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PROSPECTS FOR LEASING IN RUSSIA EXPAND

by Igor Yegorov

The ability to offer cheap long-term financing of capital investment can be a key competitive advantage of U.S. leasing companies in Russia. This would also help the export of U.S.-made equipment. Imported equipment currently accounts for approximately 70 percent of leasing transactions in Russia. Statistical data shows that various industries, in particular printing, oil and gas, wood processing, telecommunications, medical, road maintenance, food and agricultural sectors represent a window of opportunity for U.S. leasing companies and manufacturers.

Russia's leading think tank on leasing, Garant-Invest Co., estimates the Russian market in 2000 at $1.4 billion. This figure is based on data from 93 leasing companies, which represent 65 percent of Russia's leasing market. A few different strategies are currently available to U.S. investors seeking to enter the Russian leasing market.

Overview of the Russian Leasing Industry

Garant-Invest estimated that 53.5 percent of new leasing deals in 2000 belonged to 20 leading companies. Among the 50 largest Russian leasing companies, 34 are in Moscow and five are in St. Petersburg. However, an indicator of positive developments in the leasing sector is the growing number of independent leasing companies. The trend toward expansion of leasing into new industries and regions is expected to continue in the coming years. Currently, leasing is underdeveloped in most Russian regions and only a couple of companies are active.

One reason that leasing volumes can be expected to grow is that the share of leasing in investment is only 4-5 percent in Russia, whereas in the United States and Western Europe leasing accounts for 30-80 percent of the total. Availability of financial resources is absolutely key to expansion of leasing, but strong educational and promotional activities are also required. Many Russian companies, especially small and medium-size ones, don't understand leasing and its implications for financial and tax planning, or the peculiarities of the leasing transaction and the specific demands of lessors and banks. For example, current legislation limits the ability of leasing firms to lease equipment whose location and maintenance they cannot control. Moreover, the inadequate long-term financial base of leasing companies and Russian banks forces them to cut terms of leases to 3-4 years. A high degree of professionalism on the part of a lessee's management is required to fully understand how to capitalize on leasing arrangements.

Small and medium-sized enterprises (SMEs) in Russia have huge potential for growth, but this segment is largely untapped by current leasing activity. Research has shown that SMEs are in particular need of the leasing mechanism to finance capital investment. Although leasing companies know this, they are hesitant to develop this market at the moment due to high risks associated with SME financing. However, margins are also much higher in this segment—around 10 percent versus 2.5-5 percent for large companies. Leasing companies claim that capitalization of profits and diversification of investments would in the future allow increasing riskier SME financing in their portfolio.

Prospects for International Leasing in Russia

The great number of leasing schemes in Russia can be attributed both to the inherent flexibility of a leasing

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U.S. TRADE MISSION TO KALININGRAD, RUSSIA

The U.S. Commercial Service in Russia, in cooperation with the Baltic Business Club and the Kaliningrad Chamber of Commerce and Industry, is organizing a Gold Key-Russia Explorer Program (GK-REP) to Kaliningrad, March 26–27, 2002. The trip will be led by Minister-Counselor for Commercial Affairs Stephan Wasylko and, possibly, the new Consul General in St. Petersburg. Participating representatives of U.S. firms as well as distributors of U.S. products will meet with senior officials from the city and regional governments and with top business executives to explore opportunities for U.S. exports and investment. The trip is designed to help U.S. firms gain exposure in Kaliningrad city and region and to uncover potential partnerships that can assist in the rest of Russia.

Why Kaliningrad?

Located on the Baltic Sea, between Poland and Lithuania, Kaliningrad is important for Russia's national economy and may be interesting as a point of entry or expansion in the Russian market. The region provides unique advantages to U.S. companies, whether new or veteran to the Russian market, due to its Special Economic Zone (SEZ) status.

