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HOW TO ARRANGE A MICRO-CREDIT PROCESS

SUPPORT MATERIALS
TO THE MANAGEMENT STRATEGY FOR NATIONAL PARKS OF RUSSIA

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The brochure addresses practical experience of the Biodiversity Conservation Centre in the development of a low-cost non-banking micro-credit mechanism for people living in National Parks and Biosphere Reserves. It also provides recommendations how to arrange in protected areas this activity that is essential for the conservation of federal-level natural and historico-cultural heritage and promotes local rural livelihoods.

The brochure is addressed to protected area managers, conservation specialists, governmental authorities, and environmental NGOs.

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FOREWORD

The brochure addresses practical experience of the Biodiversity Conservation Centre (hereinafter – the BCC) in the development of low-cost non-banking micro-credit mechanisms for people living in National Parks and Biosphere Reserves. Micro-credits are one of the main Sustainable Livelihoods mechanisms (hereinafter – SL¹), while Sustainable Livelihoods are the key elements of the project “Management Strategy for National Parks of Russia”.

The micro-credit programmes become possible thanks to creative efforts of the following persons:

Mr. E. Levkin, Ms. M. Travkina, Mr. S. Demin – tourism and SL specialists of the BCC;

Mr. A. Grigorian, Mr. J. Rudge – leaders of the project “Management Strategy for National Parks of Russia”.

Mr. C. Rock, Mr. Ph. Johnson, Mr. B. Angel – UK Consultants.

In addition, the following people had directly participated in the micro-credit mechanism development at local level:

the collaboration area of Ugra National Park – *Mr. V. Novikov, Mr. V. Suprichev, Mr. K. Dikov, Mr. V. Glukharev, Ms. L. Rochina, Mr. M. Loktev*;

the collaboration area of Smolenskoe Poozerie National Park – *Mr. S. Volkov, Mr. A. Kochergin, Mr. P. Sovetov, Ms. L. Golovneva, Ms. L. Zaitseva*;

the collaboration area of Tsentralno-Lesnoy Biosphere Reserve – *Mr. A. Zheltukhin, Ms. L. Khokhlova, Ms. G. Ionova*;

the collaboration area of Katunsky Biosphere Reserve – *Mr. A. Zateev, Mr. V. Belov, Mr. A. Vargas, Mr. A. Klepikov, Mr. V. Surtaev, Mr. V. Otrishko*.

The author would like to express his great thanks to all these people as well as many other project participants. Finally, we have proved the viability of SL conceptual bases and their real benefits not only for protected natural areas but for almost all rural regions of the country.

¹ The SL concept is addressed in more detail in the brochure “Sustainable Livelihoods in National Parks of Russia – Conceptual Framework and Practical Guidelines” published as a part of this series.

INTRODUCTION

Micro-credits are one of the main Sustainable Livelihoods mechanisms (hereinafter – SL) in protected areas and their surroundings. This mechanism could be also applied in most rural regions of the country.

Wise combination of federal conservation objectives with regional objectives to raise living standards of local communities allows to ensure real public support of protected area activities.

The proposed micro-credit mechanism uses a non-banking innovative scheme that does not require to found a specific credit organisation. The mechanism is focused on maximal use of existing infrastructure and specialists. The scheme is low-cost and maximally friendly for perspective debtors.

The need in such a mechanism is caused by the necessity to raise rural livelihoods and employment. To achieve this, it is necessary to provide favourable conditions for family and small private business through

- better access to financial resources for novice businessmen;
- friendly consultations and other technical support for their initiatives.

The experience shows that such a micro-credit mechanism not only raises the number of private businessmen but also promotes the following processes:

- sustainable development of rural areas;
- capacity building of local authorities and upgrade of state officers;
- civic society development at local level;
- productive collaboration of commercial, non-commercial, and governmental organisations.

Furthermore, this simple innovative scheme allows:

- **multiple use** of limited financial resources;
- to gain valuable market experience; and
- to raise the authority of governmental and non-commercial organisations among local communities.

The micro-credit mechanism is focused, basically, on family and small private business in rural areas where this development potential is practically not used, primarily – due to the disunion of various structures, absence of practical experience and methodical guidance.

A micro-credit mechanism has been created in Demidov District (Smolensk Region) in 2001 following an initiative of Smolenskoe Poozerie NP; it is still working effectively. The district administrative authority provides technical support for the credit provision/return free of charge. The BCC has created the micro-credit mechanism. Governmental and non-governmental organisations are represented in the commission that runs the micro-credit contest and manages the micro-credit process.

At the beginning of 2002, the micro-credit funds have been used more than twice, while all credits have been returned completely. More than 100 local residents have

raised their livelihoods due to this process, either directly or indirectly. Similar mechanisms work in Nelidovo District (Tver Region), Ust-Koksa District (Republic Altai), and Kaluga Region.

WHY CREDITS FOR LOCAL COMMUNITIES?

The conservation community has strong (although not very good) traditions of non-commercial projects implemented by protected area staff. Many projects, however, particularly, tourism-related ones could be run on the commercial basis, including borrowed funds. In addition, projects could be implemented by local residents who would gain real benefits from the protected area existence and be involved into the socio-economic development in the conservation context.

The key issue is to identify the main vector of the development policy – i.e. if the protected area as a governmental institution² should rely on its own capacity and be, in fact, 'closed' for local communities or it should initiate integration processes with local communities and gain real benefits from this collaboration.

In developed countries, small and medium private enterprises are the main basis of economy; they produce 50-80% of the gross national product, while in Russia, this sector produces less than 10%. The government is taking measures to promote the development of small and medium business – reduces taxes and simplifies unnecessary accounting procedures, i.e. provides favourable conditions for economic development “from below”. Low-cost micro-credit mechanisms can complement governmental initiatives because these facilitate access to financial resources and friendly consulting; this is especially valuable for new family and individual rural enterprises.

All SL mechanisms address this objective to a certain degree, but micro-credits occupy a specific place among others because these mechanisms promote the creation of market mentality best of all and raise the conservation literacy of the adult population.

Results of a questionnaire survey provided in Annexes 2 and 3 show that conservation restrictions imposed by protected areas are only 10% from all reasons constraining growth of local welfare. These data disprove a popular dogma that just conservation restrictions constrain profitable economic activities in protected areas and their surroundings. Furthermore, benefits lost due to conservation restrictions, could be easily compensated and overrun by additional revenues generated through non-exhaustive use of unique natural potential.

The results of the questionnaire show that major factors constraining local welfare are: poor tourism infrastructure, lack of private business traditions, alcoholism, and ineffective local socio-economic development models. In other words, the main issues are: the absence of a generally-recognised governmental development idea; and nihilism of abandoned people.

The micro-credit programme does not pretend to resolve this issue completely, but at local level, it is able to mitigate a number of traditional contradictions in this field.

Independent businessmen and family enterprises can and must become friends of nature if their relations with protected areas are fixed taking into consideration long-term state interests.

² For the purposes of this study, the term 'protected area as a governmental institution' means Zapovedniks and National Parks.

Currently, the rural population of Russia, in fact, does not have access to gratuitous financial aid and credit resources. Rural branches of the Savings Bank of Russia (there are not other credit organisations here) require a lot of documents and certificates, to obtain which, debtors should have very high legal and economic skills.

In addition, branches of the Savings Bank of Russia offer credits with unfriendly interest rates and return schedules. Furthermore, banking guidelines regard rural business as the most risky area for investments. Local funds for small and medium business support are usually focused on the development of speculative trade business in towns and do not have branches in rural areas.

Today, private small holdings produce a half of the total Russian food products – i.e. this sector is essential for the national food security. At the same time, rural people need financial support more than others due to the seasonal character of their productive process and long investment cycles. In addition, rural people are informal keepers of the Russian nature because just their activities influence its conservation.

In fact, to conserve the natural biodiversity, it is necessary to implement two basic objectives:

- rural people must understand what benefits could be gained through the conservation of unique natural heritage – i.e. it is necessary to transform the abstract 'global' value of protected areas into the extremely concrete value for people's personal welfare;
- co-ordinate efforts of local governmental, commercial, and non-commercial organisations for the benefit of local communities – while conserving the nature.

For the purposes of the proposed micro-credit mechanism, the objectives listed above could be implemented as follows:

- rural people gain a unique opportunity to receive not only credits to support existing enterprises – they also receive friendly consulting support for new initiatives;
- federal, regional, and district levels collaborate fruitfully in the framework of concrete socially-significant activities;
- the nature conservation should become not only a protected area purpose but also a crucial goal for local communities.

WHY CONTEST?

People regard a programme as their own job only if they are involved into it maximally! This is one of the crucial prerequisites for the mechanism sustainability. With regards to micro-credits, this requirement is met through open project contests.

Through the contests, local people become real creators of their private and family plans, furthermore, they become responsible for the implementation of these plans, for their conservation purity.

Yes, we have taught officers of local administrative authorities to draw-up business plans, but these plans are always signed and checked by those people who directly receive credits and jeopardise their own property providing it as guarantees.

This could be regarded as 'market education of adults' – a block of SL programmes. The micro-credit process ensures sustainable development and is based on the following values:

- human;
- nature;
- economy.

PARTNERS IN THE MICRO-CREDIT MECHANISM CREATION

To create a micro-credit mechanism, skilled economists are needed. It is possible to identify such specialists in various funds, commercial banks, commercial and non-commercial organisations, and in local administrations. In fact, capacities of such organisations and their staff are the main factor for the major partner selection.

With regards to commercial banks, it is possible to deposit certain financial resources into these institutions as guarantees; banks will compensate losses suffered due to non-returned credits using these resources. The ratio between the sum of credits provided according to this scheme and the sum of deposit serving as the guarantee could be 5 to 1 because normally, banks that apply this scheme provide credits using also their own resources.

This scheme is attractive, but in fact, it frees banks from the responsibility to supervise the return of credits because they have a guaranteed source to compensate all losses. In addition, commercial banks, according to their charters, procedures, and rules, will never allow communities to participate significantly in the credit-related decision making. If we also take into consideration that most Russian commercial banks do not have rural branches, it will become evident that this scheme is not very good from the SL point of view.

It is also necessary to keep in mind that a purpose of micro-credit mechanisms is to involve local communities and authorities into the nature conservation maximally. This could be achieved through another, non-banking scheme proposed in this study.

The register of organisations – perspective partners includes currently only three legal forms that have been tested by the BCC practically in model areas:

- funds, primarily – funds for small and medium business support;
- district administrative authorities; and
- non-commercial organisations.

It is necessary to note that district administrative authorities are the best partners for the SL micro-credit mechanism creation. Furthermore, collaboration with these institutions often goes beyond micro-credits and allows to resolve a broader range of sustainable development and conservation objectives within their districts.

In some cases, at first stages, it is possible to use non-commercial organisations and funds for small and medium business support to create micro-credit mechanisms. It is always necessary, however, to endeavour to establish maximally close liaison with local authorities.

HOW TO FILL A MICRO-CREDIT FUND?

It is often difficult to raise funds for micro-credits. Normally, neither protected areas nor local authorities have resources for this. Theoretically, it is possible to obtain budget funding for this purpose but only subject to successful relevant experience deserving presentation at federal and regional levels.

However, a micro-credit mechanism simply can not be launched without a launch capital. There are some exits from this vicious circle, for instance:

1. Initiate development and approval of a regional/district SL programme; or participate in existing programmes for small and medium business support;
2. Look for sponsors;
3. Receive grants from international donors;
4. Use own funds.

Each of these options has its own specific features that certainly must be taken into account.

Currently, the Government promotes broadly the development of small and medium business. The experience shows, however, that these beneficial initiatives address basically town-based business, while almost ignoring rural areas.

Federal and regional structures responsible for the development of small and medium business are interested in rural development, but their real capacities are very limited due to, for instance, high transportation and other indirect costs. In addition, they do not have enough experience in rural business, particularly, in business based on private small holdings; there is no adequate database on rural businessmen, etc.

In such circumstances, initiatives of district authorities and protected areas that propose low-cost and effective SL mechanisms could be regarded as serious proposals able to resolve local social issues.

