

The Impact of Policy and Role of Donor Agencies on Small and Medium-sized Enterprise (SME) Assistance Projects in Russia.

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Introduction

The goal of this article is to reflect on the impact which key donor organisations have had on Small and Medium sized Enterprise (SME) development projects in post communist Russia and to illustrate the difficulties of conducting SME development in Russia during a time when "Shock Therapy" was the dominant ideology at most of the Western donor agencies and organisations. An example is given below from a SME institution development project in Samara, Russia. The author thanks his Western and Russian colleagues for their insights and suggestions and hopes that this article will contribute to future policy discussion on SME policy and development at donor organisations.

Background

Russia's economic turmoil is being described almost daily by TV commentators and newspaper columnists of varying degrees of competence and insightfulness while the downward spiral of Russia's economy and politics is getting worse by the day. Western commentators are increasingly worried and warn of dire consequences for Russia and the West should the ongoing crisis fully erupt into civil war (David 1999, Nagorski 1998)). The ability of Russian people to accept suffering is legendary but this accepting of hardship might reach limits in the near future leading to violent social upheavals and possible coup d'états which in turn could bring back military tensions and political instability in Europe and Central Asia.

With considerable delay, leaders of important international organisations are now calling for more concerted action to bring Russia out of its stupor. Nicholas Stern, chief economist at EBRD, recently concluded (1998) that "*the main reason for pessimism is the weakness in the region* (Eastern

Europe), *at present, of the institutions, policies and practices that are needed to underpin a market economy*". This view is echoed by Donald Johnston, the Secretary General of the OECD (1998), who observed that *The current crisis in Russia highlights the fact that essential links between sound structural reforms and economic stability in Russia simply do not exist.*

Going further than these two observations, more critical perspectives have been articulated by leading members of Western media and academic institutions stating for instance that transition economies like Russia cannot be treated like traditional free market economies (Maynes, 1999), that the American government's economic ideology favouring unregulated global market supremacy has contributed to ruining Russia (Pfaff, 1998) and that the unsupervised policy advising by the "Harvard Boys" has led to a disaster for Russia (Wedel, 1999).

If American style capitalism is not the answer to Russia's economic and political problems, what else is there that can be done to help? The World Bank seems now to be less normative, less prescriptive and more pragmatic in regard to the policy régime which countries should accept in order to qualify for technical cooperation. Reflecting back on technical cooperation and assessing aid, a recent publications of the World Bank (1998) states "that the value of development projects is to strengthen institutions and policies so that services can be effectively delivered". Applying a similar perspective to Russia's crisis, James Hecht (1999) proposes that "the West should use micro-economic aid to help' Russia convert from its virtual economy to a value-added one" These newly found insights are laudable but probably come too late. Nine invaluable years have passed under the régime of "IMF "stabilisation" and the attempt by the West to impact the "Real" Russian economy through sustained "Real" SME projects inside Russia remains far below expectations.

Importance of SMEs for economic development

EBRD's annual report of 1995 contains a full chapter on SME development, their importance to economic development in general and to the transition economies in particular. The report lists two reasons why SMEs deserve special attention in the context of transition. The first is that

SMEs generate economic benefits beyond the boundary of the individual enterprises which are not reflected fully in the SMEs own profitability namely “positive externalities” or spill over effects such as provision of innovative products, experimentation with new ideas and products and introduction of new production processes. SMEs, according to the EBRD report,

are the seed-bed for the emergence of competitive (and the destruction of uncompetitive) larger firms. The greater the number and more fertile the ground, the more dynamic the economy.

The second reason why SMEs should get special attention is that they were severely discriminated against in centrally planned economies and continue to operate under a number of handicaps and restrictions. The report continues by stating --

“If effective policies to remove these restrictions are put in place, SMEs can become an engine for transition and growth.”

The importance of SMEs for developed economies has been highlighted by many scholars. Fröhlich, Pichler and Pleitner (1996) for instance state that in 1992, SMEs (ranging from 1-249 employees) in 19 European countries¹ on the average employed 66.5% of the total workforce, generated 62.5 % of total labour productivity and 72.6% of total sales at national level. In comparison, Russian SMEs employed still only 10% of the Russian workforce in 1994 (EBRD,1995).

