

Cooperation with the Kaliningrad International Business School

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**Department for Central and
Eastern Europe**

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Sida Evaluation 98/20

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1. Executive summary

Sida has committed the amount of 12.077.000 SEK to co-operation with KIBS:

- 4.467.000 SEK to the programme of bank training for former military officers
- 7.610 .000 SEK to train-the-trainers, Develop Your Business (DYB), "turn-around" and "descaling" programmes

During the four-years period of Sida (BITS) supported co-operation between the Swedish consultants of ICS, IFL and IDF, and KIBS, the latter has become one of the **well-reputed** management development institutes in Russia. KIBS educational and consulting services rendered to the private business sector in the Kaliningrad Region have been conducive to the emerging market economy and the industrial development in the region.

Thus, the main objective of the co-operation has been achieved.

The most successful element is without a doubt the inclusion in KIBS' offer of a professional, high quality management development programme, namely the **Develop Your Business programme**. This programme has, in its turn, led to increased demand for other services of KIBS, such as consulting services and short term courses of different kinds. KIBS' team of trainers and consultants has profoundly increased its professional skills throughout the whole co-operation period, both by means of specially arranged train-the-trainers programmes and by means of close collaboration with the Swedish consultants in other programmes. The Baltic Business Club, as a DYB alumni association, is the direct product of this programme, and is an example of commencing industrial networking in the region.

In the so called **descaling programme**, neither viable business plans have been produced, nor have successful restructurings been performed. Enterprises were chosen by the Regional Administration, mostly according to political criteria. One of the crucial criterion - the motivation of the management of the enterprises - was totally neglected.

The **twinning** efforts have to be described as a failure too. Despite some evidence to the contrary, the number of lasting commercial ties between Russian and Scandinavian companies, after four years of sponsored twinning, is far below expectations. The gap in the realities of the Russian economy and the western market economy in Sweden is still too big to be bridged simply by consultant-guided company visits. Most Russian companies are not mature enough to take up professional negotiations with their Swedish counterparts, whereas the Swedish managers have little knowledge about the opportunities and are reluctant to take any risks on Russian companies. Simple trade is hindered by the low quality and low reliability on the Russian side, and the high price level on the Swedish side.

The results of the bank training programme for **former officers** are mixed. It was no doubt possible to retrain a certain number of officers who afterwards could easily find employment in the banking and financial sector. The programme could not, however, solve several problems at the same time, which it was aiming to do. It did

not significantly strengthen the banking system in the Kaliningrad region and it did not contribute to the institutional development of KIBS.

In general, KIBS' reputation in Kaliningrad is very high. The school is considered by Russian standards as a serious, high quality management institute, in touch with international developments in the area. It is perceived by some as élitist and expensive, which is quite natural considering the great supply of low cost, and most certainly low quality, courses from competing educational institutions.

Since there is no market for assistance services, and **price** comparisons are not possible, there is hardly a way to decide whether KIBS capacity build-up, bought for 7.610 .000 SEK, allocated by Sida on KIBS related programmes, is a bargain or a loss. The cost of the descaling programme should be considered as money spent for learning. The impression is that several sub-projects overlapped to some extent, which could be avoided with better co-ordination.

Is KIBS a **sustainable**, indigenous institution by now? It seems that at present KIBS is able to offer good products to competitive prices. This situation may change with the elimination of extra quality and price subsidies once the aid-assisted foreign co-operation is no longer available. A discontinuation of the assistance of Swedish consultants would diminish the value of DYB programme in the eyes of clients. It would be difficult to maintain the same price of 2700 US\$.

The key factor for survival seems to be the development of the market for KIBS services. In order to be self-sustained KIBS must spare no effort to **extend its market** by a radical improvement of its own marketing, and by looking for new client categories and new markets outside of the region. KIBS' best product, the DYB programme, should have a good market opportunity in other parts of Russia. The imminent danger is, however, pirated copying.

KIBS' contribution to the **market reform** process, is unquestionable. Thus, through interdependence between the market economy and democracy, there is a link to the **democratic objective** of the assistance. Services offered by KIBS have certainly facilitated the careers of business women. Out of 80 DYB participants, 15% or 12 participants were **women**. This is significantly more than there used to be in the political or other decision making bodies in Russia.

Support to KIBS is in line with the strategy of economic development based on the microlevel approach, decentralised economy, entrepreneurship and civil society. This **direction should be continued**. It is essential to support private business development as independently from the state bureaucracy as possible.

KIBS is certainly a successful educational institution, which could be a **model** for other regions. It is possible to achieve considerable synergy through promotion of interregional ties, co-operation and exchange with other institutes, and intensified marketing of KIBS itself. IFL and KIBS have for some time discussed formalised co-operation on a **commercial basis**. They should do this by themselves, if they feel this step is right. Sida's role in this particular matter can be questioned. Probably the best contribution Sida could give to the twinning process between Russian and

Swedish firms would be information campaigns and other forms of **indirect support**, without direct involvement in dealings between would-be commercial partners.

2. Background

2.1 Assignment

In the beginning of 1998 Sida decided to initiate an evaluation of the Sida-financed co-operation between Kaliningrad International Business School, KIBS, and IFL and other Swedish organisations, which has been going on since 1994. The purpose of this evaluation is to provide Sida with an external opinion on the results and sustainable effects of the co-operation so far and to get a basis for potential decisions on continued support in the future. The consultant chosen for this task was Jakub Swiecicki of the Swedish Institute of International Affairs.