The idea to attract sponsors is often regarded ironically, but it has four strong rationales:

- many big enterprises polluting the environment need to restore their social reputation as conservationists and keepers of rural welfare;
- many big enterprises are willing to link their images with the nature conservation;
- some businessmen love their places of birth and believe that their moral imperative is to promote their development;
- some rich persons and their kinsmen want to gain the character of benefactors and guardians of good social initiatives.

We will not describe Russian examples of such sponsorship because our tax laws do not encourage this. We would like to emphasise, however, that many our former compatriots living abroad do not want to lose links with their motherland and assist it, including assistance for National Parks. There is an illustrative example in Latvia where a well-known company produced a perfumery series, while a part of profit gained from sales is granted to National Parks.

In any case, it is necessary to keep in mind that sponsorship is an objective need of a number of businessmen; these businessmen should be identified and fundraised.

Micro-credit initiatives could be also supported by a number of international organisations through grants. The Internet provides extensive information on donors, their criteria and application forms. Literature sources are also available. In addition, many protected areas and NGOs have extensive experience in this field. It is necessary to note that normally, grants are given to non-commercial organisations. So, if a grant is the only source of launch capital, the grant recipient can become the leading organisation of the micro-credit mechanism, at least, at the initial phase.

Applications for grants require specific skills and experience, so, it is advisable to attend training workshops arranged by donors or attract specialists in this field.

The involvement of own capitals, including non-budget funds of protected areas and local authorities, requires specific attention. Such sources might include revenues generated by rent, tourism, services, or penalties.

The use of own funds requires a sturdy policy focused not only on everyday issues but rather on investments into the future development. The rejection to fund SL programmes or residual funding might detriment the future sustainable development greatly.

THE MICRO-CREDIT PROCESS SCHEME

This chapter provides a step-by-step technology of micro-credit mechanism creation based on our 3-year practical experience. These recommendations allow to create a micro-credit mechanism at local level, without exterior consulting support.

1. Creative Team Identification

At this stage, it is necessary to identify a leader and allies that will undertake all organisational works. These people will become the creative team that might include officers from the district administrative authority, protected area staff, NGO representatives, and most active local residents.

The creative team distributes responsibilities among its members on the basis of the available information and draws-up a plan of top-priority actions that includes:

- socio-economic analysis;
- identification of launch capital sources;
- public presentation of the micro-credit programme;
- identification of partners and the head organisation; formalisation of relations with these;
- identification of the area for the first implementation phase;
- development of draft statement on the micro-project contest.

Basic positions of this plan could be implemented simultaneously – so, the sequence of actions above is conditional. It is recommended to involve as many participants as possible and use the potential of local staff.

2. Socio-Economic Analysis

The purpose of this specific socio-economic analysis is to answer a number of pragmatic questions:

- what local potential could be involved into the programme in order to make it low-cost?
- what settlements are optimal for the programme launch?
- what public groups should be involved into the programme in the first line?
- what micro-project categories are most perspective for the selected area and the public group?
- what training and consulting support will be needed for the participants; and who can provide it?

It is necessary to explore the five components of the local potential that could be involved into the micro-credit programme:

- human potential;

- social potential;
- natural potential;
- physical potential;
- financial potential.

In the framework of the analysis, it is recommended to explore each potential from two points of view:

- the potential suitable for the creative team identification and the micro-credit process management; and
- the potential of the area and local people who could be involved into micro-projects.

Human potential – first of all, it is necessary to assess physical and psychic health, education level, responsibility, honesty, and practical skills, including leadership.

Social potential – first of all, it is necessary to assess family, kinship, service, and other sustainable links as well as roles of concrete persons. It is necessary to identify the influence of these factors on the ability of these persons to fulfil functions essential for the micro-credit programme.

Natural potential includes natural resources that could be involved into micro-projects (e.g. forest products, sites, water objects, etc.). The assessment must take into consideration conservation restrictions established for particular activities in the area. At this stage, it is possible to identify a number of concrete actions that contribute to the direct involvement of local communities into the resource conservation and improvement of the use culture.

Physical potential is assessed to reveal buildings, facilities, transportation means, and other available physical resources that could be involved into the micro-credit mechanism creation and micro-projects and be used as guarantees.

Financial potential – all financial resources available are assessed, both resources essential to create launch capital and resources of potential debtors. Each debtor should make his/her best contribution into the micro-project – i.e. the credit should not be the only source of income. It is necessary to assess household (family) incomes – both on the basis of statistical data and information provided by perspective debtors.

The analysis can use official statistical data, questionnaire surveys, purposive canvasses of particular public groups, and expert assessments. The Annexes 2 and 3 provide summaries of questionnaire surveys that had been used at the initial stage of the project.

Such questionnaire surveys should provide maximally pragmatic outputs that could be directly used to create a micro-credit mechanism and select micro-projects. Finally, it is necessary to identify the list of candidates, resources that will be used, and top-priority areas of small business development. Recommended business project types are provided in the Annex 1.

After the end of the assessment, the creative team must be able to select the leading organisation that will serve as the basis for the micro-credit process, perspective sources of launch capital, and areas (settlements) selected for the first phase of the micro-credit process.

3. Presentation of SL Opportunities for Perspective Partners – programme Implementers

This is one of the main phases of the micro-credit mechanism introduction, when the process becomes open. The purpose of this step is to attract perspective partners and identify the goal: raise local livelihoods using local opportunities and conserving unique natural objects.

The purpose of the presentation is to prove openly the previous arrangements with perspective participants of the micro-credit mechanism creation process and allow all persons willing to be involved into this process to do this.

The district authority is the best place for the presentation.

It is recommended to invite all perspective partners to the presentation.

The following information should be delivered at the presentation:

- the micro-credit mechanism, its objectives and opportunities;
- outputs of the socio-economic analysis;
- the area selected for the first phase of the programme; the first target group of debtors;
- sources of the launch capital;
- the draft statement on the programme (i.e. rules and procedures);
- interest rates of the first and further micro-credit rounds;
- the selected leading organisation and perspective membership of the Board (Contest Commission).

After the presentation, it is advisable to create the Board (Contest Commission) that will discuss and approve work plans, rules, and procedures at its further sessions. In the future, the Board (Contest Commission) will identify:

- the leading organisation;
- the Board statement (rules and procedures);
- the area selected for the first phase of the programme; interest rates;
- period of the launch capital accumulation; the date of the contest beginning;
- the public presentation programme targeting perspective debtors;
- candidates for programme co-ordinators that will work with local communities and technical staff supervising the credit provision and the training programme.

4. Selection of the Leading Organisation

This issue is addressed in more detail in the brochure “Sustainable Livelihoods in National Parks of Russia – Conceptual Framework and Practical Guidelines” published as a part of this series. To avoid repetitions, we would only like to emphasise that it is necessary to endeavour to make the leading organisation not the protected area but the district authority or another structure able to provide credits and

really involved into the area. Thus, the objective to involve partners into the conservation work is fulfilled.

5. Selection of the Area for the First Implementation Phase

Many Zapovedniks and National Parks overlap several administrative districts. The experience shows that it is not good to launch the programme in several districts simultaneously. Furthermore, in order to maintain strict control within a single district, it is recommended to expand the programme gradually – from one settlement to another. This step-by-step approach allows also to demonstrate practically the programme potential by successful credit examples – in rural areas, this is much more efficient than any other advertisement.

If the credit resources are significantly lower than the demand on these, the programme would suffer significantly. So, the real credit capacity should correspond to the need in credits.

Sooner or later, however, it will be necessary to expand the programme to other districts. This will require to establish a new District Board (Contest Commission) and, perhaps, a new leading organisation. Ideally, these structures should be created in each district – this would allow to involve all stakeholders maximally.

6. Resource Assignment for Credits

This issue is addressed in more detail in the brochure “Sustainable Livelihoods in National Parks of Russia – Conceptual Framework and Practical Guidelines” published as a part of this series. We would like only to note that each NP should have a specialist whose main task is to establish fruitful liaison with organisations able to act as donors, sponsors, and investors of local development. These should include big and medium business.

It is necessary to emphasise that fruitful liaison with business structures should include not only 'mercantile' elements but also explain the protected area significance, its restrictions, and real business benefits existing just in these areas. The experience shows that in fact, the Russian business does not know about National Parks and Zapovedniks and their collaboration opportunities.

The Annex 4 provides a sample of the micro-credit fund supply agreement. Such agreements with sponsors can act as trustworthy guarantees of purposive use of funds requested.

7. Approval of Programme Rules and Procedures

The programme rules and procedures are provided in a single kit of documents that includes:

- the Statement on the Micro-Project Contest;
- requirements to business plans/applications;
- sample of expert rationale for the decision to provide a credit;
- sample of credit contract;

- sample of bailment contract;
- sample of security contract;
- sample of debt write off order;
- reporting form for credit contracts.

Samples of all documents developed in the framework of the programme are provided in Annexes 5–13.

These documents could be supplemented by the Statement on the Board (Contest Commission) determining rights and responsibilities of all members, decision making procedures, and power distribution rules. We did not develop these documents specifically during the project implementation because we decided to arrange all these issues by decisions made at sessions of the Board (Contest Commission) and fix in protocols.

After the discussion with all Board (Contest Commission) members and the appropriate administration, it is recommended to draw-up and approve a statement of the districts authority on the micro-credit programme according to the Statement on the Micro-Project Contest.

8. Contest Announcement and Public Presentation of the Programme

When local media publishes the decision of local authorities to launch the micro-project contest and contest terms, it is necessary to present the programme to its perspective participants – local people. It is recommended to add publications in local and regional media with speeches at rural meetings and other available means, including the distribution of the SL Programme Mission (a sample of such Mission is provided in the brochure “Sustainable Livelihoods in National Parks of Russia – Conceptual Framework and Practical Guidelines”).

It is strongly recommended to cover micro-credit successes in publications and speeches as well as positive opinions of authoritative people.

9. Training of Co-ordinators and Technical Executors – the First Circle

This step is extremely important. Although co-ordinators and executors identified should have relevant skills and qualification, the programme specificity requires to interpret the existing skills in the extremely concrete SL plane.

At this phase, we recommend to study the following materials:

- “Sustainable Livelihoods in National Parks of Russia – Conceptual Framework and Practical Guidelines”;
- this brochure;
- experience of model areas and the BCC.

If necessary, it is recommended to invite skilled specialists-consultants.

In fact, the whole first micro-credit round is a school for co-ordinators, executors, and Board (Contest Commission) members according to the principle 'learning by doing'.

The experience shows that such training, combined with the experience exchange between different areas, brings good results.

10. The 1st Micro-Credit Round

As it had been said above, the 1st micro-credit round serves as training for programme co-ordinators and participants. It should be, therefore, maximally friendly for all participants, including interest-free and privileged credits.

The success of the 1st micro-credit round will determine significantly the success of all further work because only successful credit examples can convince local people that the programme is beneficial for them.

The selection of first debtors is very important, this requires specific addressed work with most perspective people. These persons should:

- be authoritative in the area;
- implement micro-projects that could be replicated by other local people;
- strictly obey the micro-project terms and the credit return schedule;
- allow to disseminate the information about their micro-project broadly and convince other local people that these projects are really successful and the programme – beneficial.

A micro-credit round can be presented as follows:

Step	Actions
1	Addressed work with perspective applicants and collection of applications (business plans).
2	Visits to applicants to check the information provided by them and assess the feasibility of their business plans and return guarantees.
3	Elaborate applications (business plans) in collaboration with applicants and draw-up proposals to the Board (Contest Commission). Preliminary agreement of applicants to sign credit and bailment contracts, agreement with return schedules and reporting forms.
4	Session of the Board (Contest Commission) to make decisions on credit provision.
5	Sign credit and bailment contracts.
6	Credit provision for contest winners.
7	Control of contracts signed and return of credits.
8	The next credit round.

This scheme uses a number of documents, samples of these are provided in the following Annexes:

- Steps 1-3 – Annexes 4-12;
- Step 4 – Annex 13;

- Step 5 – Annexes 4, 6-10;
- Step 6 – Annex 4;
- Step 7 – Annexes 4 and 10.

