

# ВЕДОМОСТИ



Photo by D. Grishkin

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## Programme works

YBR has helped to finance 74 business projects since 2008. The loans granted total 10.6 mln rbl. 184 jobs have been created. In November 2010, the programme kicked off in Vladivostok with support from Maritime Bank, Fesco shipping group and SABMiller Rus. March 2011 is expected to see the programme launched in Novosibirsk, the grant having been provided by Credit Suisse.

## Business under supervision

Even with financial support available, the first year sees at least half the startups fall by the wayside. But if money is coupled with training programmes and an experienced mentor, the survival rate will be over 80%, say the founders of the Youth Business International global programme, active in Russia for three years now

By [Rimma Avshalumova](#)  
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In the autumn of 2008, Gennady Shigapov, graduate of the North-Western Civil Service Academy, was granted a three-year loan of 150,000 rbl to start a company to provide engineering services in Kaluga. In 2009, the turnover of his company was 5.2 mln rbl., and in 2010 the company grew 10 times, its turnover reaching 53.8 mln rbl. Today Shigapov employs 23 people at his ProfEngineering.

The businessman says that he could have repaid the loan as early as six months later but has not done so yet: he does not want to withdraw from the Youth Business Russia programme. "This programme offers easy financial terms but, more importantly, workshops, mentoring, contacts," says Shigapov. "The nuts and bolts of the business I knew myself, but with commercial arrangements I had a lot of help from my mentor. He has a number of commerce businesses, and he gave me very valuable advice."

In 2010 Shigapov's project was short-listed for the international competition "Young Entrepreneur of the Year", organized by The Prince's Youth Business International in the category "Environmentally Sustainable".

## With a little help from a prince

The international programme to support youth business was developed as early as the mid-'90s by the International Business Leaders Forum (IBLF) in coordination with The Prince's Trust. Today the programme is active in 40 countries all over the world and in Russia since 2008.

"We focus on supporting young people under 35 registered as entrepreneurs for up to a year, says in discussing the programme [Boris Tkachenko](#), IBLF Branch Director Russia, and programme manager for Youth Business Russia. "Banks and micro lenders provide financing for businesses already up and running. But to find [seed money](#) for a startup, particularly in the provinces, is quite a challenge for a young person."

What distinguishes this youth business support programme is that a young entrepreneur is given not just a loan of 150,000 rbl. for three years at 12% per annum, but also the programme's know-how from the Prince of Wales such as free training (Small Business 101), advice and mentoring. "If you just give a young person funds, his business will

die while in its first year because he has no experience and no understanding of business processes,” Tkachenko says with conviction.

In November 2008 the programme launched its pilot for Russia in Kaluga Oblast, and a year later in Voronezh Oblast. The grant for a loan portfolio for Kaluga Oblast in the amount of 80,000 pounds was made available by the Royal Bank of Scotland, said Tkachenko. For Voronezh Oblast, loans were made available using the resources of the Public Fund for the Support of Small Business in Voronezh Oblast.

The programme's financial scheme is straightforward: big business provides a grant from social responsibility budgets, which is spent in loans to young entrepreneurs. 12% per annum charged on the loans covers the overheads. The entrepreneurs gradually repay the loan, and the proceeds are used to finance next projects, Tkachenko continues.

According to him, the loan portfolio has no deficit and is unlikely to develop one: statistics show that not more than 20% of young people are capable of setting up their own business, and not more than 5% actually take this step. A mere 3-5 new projects sprout up in each region every month.

## Experience teaches youth

The most unusual feature of this programme is mentoring. The programme assigns a mentor to each trainee and monitors their progress. During the first year, the trainee must meet with his mentor no fewer than two times a month. Once every three months, the teacher and the student complete a questionnaire to make it easier for the coordinators to assess the progress made. Mentors donate their time. In 2.5 years only one mentor has had to be replaced.