To change the soviet style command economy to a more market oriented economy was and remains a colossal challenge. The share of the state sector of the former Soviet Union’ economy was given as 96.0% by Milanovic (1989). SMEs practically did not exist at the time of the transition and the creation of new SMEs was and remains difficult for the reasons mentioned above. EBRD’s initial strategy was to create a Russia Small Business Fund (RSBF) which was supposed to help Russian SMEs get the desperately needed capital either through lending via Russian banks, or through equity investments coupled with some business advisory services.

¹ 15 EU member states and 4 EFTA states.

However, the Russian banks were very reluctant to lend to Russian SMEs who remained strapped of working capital and who lacked basic know-how regarding business management. As a result, Russian SMEs did not develop much and those who did get established folded due to the multiple handicaps listed previously.

Designing SME development projects for Russia

Realising Russia's tremendous need for rapid and substantive knowledge transfer in the early 1990s, our Geneva based Centre tried to mobilise the Swiss government and other multilateral agencies to launch massive SME infrastructure development projects in order to stabilise the political change and in order to provide sustainable economic development. After several unsuccessful attempts at persuading international donor agencies to develop SMEs in Russia, we were more successful with the newly created European Bank for Reconstruction and Development (EBRD) in London whose Russian Small Business Fund needed a more hands-on support inside of Russia. After initial exchanges of views, the author became personally involved as a design consultant for a large scale SME project with colleagues at EBRD. The project was called "Morozov"² and was developed in close co-operation with the newly created Russian Academy of Management & Market located in Moscow. The goal of the Morozov project was to create as fast as possible a network of Business and Training Centres (BTC) throughout the former Soviet Union in order to create a critical mass of entrepreneurs and business leaders who could promote democratic change by creating jobs and business in a free market economy. The key objectives of the Morozov project was to establish up to 350 BTCs across Russia through Train-of-Trainers programmes involving Western partner institutions who would "adopt" a local Russian partner institution with whom the Western partner would jointly develop the BTC's institutional and professional capacities ("twinning") with the aim being to help them become self-managed and financially independent in the shortest possible time.

² The name "Morozov" goes back to a well known Russian entrepreneur of the pre 1917 turn of century period of Russia's early industrialisation.

The Samara SME development project

After completion of the “Morozov” overall programme and office infrastructure in London and Moscow, our Centre³ was selected to “adopt” the newly created Samara BTC. Other “adoptions” came about between Swedish, Finnish and Dutch advisory organisations and respective Russian BTCs. Our SME project in Samara was co-financed by the EBRD and the Swiss Government and lasted from 1995 to 1996. The project’s goal was to help the city of Samara develop and support start-up SMEs and to facilitate the conversion towards market based companies of Samara’s state enterprises who were mostly linked to the former Soviet military complex. What follows is a description of Samara and its economic and social situation and of the project itself. The short description is intended to show the difficulties which Russian SME experts and potential owners had to face in light of the hardships of the “real” Russian economy as it presented itself to the project staff from 1995-1996 during the time of our project

Samara is a city located approximately 1’000 km south-east of Moscow, on the river Volga, not far from the border with Kazakhstan. It is part of the Volga Oblast (Province) and is an important region for agriculture, commerce and manufacturing. The key industrial towns are Togliattigrad (automobile industry) and Samara which is also the seat of the provincial (Volga region) and municipal (Samara city) governments. Samara has a population of about 1,3 million and a well developed aerospace industry dating back to the Soviet military complex (e.g., MIR space stations components, Turpolev aircraft, communication technology). Samara has also two well known universities. It was one of the “closed cities” of the Soviet Union until 1991, hence off-limits to foreigners. At the time of the opening up, Samara offered a perplexing mix of industrial high tech mixed with socio-economic low tech (few publicly available hotels, restaurants, taxis, etc. and no privately owned SMEs).

³ Centre for Socio-Eco-nomic Development (CSEND) is a Geneva based not-for-profit research and consulting organisation. The focus of CSEND’s activity has been in the area of promoting integrated development through institution building and better governance.

The challenge of transforming Samara's command economy and military based complex into a market oriented and open economy were tremendous. Practically everything was missing: no sound legal framework, no business minded government officials, no venture capital and SME oriented lending institutions, no public access to market based business information and know-how (marketing, accounting, HRD and HRM, financial management). English proficiency was limited to a few interpreters and university professors; telephone lines remained in the hands of the privileged few, access to international calls were equally unavailable; fax, photocopy machines and paper in general were in short supply. What existed were a few well educated university professors who read some Western textbooks on business management but did not know SME reality from practical experiences. What they knew instead was how to conduct barter related business transactions based on the Soviet model of command economy.