Most goods imported to the SEZ are exempt from import customs duties and, similarly, goods imported to the SEZ, processed there with value added of at least 30 percent, and then shipped to other parts of Russia, are exempt from import duties and quotas. The region's key industries include the port, building materials, food processing, furniture production, pulp and paper, automotive, and telecommunications. The port of Kaliningrad provides direct access to sea routes and is itself a major consumer of a broad range of services and goods. American companies and other-country distributors of U.S. products located in Russia, the Baltic countries, Poland, Germany, and elsewhere in Europe may find it useful to participate in the two-day schedule of one-on-one meetings, a market briefing, and presentations on the SEZ and the port of Kaliningrad.

For additional information, contact Michael Richardson, Principal Commercial Officer, U.S. Consulate in St. Petersburg, at email: stpetersburg.office.box@mail.doc.gov.

For more information on Kaliningrad, visit BISNIS Online at www.bisnis.doc.gov/bisnis/country/nw.cfm.

U.S. MEATS STRONG COMPETITOR IN RUSSIAN MARKET

by Joan Morgan

Meat products (beef, pork, poultry) are the United States' most successful exports to Russia today. While U.S. food products in general have a reputation for quality in Russia, meat, and poultry in particular, has enjoyed a strong market there for the past 7 years. Nevertheless, exporters of these products to Russia face certain challenges such as certification, labeling, high import duties, and local competition.

The Numbers

During 2001, meat products were the United States' largest export to Russia, totaling $747 million, an increase of 34 percent over the same time period in 2000 ($559 million). Russia was the United States' third largest export market for meat products (Japan imported $2,515 million worth of meat products and Mexico—$1,203 million) in 2001.

U.S. Meat Exports to Russia; 2001 (in mlns$)

	1999	2000	2001
Meat (total)	125.1	530.5	746.5
Poultry meat, offal	110.2	325.2	656.5
Edible animal offal	10.0	28.4	40.4
Pork, fresh or frozen	1.5	79.5	39.8
Beef, frozen	2.9	85.9	4.9
Beef fresh/chilled	0.2	0.2	1.0

Source: U.S. Department of Commerce, Bureau of the Census

Poultry in particular has been the big winner for U.S. meat product exports to Russia. During 2001, poultry (mainly frozen chicken legs) exports to Russia totaled $657 million, making Russia the United States' largest export market for poultry. Moreover, 2001 sales were 87 percent higher than the same period in 2000 ($351 million).

As far as volume, according to the U.S. Department of Agriculture, exports of U.S. poultry to Russia topped 1.0 million metric tons in 2001, (compared to 687,000 tons in 2000) and account for two-thirds of Russia's total poultry imports.

In 2001, the Foot and Mouth Disease (FMD) ban on meat imports from the European Union (during March and April 2001) lead to increased poultry consumption in Russia. Moreover, as long as poultry remains more affordable for Russians than beef, poultry consumption is likely to continue to outpace beef consumption.

However the beef market in Russia is still solid, and some 20 percent of the total volume of red meat consumed in Russia is imported. Beef was the third largest U.S. meat product exported to Russia (combining frozen and fresh beef exports). During 2001, the United States exported $5 million worth of frozen beef to Russia, making it the ninth largest market for U.S. frozen beef. Fresh beef sales for the same period were $1 million, an increase of 363 percent over the 2000 figure.

As for the volume of beef going to Russia, according to Russia's Meat Union in November 2001, "by the end of 2001 approximately 400,000-500,000 tons of beef will be imported into Russia (90 percent from European Union countries). In 2000, Russia imported 281,000 tons."

U.S. pork exports to Russia totaled $40 million in 2001, down 51 percent from 2000 ($81 million). Frozen pork is mainly exported to Russian meat processors to make sausage, a favorite Russian food. U.S. meat exports of trimmings, offal, and picnics are also increasingly popular in the Russian market.

Certification, Labeling, and Tariff Issues

Exporters of U.S. meat products face a variety of regulations in Russia. All food products entering Russia require certificates from the Russian State Committee on Standards, Metrology, and Certification (GosStandart) showing the product meets all applicable Russian standards, and from the Russian State Committee of Sanitary and Epidemiological Surveillance (Gossanepidnadzor) showing that the product may be imported. In addition, all meat and meat products imported into Russia require veterinary certificates. The Russian veterinary requirements were worked out in cooperation with USDA's Food Safety and Inspection Service for imports of beef, pork, poultry, pork intestines, prepared meat products, and feed of animal origin.