The consultant has reviewed the extensive written documentation provided by Sida, KIBS and IFL, and interviewed representatives of IFL, Interconsult AB and IDF in Stockholm. During a field trip to Kaliningrad on May 12 - 15, 1998, the consultant had a series of meetings with the management and staff of KIBS, visited five companies (AS-DOM, Baltminvody JSC, MDM, Recht, Balt-Aktor) for talks with the owners or managers, who were former or present students and clients of KIBS, had a meeting with the Board (Council of Elders) of the Baltic Business Club, and interviewed officials from the Regional and Municipal Administrations.

2.2 KIBS

Kaliningrad International Business School (KIBS) is a private educational institution, founded in February 1991 with the support of local and federal authorities as well as some commercial organisations from both Kaliningrad and Moscow.

KIBS is a non profit institution (Non Profit Partnership). The founders of KIBS are Baltica Bank (Kaliningrad), Investbank (Kaliningrad), Balt Actor JSC (Kaliningrad), Academy of Management and Market ("Morozov Project", Moscow), Contact Agency (Moscow).

An unquestionable leader and animator of the school is its Director General, Alexander Barinov, a relatively young, dynamic, well educated economist, acquainted with modern management concepts.

KIBS's activities include

- business training (pre- and postgraduate training from 4-month to 4-year programmes, short-term courses and seminars for managers and staff, management development programmes for executives)

- consulting (strategy development, restructuring, financial and taxation issues and other services rendered to companies)
- research (participation in projects concerning regional development).

2.3 Sida's (BITS') support

KIBS was one of the ten-plus institutions participating in the so called Morozov project, which was an EBRD initiative, aimed at establishing and supporting Business and Training Centres in different regions of Russia. BITS, after a visit to Kaliningrad in December 1993, decided to support KIBS. KIBS was invited to Stockholm, and, together with representatives of EBRD, chose Interconsult and IFL as the Swedish co-operation partners.

There have been to date nine decisions of BITS and Sida concerning co-operation with KIBS.

The total amount committed is 12,077,000 SEK, of which

- 4,467,000 SEK for the programme of bank training for former military officers
- 7,610,000 SEK for train-the-trainers, Develop Your Business (DYB), "turn-around" and "downscaling" programmes

1. BITS' decision of 1994-06-28 (RUS 0311), Development of KIBS capacity through co-operation with ICS/IFL, phase 1
Amount: 1,500,000 SEK

Expected results: Improved KIBS capacity concerning management training and consultancy, establishing of contacts between Swedish and Kaliningrad companies

2. BITS' decision of 1994-09-30, Officers' programme, bank education
Amount: 2,069,000 SEK

Expected results: 15 former military officers have obtained employment in bank or financial institutions, and 10 bank officials have improved their qualifications; KIBS has acquired competence in bank education.

3. BITS' decision of 1995-04-27, Restructuring of industrial enterprises
Amount: 950,000 SEK

Expected results: 6-8 enterprises have obtained a chance to restructure and achieve profitability through international consultancy.

4. Sida's decision of 1995-08-01, Officers' programme, bank education, No 2
Amount: 2,398,000 SEK

Expected results: 15 former military officers have obtained employment in bank or financial institutions, and 10 bank officials have improved their qualifications; bank management in Kaliningrad have been reinforced by 25 educated officials; KIBS have acquired competence in bank education.

5. Sida's decision of 1995-11-13, , Development of KIBS capacity through co-operation with ICS/IFL phase 2;

Amount: 1,706,000 SEK

Expected results: 20 executives have participated in the Develop Your Business-programme; majority of participating enterprises have improved their results; at least 4 of KIBS' teachers have acquired competence to lead DYB-courses; KIBS together with ICS/IFL have accomplished at least 9 successful consultancy assignments for newly established, privatised, expanding or declining enterprises; at least 4 of KIBS' consultants have added new qualifications concerning business strategy in their applied consultancy activities; co-operation between KIBS and ICS/IFL are expected to continue after the actual contribution; a network between Russian and Swedish enterprises and venture capital institutions has been established.

6. Sida's decision of 1995-11-20 (RUS 0311), Development of KIBS capacity through co-operation with ICS/IFL, phase 1 (additional decision)

Amount: 150,000 SEK

Expected results: additional one-week seminar on financial administration within the on-going Morozov-programme.

7. Sida's decision of 1995-12-10, Development of KIBS capacity through co-operation with IFL, phase 3

Amount: 1,654,000 SEK

Expected results: 40 executives/entrepreneurs have participated in DYB; industrial visits to Sweden have resulted in a few business relations with the Swedish partners; a new programme "management-team-training" has been introduced by KIBS to the market in Kaliningrad, and after two IFL-assisted programmes, KIBS is expected to be able to carry them out on its own; a network of DYB-alumni has been established; the market for a management institute services in Kaliningrad has been further developed by KIBS, and participants from other parts of Russia have been attracted.

8. Sida's decision of 1998-05-12; Development of KIBS capacity through co-operation with IFL, phase 4

Amount: 1 650 000 SEK

Expected results: After additional two Sida-subsidised and IFL-assisted DYB-programmes 1997/98, KIBS is expected to be able to carry out two fully fee-financed DYB-programmes a year; at least five Russian and Swedish enterprises have established lasting business relations; the co-operation between IFL and KIBS has been formalised; 23 teachers from IM in Petrozavodsk and School of Management in St Petersburg have accomplished IFL's "train-the-trainers" programme in Sweden; at least 40% of KIBS budget is generated by programmes initiated in co-operation with IFL; at least 10% of DYB participants are recruited from other regions in Russia; at least 40% of enterprises participating in DYB programmes continue to buy services from KIBS.

