



SUCCESS STORIES

USAID Enterprise Development Project
USAID Trade Facilitation and Investment Project



- ◆ **Kazakhstan**
Real Estate Company Builds Outstanding Results
- ◆ **Kyrgyzstan**
Open drafting Procedures Increase Opportunities
- ◆ **Tajikistan**
EDP Treats Financial Health of Tajik Medical Clinic
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Exploratory Trade Trip to Afghanistan Yields \$175,000 Deal for Turkmenistan
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Uzbek Designer Boutique Fashions Stylish Sales Figures

March 2005



Implemented by the **Pragma Corporation**

Welcome to the March 2005 Success Stories of the USAID-funded Enterprise Development Project (EDP) and Trade Facilitation and Investment (TFI) Project, implemented in Central Asia by the Pragma Corporation.

Since we last published a collection of success stories in December 2004, both projects have continued to make steady progress in the area of small and medium enterprise development by working through EDP with specific business clients and by creating a better legal and regulatory environment for businesses through TFI.

The stories in this booklet illustrate specific quantitative results that our clients can expect from both projects, whether it is an increase in sales, job creation, resolution of a specific customs issue or finding new customers and markets.

We hope you will find this publication informative and inspiring, and we look forward to delivering more and greater successes in the months to come.

Sincerely,

*The management and staff of:
The Enterprise Development Project and
The Trade and Investment Project*

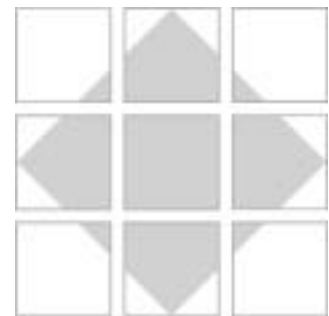


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PAVLODAR CLIENT GETS “FRUTTI”

A Kazakhstani soft drink producer, Limonadnaya, sought to expand their product line, and thereby increase sales, by marketing a yoghurt drink. The company worked with EDP staff to pinpoint potential obstacles to launching the new beverage, to further develop a marketing strategy for their current and new product lines, and to secure the necessary equipment to accommodate yoghurt production.

Limonadnaya in Pavlodar, Kazakhstan began working with EDP in January 2004 because they wanted to increase sales by expanding their beverage product line into yoghurt drinks. They were producing a full range of flavored soft drinks, but thought that yoghurt drinks represented a good opportunity to fully utilize the capacity in their bottling production line. Murat Nurpeisov, EDP Relationship Manager, worked with Eugene Kirichenko, owner of Limonadnaya, on developing a Strategic Action Plan (SAP) to prepare the company for the launch of the new beverage line.

Through the SAP process, Mr. Nurpeisov and Mr. Kirichenko were able to identify obstacles that could inhibit the successful launch of their yoghurt beverages. In order to increase the odds of a successful launch, the company needed to restart the planning process from the beginning. They had to implement a structured marketing plan into their company and focus on research for their new beverages. Limonadnaya had done no research on the development of the new beverages; customer preference questions still remained unanswered. There was no information about possible customers, their taste and preferences, dietary content requirements and other information needed to increase the odds of a successful product line. Mr. Nurpeisov recommended that Mr. Kirichenko work with Alex Marchenko, MPS, to develop a strategic marketing plan for the company as a whole and the new yoghurt beverages.

Mr. Marchenko worked with Mr. Kirichenko to identify his company's strengths and weaknesses and develop a marketing strategy for their current and new product lines. Strategies included conducting marketing research through

taste testing, unifying their products under the “Frutti” brand, and redesigning packaging. Mr. Kirichenko put his strategic plan into action, began marketing activities for his products, and conducted research for his new yoghurt beverages. Through this he was able to identify market preferences for tastes and also identify the most positively received packaging, pricing, and promotion campaign for his entire product line.

After completing and implementing marketing research for its new beverages, Limonadnaya was ready to make the investment to upgrade their production line to accommodate yoghurt production. They needed to purchase yogurt drink making equipment and were able to use EDP's Regional Trade Promotion services to identify a supplier. They purchased \$47,000 worth of equipment and following installation began yoghurt drink production.



Limonadnaya has seen many positive results by working with EDP. After working with EDP's relationship manager, Murat Nurpeisov and MPS, Alex Marchenko, Limonadnaya has thought strategically about marketing and the “Frutti” yoghurt drinks have been able to meet consumers' tastes. The cumulative effect of all EDP efforts has resulted in a 100% increase of sales over the 2004 calendar year and an increase in productivity of 25% during the same period.



SALES HIT THE ROOF FOR ATYRAU BUSINESS

A manufacturer of roofing products, PSF Krovlya, collaborated with EDP to improve its sales and productivity. After working with EDP to identify the causes of its low sales levels and difficulty in meeting the demand for high-quality roofing products, Krovlya succeeded in using available working capital more effectively, developing a marketing plan, identifying a reliable supplier of high-quality raw materials, and implementing principles of quality management. Consequently, Krovlya experienced a 250% increase in sales and a 190% increase in productivity.

PSF Krovlya's founder and director, Makhmud Ramazanov, opened his Atyrau-based company in 2002. He focused the company on roofing products, specifically ventilation systems. In March of 2004, Mr. Ramazanov began working with EDP Relationship Manager Askar Kantarbayev to make steps in improving his business. Through the Strategic Action Plan (SAP) process it was determined that Krovlya would focus its efforts on expanding of production capacity, increasing productivity and developing a sound marketing strategy. The combined package of assistance has seen the company increase sales by nearly 200%.

The SAP process also brought to the attention of management several obstacles that stood in Krovlya's way. Low levels of sales and working capital had made it impossible to maintain Krovlya's production facility and building. Therefore, the company was unable to manufacture the high-quality products that customers were seeking. Krovlya also had high employee turnover that further led to low quality output and low productivity. Additionally, their raw material supplier was unreliable and often did not hold enough inventory to supply Krovlya with the raw materials that it needed to fulfill customer orders.