Russian-language labeling using the Cyrillic alphabet is required by law for food products. Many manufacturers use stick-on Russian labels. U.S. firms should work closely with Russian importers of their products to meet all certification and labeling requirements. *For more information on requirements for food exports to Russia, visit www.fsis.usda.gov/index.htm.*

Duties on meat products remain high for Russia. Red meats and related products are subject to a duty of 15 percent. Duty on poultry meat is 25 percent, but this rate may increase in the near future. Interfax reported in January 2002 that the Russian Agriculture Ministry had requested an increase in the poultry meat import duty by 5 percent from the current 25 percent.

Russian Producers

The success of U.S. meat products in Russia can partially be attributed to the current state of the Russian meat industry. Although the ban on some European meat exports to Russia stimulated demand for domestic production of beef, the Russian beef sector continues to suffer from lack of investment and is expected to remain stagnant. Russian production of pork and poultry are expanding, partially because of higher market prices leading to increased profitability for domestic meat pro-

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(LEASING, continued from p. 1)

mechanism and to the embryonic state of leasing in the country. In addition to the financing difficulties, the complexity of leasing deals in Russia prevents many foreign companies from entering the market. It is also widely recognized that retention of assets in the case of default by a lessee is very difficult. Russian leasing companies solve this problem by careful evaluation of potential lessees and thorough structuring of deals based on their bitter experience. Thus, a solution for foreign leasing companies may be to establish partnership relations with Russian leasing companies that already have a good track record. A role of a Russian counterpart in such cooperation may be to expand the client base, structure a leasing deal according to Russian regulations, monitor a deal, and transfer payments to a foreign leasing company. A Russian leasing company would have a competitive advantage through cooperation with a foreign partner that has access to cheaper long-term financing and foreign equipment vendors, while the foreign leasing firm would gain an experienced agent with skilled personnel and knowledge of the local market. Working with a Russian partner, however, requires thorough due diligence, particularly of financial information.

An alternative strategy for international lessors can be to establish a local representative office or open a local subsidiary. However, implementation of such a strategy requires a substantial amount of time in order to gain experience and understanding of the local market. DeltaLeasing (www.deltaleasing.ru) is among the few leasing companies with foreign capital that has followed this path. DeltaLeasing was created in 1999 by DeltaCapital, a subsidiary of The U.S.-Russia Investment Fund. In contrast to most leasing companies in Russia, DeltaLeasing is oriented towards SMEs, with an average deal size of $110,000. DeltaLeasing requires a 25-30 percent downpayment, but doesn't demand additional collateral. Almost all leased equipment is foreign made. (*For more information on DeltaLeasing, see the February 2002 issue of the* BISNIS Bulletin.)

Advantages of DeltaLeasing stem from developed leasing practices and its ability to secure relatively cheap long-term U.S. dollar funding, whereas Russian leasing companies usually have to pay 10-16 percent per annum to borrow in U.S. dollars. The trend is for Russian leasing companies to seek foreign partners that can provide cheap financing or favorable delivery terms for purchase of imported equipment.

Raiffeisen-Leasing is another good example of a foreign-owned leasing company established in Russia. Raiffeisen Leasing is affiliated with Austria's Raiffeisen Bank, a member of RZB Group. Its focus is on private enterprise with strong management, location in Moscow/St. Petersburg and surrounding regions, and on foreign made (or foreign-branded) equipment/vehicles. Target clients are exporting industries, construction sector, and medium-sized enterprises with sound profit and leading market position, as well as foreign companies. Financed amount per customer is minimum $250,000. Among Raiffeisen Leasing's successful deals are financing of sales of Cisco Systems equipment to MGTS (Moscow City Telephone Network) and arrangement of leasing of equipment by ZAO Sony CIS.