3 Evaluation

3.1 Performance

3.1.1 Descaling

Only four, instead of the anticipated 6 to 8 enterprises participated in the programme: Mikrodvigatel, Fakel, Kvarts and the Yantar shipyard. Neither viable business plans have been produced, nor have successful restructurings been performed.

Enterprises were chosen by the Regional Administration, mostly according to political criteria. Politicians had an interest to show that they could do something for big, well-known Kaliningrad enterprises with tremendous problems. One of the crucial criterion - the motivation of the management of the enterprises - was totally neglected. Managers displayed a lack of understanding of the aims of the programme, they were reluctant to make changes and were often unavailable for the consultants. They failed also to pay a small fee for the participation in the programme, aimed at covering the costs of KIBS' consultants.

There are no documented tangible results of their visits to Sweden. There were communication problems due to the gap between business realities in Sweden and Kaliningrad. Several of the Russian visitors demonstrated lesser than expected familiarity with basic marketing, and the price level of Swedish products was too high, often higher than those of comparable German or other European products. Discussed sub-contracting orders, which were strongly recommended by the Swedish consultants as a possible solution to the problems of Russian enterprises, were deemed by the Russian side as too small or too simple to be seriously considered.

The largest of those four enterprises, the Yantar shipyard, was no exception. There was no follow up of the visit of its representatives to Gothenburg, and the management of the shipyard was as reluctant to make changes as others. However, some middle level managers have broken free from the Yantar shipyard and established small companies on their own. A couple of them maintained contacts with KIBS and later on even participated in the DYB programme.

After contacts between KIBS, Interconsult AB and Sida, it was decided to concentrate consultancy efforts on small enterprises, some of which already participated in the DYB programme being simultaneously in progress.

3.1.2 Develop Your Business, DYB

Develop Your Business, DYB, programme is by far the most important, and the most successful, element of the KIBS co-operation with IFL. During the period October 1995 to June 1998, six courses have been held. A DYB programme is based on the Swedish concept "Utveckla ditt företag", adjusted to the Russian conditions.

The DYB programme includes 4 modules of 3.5 days each in boarding school, over a period of 4 months. The teaching method is "action learning", with each participant working with his/her own company. Fellow participants act as a "shadow board of directors". The role of the teacher is merely that of a consultant or a coach.

Every participant receives comprehensive working materials consisting of several hundred pages, in the Russian language. Theoretical parts are translated from Swedish, while "cases" are taken from Russian real life, and the working material take into consideration Russian legal, tax and other requirements. The material is continuously improved and updated.

The programme also includes a business trip to Sweden, the fifth module, with individual industrial visits for each participant. The declared aim is twinning activities. It appears, however, that the educational aspect of these visits, experiences and inspiration from similar Swedish industries, in particular concerning marketing, is more important and useful for participants, while the number of concrete examples of twinning (lasting contacts, contracts or co-operation of any kind) is limited. An estimation of IFL that about 25% of the participants from the DYB programmes have some kind of activity with a Scandinavian company or institution could not be verified. On the contrary, in some cited cases of successful twinning the initial talks were discontinued.

There were 12 to 15 participants each time, 80 in total. Most of the participants were owners or managers of small private companies, established after 1991. Only a few came from privatised enterprises. 28% came from manufacturing enterprises, 27% represented trading companies, 22% services, 17% financial institutions and 6% came from construction companies.

Only a few, less than 10, participants came from other regions than Kaliningrad (St Petersburg, Moscow, Belarus).

Starting from the second course in the Spring 1996, there is a tuition fee, at the moment approx. 2.700 US\$ per participant. This is a considerable sum of money in the Kaliningrad circumstances, but all interviewed former participants considered the course worth its price. The amount covers KIBS' costs: costs for the Russian teachers, written materials, lodging at the conference centre in Svetlagorsk, the local costs of IFL, interpreters, a contribution to KIBS' overhead costs.

The full cost per participant, included the cost of external consultants, is estimated to 6.000 - 7.000 UD\$. The Kaliningrad market is too small and too poor for full cost pricing. Even if there still would be some companies and entrepreneurs who could afford such a sum, the market for DYB programmes would essentially disappear. The elimination of the Swedish involvement and keeping the price on the same level would be equally dubious solution, since the co-operation with IFL is perceived as a guarantee of quality and is a strong selling argument (even if from the professional point of view the KIBS staff is ready to carry DYB programmes entirely on their own).

The overall assessment of the DYB programme has to be based on the opinion of the participants and the concrete benefits they have achieved.

Most of the companies taking part in the DYB are in the process of quick expansion. Their owners or/and managers felt they were losing control of their development, in particular concerning strategy, finances and organisation. They turned to KIBS looking for knowledge and expertise in these areas, and also in marketing.

All interviewed managers, DYB alumni, gave evidence of tremendous changes in their firms after the programme. The strategy formulated in the business plans worked out during the DYB programme, the restructurings carried out, the new organisation, the better control of finances, and, last but not least, the new marketing methods, gave very tangible results in terms of turn-over and employment. In several cases the figures were doubled, tripled or even quadrupled between 1995 and today. Some managers mentioned limitation of risk as the most important result, others, new confidence in their executive role. Many participants recommended the KIBS' DYB programme to their colleagues in other firms or, in some cases, sent their collaborators and deputies to the course. One typical comment was: "Before the DYB I was losing my time.", another comment was: "I didn't know what I did not know".

