



Center for International Private Enterprise • Moscow, Russia

*Russia*

In-Country Evaluation  
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## Executive Summary

Over the past two decades, Russia has gone through many transformations. The country's leaders conducted democratic reforms in the 1990s, but the country has been moving in the reverse direction since 2000. With Dmitry Medvedev coming to power as Russia's new president, the West has yet to see in what direction he will lead the country. Although some analysts at the time envisioned no changes with former president Putin still playing an influential role as a prime minister, optimists had hoped that Medvedev would take a softer stance on issues related to democracy and market-oriented reforms.

With funding from the U.S. Agency for International Development (USAID), the Center for International Private Enterprise (CIPE) has been working with 17 regional coalitions of business associations in Russia to assist these to advocate for policy changes that will improve their business environments. These coalitions are encouraging reforms in order to contribute to stronger local economies, building mechanisms for public-private dialogue, calling for transparency in governance, and preventing Russia from backsliding from its democratic progression.

This project began in September 2002 as a four-year business advocacy program – later extended until 2009 – coordinated by CIPE and supported by USAID. Working in cooperation with the Russian Chamber of Commerce and Industry (RCCI) and non-profit partnership the Union of Business Associations (OPORA), CIPE continues to provide technical assistance and support to business association coalitions in Altai, Astrakhan, Irkutsk, Kamchatka, Khabarovsk, Kirov, Krasnodar, Nizhniy Novgorod, Perm, Primorskiy, Rostov, Samara, Saratov, Smolensk, and Volgograd regions, the Republic of Sakha (Yakutia), and North Ossetia-Alayna.

During the first phase of the project, Round One regional coalitions – Irkutsk, Khabarovsk, Krasnodar, Perm, Primorskiy, Samara, Saratov, and Volgograd – identified the local business barriers faced by their members and organized local advocacy campaigns to push regional governments to implement reforms. In order to encourage a multiplier effect of the successes of the Round One group of eight regional coalitions, CIPE subsequently expanded the program into nine new regions of Russia – Altai, Astrakhan, Kamchatka, Kirov, Nizhniy Novgorod, and Rostov regions, the Republic of Sakha (Yakutia), and North Ossetia-Alayna.

## Objectives and Methodology

In September 2007, USAID/CIPE held a Regional Anti-corruption Seminar in Solnechnogorsk, Russia. Representatives of nine new regions of Russia were interviewed by CIPE Evaluation Officer Nigina Malikova to assess the impact of CIPE's work. This evaluation was necessary for CIPE to examine its objectives, look at the benefits gained during the process among local business communities, identify the factors that influence the outcomes, and assess the long-term sustainability of the impact the project has had.

After reviewing and analyzing all the interviews conducted with the coalitions, it became clear that all shared the same concerns in their regions, namely, administrative barriers and corruption. This document examines the accomplishments of the coalitions during the project period, as well as difficulties the coalitions faced while implementing the project.

## Accomplishments and Challenges

### *Altai*

- The Altai coalition launched its “hotline” project to help entrepreneurs by providing them advice and information over the phone. The hotline was an effective way for entrepreneurs to express their concerns and register complaints about what they faced during inspections.
- For entrepreneurs to defend their businesses in case of inspections violations, an agreement was signed between several government entities – the Department of Internal Affairs, the tax inspection service, the Consumer Protection Agency, and Ministry of Emergency Situations (MCHS) – and the Altai coalition. This agreement details the responsibilities of both agencies and entrepreneurs.

### *Astrakhan*

- To address corruption that impedes regional economic development, the Astrakhan coalition advocated for introduction of a Regional State Program for Opposing Corruption in

Regional Executive Bodies. The Program was adopted on June 29, 2006 by Regional Government Decree #213-II.

- Due to the development efforts of the Astrakhan coalition in September 2006, the Regional Program “Development of Credit Consumers’ Co-operation in the Astrakhan Region” was adopted. Now, nine credit consumers’ co-operatives exist in the region.