EDP worked with Mr. Ramazanov on addressing these issues so that Krovlya could make positive changes in his business. EDP recommended that Krovlya look for more effective usage of available working capital, develop a marketing plan, find a reliable supplier of high-quality raw materials, and start to implement principles of quality management to improve quality, increase productivity and reduce staff turnover.



As a result of successful implementation of actions proposed, Krovlya found a supplier of raw materials, developed job descriptions and mapped out their production processes. All of the changes helped significantly to use available facilities more efficiently and reduce staff turnover because of better working conditions.

Additionally, MPS Alexander Marchenko worked with the company to create a marketing plan that included trainings for their marketing employees.

Over the time period of March to October 2004, Krovlya saw many benefits from the successful implementation of the proposed recommendations. They saw a 250% increase in sales and a 190% increase in productivity. These effects resulted in the company obtaining enough funds for improvement and expansion of their manufacturing capabilities. Currently, they have concluded deals with several foreign suppliers for the sale of foreign ventilation systems.

"Cooperation with EDP is always useful for us," commented Makhmud Ramazanov, director of PSF Krovlya. "We are always eager to learn."



REAL ESTATE COMPANY BUILDS OUTSTANDING RESULTS

Almaty-based Umex Realty is a leader in commercial and residential real estate leasing in Kazakhstan. They have a good reputation and are well-known by international businesses for offering high quality services. However, when EDP started working with Umex, it was apparent that there were several key business areas where EDP could assist the company in achieving a marked improvement in business performance. The partnership proved so successful that Umex enjoyed a remarkable 300% increase in sales and a 13% margin growth in just six months.

Initially referred to EDP by EBRD Advisory Services in May 2004, Umex began receiving consulting services from EDP's expert consultants across a number of disciplines. Senior Relationship Management (RM), Gulner Kuvina worked closely with the company managers to develop a series of strategic actions using the Strategic Action Plan (SAP) process and then formulated them into a one year action plan. Three ambitious objectives were identified: by the end of 2004 to increase sales by 100% year on year; to develop and ensure successful implementation of a pilot franchising project in Almaty and Astana; and to improve management, especially financial management, through budgeting and the use of key monitoring ratios (KMR's).

The main issues inhibiting an increase in sales were a limited commitment to marketing, poor customer service, and a lack of corporate sales techniques. Additionally, they lacked management experience, franchising knowledge, and an effective plan for producing and distributing an upcoming business publication.

Brainstorming sessions facilitated by Ms. Kuvina encouraged effective team work, and her skills resulted in Umex wanting to work with other EDP specialists. To learn how to measure performance using KMR analysis, the company was referred to EDP Financial Specialist Victoria Mamicheva. Ms. Mamicheva provided training on accounting data collection and on key monitoring ratio analysis. In addition EDP Marketing Specialist

Alexander Marchenko provided consulting in marketing and assisted the company in developing a marketing plan for their services and magazine, as well as recommending a new advertising policy.

To enhance customer service levels, Peter Gasca, EDP Finance Practice Leader reviewed existing feedback forms, introduced valuable changes and amendments, and developed recommendations on magazine promotion activity. Additionally, Ms. Kuvina cooperated with EDP training partner "Global Education" and arranged a joint training session on Customer Service Facilitation. Ms. Kuvina also advised Umex on corporate sales strategy and emphasized the importance of e-sales through the improvement of the company's web-site content and design.

To help expand the business, EDP was able to provide consulting on franchising best practices through an American franchising expert, Carl Sherman. Mr. Sherman worked with Umex's management on franchising systems and provided recommendations on how they could develop a franchise in Kazakhstan.

The results of this consulting package have been staggering. Sales increased by 314% over a six month period, gross margin on these sales went from 24% to 37%, the company's liquidity increased, accounts receivable turnover decreased from 80 to 37 days, working capital turnover was reduced from 69 to 36 days, and there was a four fold increase in productivity. The company now has a more effective credit policy, its assets are working faster and more effectively, and the entire management team is focused on the same objectives.

"EDP services were obviously very useful in the improvement of my practical managerial skills," stated A. Mukashev, Umex Realty's Managing Director. "In several months of our cooperation, I have learned a great deal and now I am proficient in areas of strategic management, marketing and sales, customer service and other practical aspects of business. Trainings and consultations of the EDP specialists gave me not only the knowledge, but also modern management tools and methods. We would also like to mention the good professional qualifications and high quality services rendered by Gulnur Kuvina. We evaluate her work as excellent."



From left to right: Gulnur Kuvina, EDP Senior RM. Peter Gasca, EDP Finance Practice Leader. A. Mukashev, Umex Realty Managing Director



ACHIEVING BREAKTHROUGH VIA LONG-TERM COOPERATION

A Kazakhstani company focusing on digital telecommunication infrastructure, Kazcomservice LLP, sought assistance from EDP to increase its production capacity and to acquire ISP-9000 certification to remain competitive. Collaboration resulted in the development of job descriptions, training of employees in Quality Management Systems, and the passing of the qualifying exam for Internal Auditor of Quality Management System.

Kazcomservice LLP was established in 1994 under the initiative of JV “Tengizchevroil” to build a digital telecommunication infrastructure in the Tengiz region. Now Kazcomservice has become a multibusiness company with the Head Office located in Kulsary and branches located in Atyrau, Aktobe, Mangyshlak, and Tengiz. The main activity of the Atyrau branch is the production of reinforced concrete.

The company needed to increase the capacity of production and obtain ISO-9000 certification to remain competitive. In March of 2004, Atyrau EDP Manager Kazbek Aubakirov and Kazcomservice began the Strategic Action Plan (SAP) process. Consequently, the company aimed its efforts towards enterprise improvement, including the development of job descriptions, training of employees and company preparation for ISO-9000 certification. After Mr. Aubakirov left EDP, work with the company was continued by the new EDP Manager, Askar Kantarbayev. Together with Atyrau Quality Advisor, Andrey Ostrovskiy, they have been able to provide the necessary resources to Kazcomservices’ management to assist in improving their business.

As a result of the company’s successful cooperation with the Atyrau EDP, job descriptions for the company’s employees have been written and two employees have been trained for development and implementation of Quality Management Systems and have successfully passed the



qualifying examination for Internal Auditor of Quality Management System. Most recently, the company has been preparing for a pre-certification audit.