Together with 7 Western European and American colleagues, we developed and implemented a one year Train-of-Trainers programme whose objective was to help our Russian partner organisation (Samara BTC) recruit and train local staff to become SME specialists. The actual programme duration was one year with a budget of 150'000 ECUs. The project office was initially housed in the premises of the Technical University of Samara. At the end of the project, our Russian partners had their own, albeit small facility in a former government building which they could rent and use for training and consulting activities.

Despite the extremely short time span, our project was successfully completed thanks to commitments by all parties concerned which often times meant working beyond remunerated hours and within less than optimal working conditions. All agreed objectives⁴ were however achieved which is not an easy thing to do in an environment as volatile as Russia. At the end of our project, SMEs were created for instance by veterans of the Afghan war who created a construction company

⁴ The project objectives included: to develop the BTC's capabilities in managing an advisory and training business, to improve the training and consulting skills of the BTC staff, particularly with regard to methodology and approach and to assist the BTC in identifying and developing new business opportunities which would help its long-term growth and viability.

or by unemployed computer specialists from the shrinking aerospace industry who created a multi-media design company.

However, despite its apparent success and the need for continuity, there was no follow-up to this project and in addition EBRD decided to phase out the Morozov project and close its Training and Education Department. The Samara BTC was left hanging in mid-air . Our Samara BTC partners were left to scramble for resources to keep their training and consulting activities up to the standards and operational despite the fact that their trainees and client organisations could not pay in any other form than barter, e.g. carpets from Turkmenistan, potatoes from Volga region etc. Faced with an inability to pay salaries and basic operational expenses, our Russian colleagues had to dramatically scale down their training and consulting activities, reduce their staff and organisation development programmes and look for other jobs to guarantee the survival of a downsized BTC. The result being a drastically reduced offer of training and consulting, a sharp decline of start up SME in Samara and a re-emergence of a mentality closer to a command than market economy.

Policy Inconsistency of Western Donor Agencies

Policy environments can either have an “enabling” or “disabling” impact on entrepreneurship development and technical cooperation. For the case in point, it was negative and harmful for our Russian partners and for the local economy in general for the following reasons. Being very well aware of the gigantic difficulties that Russian SMEs faced, it was difficult to follow the train of thought of the EBRD. Why close a whole programme which so evidently produced results ? The answer lies in the institutional politics of EBRD and its member countries. Jacques Attali, the founder and first president of the EBRD was forced out of office after relentless criticism initiated by the Financial Times who criticised his “leftist intellectualism and elitism” and supposedly lavish spending and professional incompetence. Leaving aside Mr. Attali’s inability to adapt his leadership style to a more pragmatic Anglo-Saxon business culture, he nevertheless was right in insisting that country development is and must be more than economic *Shock Therapy*. The Marshall Plan for

instance included massive financial support, access to the US market and massive efforts in the social, political and educational sphere in order to make the reforms towards market economy and democracy sustainable, the re-emergence of fascism impossible and a further expansion of communism less probable. The successor to Mr. Attali was Mr. De La Rosière, the predecessor of Mr. Camedessus at the IMF and former high ranking French government official, who was keen to prove that France could manage the EBRD like the WB or the IMF. The result was a drastic reduction of development related activities and a policy switch towards merchant banking. The results are known, heavy losses in EBRD's commercial investments in Russia and little sustained economic and social development. Following the example of EBRD, the Swiss government stopped supporting the Samara BTC and instead retreated to more traditional and limited Swiss export subsidy projects in the field of water purification and hospital equipment.

Pensée Unique⁵ at WB and EBRD

Like some other Western experts,⁶ CSEND staff are aware of the actual constraints of SME development in Eastern Europe from a previous project in Central and Eastern Europe⁷ As Organisation Development experts focusing on large system change and institution building, we are always keen on assessing the readiness of the system for change, the level of resistance to change and the capability of the local change agents to carry through projects in institutions be they public or private sector enterprise or government administrations in developed or transition economies before deciding on the speed and depth of change intervention strategy.

⁵ "Pensée Unique" is a term often heard in Paris. It refers to official doctrine as espoused by the French Government in regard to economic and social policy and to the absence of critical thinking and meaningful debate regarding economic and social policy. An North-American equivalent would be the application of politically correct thinking to economic policy, that is the sanctification of Chicago-monetarist economic policy as the *only way* versus the supposedly debunked old school of Keynesian based macro-economics.