#### *Kamchatka*

- The Kamchatka coalition worked in four areas – administrative barriers, tax laws, legislative reforms, and access to information. Due to the Kamchatka coalition’s efforts, taxes were lowered for businesses in the service industry.
- The Kamchatka coalition collectively defended fishermen from arbitrary seizures and fines. The coalition brought abuse cases to court and publicized the market costs of the perishable goods, thus adding transparency and formalization to Kamchatka’s largest industry. This action directly benefited 73 fishing industry small and medium-sized enterprises (SMEs) and their 3,000 employees, as well as numerous companies along the supply chain.

#### *Nizhniy Novgorod*

- The Nizhniy Novgorod coalition saved 667 out of 2,500 businesses from demolition when the city administration began destroying their structures.
- The Nizhniy Novgorod coalition initiated the creation of a street food vending association, which self-regulates for health code violations. During an outbreak of Hepatitis A, the city administration was forced to close all food-vending kiosks *except* those 140 businesses that were members of the association – and were, therefore, in compliance with health codes.

#### *Kirov*

- The rapid increase in privatization of municipal property threatened the existence of small businesses in the Kirov region. Due to the Kirov coalition advocacy efforts, on June 27, 2007, the Kirov City Duma decided not to privatize municipal property being leased by small businesses, thus allowing them to continue operation.

### *Rostov*

- In Rostov, authorities routinely conduct unlawful inspections of small businesses. For entrepreneurs to defend their rights, the coalition organized seminars to build organizational capacity.
- In response to cumbersome procedures for transforming living spaces into office spaces and obtaining permits for construction, the Rostov coalition advocated for simplification of guidelines. In autumn 2006, a single-window principle for these procedures was introduced in Shakhty City, in the Rostov region.

### *Sakha*

- To fight corruption in its region, the Sakha coalition attracted media attention and published articles in both the Yakut and Russian languages. The coalition organized a conference to attract attention to the corruption problem. As a result of this increased transparency, authorities were forced to arrest a number of corrupt officials from management of the mayor's office. Although problems of this type still exist, this action represented an important move that made the coalition stronger. Today, more organizations are joining the coalition, and the group has established contacts with the Ministry of Entrepreneurship.

### *Smolensk*

- The Smolensk coalition advocated for introduction of the simplified tax system for individual businesses without hired employees. As a result, a regional law was adopted that introduced a simplified license-based taxation system; in lieu of paying complex business taxes, micro-entrepreneurs purchase short-term business licenses. The law went into effect on January 1, 2007.
- The Smolensk coalition advocated for gaining support for the development of small business. A new program, "Development and Support of Small Enterprise in Smolensk 2007," finally received the support of the authorities, and the program was able to receive funding to support small-enterprise development.

## Lessons Learned

The coalitions were motivated to improve the business environment in their regions. Unfortunately, government officials and some entrepreneurs did not share the same optimism. Engaging government officials is time-consuming, but it can work. Educating the public and attracting media attention to issues (and thus increasing transparency) is vitally important. In the case of the Nizhniy Novgorod and Sakha coalitions, the media was an important tool for message dissemination.

Turning uninformed entrepreneurs into empowered business owners is also crucial for success. The Altai coalition took an effective approach in organizing seminars to educate entrepreneurs about rules and procedures. This initiative improved the business climate in the region because businesspeople then understood their rights and responsibilities. From the public sector side, after a long struggle, four government agencies formalized their commitment to transparency by signing an agreement to improve the Altai region's business regulations.

## Process

### *Altai Coalitoin*

The Altai coalition had a very structured approach, and its work is among the project's most successful. The group began by analyzing administrative barriers and how to eliminate them. They discovered that, not only were there problems with the legislature, but also that entrepreneurs lacked education about the legislative process. In essence, entrepreneurs usually faced administrative barriers due to a lack of knowledge of laws and procedures. These business owners needed to learn about the laws that govern business operations and how to address potential administrative barriers effectively.

The coalition held a meeting on regional legislation with the city parliament during which it suggested reviewing all the normative acts jointly with the municipal deputies. This work is still in progress. The coalition also started training programs for entrepreneurs, with officials from different agencies participating as guest speakers to educate business owners on how to behave during

inspections. Educational or explanatory materials and recommendations were developed in cooperation with the authorities for distribution during seminars. In addition, the coalition posted advice and information for entrepreneurs online.