“Our cooperation with EDP started in 2003,” said Director of the Atyrau branch of “Kazcomservice” LLP, Murat Zhardemovich Keikin. “So far a lot of improvements in our work have been made. We should finish what we started; we are looking forward to further cooperation with EDP.”



NEW PATTERNS INCREASE PROFITS FOR DEKO

Deko, a producer of industrial uniform and safety gear, began work with the Pavlodar Enterprise Development Center for the second time in October of 2004. EDP staff gave Deko recommendations on improving the sewing processes, thus cutting sewing time by an average of 25% and increasing monthly output by approximately 20%.

Deko LLP began working with Igor Marchenko, Pavlodar EDP manager in October of 2003. Strategies were put in place to help tackle several areas of their business. Over the first year of the plan, specialists in Marketing and finance were brought in to improve their business. These effects improved the company's outlook; however, there was still a need to attack production inefficiencies in their sewing process. Deko is a producer of uniform and safety gear for industrial firms and security agencies in the East Kazakhstan region. Though business had been sufficient and improved with the help of the specialists, they knew that they could further improve their sewing production line thus lowering costs and increasing profits for the company.

In October of 2004, EVA Eugene Zenov was brought to Pavlodar to work with Deko's management on their sewing production. Mr. Zenov worked with Lubov Michaelovna Vassileva, Deko's director, on production efficiencies and made recommendations for machinery upgrades. Mr. Zenov was able to identify two main areas of efficiency improvement: pattern layout and machinery.

Material costs are significant. Therefore, being able to decrease this was a solution that Deko could realize instantly. Recommendations given to the cutting department on pattern layout by Mr. Zenov resulted in the ability for Deko to make an additional 2 uniforms per roll of material. Additionally, Mr. Zenov gave recommendations on sewing processes that were able to cut sewing times by 25% on average and increase monthly output by approximately 20%.

Mr. Zenov also compiled a list of suggested machinery that would further assist Deko's business. Based on these technical specifications, Deko worked with RTP advisor Nikolay Lomakin to identify potential suppliers. Mr. Lomakin was able to make several contacts and started negotiations with a Japanese manufacturer for the required machinery. In December 2004, the machinery was purchased through the manufacturer's Russian dealer.

Implementations of what was recommended by the EVA resulted in the client's ability to further realize improvements in their business through the assistance of EDP. Deko's future has significantly improved and they continue to manufacture various high quality clothing products in Pavlodar.



TFI “INSURES” KAZAKH TRADE WITH RUSSIA

TFI, working collaboratively with the Customs Consultative Council of West Kazakhstan Oblast and the Customs Control Department of Western Kazakhstan Oblast, successfully lobbied the Russian Federation to lower the rates on compulsory auto insurance imposed on Kazakh cars and trucks entering the Russian Federation.

Kazakh imports into Russia occur primarily through land borders situated in the North of Kazakhstan. Often importers utilizing these land passages are individual businessmen or small enterprises who do not possess large cash reserves. As a result, the Russian government’s decision in January 2004 to impose mandatory transit insurance on Kazakh cars and trucks created almost immediate problems for Kazakh traders. The mandatory insurance rates of between \$90 and \$340 US dollars were prohibitively high for many traders who were unable to conclude deals or get their goods to foreign markets.

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Based on recommendations and impact analyses developed by TFI and the West Kazakhstan Oblast Consultative Council, the representatives of Russian Customs in Kazakhstan raised the issue within the Russian Duma, which subsequently issued decree No. 823 “On Making Changes to the Resolution of the Government of

the Russian Federation as of May 7, 2003 No. 264”. That decree, signed by Michael Fradkov, prime minister of the Russian Federation, reduces insurance rates for Kazakh drivers from between \$90 and \$340 to between \$35 and \$130, constituting a rate reduction of almost 60%.

The rate reduction is expected to save Kazakh drivers more than 10 million US dollars in 2005 and will further facilitate cross-border trade between Kazakhstan and Russia.





SUCCESS IN MANY FLAVORS

Zhivye Soki, a Bishkek-based producer of fresh juices, sought to maximize their market reach. EDP provided assistance to the company in developing a new sales strategy and furthering customer service skills. A 15% sales increase within six months reflects the success of the cooperation between the company and EDP.

Although the juice is 100% natural and delicious, the only negative aspect is that the shelf life is 12 hours. Concerned that the nature of their product meant that they couldn't sell over a wide geographical area or through retail outlets, Zhivye Soki started working with EDP to find a way to drive sales growth without compromising on product quality.

Working with Relationship Manager Meerbek Erdolatov and Marketing Practice Specialist Danagul Dikambaeva, the company actually improved product quality, extended the product line to 15 flavors, and identified new distribution channels.

The product certainly delivers on taste, so EDP recommended product sampling as a strong trial mechanic, as well as mobilizing the sales force to visit corporate customers and improving their sales skills. Zhivye Soki conducted an in-depth client survey to discover customer preferences. The results of the survey led to the successful extension of their product line and the introduction of citrus juices. In addition, they produced new product labels and updated the packaging.

Regarding sales and customer service skills, Zhivye Soki completed EDP's Customer Service consulting product, which has led to a more informed and attentive sales force, more capable of explaining product qualities to customers. The company has also introduced a commission-based remuneration system for the sales force, and within only one year of operations, they have created five additional jobs.

"After consulting EDP specialists we have a clear understanding that our company has to give priority to sales development," commented Director Alexander Zhidkov. "Following the recommendation of the relationship manager we are planning to appoint a sales manager for arranging and managing the system of selling the products, and to find distributors for selling juices in all residential districts. For the future we are planning to launch a pasteurized juice with a shelf life of one year. Now we are more confidently positioning ourselves in the market thanks to EDP."





EQUILIBRIUM – FINDING THE RIGHT BALANCE

Equilibrium LLC is an Osh training center, providing computer, language and accounting courses. Despite being a relatively young company, the training center, with an enthusiastic staff and the support of EDP, has developed a strong market niche and has gained recognition as the best educational center in southern Kyrgyzstan.

