firm level assistance using U.S. volunteers, business support network strengthening and management training
- Since 1992 approximately 600,000 government officials, entrepreneurs and managers were trained in the framework of USAID aid programs through University of Alaska Anchorage American-Russian Center, Academy of Management and Market, IRIS, Finca, Counterpart, ACDI/VOCA, Opportunity International.

Meeting the Challenges of the future will involve:

- Strengthening Business Support Institutions
- Strengthening Regional Policy through local Business Associations
- Strengthening Russian Microfinance Institutions