



Center for International Private Enterprise

# Highlights of Success in Russia

## SME Policy Advocacy Program Impact • March 2008

The Center for International Private Enterprise (CIPE) is working with 17 regional business coalitions – representing over 200 business associations – in the Small- and Medium-Sized Enterprise (SME) Policy Advocacy Program, supported by funding from USAID. CIPE works with OPORA and the Russian Chamber of Commerce and Industry to consolidate recommendations from the regional level to push for legislative change at the federal level. CIPE's regional and national partners' success shows that grassroots policy advocacy to improve the business environment and reduce corruption can lead to qualitative improvements in governance and tangible economic benefits. Below are some highlights of the coalitions' impact on reform.

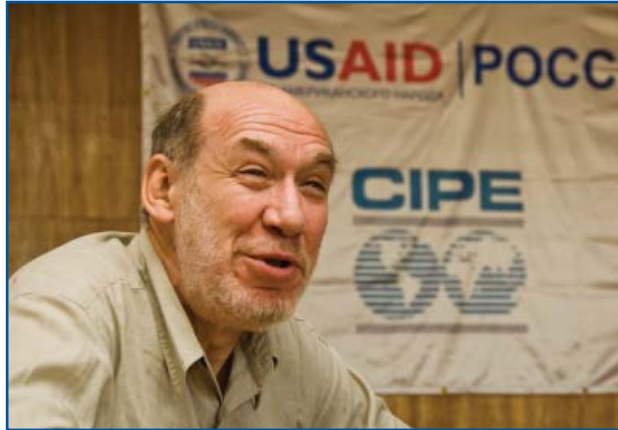
### **Nizhniy Novgorod Coalition**

Saved 667 out of 2,500 businesses from demolition when the city administration began destroying their premises.

Initiated the creation of a street food vending association, which self-regulates for health code violations. During an outbreak of Hepatitis A, the city administration was forced to close all food-vending kiosks *except* those 140 businesses that were members of the association – and were therefore in compliance with health codes.

### **Perm Coalition**

Supported entrepreneurs in 10 rights violation cases, winning three lawsuits in court and settling six out of court. Although Russian law is not precedent-based,



*CIPE partners in Russia are actively engaged with the government to advance pro-market and pro-democracy reform. Georgy Satarov (above) of INDEM advocates for policy change at the federal level.*

these cases have set effective norms for doing business in the Perm region.

In cooperation with the Khabarovsk Coalition, advanced recommendations that were incorporated into a new law on self-regulating organizations, which was signed by President Putin in 2007. The new

law creates the unprecedented right of associations to regulate their own industries, and is expected to enhance the role of associations while reducing regulatory burdens on businesses.

### **Krasnodar Coalition**

Assisted over 3,600 entrepreneurs through the legal consulting hotlines of the Centers for SME Development, located in all of the region's municipal chambers of commerce. Since partnering with CIPE, the centers have helped solve over 800 conflicts between businesses and inspectors. The coalition has won more than 40 lawsuits in favor of entrepreneurs.

### **Khabarovsk Coalition**

Advocated for the adoption of municipal legislation that introduced single-window procedures for small business registration, reducing time to register a business from 30 days to 7-10 days.

### **Kamchatka Coalition**

Collectively defended fishermen from arbitrary seizures and fines. The coalition brought abuse cases to court and publicized the market costs of the perishable goods, thus adding transparency and formalization to

Kamchatka's largest industry. This directly benefited 73 fishing industry SMEs and their 3,000 employees, as well as numerous companies along the supply chain.

### Primorsk Coalition

Collectively defended entrepreneurs when it learned that 90 percent of small business inspections uncovered "violations," often leading to bribes. Out of 100 cases appealed in court, 80 were resolved through the legal system in favor of the entrepreneurs.

Drew public attention to a corrupt and unfair land privatization auction that had resulted in more than 2,000 entrepreneurs losing their businesses. As a result of the coalition's advocacy, four criminal cases were opened, 180 illegal premises were seized, and business owners regained their right to lease the premises they were previously forced to vacate.

### Saratov Coalition

Led a campaign against the adoption of weak laws with potential for corruption. The local government recognized the problem and formed an official advisory board, including members of the coalition. Just weeks after the advisory board was established, coalition members began the review of additional legislation concerning land allocation and affordable housing.

### Smolensk Coalition

Made recommendations that were accepted by the local government, thereby allowing micro-businesses without hired employees to purchase short-term business licenses rather than complying with a complex taxation system.

### Overall, regional coalitions

Made 94 legislative recommendations to regional authorities – 44 recommendations were implemented.



CIPE works with business coalition partners in 17 regions in Russia, representing thousands of businesses across the country.

### At the federal level

Regional coalition advocacy and policy recommendations fed into federal-level advocacy conducted by OPORA and the Russian Chamber of Commerce and Industry, whose recommendations were incorporated into:

An unprecedented new law that outlines SME development in Russia. The SME law – passed by the Russian Duma in 2007 – sets a framework for SME development and the rights of business organizations to advocate for SME interests. CIPE partners are working to ensure that follow-on legislation builds on this framework.

The law “on amendments to the Russian Federation code on administrative delinquencies,” ensuring that only a judge can decide to suspend business activity when there are legal violations.

A federally funded SME credit program through the Bank of Development and Foreign Economic Activity “Vneshekonombank” throughout Russia. To date, 5 billion Rubles (\$211 million) have been lent to SMEs.

The new law on the placement of state and municipal orders for the supply of goods, execution of work, and rendering of services,” requiring that 10-20 percent of government procurement come from SMEs.

CIPE programs in Russia are supported by the United States Agency for International Development.

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