11. Completion of the Micro-Credit Mechanism Creation Process and Transition to the Sustainable Functioning

After the successful finish of the first credit round, it is possible to confirm that the micro-credit mechanism is created and has potential for further sustainable development. To that moment, all participants of the process should gain essential practical skills and it would be possible to raise the interest rate in order to compensate inflation losses of the credit resources.

Taking into account outputs of the micro-credit process and the real demand on credits, it is necessary to be able to increase the micro-credit fund, not only due to raised interest rates but also due to additional fundraising (sponsors, donors, etc.).

Analysis of first credit round outputs allows to identify business development directions most suitable for the area and replicate successful projects broadly. To achieve this, it is possible to offer local people standard business plans tested practically – i.e. the micro-project contest begins to develop in two directions: implementation of standard projects and identification of original micro-projects.

We would like to emphasise again that normally, the micro-credit mechanism can function for a long period of time and allows to provide credits many times if no significant mistakes are made and no social and financial shocks occur. In Demidov District (Smolensk Region), the third credit round is implemented according to this scheme.

'UNDERWATER REEFS AND SECRETS' OF THE MICRO-CREDIT PROCESS

There are many details that must be taken into consideration to ensure effective work.

Drawing-up Contracts

It is necessary to keep in mind that agreed relations must be fixed properly. Otherwise, they might lose the legal force and contravened through civil procedures.

Contracts must meet requirements of the civil legislation, have numbers and dates.

Credit contracts must be signed by superior persons of the organisations and attested by their stamps. All pages must be signed by the parties to prevent further replacement.

The number of contract copies must correspond to the number of signatories, all copies must be identical.

If a contract includes annexes, its text must certainly set out that these annexes 'are integral parts of the contract'. Annexes must have numbers and references to the contract number and date.

Most important contracts could be attested notarially or registered through other legal procedures.

All contracts must be kept in special places (strongboxes, safes, etc.).

Drawing-up Business Plans and Applications for Credits

Business plans, applications for credits, return schemes, and other documents submitted for the contest must include the statement that all information provided by the applicant is authentic, including data calculated with the assistance of other persons. These documents must certainly be signed by applicants and indicate the submission date. It is advisable to attach a copy of the business plan to the credit contract as an annex – this would simplify greatly the possible court proceeding if the funds are used inappropriately.

Credit or Loan?

According to the civil legislation, organisations that are not registered as credit ones can provide loans, not credits. This must be fixed in relevant contracts – otherwise these could be contravened according to this formal feature.

In addition, it is necessary to keep in mind that if a non-credit organisation is providing loans, this must not be its main activity.

Interest Rates

Guidelines for economic organisations providing loans set out that the interest rate can not be lower than that established by the Central Bank of Russia. Otherwise, the difference between these rates is regarded as profit and levied by relevant taxes.

Debtors must be warned that they are directly responsible for all tax consequences of their loan contracts and even if they receive 'advertisement' interest-free credits, they still have to pay taxes. However, if the financial resources allow this, it is recommended to manage all tax payments in a centralised way, as a specific support SL programme.

The best option is to find debtors able to pay interest rates established by the Central Bank of Russia even at the first credit round.

In some cases, when the micro-credit mechanism is managed not by the district authority but by involved specialists, it is possible to use a part of the interest fees to remunerate these specialists. It is necessary to keep in mind, however, that this dilutes the micro-credit mechanism sustainability and could be applied only in exceptional circumstances. A better option is when involved specialists receive their fees for assistance in business plan development and other consulting services directly from applicants.

Business Plan or Application?

A micro-credit programme must be flexible and not too formalised. Business plans (applications) must address three main issues:

- the sum of the loan requested;
- bailment credibility (guarantees of the return);
- credit history of the debtor.

The experience shows that if an applicant requests less than US\$500, it is not necessary to draw-up a detailed business plans – an application drawn-up according to the established form will be enough.

Larger loans require business plans, their detail levels depend on the bailment credibility (guarantees of the return). If the bailment and other guarantees are very credible, the business plan can consist of 1-2 pages.

It is also necessary to take into consideration the debtor's credit history – information of other credits taken by him/her in the past. If a debtor has brilliant credit reputation, it is possible to level down requirements to the detail level of his/her business plan.

Sum of an Individual Loan

The purpose of the micro-credit programme is to support small (family and individual) business. It is recommended to provide loans that not exceed US\$1,500 (in roubles). Maximal loans could be provided if these ensure relatively larger growth of livelihoods and employment.

It is also necessary to keep in mind that one large loan is more risky than several lesser ones.

Bailment (Return Guarantees)

The bailment (return guarantees) selection is an extremely important aspect of a micro-credit process.

The bailment cost must be more than the loan and interest fees because the bailment sales also require costs. For micro-credit purposes, it is recommended to make the bailment cost 1.5 times more than the loan – this is more friendly towards debtors than modern Russian banking practices.

The bailment must be marketable maximally – i.e. if the return schedule is loused up, its sales must not take too much time, while the income gained must completely compensate losses suffered due to the schedule wrecking.

Marketable bailment include cars, modern household appliances, some agricultural machinery and equipment, cattle, goods and materials, jewellery, securities, and bank deposits. It is risky to accept non-marketable resources as bailment (e.g. land sections or old rural houses).

It is recommended to insure the bailment for the whole duration of the loan contract at the debtor's expense.

It is possible to guarantee the return through the insurance of equipment and cattle purchased using the loan and future harvest. The insurance premium, however, often do not cover all losses, so, such insurance must be combined with other guarantees.

Warranty of a successful and capable commercial organisation could be used as guarantee. Warranties of district authorities are often not so reliable.

Unfortunately, many rural people do not have enough possibilities to provide credible bails and commercial warranties – this makes their credits more risky. Boards (Contest Commissions) can develop and introduce specific collective warranty schemes taking into consideration local features. In any case, the provision of loans without a credible return guarantee scheme will be a profanation of the micro-credit programme and wreck it.

In addition to return guarantees addressed above, it is recommended to assign a Board (Contest Commission) member to each debtor. The Board (Contest Commission) member undertakes personal responsibility for the timely return of funds by the debtor. If no one Board (Contest Commission) member is willing to act as a public guarantor, the project is not funded. But this procedure only complements bails and commercial warranties, does not replace these.

Verification of Business Plan (Application) Reliability

It is necessary to verify data provided by the applicant, otherwise it would be very risky to provide a loan to him/her. Such verification must include a visit to the debtor and be undertaken by specialists responsible for the business plan (application) elaboration and technical preparation of loan and bailment contracts.

If patently false facts are revealed or best guarantee possibilities concealed, the applicant must be dismissed from the contest by a decision of the Board (Contest Commission) and included in the list of unfair applicants.

It is extremely important to verify the business plan (application) feasibility comprehensively – applicant's skills and opportunities, possibilities to sell the production at expected prices and within the expected period, etc.

Specialists that had visited the applicant must answer all loan-related questions of the Board (Contest Commission); they are responsible disciplinary for the expertise soundness. It is recommended to allow them to participate directly in the decision making through filling in the “Form of expert justification of the decision to provide a micro-loan” (Annex 13).

Check of Applicants

It is advisable to assess not only the business plan (application) but also the applicant's personality and his/her real readiness to implement the project and return the loan in time.

It is necessary to assess not only the physical and psychical health of the applicant but also his/her social reputation. It is not a secret that some people make new loans to return old ones. Some people never return loans at all. The applicant might be a member of a criminal group or a prohibited organisation. In addition, the loan might be a camouflage for some unfair arrangements, including those between friends and kinsmen.

Banks and funds have specialised security services that resolve such issues, but micro-credit programmes are unable to hire such staff. There are, however, real possibilities to check applicants. These include, primarily, opportunities of district authorities and local law enforcement agencies, information exchange with banks and funds, discussions with neighbours, etc.

The Decision to Provide a Loan

First of all, decisions to provide loans must be made maximally operationally – within 2-3 weeks after the application submission. If there are no free credit resources at the decision making moment, the applicant must be immediately informed about this and informed when his/her application could be funded.

To systematise the business plan (application) assessment process, it is recommended to use the experience of Demidov district authority (Smolensk Region) which decided to conduct sessions of the Contest Commission twice per month in clearly identified days.

The business plan (application) is assessed by the Board (Contest Commission). All applications submitted must be assessed including unfair ones because only the Board (Contest Commission) can decide to reject an application.

Applicants could be invited to discussions of their business plans (applications) but all decisions are made only by Board (Contest Commission) members behind closed doors through the filling in the “Form of expert justification of the decision to provide a micro-loan” (Annex 13). Such decisions must take into account similar forms filled in by specialists that had checked applicants and their business plans (applications).

A project is assessed against 10 criteria, each of Board (Contest Commission) members must indicate its mark (up to 10 points to each parameter). Outputs of the

vote are determined by the average mark for each project. 'Zero' indicated by any Board (Contest Commission) member to any parameter means that the project is rejected. This rule is very important because it allows all participants (first of all – the leading organisation that provides loans) to reject a project with potentially troubled return. The majority of the Board (Contest Commission), therefore, can not dictate its terms to the leading organisation that undertakes the main responsibility for the credit return because it signs contracts with applicants. Otherwise, the leading organisation would be able to explain any failure with the credit return by 'non-professional' decisions made by the Board (Contest Commission) – i.e. it could become irresponsible.

Business plans (applications) should be assessed as they arrive. If there is deficit of credit resources, it is necessary to fund in the first line applications having maximal marks – i.e. not applications submitted first. This will allow to support most effective projects in the first line.

A significant challenge is to avoid conflicts of interests in the Board (Contest Commission) decision making – i.e. avoid personal interest of voters in certain decisions. To achieve this, the micro-credit mechanism includes a specific procedure – signage of Voluntary Statements by all participants of the expert assessment (Annex 13).

If a Board (Contest Commission) member decides that he/she has a conflict of interests in the concrete decision of the Board (Contest Commission), he/she must announce this openly and this fact must be fixed in the session minutes. Then the Board (Contest Commission) member does not participate in this decision (vote).

To avoid potential interpersonal conflicts, marks and discussions must be strictly confidential, their divulgation must impose the strictest disciplinary penalties. Applicants must be only informed about the final vote output, average mark, and expected date of the loan provision.

Loan Return Schedule

The loan return schedule is an extremely responsible aspect essential to ensure effective control over the contract observance.

The Annex 12 provides a sample of calculations. The income part of the calculation must include not only revenues generated by the micro-project but also other household incomes (salaries, social fees, etc.), while the cost part should include family costs in addition to the project costs.

It is recommended to arrange the return schedule in a manner allowing the debtor to return interest fees and return the loan maximally gradually – i.e. not simultaneously in the end of the project. Even if the calculation shows that in the concrete month, expected revenues would not be enough to pay anything, even the interest fee, it is necessary to arrange a tokenistic payment – at least, 50-100 roubles, except first 2-3 months of the project.

The control over the monthly return schedule allows to reveal troubled debtors at first stages of the project implementation and work with them purposively.

Project Duration

For the micro-credit purposes, it is advisable to set out the maximal project duration. On the basis of our experience, we recommend to set out the maximal project duration not more than 1 year since the moment of the loan provision, while advantage must be given to shorter projects. Long projects reduce the micro-credit mechanism efficiency significantly because these reduce the turnover rate of credit resources and, thus, reduce the number of people receiving loans.

From the other side, agricultural projects are closely linked with seasonal cycles and normally, can not be less than 9 months.

For What Purposes Loans Should be Provided?

Micro-credit purposes do not include loans for remuneration, purchase of household appliances, and other household costs.

Only some remuneration costs for workhands could be funded, while purchase of household appliances and other similar stuff could be funded only for use in commercial guest-houses.

A loan can be used to purchase equipment, materials, tools, seeds, cattle, and to cover production and sales-related costs identified in the application.

The applicant must prove that prices on goods and services identified in the application are not oversized and that he/she will not charge commission for buying/selling.

In What Forms Loans Should be Provided?