⁶ Our Centre has conducted a large system change and governance project in Slovenia involving ministries at central government level. For more information please refer to R. Saner & L. Yiu, "The need to mobilise government learning in the Republic of Slovenia", *International Journal of Public Sector Management*, vol. 9, No 5/6, 1996 and R. Saner, "Action Research and Action Learning as Means to Improve Service Delivery in the Public Sector: Case Examples from A Capacity Building Project in Slovenia", *Proceedings for the Congress of International Institute of Administrative Sciences*, Brussels, 1998.

Regarding Russia and the former communist countries, the need to go slow and to provide substantive resources was evident to anybody who bothered to visit Central and Eastern European countries.⁸ The key components of support urgently needed from Western donors consisted of the following:

- a) knowledge (textbooks and case examples adapted to post-Soviet context and Western consultants with sufficient understanding of Russian culture and post-Soviet bureaucracy);
- b) physical infrastructure (buildings including heating, computers, paper, copy machines, etc.);
- c) financial loans (SME credit facilities provided by Russian Banks with financial support and technical supervision by WB and EBRD);
- d) good governance (drafting and implementing market oriented government policies and regulations especially in the area of banking, financing and taxation);
- e) products (either home-grown or developed through licensing of Western technology);
- f) access to domestic and foreign markets (preferential trade agreements to OECD and WTO countries); and
- g) marketing and management competencies (knowledge about business standards and practices in the West, hence knowing how to cope with Western Joint-Venture partners).

The Morozov project was meant to provide solutions to the above mentioned structural problems. If it were fully implemented as originally designed, there would be a high probability that the private economy with SMEs playing a pivotal part could evolve.

Rather than complement macro-economic stability with comprehensive micro-economic and good governance related “hands-on” projects, EBRD, WB and OECD countries preferred to “hide” behind macro-economic stabilisation programmes.⁹ “Shock Therapy” was de rigueur for the Russian

⁷ Sheila M. Puffer for instance has been “in the field” and has published extensively already since the early 1990s, for reference see Sheila M. Puffer, “The Russian Management Revolution”, M.E. Sharpe, 1992.

⁸ Pushing privatisation policies by WB, EBRD and OECD country “experts” in the absence of sufficiently established competition policy and culture almost always resulted in privatised monopolies encouraging rent seeking behaviour by a privileged elite which in turn discouraged SME creation by honest and competent Russian entrepreneurs.

⁹ Realising the need to complement economic reform with reform of the public administration, the OECD created in 1992 a new section called SIGMA (Support for Improvement in Governance and Management in Central and Eastern European Countries). SIGMA offers professional advice on governance related matters but is not operationally responsible for institution building projects in Russia. The European Union’s TACIS programme offers technical assistance in order to create support for the EU partners’ (e.g., Russia) initiatives to develop societies based on political freedoms and economic prosperity. The EU-TACIS strategy is based on a EU consortium approach grouping together EU institutions of at times very disparate levels of competence. The effectiveness of the EU-TACIS programmes remains unclear.

“patient” and remained the official “Pensée Unique” of the West until the disastrous state of affairs in Russia could no longer be glossed over by IMF/WB “Shock Therapists”.¹⁰

Lack of Good Governance at WB, EBRD, and IMF

Good governance has been the battle cry of the intergovernmental development agencies since the early nineties. What about good governance at the IMF, WB and EBRD for instance in regard to a) providing information on the successes and failures of their policies in Russia (transparency), b) identifying who of their staff is responsible for policy making regarding CEEC countries (accountability) and c) explaining the criteria for allocation of grant money to external consultancy (neutral and non-discriminatory treatment of service providers)?

For those of us who went beyond the imposing conference rooms of the Russian Ministries and actually visited and worked in Russia’s provinces, it was apparent that the Russian economy needed “life support transfusion” not “Shock Therapy”. Looking at the actual economic conditions without ideological filters, it was apparent then and remains evident today that:

- 1) most Russian enterprises were tied to previous networks (supplier, customer, distributor and government offices) with whom they conducted business through barter arrangements and hence were not able to freely choose their business partners;
- 2) that practically all of the new Russian banks were created based on asset stripping of previous Soviet area financial institutions and hence were not experienced in normal banking matters nor in SME small loan management but rather were “experts” in transferring funds to their quickly created off-shore banks in Cyprus, Switzerland, London, Gibraltar, Monaco, Israel and New York;
- 3) that many of the so called “new democrats” were corrupt opportunistic members of the party machine which many of the most competent and reliable business partners were often members of the KOSOMOL (Youth) group of the former communist party;
- 4) that the official tax of 80 plus per cent was too high especially in light of the fact that most of them had to pay additional 20 plus per cent “protection” money and hence opted to keep