Due to financial constraints, the coalition did not have resources to gather data on issues that entrepreneurs face in the region. The coalition launched its hotline project to collect information and statistics to help the entrepreneurs express concerns and complaints about matters related to inspections. This project improved communication between entrepreneurs and the authorities. Based on data collected from the hotline service, the coalition made recommendations to both entrepreneurs and authorities to initiate a public-private dialogue by a signed agreement. The agreement on responsibilities of each agency and entrepreneurs, prepared for signature by five parties, outlined the kind of responsibilities assumed by each agency. The Altai chamber of commerce created a complaint form to be completed during each hotline call, which would then be reviewed by a legal expert to determine whether an agency serving as a signatory of the agreement had made any kind of violation. If the legal expert found a violation, a letter would be sent to the relevant agency, and the agency would then investigate it and report its findings to the coalition.

The coalition initially faced resistance from the authorities, who felt that current laws were sufficient and that a signed agreement was unnecessary. The coalition explained to the authorities that they would benefit from this agreement. Due to the large size of the region, it is difficult for officials to provide direct oversight and, thus, the headquarters may not be aware of violations that are occurring in all areas of the region. After four months of resistance, the authorities finally agreed to sign the document between the Department of Internal Affairs, the tax inspection service, the Consumer Protection Agency, MCHS, and the Altai coalition. This effort has improved conditions for businesspeople who can now file complaints with the confidence that their concerns will be addressed. As a result, there is increased participation by entrepreneurs in the trainings organized by the coalition. These trainings specifically address the concerns raised on the hotline, and also discuss the coalition's advocacy work and the public-private agreement. The coalition has received support from the governor of the region, who is very reform-oriented and supportive of efforts to improve the region's business environment. In some cases, the business community filed complaints that have led to the removal of corrupt or negligent officials from their positions. For example, the Consumer Protection Agency fired a few officials for violating the law. After each seminar, newly-

informed businesspeople flood the hotline with complaints and requests for information or further training. Entrepreneurs are now willing to pay for these classes, suggesting that the coalition's work is bringing positive, tangible results to the business community.

Another significant development is a change in the conduct of tax inspections. Tax inspections were previously a major burden for entrepreneurs; however, with the work of the coalition and also with the installment of a new head of the tax inspection service, there have been improvements. When entrepreneurs are asked about tax inspections, they say that there are no problems because inspectors now strictly follow the law. However, if there *is* a complaint about the tax inspection service, it is usually with regard to an entry-level official who has not yet experienced enough to conduct inspections smoothly. In these cases, after a complaint is registered, the problem is easily addressed in cooperation with the tax inspection service.

The hotline has been an effective tool in protecting the property rights of entrepreneurs. There is always an expert available to give advice, and if there is a major problem, the expert provides the entrepreneur with contact information of an attorney who can help with filing the case. As a result, entrepreneurs feel protected, and officials know that they face consequences from illegal inspections.

The Altai region is considered to be one of the best in terms of information accessibility. The hotline has made it much easier for entrepreneurs to obtain information. Moreover, while nearly every agency has a website that lists agency functions and contact information, to locate additional information, businesspeople can always call the hotline.

In 2007, there were 300 phone calls to the hotline. In 90 of those phone calls, a complaint was filed. An analysis of these 90 calls found these results:

- 27 callers needed consultations on how to work with the tax inspection agency,
- 30 needed help with a law enforcement agency,
- 7 needed help with a fire marshal,
- 22 needed help with a consumer protection agency, and
- 4 needed help with other government agencies.

Out of 90 filed complaints, 25 violations were found to be on the part of agencies that signed the agreement with the coalition. These included:

- 6 violations related to tax inspections,
- 12 violations related to actions by law enforcement, and
- 7 violations related to the Consumer Protection Agency.

In six cases, entrepreneurs received additional consultation. Three out of those six were given assistance with filing lawsuits to be decided in arbitration court:

- A hotline partner organization, Russian Falcon, held consultations with the representative of the Esthetic Center and assisted with filing a case in court. A document seeking payment for damages was not satisfied. The document was filed again in court, and the case is still being reviewed.
- Two companies, Victoria and Magri, lost their cases in court.

Seeing the overall value of the services the chamber provides, new companies have been joining the chamber. Membership of the Altai Chamber of Commerce (which leads the regional coalition) grew by 40 enterprises in 2007 alone. A total of 353 companies belong to the Altai chamber, and 80 percent are representatives of small businesses.