If an applicant-householder does not have a bank account, it is possible to provide him/her a loan via a specially opened account in the local branch of the Savings Bank.

To ensure more strict control over the purposive spending, it is recommended to arrange so-called 'stuff credits' – appropriate materials, equipment, cattle, etc. This must be reflected in a specific contract, while material values should be provided according to specific acts indicating their costs.

Stuff credits allow to use the potential of local specialists more efficiently because these reduce the risk to buy bad seeds, cattle, etc.

What to Do if the Return Schedule is Wrecked?

As it had been said above, in addition to the debtor, the leading organisation is responsible for the timely return of loans and interest fees; the director of the leading organisation signs contracts with loan recipients. However, it is necessary to involve all powers of micro-credit process participants into the liaison with troubled debtors, including administrative resources.

One of the main objectives at the initial phase is to identify troubled debtors through visits to applicants at initial stages of their projects and strict control over reporting and payments.

If a non-purposive use of loans is revealed, especially if a loan is used for household needs, it is necessary to start the loan termination process immediately and recover the debt. The same process should be started if a debtor sells bails or purchased equipment, materials, etc.

In addition to malicious non-fulfilment of loan terms, objective challenges might occur, for instance:

- bad weather;
- mass epizootics and plant diseases;
- debtor's sickness or death;
- economic, financial, or marketing disasters;
- stealing of final production;
- equipment breakdown;
- other force majeure circumstances (floods, quakes, hurricanes, mudflows, etc.).

In such a situation, it is necessary to assess urgently real possibilities to complete the project successfully. If the assessment shows that the project can not achieve its goals in any case, it is necessary to take urgent measures to receive insurance, sell valuables purchased for the project, and compensate the losses by all means. If the assessment shows that the project can achieve its goals, it is possible to sign the contract with another person, adjust the return schedule, assist the debtor in the product/service sales, and provide additional consulting or other support for the projects.

The experience shows that the most common reason of project failures is non-fulfilment of return schedules – both by dates and sums. Sometimes this may transform into the endless persuasion of the debtor who, in turn, cites numerous 'objective' circumstances and asks to postpone the payment.

In such a situation, it is necessary to note that more than 2-month delays of payment should be regarded as serious violations compared with the non-fulfilment of the contract as a whole. Similarly with banking practices, Board (Contest Commission) members can assume that the chance to complete the project successfully is 50% or even less.

With regards the payment enforcing, it is necessary to be strict, principled, and do not make unreasoned deductions. The main resources in this work include: penalties for the return schedule non-fulfilment; public announcement of the situation; announcement to other programme participants who are waiting for the time to receive loans; and management resources of district and local authorities.

If a return schedule is adjusted reasonably, this is fixed in an act and amendments to the contract. The need to adjust the loan contract, in fact, is an indicator of poor project elaboration or debtor selection. Each such fact must be studied to avoid similar mistakes in the future.

The micro-credit programme must be maximally friendly towards debtors – this includes not only various support but also the desire to mitigate all conflicts in a non-judicial way. However, if a debtor able to fulfil the contract is trying to 'outgame' the creditors and gain indulgences, it is necessary to act strictly and use judiciary possibilities (general court or arbitrary court). Applicants waiting for their time to receive loans must not be 'hostages' of unfair and irresponsible debtors.

ANNEX 1. BUSINESS PROJECTS POSSIBLE WITHIN COLLABORATION AREAS

Animal farming and aviculture development in private small holdings (PSH)	
<i>Business idea</i>	Develop revenues generated by sales of animal products, bird meat, young stock, chicken, food and brood eggs, wool, etc. and thus improve livelihoods of PSH owners
<i>Micro-project opportunities</i>	The guarantee of sales at pre-planned prices; presence of positive experience in farming relevant cattle/bird species; availability of specific facilities; pastures and hay-makings; guarantee to purchase cheap fodder; quality/environmental cleanness warranty.
<i>Recommendations on credit spending</i>	Purchase and delivery of cattle, feed-stuff, separator, incubator; animal farming facility repair/building; veterinary service.
Apiculture development and sales of bee products	
<i>Business idea</i>	Develop revenues generated by sales of bee products, including procurement, transportation and sales of bee products in other regions by beekeeper collectives; and thus improve livelihoods of apiary owners.
<i>Micro-project opportunities</i>	The guarantee of sales at pre-planned prices; presence of positive experience in bee-keeping; good wintering conditions; quality/environmental cleanness warranty.
<i>Recommendations on credit spending</i>	Purchase bees, hives, other equipment, tools, supplies, and medicines; transport costs.
Sport and non-professional fishery development	
<i>Business idea</i>	Livelihoods improvement due to: <ul style="list-style-type: none"> arrangement of sport fishery for visitors in natural basins; individual non-professional fishery in natural basins; nurse-pond fishery; establishment of private fisherman huts; rent of boats and fishery equipment.

<i>Micro-project opportunities</i>	High demand on fish/services; presence of appropriate skills and experience; NP permission to run such business. Establishment of fisherman huts and boat/equipment rent require appropriate facilities and wharves.
<i>Recommendations on credit spending</i>	According to the activity selected, it is recommended to use the credit to purchase missing boats and fishery equipment, repair facilities and wharves, purchase small fry and young-of-the-year, ensure pond improvement and protection, purchase and build smokehouses, and purchase sawdust.
Plant farming development in private small holdings (PSH)	
<i>Business idea</i>	Develop revenues generated by sales of plant products and thus improve livelihoods of PSH owners.
<i>Micro-project opportunities</i>	The guarantee of sales at pre-planned prices; presence of positive experience in planting relevant crops; presence of arable lands; good crops storage conditions; quality/environmental cleanness warranty.
<i>Recommendations on credit spending</i>	Purchase seeds, planting stock, and organic fertilisers; carry out mechanic works; purchase missing equipment.
Forest product procurement and sale	
<i>Business idea</i>	Develop revenues generated by sales of mushrooms, berries, nuts, medical herbs, etc. and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	The guarantee of sales at pre-planned prices; establishment of sustainable local groups involved into gathering, processing and sale of forest products; NP permission to gather relevant forest products; voluntary participation of the groups in NP conservation activities; quality/environmental cleanness warranty; the activities must not damage the NP area.
<i>Recommendations on credit spending</i>	Purchase missing equipment essential for primary processing; rent/maintenance of the gathering posts; transportation costs.
Retail and wholesale trade, establishment of meal points	

<i>Business idea</i>	<p>Improve livelihoods of:</p> <p>owners and salesman – due to trade revenues; and</p> <p>customers – due to the economy of their money (i.e. purchasing popular goods at relatively low prices)</p> <p>Launch sales of salable goods not offered by other local trading posts.</p>
<i>Micro-project opportunities</i>	<p>Presence of relevant licenses and positive experience in trade; relatively low prices on main goods groups; absence of fierce competition in the area; sufficient purchasing power of the population proved by case marketing studies.</p>
<i>Recommendations on credit spending</i>	<p>Purchase, rent and maintain mobile trading posts, vans, and other trade and storage facilities; purchase goods; transport costs.</p>
Souvenirs and handicrafts	
<i>Business idea</i>	<p>Develop revenues generated by sales of souvenirs and handicraft production and thus improve livelihoods of local craftsmen.</p>
<i>Micro-project opportunities</i>	<p>The guarantee of sales at pre-planned prices; presence of experience in making souvenirs and goods; use of environmentally-friendly raw and technologies; specific workshops.</p>
<i>Recommendations on credit spending</i>	<p>Purchase missing tools, raw and component items for souvenir production; pay for electric power; transport costs.</p>
Horse services for NP visitors	
<i>Business idea</i>	<p>Develop revenues generated by transport and entertainment visitor services and thus improve livelihoods of local communities.</p>
<i>Micro-project opportunities</i>	<p>Good demand of transport and entertainment visitor service; positive experience in horse maintenance; presence of equipped stables; cheap fodder purchase/procurement opportunities; pasturing opportunities; presence of horse routes agreed with the NP.</p>
<i>Recommendations on credit spending</i>	<p>Purchase horses, harness, equipped carts; repair stables; purchase fodder; veterinary service.</p>
Private accommodation	

<i>Business idea</i>	Develop revenues generated by private accommodation service, including: accommodation in private houses/rooms; feeding.
<i>Micro-project opportunities</i>	Good demand on accommodation service; presence of appropriate conditions and skills. Presence of free equipped residential houses.
<i>Recommendations on credit spending</i>	Repair and equip residential houses; purchase kitchen ware and bedding.
Photo and video service for visitors	
<i>Business idea</i>	Develop revenues generated by photo and video services and sales of photos and video cassettes with main NP sightseeing features.
<i>Micro-project opportunities</i>	Good demand on photo and video service; presence of positive experience in photo and video filming; presence of nearby photo-processing facilities.
<i>Recommendations on credit spending</i>	Purchase missing filming equipment and supply materials; ensure operative photo processing and printing.
Guide and interpretation visitor service en route	
<i>Business idea</i>	Develop revenues generated by guide, interpretation, protection, en route feeding, firewood provision, etc. services and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	Presence of routes and campsites in the National Park, good demand on relevant services; NPs should train guides in conservation regulations and grant them relevant permissions/licenses.
<i>Recommendations on credit spending</i>	Establish and maintain camping grounds; purchase essential equipment, train guides and provide licenses.
Transport service for visitors	
<i>Business idea</i>	Develop revenues generated by transport service (including movement within the park and visitor transportation to the NP and back) and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	Availability of private transport and a transport service co-ordination mechanism within the NP; permissions/licences.
<i>Recommendations on credit spending</i>	Repair and equip private transport; purchase exhaust neutralisers and catalytic converters.
Visitor service on water objects	

<i>Business idea</i>	Develop revenues generated by boat, raft, etc. rent and thus improve livelihoods of local communities. Provide supplementary visitor service.
<i>Micro-project opportunities</i>	Demand on such service, NP permission, relevant skills, visitor safety guarantees.
<i>Recommendations on credit spending</i>	Purchase, build and maintain boats, canoe and rafts; establish wharves.
Folklore visitor service	
<i>Business idea</i>	Develop revenues generated by paid spectacular performances for visitors demonstrating local historico-cultural traditions and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	Demand on such performances; stage direction; convenient spectator seats.
<i>Recommendations on credit spending</i>	Make national costumes; purchase musical instruments and equipment; remuneration for masters and amateur actors
Traditional rural lifestyle demonstration	
<i>Business idea</i>	Develop revenues generated by paid demonstrations of traditional rural lifestyle (e.g. houses, economic facilities, haylofts, vegetable gardens, cow milking, cattle foddering, product tasting, etc.) to organised tourists and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	Representative appearance of rural buildings; inclusion of such objects into tourism routes; availability of rain shelters for visitors; good excursion programmes.
<i>Recommendations on credit spending</i>	Repair and improve buildings and small holdings
Sewing manufacture	
<i>Business idea</i>	Develop revenues generated by home-based tailoring of various wear with NP logo and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	Presence of sewing machines; well-arranged sales; provision of people involved into the home industry with fabrics and templates; collection of finished products for sale.
<i>Recommendations on credit spending</i>	Train participants; purchase fabrics and supplies; produce templates; transport costs.
Information service for visitors	

<i>Business idea</i>	Develop revenues generated by publishing and sale of post cards and calendars with NP landscapes, NP maps, books, etc. and thus improve livelihoods of local communities.
<i>Micro-project opportunities</i>	Presence of NP visitor centres including specific facilities; inclusion of visitor centres into tourism routes, relevant permissions/licences.
<i>Recommendations on credit spending</i>	Authors' royalties; publication costs, staff training, licences.
Rent of tourism equipment	
<i>Business idea</i>	Establish private rent agencies and thus improve livelihoods of lessors.
<i>Micro-project opportunities</i>	Demand on tourism equipment; availability of storage facilities; convenient location of rent agencies near NP entrances.
<i>Recommendations on credit spending</i>	Purchase tourism equipment; equip facilities.