Equilibrium provides short-term courses in computer literacy, Russian and English languages, and 1C Accounting. The company was only established in October 2002, but due to the young and enthusiastic staff, and desire to constantly improve, Equilibrium has rapidly become established as a leader in educational services in Osh.

After attending a presentation at the Osh EDC in October 2004, Equilibrium recognized that they needed to focus on building an effective strategic plan to help them prosper in the competitive Osh training market.

In November 2004 Equilibrium developed a Strategic Action Plan with Nilufar Umaralieva – an Osh Relationship Manager. It was apparent that the company needed to clarify its target market in order to develop an effective marketing strategy. During the SAP brainstorming session the employees of the company concluded that they should focus their attention on two market segments: graduate students, especially those who have difficulties in finding employment, and unemployed adults.

Once their market had been identified, Nilufar suggested a set of actions that would focus on the needs of the selected target market. Before the SAP, the employees of Equilibrium didn't monitor the progress of students after they had completed a study course, but they added to their application form the requirement for contact telephone numbers for students, enabling the company to contact stu-

dents and monitor their progress in the employment market. The company then used this information to analyze the timeframe of their students finding employment after completing their course.

Another idea that Nilufar and the client developed was training on how to develop a good resume and cover letter and how to be successful in interviews. This job search skills training is offered for free to all students after the completion of the main courses and is conducted by the employees of the labor registry office. In addition, Equilibrium was advised to develop relations with leading local employers, to act as an employment channel for Equilibrium graduates.

All recommended actions were implemented by the company and have resulted in 30% of unemployed graduates finding work within one month of graduation.

In addition to the collaboration with Equilibrium on their training program, the Relationship Manager and Finance Practice Specialist analyzed two other businesses owned by the client: a DVD cinema theatre and a small printing center. The analysis concluded that these activities were not profitable, and the management made the decision to close them and use the funds to increase working capital for the training center.

In December 2004 Equilibrium received a major accolade as it was recognized as the best educational center in Osh in an Osh Oblast Administration business awards contest

Equilibrium is clearly building a strong reputation, as well as a body of qualified graduates. "I'm delighted I studied at Equilibrium," commented one former student, "It was a pleasure to come to classes conducted in a friendly and comfortable environment by highly professional teachers who always applied an individual approach."

It is not only the students who are happy, Bakhtiyar Hadjaev, director of Equilibrium, summed up their corporation with EDP: "EDP showed us the right direction to go...we are now confident in our future."





ASSOCIATION OF ONION GROWERS BENEFITS FROM EDP EXPERTISE

EDP's efforts to facilitate the creation of an onion storage complex in the south of the Kyrgyzstan has resulted in increased membership in an association of onion growers, increased land area devoted to onion crops, and a promising long-term investment for a local entrepreneur.

Members of Altyn Piyaz Association of Onion Growers and EDP client PE Klara Primova have created the first specialized onion storage complex with a capacity of 1000 onions and built in the south of Kyrgyzstan with the help of the EDP Pilot Productive Projects program (PPP). Increase of membership is not the only successful achievement of this PPP. To date farmers have already supplied 164 tons of onions for storage and the members' land area used for onion growing has increased to 40 ha compared to 25 ha last year.

The PPP program was developed in order "to plug the holes in supply chains". This program provides grants to associations in order to establish a facility and lease/rent it to an entrepreneur.

The key problem this particular PPP for onion growers focuses on is the situation when onions are stored without temperature or humidity control. In such conditions onions can last only until the beginning of April and therefore do not command premium prices. In the south of Kyrgyzstan there is no ventilated storage, where fans blow cool air at night into the warehouse during the warm-weather periods, which increases the onions shelf life. Therefore, onions must be sold by the beginning of April, whereas with ventilated storage, the shelf life can be extended until the end of May.

In response to this issue, the PPP allowed for the installation of ventilated storage facilities at a storage complex with sufficient capacity to store 1000 tons of onions. It improves storage conditions and thus income from onion sales for farmers, improves onion cultivation practices (members of the association get advice on improved varieties, precision seeding, transplanting, correct fertilization, etc.), and provides members with marketing (deal-making) services to sell their onions. Other farmers who are not members of the association may also receive technical consulting and marketing services, but for an additional price. As for the economic effect, implementation of the project will lead to increased net income to members of over



\$12,000/year from sale of stored onions. The private entrepreneur Klara Primova, who is an EDP client, invested 20% of the total project budget; in return she received a great opportunity to lease the onion storage from the association and receive profits from providing storage services to association members and all other farmers willing to store their product in good conditions. It is a long-term investment: in about 10 years Ms. Primova will own the storage complex. The monthly lease fee that she pays to the association is used to provide training and consulting services to members, and to introduce new onion varieties.

The Association and the entrepreneurs received all the benefits from their mutual cooperation as well as from partnership with EDP Association Development and Enterprise Improvement Components. Both have developed Strategic Action Plans and are actively working on implementation. The PPP program gave them a unique opportunity to become more financially sustainable while EDP consulting served as a tool to rational allocation of money earned. PPPs provide a unique chance for entrepreneurs to make their supply chains work more efficiently and as a result create more value added products.



BORDER REFORM MAKES LIFE EASIER IN KYRGYZ REPUBLIC

Life recently became easier for people transporting goods between Uzbekistan and Kyrgyzstan. An illegal road checkpoint near Kyrgyz-Uzbek border was recently eliminated with help from TFI staff.

As of January 2005, life became easier for people transporting goods in an agrarian region of Kyrgyzstan. Previously, in the small kyrgyz village of Kyzyl-Kyshtak, which borders Uzbekistan, vehicle inspections and excess fees were especially cumbersome while many people tried to sustain themselves through small-scale farming and produce sales. Thanks to the work of USAID's TFI Project and local counterparts, a village road checkpoint was eliminated.

Prior to the change, the village government of Kyzyl-Kyshtak had established a road post near the Kyrgyz-Uzbek border, stopping every motor and animal-drawn vehicle and extracting 10-20 soms from each. However, according to Kyrgyz law, checkpoints can only be established by the Kyrgyz Government. The Council's actions hampered trade and caused frustration for people from both sides of the border. Local residents noted that approximately 100-120 vehicles travel through the checkpoint daily.