#### *Astrakhan Coalition*

One of Astrakhan's major accomplishments is that the coalition successfully advocated for introduction of a Regional State Program for Opposing Corruption in Regional Executive Bodies. The program was adopted on June 29, 2006 by Regional Government Decree #213-II. The breakthrough for adoption of this program was that regional authorities admitted that corruption impedes regional economic development. This outcome gives greater visibility to business community concerns, and a public anti-corruption policy is being developed.

The coalition provided legal expertise to members of the coalition and other businesses who sought help. The group held its first conference to launch a public-private dialogue, attended by public officials, federal officials, the governor of the region, and businesses. A protocol and an anti-corruption program were developed and approved by the governor. According to the program, the regional government places a high emphasis on the transparency of activities of its executive authority. The role of Astrakhan's business associations is as follows:

- To examine laws and regulations for corruption potential.
- To inform the business community and civil society on corruption cases.
- To popularize intolerance of corrupt behavior and unethical conduct.
- To develop resources to ensure equal access to economic and legal information.

The coalition represents the interests of SMEs that need micro-credit but that do not have the collateral to get this credit. Coalition experts identified three problems that hinder SME access to bank credit: high bank interest rates, lack of assets, and a complicated application procedure. The coalition considers the credit consumers' co-operative as an alternative credit source. As a result of the coalition's agreement with two banks, both institutions abolished collateral as a requirement for issuing micro-credit.

The coalition also took part in developing the regional program, "Development of Credit Consumers' Co-operation in the Astrakhan Region," adopted in September 2006. As a result, nine credit consumers' co-operatives now exist in the region. Coalition experts are developing a study program for co-operative specialists.

The Astrakhan Coalition also held a seminar for businesses, titled "Unfriendly Captures of Subjects of Economic Activity – Business or Crime?" in cooperation with RCCI. A speaker at the seminar, Aleksandr Bogatikov, an expert in criminal business captures, talked about identifying and preventing unfriendly business capture. Although these business captures are not widespread in the Astrakhan region, there are cases where businesses are threatened with capture. Two such cases occurred while the seminar was being held. Because of the information provided in the seminar, the owner of a store and an owner of a bank threatened by the unfriendly business capture asked for

Bogatikov's advice. As a result, the process was stopped, and two businesses resumed their normal activities.

### *Kamchatka Coalition*

This coalition was created before the project. When the CIPE project started, the Kamchatka Coalition accepted guidance to work in four spheres: administrative barriers, tax laws, legislative reforms, and access to information. The first step was to review all the normative acts and laws preventing business development. As a result of the coalition's efforts, taxes were lowered for businesses in the service industry. The coalition also worked to open permanent communication between the public and private sectors, and launched a successful initiative to create a special business council under the office of the mayor.

The coalition reanimated the functions of the council under the office of the governor. The group initiated a conference during which the business community met with the new governor, found out what to expect from the new governor, and discussed what they wanted. The governor, who did not know that the coalition existed, suggested that businesses unite to raise their concerns in one voice. He was surprised to hear that the coalition already existed and is representing the business community.

The Kamchatka coalition faced problems in the fishing industry, the region's largest business sector. Authorities who oversee the fishing industry will sometimes accept a bribe to refrain from regulating certain operations or reporting illegal fishing activities. The Kamchatka chamber, as the coalition leader, suggested that its members anonymously raise the question of corruption. However, members were afraid to raise their voices, even in anonymity, because they think the authorities know whom the coalition represents, and they will, therefore, face loss of business if they protest.

The coalition decided, then, to tackle corruption in the fishing industry. Authorities would arrest cargo ships and then file penalties on all the products at the cost of the finished product as opposed to the maritime resource cost. The authorities did all of this without the requisite court decision. The coalition advocated for better regulation of fishing activities in the region and for creation of equal opportunities for all fishing businesses, and issued a price list to ensure all maritime products were assessed by the same standard. The group developed a draft law, "On Fishing and

Biological Resources in the Kamchatka Region,” and submitted it to the Regional Legislative Assembly. The assembly adopted the law in December 2006. The coalition is interested in working with active business associations, and while its membership has not grown since the project’s onset, it is pleased with the progress of its advocacy efforts.