ANNEX 2. RESULTS OF A QUESTIONNAIRE SURVEY IN UGRA NP

Relative significance of factors that influence the local welfare level (dated 25.11.99)

Main Factors	Relative Significance (%)
Disadvantages in equipping of paths, routes, places for sleeping and recreation, service, etc.	20.81
Bad development of service enterprises network	10.08
Insufficient advertising of tourism	9.16
Low agricultural and productive potential, unemployment	9.10
Low economic profitability of production and services	9.03
Lack of traditions in making own business	8.13
Low level of public culture and drinking	6.45
Low salaries and bad living conditions of workhands	5.50
Disadvantages in legislative and financial support for business	4.93
Limitations of economic activities	3.75
Insufficient volumes and prices of end products and services	3.49
Limitation of timber use	3.08
Limitation of hunting and fishery	2.42
Significant distance from potential visitors	2.23
Lack of outstanding cultural objects in the National Park	1.10
Limitation of picking berries, mushrooms, etc.	0.75
Total:	100.00

ANNEX 3. RESULTS OF A QUESTIONNAIRE SURVEY IN KATUNSKY BIOSPHERE RESERVE

Relative significance of factors that influence the local welfare level (dated 17.11.99)

Main Factors	Relative Significance (%)
Disadvantages in equipping of paths, routes, places for sleeping and recreation, service, etc.	11.73
Low level of public culture and drinking	10.91
Disadvantages in legislative and financial support for business	8.76
Low agricultural and productive potential, unemployment	8.23
Low economic profitability of production and services	7.61
Insufficient volumes and prices of end products and services	7.55
Bad development of service enterprises network	7.31
Lack of traditions in making own business	7.28
Low salaries and bad living conditions of workhands	7.25
Insufficient advertising of tourism	7.01
Significant distance from potential visitors	4.48
Limitation of timber use	3.71
Limitation of economic activity	3.01
Limitation of hunting and fishery	1.92
Limitation of picking berries, mushrooms, etc.	1.86
Lack of outstanding cultural objects in the Zapovednik	1.38
Total:	100.00

ANNEX 4. SAMPLE OF A PURPOSEIVE FUNDING AGREEMENT

Purposive Funding Agreement # _____

Moscow

“ ___ ” _____ 2000

_____, hereinafter the SPONSOR, in the person of the Director, _____, acting on the basis of the Charter, and _____ District Administration (_____ Region), hereinafter the ADMINISTRATION, in the person of the Head of _____ District, acting on the basis of the Charter, have signed this agreement.

1. SUBJECT AND PURPOSE OF THE AGREEMENT

- 1.1. _____ provides purposive funding to the ADMINISTRATION (_____ roubles) to provide privileged credits to debtors (up to one year, maximal interest rate – 20%) according to the terms specified in the “Statement on the Micro-Project Programme to Raise Employment and Livelihoods of People Living within the Tsentralno-Lesnoy Biosphere Reserve and Its Protected Zone” (hereinafter the STATEMENT) that is an integral part of this Agreement (Annex # ___ of this Agreement).
- 1.2. The ADMINISTRATION, within the framework of this STATEMENT, is empowered to sign credit/loan agreements, provide and ensure the return of relevant loans on its own behalf. A credits/loans can be provided only on the basis of an unanimous vote of the Workgroup (members of the Workgroup are listed in the Annex # ___ to this Agreement).
The ADMINISTRATION fulfils its duties within the framework of this Agreement free of charge and involves relevant governmental institutions, organisations, and officers into this work.
- 1.3. The purposive funding received by the ADMINISTRATION can not be put on deposit accounts, used for inter-bank and other credits, purchase of securities or currencies, or used for other purposes not specified in this Agreement, the STATEMENT, or Workgroup decisions made on the basis of these documents.
If the funds received according to this Agreement are used inappropriately, the credit programme is suspended, and the purposive funding received by the ADMINISTRATION according to this Agreement is returned to the SPONSOR.
- 1.4. The ADMINISTRATION is responsible for tax, judicial, or other consequences linked with purposive funding either directly or indirectly; and for the fulfilment of this Agreement, including judicial and other costs linked with the credit return processes.

2. PAYMENTS

- 2.1. The ADMINISTRATION uses a separate bank account to provide credits according to this Agreement; the SPONSOR transfers the sum specified in the paragraph 1.1. of this Agreement to this account, while the ADMINISTRATION provides multiple credits to debtors up to the complete expenditure of the funds and expiration of the micro-credit programme according to the terms specified in the STATEMENT and Contest Workgroup decisions. Returned credits/loans and interest fees are also transferred directly to this account.
- The ADMINISTRATION ensures strict control over the purposive funding received and immediately provides reports to the SPONSOR following its requests.

3. OBLIGATIONS OF THE PARTIES

- 3.1. The SPONSOR has the following responsibilities:
- 3.1.1. Consult the ADMINISTRATION how to use the purposive funding effectively.
 - 3.1.2. Assist in the control over the purposive use of the purposive funding provided and in the project monitoring.
 - 3.1.3. Transfer the purposive funding to a specific ADMINISTRATION's bank account according to the procedure specified in this Agreement.
- 3.2. The SPONSOR has the following rights:
- 3.2.1. Request and receive from the ADMINISTRATION information and documents proving the purposive use of the purposive funding provided, complete and reliable information on the micro-credit programme implementation according to the STATEMENT, and other information requested by the SPONSOR and related to this Agreement.
 - 3.2.2. Either directly or via persons empowered by the SPONSOR, control the programme and project implementation in the form convenient for the SPONSOR
- 3.3. The ADMINISTRATION has the following responsibilities:
- 3.3.1. Use the funding provided for purposes specified in this Agreement, the STATEMENT, or an unanimous vote of the Workgroup.
 - 3.3.2. Develop standard projects and identify most suitable debtors, consult perspective debtors, be a member of the Workgroup and actively participate in its work, sign credit and other contracts with debtors, provide credit/loans, monitor the project implementation, and ensure the credit return, including anticipatory return if the credit is used inappropriately.
 - 3.3.3. Use funds transferred to the ADMINISTRATION's separate bank account when debtors return their credits/loans for further crediting of small

businessmen and private small holdings according to this Agreement, the STATEMENT, and Contest Workgroup decisions.

- 3.3.4. Provide to the SPONSOR information proving the purposive use of credits and other information requested related to the micro-credit programme.
 - 3.3.5. On the quarterly basis, within the first month after the accounting quarter, provide the SPONSOR complete and reliable information regarding the STATEMENT implementation, accounting reports, and other information related to the fulfilment of this Agreement.
 - 3.3.6. Provide assistance to the SPONSOR, other organisations, and independent expert groups empowered by the SPONSOR in field inspections of the Agreement fulfilment by the ADMINISTRATION.
 - 3.3.7. In case of circumstances that might make impossible for the ADMINISTRATION to fulfil the terms of these Agreement, immediately notify the SPONSOR in writing about these circumstances and measures taken by the ADMINISTRATION to fulfil the terms of these Agreement.
- 3.4. The ADMINISTRATION has the following rights:
- 3.4.1. Reject unilaterally decisions of the Workgroup majority related to the credit provision to particular debtors (prior to the official decision made by unanimous voting) on the basis of own assessment results reported to the Workgroup prior to the voting.

4. AGREEMENT DURATION

- 4.1. The Agreement shall become effective upon the day when the SPONSOR transfers funds specified by this Agreement to the ADMINISTRATION and expire when the ADMINISTRATION receives a notification from the SPONSOR that the credit programme is finished due to certain reasons, including the complete expenditure of the programme funds, including credits/loans returned by debtors.

5. CONFLICT RESOLUTION

- 5.1. All conflicts between the parties that can not be mitigated peacefully are resolved in the Moscow Arbitrary Court according to the Russian legislation. During the arbitrary proceeding, the PARTIES must continue to fulfil their obligations according to this Agreement if a written memorandum signed by both PARTIES does not require other actions.
- 5.2. The PARTIES agree that prior to the claim submission to the Arbitrary Court, all possible claims related to this Agreement must be examined by the PARTIES within 10 (ten) workdays since the notification about the claim.

6. AMENDMENTS TO THE AGREEMENT

- 6.1. Terms of this Agreement have equal obligatory power for the PARTIES and could be amended subject to mutual agreement by drawing-up a written

amendment/addition to this Agreement. Amendments and additions shall become effective if these are made in a written form and signed by persons entrusted to do this.

7. SPECIAL TERMS

- 7.1. The SPONSOR can terminate the Agreement anticipatorily and unilaterally if the terms of this Agreement, the STATEMENT, or Workgroup decisions are violated.
- 7.2. If the funds received according to this Agreement are used non-purposively, the ADMINISTRATION must return the purposive funding to the SPONSOR immediately.
- 7.3. If the current legislation of the Russian Federation is amended in a manner that does not allow the PARTIES to fulfil their obligations, the PARTIES shall conduct negotiations and reconcile all payments in the framework of this Agreement.

8. OTHER CONDITIONS

- 8.1. All written Annexes and Amendments to this Agreement signed by entrusted representatives of the PARTIES are its integral part.
- 8.2. Each of the PARTIES ensures regular publications in mass-media about the Programme, projects under implementation, funds available, and their purposive use.
- 8.3. In circumstances not specified by this Agreement, the PARTIES shall act according to the current legislation of the Russian Federation.
- 8.4. The PARTIES shall not limit their collaboration to the formal satisfaction of requirements specified in this Agreement but rather take all measures essential for effective development of their relations, primarily – with regards to the growth of employment and livelihoods of people living within Tsentralno-Lesnoy Biosphere Reserve and its protected zone, including the attraction of funding from other sources.
- 8.5. The PARTIES shall immediately inform each other in a written form about changes of their addresses prior to the state registration of these changes in their foundation documents. If banking addresses of the PARTIES are changed, the PARTIES shall inform each other about this before these changes become effective.
- 8.6. Any notifications or other memorandums submitted by the PARTIES to each other must be written. These notifications or memorandums are considered submitted properly if these are delivered by a courier or fax to the address specified in this Agreement and signed by a plenipotentiary person.
- 8.7. This Agreement made in 2 duplicates, one copy for each PARTY. All copies have the same legal status.

9. LEGAL ADDRESSES AND BANK ACCOUNTS OF THE PARTIES

ANNEX 5. SAMPLE OF A STATEMENT ON THE MICRO-PROJECT CONTEST

Annex # ___ to the Agreement # ___ of “___” _____ 2000

Statement on the Micro-Project Contest to Introduce Effective SL Models for People Living within Smolenskoe Poozerie National Park and its Protected Zone

The Contest is initiated by Demidov District Administration (Smolensk Region), Smolenskoe Poozerie National Park, and the Biodiversity Conservation Centre (Moscow).

Contest Background

The purpose of the Micro-Project Contest is to identify and implement optimal livelihoods models for people living within Smolenskoe Poozerie NP (taking into account its nature use restrictions) to raise welfare of the employable population under the investment deficit conditions.

The Contest is focused on the following activities:

1. Improve the regulated nature use in Smolenskoe Poozerie NP.
2. Visitor service in Smolenskoe Poozerie NP.
3. Agricultural production in Smolenskoe Poozerie NP.

Micro-projects selected through the Contest will be provided with interest-free credits with the duration up to 1 year. It is expected that the maximal credit sum for one project will be 28 thousand roubles, while efficient projects requiring lesser funding will have advantages.

The total size of the micro-credit fund is 140 thousand roubles. Funds returned by debtors will be used for next Contest rounds and replication of effective SL models in Smolenskoe Poozerie NP

The Contest Commission

Demidov District Administration (Smolensk Region), Smolenskoe Poozerie National Park, and the Biodiversity Conservation Centre (Moscow) have identified and approve the Contest Commission (the membership attached).

The Contest Commission is the only body that regulates the Contest, identifies winners, monitors implemented projects, and resolves all conflicts related to the Contest and its consequences.

Commission members work in the Commission for free. The Commission can additionally involve into its work appropriate specialists.

Decisions of the Commission are fixed in protocols of Contest Commission sessions.

Participation in the Contest

All legal entities and individuals can participate in the Contest, regardless of their residence, type of activity, membership in associations, parties, or movements (hereinafter Participants of the Contest).