As a further consequence of the DYB programme, many firms initiated consultancy co-operation with KIBS' experts and placed orders with KIBS to perform short term seminars and in-company training for their staff. Yet another result is a network of professionals organised in the Baltic Business Club.

3.1.3 Consultancy

Generally speaking, the market for management consulting is only in its infancy in Kaliningrad. DYB programmes are clearly contributing to the creation of the demand for this kind of services. Many DYB participants engage KIBS consultants for assignments (business plans for bankable projects, management development, marketing) which naturally follow the issues raised during the DYB programme. KIBS consultants have performed 11 paid consulting assignments for DYB participant companies and 10 assignments for other companies. Also as many as 70% of DYB participants become clients of KIBS' auditing services.

However, a serious obstacle for the sound development of KIBS consulting services is the competition from the international aid agencies, as TACIS, UNIDO, EBRD, WB. There is a palpable oversupply of free-of-charge international consultants in the region. From the KIBS point of view, this is dumping on the market.

3.1.4 Train-the-trainers

Throughout the whole Swedish co-operation with KIBS, from its very beginning in 1994, the teachers from Kaliningrad have had many opportunities to improve their qualifications. Starting as students, along with their clients, the entrepreneurs, in the first DYB programme, they have been able to gradually take over the overall responsibility from the Swedish teachers. Since January 1995, 11 teachers from KIBS have gone through different short term training programmes in Sweden.

In September 1997, an attempt was made to include teachers from KIBS in the regular IFL courses for the Swedish participants. This was a failure. The contents of

the courses was not adjusted to the foreign participants, the pace of lectures and discussions were much too high, and not well prepared interpreters were unable to assure Russian participants of having a chance to keep up with the proceedings.

The concept was changed and a one-week programme was designed for the Russian participants only. A group of 23 persons from the Institute of Management in Petrozavodsk, the St Petersburg State University and from KIBS (10 teachers) took part in the programme in Sweden in February 1998. It fully satisfied the expectations of the KIBS' teachers and was deemed as very successful.

3.1.5 Baltic Business Club

In the Kaliningrad region, there are several organisations claiming to represent the interests of the business community: Chambers of Commerce, Association of Industrialists and others. Most of them, are, however, weak and not very active. The Baltic Business Club, BBC, established by the alumni of the DYB programmes, with the active support from KIBS, is an outstanding exemption.

The aim of the club is mutual support, advice and promoting of the common interests of the group. The ambition is also to be able to assist individual members in legal, tax and other matters. BBC was established in May 1997 and has 41 members; in principle all are DYB alumni. Non-alumni are also admitted, but have to pay 3000 US\$ as a membership fee, which is more than the DYB tuition fee, and have to have recommendations of two members. The governing body, the "Council of Elders" holds its meeting two - three times a month and consists of 8 persons, including the President and his deputy. Mr Alexander Barinov, the President of KIBS, is the Responsible Secretary of the Club.

BBC has to date organised three sessions out of the country. The topics discussed during the first meeting, in Lithuania in September 1997, with the participation of experts and the representatives of the Regional Administration, was e.g., regional industrial development and the new tax law. The second conference, with some 30 participants, was held in Poland in December 1997, with the Mini-Cap project, the Yantar Special Zone and other issues on the agenda. The third conference in March 1998 was located to Neubrandenburg in Germany, and was devoted to the talks with the German businessmen; the hosts were 21 members of the local Chamber of Commerce.

The key to BBC's success is probably the fact that its members have much in common. All are dynamic private entrepreneurs, most of them are relatively young, and their companies are in the phase of tremendous growth. They meet willingly and rather often to discuss common problems. "I've got among my right companions", as one of the members put it.

3.1.6 Institutional Development of KIBS

Apart from the Directors, the President, Mr Alexander Barinov, the Director on Training, Mrs Natalia Kubina and the Director on Consultancy, Mr Marat Musin,

there are seven teachers on the KIBS' pay roll list. In addition, there are six teachers and consultants on standing contracts and several others on short term contracts.

The number of offered programmes has increased year by year, from 3 in 1991/92, 6 in 92/93, 11 in 93/94, 14 in 94/95, 18 in 95/96, to 26 programmes in 1996/97.

The number of students has stabilised on the level of 400 per year. Only 8% of them are DYB participants, but the DYB programmes contribute to 23% of KIBS' revenues. Short term seminars have most students, 28%, and Business English courses, 17%, but their contribution to KIBS' revenues are only 18% and 12% respectively.

The most profitable courses are those addressed directly to the private business. The courses addressed to the employees in the public sector, organised in the first years of KIBS' activities, involved a loss and were discontinued. However, in 1997 and 1998, two sets of short term seminars were given to the municipal employees, in co-operation with the office of the Mayor of Kaliningrad, mostly as a good will gesture to the local authorities. Also courses aimed at private individuals, e.g. Business English, are not very profitable.

In general, KIBS' reputation in Kaliningrad is very high. The school is considered by Russian standards as a serious, high quality management institute, in touch with international developments in the area. It is by some perceived as elitist and expensive, which is quite natural considering the great supply of low cost, and most certainly low quality, courses from competing educational institutions. KIBS' President, Mr Barinov, participates in public debates, conferences and meetings in Kaliningrad, and appears in local press and TV.