With TFI Project's support, the Osh Oblast Prosecutor's Office lodged a grievance with the village recommending the post be eliminated. As a result, the village removed the checkpoint.



Typical traffic on the road

Although frequent attempts are made to justify additional checkpoints, in practice, these points only serve to delay travelers, extract rents, and add unnecessary costs to trade. The elimination of the checkpoint at Kyzyl-Kyshtak will reduce opportunities for collection of unofficial payments and other nuisance fees drivers often pay to continue their trips.





MORE TRANSPARENT PROCEDURES REDUCE SURPRISE INSPECTIONS

With the assistance of USAID's TFI Project and private-sector partners, Kyrgyz Customs has adopted a new regulation which significantly limits the ability of Customs to conduct inspections of businesses.

Visits by inspectors are one of the most intrusive and burdensome mechanisms of state interference in business activities. Not only are businesses presumed guilty of infractions, but the power to inspect businesses and impair operations is a leading factor in corruption and control over business activities by the state.

Previously, all businesses engaging in trade in the Kyrgyz Republic were subject to inspections "after-the-fact" by the Post-Entry Control Department of the Customs Service, even after undergoing extensive checks during customs clearance in the course of the original transaction. The inspections were so pervasive that over \$2,000,000 in official fines and fees were collected in 2003 alone. The procedures and requirements for these inspections were poorly defined and businesses were not aware of their rights and obligations, or in fact the legality of the procedures themselves.

With the assistance of USAID's TFI Project and private-sector partners, Kyrgyz Customs has adopted a new regulation which significantly limits the ability of Customs to conduct inspections of businesses. Now, unless a business has benefited from expedited procedures during initial

clearance of goods, business inspections "after-the-fact" are prohibited.

Artur Alapaev, director of the John Ashworth Audit Company, had this to say about the new regulation: "The Post-Entry Control Instruction gives businesses information with respect to the types of documents subject to verification and makes the procedure of verification by the Post-Entry Control Department predictable."

Ms. Natasha Shirshova of Customs Cargo Service Broker Company was also supportive of the changes, saying, "This Instruction stipulates the application of the simplified procedure to fair businesses as prescribed in the new Customs Code. It improves the compliance of businesses with the new customs legislation."

Whether through simplified procedures at clearance or the elimination of after-the-fact inspections, all businesses conducting import-export operations will benefit from the new regulation. Concerns about day-to-day Customs intrusion into business activities have been significantly lessened and businesses are freer to engage in trade without subjecting themselves to unexpected and arbitrary inspections.



A representative of the Customs post-entry control department reviews documents with a local business person



OPEN DRAFTING PROCEDURES INCREASE OPPORTUNITIES

Based on recommendations made by the USAID TFI Project, as of February 2005 Jalal-Abad Oblast, Bishkek, and Jayil Rayon have new methods of drafting and adopting regulations. The new procedures require mandatory publication of draft regulations and a 60-day period for public comment, increasing citizens' access to the regulatory process and expanding opportunities to advocate issues of concern.

Across the CIS, the process for drafting and adopting regulations is almost always non-transparent and void of public involvement. As a result, regulations rarely take into consideration concerns of the private sector or public input. Regulations frequently are contradictory and not published, leading to disenfranchisement, corruption and an ineffectual regulation system.

On the basis of the model successfully adopted in Osh Oblast with the assistance of USAID TFI, other regions of the country are moving similarly to require publication of drafts and periods of time for comments by citizens before drafts come into force.

According to Mr. Duishon Mamasaliev, executive director of JSC Nur, "The new regulations will improve legal drafting procedures with businesses' involvement. I believe that adoption of such normative acts prepared with the



Governor of Jalal-Abad at the seminar held for representatives from the government and private sector from Jalal-Abad and Osh to discuss the legal drafting procedures and new opportunities for advocacy

participation of entrepreneurs will reduce bureaucratic pressure on businesses."

Publication of and open comment on laws promote greater transparency and allow the private sector to hold the government accountable. The requirements will promote dialogue between government and the private sector and will provide associations, advocates and prosecutors more opportunities to challenge burdensome and illegal regulations.

Jamashev Zulumber, chairman of the Public Union Yuradil, was also enthusiastic about the changes, saying, "The activity of our Union is aimed at human rights protection. Sometimes local normative acts affect civil rights, including entrepreneurs being incompliant with the national legislation and Constitution. The new Regulation gives an opportunity to the population to take part in the drafting stage of a normative regulating act and to comment on it. We should become active and participate enthusiastically in new legal drafting procedures."

Full implementation of these procedures will require continued consultation and demand from the private sector. However, the formalization of these procedures represents a fundamental change in the way government interacts with citizens, providing an opening for the private sector to become involved in the regulatory process and to advocate for their interests before regulations come into effect.

According to Mr. Duishon Mamasaliev, executive director of JSC Nur, "The new regulation will improve legal drafting procedures with businesses' involvement. I believe that adoption of such normative acts prepared with the participation of entrepreneurs will reduce bureaucratic pressure on businesses."



TAJIK HOSIERY MANUFACTURER SOCKS IT TO THE COMPETITION

JSC Nafisa, the biggest hosiery manufacturing company in Tajikistan, was experiencing a decreasing demand for their socks due to low product quality, weak marketing, and increased competition from imports. To address these problems, EDP consultants worked with the company to improve the quality of their yarn and dyes, to effectively promote its products, and to reduce production costs. Results have been dramatic with a 250% sales increase in just 8 months, and a doubling of their domestic market share.

The EDP started their association with JSC Nafisa, the biggest hosiery manufacturing company in Tajikistan, in January 2004 when Relationship Manager Rahmat Khakulov initiated the development of a Strategic Action Plan (SAP) highlighting the key issues facing the company.

In addition to the SAP, the management of Nafisa was invited to prepare a Marketing Workbook with EDP Marketing Specialist Daler Jumaev. In conjunction with marketing consulting services was the assistance of EVA Charles Christiansen who participated in follow-up meetings with Daler, and Nafisa's management. They met with the distributors of Nafisa who insisted that people would not pay more for socks and the only thing important was price. The team then visited local shops where Nafisa's products are sold. The shopkeepers informed them that customers were paying much more for imported socks and were not buying Nafisa socks because of the poor quality.