The World Bank's International Finance Corporation (IFC) has played an active role in the development of leasing in Russia (see article on page 7). Several IFC publications on leasing in Russia, including *A Brief Guide to Russian Leasing Companies*, *The Leasing Courier*, and various analytical reports, are available at www1.ifc.org/pep/menu/publications.

For the full text of this report, visit www.bisnis.doc.gov/bisnis/country/0201LeasingRussia.htm.

*Igor Yegorov is the **BISNIS** representative for Northwest Russia.*

MIGA Launches New Product for Investors: FDI Xchange

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, has launched a new information service—FDI Xchange—designed to encourage foreign direct investment in its developing member countries, including the countries of the NIS.

FDI Xchange (www.fdixchange.com) is a new web- and email-based information service that provides investors, advisors, and financial institutions with customized investment information.

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ducers. In general, food product imports to Russia are outstripping local production by about twofold.

While Russian beef production has been declining steadily since independence, domestic poultry production experienced 14 percent growth in 2001. Russia is expected to produce 893,000 tons of poultry in 2001, up 100,000 tons from 2000, and will gradually increase output by 10-20 percent annually.

Despite the growth in local production, particularly in poultry, cities and regions outside of Moscow and St. Petersburg will still present the best growth opportunities for U.S. meat exporters. Total meat consumption in Russia is estimated to be as high as 6.2 million tons per year. Domestic meat production will only account for two-thirds plus of the nationwide supply, and Russia's demand for meat in urban centers remains overwhelmingly dependent on foreign imports.

*For more information, visit **BISNIS Online** at www.bisnis.doc.gov, or the **USDA's Foreign Agricultural Service** at www.fas.usda.gov.*

*Joan Morgan covers agribusiness for **BISNIS** in Washington, DC.*

RUSSIA'S POTENTIAL TO PROMOTE SALES GROWTH AND COST REDUCTION: AN AUTOMOTIVE PERSPECTIVE

by John Creamer

Last year's August/September issue of the *BISNIS Bulletin*, "Key Investments Invigorate Russian Auto Sector," took a look at growth in the Russian automotive sector. This article proposes to take the discussion a step further by exploring areas of opportunity for U.S. automotive suppliers. These areas, broadly impacting sales growth and cost reduction efforts, each present meaningful opportunities for improving profitability.

When businesses consider new and emerging markets, sales growth tends to be the filter through which everything gets evaluated. For the automotive industry, Russia presents an intriguing market because, unlike other emerging markets, Russia has a comparatively robust indigenous motor vehicle industry. AvtoVAZ and GAZ produce roughly 1 million light vehicles annually. Their desire to migrate their model ranges upward to reach global performance standards, combined with the relative lack of strong local suppliers, creates a pull for foreign suppliers. Indeed, many Russian suppliers seem to have undergone a shift in their strategic thinking about foreign partnerships. Five years ago, these suppliers tended to be hostile toward foreign companies, while today, Russian suppliers are increasingly open to building partnerships. Consequently, there is widespread recognition by the Russian automotive industry that foreign partnerships and investment should be welcomed.

Another element in a sales-oriented approach comprises the "follow-source" strategies, which have been the traditional road to U.S. investment in overseas markets. In following customers into new markets, Russia again presents an intriguing twist. Ford, PSA Peugeot-Citroën, and (as recent plans have proposed) BMW have opted to adapt existing global platforms to the Russian market. Pricing, however, is a problem for these vehicles in markets like Russia where pay scales are low and the banking system a contradiction in terms. Volumes, for a supplier, remain excruciatingly low, but the importance of supporting global customers may offer indirect benefits. General Motors and Renault, however, have opted to adapt Russian and Romanian designs, respectively, to their strategic needs. The GM-AvtoVAZ venture looks set to ramp up quickly in producing a Chevrolet-badged Niva SUV, which can become a new market spearhead as well as a trendy low-cost car in developed markets. It does not appear much of a stretch to suggest volumes around 100,000 annually by 2005. The Renault vehicle, based on Dacia designs, should launch production in Russia in 2004-2005. With production in Romania and Russia, and a commitment to export into developing markets worldwide, the Dacia should rise quickly into the 200,000-unit range.