Mass media is not always supportive. In the fishing industry case, not all media was positive. Some media representatives regarded fishermen as contrabandists, while others understood the situation and readily informed the public about the issue.

Access to information is an important element in empowering business owners. The chamber holds events to provide entrepreneurs with information on new legislation, how to file business forms, how to protect themselves from unlawful inspections, and how to obtain information. Also, there is an urgent legal help hotline but, in comparison with the Altai region, it has less capacity because the coalition is still working with various agencies to secure formal cooperative agreements.

The coalition believes that they have been successful in their work. Previously, business owners did not always know each other and could not coordinate their activities. The coalition has created a more united voice for business and entrepreneurs now interact with each other and can advocate on their own behalf as a group.

The new mayor of the regional capital is reform-minded and suggested that the coalition present a plan to address crucial issues. The coalition has a good relationship with and the support of the mayor as well as the governor of the region.

#### *Nizhniy Novgorod Coalition*

In the city of Nizhniy Novgorod, businesspeople learned how to protect their rights. First, business associations have joined the coalition and thus strengthened their voice. Second, once the coalition in Nizhniy Novgorod was solidly established, members started conducting seminars in other cities of the region to train fellow entrepreneurs on how to protect their rights and make their voices heard.

Because administrative barriers are the same in each city, it was easy to apply lessons from one city to others in the region. One of the problems with which the coalition dealt during the project was alcohol licensing. Licensing is required for every business that sells alcohol; however, there were few places where businesses could apply for and receive an alcohol license. The administration only provided one registration desk for each 7,000 venues selling alcohol. The coalition started advocating against this unfair practice and mobilized public opinion. As a result, the administration opened two more registration desks for licensing, for a total of five registration desks.

Another problem the coalition faced before the start of CIPE-funded activities was with trade. In 2003, local authorities decided not to allow businesses from other regions to trade on the territory of Nizhniy Novgorod. This action was at first supported by small businesses; however, they later discovered that barring traders from other regions into Nizhniy Novgorod only hurt their business. While there was significant economic growth in other regions, this restriction on renting land for business crippled economic progress in Nizhniy Novgorod. The business community realized that restrictions on permits for land hurt the economy and it began a campaign to attract public attention to this issue through the media.

A third issue addressed by the coalition was the tax process, which had grown to be incredibly complicated and burdensome for small business. A small business that employs 5 to 15 people pays up to 50,000 rubles, on average, to file taxes. The business has to hire an accountant, provide the accountant with an office and equipment, and then involve many other people besides the accountant to amass the extensive number of documents that must be filed. As a result, the cost of filing taxes is sometimes equal to the amount of tax being paid. The cumbersome process hurts businesses financially.

The municipal administration of the regional capital decided to eliminate temporary trade premises where small traders had shops. This unexpected action upon the small trade owners would have led to the abolishment of 2,500 pavilions, leaving traders on the streets without a place to sell their wares. The coalition advocated to abolish the decree of the city administration on the elimination of temporary trade premises and pushed for the formation of a committee to consist of local authorities and business representatives. The case attracted significant media coverage. As a result, of the 2,500 pavilions slated to be abolished, 667 pavilions have been allowed to stay until

2010. Furthermore, the process of leveling pavilions has slowed. While the authorities have taken no recent actions, they have found a legal way to push businesses from the premises – once the lease agreement ends, it is not renewed, thus forcing a business to leave.

Entrepreneurs often face a negative public perception. Particularly for street-food vendors, this association can be harmful, as some entrepreneurs sell snacks that have not been made under sanitary conditions and can carry illnesses. To improve the image of business and maintain the public's trust, the Nizhniy Novgorod coalition initiated creation of a business association that assumed responsibility for helping street-food vending small businesses comply with hygiene and health protection standards. This effort was in response to the issuance of a decree by the city administration to close all street-catering points due to an outbreak of Hepatitis A. The administration issued permissions to those businesses that joined the self-regulating organization and that complied with its requirements and standards. This initiative helped to settle a conflict between businesses and authorities.