EDP consultants recommended to Nafisa to produce a higher quality of sock. They also recommended using new distributors and creating a separate brand for these socks. By analyzing competitors' products, they determined that they could sell a higher quality product for 2 Somoni. This was twice their current price, yet still significantly lower than the imported socks.

Since implementing many of EDP's recommendations, Nafisa has introduced a higher quality socks and increased the number of retail outlets selling their products. Sales have increased 250% and their domestic market share has increased from 10% to 20%. Over the last 8 months of cooperation with EDP, Nafisa has increased its gross margins from 8% into 15%. Nafisa managed to reach these goals ten months ahead of schedule.



DUSHANBE EDC HELPS NEWLY FORMED ISP FIND NICHE

In June of last year, the newly formed Internet Service Provider, MKF Networks, developed a Strategic Action Plan (SAP) with help from EDP. Since that time, MKF sales have increased from \$5000 to \$11,600 per month. While expanding its workforce from 9 employees to 19, MKF has been able to increase productivity per employee by 40%.

There are many opportunities and challenges in the rapidly expanding Internet Service Provider (ISP) market in Dushanbe. These challenges presented an opportunity for Dushanbe EDP Manager Rahmat Khakulov to assist the newly formed ISP MKF Networks as they developed their Strategic Action Plan (SAP) this past June. During the SAP process, Rahmat identified marketing and human resource issues that MKF would need to address in order to compete in the ISP market. Following completion of the SAP, the young and energetic team at MKF immediately began implementation.

To expand the client base, EDP consultants advised MKF to hire 2 additional salesmen. This effort included setting specific qualifications and job descriptions for the new employees. In addition to the hiring of additional salesmen, Rahmat researched the competition in the local market and advised MKF on a new pricing strategy. Although there are many competitors in the local market, most have similar pricing schemes. MKF has since differentiated itself by offering customers a variety of pricing options that are not offered by competitors.

In addition to creating a new pricing strategy, Rahmat helped MKF develop a strategy to expand operations to outlying areas of Tajikistan where there is currently no



access to the Internet. This strategy has successfully been implemented and MKF is now the exclusive internet service provider to the Garm region.

Since the completion of the SAP, MKF sales have increased from \$5000 to \$11,600 per month. While expanding its workforce from 9 employees to 19, MKF has been able to increase productivity per employee by 40%. As MKF grows, Rahmat continues to follow-up and revise the SAP.



EDP FACILITATES TAJIK ALUMINUM WIRE EXPORT TO AFGHANISTAN

Afghanistan has been undergoing significant reconstruction in the past few years. With this reconstruction, there is a great need for materials like wood, metal, and concrete. Tajik firms, however, have not been benefiting from the demand for construction materials in Afghanistan. This is beginning to change with the EDP facilitated export of 194.5 metric tons of Tajik aluminum cable to Mazari-Sharif, Afghanistan.

In April and August 2004, EDP Afghan Trade Coordinator Khushvakht Rakhmikhudoev met with representatives from Muhammad Salim Trading Company in Kunduz and Mazari-Sharif, Afghanistan. Since Mr. Salim was very interested in trading opportunities with Central Asia, Khushvakht presented him with information on numerous products from Central Asia that could effectively compete in the Afghan market. Mr. Salim expressed interest in importing many products including Uzbek flour, Turkmen tomato paste and Tajik aluminum cable. In January 2005 the EDP facilitated its first trade deal with Muhammad Salim LTD with the export of 194.6 metric tons of non-insulated wires for aerial power transmission lines valued at USD 303,555.

In December of 2004, Mr. Salim contacted EDP Trade Advisor Pulod Amirbekov. Pulod then contacted the Tajik firm Alimardon LTD, which is the trading agent for JSC TojCable. Pulod helped the company prepare the commercial offer for three types of wire* to be delivered to the Heraton station in Afghanistan. The contract was signed on January 27th and Muhammad Salim LTD representatives in

Mazari-Sharif received two trainloads of Tajik aluminum wire in February. Past trade deals between Tajik and Afghani firms have involved the transfer of Russian construction materials to Afghanistan. This trade deal is significant because it is the first EDP facilitated trade deal for Tajik construction materials exported to Afghanistan.

*Type 1 A-35mm²: 47tons/400kms; Type 2 A-50mm²: 38tons/285kms; Type 3 A-70mm²: 35.8tons/190kms





TAJIK CONSTRUCTION FIRM REPAIRS FINANCIAL HEALTH

Tamir, a construction company in Isfara, Tajikistan sought help from EDP in Khujand, Tamir. Consequently, it decreased its Working Capital Days by 90% and Day's Sales Outstanding by 77%. These improvements freed up the working capital needed to improve quality and win local tenders, resulting in new jobs, a sales increase, and productivity growth.

Struggling to maintain its status as a leading construction firm in the Sughd Oblst, Tamir turned to the Khujand EDP. Together with the company's management, Relationship Manager Kosimbek Abdurahimov completed the SAP in May 2004. During the strategic planning process Kosimbek realized that the firm's accounts receivable were very high in relation to its sales. The firm had been trying to maintain its sales through government contracts. The team searched for potential customer segments that would not only generate sales, but also some much needed cash. They identified large tenders by international projects as a highly promising customer segment.

However, the quality of their construction was not competitive, nor did they have sufficient working capital to undertake such projects. To address these issues Tamir implemented sales and collection policies and began purchasing higher quality raw materials. Although this initially caused a decrease in gross margins, it did not take long before the changes brought improvements to the company's product quality and financial health. Days Sales Outstanding and Working Capital Days decreased by 77% and 90%, respectively. Tamir was now ready to participate in international tenders and consequently won several large social infrastructure projects from the Asian Development Bank and the National Social Fund for Tajikistan (NSIFT). This led to a sales increase of 333% instead of their goal of 50%. The company was able to hire additional 15 workers while improving productivity rate by 166%.