KIBS has recently been awarded a couple of prizes and diplomas in all-Russian competitions organised by the Russian Business Education Association, RABO, and by the Morozov Institute of Enterprise and Investment, IPI, in particular for its DYB programme as one of the best performing business development programmes in Russia. KIBS has also been appointed, in competition with several other institutes in and outside the Kaliningrad Region, as one of the few Russian management schools to implement the much publicised so called "Yeltsin (or Nemtsov) project", a national programme of management training.

KIBS' reputation in the eyes of the Regional Authorities is, however, differentiated, depending on the personal constellations at the political helm of the Administration. After the change in the post of the Governor of the Oblast in December 1995, KIBS, until then located in the premises of the Regional Duma, had to quit the building on very short notice. It was the most serious crisis in the short history of KIBS, which it managed to survive owing to the energy and financial sacrifices of its managers. Since moving to the new premises in January 1996, KIBS is fairly independent of the current political governance in the Regional Administration.

Officials within the Administration, responsible for the SMEs and private business express their full recognition of KIBS. Mr Anatoli Sharkov, the head of the SME Support Department at the Kaliningrad Regional Administration, sees KIBS activities as an essential factor contributing to the economic development of the region. He calls attention to the fact that there are 63 000 registered private firms in Kaliningrad, including 42 000 individual entrepreneurs, 17 000 SMEs, and 4 000 farmers,

generating 25 % of tax revenues in the region. Mr Sharkov describes KIBS as the only management development institute in the region rendering professional services to this sector.

3.1.7 "Mini Cap"

A proposal of establishing a venture capital fund for SMEs, called Mini Cap, was put forward by the Baltic Business Club, and strongly endorsed by IFL. As a result of BBC's efforts, the Regional Administration has allocated in its budget, which has been approved by the Regional Duma, 200 million roubles as its capital contribution to the fund. The start of the project depends on the decision of the Swedish side, including Sida, as to the Swedish participation. However, according to the information from IFL, the project is in the process of being redefined, due to the different points of view of the Swedish project group.

3.1.8 Bank education programme for former officers

The programme of re-education of former officers was one of the first Sida-sponsored programmes in co-operation with KIBS. Later on Sida has decided not to continue this programme.

Sida's (BITS') contribution to the above mentioned programme followed the special decision of the Swedish Government. The re-integration of former servicemen into civilian life is of great importance, specially in the Kaliningrad context, with a great numbers of officers being dismissed every year.

The immediate aims of the programme were achieved. Almost all of the participating 25 officers (against planned 30 officers) have obtained employment in the banking system, financial institutions or other industries. There are examples of real success stories. Former lieutenant Victor Glaskov, approx. 35 years, is the Chief Treasurer in the Federal Administration of the Kaliningrad Oblast, Michail Trushko is the Head of the Marketing and Development Department in Bank Baltica, Igor Trigub is the Commercial Director in the beer company "Ostmark", Georgi Dychonov is the Managing Director of the TACIS Post-privatisation Centre.

The co-operation with 20 participating bank officials, working on "cases" in joint groups together with officers, was also successful, even if it turned out to be much more advantageous to former officers who appeared more receptive and open-minded, while the bankers expected ready-made answers to the actual problems in their banks at the same time as they uncritically accepted most of the present conditions in the Russian banking system.

However, the long term goal, KIBS' ability to offer bank education programmes, has been achieved only in a very limited degree. Three participating KIBS' teachers left the school after the programme in order to themselves take positions in the financial sector (one in The Security Administration, the second in Investbank, and the third in the Lukoil Insurance Company). They are engaged from time to time for short-term assignments in KIBS. In consequence, KIBS has no capacity to offer the bank courses which could be attractive to the banks. Banks in Kaliningrad prefer to send their top

managers to Moscow or abroad to improve their qualifications. Some middle level bank personnel take part in KIBS' general offer of courses in different matters, including business English. Also some materials gathered during the programme is used in other courses. The management of KIBS does not seem to believe in the reality of conducting bank education programmes in the near future.

Some 25 - 30 retrained former officers with employment in the civil sector is a small number compared to the several thousand officers to be dismissed from the army in the Kaliningrad region only during this year, and compared to seven hundred officers retrained within the Swedish-supported programmes in Murmansk, St. Petersburg and Novgorod. The important thing is, however, the demonstration power of this example. The great task of integration of former soldiers into the civil society under the conditions of on-going market reforms is not an impossible mission. However, the result of combining this primarily security policy problem and labour market problem with the efforts of institutional development of KIBS, and moreover, with the efforts to strengthen the banking system, was less successful.

3.2 Fulfilment of Objectives

The question is not so much whether the anticipated performance targets in terms of course participation figures or number of trained KIBS teachers have been achieved. The important question is whether the intentions behind the assistance have been carried into effect.

During the four years period of Sida (BITS) supported co-operation between the Swedish consultants of ICS, IFL and IDF, and KIBS, the latter has become one of the well-reputed management development institutes in Russia. Even in the absence of a standardised rating scale, it is safe to say that it is one of the leading institutes of this kind in the north-western part of Russia, and clearly number one in Kaliningrad. KIBS educational and consulting services rendered to the private business sector in the Kaliningrad Region have been conducive to the emerging market economy and the industrial development in the region.

Thus, the main objective of the co-operation has been achieved. As to the details, however, the degree of fulfilment is differentiated.

The most successful element is without a doubt the extension of KIBS' offer to include a professional, high quality management development programme, namely the Develop Your Business programme. This programme has, in its turn, led to the increased demand for other services of KIBS, such as consulting services and short term courses of different kinds. KIBS' team of trainers and consultants has profoundly increased its professional skills throughout the whole co-operation period, both by means of specially arranged train-the-trainers programmes and by means of close collaboration with the Swedish consultants in other programmes. The Baltic Business Club, as a DYB alumni association, is the direct product of this programme, and is an example of a commencing industrial networking in the region.