The key factor in capitalizing on Russian growth is pricing. Largely disconnected from the global marketplace (a legacy from the Soviet centralized economic system), Russia presently operates within its own unique system, incorporating low prices, low incomes, and limited services infrastructure outside the main cities. Consequently, the bulk of the market demands inexpensive, easy-to-repair vehicles. It comes as little surprise then that 90 percent of the new car market resides below the $10,000 line or that used cars make up the bulk of import sales. Suppliers can still make money, even with existing global products, but Russia should not be confused with a high-margin luxury export market.

However, Russia's very self-sufficiency presents opportunities from a procurement standpoint. Many businesses seem to view procurement and sales strategies as mutually exclusive, which is a blind spot in the case of Russia. The existence of numerous local suppliers interested in developing technological partnerships offers a significant strategic synergy. A Russian purchasing strategy can precede and strengthen an investment strategy. By developing Russian subcontractors, U.S. suppliers can access low-cost parts and materials while preparing the subcontractors for a future role as joint venture partners. Given Russia's current technology needs, the market also offers a place to migrate declining products and equipment. The transitions from manual to automatic, hydraulic to electric, and other broad technology shifts create needs for factory space (for new equipment), programs for ensuring adequate aftermarket parts, and other management challenges. For the medium term at least, Russia will continue to demand a million or more high quality, but relatively low technology vehicles. And if the "Chevy Niva" and Dacia programs prove successful, this particular formula may be even more widespread. Consequently, a phased strategy for integrating Russia into U.S. supplier plans should consider purchasing as a starting point.

Fundamentally, Russia undoubtedly offers one of the greatest strategic opportunities for sales growth in the world auto industry. The debate focuses on timing, not opportunity. At the same time, Russia presents a complex and unique business environment. Foreign companies should not expect to enter the market quickly and still avoid costly miscalculations. By building links through engineering, purchasing, and technical partnerships, U.S. suppliers can prudently position themselves for future market growth while addressing cost concerns in the short term. In this regard, Russia, despite its rather chaotic economic and social transition, simply should not be ignored.

Based in Paris, John Creamer provides international strategy and business development services to automotive suppliers, and has been guiding business development efforts in Russia for the past 6 years. His email is johncreamer75@aol.com.

For more information on the automotive in the NIS, visit BISNIS Online *at www.bisnis.doc.gov/bisnis/isa/isa-auto.cfm.*

TRICKS OF THE TRADE: Kazakhstan Provides NIS Lessons

by Andrey Chursov

The following are some do's and don'ts of working in the Kazakhstani market, but most are relevant to all NIS markets.

Do's

1. *Take medium to long-term approach to the market*—The Kazakhstani market operates with 20-200 percent profit margins (depending on the types of ventures), paying solid risk premiums. However, typically an SME company/joint venture can count on earning its first profit after 2-3 years of doing business in Kazakhstan.

2. *Carefully study the market before making any commitments*—In terms of goods and services markets, Kazakhstan is relatively well integrated into the world economy. The country's companies trade with 135 nations having alternative sources of supply and working on different terms at various price ranges. South Asian, Russian, and Eastern European companies carry out aggressive marketing strategies in Kazakhstan. Consequently, a U.S. company can enter the market more effectively after studying generally accepted price levels, terms of payment and delivery, etc. Obtaining a comprehensive understanding of the market may require one or several preliminary on-site visits and some investment into market analysis. These initial investments, however, will save a company from wasting resources as a result of a poorly chosen market entry strategy.

3. *Ensure a constant market presence*—The first sales usually do not happen immediately since potential local partners, clients, and government officials prefer to get acquainted with the U.S. firm at a more informal level before buying. Specifically, establishing a representative office or hiring an individual representative (avoiding establishment of a legal entity) can ensure effective market presence. This option is favorable from the taxation standpoint since Kazakhstani legislation provides for zero rate income tax on representative offices and a number of other tax breaks. Salary levels are relatively low even for skilled professionals, making a representative office an inexpensive but efficient operation.