Participants of the Contest must submit applications for the participation in the Contest according to standards forms (attached).

The deadline of application submission for the 1st round of the Contest is the 1st of August 2000. Each Participant of the Contest can submit any number of applications for any activity covered by the Contest by this date.

Applications are accepted and registered at the following address: _____

Applications drawn-up not according to the standard form are not registered and do not participate in the Contest. Applications submitted are neither reviewed nor returned to the Participants of the Contest.

Participants of the Contest can be requested to provide additional materials, detail their calculations, or answer questions of Commission members if this is essential to identify the winner.

Results of the 1st Contest round will be identified by the 15th of August 2000.

Information about the Contest proceeding will be published in local media.

Main Project Selection Criteria

Projects must support and develop and attractive image of Smolenskoe Poozerie NP – both for local communities and visitors.

Projects must not damage the environmental work of Smolenskoe Poozerie NP but maximally promote it attendance and business activities within its borders.

Projects should provide relatively higher growth of employment and livelihoods for local communities, while require relatively lesser funding.

Projects must be eligible for broad successful replication in Smolenskoe Poozerie NP.

Projects must promote the consolidation of local communities on the basis of common economic, social, and other positive interests.

Winners of the Contest

The Contest Commission will examine all applications submitted and select winners taking into consideration the need to fund best projects and the total Contest fund.

The number of winners in each field of activity is not regulated and depends on the number of projects submitted. It is possible that there would be no winners in a certain nomination if relevant projects are non-competitive.

Control over Projects

Credit recipients will sign appropriate contracts with Demidov District Administration, submit, on the basis of these contracts, semantic and financial reports on their projects, and return their credits.

If a recipient violates reporting procedures, uses the privileged credit inappropriately, or damages interests of Smolenskoe Poozerie NP, then the damage is recovered from the guilty party according to the current legislation.

Project monitoring data must be submitted to Commission members and the Biodiversity Conservation Centre. The Biodiversity Conservation Centre can check the financial flows and project progress any time.

Assistance for Participants of the Contest

The Contest Commission will examine applications of Participants from the social significance and efficiency perspectives. If potentially strong projects have certain drawbacks in economic rationales, the Contest Commission can decide to assist the Participants in the project elaboration for free.

All winners of the Contest will be trained how to work with funds received and, if necessary, trained in marketing, management, and other activities.

Annexes:

Commission membership

Application forms

Reporting forms

ANNEX 6. SAMPLE OF A LOAN CONTRACT

LOAN CONTRACT # _____

Ust-Koksa

« ____ » _____ 200__

Katunsky Biosphere Reserve (hereinafter the RESERVE) in the person of Director, Mr. Alexander V. Zateev, acting on the basis of the Charter of one part, and _____ (hereinafter the DEBTOR) have signed this Contract and are hereby agreed and declared by both parties hereto as follows:

Article 1. Subject of the Contract

- 1.1. Participation of the RESERVE in the Micro-Project Contest Programme (hereinafter the PROGRAMME), According to the "Statement on the Micro-Project Contest to Develop a Low-Cost Model Sustainable Livelihoods Mechanism for People Living within the Planned Collaboration Area of Katunsky Biosphere Reserve" is the subject of this Contract.
- 1.2. The RESERVE provides the Debtor with the loan using the purposive funding provided by the Biodiversity Conservation Centre.
- 1.3. The RESERVE provides the loan upon condition that it will be returned in time and used purposively.
- 1.4. The RESERVE provides the Debtor with a loan for the period of _____ until " ____ " _____ 2000, the sum of the credit is _____, with the annual interest of _____ % for the following purpose: _____
- 1.5. The DEBTOR is obliged to return the loan to the RESERVE and pay the interest fee according to this Contract (the sum, date, and terms).
- 1.6. The Debtor provides the following assets: _____ as a bail for the loan according to _____.

Article 2. Purpose of the Loan

- 2.1. The loan provided by the RESERVE must be used for the purposive funding of the project _____ and to cover costs specified in annexes to this Contract.
- 2.2. The DEBTOR must submit to the RESERVE documents confirming purposive use of the loan received within two weeks after the funding start.
- 2.3. The funds received by the DEBTOR can not be put on deposit accounts, used for providing inter-bank or other credits, purchasing public securities and convertible currency, and other purposes not specified in this Contract.

Article 3. Payments

- 3.1. The RESERVE provides the loan through transfer of the funds to the DEBTOR'S account after signing of the Bailment Contract.
- 3.2. Value date (date when the DEBTOR'S account receives the funds) is considered the date of loan provision.
- 3.3. The DEBTOR returns the loan and pays the interest fee through transfers of funds to the RESERVE'S account.
- 3.4. The value date (date when the DEBTOR'S account receives money) is the beginning of the period of charging interest. The RESERVE charges interest fees on the monthly basis, no later than at 20th day of each month.
- 3.5. The DEBTOR returns the loan and pays interest fees through transfer of funds from the DEBTOR'S account by bank orders. Returned parts of the loan, interest fees, and forfeits must be indicated in bank orders separately.
- 3.6. Calculation of interest fees: a month consists of 30 days, a year – of 360 days. If a month consists of 31 days, the 31st day is not considered. In February the sum-remainder of the last day is repeated as many times as many days are lacking before 30. Forfeit is paid according to the factual number of days of arrear.
- 3.7. Interest is paid monthly at the 25th day. The loan is paid at the 30th day of the last month of the quarter.

Date of return	Loan resources (amount, thousand roubles)	Interest fees (amount, thousand roubles)
Total		

- 3.8. Sums transferred by the DEBTOR must be used (regardless of the payment's purpose indicated in the bank order) in the following order:
 - 1) payment of forfeit,
 - 2) payment of delinquent interest fees,
 - 3) payment of delinquent arrear of loan
 - 4) return of the loan

Article 4. Liabilities

- 4.1. The RESERVE assumes the following obligations:
 - 4.1.1. Consult the Debtor on purposive use of the loan provided.
 - 4.1.2. Control the purposive use of the loan provided.
 - 4.1.3. Transfer the loan to the DEBTOR'S account according to the Article 3 of this Contract.

- 4.1.4. Inform the DEBTOR about its demands according to the procedure specified in this Contract.
- 4.2. The RESERVE is entitled to:
 - 4.2.1. Unilaterally change the interest rate of this Contract if the Government of the RF/its structures take measures on financial stabilisation, the Central Bank of RF changes the bank rate or tax legislation is changed. The RESERVE must inform the DEBTOR about such actions without fixing those changes in additional agreements.
 - 4.2.2. Request the DEBTOR to provide information and documents proving purposive use of the loan, complete and authentic information about the project implementation, complete accounting report according to the forms approved, and other information related to the fulfilment of this Contract.
 - 4.2.3. If there are arrears of payments provided by this Contract, the RESERVE can subtract arrears from the DEBTOR'S account.
 - 4.2.4. Control authenticity of reports provided by the DEBTOR in the form convenient for the RESERVE.
 - 4.2.5. Demand advanced return of the loan and advanced payment of interest fees and forfeits provided by this Contract in the following cases:
 - (a) the loan is used non-purposively,
 - (b) if there had been made a claim against the DEBTOR for payment of a sum or reclamation of assets and such claim endangers fulfilment of DEBTOR'S obligations according to this Contract (i.e. return of the loan and payment of interest fees),
 - (c) if the DEBTOR'S registered capital has been reduced or the DEBTOR is re-organised/liquidated.
 - 4.2.6. On the basis of an unanimous decision of the Programme Commission, the RESERVE can assign (either completely or partly) its rights and liabilities according to this Contract and deals linked with the return of the loan to third parties without DEBTOR'S consent. The DEBTOR can not assign (either completely or partly) its rights and liabilities according to this Contract to third parties without RESERVE'S consent.
 - 4.2.7. The RESERVE can cancel its obligation to provide the loan completely or partly if there are circumstances evidently proving that the DEBTOR can not return the loan in time specified by this Contract.
- 4.3. The DEBTOR assumes the following obligations:
 - 4.3.1. Use the loan provided for purposes specified in the Article 2 of this Contract.
 - 4.3.2. Sign a Bailment/Guarantee Contract within 5 days after signing this Contract.
 - 4.3.3. Provide the RESERVE with the information on purposive use of the loan.
 - 4.3.4. Submit to the RESERVE complete and authentic information about the project implementation, complete accounting reports according to the forms approved by the Ministry of Finance of RF confirmed by the tax inspection, and other information on implementation of this Contract according to RESERVE'S

requests. Information must be submitted on the quarterly basis, by the 1st day of the 1st month following the accounting quarter.

- 4.3.5. Provide assistance to the RESERVE and other organisations/independent expert groups empowered by the RESERVE to check the fulfilment of terms of this Contract by the DEBTOR.
 - 4.3.6. In case of circumstances able to cause non-fulfilment of DEBTOR'S obligations specified in this Contract, the DEBTOR must immediately inform the RESERVE about these circumstances and measures taken by the DEBTOR to fulfil all obligations specified in this Contract.
 - 4.3.7. The DEBTOR must inform the RESERVE about future re-organisation/liquidation no later than 10 working days prior to such actions.
- 4.4. The DEBTOR is entitled to:
- 4.4.1. Make advance payments including complete/partial return of the loan and payment of interest fees and forfeits charged at the day of payment. The DEBTOR must inform the RESERVE no later than 15 working days prior to such actions.

Article 5. Duration of the Contract

- 5.1. This Contract shall become effective upon the day and year of signing and be effective until the PARTIES discharge their obligations completely.

Article 6. Penalties

- 6.1. If a bank transfer (either return of the loan or payment of interest fees) is overdue, the DEBTOR pays a forfeit (0.3% of the sum overdue for each day of arrear) to the RESERVE. Forfeit is paid for the factual number of days of arrear.

Article 7. Order of Arbitration

- 7.1. Court of Arbitration arbitrates all conflicts between the PARTIES that can not be resolved by themselves according to the Russian legislation.
- 7.2. The PARTIES decided that all possible claims related to this Contract must be examined by the PARTIES within 10 days after the receipt a claim.

Article 8. Amendments to the Contract

- 8.1. Terms set out in this Contract are obligatory and equal for both PARTIES. The terms can be changed by mutual agreement of the PARTIES. A written agreement must be certainly signed to fix such amendments. Changes and additions to this Contract are considered effective if they have been made in written form and signed by plenipotentiary persons.

Article 9. Special Conditions

- 9.1. Equipment and materials purchased by the DEBTOR using funds provided by the RESERVE are considered bail.
- 9.2. The RESERVE has the right to terminate the Contract in advance unilaterally, in the case that any of the following is applicable:
 - the funds provided are used non-purposively;
 - the RESERVE reveals that DEBTOR'S reports about its activity and income are false.
- 9.3. If the Russian legislation is changed and such changes are able to interdict the PARTIES from fulfilling their obligations, the PARTIES must carry out consultations to reconcile payments in the framework of this Contract.

Article 10. Other Conditions

- 10.1. All written Appendices and Additions to this Contract signed by plenipotentiary persons form an integral part of this Contract.
- 10.2. Both PARTIES agree to keep confidential all financial, commercial, etc. information received from each other.
- 10.3. Any doubts in connection with this Contract or anything not specified in this document shall be determined according to the current legislation of the RF.
- 10.4. All preliminary negotiations on this Contract, correspondence and preliminary Contracts are cancelled after signing this Contract.
- 10.5. The PARTIES must not restrict co-operation to discharging obligations specified in this Contract. They should maintain business contacts and take all necessary measures to ensure effectiveness and development of their relations.
- 10.6. The PARTIES must immediately inform each other in written form about changes of addresses before the state registration of new addresses and appropriate changes in legal documents. The PARTIES must inform each other about changes of accounting data before such changes become effective.
- 10.7. Any notification or another memorandum sent by the PARTIES to each other in the framework of this Contract must be written. A notification/memorandum is considered sent properly if it has been delivered to the addressee by a messenger, via registered letter, or fax to the address identified in this Contract, and it has been signed by a plenipotentiary person.
- 10.8. This Contract is made in 2 duplicates: one copy for the DEBTOR, one – for the RESERVE.