The attempt by the joint Swedish-Russian consulting team of ICS and KIBS to assist bigger privatised companies in an inevitable restructuring process, the so called descaling project, was a failure. The main reason seems to be the lack of motivation on the part of the management of these former state owned enterprises. Looking to the past rather than to the future, they were reluctant to make any changes and unable to grasp the requirements of the market economy. The Regional Administration which selected the enterprises had no power or will to enforce any recommendations of the consultants.

The twinning efforts have to be described as a failure too. Despite some evidence to the contrary, the number of lasting commercial ties between Russian and Scandinavian companies, after four years of sponsored twinning, is far below expectations. The gap in the realities of the Russian economy and the western market economy in Sweden is still too big to be bridged simply by consultant-guided company visits. Most Russian companies are not mature enough to take up professional negotiations with their Swedish counterparts, and the Swedish managers have little knowledge about the opportunities and are reluctant to take any risks on Russian companies. Simple trade is hindered by the low quality and low reliability on the Russian side, and the high price level on the Swedish side.

The results of the bank training programme for officers are mixed. It was no doubt possible to retrain a number of officers who afterwards could easily find employment in the banking and financial sector. The programme could not, however, solve several problems at the same time, which it was aiming to do. It did not significantly strengthen the banking system in the Kaliningrad region and it did not contribute to the institutional development of KIBS.

3.3 Cost efficiency

Foreign assistance, being a scarce resource, must be targeted to help generate development dynamics. The results are difficult to estimate, in any case in short time span. There is no standardised set of criteria applicable to the assistance in question.

Since there is no market for assistance services, and price comparisons are not possible, there is hardly a way to decide whether KIBS capacity build-up, bought for 7,610,000 SEK, allocated by Sida on KIBS related programmes, is a bargain or a total loss.

It is not feasible to take all purchases in, quantify them and set a price tag. The DYB programme, as an example, has branched out into several activities. Most of them are in progress, and it has generated even more potential opportunities for the future.

It should also be remembered that KIBS' standing today is due not only to the Swedish support, but first of all to its own skills and efforts, as well as to co-operation with institutes and foundations from Germany, England, USA and Canada.

Without doubt, some amounts have to be considered as learning money. The cost of descaling programme should be put into this category. Some sub-projects could probably be done in a more economical way with better co-ordination. The

impression is that several activities overlapped to some extent. The available reports lack the transparency necessary for delimitation of particular efforts.

As for the officers' programme, the amount of 4,467,000 SEK seems to be a great deal of money for 30 retrained officers. It would be interesting to compare the Kaliningrad effort with Sida's disbursements for the 670 officers retrained in St Petersburg, Murmansk and Novgorod.

3.4 Sustainability

Is KIBS a sustainable, indigenous institution by now? If not, when can it be? How can one avoid the creation of aid-dependency?

KIBS is a private company and has to survive on a free market. Without reviewing its annual report, it seems that at present KIBS is doing well, being able to offer good products at competitive prices. The situation may change with the elimination of extra quality and price subsidies once the aid assisted foreign co-operation is no longer available.

The key factor for survival seems to be the development of the market for KIBS services.

Given the present stage of economic development of the Kaliningrad Region, the local market is perilously small. With the progress of market reforms, KIBS' market will grow. The future of the Special Economic Zone, relations with its neighbours, Lithuania and Poland, development in Belarus (an interesting potential market for KIBS) and last but not least, the policies of the Regional Administration, especially as conditions for small entrepreneurs are concerned, are other important factors affecting KIBS' market.

In order to be self-sustaining KIBS is compelled to spare no effort to extend its market by a radical improvement of its own marketing, and looking for new client categories and new markets outside of the region. It is not an easy task. KIBS has so far attracted only a few participants from out of the region. The reason is, among other things, the increased participation cost because of long distances and boarding away of home.

KIBS' best product, the DYB programme, should have a good market opportunity in other parts of Russia. The presentations of the DYB programme in Moscow and other places, have always met with great interest and appreciation. The imminent danger is, however, pirate copying. There is insufficient copy right protection in Russia and KIBS can hardly sell or lease the DYB concept, as potential buyers see it as a free commodity.

Short term seminars in Kaliningrad about how to do business in Russia for potential foreign, primarily Scandinavian, investors, is an idea discussed between IFL and KIBS.

KIBS management is seriously considering introducing MBA courses. The main reason seems to be enhancing of the image of the school. An academic touch has a

great impact for the recognition of an educational institution in Russia. It would also help to increase recognition to the value of "capitalist" teachers and consultants.

Swedish involvement is essential to the perception of the DYB programme. The assistance of Swedish consultants and visits to Sweden are important selling arguments.

A discontinuation of this assistance would diminish the value of DYB programme in the eyes of clients. It would be difficult to maintain the same price of 2,700 US\$. A price around 2,000 US\$ was mentioned if support were discontinued.

The dumping on the market by the supply of the foreign aid financed consultancy, free of charge for Kaliningrad companies, has been a big problem from the very beginning. A new example is the "Yeltsin (or Nemtsov) project", a national programme of management training, launched by the Federal Government. KIBS has found itself in a contradicting situation. It has been appointed, in competition with several other institutes in and outside the Kaliningrad Region, as one of the few Russian management schools to implement the programme. Some of the 40 already selected participants, representatives of banks and large enterprises, belong to the KIBS' target client group and could afford the DYB fee. Their participation in the Yeltsin project is free of charge.