4. *Find yourself a tax and legal advisor before forming a partnership or setting up a legal entity*—The Kazakhstani legal system imposes serious penalties even for minor tax and administrative violations, even if they are discovered several years after establishment of the legal entity. That is why having competent tax and legal advisor from the outset can be crucial for ensuring effective development of the company.

5. *Maintain positive working relations with government officials whenever possible and participate in government tenders*—In Kazakhstan, government procurement serves as one of the key types of guaranteed demand. Additionally, fulfillment of government orders and participation in tenders can create a positive company image, providing valuable connections and saving time when dealing with the wide range of inspectors.

6. *Ensure your partner's reliability and try to know intentions*—In a number of cases, local partners tried to push their foreign counterparts out of joint ventures as soon as the business started to gain some recognition and profitability. Potential wrongdoings on the part of the partner always remain a possibility in Kazakhstan. Consequently, it is advisable to carry out thorough due diligence before the project is launched and occasionally in the course of project implementation

7. *Diversify activities whenever possible*—Kazakhstan's legal system is known for its instability with customs duties, export and import preferences, and local taxes fluctuating on a regular basis. The experience of the country's leading enterprises vividly supports the need for diversification as a key to successful long-term company development.

Don'ts

1. *Do not consider Kazakhstan "a far away stan" with distances preventing effective business relations*—Research indicates that it costs $3 to bring one kilogram of air cargo from New York to Almaty, while it costs $5 to bring one kilogram of air cargo from continental Europe to Almaty. Transportation costs for a 20-foot container are around $4,500 on New York–Almaty route and $3,800-3,900 on Amsterdam-Almaty route, which constitutes an insignificant difference when shipping the vast majority of goods.

2. *Do not rely on printed matter and promotional materials*—Kazakhstani customers tend to judge goods (industrial as well as household) by their physical appearance. Consequently, it is much more effective to attend fairs, exhibitions, and other events, bringing samples of goods or equipment rather than just sending promotional materials and publications. Logistical difficulties and costs associated with bringing in the samples usually pay back multifold.

3. *Do not judge partners by their appearance*—Because of the influence of local traditions, some Kazakhstani companies tend to present themselves very well, while having no substantial activities to support the appearance. On the other hand, other companies might appear to not be as savvy, but nonetheless have a more solid financial standing. It can be best to make preliminary judgements only after getting to know the company's current business activities, history, managers, etc.

Andrey Chursov is a former BISNIS representative in Kazakhstan.

FINANCE CORNER: International Financial Corporation (IFC)

by Rob Peterson

The International Finance Corporation (IFC), a member of the World Bank Group, was established in 1956 as a multilateral loan and equity financing source for private companies interested in investing or pursuing projects in developing countries but which are not ready to invest on their own. IFC's three main services are: (1) investing funds to finance private sector projects; (2) aiding private companies in mobilizing financing in international financial markets; and (3) providing advice and technical assistance to businesses and governments. IFC is actively providing technical assistance in all 12 NIS countries and has funded projects in all but Belarus.

IFC Services

IFC's trademark operation is providing financing for private sector projects in developing countries. Financial products provided include long-term loans, equity and quasi-equity financing, syndicated loans, risk management, partial credit guarantees, and intermediary finance. IFC does not compete with private sources of financing but rather supports institutions that would not otherwise invest in developing countries on their own. Syndicated loans sponsored by IFC are another major tool for promoting investment in developing countries.

IFC also works closely with governments to implement strategies that remove investment barriers, create an environment conducive to private enterprise, and advise governments on policies to attract foreign direct investment. In the private sector, IFC advises companies on creating successful business ventures in emerging market economies. Assistance in corporate restructuring is also provided. Technical assistance is available to both government agencies and private businesses.