“You can hardly expect to bring in experienced entrepreneurs from the street or by advertising in the papers,” Tkachenko says. “That is why we set up liaison with local business associations in the regions. The first mentors usually come from among their most active members.” According to the terms, the mentor may not become involved in the trainee's business as a partner or co-owner before the programme is completed. Furthermore, whereas the programme often engages successful top managers and consultants as mentors abroad, in Russia it uses only entrepreneurs. The reason being, according to organizer, that the small business environment in Russia is so totally different.

“Come to think of it, mentoring helps your own brain stay agile,” says [Mikhail Aleksandrov](#), a Kaluga-based entrepreneur and Shigapov's mentor. “After 20 years in business some processes get kind of taken for granted, while the young have a fresh take on lots of things.”

[Vladimir Buyev](#), [NISIPP](#) (National Institute for Systemic Studies of Entrepreneurial Problems (NISSEP)), has not yet heard about the programme but knows of its performance abroad: “As such, a mentoring tool in this context can indeed be of interest. And none of the private enterprise support programmes that were implemented in Russia until now had such a tool.”

Yuri Segal, a mentor of three young entrepreneurs from Voronezh Oblast, has himself been active in business since 1991 and owns a chain of footwear shops. “When I went into business, a teacher was what I wanted very much. I made a lot of mistakes, which I then spent years to correct. Now I can help young people who have business plans, [startup capital](#) but no experience in matters of business taxation, positioning and promotion; I can answer many other questions,” Segal explains.

Segal says that he agreed to join the project when he saw that the programme was truly committed to the result. He believes that a lot of entrepreneur support programmes initiated by the federal centre do nothing except provide a grant or loan. Their performance is poor, there is no oversight, local civil servants make a mishmash of ideas, the businessman says.

Denis Chernykh and Alexander Matyukhov, Segal's charges, were woodcarving enthusiasts for many a year. That brought in no money for the young men. They gave away unique interior design items and pieces of furniture they made by hand to their friends as gifts. When people they knew started to give them commissions on a more regular basis, Chernykh and Matyukhov thought of going into business for themselves. The friends had no business experience or seed money. They decided to google for an entrepreneur support programme to get money to set up production.

“We were lucky to find the programme. But for the training workshops and mentor support, we would have most likely failed,” Chernykh says with conviction. “Money would have run out fast, and that would have been the end of it. We were taught to run a business, organize distribution, generate business. We listen to our mentor open-mouthed every time.”

According to Chernykh, their manufacturing venture is already turning into a going concern. And their small business boasts sales in excess of 100,000 rbl. in its first year. Today the entrepreneurs have two workshops and employ several workers. They now also have a chance to expand into the [international market](#); after all, the dragon skilfully carved by them from oak and presented to Prince Charles for his birthday in November pleased His Royal Highness very much and was given a place of prominence in his collection.

## **Not a lot but it's there**

According to the organizers, there has not been a single case of default on a loan so far. Although they require neither security nor surety from young entrepreneurs. "We often hear, 'Give me a million — and I'll do proper business'. But for a first business venture, set up from scratch, the amount of 150,000 rbl. is quite adequate. Such a beginner will be in over his head with a business worth a million anyway," Tkachenko says.

The ceiling was set based on a simple estimate. The monthly payment on a three-year loan will be 4000-5000 rbl. — an amount that a young person can earn without effort and pay even if the business fails. "It's an adequate amount for a startup," Segal believes, "but it could certainly be increased in the future, too."

The programme's performance, according to Buyev, is quite easy to estimate: if there is growth in terms of three basic indicators — turnover, jobs and business development investment, then this is an effective programme.

According to Tkachenko, the programme is theoretically expected to be launched at all major regional centres, but with loans only provided for up to 30 projects a year in each region: "We do not want to set up a loan pipeline as do government-sponsored support programmes. We still see it as piecemeal; we are more interested in performance and results rather than quantity."

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