3.5 Validity concerning needs and priorities of the recipient country

KIBS is an educational organisation created to satisfy intrinsic social learning needs and requirements. This is in line with the strategy of economic development based on the stimulation of a bottom-up human enterprise approach, that is a microlevel strategy which stimulates a dynamic process of economic growth in a decentralised economy with scope for entrepreneurial responses and civil society to emerge.

KIBS' contribution to the market reform process is unquestionable. Thus, through interdependence between the market economy and democracy, there is a link to the democratic objective of the assistance. The participation of KIBS' representatives in public debates is further evidence of that.

Gender equality is not a declared element of the co-operation with KIBS. However, this element is present too. Out of 80 DYB participants, 15%, or 12 participants, were women. This is significantly more than there used to be in the political or other decision making bodies in Russia. Free enterprise means new opportunities for independent-minded woman entrepreneurs. Services offered by KIBS have certainly facilitated careers as business women.

There is no direct impact on the environment objective.

4. Recommendations concerning Sida's future engagements

The support to KIBS is in line with the strategy of economic development based on the microlevel approach, decentralised economy, entrepreneurship and civil society. This direction should be continued. It is essential to support the private business development as independently from the state bureaucracy as possible.

KIBS was established with the active involvement of the Regional Administration at that time. The Administration was also helpful in the mobilisation of international assistance to KIBS, the evidence of which are letters to BITS. The attitude of the present Administration is different, and today the emergence of an institution of KIBS' character would be much more difficult.

The reputation of the new Russian entrepreneurial class is not good, either in the country or abroad. At the same time, it is undeniable that this is the most dynamic, progressive group in the Russian society, a real, may be the only, engine of economic development. Any progress which can be perceived in the Kaliningrad region in recent years, can be attributed to these persons, often described as "the new Russians". There is no alternative to them, as it comes to hopes for economic development.

The natural maturing process of "the new Russians" has begun, as they transform themselves into respected businessmen in the market economy. Almost all participants of the KIBS' DYB programmes can be described as "new Russians". The participation in KIBS' programme is a big step in this maturing process.

An important question at this stage of Sida's support to KIBS is how to achieve catalytic effects. KIBS is certainly a successful educational institution, which could be a model for other regions. The first attempts to disseminate KIBS' experience to other regions have been undertaken. All efforts in the same direction are well motivated. The task is, however, not easy. One of the problems is the absence of copyright protection. Another is the remote location of Kaliningrad, limiting KIBS' natural geographic expansion.

It may be possible to achieve considerable synergy through the promotion of interregional ties, co-operation and exchange with other institutes, and intensified marketing of KIBS itself. An improved image of the Kaliningrad Region as a whole would enhance the demonstration effects.

IFL and KIBS have for some time discussed formalised co-operation on a commercial basis. The question whether such a co-operation is commercially right or not, cannot be answered here. This is up to the parties involved to decide, after proper investigation of the potential market. Both sides have enough knowledge about each other, and about all the other relevant circumstances, in order to be able to take appropriate decisions. Sida has no role to play in this particular matter.

Twinning activities between Russian and Swedish firms consisted mostly in a creating opportunities to take the initial contacts and to make acquaintances. But this is just a first step in a long process leading to business. Provided that there are commercial prerequisites, the partners have to overcome existing prejudices, have to gather much information and have to gain confidence in each other - not unlike as in security policy. The new dynamic Russian entrepreneurs have the best chances to do well in this process. They are quick to adopt western standards and to get rid of their complex of inferiority, which is a condition of successful contacts on equal footing with the western counterparts. Most of them can easily afford a trip to Sweden or to any other European country, if they find it useful. Probably the best contribution Sida could give to this process would be information campaigns and other forms of indirect support, without direct involvement in dealings between would-be commercial partners.

UPPFÖLJNING AV SAMARBETET MED KALININGRAD INTERNATIONAL BUSINESS SCHOOL (KIBS)

1. Bakgrund

Kaliningrad International Business School (KIBS), bildat 1991 av lokala myndigheter och privata företag, är en av de största utbildningsinstitutionerna i Kaliningrads region. KIBS verksamhet består av företagsutbildning, rådgivning och forskning.

BITS inledde 1994 samarbete med EBRD:s Morozovprojekt, som syftade till att på olika platser i Ryssland skapa och finansiera ett tiotal utbildningscentra för ekonomi- och affärsutveckling. Ett av dessa var KIBS. Genom upphandlingsförfarande 1994 blev Institutet för Företagsledning (IFL) och Interconsult AB (ICS) de svenska samarbetsparterna.

I den första fasen av samarbetet 1995, bedrev KIBS under överinseende av konsulter från IFL/ICS kurser för ett tiotal lärare vid KIBS och 17 ledare från företag verksamma i Kaliningrads län. Kurserna varvades med teoretiska och praktiska tillämpningar i företagsmiljö. I utbildningssyfte bedrevs även gemensam rådgivning för företag, vars personal hade deltagit i kurserna.

Den andra fasen av samarbetet med IFL, från oktober 1995 till september 1996, innebar bl a utveckling av ett kurspaket för organisationsutveckling av företagare - "Develop your business" (DYB). Denna kurs gavs sedan under våren 1996 för betalande deltagare. Vidare utfördes gemensamma konsultinsatser på företag för att stärka KIBS:s kompetens inom detta område, och ett pilotprojekt för offentliga administratörer genomfördes.