IFC in the NIS

The Private Enterprise Partnership (PEP), a branch of IFC established in May 2000, provides technical assistance to the private sector in the NIS. PEP works directly with companies to turn them into dynamic, reliable, and responsible business partners for outside investors. PEP also works with national and local governments to improve business policies and legislation. Current projects in Armenia, Belarus, the Kyrgyz Republic, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan focus on promoting foreign direct investment through building reliable local supply and distribution chains in the manufacturing sector, supporting the growth of SMEs, developing leasing, and improving the business environment. Projects are also being planned for Azerbaijan and Georgia.

For example, PEP recently worked with Russian dairy farms to increase the quality and quantity of their production. PEP is working with several Russian furniture suppliers to Sweden's IKEA to help them increase energy efficiency and meet environmental standards of IKEA's global supplier network.

PEP is also playing a major role in the development of new leasing laws crucial to the leasing industry's growth throughout the NIS. In 2001, a new Russian tax code that contains amendments to provisions on leasing proposed by PEP became law. Due to the success of PEP's leasing program in Russia, similar programs are underway in Ukraine, Georgia, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

In NIS, IFC finances joint ventures with strong foreign partners, promoting private sector involvement in agribusiness, oil and gas, mining, power, telecom, and information technology, and furthering basic institution building in the financial sector. IFC also identifies local enterprises with whom it can work, coupling investment operations with technical assistance to improve these enterprises' business practices.

In the financial sector, IFC focuses on building basic institutions such as commercial and retail banking, housing finance, leasing, insurance, and on increasing confidence in the system to raise the volume and standard of financial intermediation. IFC is currently expanding its support for small and medium-size enterprises (SMEs) through leasing and credit operations, and trying to replicate the successful micro-lending experience it has had in Georgia and Ukraine to Russia and Armenia.

Applying for Financing

IFC only considers projects for financing that are located in one of the developing member-countries. Projects must be in the private sector, technically and environmentally sound, have good prospects for profitability, and benefit the local economy. There is no standardized application procedure for IFC financing. Each applicant should, however, follow the suggestions on IFC's website and submit an Investment Proposal. A feasibility study or business plan may be requested. If the IFC Board of Directors approves the proposed project, a project appraisal will follow. Once the details of the project have been finalized, the Board of Governors reviews them for approval. IFC works closely with the applicant throughout the entire process. The average application takes 9 months to process.

IFC looks most favorably on applicants who are willing to invest their own capital in the proposed project (IFC provides a maximum of 25 percent of the funding—the remaining funds must be raised by the company). Applicants who establish the transparency, efficiency, and expertise of their business activities are most likely to receive funding.

For a more comprehensive article on IFC in the NIS, visit www.bisnis.doc.gov/bisnis/finance/0203IFCupdate.htm. For more information on IFC in the NIS, visit www.ifc.org.

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Email:	sj@ru2uk.com	
Website:	www.ru2uk.com	
Pharmaceuticals & Health Care in Russia	**May 14–15, 2002**	**St. Petersburg**
Organized by:	Adam Smith Insitute	
Telephone:	+44 (020) 7490 3774	
Email:	pharma@asi-conferences.com	
Website	www.asi-conference.com	
Kyrgyzstan 2002	**May 17–21, 2002**	**Bishkek**
Organized by:	KyrgyzExpo	
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Email:	kyrgyzexpo@elcat.kg	
Website:	www.kyrgyzexpo.elcat.kg	
Sectors:	All sectors	
ExpoPack 2002	**May 21–24, 2002**	**Almaty**
Organized by:	TNT Productions	
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BISNIS Outreach is coming up!

March 18–22, 2002

BISNIS DC and NIS representatives will hold events for U.S. companies in the following U.S. cities:

Group A: **Chicago, Ill.; Minneapolis, Minn.; South Bend, Ind.**
Group B: **Sacramento, San Jose/Cupertino, and Los Angeles, Calif.**
Group C: **Lafayette and Lake Charles, La.; Houston, Tex.**
Group D: **Miami/Fort Lauderdale, Fla.; Atlanta, Ga.**
Group E: **Lexington and Louisville, Ky.; Indianapolis, Ind.**

For more information, visit BISNIS Online at www.bisnis.doc.gov/outreach.cfm

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