More generally, the region faces problems with inspections, as is a concern all over Russia – especially those from fire marshals and the Consumer Protection Agency. Members of the Nizhniy Novgorod coalition feel that inspections are an even bigger problem than other types of corruption in Russia. A representative of the Nizhniy Novgorod Coalition, Mr. Nosov, approached Dina Krylova of OPORA to suggest initiating a campaign to reduce inspections on the federal level.

The other issue is that the role of business associations is getting weaker. It seems that authorities are starting to play a bigger role and have strengthened their positions. Government officials also prefer to work with larger scale businesses (such as chain stores). These developments appear to be related to inactivity by and lack of financing for business associations. In the past, when business associations in Russia obtained financing through grants and other means, they were more active than they are now in representing the business community's interests. Now, with no financing and no strong membership base, business associations have been weakened.

More positively, the coalition has not faced problems with access to information. In fact, every local authority has a website with information on the function of the agency and the name of

and contact information for officials if help is needed. When asked if there were cases when authorities blocked information on purpose, Mr. Nosov said that he had not faced this situation and doubts that it happens.

Also, limited access to financial resources is becoming less of a problem for the region's business owners. Banks are becoming more flexible than previously in giving credit; as a result, many programs led by Western NGOs to disburse funds to support small businesses have been closed because banks are making credit easier to secure. It is clearly easier to obtain financing to open a small business today than it was previously. Today, the public sympathizes with entrepreneurs in a shift from its previously negative perception of small business owners. The public is starting to understand that, like everyone else, entrepreneurs are just trying to make a living.

#### *Kirov Coalition*

In May 2006, the business community became part of a public-private dialogue when its representatives received an invitation to attend local parliament hearings. Before this new form of public-private dialogue, the Kirov Chamber of Commerce coordinated dialogue between business representatives and government officials via roundtables, but these hearings in the form of open dialogue provided a new way for businesses to communicate with government officials. The topic of the first hearing was on administrative barriers and how to eliminate them. Subsequent to the first event, there have been four more hearings that presented topics affecting the business community.

A new opportunity for improved dialogue between the business community and the government emerged with the appointment of the new head of the tax inspection service. The new head signed a formal agreement with the business community to secure public-private cooperation.

The Kirov coalition advocated for protection of small businesses that are unable to compete with big companies in the privatization of municipal property. Rapid increases in rental costs occurred after buildings were privatized, and small entrepreneurs were being forced out of business. As a result, on June 27, 2007 the Kirov City Duma decided not to privatize municipal property being leased by small businesses.

### *Rostov Coalition*

As with all coalitions working with CIPE, the Rostov Coalition faced administrative barriers to entrepreneurial activities and entrepreneurs lacked the knowledge to deal effectively with these issues. The Rostov Coalition established hotlines and provided consultations for the entrepreneurs. Based on complaints gathered from entrepreneurs calling the hotline, the coalition analyzed the kind of administrative barriers faced by entrepreneurs, and identified the agencies that posed problems for business development. Based on the reporting of violations by government agencies, the coalition assisted entrepreneurs with filing appeal documents on the discovery of violations. The coalition also organized seminars for entrepreneurs in order to raise awareness and provide access to information on their rights and duties and on how to file required business documents. As a result, entrepreneurs gained knowledge in organizational capacities in responding to unlawful inspections.

The Rostov Coalition advocated for simplified procedures to transfer residential spaces into non-residential premises for business activity and for obtaining construction permits. In the fall of 2006, a single-window principle for these procedures was introduced in the city of Shakhty, in the Rostov region.

### *Sakha Coalition*

Due to the remote geographical location and the specificity of the Sakha region, the Sakha Coalition faces many obstacles in its work. This coalition is also the smallest CIPE grant recipient.

The coalition advocates for adopting a way by which pensions can be paid to members of credit cooperatives through the cooperatives. Legally, pensioners can put their savings into a credit cooperative or in any bank they choose. However, the law on credit cooperatives is incomplete in describing this process. Moreover, credit cooperatives are taxed as commercial organizations, although they are registered as civic organizations. In the fall of 2005, the coalition joined efforts with credit cooperatives of the Primorskiy region and developed recommendations for the related federal legislation. They also filed a court case, but lost twice. Nonetheless, the Sakha Coalition is staying positive and is committed to legislative change, knowing that it has raised awareness of the issues.