Article 11. Legal Addresses and Accounting Data of the Parties

ANNEX 7. SAMPLE OF A BAILMENT CONTRACT

Appendix to the Loan Contract # ____ of “__” _____ 200__

BAILMENT CONTRACT # _____

Ust-Koksa

«__» _____ 200__

Katunsky Biosphere Reserve (hereinafter the RESERVE) in the person of Director, Mr. Alexander V. Zateev, acting on the basis of the Charter of one part, and _____ (hereinafter the PLEDGER) have signed this Contract and are hereby agreed and declared by both parties hereto as follows:

1. Subject of the Contract

- 1.1. In order to guarantee the loan provided by the RESERVE to the PLEDGER (_____ roubles) according to the Loan Contract # ____ of “__” _____ 200__ to be returned by “__” _____ 200__, the PLEDGER provides and the RESERVE accepts the assets belonging to the PLEDGER equal to _____ roubles.

2. Conditions of the Bailment Contract

- 2.1. Assets taken as the bailment include:

#	Description	Amount	Cost
1.			
2.			
	Total:		

The total cost is equal to _____ roubles

This assessment has been made by mutual agreement of the PARTIES.

- 2.2. Assets embarrassed are kept by the PLEDGER.

3. Rights and Liabilities

- 3.1. The PLEDGER can not pledge assets if their are already pledged. The PLEDGER can not offer those assets as a bail after signing this Contract.
- 3.2. The PLEDGER still can use assets pledged and can give them for use (or for benefit) to third persons. The PLEDGER must inform the RESERVE about such actions.
- 3.3. If the ownership, economic maintenance or right of operative management on assets pledged are given to third persons, the bail remains in force.

- 3.4. If the PLEDGER/third person losses the assets pledged and cannot replace these by other assets of equal cost after confirmation from the RESERVE, then the RESERVE can demand advanced return of the loan.

4. Responsibilities

- 4.1. If the loan and interest fees are not returned in time, the RESERVE can sale the assets pledged.
- 4.2. If the PARTIES have a conflict on enforcement and realisation of the assets pledged, Court of Arbitration arbitrates the conflict according to the Article 28 of the Russian Act "On Bail".
- 4.3. If the funds received from realisation of the assets pledged can not satisfy demands of the RESERVE, it is entitled to receive the remainder from other PLEDGER'S assets.
- 4.4. The Contract can be amended/added by mutual agreement of both PARTIES.
- 4.5. Under circumstances not regulated by this Contract directly, the PARTIES must act according to the current Russian legislation on bails.

5. Project Duration

- 5.1. This Contract shall become effective upon the day and year of signing and be effective before return of the loan and payment of interest to the RESERVE.

6. Legal Addresses and Accounting Data of the Parties

The Pledger:

Legal address: _____

Postal address: _____

Account # _____

Tel/fax: _____

The Reserve:

Legal address: _____

Postal address: _____

Account # _____

Tel/fax: _____

Signs of the PARTIES

ANNEX 8. SAMPLE OF A WARRANTY CONTRACT

Appendix to the Loan Contract # ____ of “____” _____ 200__

WARRANTY CONTRACT # _____

Ust-Koksa «____» _____ 200__

Katunsky Biosphere Reserve (hereinafter the DEBTEE) in the person of Director, Mr. Alexander V. Zateev, acting on the basis of the Statement on the Reserve of one part, and _____ (hereinafter the WARRANTOR) acting on the basis of _____ have signed this Contract and are hereby agreed and declared by both PARTIES hereto as follows:

1. Subject of the Contract

1.1. According to this Contract, the WARRANTOR will guarantee that

(full name, passport data, and accounting data of the DEBTOR)

(hereinafter the DEBTOR) will fulfil all obligations specified in the Loan Contract # ____ of “____” _____ 200__ (hereinafter the LOAN CONTRACT) signed by the DEBTEE and the DEBTOR.

1.2. The WARRANTOR is aware about all terms of the LOAN CONTRACT mentioned above and agrees to be responsible for the complete implementation of obligations by the DEBTOR, including the following terms of the LOAN CONTRACT:

Sum of the loan: _____ roubles;

Deadline of the loan return: _____ roubles;

Annual interest rate: _____ %;

Payment for DEBTEE'S services: _____ roubles;

Loan return procedure: _____;

Interest fee payment procedure: _____;

Forfeit payment procedure: _____;

Purpose of the loan: _____;

2. Rights and Responsibilities of the PARTIES

2.1. The WARRANTOR pawns all his/her property for the DEBTOR and guarantees the DEBTEE the return of the loan, estimates interest fees, payment for DEBTEE'S services, and forfeits specified in the LOAN CONTRACT in the volume specified in the paragraph 1 of this Contract. The WARRANTOR has solidary responsibility with the DEBTOR for the payment of the loan, interest fees, payment for DEBTEE'S services, and forfeits according to the LOAN CONTRACT.

2.2. The WARRANTOR must, not later than at the next day after the receiving of a written notification from the DEBTEE that the DEBTOR has an arrear of

payments specified in the LOAN CONTRACT, pay the sum delayed by the DEBTOR to the DEBTEE, including forfeits accumulated at the day of factual payment of the arrear.

- 2.3. The WARRANTOR agrees with the DEBTEE'S rights to demand, from both the DEBTOR and the WARRANTOR, to return anticipatorily the whole loan, interest fees, and other fees specified in the LOAN CONTRACT in cases specified in the LOAN CONTRACT.
- 2.4. After the fulfilment of obligations set out in this Contract, the WARRANTOR will have the power to demand the DEBTOR to return the WARRANTOR the sum that had been paid by the WARRANTOR to the DEBTEE.
- 2.5. When the WARRANTOR fulfils obligations set out in the LOAN CONTRACT, the DEBTOR will provide documents or their copies to the WARRANTOR that prove the DEBTEE'S demands to the DEBTOR and then transfer rights to enforce this demand.
- 2.6. The date when the payment transferred by the WARRANTOR to cover the DEBTOR'S loan arrives to the DEBTEE'S account is considered the redemption date.
- 2.7. Unlike the DEBTOR, the WARRANTOR can not raise any objections against DEBTEE'S demands.
- 2.8. The WARRANTOR will be responsible for obligations set out in the LOAN CONTRACT, for the DEBTOR, and for any other person if the loan is transferred to this person.
- 2.9. The WARRANTOR must provide reporting-financial documents requested by the DEBTEE within 5 workdays after the request submission.

3. Liabilities of the PARTIES

- 3.1. If the date specified in the paragraph 2.2 of this Contract is overdue, the WARRANTOR shall pay the following forfeit to the DEBTEE:
_____ roubles.
- 3.2. If there are arrears of payments required by the Loan Contract, the DEBTEE can subtract arrears from the WARRANTOR'S account within sums specified in the paragraph 1.1 of this Contract, including forfeits accumulated to the date of factual payment of the DEBTOR'S arrear according to the Loan Contract on the basis of: _____.
- 3.3. If the WARRANTOR opens new bank accounts, the WARRANTOR shall notify the DEBTEE in a written form about these accounts within 3 workdays since the date of the bank's notification or the date when the Ministry of Taxes and Charges of Russia registers the memorandum on the new account of the enterprise-taxpayer. Within 5 workdays since the notification, the WARRANTOR must sign with the DEBTEE an additional contract on funds subtraction from other WARRANTOR'S accounts by the DEBTEE.

4. Other Conditions

- 4.1. All amendments and additions to this Contract become effective only if these are written and signed plenipotentiary representatives of both PARTIES.
- 4.2. The PARTIES must immediately inform each other in written form about changes of addresses and accounting data before such changes become effective.
- 4.3. All conflicts related to this Contract shall be resolved in a Court of Arbitration.
- 4.4. This Contract is made in 3 duplicates: one copy for the DEBTEE, one – for the WARRANTOR, and one – for the DEBTOR. All copies have equal legal power.

5. PROJECT DURATION

- 5.1. This Contract shall become effective upon the day and year of signing.
- 5.2. This Contract shall be effective before the DEBTOR completely fulfils all obligations specified in the Loan Contract or the WARRANTOR completely fulfils all obligations specified in this Contract. The WARRANTOR can not denounce this Contract unilaterally.

6. Legal Addresses and Accounting Data of the PARTIES

The WARRANTOR:

Legal address: _____

Postal address: _____

Account # _____

Tel/fax: _____

The DEBTEE:

Legal address: _____

Postal address: _____

Account # _____

Tel/fax: _____

7. Signs of the PARTIES

The DEBTEE

The WARRANTOR

ANNEX 9. SAMPLE OF AN ARREAR SUBTRACTION ORDER

Annex to the Bank Account Contract # ___ of “___” _____ 200__
signed by the Closed Corporation “Terek” and the Gorno-Altai Branch of the
Savings Bank of the Russian Federation # 8558

ORDER of “___” _____ 200__

By this order, the Closed Corporation “Terek” hereby grants to Katunsky Biosphere Reserve the right to subtract funds from its account # _____ in the Gorno-Altai Branch of the Savings Bank of the Russian Federation # 8558 to redeem the debt according to the par. 3.2. of the Warranty Contract # ___ of “___” _____ 200__ signed by the Closed Corporation “Terek” and Katunsky Biosphere Reserve.

This order is an annex to the Bank Account Contract # ___ of “___” _____ 200__.

This order is granted to Katunsky Biosphere Reserve; it becomes effective upon the day and year of signing and can not be reclaimed or amended without a written consent of Katunsky Biosphere Reserve.

Director of the Closed Corporation “Terek” _____

Chief Accountant of the Closed Corporation “Terek” _____

Stamp

Bank visa:

Director: _____

Chief Accountant _____

Stamp

ANNEX 11. SIMPLIFIED FORM FOR BUSINESS PLANS AND APPLICATIONS

BUSINESS PLAN

A Loan for the Petrov family to purchase a cow and a creamer to implement a micro-project “Diary Production Development”

CONTENTS

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2. PROJECT OBJECTIVES
3. KEYS TO SUCCESS
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ANNEXES

1. EXECUTORS

Project executors – the Petrov family

The legal status – private small holding

Householder, his/her gender and age

Familiars, their gender and age

Workhands: _____ persons

Applicant's profession and experience in the selected activity:

Existing experience in credits and return of debts (including debts to civilians):

Workhands:

Including seasonally ones:

Applicant's address:

Telephone:

Applicant's passport data, residential address, project location:

Chief accountant's passport data:

Applicant's accounting data (savings book):

Annual income of the applicant's family (assessment): _____, including revenues from:

wage labour _____

the private small holding _____

other sources _____

Assets at the moment of the business plan drawing-up:

Lands _____

Including:

own lands _____

rented lands _____

Facilities for animal farming (capacity) and fodder storage facilities (tons):

Existing cattle and birds:

Main production:

Hay and fodder harvest in the last year:

Production kept for the household use:

Production sold:

Main sales locations (for particular production types):

Average sales prices (roubles):

Yield of main cultures and cattle productivity:

Copies of tax reports for the last 2 years (annexed to this business plans in ___ pages).

2. PROJECT OBJECTIVES

The Petrov's private small holding provides sustenance for the family consisting of ___ persons. In addition, the project will provide livelihoods for ___ workhands. The purpose of the project is to raise livelihoods by _____ roubles in the year of the project implementation and by _____ roubles in further years. This income level will be maintained by own sources.

The livelihoods will grow due to the sales of milk.

3. KEYS TO SUCCESS

1. 10-year experience in cow farming in the private small holdings.
2. Good facilities for the new cow and fodder storage.
3. Labour resources for the additional cow maintenance.
4. Good conditions for milk sales at normal prices.
5. Zootechnic education of the wife and her specific work experience.

4. PRODUCTS/SERVICES

4.1. Description of the products/services and expected prices

The Petrov's small holding will produce and sale milk and diary products and use the manure to fertilise the land where vegetables and potato are cultivated for own consumption.

4.2. Competitive comparison of the products/services

The production has better taste than traditional milk produced at local enterprises due to high fat content and high-quality natural fodder (basically hay).