¹⁰ Looking for support for our social infrastructure project, the author visited the World Bank in early 1992 to inquire about the WB’s policy and strategy regarding Russia. To his surprise, he was told by the senior advisor to the WB Vice President in charge of Eastern Europe that the WB’s strategy followed the proposals of Shock Therapy and that no alternative strategy was being retained. A subsequent discussion with a Swiss official in charge of the WB reconfirmed the Pensée Unique called Shock Therapy. After all, he was told, if the US government and Harvard University support Shock Therapy, it must be the right policy. He assumed that most OECD government officials followed the Swiss official’s train of thought or did not want to “rock the boat” and face the risk of being ridiculed or worse be labelled a “closet communist”.

revenues out of reach of the Russian Mafia and of corrupt government officials which in turn made tax collection an impossibility; and

- 5) that none of the OECD countries was willing to offer special tariff regimes to help Russian enterprise exported what they could readily export, for instance, agricultural products.

Duplication of Effort due to Institutional Rivalries

As has been observed by Lüders (1998), technical co-operation organisations have a hard time practising cooperation among themselves. Analogous to other developing and transition countries, donor agencies had and continue to have difficulties co-operating with each other in Russia. Competition existed between bilateral aid (e.g. Germany, USA, France, UK) and multilateral aid (e.g. WB, EBRD, IMF, OECD) and between the multilateral and the supra-national agencies (e.g. EU-Phare, EU-TACIS). For example, officials at the EU-TACIS programme decided not to join EBRD's Morozov project and instead developed their own network called "Enterprise Support Centres (ESCs) which analogous to the Morozov BTCs offers training and know-how transfer. TACIS further plans to support Russian SME Development through training of Russian trainers and through the establishment of so called Business Communication Centres¹¹. The commitment of funds for SME development by TACIS however remains small if not insignificant compared to the other budget items¹² and most of the SME support is directed toward central government agencies such as the State Committee of the Russian Federation for the Support and Development of Small Business and the Federal Fund for Small Business Support. The impact at provincial and regional levels of the EU-TACIS Russia SME development fund is not clear yet but might become clear once the announced first overall evaluation of the entire TACIS Programme will have been completed.¹³

¹¹ The TACIS Programme Annual Report 1996, issued 25 July 1997, Brussels, p.28-29.

¹² Budgets made available for SME development in Russia amounted to 2 Mio ECU for 1998 out of a total of 107.5 Mio ECU Budget (TACIS, Contract Information, Budget 1998, June 1998, Brussels)

¹³ The TACIS Programme Annual Report 1996, p. 9.

Incoherent Development Policy

Most OD experts expect that any substantive culture change of a US multinational enterprises would take at least 5-7 years to become effective. Experts working on large system change know that with increasing complexity more time and resources are needed to make change acceptable to the key stakeholders . To propose radical solutions imported from a fully developed economy like the USA or France is already in itself risky and bound to fail. In addition to the low likelihood of success we should add the fact that “Shock Therapy” was an idea which was never tested anywhere else under similar conditions. Reference is sometimes made to the success of Shock Therapy in Poland.

However the situation of Poland cannot be considered similar to Russia for reasons of substantial differences in regard to economic, social, political, and historical development. So why even try Shock Therapy in Russia which after all has known nothing else since 1917 than command economy?

Jeffrey Sachs now complains that the IMF and the OECD countries do not make the necessary efforts to help Russia. Attribution of blame does not change the catastrophic situation in Russia now. The damage has been done. A doctor does not open a patient for open heart surgery if he does not have the means to operate, close up the surgical wounds and provide post-surgery care to help the patient recover and readjust. These conditions were not in place and the IMF/WB proceeded anyway with Shock Therapy. We in the West are now shocked because we found out that the old French adage still holds, “Plus ça change, plus ça reste la même chose”. What was desperately missing was the complementing of a gradual macro-economic policy reform with substantial support in micro-economics and public administrative reforms.¹⁴

¹⁴ Many experts of CEEC and developing countries estimate that transplanting the “laissez-faire” neo-liberal preference for small government and minimal government interventions is a recipe for disaster. Most of the transition economies instead would benefit from re-bureaucratisation in a Weberian sense, that is building up a professional government administration based on decent salaries to limit corruption, the rule of law and the development of competence in the area of public management (policy making). All of that means time, patience and more not less resources. For reference regarding the time needed to build new ethics, standards and know-how At national levels, see Marie-Laure Djelic “Exporting the American Model: The Postwar Transformation of European Business”, Oxford University Press, 1998.