The coalition also advocates for addressing bribes associated with the transference of residential spaces (apartment buildings) into offices. The administrative cost to convert an apartment into an office is usually around 300,000 rubles, including all required paperwork. Not everyone can afford to pay this amount of money. Open corruption, such as officials asking entrepreneurs to pay 25,000 rubles to them personally to “forget about 300,000 rubles” is flourishing as a result. The behavior of staff in the mayor’s office was unacceptable towards the entrepreneurs; as a result, the coalition launched a campaign to attract media attention to the issue, writing articles in both the Yakut and Russian languages. The coalition also organized a conference to focus public attention on the problem; with the issue out in the open, a group of managers in the mayor’s office were arrested. Although there are still problems in this area, this important action strengthened the coalition. New organizations are joining the coalition, and the group has established contacts with the Ministry of Entrepreneurship.

#### *Smolensk Coalition*

When it was formed, the Smolensk Coalition had to create new approaches to advocate for entrepreneurs’ rights. The toughest task was to reach out to business associations located in central and remote locales and consolidate their efforts. The coalition began by convening roundtables for the business associations to discuss their work plans. Next, it sought to promote a dialogue with the authorities to find common ground. As a result of these work efforts, authorities invited the coalition to make recommendations and serve as a voice for business community concerns.

The coalition advocated for a simplified tax system for individual businesses without hired employees. This led to the adoption of a regional law to introduce a simplified license-based taxation system, by which micro-entrepreneurs purchase short-term business licenses in lieu of paying more complex business taxes. The law went into effect on January 1, 2007.

The coalition advocated for SME access to the rental of municipal property in Smolensk City on a transparent competitive basis. The coalition developed amendments to local regulations and forwarded them to the Smolensk City Administration. Consensus was achieved, and the city assembly created a commission to look into this issue.

The coalition also advocated for improved regulation of gambling activities in the region. Ineffective regulation of gambling had led to an increased crime rate, affected the behavior of youth, and contributed to the unfavorable image of entrepreneurs. Based on coalition recommendations, the Smolensk Regional Duma adopted a law, “On Placement of Gambling Businesses in the Smolensk Region,” in April 2006. The legislation prohibited the location of gambling businesses in apartment buildings, as well as retail trade, market, public catering, public service establishments, and public transport stops. Also prohibited was placement of gambling concerns at railway stations, culture, healthcare, sport, and physical culture establishments, and not closer than 200 meters to educational institutions.

The coalition advocated vigorously, gaining public sector support for small business development. A new program, “Development and Support of Small Enterprise in Smolensk 2007,” finally received the support of the authorities, and the program was able to receive funding for the development of small enterprise. The coalition improved access to these resources and information for entrepreneurs.

#### *Saratov Coalition*

The Saratov coalition advocated for enforcement of anti-monopoly legislation governing private minibuses routes, a popular mode of local transportation. The local office of the Antimonopoly Ministry declared that a local decree supporting monopolist practices was invalid, thereby leading to a transparent and competitive bidding process for operators seeking license for transit routes.

In 2007, the Saratov coalition led a campaign against the adoption of low-quality laws that could promote corruption and contradict federal legislation. On May 31, 2007, the Regional Prosecutor issued an order creating an Advisory Board for fighting corruption that included coalition leaders. The coalition coordinator, Saratov CCI, was assigned to execute expert examination of laws and regulations. Recently, the coalition was directed to examine two statutory acts: “On Procedures for Allocation of Land in Saratov City” and “On a Target Municipal Program of Affordable Housing in Balakovo Town.”

### *North Ossetia Coalition*

Representatives of the business community in North Ossetia are now able to clearly state their goals and coalition objectives. Their next step is to consolidate the business community and represent its interests in the regional government.

## **Conclusion and Update from Round I Coalitions**

This study showed that coalitions have been successful in advocating changes in their regions. Considering the corrupt climate in which they work, they have done a good job in educating entrepreneurs and bringing together business communities in their regions. Coalitions found innovative ways of building dialogue with local governments, thereby making the work more productive. It is important to continue working with Russian coalitions through projects that improve the business climate, create transparency, and fight corruption in the country. Although it is slow, the process has started and is moving along. Further support is needed for these coalitions to achieve more successes as well as to see a long-term impact from their efforts.