Quality new construction from Tamir

By looking at all these achievements, Tamir's director, Huseinhuja Nuriddinov, feels confident that the firm is headed in the right direction. "Working with EDP has helped to make of company's vision an actual reality. In the nearest future we will not only be one of the leading construction companies in Soghd oblast, but also in Tajikistan."



EXPLORATORY TRADE TRIP TO AFGHANISTAN YIELDS \$175,000 DEAL FOR TURKMENISTAN

Local businessmen and TFI staff visited Afghanistan from August 1-8, 2004 to identify potential customers for locally produced Turkmen goods. The trip resulted in a US \$175,000 trade deal.

In order to expand trade facilitation services to Afghanistan, a trade delegation composed of Turkmenistan Country Director Kyle Gunther, RTP/TK Advisor Vladislav Erniyazov, local businessman Tachmurad Nabatov and EDP Afghan Trade Task Force Advisor Khushvakht Rakhmikhudoev visited Afghanistan on August 1-8, 2004. The primary goal of the business trip was to locate potential customers for locally produced Turkmen goods, such as juice, dry milk, drinking water, sugar, tomato paste, ketchup, cookies and other confectionary products.

During time spent in the city of Herat, the trade delegation participated in a series of meetings with the local Chamber of Commerce, discussing competitive advantages and opportunities for outside investors into the Herat region. In addition to such meetings, the trade delegation met and discussed potential trade with local businessmen operating in the fields of retail and wholesale trade, construction, oil and gas, textile and other sectors. In addition to the trade mission, EDP's trade advisor in

Turkmenistan, Vladislav Erniyazov, continued his search for Turkmen companies that could fulfill requests of Afghan consumers in and around Herat and other Afghan cities. Concurrently, Turkmen goods were distributed by Khushvakht Rakhmikhudoev to other businessmen in the Kabul and Mazar-I-Sharif areas.

These efforts by Mr. Erniyazov and Mr. Rakhmikhudoev paid off in early 2005, when local Turkmen entrepreneur Islam Merzayev registered with EDP's regional trade network and soon thereafter concluded a trade contract with an EDP-identified consumer in Kabul. Islam Merzayev, as a provider of a vast range of goods as construction and foodstuff within Turkmenistan, signed a contract with Mr. Hoji Moil, general director of Afghan "Bashir Navid" of Kabul on February 7, 2005. According to contract terms, Mr. Merzayev will provide 200 tons of tomato paste (22% and 28% pure paste) as well as nearly 20 tons lump sugar to the Afghan company, Bashir Navid, in late February 2005. The value of the deal is US \$175,000.



UZBEK DESIGNER BOUTIQUE FASHIONS STYLISH SALES FIGURES

Since opening for business four years ago, the clothing and accessories boutique Human House has established itself as one of the premier designer outlets in Uzbekistan and is now building a strong international reputation. With the help of EDP, they enjoyed a 113% sales increase in 2004.

Human House represents local Uzbek designers who produce prêt-a-porter clothing and this collaboration has been instrumental in establishing the Uzbek fashion industry. Their goal was to build the prestige of Uzbek fashion and to introduce their goods to the international market. Today, the gallery is well known both in Uzbekistan and internationally, with Human House having participated in the annual Russian Fashion Week in Moscow, Christmas Fairs, and other international shows. Recently Human House participated at the Import Shop Fair, held in Berlin in November 2004.

In its early days, Human House was the sole player in the Uzbek designer fashion market. However, as the market developed, several strong competitors emerged and began to steal market share. In order to maintain and strengthen its market position, the company turned to the USAID EDP.

Nigora Aikhodjaeva, relationship manager at the Tashkent EDP assisted the company in identifying the following strategic issues: lack of knowledge of marketing, accounting systems, forecasting, financial planning, exporting, and managing suppliers. To combat these issues, Mrs. Aikhodjaeva developed a Strategic Action Plan (SAP) to outline a growth strategy for the company. One of the most important strategies was to improve their marketing function. Jamil Maksudi, Uzbek EDP marketing specialist, devel-



oped a comprehensive marketing plan, which through mechanics such as a new loyalty program, has already resulted in a significant increase in their customer base.

As a result of the collaboration between Human House and the EDP specialists, 2004 sales grew by 113% and revenues by 126%. By making customer service a priority and working to keep a broad selection of fresh products, the gallery has been able to successfully expand its customer base.

"Craftsmen from different regions of Uzbekistan, producing unique goods, have great problems with sales," says Dina Malkova, Commercial Director of Human House. The products are usually sent to Tashkent to be sold through art galleries on a contractual basis. This process is time consuming and designers do not receive regular payments. To combat this issue, one of the main objectives of the Human House partnership with their designers is to provide adequate support and a stable income. To further this support for the industry, the gallery is planning to open a Human House design school where apprentices will learn to create exclusive designs in preparation for careers in both industrial design and custom tailoring.

Human House has succeeded in a difficult market. Sales have steadily increased, as has quality of merchandise. The company now has a solid reputation. And although when they first opened for business, nearly 90% of business was from foreigners, Uzbek interest has grown significantly, currently making up 40% of their client base.



TASHKENT FINANCE EXHIBITION TAKES SME MARKET BY STORM

The Second Financial Exhibition held in Tashkent and sponsored by EDP, the Uzbekistan Banking Association, and the Chamber of Commerce and Industry, attracted 2,000 participants and produced results likely to surpass \$1.3 million of disbursed credit.

On February 5, 2005, USAID's EDP, together with the Uzbekistan Banking Association and the Chamber of Commerce and Industry, held the Second Financial Exhibition at the Intercontinental Hotel. The event, designed to improve SMEs' access to capital, gathered 55 exhibitors, including banks, leasing companies, financial advisers and other intermediaries, to meet with entrepreneurs in individual consultations to discuss financing.

The event was a major success, doubling attendance figures from 2004. After the first financial exhibition, contacts established between the 1,000 participants and the exhibitors led to more than \$1.3 million of credit being disbursed. This year, with some 2,000 participants, it is expected that this figure will easily be surpassed, allowing even more SMEs to flourish and help drive the country's economic growth.