Conclusion and Recommendations

The lessons learnt from having tried to support sustained SME development in Russia could be summarised as follows. SME development is always linked to the total larger political and cultural environment of the respective society, no matter whether developed or transition economy. It is equally true that country development policy, no matter how accurate according to Western textbook and ideological preference, is bound to fail if the respective country's micro-economics and entrepreneur-ship capability are not taken into account. There is an urgent need for WB/IM/EBRD/, OECD-SIGMA, EU-TACIS and Western donor agencies to approach change at country level from a more interdisciplinary perspective involving economists, sociologist, constitutional and administrative lawyers, management experts, political scientist and most importantly OD practitioners *before, during and after* implementing change policies. The development agencies also need to be more pluralistic in terms of definition of ideal state of country development in order to avoid narcissistic weaknesses (making the rest of the world like the USA, France, etc.) and to limit institutional rivalries by making a more concerted effort at co-ordination in order to prevent duplication of effort which only leads to wasting of scarce resources, confusion and rent seeking behaviour.¹⁵

The development banks should also be more mindful of Organisation Development and large system change theory and practices. Change takes time; complex change takes even more time and more energy and resources otherwise resistance will be kindled and change sabotaged.¹⁶ The IMF/WB et.

¹⁵ For more information regarding effectiveness of technical assistance to CEEC countries in the area of public administrative reform see R. Saner & L. Yiu: "Lessons learned from training and consultancy projects for governmental and administrative reform in CEECs", paper presented at the Annual Conference of the International Institute of Administrative Sciences, Paris, August, 1998.

¹⁶ Messieurs Camdessus (IMF) and De la Rosière (EBRD) being both high ranking French government officials should remind themselves how difficult it was and continues to be for France to adopt anti-inflationary and balanced budget policies. The resulting high unemployment has led to violent strikes and demonstrations two years ago and to the fall of the previous French government. Why should more massive change in Russia be smooth and easier? The repeated call for ethical behaviour and good governance in Russia by American, French, British "experts" sounds equally hollow if we do not acknowledge the historical and developmental differences between the West and Russia. France, the USA and the UK have professional bureaucrats and technocrats, a fully functioning elite education and a biting legal system to keep rent seeking behaviour in check. To build up such

al. should custom-tailor their advice more to a given country's policy realities and take into account the institutional capabilities at macro, meso, and micro levels of the recipient countries. Introducing SMEs into an economy which has no established market economy nor corresponding legal, political and cultural practices is bound to fail unless the transferring agent (donor agency, Western expert, etc.) makes a long term commitment involving 5-10 years of substantive "hands-on" inputs including

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- a) the transfer of adapted managerial know-how,
- b) the building up of SME focused financial lending institutions,
- c) the concomitant advising of government officials in matters pertaining to market economy,
- d) good governance and a legal framework anchored within national law,
- e) a simultaneous injection of joint business ventures between Western and Russian partners and finally f) the extension of minimal tariff concessions in respective OECD markets to encourage the development of mutually beneficial trade relations.

Only then will the thousands of motivated Russians who would like to become a SME owner be given a realistic chance to start a SME venture . Russia appears to be at a crossroad. What the West could and should do has been succinctly stated by Sergey Rogov (1998)

“Without help, Russia faces near-certain economic collapse, which will set back its economy and perhaps its democracy for years. With help, the Russian Federation has a chance, a window of opportunity, in which to revive its economy. That window may yet slam shut, but standing idly on the sidelines is not a good option for the world's rich countries.”

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EBRD Annual Report. 1995. "Small and medium-sized enterprises", p 139-151.

good governance took lots of years, efforts and acceptance of failure. It cannot be different for Russia nor any other transitional economy.

¹⁷ Observation was made that building trust between Russian and Western managers is possible only "when incumbent managers are identified as being of sufficiently high quality and outsiders are confident that they can be engaged through a trusting relationship, where both insiders and outsiders signal their willingness to refrain from behaviour that is short sighted" Wright, Hoskisson, Filatotchev, Buck, 1998)

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