

Data Sheet

USAID Mission:	Russia
Program Title:	Small Business Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	118-0131
Status:	Continuing
Planned FY 2005 Obligation:	\$7,215,000 FSA
Prior Year Unobligated:	\$113,000 FSA
Proposed FY 2006 Obligation:	\$3,100,000 FSA
Year of Initial Obligation:	2002
Estimated Year of Final Obligation:	2006

Summary: USAID's business development and finance programs continue to provide technical assistance, training, and non-bank financing to promote development of the small and medium enterprise (SME) sector. This sector is a driving force for a free-market economy and a foundation for a more democratic society through the development of a middle class. Activities benefit entrepreneurs as well as small and medium businesses by improving the policy environment, delivering high quality business services, and improving access to finance with an emphasis on the sector.

Inputs, Outputs, Activities:

FY 2005 Program: Increase Private Sector Growth (\$4,675,000 FSA, \$13,000 FSA carryover). USAID will continue the Enhanced SME Development activity in the Russian Far East (RFE) and focus on areas related to regulatory reform, credit availability, advanced training, and sector-specific consultancies. Consistent with a long-standing earmark, USAID will continue to support the Sustained SME Development Program that works through the University of Alaska at Anchorage (UAA). USAID intends to support economic development and humanitarian aid for the native peoples of the RFE. USAID will design an integrated program of community development and local government technical assistance in the RFE. Working with Alaskan institutions and local implementers, the program will focus on the creation of sustainable structures for the provision of public services and other critical community investments. Principal grantees: Winrock International (prime), the University of Alaska at Anchorage (UAA) (prime), and a new implementer to be determined.

Strengthen Financial Sector's Contribution to Economic Growth (\$2,540,000 FSA, \$100,000 FSA carryover). USAID will continue supporting the development of a vibrant non-bank finance institution (NFI) sector. NFIs are lending institutions that are not regulated by the central bank. The activity's key elements will be to continue development of two long-term sustainable legacy institutions, the Russian Microfinance Center (RMC) and a second-tier Microfinance Fund (MF). These institutions will provide country-wide support to hundreds of indigenous Russian NFIs through training, consulting, dissemination of microfinance standards, betterment of the legal environment, enhanced cooperation with the banking sector, and expanded access to commercial sources of funds. In addition, USAID will continue institutional development of two Russian NFIs on Sakhalin Island, the Sakhalin Small Enterprise Development Foundation and Sakhalin Small Business Credit Society. USAID also will continue to work in the north of Sakhalin in partnership with Exxon Neftegas Ltd. The Regional Sakhalin Microcredit Program will expand to the two new rural locations. This will increase sustainability as a result of a larger customer base, as well as the potential to attract a new investor. USAID will support professional examination and certification of accounting professionals based on internationally recognized principles, standards, and practices. These will include International Financial Reporting Standards and professional ethics to promote transparency and accountability in the preparation and use of financial statements. Principal grantees: Development Alternatives Inc. (DAI) (prime), Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) (prime), TBD.

FY 2006 Program: Increase Private Sector Growth (\$2,560,000 FSA). USAID will continue the integrated program of community development and local government technical assistance in the RFE working with Alaskan institutions and local implementers. Same implementers as above.

Strengthen Financial Sector's Contribution to Economic Growth (\$540,000 FSA). USAID's support will result in full coverage of Sakhalin Island by a network of two self-sustaining branches. These legacy institutions will continue operation after the end of USAID's assistance. Principal grantee: ACDI/VOCA (prime).

Performance and Results: During FY 2004, USAID-supported NFIs provided SMEs with over 51,100 loans worth over \$83 million, allowing loan recipients to grow their businesses by 200% to 300%, on average. Four of the six USAID-supported NFI networks are fully sustainable and are working with commercial sources of funds: the Opportunity Russia Fund; the Counterpart Enterprise Fund; the Foundation for International Community Assistance (FINCA) of Samara; and the Rural Credit Cooperative Development Foundation. The network of rural credit cooperatives was expanded to over 200, and a third-tier national rural credit cooperative was created.

The Sakhalin Regional Microcredit Program set up five branches which provided financial services to local entrepreneurs. The program evidenced an impressive market success, such as establishing a pattern of non-bank financing, building a partnership with Exxon Neftegas Ltd, developing new credit products, providing training to local commercial banks interested in microfinance, and providing access to credit to local business communities.

The Russian Microfinance Center (RMC) works with over 400 NFIs throughout the country, and has signed cooperation agreements with the Association of Russian Banks and the Association of Russian Regional Banks to support jointly the development of cooperation between the NFI and banking sectors. USAID' efforts were instrumental to further policy improvements for the NFI sector; two examples are the inclusion of microfinance development as one goal of Russia's Banking Strategy for 2004-2005, and the inclusion of NFIs along with banks in the draft Law on Credit Bureaus presently under legislative consideration.

As a result of USAID support, Junior Achievement Russia is the second largest Junior Achievement program in the world, following the United States, with over 400,000 participants annually. More than two million students were served during the past 10 years.

US Financing in Thousands of Dollars

Russia

118-0131 Small Business Development	FSA
Through September 30, 2003	
Obligations	18,822
Expenditures	8,662
Unliquidated	10,160
Fiscal Year 2004	
Obligations	9,341
Expenditures	9,445
Through September 30, 2004	
Obligations	28,163
Expenditures	18,107
Unliquidated	10,056
Prior Year Unobligated Funds	
Obligations	113
Planned Fiscal Year 2005 NOA	
Obligations	7,215
Total Planned Fiscal Year 2005	
Obligations	7,328
Proposed Fiscal Year 2006 NOA	
Obligations	3,100
Future Obligations	0
Est. Total Cost	38,591