Local collective farms do not produce diary products, while the demand on home-made sour, cream, and pot cheese is significantly higher than the offer, especially, in summer.

The sales are guaranteed due to the presence of vacationers in the sanatorium _____ and dacha dwellers, there are no significant competitors among other private holdings and collective farms. Sales of milk produced by the existing cow prove this.

4.3. Advertisement of the products/services

The brilliant reputation of the Petrov family is the best advertisement. The reputation is proved by the presence of regular customers and good reference. Advertisement leaflets are always stuck on sanatorium's and dacha co-operative's boards (the text and a certificate proving the health of the cow are annexed). In addition, new vacationers are informed verbally about the opportunity to buy valuable home-made diary products. The sanatorium's specificity requires high diet feeding, especially diary products. In dachas, there are many children and retired persons who also need diary products.

4.4. Description of the technology/services

A traditional local dairy-farming technology is used, including 4-month grazing.

Fodder – hay and fresh grass, concentrates – depending on purchase possibilities.

Hand milking – in the morning and in the evening.

Milk filtering through sterile gauze.

Milk processing on the creamer purchased using the loan.

Packing into sterile glass packages or butter-paper.

Storage in large home fridge.

Transport on the private car _____.

5. ANALYSIS OF SALES. CUSTOMERS OF THE PRODUCTS/SERVICES AND THEIR ABILITY TO BUY THE PRODUCTS/SERVICES

Currently, the dairy market does not meet the demand of sanatorium visitors at _____. According to assessments of the sanatorium's physician in chief and Mr. Petrov, it is possible to sell at least, _____ tons of dairy products each year, primarily – _____.

In addition, home-made dairy products could be sold at the local rural market, at the railroad station _____, could be sold to the local cheese plant, provided to the regional centre for staff of the factory _____ (the factory authority has already agreed to provide a trading post for this). These additional sales channels allow to sell about _____ tons of dairy products each year.

So, there are three main sales channels – this is regarded as good sales opportunities.

It is expected to sell, through the three main sales channels, about _____ of dairy products, including _____ produced by the new cow purchased using the loan.

It is planned to set out the following prices:

milk _____

cream _____

sour _____

butter _____

pot cheese _____

These prices do not exceed average local market prices, while for _____, these are _____% lower than average prices – this will promote quick sales of perishable dairy products.

Taking into consideration the seasonal character of the demand on various dairy products and the possibility to store butter in the fridge for a long time, the following production/sales schedule is planned (by months).

	January	February	March	April	May	June	July	August	September	October	November	December
Total (kg)												

Milk and dairy production (kg):

Sales of Milk and dairy products (kg):

Revenues (roubles) _____

6. FINANCIAL PLAN OF THE MICRO-PROJECT. COSTS. LOAN RETURN SCHEDULE

According to the calculation, the project will pay for itself and the loan will be returned completely within _____ months. The calculation takes into account the following risks: _____. So, under the most unfavourable conditions, the profit will be _____ thousand roubles, while the pay back period: _____ months,

Financial flows of the debtor and the return schedule are provided in the table annexed to this business plan. According to the cash flow scheme, the loan can be returned by parts since the _____ month, when the cash flow becomes positive and sustainable.

The complete list of costs and integral calculation of financial outputs are produced according to the standard micro-credit application form and annexed to this business plan.

7. BAILMENT

The following assets are offered as bailment (return guarantee):

A. Personal material values and assessment of their cost:

B. Material values provided by warrantors and assessment of their cost:

This ensures the 100-percent possibility to return the loan if unexpected risks occur.

8. ENVIRONMENTAL IMPACT OF THE MICRO-PROJECT ON PROTECTED NATURAL HERITAGE

Milk production in private small holdings does not damage protected natural heritage in _____ National Park. The private small holding uses hay making lands specially distinguished by the NP and maintains the traditional landscapes.

9. RISKS

Risks of this projects are minimal and are not linked with sales volumes and prices that are sustainable during three last years.

All the cattle, including the new cow, will be insured at the debtor's expense in the _____ insurance company. If case of an emergency, the insurance premium will be used to return the loan.

10. GUARANTEES OF THE BUSINESS PLAN AUTHENTICITY AND RELIABILITY

I, _____, hereby prove that all information and calculations provided in this business plan (including all annexes) are authentic and reliable. I will spent the borrowed funds and return the loan according to this business plan.

I will provide the debtee possibilities to check the business plan, the project implementation in my holding, and carry out other inspections.

I agree to sign a loan contract according to the form offered by the debtee.

ANNEXES

Copies of income balance (tax return) for the last 2 years.

Application for the micro-credit

Calculation of debtor's financial flows

Advertisement text

Veterinary certificate

Reference letter

Date: _____

Sign: _____

APPLICATION
of a physical person for participation in the Contest

1.	Contest nomination	
2.	Family name	
3.	First name	
4.	Patronymic	
5.	Full home address of the applicant (Postal code, district, settlement, street, house, flat)	
6.	Contact phone	
7.	Summary of the project, expected products/services, their volumes, other project benefits. (A more detailed project description must be drawn-up in a free form (handwritten documents allowed) and attached to this application).	
8.	Project location (If there is no exact address, attach a map of the location to this application)	
9.	Project duration (up to 1 year)	
10.	Main partners/participants of the project, their total number	
11.	The number of new jobs	
12.	Expected revenues (remuneration, premiums, profit, dividends, etc. that will be gained by all participants of the project per year, thousand roubles)	
13.	Including revenues gained by local communities per year, thousand roubles	
14.	The total earnings from the product/service sales, thousand roubles	
15.	Total cost, thousand roubles	
16.	Including costs covered by the applicant, thousand roubles	
17.	Pay back period, months	
18.	Potential environmental damage	

APPLICATION
of a legal entity for participation in the Contest

1.	Contest nomination	
2.	Full name of the organisation	
3.	Name of the director	
4.	Name of the chief accountant	
5.	Address of the organisation-applicant (Postal code, district, settlement, street, house, office)	
6.	Phone, fax, e-mail	
7.	Summary of the project, expected products/services, their volumes, other project benefits. (A more detailed project description must be drawn-up in a free form, including rationale of successful sales and attached to this application).	
8.	Project location (If there is no exact address, attach a map of the location to this application)	
9.	Project duration (up to 1 year)	
10.	Main partners/participants of the project, their total number	
11.	The number of new jobs	
12.	Expected revenues (remuneration, premiums, profit, dividends, etc. that will be gained by all participants of the project per year, thousand roubles)	
13.	Including revenues gained by local communities per year, thousand roubles	
14.	The total earnings from the product/service sales, thousand roubles	
15.	Total cost, thousand roubles	
16.	Including costs covered by the applicant, thousand roubles	
17.	Pay back period, months	
18.	Potential environmental damage	

Project Profitability Calculation

#	Product/service produced by the project, measurement units	Volume	Total cost, thousand roubles	Including sales outside the protected area
1.				
2.				
3.				
	TOTAL EARNINGS			
4.	TOTAL PROFIT			
5.	Profitability index (total profit / total costs), %			

ANNEX 13. EXPERT RATIONALE FOR THE DECISION TO PROVIDE A MICRO-LOAN

The Commission (Workgroup) uses these expert assessments confidentially and does not divulge to applicants and other third persons

#	Parameters	Assessment standards (points)					
1.	<p>Quality of the micro-project elaboration; how does it meet all the selected criteria.</p> <p><u>The project must:</u> implement important objectives; there should be no worthy alternatives to it.</p>	<p>(a) the quality and purpose are wise, the duration and cost are justified – 10 points;</p> <p>(b) the quality and purpose are disputable, the duration and cost are justified – 5 points;</p> <p>(c) the quality and purpose are unconvincing, the cost is problematic – 2 points;</p> <p>(d) the quality and/or the purpose do not meet the criteria; the duration and cost exceed the capacity significantly; project objectives are not important; or there is a better alternative to resolve the issue – 0 points.</p>					
2.	<p>Positive influence of the micro-project on the local employment/livelihoods level.</p> <p><u>The project must:</u> be suitable for broad replication and multiple self-revival using funds</p>	<p>(a) the project directly raises the employment/livelihoods level of more than three families – 10 points;</p> <p>(b) the project directly raises the employment/livelihoods level of 2-3 families – 7 points;</p> <p>(c) the project directly raises the employment/livelihoods level of the applicant's</p>					

	earned by the debtor.	family – 5 points; (d) the project raises the employment/livelihoods level only indirectly; does not raise the employment/livelihoods level at all; does not have the potential for replication or self-revival – 0 points.					
3.	Anthropogenic impact of the micro-project on the conservation complex.	(a) the project does not have significant anthropogenic impact – 10 points; (b) the project has significant but permissible anthropogenic impact – 5 points; (c) the project has impermissible or unpredictable – 0 points.					
4.	Professional skills and practical experience of the applicant; his/her factual business activities.	(a) the skills, practical experience and business activities are enough to implement the micro-project successfully – 10 points; (b) the skills, practical experience and business activities are almost enough – 5 points; (c) the skills, practical experience and business activities are not enough to implement the micro-project successfully – 0 points.					
5.	Availability of resources essential to implement the micro-project – facilities, machinery, equipment, lands, permissions/licences, etc.	(a) all resources are available – 10 points; (b) most resources are available, it is possible to obtain all lacking resources prior to the micro-project beginning – 5 points; (c) at least, one essential resource is not available					

		and can not be obtained – 0 points.					
6.	The total risk of the project failure, including possible stealage of the production and insolvency of customers.	(a) there are no significant risks – 10 points; (b) there is some risk of revenue shortage, but this shortage would not affect the timely return of the loan – 5 points. (c) there is significant risk that the expected revenues can not be gained – 0 points.					
7.	Trustability of salesmen, partners, and executors proposed by the applicant.	(a) high trustability proved by applicant's successful experience – 10 points; (b) high trustability proved by successful experience of other well-known persons – 5 points; (c) there is no reliable information about the positive collaboration experience or the information is negative – 0 points.					
8.	Applicant's credit rating, his/her credit history and moral qualities.	(a) brilliant reputation, positive experience, 100% return of all credits and personal loans – 10 points; (b) brilliant reputation, but no positive experience – 5 points; (c) bad reputation and/or cases of return delay or rejection to return credits and personal loans – 0 points.					
9.	Financial situation of the applicant; his/her other	(a) the financial situation is average or higher (for the settlement), no debts or other financial					

	current debts and obligations (including current debts and obligations of applicant's kinsmen).	<p>obligations – 10 points;</p> <p>(b) the financial situation is lower than average but the applicant uses all self-employment opportunities, no debts or other financial obligations – 5 points;</p> <p>(c) the financial situation is lower than average, the applicant does not use self-employment opportunities, there are debts or other financial obligations – 0 points.</p>					
10.	Loan warranty.	<p>(a) the applicant offers and marketable bail which cost exceeds the loan – 10 points;</p> <p>(b) the applicant offers worthy warrantors able to return the loan – 5 points;</p> <p>(c) the applicant is unable to provide reliable guarantees – 0 points.</p>					
TOTALLY (points):							

Voluntary Statement

I, _____
acknowledge that, in the assignment of this micro-loan, I never had any interest conflicts (either related to myself personally or to the organisation I represent). I acknowledge that:

- there are no labour relations with the applicants;
- I (and the organisation I represent) am neither member of the applicants nor their creditor;
- I am entirely unrelated with the applicants, I am not a creditor for these persons and their kin;
- the applicants and their kin do not provide stuff/services for me and the organisation I represent; the applicants are not large customers of our stuff/services;
- the applicants do not own any property created, either completely or partially, by the organisation I represent; the organisation I represent can not gain any benefit from any applicant's property.

If I violate this Voluntary Statement, I am liable, as established by law, to the injured party for my actions affecting, either directly or indirectly, the decision making on the loan provision.

Date

Signature

Sergei N. Tarasov

HOW TO ARRANGE A MICRO-CREDIT PROCESS

SUPPORT MATERIALS

TO THE MANAGEMENT STRATEGY FOR NATIONAL PARKS OF RUSSIA

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