Mr. Ulugbek Rozukulou, head of the Analytical Department on External Issues, Mr. Shokhrukh Khakimov, deputy chairman of the Central Bank, and US Ambassador Jon Purnell opened the event, with the Ambassador speaking about the importance of a transparent and strong SME sector in Uzbekistan.

After the success of the Tashkent exhibition, additional finance exhibitions are scheduled to take place in Ferghana and Samarkand in February. It is hoped that these events will prove as fruitful to SMEs located outside of the capital as it has to those in and around Tashkent.



US Ambassador Jon Purnell delivers his opening speech.



EDP HELPS UZBEK CAR PART PRODUCER RAISE MARGINS BY 50%

With help from the Ferghana City EDP, a local car filter producer has increased their gross margins by 50%.

EDP assisted STA Plast, a plastic goods manufacturer in Ferghana, to identify production costs and to source more cost effective raw materials for its car filter products.

Sta Plast, which became a client in March of 2004, is a leading producer of plastic products in Uzbekistan. They produce a wide array of household products, but a full thirty percent of their sales come from car filters.

After developing a Strategic Action Plan, Relationship Manager Muminjon Isamiddinov aided Sta Plast in analyzing the costs involved in producing their line of car filters. The paper used in the filters was identified as a major cost, accounting for an average of 30% of the total product cost. With this knowledge, Muminjon suggested that Sta Plast

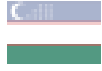
use the services of Trade Advisor Saidaziz Turdaliev to find a more inexpensive source of this key raw material.

After much searching, Saidaziz found a suitable supplier: Anping Zhenming Filter Equipment Co, located in Hebei province of China. It was one of the biggest suppliers and producers in China of raw materials for filter production. Sta Plast was then able to source other raw materials from Anping Zhenming more cheaply as well.

By using EDP consulting services, Sta Plast developed and executed a strategy that allowed them to identify product costs and source raw materials more cheaply. As a result, they have improved the gross margin on car filters by 50%.



A selection of Sta Plast car filters



UNDERGARMENT MANUFACTURER BLOWS SOCKS OF THE COMPETITION

Yulduzcha, a Kokand based undergarment clothing manufacturer has implemented an EDP assisted initiative to streamline its operations and boost sales. The actions have resulted in higher profitability and a tripling of sales in just two months, as Yulduzcha attempts to compete with the flood of Chinese imports in the market.

Yulduzcha has been a client of the Ferghana EDP since early 2004, the company produces 100% cotton socks and underwear for children aged 0-15 and socks for men. The company approached USAID EDP concerned about the growing competition from low quality black market Chinese goods that continue to flood Uzbekistan. As he went through the Strategic Action Planning Process with the company's management, Relationship Manager Saidaziz Turdaliev identified problems with sales, accounts receivables and mismanagement of resources and capacity.

Mr. Turdaliev helped the company formulate and implement a series of detailed strategies to help the company address these issues. Implementation began in April with changes to operations, debt collection procedures and product packaging. Additionally, EDP Marketing Specialist Jamil Maksudi was brought in to consult the management on developing an effective marketing strategy.

The results were impressive: A qualified person was hired as AR manager, helping lower accounts receivable by nearly 30%. The company's operations were streamlined,

increasing the gross margin from 24% to 38%, while simultaneously increasing the salaries of 14 employees. Finally a customer driven sales and distribution strategy was implemented that included visits to children's shops and bowling alleys in Tashkent (Bowling alleys provide a fresh pair of socks with every shoe rental), and developing private label business for retail shops. As a result the company increased its monthly sales from \$300 to \$1,000.

The practical strategies and assistance provided by USAID EDP has had an immediate and dramatic impact on the client's bottom line and made them more willing to implement EDP recommendations going forward.

Mr. Kitaev Valijon, manager of Yulduzcha says, "We expect that our sales will continue to increase in the future as we expand and deepen our relationships with shops and bowling clubs. We are improving our product quality and packaging as part of our strategy to beat the imported goods and greatly appreciate all the help USAID/EDP has given us."



RTP REOPENS TRADE CHANNELS FOR UZBEK FARMERS

Uzbek farmers in the Ferghana Valley have benefited from the extensive reach of EDP's Regional Trade Promotion service, with a deal to supply USD 200,000 of tomato paste to a Ukrainian buyer. In addition to this, the efforts of EDP's Ferghana Trade Specialist, will pay off with extensive interest being shown in Ferghana fruit and vegetables from a Russian buyer.

Over the past two years the Uzbek fruits and vegetables processing industry has seen a sharp decline in exports. During this period of time, the number of Uzbek canneries dropped to a third of their earlier levels. The decline was caused by several reasons: a devaluation of Uzbek currency versus USD, bad weather affecting the harvest, increasing costs, and a limited marketing effort to promote the products.

Ferghana RTP specialist, Saidaziz Turdaliev, analyzed the situation and developed a strategy to turn things around. After reviewing the data available he decided that promoting Uzbek produce in targeted markets where Uzbek goods would have a competitive advantage would be the best course of action. Saidaziz started by placing information on Uzbek processed fruits and vegetables on websites such as www.ukr.market. He also began to contact customers directly and explain the advantages of Uzbek produce.

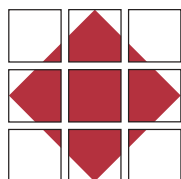
As a result of his actions, Ferghana based MS Food concluded a deal with Ukrainian firm PZH Antey to supply 500 tons of tomato paste valued at 200,000 USD. This deal benefits not only MS Foods, but also the local farmers who will supply the 3,500 tons of raw tomatoes required to produce the paste. Bringing together different parts of the value chain created a competitive advantage for Uzbek fruits and vegetables.

Saidaziz is now exploring opportunities for export to the Russian market. Novosibirsk located Sibirsky Privoz recently sent a representative to the Ferghana Valley to visit local processing plants. While there, the representative detailed which products will have the greatest demand and the quality requirements for the Russian market. In anticipation to a deal being reached, local canneries are now planning their production capacities accordingly for the year 2005.



- ◆ USAID Enterprise Development Project
- ◆ USAID Trade Facilitation and Investment Project

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