Under läsåret 1996/97 finansierade Sida en tredje fas i samarbetet mellan IFL och KIBS. Aktiviteterna under detta år var huvudsakligen inriktade på ytterligare två kursomgångar av DYB (en varje termin), utveckling av KIBS konsultkompetens samt stöd till skapande av ett industriellt nätverk för tidigare deltagare i DYB-kurserna.

Den fjärde fasen i samarbetet startades i september 1997 och kommer att avslutas i juni 1998. Förutom ytterligare två kurser med DYB genomförs även ett train-the-trainers program för kompetensutveckling av sex KIBS-lärare inom respektive specialområde. I train-the-trainers programmet ingår även lärare från Petrozavodsk och St Petersburg. En annan delinsats under året är stöd till utveckling av KIBS marknadsföring.

Undervisningen på DYB-kurserna har successivt lagts över på KIBS-lärarna. Detta innebär att undervisningen för kursomgången våren 1998 till stor del kommer att bedrivas av KIBS egna lärare. IFL:s insats begränsar sig till delkursen praktisk marknadsföring och att anordna individuella företagsbesök i Sverige. IFL och KIBS har även fört långtgående diskussioner kring ett fortsatt kommersiellt samarbete efter Sida-finansieringen upphör. Som en förberedelse för detta, har representanter från IFL sedan hösten 1996 regelbundet deltagit i KIBS styrelsemöten.

Förutom dessa insatser har BITS finansierat ytterligare ett projekt med KIBS i samverkan med Interconsult AB. Projektet som påbörjades i maj 1995 och avbröts hösten 1996, avsåg att demonstrera och tillämpa

marknadsreformprocesser på företagsnivå i ett antal utvalda privatiserade företag i Kaliningradregionen.

2. Syfte

Sida har beslutat genomföra en utvärdering av ovannämnda insatser. Syftet är att få

- a) en bedömning av hittills uppnådda resultat och effekter, samt
- b) ett underlag för ställningstagande om eventuella fortsatta insatser.

3. Konsult

För uppdragets genomförande har valts Jakub Swiecicki, Utrikespolitiska Institutet Swiencicki har en bred erfarenhet av Östeuropa och har dessutom god kännedom om Kaliningradregionen genom sin medverkan i ett UNIDO-projekt för industriutveckling i Kaliningrad 1995-97.

4. Uppdraget

Utgående från projektdokumentation som tillhandahålls av Sida skall intervjuer genomföras med såväl de svenska parterna, IFL och Interconsult AB, som den ryska parten, Kaliningrad International Business School. I Kaliningrad skall även information inhämtas från andra källor såsom länsadministrationen, stadens borgmästeri och företagare som deltagit i DYB-kurserna.

Den skriftliga redogörelsen skall omfatta följande:

1. En översiktlig beskrivning av samarbetets förlopp speglat från bägge parter utsagor och den skriftliga dokumentationen.

2. En bedömning av de svenska tekniska samarbetsprojekten utifrån följande kriterier:

- a) Måluppfyllelse
- b) Orsaker till hög/låg grad av måluppfyllelse: Hänsyn tas till bl.a. organisatoriska, administrativa, finansiella, institutionella etc.
- c) Kostnadseffektivitet
- d) Förutsättningar för hållbara effekter av projektet.
- e) Projektens relevans i förhållande till mottagarlandets behov och prioriteringar.

3. Vilka stadigvarande affärsförbindelser de individuella företagsbesöken inom ramen för DYB-kurserna lett till.

4. Baserat på de ovanstående slutsatserna skall konsulten ge Sida rekommendationer för ställningstagande om eventuella fortsatta insatser.

4. Tidplan

Utvärderingen beräknas ta 10 arbetsdagar. En rapport skall inlämnas till Sida senast den 29 maj 1998.

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- 98/7 Sewerage and Water Sector Projects in Egypt. Nigel Nicholson, Nemat Guenena
Department for Infrastructure and Economic Cooperation
- 98/8 Sida Support to ten Projects at the Geological Surveys of Estonia, Latvia and Lithuania.
Torsten Toksvad, Janis Prols.
Department for Central and Eastern Europe
- 98/9 Programas de MCED/DERECHOS del Niño de UNICEF en América y en el Centro
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- 98/11 Public Auditing in Southern Africa. Kathy M Higgins, Matsobane Putsoa
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- 98/15 Community-based Rehabilitation Programme in Zimbabwe. S Chidyausiku, J Munandi, M
Marasha, D Mbadzo, F Mhuri, H Oppelstrup, C Nleya
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Campbell
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Concessionary Credits from Sweden. Karlis Goppers
Department for Infrastructure and Economic Cooperation
- 98/18 Sida Supported Development Cooperation with Thailand 1986-1998. Contract Financed
Technical Assistance and Concessionary Credits in Energy, Environment, Transport, Public
Administration and Finance. Leif Grahm, Ann Charlotte Bauer, Gösta Eléhn, Nils-Gunnar
Hasselberg, Lars-Olof Eliasson, Roland Duberg, Göran Levin, Ulf Weilding
Department for Infrastructure and Economic Cooperation
- 98/19 Twinning cooperation between Kaunas Water Company, Lithuania and Stockholm Water
Company. Martti Lariola, Birgitta Danielsson
Department for Central and Eastern Europe
- 98/20 Cooperation with the Kaliningrad International Business School. Jakub Swiecicki
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